

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

**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

\$13,190,000

SOLID WASTE REVENUE BONDS, 2022

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Solid Waste 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 December 1 and June 1 to maturity, 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 not subject to optional redemption prior to maturity. 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 solid waste system and to pay costs of issuing 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 City's solid waste system (the "System") after payment of the Costs of Maintenance and Operation (as further defined herein, the "Net Revenues"). The lien of the Bonds on Net Revenues 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 Code.

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

The Bonds are offered when, as and if issued, subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. 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
\$13,190,000
SOLID WASTE REVENUE BONDS, 2022

MATURITY SCHEDULE

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP* Nos.
2022	\$ 730,000	4.00%	1.40%	101.675	87354VAX8
2023	1,150,000	3.00	1.52	102.401	87354VAY6
2024	1,185,000	5.00	1.75	108.377	87354VAZ3
2025	1,245,000	5.00	1.85	111.066	87354VBA7
2026	1,305,000	5.00	1.93	113.588	87354VBB5
2027	1,370,000	5.00	2.03	115.775	87354VBC3
2028	1,440,000	5.00	2.10	117.908	87354VBD1
2029	1,510,000	5.00	2.15	120.002	87354VBE9
2030	1,590,000	5.00	2.21	121.854	87354VBF6
2031	1,665,000	5.00	2.29	123.341	87354VBG4

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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
Geoff 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.

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	Management	30
Security and Sources of Payment for the		Response to COVID-19	31
Bonds	1	Taxation	32
COVID-19 Pandemic; Other Considerations.....	2	Financial Policies.....	32
THE BONDS	2	Budgetary Policies	32
General	2	Auditing	32
Bond Registrar.....	2	Investment Practices	33
Redemption	3	Insurance.....	34
Open Market Purchase	3	Labor Relations.....	35
Defeasance	3	Pension.....	36
USE OF PROCEEDS	4	Other Post-Employment Benefits	37
Purpose.....	4	Defered Compensation	37
Sources and Uses of Funds.....	4	CERTAIN INVESTMENT CONSIDERATIONS	38
SECURITY AND SOURCES OF PAYMENT		Initiative and Referendum.....	38
FOR THE BONDS	4	Limitations on Remedies	38
Pledge of Net Revenues.....	4	No Acceleration	39
Flow of Funds.....	5	Municipal Bankruptcies	39
Bond Fund.....	6	Seismic, Volcanic, Flooding, and Other Risks.....	39
Rate Stabilization Fund	7	Climate Change.....	40
Future Parity Bonds.....	7	COVID-19 Pandemic; Public Health	40
Rate Covenant	8	Cybersecurity	40
Additional Covenants	9	TAX MATTERS	41
Parity Payment Agreements	9	CONTINUING DISCLOSURE	
Reimbursement Obligations	10	UNDERTAKING.....	42
Additional Terms of the Bond Ordinance.....	10	RATINGS	43
DEBT INFORMATION	10	PURCHASER OF THE BONDS	43
Description of Outstanding Parity Bonds	10	MUNICIPAL ADVISOR	43
Schedule of Parity Bond Debt Service	11	CERTAIN LEGAL MATTERS	43
Subordinate Lien Obligations.....	11	LITIGATION.....	43
Debt Payment Record.....	11	No Litigation Concerning the Bonds	43
Future Financing	11	Other Litigation.....	43
THE SYSTEM.....	11	POTENTIAL CONFLICTS OF INTEREST.....	44
General Information	11	OFFICIAL STATEMENT	44
The Solid Waste Ordinance—Flow Control.....	12		
Collection	13	APPENDIX A — FORM OF THE BOND	
Recovery & Transfer Center.....	14	ORDINANCE	
Waste Disposal History	16	APPENDIX B — FORM OF BOND COUNSEL	
Rates and Charges and Billing.....	16	OPINION	
Rates and Charges	17	APPENDIX C — AUDITED FINANCIAL	
Comparative Rates	20	STATEMENTS OF THE SYSTEM	
Number of Customers	21	AS OF DECEMBER 31, 2020	
Strategic Plan and Conservation.....	22	APPENDIX D — ECONOMIC AND	
Capital Improvement Program	23	DEMOGRAPHIC	
HISTORICAL FINANCIAL RESULTS	24	INFORMATION	
Historical Operating Statements	24	APPENDIX E — BOOK-ENTRY SYSTEM	
2021 Management Discussion of Results	26	APPENDIX F — FORM OF CONTINUING	
CERTAIN FACTORS AFFECTING THE		DISCLOSURE CERTIFICATE	
MUNICIPAL SOLID WASTE MANAGEMENT			
SYSTEM	27		
General	27		
Environmental Regulation.....	27		
Operating Results	27		
Conservation Programs	27		
Legal Decisions Regarding Solid Waste Flow			
Control.....	28		
THE CITY OF TACOMA	29		
City Officials	29		
Administration.....	29		

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

\$13,190,000

SOLID WASTE 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 Solid Waste Revenue Bonds, 2022 (the “Bonds”).

The Bonds are to be issued pursuant to Ordinance No. 28805, 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 laws and provisions 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 solid waste system for the collection and disposal of garbage and recycling (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 Gross Revenues after payment of the Costs of Maintenance and Operation (as further defined herein, the “Net Revenues”). The Bonds are issued with a lien on Net Revenues on a parity with the following System obligations (the “Outstanding Parity Bonds”):

- Solid Waste Revenue Bonds, 2015 (Green Bonds) (the “2015 Bonds”) currently outstanding in the aggregate principal amount of \$10,330,000;
- Solid Waste Revenue Refunding Bonds, 2016A (the “2016A Bonds”) currently outstanding in the aggregate principal amount of \$23,200,000; and
- Solid Waste Revenue Refunding Bonds, 2016B (the “2016B Bonds”) and together with the 2016A Bonds, the “2016 Bonds”) currently outstanding in the aggregate principal amount of \$15,025,000.

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 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 Solid Waste 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

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Open Market Purchase

The City has reserved the right at any time to purchase any of the Bonds from amounts available for such purpose.

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.

The proceeds from the sale of the Bonds are expected to be used to finance certain capital improvements to the System, including the acquisition of compressed natural gas collection-vehicles, the acquisition of diesel semi-tractor transfer vehicles with improved engine and emission standards, containers and downtown compactors, other fleet repair and replacements, fueling station repairs or replacements, and other upgrades, repair, replacements, and/or improvements at Solid Waste facilities. See “THE SYSTEM—General Information” and “—Strategic Plan and Conservation.”

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 are rounded).

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

Sources of Funds	
Principal Amount of the Bonds	\$ 13,190,000
Original Issue Premium	1,966,331
Total Sources:	<u>\$ 15,156,331</u>
Uses of Funds	
Project Fund Deposit	\$ 15,000,000
Costs of Issuance ⁽¹⁾	156,331
Total Uses:	<u>\$ 15,156,331</u>

⁽¹⁾ Includes legal fees, rating agency fees, printing costs, Municipal Advisor fees, underwriter’s discount, additional proceeds, 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 the Gross Revenues, after payment of the Costs of Maintenance and Operation, to the payment of the Parity Bonds. The amounts pledged to be paid into the Bond Fund are a prior lien and charge upon Gross Revenues superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation and except that the amounts so pledged are of equal lien to the charges made to pay and secure the payment of the principal of and interest on any Future Parity Bonds and certain reimbursement obligations of the City with respect to the Reserve Fund.

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 Gross Revenues less the Costs of Maintenance and Operation, excluding from the computation of Gross Revenues any proceeds derived from the sale or other

disposition, not in the ordinary course of business, of properties, rights or facilities of the System or gains or losses resulting from the early extinguishment of debt.

“Gross Revenues” are defined in the Bond Ordinance to mean (i) revenues received for the use of the System or from services rendered by the System, (ii) the proceeds received by the City from the sale or other disposition of any of the properties of the System, (iii) 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 (iv) federal or state reimbursement of operating expenses to the extent that such expenses are included as Costs of Maintenance and Operation, but excluding (a) insurance proceeds, (b) investment income irrevocably pledged to the payment of any solid waste revenue bonds of the City refunded or defeased pursuant to a plan of refunding heretofore or hereafter adopted by the City, (c) investment income earned on money in any rebate fund, and (d) grants, gifts or donations.

“Costs of Maintenance and Operation” are defined in the Bond Ordinance to mean all necessary expenses of operating the System, current maintenance expenses, expenses of reasonable upkeep and repairs, insurance and administrative expenses, reasonable pro-rata charges for services provided to the System by City departments and payments pursuant to leases for landfill capacity and hauling disposal, but excludes depreciation, payments for debt service or into reserve accounts or funds, costs of capital additions to or replacements of the System, money necessary to pay extraordinary legal claims and judgments against the System, amortized payments to the City’s self-insurance fund with respect to extraordinary claims and judgments, municipal taxes and payments to the City in lieu of taxes, any Rebate Amount, and closure and post-closure costs associated with the System’s landfill.

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 “Solid Waste Operating Fund.” The City has covenanted and agreed that so long as any of the Parity Bonds are outstanding, it will pay or cause to be paid into the Solid Waste Operating Fund all Gross Revenues, except income from the investment of money in any construction funds and any rebate funds, as collected, and the Solid Waste Operating Fund shall be held separate and apart from all other funds and accounts of the City. The money in the Solid Waste Operating Fund may be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation;

Second, to make all payments required to be made for the Parity Bonds in the following order:

- (a) into the Debt Service Account to pay the interest due on any Parity Bonds for which money shall not have been provided by income from the investment of money in the Bond Fund;
- (b) to make all payments required to be made into the Debt Service Account to pay the principal of any Parity Bonds due at maturity for which money shall not have been provided by income from the investment of money in the Bond Fund, and to make all payments heretofore or hereafter required to be made into the Debt Service Account under any schedule for the amortization of Term Bonds;
- (c) to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance 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, 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; and

- (d) 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;

Third, to make all payments required to be made into any other revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or sinking fund account created to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the City having a lien upon the Gross Revenues and the money in the Solid Waste Operating Fund junior and inferior to the lien thereon for the payment of the principal of and interest on Parity Bonds;

Fourth, to pay municipal taxes and payments to the City in lieu of taxes; and

Fifth, to retire by redemption or purchase in the open market any outstanding solid waste revenue bonds, notes or revenue warrants of the City or to make necessary additions, improvements, extraordinary repairs, extensions and replacements of the System, to make payments into the Rate Stabilization Fund, or any other lawful City purposes, including the payment of legal claims and judgments against the System.

Bond Fund

The City has previously created the Bond Fund for the sole purpose of paying and securing the payment of Parity Bonds. The Bond Fund contains the Debt Service 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.

Debt Service Account. The Debt Service Account has been created in the Bond Fund for the purpose of paying the interest on, principal of or Sinking Fund Requirement for any Parity Bonds. As long as any Parity Bonds remain outstanding, the City is obligated to set aside and pay from the Solid Waste Operating Fund into the Debt Service Account those amounts necessary, with such other funds as are then on hand and available in the Debt Service Account, to pay the interest on, the principal of and the Sinking Fund Requirements for all outstanding Parity Bonds when due, at maturity or by mandatory redemption.

Reserve Fund. A Reserve Fund has been created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Covered Bonds. The City may create separate reserve funds and establish separate Reserve Fund Requirements, if any, to secure the payment of the principal of and interest on other Parity Bonds. "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 in any calendar year to be paid for the principal of and interest on all Parity Bonds that are Serial Bonds then outstanding together with the amount required in such calendar year to make the annual required payments into any Sinking Fund Account created to amortize Term Bonds, excluding interest to be paid from the proceeds of the sale of Parity Bonds, calculated as provided in the Bond Ordinance.

The cash balance in the Reserve Fund as of January 31, 2022 was \$2,109,500, which is an amount sufficient to satisfy the Reserve Fund Requirement with respect to the 2015 Bonds. The 2016 Bonds were initially issued as Covered Bonds. As permitted in the Parity Bond Ordinance authorizing the issuance of the 2016 Bonds, on March 27, 2019, 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 were no longer considered Covered Bonds and the payment of the principal of and interest on the 2016 Bonds was no longer secured by amounts on deposit in the Reserve Fund or any other reserve fund of the City.

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 Solid Waste Operating 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 \$7,000,000. See "Rate Covenant."

Future Parity Bonds

The City reserves the right to issue Future Parity Bonds (a) to provide funds to acquire, construct, reconstruct, install, or replace any equipment, facilities, additions, or other capital improvements to the System for which it is authorized by law to issue revenue bonds; (b) to provide for any lawful purpose of the System, including the payment of a judgment or settlement of a claim; or (c) to refund at or prior to their maturity, any revenue bond anticipation notes or outstanding revenue bonds or other obligations payable out of the Gross Revenues. Future Parity Bonds may be issued upon compliance with the following conditions:

- (1) At the time of the issuance of any Future Parity Bonds there is no deficiency in the Bond Fund.
- (2) The principal of and interest on any Future Parity Bonds shall be payable out of the Bond Fund and the requirements for Sinking Fund Requirements and Reserve Fund payments (with respect to Covered Bonds) of the Bond Ordinance shall be met.
- (3) Prior to the delivery of any Future Parity Bonds, the City shall have on file in the office of the City Clerk either:
 - (a) 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 bonds then proposed to be issued, as determined from the financial statements of the System, were not less than 1.25 times Maximum Annual Debt Service for any year on all outstanding Parity Bonds and the bonds proposed to be issued, provided that in the event that any adjustment in the rates, fees and charges collected by the City for the services of the System shall have been adopted by the City Council at any time on or prior to the date of delivery of the bonds then proposed to be issued, the Finance Director shall reflect in such certificate the Net Revenues such officer estimates would have been collected in such 12 month period if such new rates, fees and charges had been in effect for the entire 12 month period, or
 - (b) a certificate of an Engineer or a Certified Public Accountant ("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 not less than 1.25 times Maximum Annual Debt Service for any year on all outstanding Parity Bonds and the bonds proposed to be issued.

The Adjusted Net Revenues shall be the Net Revenues for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds 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 Future Parity Bonds proposed to be issued, shall be outstanding:

(1) the additional Net Revenues which 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 such 24 month period, had been in force during the full 24 month period;

(2) the additional Net Revenues which would have been received if any customers added to the System during such 24 month period were customers for the entire period. For these purposes, customers shall mean only customers for collection and disposal of solid waste; and

(3) the additional Net Revenues estimated by such Engineer or Accountant to be received as a result of any additions and improvements to and extensions of any facilities of the System which are (a) 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.

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

For purposes 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.

The City has complied, or will have complied at the closing of the Bonds, with the requirements summarized above for issuance of the Bonds.

Refunding Bonds. If Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the bonds being refunded thereby, it is not necessary to obtain a certificate of the Finance Director or an Engineer or Accountant prior to issuing such bonds.

Nothing in the Bond Ordinance prevents the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Junior Lien Obligations. Nothing in the Bond Ordinance prevents the City from issuing revenue bonds or other obligations with a lien upon the Gross Revenues junior to the lien of the outstanding 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 to establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System and all commodities sold, furnished or supplied by the System, and

shall adjust such rates and charges from time to time so that:

(1) Gross Revenues will at all times be sufficient (a) to pay all costs of and charges and expenses in connection with the proper operation and maintenance of the System, (b) to pay the principal of, interest on and any Sinking Fund Requirements for the outstanding Parity Bonds, as and when the same shall become due and payable, (c) to make when due all payments which the City is obligated to make into the Reserve Fund, (d) to make all other payments which the City is obligated to make pursuant to the Bond Ordinance or any ordinance authorizing the issuance of Parity Bonds and (e) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the City may now and hereafter become obligated to pay from Gross Revenues by law or contract; and

(2) The Net Revenues in each calendar year will equal at least 1.25 times the Annual Debt Service for such calendar year (the "Rate Covenant").

Solely for purposes of calculating the Rate Covenant, there shall be added to Gross Revenues in any calendar year any amount withdrawn from the Rate Stabilization Fund in such calendar year and deposited in the Solid Waste Operating Fund, and there shall be subtracted from Gross Revenues in any calendar year any amount withdrawn from the Solid Waste Operating Fund and deposited in the Rate Stabilization Fund. 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 of 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.

The failure to collect Net Revenues in any calendar year sufficient to comply with the Rate Covenant shall not constitute an Event of Default under the Bond Ordinance if the City, before the 100th day of the following calendar year:

(a) Employs an Engineer to recommend changes in the System's rates which are estimated to produce Net Revenues sufficient (once the rates recommended by the Engineer have been imposed by the City) to meet the requirements of the Rate Covenant; and

(b) Promptly imposes rates at least as high as those recommended by such Engineer.

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; not to furnish any service of the System free of charge in an aggregate amount per year exceeding 1/10 of 1% of annual Gross Revenues; 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.

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 defines certain Events of Default with respect to the Bonds, including but not limited to, failure to make bond payments punctually and failure to observe or perform any of the covenants included in the Bond Ordinance. The Bond Ordinance provides for the opportunity to cure certain defaults and the appointment of a trustee to take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the owners of Parity Bonds. The Bond Ordinance also 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 Events of Default, remedies, amendments, and other terms of the Bonds.

DEBT INFORMATION

Description of Outstanding Parity Bonds

As of the date of issuance of the Bonds, the following Parity Bonds are expected to be outstanding.

**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	2025	28279	\$ 21,095,000	\$ 10,330,000
2016A Bonds	06/15/2016	2036	28356	23,200,000	23,200,000
2016B Bonds	09/07/2016	2031	28356	15,025,000	15,025,000
The Bonds	04/07/2022	2031	28805	13,190,000	13,190,000
Total				\$ 72,510,000	\$ 61,745,000

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 ⁽¹⁾	Outstanding Parity Bonds		The Bonds		Total ⁽²⁾
	Principal	Interest	Principal	Interest	
2022	\$ 2,410,000	\$ 2,313,150	\$ 730,000	\$ 408,980	\$ 5,862,130
2023	2,530,000	2,192,650	1,150,000	600,000	6,472,650
2024	2,630,000	2,091,450	1,185,000	565,500	6,471,950
2025	2,760,000	1,959,950	1,245,000	506,250	6,471,200
2026	2,635,000	1,821,950	1,305,000	444,000	6,205,950
2027	2,770,000	1,690,200	1,370,000	378,750	6,208,950
2028	2,905,000	1,551,700	1,440,000	310,250	6,206,950
2029	3,050,000	1,406,450	1,510,000	238,250	6,204,700
2030	3,205,000	1,253,950	1,590,000	162,750	6,211,700
2031	3,365,000	1,093,700	1,665,000	83,250	6,206,950
2032	3,675,000	925,450	-	-	4,600,450
2033	3,855,000	741,700	-	-	4,596,700
2034	4,050,000	548,950	-	-	4,598,950
2035	4,250,000	346,450	-	-	4,596,450
2036	4,465,000	133,950	-	-	4,598,950
Total⁽²⁾	\$ 48,555,000	\$ 20,071,650	\$ 13,190,000	\$ 3,697,980	\$ 85,514,630

(1) Based on Fiscal Years ending December 31.

(2) Totals may not foot due to rounding.

Source: *The City of Tacoma and the Municipal Advisor*

Subordinate Lien Obligations

The City retains the right to issue revenue obligations with a subordinate lien on Net Revenues. The City does not currently have any subordinate obligations payable from Net Revenues outstanding.

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 outstanding. The City does not expect to issue bonds secured by Net Revenues in the next 12 months.

THE SYSTEM

General Information

The System has provided mandatory solid waste collection and disposal services for City residents and commercial and industrial entities since 1929. In 1990, the City expanded the System to include curbside pickup of residential and commercial recyclables and residential yard and garden waste. All curbside collection customers of the System

are located inside of City limits. See “Collection” below. The City’s Recovery & Transfer Center offers self-haul residential and commercial, garbage and waste services to the public. Approximately 4.0% of residential transfer and disposal customers are located outside City limits but within Pierce County (the “County”). See “Recovery & Transfer Center” below. The City had a 2021 population of approximately 218,700 and encompassed an area of approximately 62 square miles, including approximately 12 miles of saltwater areas.

The System is managed by the Solid Waste Management Division (“Solid Waste Management” or the “Division”) of the City’s Environmental Services Department (the “Department”). Solid Waste Management is presented as an enterprise fund within the Department under the provisions of the City Charter and is 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 wastewater and stormwater management utilities. For management and employee information for the City and the Department, see “THE CITY OF TACOMA.”

The System generates its revenues primarily from collection and disposal of solid waste. The System charges residential customers for collection and disposal service, which consists of curbside pickup and disposal of waste. Minimum residential and commercial service is mandatory. Residential customers may transport additional waste directly to the City’s transfer station and pay for disposal of that waste. The System also provides collection and disposal services for commercial customers. Some of these commercial customers have been issued special permits to self-haul their own solid waste, which must be disposed of at City facilities.

Collection services are provided by using City-owned and -operated collection vehicles. See “Collection” below. The proceeds from the sale of the Bonds will be used to finance certain capital improvements to the System, including the acquisition of compressed natural gas (“CNG”) collection-vehicles, the acquisition of diesel semi-tractor transfer vehicles with improved engine and emission standards, containers and downtown compactors, other fleet repair and replacements, fueling station repairs or replacements, and other upgrades, repair, replacements, and/or improvements at Solid Waste facilities. See “USE OF PROCEEDS.” Converting the System’s collection fleet to CNG is intended to reduce emissions and fuel costs now that the vehicles can be fueled efficiently on site using a fuel source with much less volatile prices than traditional diesel fuel. Further, upgrading the transfer vehicles to Tier 4 engines is intended to reduce emissions of carbon dioxide and particulate matter.

The COVID-19 pandemic has had ongoing impacts on the System since March 2020. Major operational changes included temporarily closing non-essential portions of the Recovery & Transfer Center to protect City employees. Other operational changes intended to reduce exposure risk between staff included dispatching collector drivers remotely by phone and radio, waiving clock out requirements for some work groups, placing occupancy limits on vehicles and conference rooms, implementing the technology needed for virtual meetings, and allowing collector drivers to work through breaks and lunches to eliminate the need to gather in the lunchroom or in other public spaces. Janitorial services were increased to include daily disinfectant cleaning of surfaces within the buildings. A vendor was hired to provide weekly medical-grade disinfection, sanitization, and deep cleaning of common areas including locker rooms and bathrooms. For sanitation of vehicles and common use equipment, field staff were provided hand sanitizer and disinfecting wipes.

Other measures taken to protect System employees and customers included social distancing requirements, employee and customer education programs and signage, transitioning support staff to telework, conducting contact tracing, using brand name MERV-13 rated filters for the HVAC systems and replacing them sooner than factory recommendation.

The Solid Waste Ordinance—Flow Control

The System is authorized by State law and City ordinance to control the flow of solid waste generated within the Tacoma City limits that will be disposed. See RCW 35.21.130(1) and Tacoma Municipal Code (“TMC”) 12.09.020. The City’s ordinance—commonly referred to as its “flow control ordinance”—gives the System the sole right to collect, remove and dispose of solid waste within the City. It also authorizes the System to comprehensively regulate the collection and disposal of solid waste by private haulers operating within the City, which it does by issuing “special permits” under TMC 12.09.070. State law and local ordinance also authorizes the City to charge for solid waste collection and disposal services.

Privately-owned solid waste collection and disposal companies are barred from operating within the City unless they obtain a special permit from the System. See TMC 12.09.020. Private haulers operating within the City under a special permit are required to transport and deliver the acceptable solid waste they collect to the City's Tacoma Recovery & Transfer Center. The Tacoma Recovery & Transfer Center also receives acceptable commercial solid waste from private contractors who "self-haul" the solid waste they generate to the facility for eventual disposal. Private haulers are also allowed, through the special permit program, to collect recyclable materials within the City and transport such materials to acceptable recycling or processing facilities within or outside the City. In addition, City residents and the County residents may drop off acceptable residential solid waste at the Tacoma Recovery & Transfer Center. Special permittees, self-haul operators and residential users of facilities are charged a tipping fee. The City is authorized to impose solid waste collection and disposal rates and fees under chapter 35.21 RCW and TMC Section 12.09. See "CERTAIN FACTORS AFFECTING THE MUNICIPAL SOLID WASTE MANAGEMENT SYSTEM—Legal Decisions Regarding Solid Waste Flow Control."

Collection

Residential Waste Collection System. Using City-owned and -operated collection vehicles, the City provides mandatory collection services for all residential customers. Prior to 2013, collection service for residential customers was provided on a weekly basis. Beginning in 2013, all City residents living in single-family homes and duplexes began receiving collection services on an every other week basis. Implementation of every other week service has resulted in customer savings (approximately 10% annual savings for the average residential customer), increased waste diversion (approximately 6.5% decrease in landfilled residential garbage), reduced collection costs (approximately \$1.2 million less per year), and lowered environmental impact (approximately 44% reduction in carbon dioxide emissions from the City's vehicle collection fleet).

Commercial Waste Collection System. The City provides weekly mandatory collection service to all commercial customers with City-owned and -operated collection vehicles. A very small number of commercial customers are approved by the City to self-haul their waste. These customers are required to deliver waste to and pay tipping fees at the Tacoma Recovery & Transfer Center.

Collection of Residential and Commercial Recyclable Materials. The City's collection service includes voluntary curbside collection of commingled recyclables for residential customers in the service area. Collection occurs every other week. Curbside recycling was initiated in 1990. In 1997, the City initiated a commingled recycling program City-wide that allows residential customers to place all recyclables into one container and adds certain plastics, cardboard and mixed wastepaper to the items collected at curbside. In 2021, the City implemented drop-off boxes located throughout the City for customer drop off of residential glass for recycling, phasing out curbside glass collection to reduce collection cost. Active public relations and educational programs have been implemented to promote City-wide recycling and to encourage residents to use the recycling facilities.

Commercial recycling is not subject to flow control. See "The Solid Waste Ordinance—Flow Control." Curbside commercial recycling collection is provided to commercial customers upon request.

Collection of Food and Yard Waste. Voluntary curbside pick-up of residential yard and garden waste was initiated in 1990. Collection occurs every other week. Similar to recycling, active public relations and educational programs have been implemented to promote City-wide composting and to encourage residents to use the composting facilities. In 2010, the City began a voluntary commercial food waste collection program and in 2011 implemented a residential food waste collection program combined with yard waste. Active public relations and educational programs have been implemented to promote City-wide composting and to encourage residents to use the food and yard waste facilities.

Customer Drop-Off. At the Tacoma Recovery & Transfer Center, customers are allowed to drop off their recyclable materials, including household appliances, and organic food/yard waste. The recycling center includes a facility to accept household hazardous waste. No other hazardous waste is accepted at the Tacoma Recovery & Transfer Center. All household hazardous waste accepted at the Tacoma Recovery & Transfer Center is transported for disposal off-site in accordance with applicable laws and regulations governing such disposal.

Recovery & Transfer Center

The City owns and operates the Tacoma Recovery & Transfer Center. The City also has disposal and processing contracts for disposal of garbage and the processing of recycling and yard waste.

Tacoma Recovery & Transfer Center. In 2011, the City constructed a transfer facility called the Tacoma Recovery & Transfer Center located within the City limits at 3510 South Mullen Street and adjacent to the Tacoma Landfill. The Tacoma Landfill, a 235 acre landfill site, was capped and closed in 2013. See “Tacoma Landfill.” The Tacoma Recovery & Transfer Center opened in October 2011 and includes garbage and yard waste handling facilities with a capacity of 250,000 tons of waste per year and with a peak day capacity of 1,100 tons. The facility includes the Tacoma Landfill, a transfer station, scale-house, recycling center, white goods (appliance) processing facility, household hazardous waste facility, and administrative offices.

In March 2020, in order to comply with State mandates requiring business closures, the City closed most recycling, yard waste and garbage self-haul services at the Recovery & Transfer Center. This reduced employee exposure to the number of public customers by 90% while still maintaining essential services. The transfer station remained open to the City’s collection fleet and to essential services as defined by the Governor that were still open during the initial state-wide closures. To assist customers during this closure, the City allowed residents to set out extra garbage on their collection day at no additional cost. Once allowed, the City phased in the resumption of additional services with procedures, practices, signage, customer education, and other initiatives to limit the amount of customers gathered together.

The Tacoma Recovery & Transfer Center is regulated by the Tacoma Pierce County Health Department (“TPCHD”), and is currently being operated by the City under an annual permit issued by TPCHD. The current permit is scheduled to expire on March 24, 2022, with annual renewals. The permit allows the City to operate the transfer station, household hazardous waste collection and recycling facilities and maintain the Tacoma Landfill, all within the existing footprint on the property. The TPCHD has not issued any violations of this permit. The System is also subject to several other permits, including an Industrial General Stormwater Permit, Puget Sound Clean Air Agency permits for landfill flares, and Mobile Fueling permits.

Tacoma Landfill. Of the Tacoma Landfill’s 235 acres, approximately 100 acres have not been used for waste disposal and it is not the City’s intention to do so. Another 110 acres have been capped in accordance with a consent decree negotiated between the City and the U.S. Environmental Protection Agency (“EPA”) and Washington State Department of Ecology as described below (the “Consent Decree”) (*United States et al v. City of Tacoma*, US District Court Cause No. C-89C583T). The last operating cell of the Tacoma Landfill, comprising approximately 25 acres, was constructed to meet then-current regulations for new landfills. Filling of this cell was completed in 2012 and the Tacoma Landfill was completely capped and closed in 2013.

The Tacoma Landfill site became part of the South Tacoma Channel Superfund Site in 1983. In 1991, the City entered into the Consent Decree to clean up the release of hazardous substances at the Tacoma Landfill. The Consent Decree action was brought under the federal Comprehensive Environmental Response, Compensation, and Liability Act and the State Model Toxics Control Act. The City completed the majority of the remediation work required by the Consent Decree several years ago. The remaining work mostly involves monitoring the remediation work completed by the City in the 1990s to assure that it continues to protect human health and the environment. The City also has an obligation to monitor the remediation work over the next 20 or more years.

The City’s remediation work has included: (1) covering the landfill with a double flexible membrane cap that is impermeable to water; (2) capturing methane gas within and at the landfill perimeter to prevent off-site migration; (3) pumping and treating ground water to remove contamination at the point of compliance and beyond property boundaries; and (4) closing the landfill in accordance with the Consent Decree.

The costs for ongoing maintenance of the Tacoma Landfill are not expected to require rate increases above those already projected. See “Rates and Charges.” The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. The City’s on-going monitoring efforts indicate the remedial actions undertaken by the City at the Tacoma Landfill are performing as designed.

In 2014, following closure of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the TPCHD through the same permitting process. The Tacoma Landfill is also covered by a TPCHD closure permit, which is incorporated into the overall facility permit. The closure permit mirrors the requirements implemented as a result of the Tacoma Landfill remedial action. The TPCHD has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February 2019, the City and the TPCHD executed an agreement pursuant to which the City agreed to comply with TPCHD closure permit requirements and a new solid waste permit was issued by TPCHD expiring in March 2020. As discussed above, a new solid waste permit was renewed in 2021 and is scheduled to expire on March 24, 2022, with annual renewals.

Long term plans for the closed capped areas of the Tacoma Landfill include recreational facilities, such as trails and playfields, as well as other governmental facilities, such as greenhouses for grounds maintenance operations. All development on the Tacoma Landfill site must be designed to accommodate differential settlement and allow for continued functioning of the environmental remediation systems.

The City reported \$14,435,352 as a landfill closure and post-closure liability as of December 31, 2020, based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$14,865,976 on December 31, 2019, based on 100% of capacity. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The System will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs. See Note 8 in the City's financial statements attached hereto in Appendix C for more information regarding the Tacoma Landfill.

Long-Haul System. The City uses its own employees and vehicles to transport garbage to the 304th Street Landfill (the "LRI Landfill") located in Pierce County, Washington, 26 miles south of the Tacoma Recovery & Transfer Center. The LRI Landfill is owned by Pierce County Recycling, Composting and Disposal, LLC (d/b/a Land Recovery Inc.) ("LRI"), which is owned by Waste Connections, Inc. The City's disposal contract with LRI runs through February 1, 2030, and may be extended upon mutual agreement. The terms of the contract provide for the City to dispose of all of the municipal solid waste that the City collects. Recycling and composting waste are not covered by the contract. The LRI Landfill is permitted by TPCHD to receive up to 32.9 million cubic yards. The LRI Landfill is expected to have fill capacity to 2036, assuming achieving a certain level of waste diversion.

Prior to 2020, disposal rates were variable depending on the volume disposed of in the year. Disposal rates are now fixed, subject to adjustment annually, based on 85 percent of the Seattle-Tacoma-Bremerton Consumer Price Index. The rate per ton is also periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. In 2021, the rate per ton was \$39.47. The rate has been adjusted for CPI with an increase of 6.43% to \$42.01 per ton effective February 2, 2022.

Recycling Contract. In 2004, the City entered into a ten-year contract with JMK Fibers LLC ("JMK"), which is now owned by Waste Management, Inc., to sort and market recycled material for the City. The contract was extended in 2014 for an additional two-year term through 2016, again in 2016 for an additional five-year term, and in 2021 for another five-year term. The current end date is July 31, 2026, and may be extended upon mutual agreement in five-year increments. According to the terms of the contract, the City pays the processing cost net of the revenue or cost for marketing the recycled material which is based on local market price. The cost of processing commingled recyclables in 2019 was \$26.08 per ton until August 31, 2019. On September 1, 2019 the rate increased to \$26.56 per ton until August 31, 2020. The cost of processing then increased to \$26.75 per ton on September 1, 2020 and remained at that rate for the remainder of 2020. The average cost of marketing recycled material was \$93.25 per ton in 2019 and \$81.27 per ton in 2020. Historically, market values of recyclables have varied widely and the System has been and is expected to continue to be able to cope with the fluctuations in revenues.

Changes in international import policies beginning in 2018 have resulted in an increase in the cost of processing, sorting, marketing and shipping recyclables collected in the curbside commingled recycling. To maintain the level of service to customers, a temporary surcharge of \$2.32 per residential account per month was implemented in January 2020. The cost of marketing recyclables will be reviewed in 2022 to evaluate if a permanent rate increase is needed, or if the surcharge should be extended.

Yard Waste Disposal Contract. In 2004, the City also entered into a ten-year contract with Pierce County Recycling, Composting and Disposal LLC (“PCRCD”) to accept organic material collected by the City curbside or delivered to the Tacoma Landfill for processing into compost. The contract has been extended until November 2022. PCRCD charges a base rate per ton for the organic waste it receives from the City, which is adjusted annually based on the Seattle-Tacoma-Bremerton Consumer Price Index. The current rate for processing compost under this contract is \$67.65 per ton. In lieu of a revenue percentage, the City opted to receive finished compost product at no charge. The contractual arrangement allows the City to receive 5,000 cubic yards of compost per year, at a value of over \$50,000. The City issued a request for proposals in late 2021 and through the selection process, the City is starting negotiations to enter into a new organic materials processing contract based on a joint proposal from Cedar Grove Composting and Olympic Organics, that will take effect December 2022.

Waste Disposal History

The following table shows total tons disposed of by the System in recent years.

**TABLE 4:
DISPOSAL VOLUME BY WEIGHT
(TONS)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Solid Waste	193,215	202,089	202,632	193,567 ⁽¹⁾	202,724
Recycling	32,034	31,097	29,130	26,312	26,012
Yard Waste	32,224	31,540	33,692	37,978 ⁽²⁾	32,164
Total	257,473	264,726	265,454	257,857	260,915

- ⁽¹⁾ Decrease in solid waste disposal and recycling in 2020 was due to the temporary closure of the Recovery & Transfer Center to some customers and the decrease in some types of commercial waste volumes during the COVID-19 State mandated business closures and restrictions.
- ⁽²⁾ Increase in yard waste disposal in 2020 was largely due to increased yard work and other activities as a result of COVID-19 mandatory stay home orders.

Source: City of Tacoma Environmental Services Department

Municipal solid waste for the year 2021 was disposed of as follows:

**TABLE 5:
DISPOSAL METHODS
(000’s)**

	<u>Tonnage</u>	<u>Percent of Total</u>
Hauled to Landfills	202,724	78%
Recycling and Composting	58,176	22
Total	260,900	100%

Source: City of Tacoma Environmental Services Department

Rates and Charges and Billing

Rates charged by the System are not subject to control by any federal or State agency. The establishment of rates for collection and disposal services (using City-owned and City-operated vehicles) 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.

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 TPCHD. 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 charges 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 charges 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 charges for sewer service, related penalties, and connection charges, 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 the 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’s moratorium will 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 do 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 Charges

The Council adopts rates for monthly residential and commercial collection as well as disposal and tipping fees for self-haul customers sufficient to operate and maintain the System and meet all of its payment obligations. Residential curbside customers are charged a fixed rate determined by the size of the garbage container. Recycling and food/yard waste services are included in the monthly fee. Commercial customers are also charged a fixed rate determined by the size of the garbage container, and pay an additional fee for recycling, yard waste and food waste collection. Commercial customers include multi-family residences larger than duplexes, commercial establishments and industrial customers.

The City adopts rates for the System every two years. Rates for 2021 and 2022 were adopted by the Council in November 2020. To further address the continuing economic impact of the COVID-19 pandemic on ratepayers, the Council increased rates in 2021 and 2022 by approximately 1.5% and 2.0% respectively, reduced from earlier revenue forecasts presented to ESC. The City’s current rate ordinance can be found at chapter 12.09 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 Council. For historical and projected average rate increases, see Table 8.

Collection and Disposal Services. The 2022 monthly rates for certain collection and disposal services are shown in the following table.

**TABLE 6:
COLLECTION AND DISPOSAL SERVICES
MONTHLY RATES AND CHARGES⁽¹⁾**

	2022
Residential Collection Services⁽²⁾	
30 Gallon Container	\$ 24.55
45 Gallon Container	36.79
60 Gallon Container	49.05
90 Gallon Container	73.58
60 x 2 Gallon Containers	98.10
60 + 90 Gallon Containers	122.63
90 x 2 Gallon Containers	147.16
Commercial Collection Services	
Barrel Containers	
20 Gallon Container	\$ 31.73
30 Gallon Container	41.58
60 Gallon Container	59.51
90 Gallon Container	81.88
300 Gallon Container ⁽³⁾	170.46
Front Load Containers ⁽³⁾	
One Cubic Yard	\$ 182.49
Two Cubic Yards	238.21
Three Cubic Yards	300.25
Four Cubic Yards	364.22
Six Cubic Yards	489.91
Eight Cubic Yards	615.87
Drop-Box Containers ⁽³⁾	
15 Cubic Yards	\$ 668.68
20 Cubic Yards	762.39
25 Cubic Yards	824.35
30 Cubic Yards	976.72
40 Cubic Yards	1,193.83
Recycling ⁽⁴⁾	
Mixed ⁽⁵⁾	
Bi-Weekly	\$ 7.23
Weekly	14.41
Two per week	28.80
Glass	
Bi-Weekly	\$ 27.57
Weekly	49.62
Two per week	99.23
Cardboard - Corrugated	
Bi-Weekly	\$ 20.81
Weekly	41.62
Two per week	83.23

(1) Monthly rates shown include utility taxes. Rates became effective January 1, 2022.

(2) Residential collection services include recycling and yard/food waste collections and other programs at no additional charge.

(3) Rates shown include the monthly rate plus a container rental charge.

(4) Some recycling services may be provided on a more frequent basis. Additional charges would apply.

(5) Includes paper, plastic, aluminum, tin and cardboard.

Source: City of Tacoma Environmental Services Department

Tacoma Recovery & Transfer Center. Tipping fees at the Tacoma Recovery & Transfer Center vary depending on the weight of the load and whether the customer is a residential customer, commercial customer, or non-resident

customer. The following table shows the current tipping fees collected by the City. Additional fees apply for the disposal of certain appliances, asbestos, car seats, furniture, and tires and for items that require special handling.

**TABLE 7:
COLLECTION AND DISPOSAL SERVICES
MONTHLY RATES AND CHARGES⁽¹⁾**

	2022	
	Rate Per 100 Pounds	Minimum Charge
Garbage Disposal		
City of Tacoma Resident	\$ 7.25	\$ 20.00 ⁽²⁾
Non-City of Tacoma Resident	8.50	40.00
Commercial	8.50	40.00
Yard Waste		
City of Tacoma Resident	\$ 0.00	\$ 0.00
Non-City of Tacoma Resident	8.50	40.00
Commercial	8.50	40.00

⁽¹⁾ Rates shown include utility taxes. Rates became effective January 1, 2022.

⁽²⁾ For City residents, the minimum charge includes the first 400 pounds.

Source: City of Tacoma Environmental Services Department

Historical and Projected Rate Adjustments. The following table shows the revenue rate increases from average rate adjustments across customer classes as adopted by the Council for the years 2015 through 2022 and as projected but not adopted for the years 2023 through 2025. 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 less than the 2.0% rate increases from earlier revenue forecasts.

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

Year	Average Rate Increase
2015	5.0%
2016	5.0
2017	4.0
2018	4.0
2019	3.0
2020	3.0
2021	1.5
2022	2.0
2023*	3.0
2024*	3.0
2025*	3.0

* Projected range of average rate increases; not approved by the Council.

Source: City of Tacoma Environmental Services Department

Comparative Rates

Residential. The following table shows comparative rates for residential collection and disposal services in the region for similar levels of service.

**TABLE 9:
COMPARISON OF MONTHLY RESIDENTIAL COLLECTION/DISPOSAL CHARGES
(as of January 1, 2022)**

City	Provider	30-Gallon ⁽¹⁾	60-Gallon ⁽¹⁾
Seattle ⁽²⁾	Contract	\$55.25	\$97.25
Olympia ⁽²⁾	City	\$48.43	\$58.29
Tacoma	City	\$49.05	\$98.10
Vancouver ⁽²⁾	Contract	\$45.56	\$66.66
Portland ⁽³⁾⁽⁴⁾	Contract	\$49.15	\$82.12
Spokane ⁽²⁾⁽⁴⁾	City	\$42.07	\$62.23
Bellevue ⁽²⁾	Contract	\$28.82	\$37.45

⁽¹⁾ Represents 30- and 60-gallon per-week equivalent, respectively; collection schedule is normalized to weekly services. Includes 90-gallon recycling and 90-gallon yard waste weekly equivalent.

⁽²⁾ Yard waste fees added where not already included.

⁽³⁾ Portland rates effective July 1, 2021. 2022 rates have not yet been adopted.

⁽⁴⁾ Additional recycling fees added where not already included.

Source: City of Tacoma Environmental Services Department

Commercial. The table below shows the monthly charges for comparable weekly service for the four and eight cubic yard fork boxes, which were two of the largest individual revenue generators for the System in 2022.

**TABLE 10:
COMPARISON OF COMMERCIAL NON COMPACTED FRONT LOAD CHARGES
MONTHLY RATE (WEEKLY PICKUP)
(as of January 1, 2022)**

City	Provider	One Cubic Yard	Four Cubic Yards
Seattle	Contract	\$ 236.63	\$ 682.84
Tacoma	City	177.54	353.40
Bellevue	Contract	136.05	323.95
Vancouver	Contract	144.87	362.18
Olympia	City	123.36	360.45
Spokane	City	102.91	411.62

Source: City of Tacoma Environmental Services Department

Tipping Fees. The following table shows comparative rates for commercial disposal tipping fees at the Tacoma Recovery & Transfer Center.

**TABLE 11:
COMPARISON OF COMMERCIAL DISPOSAL TIPPING FEES
(as of January 1, 2022)**

<u>Jurisdiction/Hauler</u>	<u>Per Ton</u>
City of Seattle	\$ 153.00
Pierce County	174.58
Tacoma	170.00
King County	165.61
Thurston County	119.00
Snohomish County	108.78

Source: City of Tacoma Environmental Services Department

Number of Customers

The System’s historical number of customers by type of service is shown below. The County and the City have entered into an Interlocal Agreement concerning the City’s proposed annexation of an approximately 37 acre unincorporated area known as Manitou. In connection with the annexation, the Department expects to negotiate with the company that currently provides solid waste and recycling services to Manitou to develop and execute a transition plan for taking over the services. The Department is expected to either compensate the current provider in a lump sum for their costs for transitioning that service area to the City directly, or negotiate a franchise agreement to allow them to continue to service that area for seven or more years. At this time the City does not know costs associated with the proposed annexation; however, because the proposed area includes less than 100 customer accounts, any cost is expected to be minimal.

**TABLE 12:
HISTORICAL NUMBER OF CUSTOMERS BY CUSTOMER CLASS**

<u>Customer Class</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential	55,608	55,896	56,250	56,718	56,930
Commercial	5,363	5,346	5,284	5,190	5,274
Total Customers	60,971	61,242	61,534	61,908	62,204

Source: City of Tacoma Environmental Services Department

The System’s ten largest customers for 2021 are shown in the following table.

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

Customer Name	Amount	Percent of 2021 Solid Waste Operating Revenues⁽¹⁾
Multicare	\$ 1,297,610	1.56%
Puyallup Tribe	807,499	0.97
St Joseph	752,681	0.90
City of Tacoma	500,280	0.60
Westrock	473,894	0.57
Salishan	441,587	0.53
United Parcel Service	435,052	0.52
Tacoma School District	427,063	0.51
Goodwill Industries	407,740	0.49
Arclin Surfaces	356,284	0.43
Total Revenue	\$ 5,899,690	7.08%

⁽¹⁾ Based on unaudited 2021 Revenues in the amount of \$83,368,170 (unaudited, preliminary and subject to change). The System’s ten largest customers for 2020 accounted for approximately 6.79% of audited 2019 Gross Revenues in the amount of \$75,591,564.

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 City has partnered with Pierce County to develop a new 20-year Solid and Hazardous Waste Management Plan (“SHWMP”) to guide long-range planning for maintenance and expansion of the Solid and Hazardous Waste Management system. The development of the new SHWMP has incorporated equity considerations, including evaluating the current Solid Waste infrastructure in the County to assess and address barriers to access, and implementing targeted outreach and engagement to underrepresented communities. The new SHWMP plan has been developed to be in alignment with the City’s Climate Action Plan goals and Pierce County’s Sustainability Plan goals to reduce greenhouse gas impacts within the System.

One of the City’s primary actions to reduce the System’s greenhouse gas impacts is the conversion of most of the collection fleet to CNG fuel. In 2021, the City completed a significant upgrade to the CNG fueling station at the Recovery and Transfer Center, which provides capacity to fuel the entire collection fleet. Use of CNG fuel reduces greenhouse gas and particulate emissions.

The City has also implemented a multi-faceted “Recycle Reset” outreach and education campaign to provide clear information about waste reduction and how to properly recycle, and to engage with historically underserved communities. The goals of this campaign include increasing awareness about the impacts of municipal solid waste and reducing levels of contamination in the commingled recycling.

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. The table below identifies capital expenditures for the System’s capital improvement plan, anticipated to occur from 2022 through 2026. The source of funding is expected to be proceeds of the Bonds, available Net Revenues, and other available sources.

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

Item:	2022	2023	2024	2025	2026	Total
Environmental remediation	-	\$ 58	\$ 61	\$ 64	\$ 67	\$ 250
Equipment	\$ 4,627	9,691	9,531	11,255	7,550	42,654
Containers	2,206	2,669	2,804	3,033	3,100	13,812
Facilities	218	1,564	8,135	2,144	1,009	13,070
Special projects	60	134	310	156	169	829
Total	\$ 7,111	\$ 14,116	\$ 20,841	\$ 16,652	\$ 11,895	\$ 70,615
Funding:						
The Bonds ⁽²⁾	\$ 4,845	\$ 10,155	-	-	-	\$ 15,000
Operating Revenues	2,266	3,961	\$ 20,841	\$ 16,652	\$ 11,895	55,615
Total	\$ 7,111	\$ 14,116	\$ 20,841	\$ 16,652	\$ 11,895	\$ 70,615

⁽¹⁾ Assumes inflation rate of 5% for each of the years 2023 through 2026. Totals may not foot due to rounding.

⁽²⁾ Budgeted, includes original issue premium. Preliminary, subject to change.

Source: City of Tacoma Environmental Services Department

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HISTORICAL FINANCIAL RESULTS

Historical Operating Statements

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

TABLE 15: HISTORICAL BALANCE SHEET (\$000's)⁽¹⁾

	2017 (restated)	2018	2019	2020	2021 (unaudited)
Current Assets					
Cash and Equity in Pooled Investments	\$34,179	\$42,300	\$49,429	\$51,772	\$54,678
Accounts receivable, net	3,459	3,128	3,161	4,109	5,022
Unbilled revenue	3,330	3,592	3,556	3,607	4,503
Due from other funds	67	71	-	-	-
Total Current Assets	\$41,035	\$49,091	\$56,145	\$59,488	\$64,202
Current Restricted Assets					
Bond reserves and debt service funds	5,114	5,116	3,309	2,503	2,504
Customer deposits	75	60	49	33	45
Construction funds	4,441	4,124	2,610	2,674	-
Total Restricted Cash and Equity in Pooled Investments	\$9,631	\$9,300	\$5,968	\$5,210	\$438
Noncurrent Assets					
Capital Assets:					
Land	2,856	2,856	2,856	2,856	3,241
Buildings	61,774	61,767	61,767	61,767	61,767
Building – capital lease	-	-	-	-	-
Landfill infrastructure	67,541	68,074	70,254	70,679	80,997
Machinery and equipment	53,105	52,032	54,410	54,743	57,638
Computer software	5,091	5,118	5,138	5,138	5,269
Less: accumulated depreciation	(108,553)	(110,602)	(115,037)	(118,140)	(118,939)
Construction Progress	137	521	1,682	7,255	189
Total Capital Assets, Net	\$81,951	\$79,766	\$81,071	\$84,297	\$90,162
Other Noncurrent Assets:					
Building lease deferred	0	0	0	0	0
Net pension asset	0	2,240	0	1,065	0
Other noncurrent assets	0	2,240	0	1,065	0
Total Assets	\$132,616	\$140,397	\$143,183	\$150,061	\$156,912
Deferred Outflows of Resources					
Deferred outflow – loss on refunding bonds	0	0	0	0	0
Deferred outflow- other post employment benefits	46	194	206	292	855
Deferred outflows – pensions	5,407	2,873	7,760	3,161	5,407
Total Deferred Outflows of Resources	5,453	3,067	7,966	3,453	6,262
Total Assets and Deferred Outflows of Resources	138,069	143,463	151,149	153,514	163,174
Total Current Liabilities	\$5,496	\$6,525	\$6,037	\$6,852	\$6,864
Liabilities payable from Restricted Assets					
Deposits payable	74	57	51	34	48
Bond interest payable	222	213	204	200	193
Current portion of long-term debt	172	180	189	193	201
Accrued landfill closure costs					
Total Liabilities Payable from Restricted Assets	\$468	\$450	\$445	\$428	\$441
Noncurrent Liabilities:					
Revenue bonds payable, net	63,454	60,508	57,496	54,483	51,423
Accrued landfill closure and post closure costs	15,478	14,778	14,007	13,741	12,881
Compensated absences	1,106	1,206	1,215	1,419	1,381
Net Pension liability	5,162		6,556		3,998
Pension withdrawal liability ⁽¹⁾			437	437	421
Net OPEB obligation	2,402	2,611	2,405	2,537	3,201
Total Noncurrent Liabilities	\$87,601	\$79,104	\$82,116	\$72,617	\$73,305
Total Liabilities	\$93,565	\$86,078	\$88,598	\$79,896	\$80,610
Deferred Inflows of Resources					
Rate Stabilization	6,000	7,000	7,000	7,000	7,000
OPEB		44	279	290	295
Pension ⁽²⁾	1,112	3,813	861	4,060	856
Gain on refunding of bonds	467	378	289	200	116
Total Deferred Inflows of Resources	\$7,579	\$11,235	\$8,429	\$11,549	\$8,267
Net Position					
Net investment in capital assets	27,775	28,216	31,007	37,358	43,606
Restricted for bond reserves and net pension asset	4,721	6,963	2,915	3,175	2,110
Unrestricted	4,429	10,970	20,200	21,535	28,583
Total Net Position	\$36,925	\$46,150	\$54,123	\$62,068	\$74,298
Total Liabilities, Deferred Inflows of Resources and Net Position	\$138,069	\$143,463	\$151,149	\$153,514	\$163,174

Footnotes to table are on the following page.

Footnotes to Table 15:

- (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) On December 3, 2019 the 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 were the final contributions made on behalf of the employees in this unit. As of December 31, 2021, no employees were participating in the plan.

Source: City of Tacoma Environmental Services Department

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**TABLE 16:
HISTORICAL OPERATING RESULTS (\$000's)⁽¹⁾**

	2017	2018	2019	2020	2021
	(restated)				(unaudited)
Operating Revenues⁽²⁾					
Residential collection	\$ 27,207	\$ 27,531	\$ 29,027	\$ 32,193	\$ 34,106
Commercial collection	29,335	29,908	32,496	32,955	36,074
Disposal revenues	10,202	10,769	11,084	9,759	11,978
Salvage revenue	656	390	303	291	763
Other operating revenues	494	512	641	394	446
Total Operating Revenues⁽²⁾	67,894	69,111	73,550	75,592	83,368
Operating Expenses⁽³⁾					
Commercial collection	4,529	4,895	5,601	5,180	5,583
Onsite operations	8,262	8,224	8,201	8,336	8,559
Residential collection	9,309	9,419	10,078	10,110	10,908
Other collection services	13,910	14,463	14,820	15,635	17,399
Support services	13,724	11,741	16,217	16,428	15,712
Other	-	-	-	-	-
Total Operating Expenses⁽³⁾	49,735	48,743	54,917	55,689	58,161
Net Operating Income	18,159	20,368	18,633	19,902	25,207
Net Operating Revenue					
Non-operating revenues ⁽⁴⁾	463	1,008	1,807	1,732	123
Non-operating expense ⁽⁵⁾	-	-	-	-	-
Revenue Available for Debt Service	\$ 18,622	\$ 21,377	\$ 20,440	\$ 21,634	\$ 35,330
Parity Bond Debt Service	\$ 7,560	\$ 4,722	\$ 4,719	\$ 4,721	\$ 4,721
Parity Bond Debt Service Coverage Ratio					
After Rate Stabilization	2.46	4.53	4.33	4.58	5.37
Before Rate Stabilization	2.46	4.53	4.33	4.58	5.37

⁽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⁾ Operating revenues for 2018 were reduced by \$1,000,000 due to the transfer to Rate Stabilization Fund. Revenues were reduced by service on a pro-rata basis.

⁽³⁾ Operating expenses for purposes of the City's Parity Bond covenants exclude depreciation and Tacoma Landfill closure and post closure costs. See "THE SYSTEM – Transfer Center and Disposal – Tacoma Landfill." The increase in operating expenses in 2019 are due to pension accounting.

⁽⁴⁾ Non-operating revenues exclude gain or loss on the sale of property, capital related grant income, insurance recoveries and contributions. Fluctuations can occur due to investment income resulting from changes in cash balance, among other variables.

⁽⁵⁾ Non-operating expenses exclude interest expense and transfers (including gross earnings taxes).

Source: City of Tacoma Environmental Services Department

2021 Management Discussion of Results

Cash increased by approximately \$231,000 in 2021 to \$54,678,000 (unaudited). The increase is due to revenue performance exceeding expectations, offset by planned spend down of restricted construction fund balance.

Operating revenues for 2021 increased by approximately \$7,776,605 (unaudited), or 10.3% over 2020, due to a 2.0% average rate revenue increase effective January 1, 2021, resulting in a 5.6% increase in residential collection and an 8.7% increase in commercial collection. In addition to the rate revenue increase, residential revenues increased due to a trend in customers increasing their service-level by moving to a larger can size, and commercial customers had a marked increase in the number of hauls. Disposal revenues increased by approximately \$2,219,475 (unaudited) due to increases in fees for non-residents.

Operating expenses for purposes of the City's rate covenant calculation exclude depreciation expense of \$6,057,090 (unaudited) and a reduction in the environmental liability for the Tacoma Landfill post closure costs of \$922,039 (unaudited). The operating expenses increased 5.7% in 2021 from 2020 due to increases in contract costs for garbage disposal and compost.

Days cash on hand was 318 days reflecting funds available in the Operating Fund (\$47,677,436) and the Rate Stabilization Fund (\$7,000,000); this was a slight decrease from 321 days cash on hand in 2020 (\$44,771,968) (each unaudited).

CERTAIN FACTORS AFFECTING THE MUNICIPAL SOLID WASTE MANAGEMENT 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. All municipal solid waste management systems, including the System, are subject to comprehensive environmental regulation by federal, state and local authorities that, among other things: (i) regulate the siting, construction, operation, closure, and monitoring of municipal solid waste landfills or other disposal sites; (ii) require or seek to promote the recycling and composting of certain types of solid waste, in lieu of landfilling; and (iii) regulate air emissions and the disposal of incinerator ash from resource recovery facilities.

Environmental Regulation

Municipal solid waste management systems, including the System, are subject to comprehensive and continuing environmental regulation. Federal, state and local standards and procedures that regulate the operations and environmental impacts of solid waste management 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 such licenses, permits and approvals.

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 recycling and composting, 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.

Conservation Programs

Waste prevention, recycling, and composting—all methods of waste reduction—are employed in a variety of ways in the City to reduce environmental burdens, reduce greenhouse gas emissions, create jobs, save money, and meet waste reduction goals. The City has instituted a variety of conservation measures, programs, educational outreach,

and other incentives for its customers to encourage waste prevention, recycling, and composting. Although such measures have a number of positive results, such measures can have a negative impact on Gross Revenues.

Legal Decisions Regarding Solid Waste Flow Control

In recent years, a significant body of case law has developed around the issue of “flow control” for solid waste under the Commerce Clause of the U.S. Constitution. In May 1994, the United States Supreme Court issued a decision in the case of *C&A Carbone v. Clarkstown*, 511 U.S. 383 (1994) (“*Carbone*”). In the *Carbone* case, Clarkstown had adopted an ordinance requiring all solid waste within the town, which solid waste is collected by private haulers, to be deposited at a privately owned transfer station. The economic purpose of the ordinance was to enhance the economic vitality of the transfer station, which was being operated by a private contractor, but which the town could buy for \$1 after five years. Although the flow control ordinance had been adopted under the aegis of the town’s police power to address solid waste problems, the court concluded that the ordinance constituted economic protectionism which was invalid under the Commerce Clause of the U.S. Constitution.

Other federal court decisions, including decisions of the U.S. Court of Appeals for the Ninth Circuit (the “Ninth Circuit”), have upheld flow control ordinances based on exceptions to the *Carbone* holding or other distinguishing circumstances. For example, in 2001 the Ninth Circuit upheld the City’s flow control ordinance against a challenge brought by an apartment complex owner to the City’s restriction on self-hauling waste outside of City limits. *On the Green Apartments v. City of Tacoma*, 241 F.3d 1235 (9th Cir. 2001) (rehearing denied) (“*On the Green Apartments*”). In *On the Green Apartments*, the court found that the apartment building owner did not have standing to challenge the restrictions on self-hauling, but did have standing to challenge the requirement that businesses and residents tip their garbage in the Tacoma Landfill. With respect to the tipping requirements, the apartment building owner asserted that absent the ordinance, it would tip its waste at another landfill within one of the surrounding jurisdictions. The apartment building owner did not assert that, absent the ordinance, it would have transported its waste across state lines. The court found that although the ordinance may burden intrastate commerce by requiring businesses and residents to tip their garbage at the Tacoma Landfill, intrastate burdens do not implicate the Commerce Clause.

In *Individuals for Responsible Government, Inc. v. Washoe County*, 110 F.3d 699 (9th Cir. 1997), *cert. denied*, 522 U.S. 966 (1997) (“*Washoe*”), the Ninth Circuit upheld an ordinance requiring residents of a Nevada county to subscribe to garbage collection and disposal service provided by the county through an independent contractor who disposed of all collected waste at Nevada dump sites. Although many county residents had previously disposed of their waste in California because the out-of-state disposal sites were more convenient and cost-effective than the county disposal sites, the court held that the plaintiffs lacked standing to challenge the flow control ordinance under the Commerce Clause since the injury of paying for unnecessary and unwanted garbage services is “not even marginally related” to the Commerce Clause’s purpose of prohibiting state barriers against interstate trade. The court reasoned that the plaintiffs’ injury of being forced to pay for services they do not want would exist even if the garbage collector were to dispose of all of the waste across the state line in California.

Other U.S. Courts of Appeals have held that flow control ordinances do not violate the Commerce Clause where (i) the process used by the local government to select specific service providers or facilities is non-discriminatory; (ii) the requirement that waste be disposed of at a particular in-state facility includes an exception for waste destined for out-of-state disposal; (iii) the governmental entity acts as a market participant, rather than market regulator, in providing collection or disposal services; (iv) the burdens imposed on interstate commerce by the flow control measure are insubstantial and not excessive in relation to the local benefit; and/or (v) the governmental entity owns the disposal facility. See e.g., *Houlton Citizens’ Coal. v. Town of Houlton*, 175 F.3d 178, 189 (1st Cir. 1999); *Red River Serv. Corp. v. City of Minot*, 146 F.3d 583, 590 (8th Cir. 1998); *USA Recycling v. Town of Babylon*, 66 F.3d 1272 (2d Cir. 1995).

In *United Haulers Association, Inc. v. Oneida-Herkimer Solid Waste Management Authority*, 550 U.S. 330 (2007) (“*United Haulers*”), the U.S. Supreme Court limited the holding in *Carbone* by ruling that flow control ordinances that require delivery of all solid waste to a publicly owned and operated local facility and that treated all in-state and out-of-state private haulers the same do not discriminate against interstate commerce for purposes of the Commerce Clause. In *United Haulers*, the flow control ordinances of two counties required that all waste generated within the counties be delivered to one of five publicly owned facilities. The Court explicitly distinguished the facts in *United*

Haulers from the facts in *Carbone*, which required private haulers to deliver waste to a facility run by a private contractor under an agreement with the municipality. By adopting the public/private distinction, the Court resolved a split between the Second Circuit Court and other Circuit Courts that had refused to adopt such distinction. See *National Solid Waste Management Assn. v. Daviess County, Kentucky*, 434 F.3d 898 (6th Cir. 2006) (rehearing denied), *vacated*, 550 U.S. 931 (2007). The Southern District of New York revisited the question of whether the ruling in *United Haulers* requires a facility to be both publicly owned and publicly operated in order to qualify as a “public” facility, and concluded that public ownership is sufficient to qualify for the treatment as a public facility under the public/private analysis in *United Haulers. C & A Carbone, Inc. v. County of Rockland*, No. 08-cv-6459-ER, 2014 WL 1202699, at *7-8 (S.D.N.Y. Mar. 24, 2014).

State law provides that local governments cannot prohibit the collection of commercially generated recyclables by a third party, and the City’s ordinance would allow hauling of separated recyclables by a third party under permit.

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 17:
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

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 wastewater and stormwater utilities.

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 Charges 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 will 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 \$8 million. Residential utility customer balances more than 30 days past due were \$4.6 million and are approximately 141% higher than the average past due balance from 2018 to 2020. While some past-due residential balances are approximately \$265 on average, the majority of overdue customers owe less than \$2,000.

When the moratorium concludes (see "THE SYSTEM—Rates and Charges 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 \$152,000 from the CARES Act, of which \$88,000 was used to support small business for business interruptions, and \$64,000 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.

Taxation

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.

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 18:
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	<u>100.00%</u>

⁽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. 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 \$63,111 in 2021 (unaudited) and \$187,429 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 \$5.0 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 \$209 in 2021 (unaudited) and \$11,379 in 2020.

Labor Relations

Solid Waste Management currently employs approximately 196 full-time equivalent employees working directly within the utility. 172 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 19:
BARGAINING UNITS REPRESENTING SYSTEM EMPLOYEES**

Bargaining Unit	Number of System Employees	Contract Expiration Date
Local 17 International Federation of Professional and Technical Engineers	15.6	12/31/2022
Local 120 Washington State Council of County and City Employees	1	12/31/2022
International Association of Machinist and Aerospace Workers (“IAM and AW”) (Local 160) (General)	3	12/31/2023
Teamsters Local 117 (General)	53.5	12/31/2022
Teamsters Local 313 (Solid Waste)	74	12/31/2025
International Brotherhood of Electrical Workers (“IBEW”) Local 483 (Customer and Field Services)	9	12/31/2021 ⁽¹⁾
IBEW 483 (Clerical)	6	12/31/2023
IBEW 483 (Supervisors)	1	12/31/2021 ⁽¹⁾
IBEW 483 (Water Pollution)	9	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, 2021 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 5.73% of that asset, or \$1,065,425, 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 \$2,536,608 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

Neither a Bond owner nor any Bond owners' trustee has the right under the Bond Ordinance to accelerate the payment of debt service on the Bonds upon the occurrence of an Event of Default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal or interest on the Parity Bonds, the bond owners or the Bond owners' trustee 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 Parity 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 the 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. 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

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 Tacoma 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, our people-first approach centering equity and anti-racism, the City's climate action progress, climate strategies to guide through 2030, and critical actions through 2024. While the City cannot predict precisely how, when, and where specific climate impacts will occur, there have been and will be climate impacts on the City and the surrounding region, which may have a material impact on the City and its operations and finances.

COVID-19 Pandemic; Public Health

As discussed herein, the COVID-19 pandemic 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, 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 System 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

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.

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

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

Original Issue Premium and Discount. If the initial offering price to the public (excluding bond houses and brokers) 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 (excluding bond houses and brokers) 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 sewer utility 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, S&P Global Ratings (“S&P”) and Fitch Ratings (“Fitch”) have assigned ratings of “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 Hilltop Securities Inc. (the “Purchaser”) at a price of \$15,095,365.60, and will be reoffered at a price of \$15,156,330.70. 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.

See also “THE SYSTEM—The Solid Waste Ordinance-Flow Control Collection” and “CERTAIN FACTORS AFFECTING THE MUNICIPAL SOLID WASTE MANAGEMENT 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).

OFFICIAL STATEMENT

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of their knowledge, this Official Statement (excluding certain information regarding DTC and provided under the heading “PURCHASER OF THE BONDS”), as of its date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

The preparation and distribution of this Official Statement have been authorized by the City.

THE CITY OF TACOMA, WASHINGTON

By: _____ /s/Andy Cherullo
Finance Director

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 solid waste revenue bonds of the City in
3 the aggregate principal amount of not to exceed \$16,000,000 to finance
4 and/or reimburse the City for costs associated with the construction,
5 improvement and equipping of the City's municipal solid waste system and to
6 pay costs of issuing the bonds; providing the form and terms of the bonds;
7 and delegating the authority to approve the method sale and the final terms
8 of the bonds.

9 WHEREAS the City of Tacoma, Washington (the "City"), now owns,
10 maintains and operates a garbage and refuse collection and disposal system
11 (the "System"), and

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

15 WHEREAS the ordinances authorizing the Outstanding Parity Bonds provide
16 that additional solid waste revenue bonds or obligations may be issued with a lien
17 on Net Revenues (as defined herein) on a parity with the lien of the Outstanding
18 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 solid waste revenue bonds in the
21 aggregate principal amount of not to exceed \$16,000,000 (the "Bonds") to finance
22 and/or reimburse the City for costs associated with the construction, improvement
23 and equipping of the System and to pay costs of issuing the Bonds, and

24 WHEREAS the Council wishes to delegate authority to the City Finance
25 Director, Treasurer, and Assistant Finance Director/Controller, or their designees
26

1 (each, a "Designated Representative") for a limited time, to approve the method of
2 sale and the interest rates, maturity dates, redemption terms, principal maturities
3 and other terms for each series of Bonds within the parameters set by this
4 ordinance, and

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

7 Now, Therefore,

8 BE IT ORDAINED BY THE CITY OF TACOMA:

9 Section 1. Definitions and Interpretation of Terms.

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

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



1 Date and the Accreted Value for the next preceding Payment Date, by (b) the ratio
 2 obtained by dividing by 180 the number of days elapsed since the next preceding
 3 Payment Date (calculated on the basis of a 360-day year of twelve 30-day months).
 4 "Accreted Value Table" means the Accreted Value Table printed on the
 5 Capital Appreciation Bonds reflecting the Accreted Value of such Capital
 6 Appreciation Bonds as of each Payment Date.
 7 "Adjusted Net Revenues" has the meaning set forth in Section 16 of this
 8 ordinance.
 9 "Annual Debt Service" means the amount required in any calendar year to be
 10 paid for the principal of and interest on all Parity Bonds that are Serial Bonds then
 11 outstanding together with the amount required in such calendar year to make the
 12 annual required payments into any Sinking Fund Account heretofore or hereafter
 13 created to amortize Term Bonds, excluding interest to be paid from the proceeds of
 14 the sale of Parity Bonds.
 15 In the case of Variable Interest Rate Bonds, for the purpose of calculating
 16 Annual Debt Service for purposes of the Future Parity Bond tests outlined in
 17 Section 16 and the Reserve Fund Requirement, the interest rate thereon shall be
 18 equal to the higher of (i) the average of the SIFMA Municipal Swap Index over the
 19 60-month period immediately preceding the date of computation, or (ii) the average
 20 of the SIFMA Municipal Swap Index over the 12-month period immediately
 21 preceding the date of computation, in each case as determined within ten days prior
 22 to the date of computation; provided, that if on such date of calculation the interest
 23 rate on any Variable Interest Rate Bonds shall then be fixed for a specified period,

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



1 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by
 2 the City, of nationally recognized standing in matters pertaining to the tax-exempt
 3 nature of interest on bonds issued by states and their political subdivisions.
 4 "Bond Fund" means the Solid Waste Revenue Bond Fund created by the
 5 City for the purpose of paying and securing the payment of Parity Bonds.
 6 "Bond Purchase Contract" means one or more contracts, if any, for the
 7 purchase of any Bonds of a series sold by negotiated sale to the initial purchaser,
 8 executed pursuant to Section 17.
 9 "Bond Register" means the registration books maintained by the Bond
 10 Registrar for purposes of identifying ownership of the Bonds or the nominee of each
 11 owner, and such other information as the Bond Registrar shall determine.
 12 "Bond Registrar" means, initially, the fiscal agent of the state of Washington,
 13 for the purposes of registering and authenticating the Bonds, maintaining the Bond
 14 Register, effecting transfer of ownership of the Bonds and paying interest on and
 15 principal of the Bonds.
 16 "Bonds" mean the solid waste revenue bonds authorized to be issued
 17 pursuant to this ordinance.
 18 "Capital Appreciation Bonds" mean Parity Bonds, the interest on which
 19 accrues and compounds, payable at maturity or earlier redemption.
 20 "Capital Improvement Plan" means the Capital Improvement Plan of the City
 21 relating to the System, as it may be amended from time to time.
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1 "Certificate of Award" means one or more certificates, if any, for the
 2 purchase of any Bonds of a series sold by competitive sale awarding such Bonds to
 3 the bidder as set forth in Section 17 of this ordinance.
 4 "Certified Public Accountant" means an independent licensed certified public
 5 accountant (or firm of certified public accountants) selected by the City.
 6 "City" means the City of Tacoma, Washington, a municipal corporation duly
 7 organized and existing under and by virtue of the laws of the State.
 8 "City Clerk" means the duly appointed and acting City Clerk of the City or the
 9 successor to the duties of that office.
 10 "City Attorney" means the duly appointed and acting City Attorney of the City,
 11 including anyone acting in an interim or other capacity for the position, or the
 12 successor to the duties of that office.
 13 "City Clerk" means the duly appointed and acting City Clerk of the City,
 14 including anyone acting in an interim or other capacity for the position, or the
 15 successor to the duties of that office.
 16 "City Manager" means the duly appointed and acting City Manager of the
 17 City, including anyone acting in an interim or other capacity for the position, or the
 18 successor to the duties of that office.
 19 "Closing" means the date of issuance and delivery of a series of Bonds to the
 20 Underwriter.
 21 "Code" means the Internal Revenue Code of 1986 as in effect on the date of
 22 issuance of the Tax-Exempt Bonds or (except as otherwise referenced herein) as it
 23 may be amended to apply to obligations issued on the date of issuance of the Tax-
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1 Exempt Bonds, together with applicable proposed, temporary and final regulations
 2 promulgated, and applicable official public guidance published, under the Code.
 3 "Commission" means the Securities and Exchange Commission.
 4 "Continuing Disclosure Certificate" means the written undertaking for the
 5 benefit of the holders of each series of Bonds as required by Section (b)(5) of the
 6 Rule.
 7
 8 "Costs of Maintenance and Operation" means all necessary expenses of
 9 operating the System, current maintenance expenses, expenses of reasonable
 10 upkeep and repairs, insurance and administrative expenses, reasonable pro rata
 11 charges for services provided to the System by City departments and payments
 12 pursuant to leases for landfill capacity and hauling disposal, but excludes
 13 depreciation, payments for debt service or into reserve accounts or funds, costs of
 14 capital additions to or replacements of the System, money necessary to pay
 15 extraordinary legal claims and judgments against the System, amortized payments
 16 to the City's self-insurance fund with respect to extraordinary claims and judgments,
 17 municipal taxes and payments to the City in lieu of taxes, any Rebate Amount, and
 18 closure and post-closure costs associated with the System's landfill.
 19
 20 "Council" means the Council of the City as the same shall be duly and
 21 regularly constituted from time to time.
 22
 23 "Covered Bonds" mean:
 24 (a) the 2015 Bonds,
 25 (b) the Bonds, if the Bonds are designated as "Covered Bonds" by a
 26 Designated Representative at the time of sale; and



1 (c) those Future Parity Bonds designated in the Parity Bond Ordinance
 2 authorizing their issuance as Covered Bonds secured by the Reserve Fund.
 3 "Current Interest Bonds" mean Parity Bonds, the interest on which is paid
 4 periodically.
 5 "Debt Service Account" means the account of that name created in the Bond
 6 Fund.
 7
 8 "Debt Service Offset" means receipts of the City that are not included in
 9 Gross Revenues and that are legally available to pay debt service on Parity Bonds,
 10 including without limitation federal interest subsidy payments, designated as such
 11 by the City.
 12
 13 "Designated Representative" means the City Finance Director, Treasurer, and
 14 Assistant Finance Director/Controller, or their designees. The signature of one
 15 Designated Representative shall be sufficient to bind the City.
 16
 17 "DTC" means The Depository Trust Company, New York, New York.
 18
 19 "Engineer" means an independent licensed professional engineer (or firm of
 20 licensed professional engineers) selected by the City and experienced and
 21 knowledgeable in the operation of solid waste utilities of comparable size and
 22 character to the System.
 23
 24 "Event of Default" has the meaning set forth in Section 19 of this ordinance.
 25
 26 "Fair Market Value" means the price at which a willing buyer would purchase
 an investment from a willing seller in a bona fide, arm's length transaction, except
 for specified investments as described in Treasury Regulation §1.148-5(d)(6),
 including United States Treasury obligations, certificates of deposit, guaranteed



1 investment contracts, and investments for yield restricted defeasance escrows. Fair
 2 Market Value is generally determined on the date on which a contract to purchase
 3 or sell an investment becomes binding, and, to the extent required by the applicable
 4 regulations under the Code, the term "investment" will include a hedge.

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

8 "Finance Director" means the duly appointed and acting Finance Director of
 9 the City or the successor to the duties of that office.

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

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

15 "Future Parity Bonds" mean any revenue bonds of the City issued after the
 16 date of issuance of the Bonds having a charge or lien upon the Net Revenues for
 17 payment of the principal thereof and interest thereon equal in priority to the charge
 18 or lien upon the Net Revenues for the payment of the principal of and interest on
 19 the Outstanding Parity Bonds and the Bonds.

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

24 "Gross Revenues" mean (a) revenues received for the use of the System or
 25 from services rendered by the System, (b) the proceeds received by the City from
 26 the sale or other disposition of any of the properties of the System, (c) 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 (d) 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 solid waste revenue bonds of the City refunded or defeased pursuant to a
 plan of refunding heretofore or hereafter adopted by the City, (iii) investment
 income earned on money in any rebate fund, and (iv) grants, gifts or donations.

"Letter of Representations" means the Blanket Issuer Letter of
 Representations from the City to DTC.

"Maximum Annual Debt Service" means at the time of calculation, the
 maximum amount of Annual Debt Service that will mature or come due in the
 current Fiscal Year or any future Fiscal Year on the Parity Bonds.

"Maximum Interest Rate" means, with respect to any particular Variable
 Interest Rate Bond, a numerical rate of interest, which shall be set forth in any
 Parity Bond Ordinance authorizing such Bond, which shall be the maximum rate of
 interest such Bond may at any time bear.

"Maximum Reserve Requirement" means 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.



1 "Moody's" means Moody's Investors Service, Inc. or its comparable
 2 recognized business successor.
 3 "MSRB" means the Municipal Securities Rulemaking Board or any successor
 4 to its functions.
 5 "Net Revenues" means Gross Revenues less the Costs of Maintenance and
 6 Operation, excluding from the computation of Gross Revenues any proceeds
 7 derived from the sale or other disposition, not in the ordinary course of business, of
 8 properties, rights or facilities of the System or gains or losses resulting from the
 9 early extinguishment of debt.
 10 "Outstanding Parity Bond Ordinances" mean the ordinances and resolutions
 11 identified herein authorizing the issuance of the Outstanding Parity Bonds.
 12 "Outstanding Parity Bonds" means, as of the date of this ordinance, the
 13 2015 Bonds, the 2016A Bonds, and the 2016B Bonds.
 14 "Parity Bond Ordinances" mean the Outstanding Parity Bond Ordinances,
 15 this ordinance, and any ordinance hereafter passed for the purpose of authorizing
 16 Future Parity Bonds.
 17 "Parity Bonds" mean the Outstanding Parity Bonds, the Bonds and any
 18 Future Parity Bonds.
 19 "Payment Date" means the dates on which principal and/or interest on the
 20 Parity Bonds is due and payable.
 21 "Permitted Investments" means any investments that are now or may
 22 hereafter be permitted to the City by the laws of the State.
 23 "Project" has the meaning set forth in Section 3 of this ordinance.

1 "Project Fund" means the account created pursuant to this ordinance.
 2 "Qualified Insurance" means any non-cancellable municipal bond insurance
 3 policy or surety bond issued by any insurance company licensed to conduct an
 4 insurance business in any state of the United States (or by a service corporation
 5 acting on behalf of one or more such insurance companies), which insurance
 6 company or companies, as of the time of issuance of such policy or surety bond,
 7 are then rated in one of the two highest rating categories by Moody's, S&P or Fitch,
 8 or any other rating agency then maintaining a rating on the Bonds.
 9 "Qualified Letter of Credit" means any irrevocable letter of credit issued by a
 10 financial institution for the account of the City on behalf of the owners of one or more
 11 series of Parity Bonds, which institution maintains an office, agency or branch in the
 12 United States and as of the time of issuance of such letter of credit is then rated in
 13 one of the two highest rating categories by Moody's, S&P or Fitch, or any other
 14 rating agency then maintaining a rating on the Bonds.
 15 "Rate Stabilization Fund" means the fund of that name in the Solid Waste
 16 Operating Fund.
 17 "Rebate Amount" means the amount, if any, determined to be payable with
 18 respect to a series of Parity Bonds by the City to the United States of America in
 19 accordance with Section 148(f) of the Code
 20 "Record Date" means the close of business for the Bond Registrar that is 15
 21 days preceding any interest and/or principal payment or redemption date.



1 "Registered Owner" means the person named as the registered owner of a
 2 Bond in the Bond Register. For so long as the Bonds are held in book-entry only
 3 form, DTC or its nominee shall be deemed to be the sole Registered Owner.
 4
 5 "Reserve Fund" means the Reserve Fund created in the Bond Fund.
 6 "Reserve Fund Requirement" is the dollar amount to be calculated with
 7 respect to all Covered Bonds and separately with respect to other Parity Bonds.
 8 (a) With respect to Covered Bonds, the Reserve Fund Requirement
 9 means as of any date an amount equal to the lesser of (1) the Maximum Annual
 10 Debt Service for Covered Bonds then outstanding, (2) 125 percent of average
 11 Annual Debt Service for Covered Bonds then outstanding, or (3) 10 percent of the
 12 initial face amount of the Covered Bonds then outstanding; provided, however, that
 13 the dollar amount required to be contributed, if any, as a result of the issuance of a
 14 series of Future Parity Bonds shall not be greater than the Maximum Reserve
 15 Requirement. If the dollar amount required to be contributed at the time of issuance
 16 of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement,
 17 then the amount required to be contributed shall be equal to the Maximum Reserve
 18 Requirement.
 19 (b) With respect to other series of Parity Bonds, the Reserve Fund
 20 Requirement shall be equal to the amount, if any, specified in the Parity Bond
 21 Ordinance authorizing the issuance of such Parity Bonds or in a certificate or other
 22 document referenced in such Parity Bond Ordinance; provided, however, such
 23 Reserve Fund Requirement shall not exceed the Maximum Reserve Requirement
 24 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 17 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 "Sinking Fund Requirement" means, for any year, the principal amount of
 10 Term Bonds required to be purchased, redeemed or paid in such year pursuant to
 11 the mandatory amortization provisions of the ordinance or resolution of the City
 12 authorizing the issuance of such Term Bonds.
 13 "Solid Waste Operating Fund" means the Solid Waste Operating Fund
 14 maintained by the City.
 15 "State" means the state of Washington.
 16 "System" means the garbage and refuse collection and disposal system of
 17 the City as defined in Section 1 of Ordinance No. 21312, as the same has
 18 heretofore been added to, improved and extended and as the same will be added
 19 to, improved and extended for so long as any of the Parity Bonds are outstanding.
 20 "Term Bond Maturity Year" means any year in which any Parity Bonds that
 21 are Term Bonds mature.
 22 "Term Bonds" mean Parity Bonds designated by the City as term bonds.



1 "Taxable Bonds" mean any Bonds determined to be issued on a taxable
 2 basis pursuant to Section 17.
 3 "Tax-Exempt Bonds" mean any Bonds determined to be issued on a tax-
 4 exempt basis under the Code pursuant to Section 17.
 5 "Treasurer" means the duly appointed and acting Treasurer of the City or the
 6 successor to the duties of that office.
 7 "2015 Bonds" mean the outstanding City of Tacoma, Washington, Solid
 8 Waste Bonds, 2015 (Green Bonds) issued pursuant to Ordinance No. 28279.
 9 "2016A Bonds" mean the City of Tacoma, Washington, Solid Waste
 10 Revenue Refunding Bonds, 2016A, issued pursuant to Ordinance No. 28356.
 11 "2016B Bonds" mean the City of Tacoma, Washington, Solid Waste
 12 Revenue Refunding Bonds, 2016B, issued pursuant to Ordinance No. 28356.
 13 "Underwriter" means any underwriter or group of underwriters, in the case of
 14 a negotiated sale, or initial purchaser, in the case of a competitive sale, for a series
 15 of Bonds selected pursuant to Section 17.
 16 "Variable Interest Rate" means a variable interest rate or rates to be borne
 17 by a series of Parity Bonds or any one or more maturities within a series of Parity
 18 Bonds. The method of computing such variable interest rate shall be specified in
 19 the bond ordinance authorizing such series of Parity Bonds. Such variable interest
 20 rate shall be subject to a Maximum Interest Rate and there may be an initial rate
 21 specified, in each case as provided in such bond ordinance, or a stated interest rate
 22 that may be changed from time to time as provided in the bond ordinance
 23 authorizing such Parity Bonds. Such bond ordinance shall also specify either
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1 (a) the particular period or periods of time or manner of determining such period or
 2 periods of time for which each value of such variable interest rate shall remain in
 3 effect or (b) the time or times upon which any change in such variable interest rate
 4 shall become effective.
 5 "Variable Interest Rate Bonds" for any period of time means Parity Bonds
 6 that during such period bear a Variable Interest Rate, provided that Parity Bonds
 7 the interest rate on which shall have been fixed for the remainder of the term
 8 thereof shall no longer be Variable Interest Rate Bonds.
 9 Section 2. Findings; Compliance with Parity Conditions.
 10 The Council hereby finds that it is in the public interest for the City to
 11 undertake the Project and to issue the Bonds to finance a portion of the costs of the
 12 Project.
 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 equal in rank with
 20 the lien and charge upon the Net Revenues to pay and secure the payment of the
 21 then-outstanding Outstanding Parity Bonds.
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1 Section 3. Adoption of Plan of Additions.
 2 The City specifies, adopts and orders the following capital improvements to

3 the System (together, the "Project"): the acquisition of compressed natural gas
 4 collection-vehicles; the acquisition of other vehicles, containers and compactors;
 5 fleet and fueling station repairs and replacements; and/or other capital upgrades,
 6 repairs, replacements, and improvements to the System as identified in the Capital
 7 Improvement Plan, as it may be amended from time to time. The specifications for
 8 the Project, and the components thereof, as well as the timing, order and manner
 9 of completing all or which portions thereof, shall be as determined by the City.

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

16 The estimated cost of carrying out the Project, including the costs of
 17 issuance and sale of the Bonds, is expected to be at least \$16,000,000, which cost
 18 shall be paid from the proceeds of the Bonds and from other money available to
 19 the City for such purpose.

20 Section 4. Authorization and Description of Bonds.
 21 The City is hereby authorized to issue and sell one or more series of Bonds
 22 in the aggregate principal amount of not to exceed \$16,000,000 to finance and/or



1 reimburse the City for costs of the Project and to pay costs of issuance of the
 2 Bonds.

3 The Bonds of each series shall be designated as the "City of Tacoma,
 4 Washington, Solid Waste Revenue Bonds, 2022" with such series or other
 5 designation as set forth in applicable Sale Document and approved by a
 6 Designated Representative. The Bonds of each series shall be dated as of their
 7 date of initial delivery, shall be fully registered as to both principal and interest, shall
 8 be in the denomination of \$5,000 each or any integral multiple thereof within a
 9 maturity, shall be numbered separately in the manner and with any additional
 10 designation as the Bond Registrar deems necessary for purposes of identification
 11 and control, and shall bear interest payable on the dates set forth in the applicable
 12 Sale Document. The Bonds shall bear interest at the rates set forth in the
 13 applicable Sale Document; and shall mature on the dates and in the principal
 14 amounts set forth in the applicable Sale Document and as approved by a
 15 Designated Representative pursuant to Section 17.

16 The Bonds shall be special obligations of the City payable only from the
 17 Bond Fund and shall be payable and secured as provided herein. The Bonds shall
 18 not be general obligations of the City, the State or any political subdivision thereof.
 19 Section 5. Registration, Exchange and Payments.

20 (a) Bond Registrar/Bond Register. The City hereby specifies and adopts the
 21 system of registration approved by the Washington State Finance Committee from
 22 time to time through the appointment of a state fiscal agent. The City shall cause a
 23 Bond Register to be maintained by the Bond Registrar. So long as any Bonds



1 remain outstanding, the Bond Registrar shall make all necessary provisions to
 2 permit the exchange or registration or transfer of Bonds at its designated office.
 3 The Bond Registrar may be removed at any time at the option of the Finance
 4 Director upon prior notice to the Bond Registrar and a successor Bond Registrar
 5 appointed by the Finance Director. No resignation or removal of the Bond Registrar
 6 shall be effective until a successor shall have been appointed and until the
 7 successor Bond Registrar shall have accepted the duties of the Bond Registrar
 8 hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate
 9 and deliver Bonds transferred or exchanged in accordance with the provisions of
 10 such Bonds and this ordinance and to carry out all of the Bond Registrar's powers
 11 and duties under this ordinance. The Bond Registrar shall be responsible for its
 12 representations contained in the Certificate of Authentication of the Bonds.
 13 (b) Registered Ownership. The City and the Bond Registrar, each in its
 14 discretion, may deem and treat the Registered Owner of each Bond as the absolute
 15 owner thereof for all purposes (except as provided in the Continuing Disclosure
 16 Certificate), and neither the City nor the Bond Registrar shall be affected by any
 17 notice to the contrary. Payment of any such Bond shall be made only as described
 18 in Section 6(g), but such Bond may be transferred as herein provided. All such
 19 payments made as described in Section 6(g) shall be valid and shall satisfy and
 20 discharge the liability of the City upon such Bond to the extent of the amount or
 21 amounts so paid.
 22 (c) DTC Acceptance/Letters of Representations. The Bonds initially shall be
 23 held in fully immobilized form by DTC acting as depository. The City has executed



1 and delivered to DTC the Letter of Representations. Neither the City nor the Bond
 2 Registrar will have any responsibility or obligation to DTC participants or the
 3 persons for whom they act as nominees (or any successor depository) with respect
 4 to the Bonds in respect of the accuracy of any records maintained by DTC (or any
 5 successor depository) or any DTC participant, the payment by DTC (or any
 6 successor depository) or any DTC participant of any amount in respect of the
 7 principal of or interest on Bonds, any notice which is permitted or required to be
 8 given to Registered Owners under this ordinance (except such notices as shall be
 9 required to be given by the City to the Bond Registrar or to DTC (or any successor
 10 depository)), or any consent given or other action taken by DTC (or any successor
 11 depository) as the Registered Owner. For so long as any Bonds are held in fully
 12 immobilized form by a depository, DTC or its successor depository shall be deemed
 13 to be the Registered Owner for all purposes hereunder, and all references herein to
 14 the Registered Owners shall mean DTC (or any successor depository) or its
 15 nominee and shall not mean the owners of any beneficial interest in such Bonds.
 16 (d) Use of Depository.

(1) The Bonds shall be registered initially in the name of
 "Cede & Co.", as nominee of DTC, with one Bond of each series maturing on each
 of the maturity dates for the Bonds in a denomination corresponding to the total
 principal therein designated to mature on such date. Registered ownership of such
 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any
 successor of DTC or its nominee, provided that any such successor shall be
 qualified under any applicable laws to provide the service proposed to be provided



1 by it; (B) to any substitute depository appointed by the Finance Director pursuant to
 2 subsection (2) below or such substitute depository's successor; or (C) to any
 3 person as provided in subsection (4) below.

4 (2) Upon the resignation of DTC or its successor (or any substitute
 5 depository or its successor) from its functions as depository or a determination by
 6 the Finance Director to discontinue the system of book entry transfers through DTC
 7 or its successor (or any substitute depository or its successor), the Finance Director
 8 may hereafter appoint a substitute depository. Any such substitute depository shall
 9 be qualified under any applicable laws to provide the services proposed to be
 10 provided by it.

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

17 (4) In the event that (A) DTC or its successor (or substitute depository
 18 or its successor) resigns from its functions as depository and no substitute
 19 depository can be obtained, or (B) the Finance Director determines that it is in the
 20 best interest of the beneficial owners of the Bonds that such owners be able to
 21 obtain physical Bond certificates, the ownership of such Bonds may then be
 22 transferred to any person or entity as herein provided, and such Bonds shall no
 23 longer be held by a depository. The Finance Director shall deliver a written request



1 to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as
 2 herein provided in any authorized denomination. Upon receipt by the Bond
 3 Registrar of all then outstanding Bonds of a series together with a written request
 4 on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued
 5 in the appropriate denominations and registered in the names of such persons as
 6 are requested in such written request.

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



1 the transfer or to exchange any Bond between the Record Date and the next
 2 principal payment or redemption date.

3 (f) Bond Registrar's Ownership of Bonds. The Bond Registrar may become
 4 the Registered Owner of any Bond with the same rights it would have if it were not
 5 the Bond Registrar, and to the extent permitted by law, may act as depository for
 6 and permit any of its officers or directors to act as a member of, or in any other
 7 capacity with respect to, any committee formed to protect the right of the Registered
 8 Owners of Bonds.

9 (g) Place and Medium of Payment.

10 Both principal of and interest on the Bonds shall be payable in lawful money
 11 of the United States of America. Interest on the Bonds shall be calculated on the
 12 basis of a year of 360 days and twelve 30-day months. For so long as all Bonds
 13 are held by a depository, payments of principal and interest thereon shall be made
 14 as provided in accordance with the operational arrangements of DTC referred to in
 15 the Letter of Representations. In the event that the Bonds are no longer held by a
 16 depository, interest on the Bonds shall be paid by check or draft mailed to the
 17 Registered Owners at the addresses for such Registered Owners appearing on the
 18 Bond Register on the Record Date, or upon the written request of a Registered
 19 Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar by the
 20 Record Date), such payment shall be made by the Bond Registrar by wire transfer
 21 to the account within the United States designated by the Registered Owner.
 22 Principal of the Bonds shall be payable upon presentation and surrender of such
 23 Bonds by the Registered Owners at the designated office of the Bond Registrar.
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1 If any Bond shall be duly presented for payment and funds have not been
 2 duly provided by the City on such applicable date, then interest shall continue to
 3 accrue thereafter on the unpaid principal thereof at the rate stated on such Bond
 4 until it is paid.

5 Section 6. Redemption Prior to Maturity and Purchase of Bonds.

6 (a) Mandatory Redemption of Term Bonds and Optional Redemption, if any.
 7 The Bonds of each series shall be subject to mandatory redemption to the extent, if
 8 any, set forth in the applicable Sale Document approved by a Designated
 9 Representative pursuant to Section 17. The Bonds of each series shall be subject
 10 to optional redemption on the dates, at the prices and under the terms set forth in
 11 the applicable Sale Document approved by a Designated Representative pursuant
 12 to Section 17.

13 (b) Purchase of Bonds. The City hereby reserves the right at any time to
 14 purchase any of the Bonds from amounts available for such purchase.

15 (c) Selection of Bonds for Redemption. For as long as the Bonds are held in
 16 book-entry only form, the selection of particular Bonds within a series and maturity
 17 to be redeemed shall be made in accordance with the operational arrangements
 18 then in effect at DTC. If the Bonds are no longer held by a depository, the selection
 19 of such Bonds to be redeemed and the surrender and reissuance thereof, as
 20 applicable, shall be made as provided in the following provisions of this
 21 subsection (c). If the City redeems at any one time fewer than all of the Bonds of a
 22 series having the same maturity date, the particular Bonds or portions of Bonds of
 23 such maturity to be redeemed shall be selected by lot (or in such manner
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1 determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond
 2 of a denomination greater than \$5,000, the City and the Bond Registrar shall treat
 3 each Bond as representing such number of separate Bonds each of the
 4 denomination of \$5,000 as is obtained by dividing the actual principal amount of
 5 Bonds by \$5,000. In the event that only a portion of the principal sum of a Bond is
 6 redeemed, upon surrender of such Bond at the designated office of the Bond
 7 Registrar there shall be issued to the Registered Owner, without charge therefor,
 8 for the then unredeemed balance of the principal sum thereof, at the option of the
 9 Registered Owner, a Bond or Bonds of like series, maturity and interest rate in any
 10 of the denominations herein authorized. Notwithstanding the foregoing, any Taxable
 11 Bonds shall be selected on a pro rata pass through distribution of principal basis.
 12 (d) Notice of Redemption.
 13 (1) Official Notice. For so long as the Bonds are held by a
 14 depository, notice of redemption shall be given in accordance with the operational
 15 arrangements of DTC as then in effect, and neither the City nor the Bond Registrar
 16 will provide any notice of redemption to any beneficial owners. The notice of
 17 redemption may be conditional. Unless waived by any owner of Bonds to be
 18 redeemed, official notice of any such redemption (which redemption may be
 19 conditioned by the Bond Registrar on the receipt of sufficient funds for redemption
 20 or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a
 21 copy of an official redemption notice by first-class mail at least 20 days and not
 22 more than 60 days prior to the date fixed for redemption to the Registered Owner of
 23 the Bond or Bonds to be redeemed at the address shown on the Bond Register or



1 at such other address as is furnished in writing by such Registered Owner to the
 2 Bond Registrar.
 3 All official notices of redemption shall be dated and shall state:
 4 (A) the redemption date,
 5 (B) the redemption price,
 6 (C) if fewer than all outstanding Bonds are to be redeemed,
 7 the identification by maturity (and, in the case of partial redemption, the respective
 8 principal amounts) of the Bonds to be redeemed,
 9 (D) that unless conditional notice of redemption has been
 10 given and such conditions have not been satisfied or waived or such notice has
 11 been rescinded, on the redemption date the redemption price will become due and
 12 payable upon each such Bond or portion thereof called for redemption, and if the
 13 Bond Registrar then holds sufficient funds to pay such Bonds at the redemption
 14 price, interest thereon shall cease to accrue from and after said date,
 15 (E) any conditions to redemption, and
 16 (F) the place where such Bonds are to be surrendered for
 17 payment of the redemption price, which place of payment shall be the designated
 18 office of the Bond Registrar.
 19 On or prior to any redemption date, unless any condition to such redemption
 20 has not been satisfied or waived or the notice has been rescinded or revoked, the
 21 City shall deposit with the Bond Registrar an amount of money sufficient to pay the
 22 redemption price of all the Bonds or portions of Bonds which are to be redeemed on
 23 that date. The City retains the right to rescind any redemption notice and the



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

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

19
 20
 21 (3) Additional Notice. In addition to the foregoing notice, further
 22 notice shall be given by the City as set out below, but no defect in said further
 23 notice nor any failure to give all or any portion of such further notice shall in any
 24 manner defeat the effectiveness of a call for redemption if notice thereof is given as
 25 above prescribed. Each further notice of redemption given hereunder shall contain
 26 the information required above for an official notice of redemption plus (A) the



1 CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as
 2 originally issued; (C) the rate of interest borne by each Bond being redeemed; (D)
 3 the maturity date of each Bond being redeemed; and (E) any other descriptive
 4 information needed to identify accurately the Bonds being redeemed. Each further
 5 notice of redemption may be sent at least 20 days before the redemption date to
 6 each party entitled to receive notice pursuant to the Continuing Disclosure
 7 Certificate with such additional information as the City shall deem appropriate, but
 8 such mailings shall not be a condition precedent to the redemption of such Bonds.

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

16
 17
 18 Section 7. Form of Bonds and Certificate of Authentication.

19 The Bonds shall be in substantially the form set forth in Exhibit A, which is
 20 incorporated herein by this reference, with appropriate or necessary insertions,
 21 depending upon the omissions and variations as permitted or required hereby.

22
 23 Section 8. Execution of Bonds.

24 The Bonds shall be executed on behalf of the City with the manual or
 25 facsimile signatures of the Mayor and City Clerk of the City and the seal of the
 26 City shall be impressed, imprinted or otherwise reproduced thereon.



1 Only such Bonds as shall bear thereon a Certificate of Authentication in the
 2 form provided herein, manually executed by the Bond Registrar, shall be valid or
 3 obligatory for any purpose or entitled to the benefits of this ordinance. Such
 4 Certificate of Authentication shall be conclusive evidence that the Bonds so
 5 authenticated have been duly executed, authenticated and delivered hereunder and
 6 are entitled to the benefits of this ordinance.
 7

8 In case either of the officers who shall have executed the Bonds shall cease
 9 to be an officer or officers of the City before the Bonds so signed shall have been
 10 authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds
 11 may nevertheless be authenticated, delivered and issued and upon such
 12 authentication, delivery and issuance, shall be as binding upon the City as though
 13 those who signed the same had continued to be such officers of the City. Any Bond
 14 may be signed and attested on behalf of the City by such persons who at the date
 15 of the actual execution of such Bond, are the proper officers of the City, although at
 16 the original date of such Bond any such person shall not have been such officer of
 17 the City.
 18

19 Section 9. Application of Bond Proceeds.

20 A portion of the proceeds of the Bonds, net of any underwriter's discount and
 21 fees and any amount to be used to satisfy the Reserve Fund Requirement for the
 22 Bonds, if any, shall be deposited into a fund or account created by the Finance
 23 Director (the "Project Fund"), and subaccounts therein as necessary, in the
 24 amounts specified in the closing memorandum prepared in connection with the
 25
 26

1 issuance of the Bonds. Such proceeds shall be used to pay and/or reimburse the
 2 City for the costs of the Project and to pay costs of issuance of the Bonds.
 3 The Finance Director shall invest money in the Project Fund and the
 4 subaccounts contained therein in Permitted Investments and which will mature
 5 prior to the date on which such money shall be needed, but only to the extent that
 6 the same are acquired, valued and disposed of at Fair Market Value. Upon
 7 completion of the Project, Bond proceeds (including interest earnings thereon) may
 8 be used for other capital projects of the System or shall be transferred to the Bond
 9 Fund.
 10

11 Section 10. Solid Waste Operating Fund; Pledge of Revenues.

12 A special fund of the City has been created and designated the "Solid
 13 Waste Operating Fund". The City covenants and agrees that so long as any of the
 14 Parity Bonds are outstanding, it will pay or cause to be paid into the Solid Waste
 15 Operating Fund all Gross Revenues, except income from the investment of money
 16 in any construction funds and any rebate fund, as collected and the Solid Waste
 17 Operating Fund shall be held separate and apart from all other funds and accounts
 18 of the City. The money in the Solid Waste Operating Fund shall be used only for
 19 the following purposes and in the following order of priority:
 20

21 First, to pay the Costs of Maintenance and Operation;

22
 23 Second, to make all payments required to be made for the Parity Bonds in
 24 the following order:
 25
 26



1 (a) into the Debt Service Account to pay the interest due on any
 2 Parity Bonds for which money shall not have been provided by income from the
 3 investment of money in the Bond Fund;
 4 (b) to make all payments required to be made into the Debt Service
 5 Account to pay the principal of any Parity Bonds due at maturity for which money
 6 shall not have been provided by income from the investment of money in the Bond
 7 Fund, and to make all payments heretofore or hereafter required to be made into
 8 the Debt Service Account under any schedule for the amortization of Term Bonds;
 9 (c) to make all payments required to be made pursuant to a
 10 reimbursement obligation in connection with a Qualified Letter of Credit or Qualified
 11 Insurance with respect to the Reserve Fund, and into any other reserve fund
 12 created in the future for the payment of debt service on Parity Bonds, provided that
 13 if there is not sufficient money to make all payments under reimbursement
 14 agreements the payments will be made on a pro rata basis;
 15 (d) to make all payments required to be made into the Reserve Fund
 16 to secure the payment of any Covered Bonds, and into any other reserve fund
 17 created in the future for the payment of debt service on Parity Bonds;
 18 Third, to make all payments required to be made into any other revenue
 19 bond redemption fund, revenue warrant redemption fund, debt service account,
 20 reserve account or sinking fund account created to pay and secure the payment of
 21 the principal of and interest on any revenue bonds or revenue warrants of the City
 22 having a lien upon Gross Revenues and the money in the Solid Waste Operating

1 Fund junior and inferior to the lien thereon for the payment of the principal of and
 2 interest on Parity Bonds;
 3 Fourth, to pay municipal taxes and payments to the City in lieu of taxes; and
 4 Fifth, to retire by redemption or purchase in the open market any outstanding
 5 solid waste revenue bonds, notes or revenue warrants of the City or to make
 6 necessary additions, improvements, extraordinary repairs, extensions and
 7 replacements of the System, to make payments into the Rate Stabilization Fund, or
 8 any other lawful City purposes, including the payment of legal claims and
 9 judgments against the System.
 10 The City hereby pledges Gross Revenues, after payment of the Costs of
 11 Maintenance and Operation, to the payment of the Parity Bonds.
 12 Section 11. Bond Fund.
 13 There has been created the "Tacoma Solid Waste Revenue Bond Fund" (the
 14 "Bond Fund") for the sole purpose of paying and securing the payment of Parity
 15 Bonds. The Bond Fund contains the Debt Service Account and the Reserve Fund.
 16 At the option of the City, separate funds and accounts may be created in the Bond
 17 Fund for the purpose of paying or securing the payment of principal, premium, if
 18 any, and interest on any series of Parity Bonds.
 19 (a) A Debt Service Account has been created in the Bond Fund for the
 20 purpose of paying the interest on any Parity Bonds and the principal or Sinking
 21 Fund Requirement for and premium, if any, on any Parity Bonds. As long as any
 22 Parity Bonds remain outstanding, the City hereby irrevocably obligates and binds
 23 itself to set aside and pay from the Solid Waste Operating Fund into the Debt



1 Service Account those amounts necessary, with such other funds as are then on
 2 hand and available in the Debt Service Account, to pay the interest on all
 3 outstanding Parity Bonds, the principal of all outstanding Parity Bonds and the
 4 Sinking Fund Requirements as such interest, principal and Sinking Fund
 5 Requirements, respectively, become due and payable at maturity or by mandatory
 6 redemption. Payments on account of the Parity Bonds shall be made on or before
 7 the day on which an installment of interest, principal or Sinking Fund Requirement
 8 becomes due.

9
 10 (b) A Reserve Fund has been created in the Bond Fund for the purpose of
 11 securing the payment of the principal of and interest on the Covered Bonds. The
 12 City may create separate reserve funds and establish separate Reserve Fund
 13 Requirements, if any, to secure the payment of the principal of and interest on other
 14 Parity Bonds.

15
 16 If designated as Covered Bonds in the applicable Sale Documents, the
 17 Bonds of each series may initially be issued as Covered Bonds and the payment of
 18 the principal of and interest on the Bonds would then initially be secured by the
 19 Reserve Fund. The City, in its sole discretion, may create a separate reserve fund
 20 and establish a separate Reserve Fund Requirement, if any, to secure the payment
 21 of the principal of and interest on the Bonds. If the City determines to create a
 22 separate reserve fund and establish a Reserve Fund Requirement for the Bonds,
 23 from such date the Bonds will no longer be Covered Bonds and the payment of the
 24 principal of and interest on the Bonds will no longer be secured by the Reserve
 25 Fund. The new Reserve Fund Requirement for the Bonds shall be equal to the



1 amount, if any, specified in a certificate of the Finance Director, Treasurer and
 2 Environmental Services Director. The City shall provide notice of any such
 3 separate reserve fund and corresponding Reserve Fund Requirement for the Bonds
 4 in the same manner as a listed event notice that would be required upon the
 5 occurrence of a material "release, substitution, or sale of property securing
 6 repayment of the Bonds" in accordance with this ordinance.

7
 8 The City hereby covenants that if the Bonds are designated as Covered
 9 Bonds, at the time of the issuance of the Bonds it will deposit a portion of the
 10 proceeds of the Bonds, acquire Qualified Insurance or Qualified Letter of Credit, or
 11 use other available funds to satisfy the Reserve Fund Requirement for the Bonds
 12 and the Outstanding Parity Bonds that are Covered Bonds as of the date of
 13 Closing.

14
 15 The City further covenants that in the event it issues any Future Parity Bonds
 16 that are Covered Bonds it will provide in each Parity Bond Ordinance authorizing
 17 the issuance of the same that it will deposit proceeds from the Future Parity Bonds
 18 or approximately equal monthly payments will be made into the Reserve Fund out
 19 of the Solid Waste Operating Fund so that within five years or less from the date of
 20 the issuance of such Future Parity Bonds the total amount of such payments, with
 21 the amount already in the Reserve Fund, will be at least equal to the Reserve Fund
 22 Requirement.

23
 24 The City may elect to fund part or all the Reserve Fund with respect to the
 25 Bonds and any Future Parity Bonds that are Covered Bonds through the use of a
 26 Qualified Letter of Credit or Qualified Insurance. In making the payments and



1 credits to the Reserve Fund required by this Section 11(b), to the extent that the
 2 City has obtained Qualified Insurance or a Qualified Letter of Credit for specific
 3 amounts required pursuant to this section, such amounts so covered by Qualified
 4 Insurance or a Qualified Letter of Credit shall be credited against the amounts
 5 required to be maintained in the Reserve Fund by this Section 11(b) to the extent
 6 that such payments and credits to be made are insured by an insurance company
 7 or guaranteed by a letter of credit from a financial institution. In the event of any
 8 cancellation, the Reserve Fund shall be funded in accordance with the first three
 9 paragraphs of this Section 11(b), as if the Covered Bonds that remain outstanding
 10 had been issued on the date of such notice of cancellation.

11
 12
 13 The City further covenants that when the deposits required by this
 14 Section 11(b) have been made into the Reserve Fund, it will at all times maintain
 15 therein an amount at least equal to the Reserve Fund Requirement as the same
 16 may be recalculated and determined from time to time. The investments in the
 17 Reserve Fund shall be valued on each December 31 and may be valued on any
 18 other date. Such valuation shall be at the market value of the obligations in such
 19 fund including accrued interest; provided that investments which mature within one
 20 year shall be valued at their maturity value. Whenever there is a sufficient amount
 21 in the Debt Service Account and the Reserve Fund to pay the principal of, premium,
 22 if any, and interest on all Covered Bonds then outstanding, the money in the
 23 Reserve Fund may be used to pay such principal, premium, if any, or Sinking Fund
 24 Requirements or interest. Money in the Reserve Fund may be withdrawn to
 25 redeem and retire outstanding Covered Bonds, and to pay the interest due to such



1 date of redemption and premium, if any, or Sinking Fund Requirements on such
 2 outstanding Covered Bonds, so long as the money remaining on deposit in the
 3 Reserve Fund is at least equal to the Reserve Fund Requirement. When a series
 4 of Covered Bonds is refunded in whole or in part, money may be withdrawn from
 5 the Reserve Fund to pay or provide for the payment of refunded Covered Bonds;
 6 provided that immediately after such withdrawal there shall remain in or be credited
 7 to the Reserve Fund money and Permitted Investments in an amount equal to the
 8 Reserve Fund Requirement or so much thereof as is then required to be
 9 maintained.

10
 11 In the event there shall be a deficiency in the Debt Service Account to meet
 12 maturing installments of either interest on or principal of or Sinking Fund
 13 Requirements on any Covered Bonds, such deficiency shall be made up from the
 14 Reserve Fund by the withdrawal of money therefrom and by the sale or redemption
 15 of obligations held in the Reserve Fund, if necessary, in such amounts as will
 16 provide cash in the Reserve Fund sufficient to make up any such deficiency, and if
 17 a deficiency still exists immediately prior to an interest payment date and after the
 18 withdrawal of cash, the City shall then draw from any Qualified Letter of Credit or
 19 Qualified Insurance in sufficient amount to make up the deficiency. Such draw shall
 20 be made at such times and under such conditions as the agreement for such
 21 Qualified Letter of Credit or such Qualified Insurance shall provide. The City
 22 covenants that any deficiency created in the Reserve Fund by reason of any
 23 withdrawal therefrom for payment into the Debt Service Account shall be made up
 24 from money in the Solid Waste Operating Fund first available after providing for the



1 required payments into the Debt Service Account and after providing for any
 2 required payments pursuant to a reimbursement obligation; provided, that once the
 3 2006 Bonds are no longer outstanding, any such deficiency shall be made up within
 4 12 months of such deficiency.

5 (c) Said amounts so pledged to be paid into the Debt Service Account and
 6 the Reserve Fund from the Solid Waste Operating Fund are hereby declared to be
 7 a prior lien and charge upon Gross Revenues superior to all other charges of any
 8 kind or nature whatsoever except the Costs of Maintenance and Operation of the
 9 System and except that the amounts so pledged are of equal lien to the charges
 10 upon such Revenue which may hereafter be made to pay and secure the payment
 11 of the principal of and interest on any Future Parity Bonds, and, provided further, if
 12 the City elects to meet the requirements of this Section 11(b) with respect to the
 13 Reserve Fund as to any issue of Parity Bonds through the use of a Qualified Letter
 14 of Credit or Qualified Insurance, then the City's reimbursement obligation with
 15 respect thereto, if any, may rank on a parity of lien with the Parity Bonds.

16 (d) Money held in all of the accounts in the Bond Fund shall, to the fullest
 17 extent practicable and reasonable, be invested and reinvested at the direction of
 18 the Treasurer of the City solely in, and obligations deposited in such accounts shall
 19 consist of, Permitted Investments which shall mature on or prior to the respective
 20 dates when the money held for the credit of such accounts will be required for the
 21 purposes intended, but only to the extent that the same are acquired, valued and
 22 disposed of at Fair Market Value. Money in the Reserve Fund not required for
 23 immediate disbursement for the purposes for which such fund is created shall, to



1 the fullest extent practicable and reasonable, be invested and reinvested at the
 2 direction of the City solely in, and obligations deposited in the Reserve Fund shall
 3 consist of, Permitted Investments maturing prior to the final maturity date of the
 4 Parity Bonds then outstanding. All interest earned and income derived by virtue of
 5 investments of money in the Debt Service Account or the Reserve Fund may
 6 remain in the Bond Fund or be deposited into the Solid Waste Operating Fund and
 7 all such investment income may be used to meet the required deposits into any
 8 account in the Bond Fund.

9 (e) The Council hereby finds that in fixing the amounts to be paid into the
 10 Bond Fund out of Gross Revenues, it has exercised due regard for the Costs of
 11 Maintenance and Operation and has not obligated the City to set aside and pay into
 12 such Fund a greater amount of such Revenue than in its judgment will be available
 13 over and above the Costs of Maintenance and Operation.

14 (f) Money in the Bond Fund may be used, if necessary, to pay Rebate
 15 Amounts to the extent that such Rebate Amounts are directly attributable to
 16 earnings on the Bond Fund.

17 Section 12. Rate Stabilization Fund.

18 A special fund of the City designated the "Rate Stabilization Fund" has been
 19 established in the Solid Waste Operating Fund. In accordance with the priorities
 20 set forth in this ordinance, the City may from time to time deposit Net Revenues into
 21 the Rate Stabilization Fund and may from time to time withdraw amounts therefrom
 22 to enhance rate stability or for other lawful purposes of the City related to the
 23 System.



1 Section 13. Defeasance.
 2 In the event that the City, to effect the payment, retirement or redemption of
 3 any Bond, sets aside in the Bond Fund or in another special account, cash or
 4 noncallable Government Obligations, or any combination of cash and/or noncallable
 5 Government Obligations, in amounts and maturities which, together with the known
 6 earned income therefrom, are sufficient to redeem or pay and retire such Bond in
 7 accordance with its terms and to pay when due the interest and redemption
 8 premium, if any, thereon, and such cash and/or noncallable Government
 9 Obligations are irrevocably set aside and pledged for such purpose, then no further
 10 payments need be made into the Bond Fund for the payment of the principal of and
 11 interest on such Bond. The owner of a Bond so provided for shall cease to be
 12 entitled to any lien, benefit or security of this ordinance except the right to receive
 13 payment of principal, premium, if any, and interest from the Bond Fund or such
 14 special account, and such Bond shall be deemed to be not outstanding under this
 15 ordinance.
 16 The City shall give written notice of defeasance in accordance with the
 17 Continuing Disclosure Certificate.
 18 Section 14. Covenants.
 19 The City hereby covenants and agrees with the owners of the Bonds for as
 20 long as any of the same remain outstanding as follows:
 21 (a) Establishment and Collection of Rates and Charges. The City shall
 22 establish, maintain and collect lawful rates and charges for the use of the services
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1 and facilities of the System and all commodities sold, furnished or supplied by the
 2 System, and shall adjust such rates and charges from time to time so that:
 3 (1) Gross Revenues will at all times be sufficient (A) to pay all costs
 4 of and charges and expenses in connection with the proper operation and
 5 maintenance of the System, (B) to pay the principal of, interest on and any Sinking
 6 Fund Requirements for the outstanding Parity Bonds, as and when the same shall
 7 become due and payable, (C) to make when due all payments which the City is
 8 obligated to make into the Reserve Fund, (D) to make all other payments which the
 9 City is obligated to make pursuant to this ordinance or any Parity Bond Ordinance
 10 and (E) to pay all taxes, assessments or other governmental charges lawfully
 11 imposed on the System or the revenue therefrom or payments in lieu thereof and
 12 any and all other amounts which the City may now and hereafter become obligated
 13 to pay from Gross Revenues by law or contract; and
 14 (2) the Net Revenues in each calendar year will equal at least
 15 1.25 times the Annual Debt Service for such calendar year.
 16 Solely for purposes of calculating the coverage requirement set forth above,
 17 there shall be added to Gross Revenues in any calendar year any amount
 18 withdrawn from the Rate Stabilization Fund in such calendar year and deposited in
 19 the Solid Waste Operating Fund, and there shall be subtracted from Gross
 20 Revenues in any calendar year any amount withdrawn from the Solid Waste
 21 Operating Fund and deposited in the Rate Stabilization Fund. Credits to or from the
 22 Rate Stabilization Fund that occur within 90 days after the end of a Fiscal Year may
 23 be treated as occurring within such Fiscal Year.
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1 The calculation of the coverage requirement set forth above, and in
 2 Section 16, and the City's compliance therewith, may be made solely with reference
 3 to this ordinance without regard to future changes in generally accepted accounting
 4 principles. If the City has changed one or more of the accounting principles used in
 5 the preparation of its financial statements, because of a change in generally
 6 accepted accounting principles or otherwise, then an event of default relating to this
 7 coverage requirement shall not be considered an event of default if the coverage
 8 requirement ratio would have been complied with had the City continued to use
 9 those accounting principles employed at the date of the most recent audited
 10 financial statements prior to the date of this ordinance.

11
 12
 13 (b) Maintenance and Operations Standards. The City will at all times keep
 14 and maintain the System in good repair, working order and condition and will at all
 15 times operate the System and the business in connection therewith in an efficient
 16 manner and at a reasonable cost.

17
 18 (c) Sale or Disposition of System. The City will not sell or otherwise dispose
 19 of the System in its entirety unless simultaneously with such sale or disposition
 20 provision is made for payment into the Bond Fund of cash or Government
 21 Obligations sufficient to pay the principal of and interest on all then outstanding
 22 Parity Bonds in accordance with the terms thereof. The City will not sell or
 23 otherwise dispose of any part of the useful operating properties of the System in
 24 excess of 5 percent of the book value of the System (original acquisition cost of the
 25 System less accumulated depreciation) unless (1) there has been filed with the City
 26 Clerk a certificate of an Engineer stating that such disposition will not impair the

1 ability of the City to comply with the rate covenants previously set forth under this
 2 section or (2) the proceeds from such disposition are used to acquire new useful
 3 operating properties of the System or to retire System debt. No sale, lease,
 4 mortgage or other disposal of any part of the System valued in excess of 10 percent
 5 of the book value of the System shall be made if, in the opinion of an Engineer,
 6 taking into consideration the use of such proceeds to acquire new property or retire
 7 debt and based on financial statements of the System for the most recent Fiscal
 8 Year available, such sale, mortgage, lease or other disposal would prevent the City
 9 from meeting the requirements hereunder and with respect to any other obligations
 10 of the System.

11
 12
 13 (d) No Free Service. The City will not furnish any service of the System free
 14 of charge in an aggregate amount per year exceeding 1/10 of 1 percent of annual
 15 Gross Revenues.

16
 17 (e) Books and Accounts – Operating Statement. The City will keep and
 18 maintain proper books and accounts with respect to the operations, income and
 19 expenditures of the System that are in accordance with proper and legal accounting
 20 procedures. All expenses incurred in the maintenance of such books and accounts
 21 and the preparation of such statement may be regarded and paid as an expense of
 22 operation of the System.

23
 24 (f) Tax Covenants. The City will take all actions necessary to assure the
 25 exclusion of interest on any Tax-Exempt Bonds from the gross income of the
 26 owners of such Tax-Exempt Bonds to the same extent as such interest is permitted



1 to be excluded from gross income under the Code as in effect on the date of
 2 issuance of such Tax-Exempt Bonds, including but not limited to the following:

3 (1) Private Activity Bond Limitation. The City will assure that the
 4 proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt
 5 Bonds to satisfy the private business tests of Section 141(b) of the Code or the
 6 private loan financing test of Section 141(c) of the Code.

7 (2) Limitations on Disposition of Project. The City will not sell or
 8 otherwise transfer or dispose of (i) any personal property components of the Project
 9 other than in the ordinary course of an established government program under
 10 Treasury Regulation § 1.141-2(d)(4) or (ii) any real property components of the
 11 Project, unless it has received an opinion of Bond Counsel to the effect that such
 12 disposition will not adversely affect the treatment of interest on the Tax-Exempt
 13 Bonds as excludable from gross income for federal income tax purposes.

14 (3) Federal Guarantee Prohibition. The City will not take any action
 15 or permit or suffer any action to be taken if the result of such action would be to
 16 cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the
 17 meaning of Section 149(b) of the Code.

18 (4) Rebate Requirement. The City will take any and all actions
 19 necessary to assure compliance with Section 148(f) of the Code, relating to the
 20 rebate of excess investment earnings, if any, to the federal government, to the
 21 extent that such section is applicable to the Tax-Exempt Bonds.

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

1 such action had been reasonably expected to have been taken, or had been
 2 deliberately and intentionally taken, on the date of issuance of the Tax-Exempt
 3 Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the
 4 meaning of Section 148 of the Code.

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

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

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

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

21 (g) Junior Lien Bonds. In the event the City issues revenue bonds or other
 22 revenue obligations having a lien upon the Gross Revenues junior and inferior to
 23 the lien on the Parity Bonds ("Junior Lien Bonds"), the City covenants that a default



1 on such Junior Lien Bonds will not constitute a default on the Parity Bonds and that
 2 the City will not permit an acceleration of such Junior Lien Bonds in the event of a
 3 default on such bonds.

4 Section 15. Parity Derivative Products.

5 For purposes of this Section 15, the following words shall have the following
 6 definitions:

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

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

16 (c) "Payment Agreement" means a written agreement for the purpose of
 17 managing or reducing the City's exposure to fluctuations or levels of interest rates,
 18 currencies or commodities or for other interest rate, investment, asset or liability
 19 management purposes, entered into on either a current or forward basis by the City
 20 and a Qualified Counterparty, all as authorized by any applicable laws of the State.
 21 Such agreement may or may not be characterized by a structure of reciprocity of
 22 payment.



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

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

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

(g) "Qualified Counterparty" means a party (other than the City or a party
 related to the City) who is the other party to a Payment Agreement that has or
 whose obligations are unconditionally guaranteed by a party that has at least an
 investment grade rating from a rating agency (who, if the City's Parity Bonds are
 rated by Moody's, must have a rating of at least "A") and who is otherwise qualified
 to act as the other party to a Payment Agreement under any applicable laws of the
 State.

A Payment made under a Payment Agreement may be on a parity with the
 Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds
 described in Section 16, taking into consideration regularly scheduled Payments
 and Receipts (if any) under the Payment Agreement. The following shall be
 conditions precedent to the use of any Payment Agreement on a parity with the
 Bonds:

- (1) The City shall obtain an opinion of Bond Counsel on the due
 authorization and execution of such Payment Agreement, the validity and



1 enforceability thereof and opining that the action proposed to be taken is authorized
 2 or permitted by this ordinance or the applicable provisions of any supplemental
 3 ordinance and will not adversely affect the excludability for federal income tax
 4 purposes of the interest on any outstanding Parity Bonds.

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

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

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

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

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

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

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

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

9 Section 16. Future Parity Bonds.

10 The City reserves the right to issue Future Parity Bonds for the purposes of

11 (a) providing funds to acquire, construct, reconstruct, install, or replace any
 12 equipment, facilities, additions, or other capital improvements to the System for
 13 which it is authorized by law to issue revenue bonds; (b) any lawful purpose of the
 14 System, including the payment of a judgment or settlement of a claim; or
 15 (c) refunding at or prior to their maturity, any revenue bond anticipation notes or
 16 outstanding revenue bonds or other obligations payable out of Gross Revenues.

17 The City may pledge that payments will be made out of money in the Solid Waste
 18 Operating Fund into the Bond Fund and the funds and accounts therein to pay and
 19 secure the payment of the principal of and interest on such Future Parity Bonds on
 20 a parity with the payments required herein to be made out of such money into such
 21 fund and accounts to pay and secure the payment of the principal of and interest on
 22 any Parity Bonds then outstanding, upon compliance with the following conditions:



1 (a) At the time of the issuance of any Future Parity Bonds there is no
 2 deficiency in the Bond Fund.
 3 (b) The principal of and interest on any Future Parity Bonds shall be payable
 4 out of the Bond Fund and the requirements for Sinking Fund Requirements and
 5 Reserve Fund payments (with respect to Covered Bonds) in Section 10 shall be
 6 met.
 7 (c) Prior to the delivery of any Future Parity Bonds, the City shall have on
 8 file in the office of the City Clerk either:
 9 (1) A certificate of the Finance Director of the City stating that Net
 10 Revenues in any 12 consecutive months out of the most recent 24 months
 11 preceding the delivery of the bonds then proposed to be issued, as determined from
 12 the financial statements of the System, were not less than 1.25 times Maximum
 13 Annual Debt Service for any year on all outstanding Parity Bonds and the bonds
 14 proposed to be issued, provided that in the event that any adjustment in the rates,
 15 fees and charges collected by the City for the services of the System shall have
 16 been adopted by the City Council at any time on or prior to the date of delivery of
 17 the bonds then proposed to be issued, the Finance Director shall reflect in such
 18 certificate the Net Revenues such officer estimates would have been collected in
 19 such 12-month period if such new rates, fees and charges had been in effect for the
 20 entire 12-month period, or
 21 (2) A certificate of an Engineer or a Certified Public Accountant
 22 showing that the "Adjusted Net Revenues" (as determined as provided below) for
 23 each calendar year during the life of the bonds proposed to be issued will equal not
 24 less than 1.25 times Maximum Annual Debt Service for any year on all outstanding
 25 Parity Bonds and the bonds proposed to be issued.
 26 The Adjusted Net Revenues shall be the Net Revenues for a period of any
 12 consecutive months out of the 24 months immediately preceding the date of
 delivery of such proposed Future Parity Bonds as adjusted by such Engineer or
 Certified Public 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 Future Parity Bonds proposed to be
 issued, shall be outstanding:
 (i) the additional Net Revenues which 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 such 24 month period, had been in
 force during the full 24 month period;
 (ii) the additional Net Revenues which would have been
 received if any customers added to the System during such 24-month period were
 customers for the entire period. For these purposes, customers shall mean only
 customers for collection and disposal of solid waste; and
 (iii) the additional Net Revenues estimated by such Engineer
 or Certified Public Accountant to be received as a result of any additions and
 improvements to and extensions of any facilities of the System which are (a) 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.



1 less than 1.25 times Maximum Annual Debt Service for any year on all outstanding
 2 Parity Bonds and the bonds proposed to be issued.
 3 The Adjusted Net Revenues shall be the Net Revenues for a period of any
 4 12 consecutive months out of the 24 months immediately preceding the date of
 5 delivery of such proposed Future Parity Bonds as adjusted by such Engineer or
 6 Certified Public Accountant to take into consideration changes in Net Revenues
 7 estimated to occur under the following conditions for each year after such delivery
 8 for so long as any Parity Bonds, including the Future Parity Bonds proposed to be
 9 issued, shall be outstanding:
 10 (i) the additional Net Revenues which would have been
 11 received if any change in rates and charges adopted prior to the date of such
 12 certificate and subsequent to the beginning of such 24 month period, had been in
 13 force during the full 24 month period;
 14 (ii) the additional Net Revenues which would have been
 15 received if any customers added to the System during such 24-month period were
 16 customers for the entire period. For these purposes, customers shall mean only
 17 customers for collection and disposal of solid waste; and
 18 (iii) the additional Net Revenues estimated by such Engineer
 19 or Certified Public Accountant to be received as a result of any additions and
 20 improvements to and extensions of any facilities of the System which are (a) under
 21 construction at the time of such certificate or (b) will be constructed or acquired
 22 from the proceeds of the Future Parity Bonds to be issued.
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1 Such Engineer or Certified Public Accountant may rely upon, and such
 2 certificate shall have attached thereto, financial statements of the System, certified
 3 by the City Finance Director, showing income and expenses for the period upon
 4 which the same is based. The certificate of such Engineer or Certified Public
 5 Accountant shall be conclusive and the only evidence required to show compliance
 6 with the provisions and requirements of this subsection.

7
 8 (d) Refunding Bonds. Notwithstanding the foregoing requirement, if Future
 9 Parity Bonds are to be issued for the purpose of refunding at or prior to their
 10 maturity any part or all of the then outstanding Parity Bonds and the issuance of
 11 such refunding Future Parity Bonds will result in a debt service savings and does
 12 not require an increase of more than \$5,000 in any fiscal or calendar year for
 13 principal of and interest on such refunding Future Parity Bonds over and above the
 14 amount required in such year for the principal of and interest on the bonds being
 15 refunded thereby, it is not necessary to obtain a certificate of the Finance Director
 16 or an Engineer or Certified Public Accountant prior to issuing such bonds.

17
 18 (e) Junior Lien Bonds. Subject to Section 14(g) of this ordinance, nothing
 19 herein contained shall prevent the City from issuing revenue bonds or other
 20 obligations which are a charge upon Gross Revenues Junior or inferior to the
 21 payments required by this ordinance to be made out of such Revenue into the Bond
 22 Fund and accounts therein to pay and secure the payment of any outstanding
 23 Parity Bonds.
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1 (f) Nothing herein contained shall prevent the City from issuing revenue
 2 bonds to refund maturing Parity Bonds for the payment of which money is not
 3 otherwise available.

4
 5 (g) Future Parity Bonds shall not be subject to acceleration under any
 6 circumstances, including, without limitation, upon the occurrence and continuance
 7 of an Event of Default. This prohibition against acceleration shall not be deemed to
 8 prohibit mandatory tender or other tender provisions with respect to variable rate
 9 obligations.

10 (h) In the event that the City elects additionally to secure any issue of
 11 Variable Interest Rate Bonds through the use of a letter of credit, insurance or other
 12 equivalent credit enhancement, the City may contract with the entity providing such
 13 letter of credit, insurance or other equivalent credit enhancement that the City's
 14 reimbursement obligation, if any, to such entity ranks on a parity of lien with the
 15 Parity Bonds; provided, that the payments due under such reimbursement
 16 agreement are such that if such reimbursement obligation were a series of Future
 17 Parity Bonds, such Future Parity Bonds could be issued in compliance with the
 18 provisions of this Section 16.

19 Section 17. Sale of Bonds.

20
 21 (a) Bond Sale. The Council has determined that it would be in the best
 22 interest of the City to delegate to each Designated Representative for a limited
 23 time the authority to determine whether the Bonds shall be issued in one or more
 24 series, the method of sale of each series, whether a series shall be designated as
 25 Taxable Bonds or Tax-Exempt Bonds, and to approve the final interest rates,
 26



1 maturity dates, redemption terms, principal maturities and other terms for each
 2 series of Bonds. Bonds may be issued pursuant to this ordinance at one time or
 3 from time to time as provided herein. Each Designated Representative is hereby
 4 authorized to approve the issuance, from time to time, of one or more series of
 5 Bonds and to determine whether the Bonds of such series shall be sold through a
 6 competitive public sale or a negotiated sale, designated as Taxable Bonds or Tax-
 7 Exempt Bonds, and to approve the final terms of the Bonds, as set forth below.

8 If a Designated Representative determines that the Bonds of a series are to
 9 be sold by negotiated public sale, a Designated Representative shall select one or
 10 more Underwriters who the Designated Representative believes is in the best
 11 interest of the City. Such Bonds shall be sold to the Underwriter pursuant to the
 12 terms of a Bond Purchase Contract.

13 If a Designated Representative determines that the Bonds of a series are to
 14 be sold at a competitive public sale, a Designated Representative shall: (1)
 15 establish the date of the public sale; (2) establish the criteria by which the
 16 successful bidder will be determined; (3) request that a good faith deposit in an
 17 amount not less than one percent of the principal amount of the offering
 18 accompany each bid; (4) cause notice of the public sale to be given; and (5)
 19 provide for such other matters pertaining to the public sale as such individual
 20 deems necessary or desirable. The Designated Representative shall cause the
 21 notice of sale to be given and provide for such other matters pertaining to the
 22 public sale as such individual deems necessary or desirable. Such Bonds shall be
 23 sold to the Underwriter pursuant to the terms of a Certificate of Award.



1 Subject to the terms and conditions set forth in this Section 17, 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 \$16,000,000,
- 7
- 8 (2) the final maturity date for each series of Bonds is no later than
- 9 December 1, 2032,
- 10
- 11 (3) the Bonds of each series are sold (in the aggregate) at a price not
- 12 less than 98 percent,
- 13
- 14 (4) the true interest cost for each series of Bonds (in the aggregate)
- 15 does not exceed 4.00 percent, and
- 16
- 17 (5) the Bonds conform to all other terms of this ordinance.

18 Subject to the terms and conditions set forth in this section, each Designated
 19 Representative is hereby authorized to execute one or more applicable Sale
 20 Document. Each Sale Document shall be dated the date of sale of the Bonds. The
 21 signature of one Designated Representative shall be sufficient to bind the City.

22 Following the execution of a Sale Document, a Designated Representative
 23 shall provide a report to the City Council describing the final terms of the Bonds
 24 approved pursuant to the authority delegated in this section. The authority granted
 25 to the Designated Representatives by this Section 17 shall expire 180 days after
 26 the effective date of this ordinance. If a Sale Document for the Bonds has not
 been executed within 180 days after the effective date of this ordinance, the



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 17.

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 18. 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.

22 Section 19. Defaults and Remedies.
 23 The following constitute "Events of Default" under this ordinance:



1 (a) If default shall be made in the due and punctual payment of the principal
 2 of and premium, if any, on any of the Parity Bonds when the same shall become
 3 due and payable, either at maturity or by mandatory redemption;

4 (b) If default shall be made in the due and punctual payment of any
 5 installment of interest on any Parity Bond;

6 (c) If the City shall default in the observance and performance of any other
 7 of the covenants, conditions and agreements on the part of the City contained in
 8 this ordinance or any covenants, conditions or agreements on the part of the City
 9 contained in any other Parity Bond Ordinance and such default or defaults shall
 10 have continued for a period of 90 days after the City shall have received from the
 11 owners of not less than 20 percent in principal amount of the Parity Bonds
 12 outstanding a written notice specifying and demanding the cure of such default.
 13 The failure to collect Net Revenues in any calendar year sufficient to comply
 14 with the covenant contained in Section 15(a)(2) shall not constitute an Event of
 15 Default if the City, before the 100th day of the following calendar year:

16 (1) Employs an Engineer to recommend changes in the System's
 17 rates which are estimated to produce Net Revenues sufficient (once the rates
 18 recommended by the Engineer have been imposed by the City) to meet the
 19 requirements of Section 15(a)(2); and

20 (2) Promptly imposes rates at least as high as those recommended
 21 by such Engineer.



1 So long as such Event of Default shall not have been remedied, a
 2 bondowners' trustee may be appointed by the registered owners of 25 percent in
 3 principal amount of the Parity Bonds.

4 The bondowners' trustee may upon the happening of an Event of Default,
 5 and during the continuance thereof, take such steps and institute such suits, actions
 6 or other proceedings in its own name, or as trustee, all as it may deem appropriate
 7 for the protection and enforcement of the rights of bondowners to collect any
 8 amounts due and owing the City, or to obtain other appropriate relief, and may
 9 enforce the specific performance of any covenant, agreement or condition
 10 contained in this ordinance or in any of the Parity Bonds. The registered owners of
 11 the Parity Bonds, by taking and holding the same, shall be deemed irrevocably to
 12 appoint the bondowners' trustee the true and lawful trustee of the respective
 13 owners of said Parity Bonds.

14 No owner of any one or more of the Parity Bonds shall have any right to
 15 institute any action, suit or proceeding at law or in equity for the enforcement of
 16 same unless an Event of Default shall have happened and be continuing, and
 17 unless no bondowners' trustee has been appointed. In the event no bondowners'
 18 trustee has been appointed, or with the consent of the bondowners' trustee if such
 19 bondowners' trustee has been appointed, a bondowner may exercise any remedy
 20 given the bondowner's trustee.

21 Section 20. Supplemental Ordinances.

22 (a) The Council from time to time and at any time may adopt an ordinance
 23 or ordinances supplemental to this ordinance, which supplemental ordinance or



1 ordinances thereafter shall become a part of this ordinance, for any one or more or
 2 all of the following purposes:

3 (1) To add to the covenants and agreements of the City in this
 4 ordinance other covenants and agreements thereafter to be observed, which shall
 5 not adversely affect the interests of the owners of any Parity Bonds, or to surrender
 6 any right or power herein reserved to or conferred upon the City.

7 (2) To make such provisions for the purpose of curing any
 8 ambiguities or of curing, correcting or supplementing any defective provision
 9 contained in this ordinance or any ordinance authorizing future Parity Bonds in
 10 regard to matters or questions arising under such ordinances as the Council may
 11 deem necessary or desirable and not inconsistent with such ordinances and which
 12 shall not adversely affect the interest of the owners of Parity Bonds.

13 Any such supplemental ordinance of the City may be adopted without the
 14 consent of the registered owners of any Parity Bonds at any time outstanding,
 15 notwithstanding any of the provisions of subsection (b) of this section.

16 (b) With the consent of the registered owners of not less than 65 percent in
 17 aggregate principal amount of the Parity Bonds at the time outstanding, the Council
 18 may adopt an ordinance or ordinances supplemental hereto for the purpose of
 19 adding any provisions to or changing in any manner or eliminating any of the
 20 provisions of this ordinance or of any supplemental ordinance; provided, however,
 21 that no such supplemental ordinance shall:

22 (1) Extend the fixed maturity of any Parity Bonds, or reduce the rate
 23 of interest thereon, or extend the time of payment of interest from their due date, or



1 reduce the amount of the principal thereof, or reduce any premium payable on the
 2 redemption thereof, without the consent of the registered owner of each bond so
 3 affected; or

4 (2) Reduce the aforesaid percentage of bondowners required to
 5 approve any such supplemental ordinance, without the consent of the registered
 6 owners of all of the Parity Bonds then outstanding.

7 It shall not be necessary for the consent of registered owners under this
 8 subsection (b) to approve the particular form of any proposed supplemental
 9 ordinance, but it shall be sufficient if such consent shall approve the substance
 10 thereof.

11 Section 21. Bond Insurance.

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

19 In the event that all or a portion of the Bonds are to be insured, a Designated
 20 Representative may execute a commitment received from the insurer. The Council
 21 further authorizes all proper officers, agents, attorneys and employees of the City to
 22 cooperate with the insurer in preparing such additional agreements, certificates, and



23 other documentation on behalf of the City as shall be necessary or advisable in
 24 providing for the bond insurance policy.

25 Section 22. Ongoing Disclosure.

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

Section 23. Lost or Destroyed Bonds.

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

Section 24. Severability.

If any one or more of the covenants or agreements provided in this
 ordinance to be performed on the part of the City shall be declared by any court of
 competent jurisdiction to be contrary to law, then such covenant or covenants,
 agreement or agreements, shall be null and void and shall be deemed separable
 from the remaining covenants and agreements of this ordinance and shall in no
 way affect the validity of the other provisions of this ordinance or of the Bonds. All



1 acts taken pursuant to the authority granted in this ordinance but prior to its
 2 effective date are hereby ratified and confirmed.
 3 Section 25. Effective Date.
 4 This ordinance shall take effect and be in force 10 days after its passage,
 5 approval and publication as required by law.
 6

7 Passed: _____
 8
 9 _____
 10 Mayor

11 Attest:
 12
 13 _____
 14 City Clerk
 15 Approved as to form and legality:
 16 Pacifica Law Group LLP
 17 Bond Counsel to the City of Tacoma
 18 By _____
 19

EXHIBIT A

[DTC Language]

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON
 CITY OF TACOMA
 SOLID WASTE 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 _____, 2022, 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 _____, 20____, and semiannually thereafter on the first days of each succeeding [June] and [December]. 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 costs related to the acquisition, construction, and installation of additions and improvements to and equipment for the solid waste system (the "System"), [to fund the debt service reserve fund, if necessary], and to pay costs of issuance of the bonds. 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.

APPENDIX B
FORM OF BOND COUNSEL OPINION

April 7, 2022

City of Tacoma, Washington
Tacoma, Washington

Hilltop Securities Inc.
Dallas, Texas

Re: City of Tacoma, Washington
Solid Waste Revenue Bonds, 2022 — \$13,190,000

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 Solid Waste Revenue Bonds, 2022, in the principal amount of \$13,190,000 (the “Bonds”) issued pursuant to Ordinance No. 28805 of the City (the “Bond Ordinance”), to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the City’s municipal solid waste system and to pay costs of issuing the Bonds.

The Bonds are not subject to optional redemption prior to maturity. 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 “Solid Waste 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 Solid Waste Operating Fund all of the Gross Revenues derived by the City from the operation of the System. The City has further pledged and bound itself to set aside from the money in the Solid Waste Operating 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 Gross Revenues of the System after payment of the Costs of Maintenance and Operation (the "Net Revenues"). The pledge of Net Revenues constitutes a lien and charge on such Net Revenues 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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SOLID WASTE 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
Solid Waste Management

Table of Contents

Financial Data	1
Auditor’s Report	2
Management Discussion and Analysis	5
Financial Statements	13
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	18
Notes to Financial Statements	20
Required Supplementary Information	41
Proportionate Share of the Net Pension Liability Last 10 Years	42
Schedule of Contributions Last 10 Fiscal Years	42
Proportionate Share of the Collective OPEB Liability Last 10 Years	43
Supplemental Information (Unaudited)	44
Unaudited Supplemental Information	45

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Financial Data

Report of Independent Auditors

Honorable Mayor and City Council
City of Tacoma, Environmental Services Department, Solid Waste Management
Tacoma, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Environmental Services Department, Solid Waste 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 City of Tacoma, Environmental Services Department, Solid Waste Management as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years 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 the 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, Solid Waste 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
Department of Public Utilities
Solid Waste Management
Management's Discussion and Analysis

Introduction

The following discussion and analysis of City of Tacoma Solid Waste 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's Solid Waste'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 increased by \$8.0 million to \$62.1 million in 2020 compared to an increase of \$8.0 million to \$54.1 million in 2019 and an increase of \$9.2 million to \$46.1 million in 2018.
- Operating revenues were \$75.6 million in 2020, \$73.6 million in 2019 and \$69.1 million in 2018.
- Cash and equity in pooled investments was \$57.0 million at December 31, 2020 compared to \$55.4 million in 2019 and \$51.6 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 statements of net position provides a comparison of net position for the last three years.

	December 31,		
	2020	2019	2018
Current, restricted, and other assets	\$ 65,763,577	\$ 62,112,770	\$ 60,630,793
Net capital assets	84,297,080	81,070,631	79,765,895
Total assets	150,060,657	143,183,401	140,396,688
Deferred outflows of resources	3,453,168	7,965,875	3,066,617
Total assets and deferred outflows of resources	<u>\$ 153,513,825</u>	<u>\$ 151,149,276</u>	<u>\$ 143,463,305</u>
Long-term liabilities	\$ 72,616,746	\$ 82,116,298	\$ 79,103,604
Other liabilities	7,279,512	6,481,430	6,974,838
Total liabilities	79,896,258	88,597,728	86,078,442
Deferred inflows of resources	11,549,421	8,428,867	11,235,204
Total liabilities and deferred inflows of resources	<u>91,445,679</u>	<u>97,026,595</u>	<u>97,313,646</u>
Net position:			
Net investment in capital assets	37,358,462	31,007,438	28,216,076
Restricted	3,174,925	2,915,331	6,963,366
Unrestricted	21,534,759	20,199,912	10,970,217
Total net position	<u>62,068,146</u>	<u>54,122,681</u>	<u>46,149,659</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 153,513,825</u>	<u>\$ 151,149,276</u>	<u>\$ 143,463,305</u>

The assets and deferred outflows of the Solid Waste Management Division exceeded liabilities and deferred inflows by \$62.1 million in 2020, compared to \$54.1 million in 2019, and \$46.1 million in 2018. The Division's net position increased by \$7.9 million in 2020 compared to an increase of \$8.0 million in 2019 and an increase of \$9.2 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 \$37.4 million in 2020, \$31.0 million in 2019, and \$28.2 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 \$3.2 million for 2020, compared to \$2.9 million in 2019, and \$7.0 million in 2018, and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21.5 million for 2020, \$20.2 million for 2019, and \$11.0 million for 2018 is unrestricted.

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

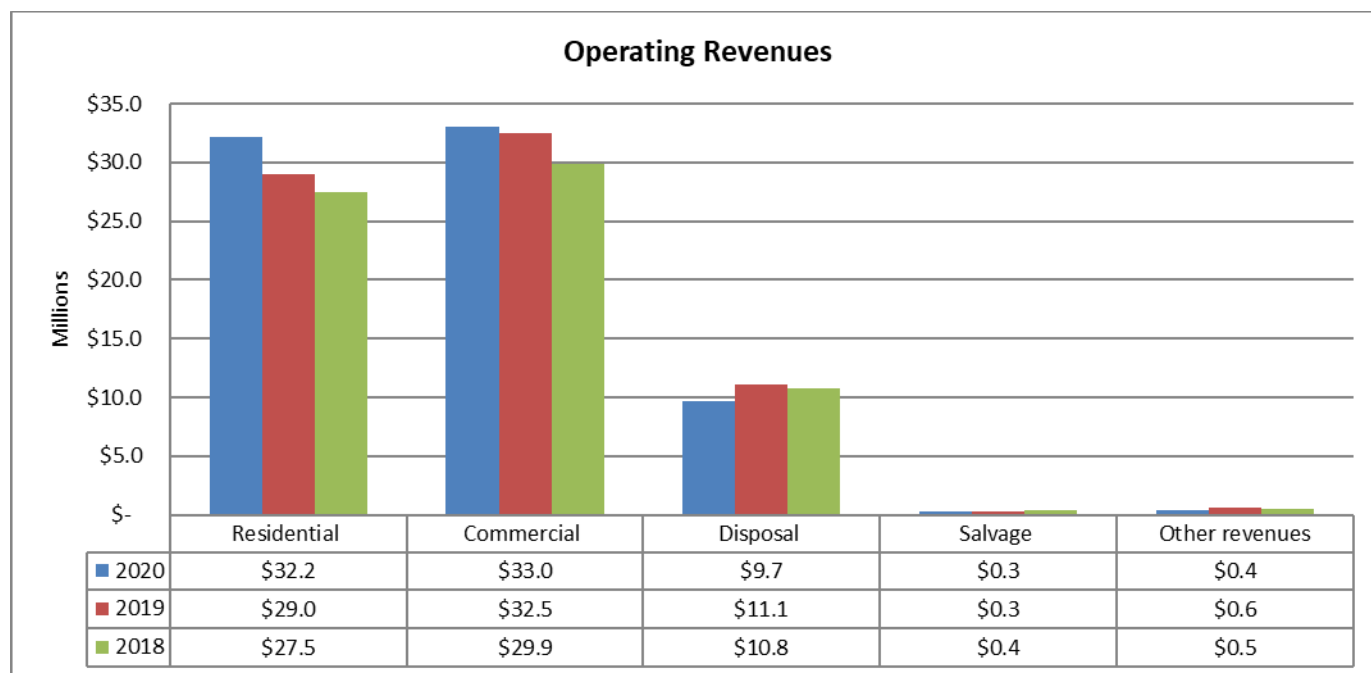
Year Ended December 31,

	2020	2019	2018
Operating revenues	\$ 75,591,565	\$ 73,550,144	\$ 69,110,911
Operating expenses	61,026,957	59,637,827	53,783,466
Net operating income	14,564,608	13,912,317	15,327,445
Nonoperating revenues (expenses)	(504,999)	136,653	(261,465)
Net income before transfers	14,059,609	14,048,970	15,065,980
Transfers	(6,114,144)	(6,075,948)	(5,841,198)
Increase (decrease) in net position	7,945,465	7,973,022	9,224,782
Net position - beginning of year	54,122,681	46,149,659	36,924,877
Net position - ending	\$ 62,068,146	\$ 54,122,681	\$ 46,149,659

Operating revenues

Overall operating revenues increased \$2.0 million or 3% in 2020 compared to an increase of \$4.4 million or 6% in 2019 and an increase of \$1.2 million or 2% in 2018.

The following graph provides a comparison of operating revenue sources for each of the three years.



The Division had a 3.9% service rate increase in residential customers effective January 1, 2020 and 2019.

Revenues from residential customers increased \$3.2 million in 2020 and \$1.5 million in 2019. Residential collection revenues increased in 2020 due to increases in both the number of customer accounts during the year, rate increase, and recycling surcharge at beginning of the year 2020.

Revenue from commercial customers increased a relatively small amount of \$459,000 due to commercial business customers shut down caused by Covid-19 pandemic in 2020 compared to an increase of \$2.6 million in 2019 due to a strong economic growth in 2019. In 2019, the volume increased due to construction activity and additional commercial housing within the service areas resulted in an increase for commercial collection revenue.

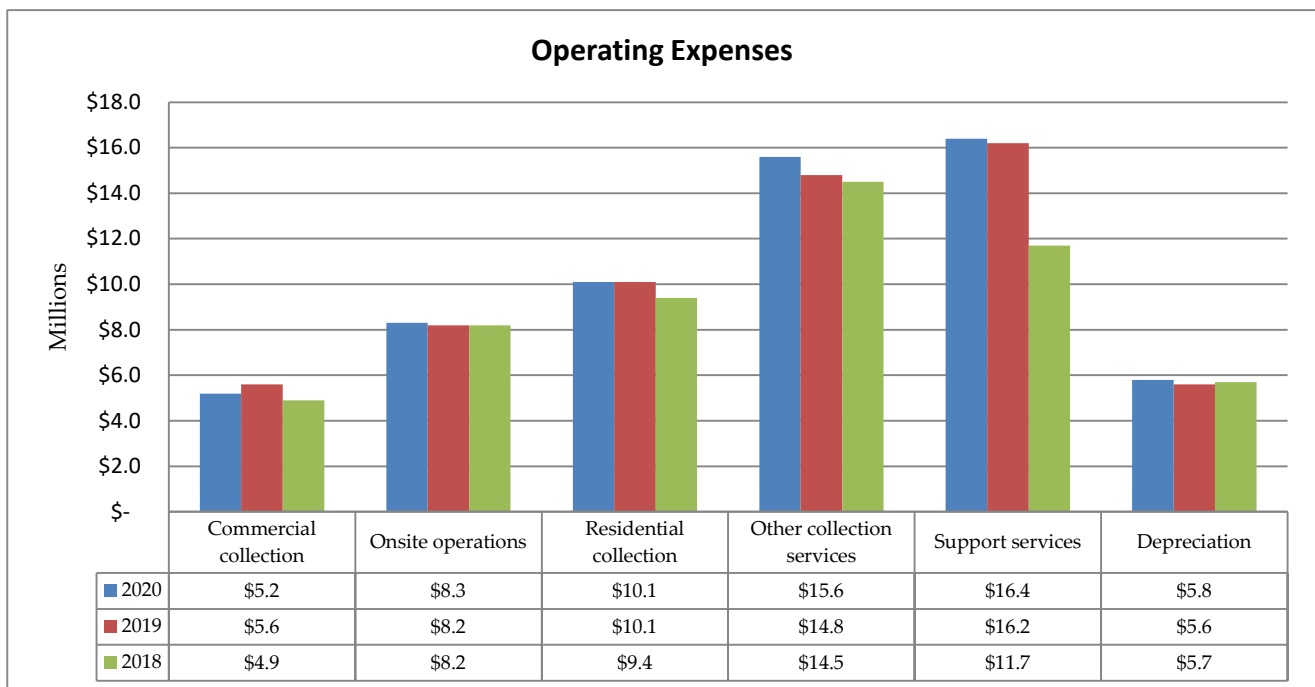
Disposal revenues decreased \$1.3 million due to limited access to the landfill to only customers that reside within the city limits during COVID-19 pandemic in 2020 compared to an increase of \$315,000 in 2019.

Other revenues decreased \$246,000 due to decreased activities in Tacoma Nuisance Enforcement and Pierce County Hazard Waste collection in 2020 compared to an increase of \$129,000 in 2019.

Operating expenses

The following graph provides a three year comparison of operating expenses for the major cost groups.

Total operating costs increased \$1.4 million in 2020, compared to increases of \$5.9 million in 2019 and increases of \$2.7 million in 2018.



2020 Activity

Operating expenses were \$61.0 million in 2020, an increase of \$1.4 million from prior year. Significant changes in operating costs include the following:

- Commercial collection expense decreased \$421,000 due primarily to decreases of \$109,000 in employee salaries and benefits, \$214,000 for external contract services for the commercial recycling, and \$111,000 for printing and graphic for container logo decals.

- Other collection services expenses increased \$815,000, which includes the Tacoma Cares, Nuisance Code Enforcement Abatement, Off-site Transport. The increase is primarily due to an increase of \$1.0 million for external contract services from Waste Connections, and Pierce County Recycling Composting and Disposal (PCRCD). This increase was off-set with a decrease of \$225,000 in fleet support services.
- Support services expenses increased \$211,000 primarily due to an increase of \$1.1 million in bad debt expenses due to the increase in aging accounts receivable. This increase was off-set with \$306,000 decrease in salaries and benefits, \$206,000 decrease in external contract costs for processing residential curbside commingled recycling program, and \$566,000 decrease for assessments.
- Landfill post closure credit of \$431,000 reflects a decrease in the total landfill post closure liability in 2020 compared to a decrease of \$859,000 in 2019 due to the annual evaluation forecast for the next 23 years of the remaining liability.

Nonoperating revenues (expenses)

Interest paid was \$2.4 million, a decrease of \$75,000 in 2020 compared to a decrease of \$110,000 in 2019. Investment income was \$1.5 million in 2020 and \$1.8 million in 2019, a decrease of \$320,000. This was due to a lower interest rate in the City's cash and investment pool. Solid Waste received \$118,000 operating grant from Department of Ecology for recycling operation and \$152,000 grant from Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in 2020.

Contributions and Transfers

Solid Waste transferred \$6.1 million to general fund for gross earning tax in 2020 compared to \$6.0 million in 2019. Solid Waste contributed \$104,000 to the City's Fleet fund for purchased vehicles in 2019.

2019 Activity

Operating expenses were \$59.6 million in 2019, an increase of \$5.9 million from prior year. Significant changes in operating costs include the following:

- Commercial collection expense increased \$706,000 due primarily to \$358,000 in employee salaries and benefits, \$148,000 for fleet maintenance and services for commercial collection vehicles, \$113,000 for container logo decals, and the remaining in external contract services for the commercial recycling.
- Residential collection expense increased \$659,000 due mainly to an increase of \$202,000 in residential commingle recycling cost, \$259,000 for fleet maintenance and services for residential collection vehicles; as well as an increase of \$223,000 in salaries and benefits.
- Other collection services expenses increased \$357,000, which includes the Tacoma Cares, Nuisance Code Enforcement Abatement, Off-site Transport. The increase is due to an increase of \$223,000 for external contract services from Waste Connections, and Pierce County Recycling Composting and Disposal (PCRCD). The remaining is a result of an increase in labor costs of \$246,000 and a decrease of \$83,000 in fleet support services.
- Support services expenses increased \$4.5 million, primarily due to an increase of \$3.5 million for the pension plan, pension withdrawal liability, other post-employment benefits (OPEB); an increase of \$500,000 for assessments, and an increase of \$333,000 for utilities, rent, taxes, and bank fees. The remaining increase was related to external contract costs for processing residential curbside commingled recycling program.
- Landfill post closure credit of \$859,000 reflects a decrease in the total landfill post closure liability compared to a decrease of \$629,000 in 2018 due to the annual evaluation forecast for the next 24 years of the remaining liability.

Capital assets, net

At the end of 2020, the Division's total capital assets, net of accumulated depreciation were \$84.3 million compared to \$81.1 million in 2019 and \$79.8 million in 2018. See Note 4 in the financial statements for detailed activity in capital assets.

2020 Activity

Balances in 2020 increased \$3.2 million and the significant changes are:

- Landfill infrastructure which includes improvements other than buildings increased \$425,000 primarily due to additional cost to the Drainage and Traffic Safety Improvement and Asphalt Pad and Tent Container projects in 2020.
- Machinery and equipment increased a net of \$332,000. Significant changes include:
 - A decrease of \$1.0 million for vehicles (purchases of \$1.2 million less disposals of \$2.2 million)
 - An increase of \$712,000 for variety of garbage and recycle containers (purchases of \$1.8 million less disposals of \$1.1 million)
 - An increase of \$582,000 in electronic equipment due to the completion of Thermal Transfer Station Camera System.
- Accumulated depreciation increased \$3.1 million for the year 2020 (\$5.8 million current year depreciation and \$2.7 million due to disposal of assets).
- The construction in progress balance increased by \$5.6 million from 2019 primarily due to the ongoing compressed natural gas (CNG) equipment upgrade project.

2019 Activity

Balances in 2019 increased \$1.3 million and the significant changes are:

- Landfill infrastructure which includes improvements other than buildings increased \$2.2 million primarily due to completion of Drainage and Traffic Safety Improvement and Asphalt Pad and Tent Container projects.
- Machinery and equipment increased a net of \$2.4 million. Significant changes include:
 - An increase of \$1.5 million for vehicles (purchases of \$1.9 million less disposals of \$336,000)
 - An increase of \$632,000 for variety of garbage and recycle containers (purchases of \$1.4 million less disposals of \$815,000)
- Accumulated depreciation increased \$4.4 million for the year 2019 (\$5.6 million current year depreciation and \$1.2 million due to disposal of assets).

Debt Administration

At December 31, 2020, the Division had \$56.8 million, net of premium, in outstanding revenue bonds of which \$2.3 million is due within one year. This compares to \$59.8 million in 2019 and \$62.7 million in 2018.

The bonds have underlying ratings of A1 by Moody's Investors Service, AA by Standard & Poor's, and AA- by Fitch, Inc. Additional information on the Division's long-term debt can be found in Note 5 of the financial statements.

Debt Service Coverage

Solid Waste Management is required by its bond covenants to maintain a debt service coverage ratio of 1.25. The debt service coverage ratio is 4.56 at the end of 2020. This compares to 4.33 in 2019 and 4.53 in 2018.

Economic Factors Affecting Next Year

On January 1, 2021, rate increases for Solid Waste Management of approximately 1.5% for residential and commercial services went into effect. The rate increases are expected to bring an additional \$1.0 million in operating revenues for 2021. The rate increases remain competitive with surrounding jurisdictions.

The Tacoma City Council unanimously approved an ordinance No. 28623 effective January 1, 2020 that allowed Solid Waste Management to collect an additional \$2.82 monthly surcharge from residential customers. The estimated revenue expected to be collected is \$1.8 million and it would offset the increased costs of recycling material and provide resources for improved customer recycling education.

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 Solid Waste 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

Solid Waste Management 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Financial Statements

City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Statements of Net Position

ASSETS	December 31,	
	2020	2019
Current assets:		
Cash and equity in pooled investments	\$ 51,772,077	\$ 49,428,560
Accounts receivable, net	4,108,878	3,160,544
Accrued unbilled revenue	3,607,376	3,555,989
Restricted cash and equity in pooled investments:		
Debt service funds	393,396	1,199,260
Customer deposits	32,599	49,041
Construction funds	2,674,326	2,609,876
Total restricted cash and equity in pooled investments	3,100,321	3,858,177
Total current assets	62,588,652	60,003,270
Noncurrent assets:		
Restricted cash and equity in pooled investments:		
Bond reserves	2,109,500	2,109,500
Capital assets:		
Land	2,855,763	2,855,763
Buildings	61,767,413	61,767,413
Landfill infrastructure	70,679,126	70,254,160
Machinery and equipment	54,742,699	54,410,426
Computer software	5,137,760	5,137,760
Less: accumulated depreciation	(118,140,300)	(115,036,678)
Construction in progress	7,254,619	1,681,787
Total capital assets, net	84,297,080	81,070,631
Other noncurrent assets:		
Net pension asset	1,065,425	-
Total noncurrent assets	87,472,005	83,180,131
Total assets	150,060,657	143,183,401
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - other post employment benefits	292,262	206,337
Deferred outflows - pensions	3,160,906	7,759,538
Total deferred outflows of resources	3,453,168	7,965,875
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 153,513,825	\$ 151,149,276

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

City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Statements of Net Position

	December 31,	
LIABILITIES	2020	2019
Current liabilities:		
Accounts payable	\$ 2,643,417	\$ 1,815,313
Accrued wages payable and compensated absences	746,156	570,038
Accrued taxes payable	305,231	381,887
Unearned revenue	266,879	261,026
Customer deposits	73,436	68,731
Accrued landfill postclosure care costs	694,674	858,999
Current portion of long-term debt	2,122,080	2,080,833
Total current liabilities	<u>6,851,873</u>	<u>6,036,827</u>
Current payable from restricted assets:		
Deposits payable	34,243	51,174
Accrued revenue bond interest payable	200,479	204,262
Current portion of long-term debt	192,917	189,167
Total liabilities payable from restricted assets	<u>427,639</u>	<u>444,603</u>
Noncurrent liabilities:		
Long-term debt - revenue bonds, net	54,483,294	57,495,649
Long-term accrued landfill postclosure care costs	13,740,678	14,006,977
Long-term accrued compensated absences	1,418,746	1,215,225
Net pension liability	-	6,556,061
Pension withdrawal liability	437,420	437,420
Net OPEB liability	2,536,608	2,404,966
Total noncurrent liabilities	<u>72,616,746</u>	<u>82,116,298</u>
Total liabilities	<u>79,896,258</u>	<u>88,597,728</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	7,000,000	7,000,000
Deferred inflows - OPEB	289,731	278,819
Deferred inflows - pensions	4,060,123	861,461
Deferred inflows - gain on refunding bonds	199,567	288,587
Total deferred inflows of resources	<u>11,549,421</u>	<u>8,428,867</u>
NET POSITION		
Net investment in capital assets	37,358,462	31,007,438
Restricted for:		
Debt service	2,109,500	2,915,331
Net pension asset	1,065,425	-
Unrestricted	21,534,759	20,199,912
Total net position	<u>62,068,146</u>	<u>54,122,681</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 153,513,825</u>	<u>\$ 151,149,276</u>

City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Statements of Revenues, Expenses and Changes in Net Position

	Year-to-Date December 31,	
	2020	2019
OPERATING REVENUES		
Residential collection	\$ 32,193,018	\$ 29,026,851
Commercial collection	32,954,928	32,495,722
Disposal revenues	9,758,808	11,084,069
Salvage revenues	290,620	302,850
Other operating revenues	394,191	640,652
Total operating revenues	<u>75,591,565</u>	<u>73,550,144</u>
OPERATING EXPENSES		
Commercial collection	5,180,091	5,601,473
Onsite operations	8,335,523	8,201,054
Residential collection	10,110,239	10,078,017
Other collection services	15,635,047	14,819,594
Support services	16,428,358	16,217,298
Depreciation	5,768,323	5,579,390
Landfill post closure credit	(430,624)	(858,999)
Total operating expenses	<u>61,026,957</u>	<u>59,637,827</u>
Net operating income	14,564,608	13,912,317
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,456,587	1,776,942
Operating grant	118,120	-
CARES grant	151,509	-
Interest expenses and other related costs	(2,449,163)	(2,524,536)
Other rental revenues	2,021	30,096
Amortization of premium and refunding gain	786,375	812,566
Other revenues/expenses	(90,142)	174
Gain (loss) on sale/disposal of capital assets	(480,306)	41,411
Total nonoperating revenue (expenses)	<u>(504,999)</u>	<u>136,653</u>
Net income before transfers	14,059,609	14,048,970
Transfers - to other funds	-	(104,000)
Transfers - gross earnings taxes	(6,114,144)	(5,971,948)
CHANGE IN NET POSITION	<u>7,945,465</u>	<u>7,973,022</u>
NET POSITION - JANUARY 1	<u>54,122,681</u>	<u>46,149,659</u>
NET POSITION - DECEMBER 31	<u>\$ 62,068,146</u>	<u>\$ 54,122,681</u>

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

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**City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Statements of Cash Flows**

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 72,989,732	\$ 72,997,758
Payments to suppliers	(28,483,991)	(29,797,585)
Payments to employees	(22,910,556)	(22,134,847)
Payment for taxes	(1,335,449)	(995,320)
Net cash from operating activities	20,259,736	20,070,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earnings taxes paid	(6,114,144)	(6,421,617)
Interest paid on noncapital debt	(331,918)	(331,918)
Operating grants received	269,629	-
Transfer to other funds	-	(104,000)
Contributions and donations	-	140
Net cash from noncapital financing activities	(6,176,433)	(6,857,395)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(9,664,660)	(6,889,215)
Principal payments on revenue bonds	(2,270,000)	(2,160,000)
Interest expense	(2,121,032)	(2,220,528)
Proceeds from sale of capital assets	189,583	46,500
Insurance recoveries	7,745	42
Net cash from capital and related financing activities	(13,858,364)	(11,223,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,456,587	1,776,942
Other operating or non-operating revenues	(95,865)	30,097
Net cash from investing activities	1,360,722	1,807,039
NET INCREASE IN CASH AND EQUITY IN POOLED INVESTMENTS		
	1,585,661	3,796,449
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	55,396,237	51,599,788
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	\$ 56,981,898	\$ 55,396,237

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

**City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Statements of Cash Flows**

	Year Ended December 31,	
	2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
TO BALANCE SHEETS:		
Operating funds	\$ 51,772,077	\$ 49,428,560
Restricted funds	5,209,821	5,967,677
	\$ 56,981,898	\$ 55,396,237
RECONCILIATION OF NET OPERATING INCOME TO		
NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 14,564,608	\$ 13,912,317
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation expense	5,768,323	5,579,390
Pension expenses (credits)	175,808	957,736
Pension withdrawal liability	-	437,420
Net OPEB expense	56,629	15,741
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(948,333)	(32,443)
Accrued unbilled revenue	(51,387)	36,080
Due from other funds	-	70,619
Accounts payable	828,104	201,738
Accrued wages and compensated absences payable	176,118	72,332
Accrued taxes payable	(76,657)	94,423
Due to other funds	-	(465,929)
Unearned revenue	5,851	14,974
Customer deposits payable	(12,225)	25,723
Accrued landfill postclosure care costs	(164,325)	(88,000)
Long-term accrued compensated absences	203,521	8,884
Long-term accrued landfill postclosure care costs	(266,299)	(770,999)
Total adjustments	5,695,128	6,157,689
NET CASH FROM OPERATING ACTIVITIES	\$ 20,259,736	\$ 20,070,006

City of Tacoma, Washington
Department of Public Utilities
Solid Waste Management
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

NOTE 1 SUMMARY OF OPERATIONS

Operations of the Solid Waste Management Division - The Solid Waste Management Division (the Division) is presented as an enterprise fund within the Environmental Services Department under the provisions of the City of Tacoma Charter and is included in the City of Tacoma's (the City) Annual Financial Report.

The Division provides mandatory solid waste collection and disposal services for residents and commercial and industrial entities since 1929. In 1990, the City expanded the Solid Waste Management system to include curbside pickup of residential yard and garden waste. The Division serves the entire area within the City limits, with a 2020 estimated population of 221,259 persons and an area of approximately 62 square miles, including approximately 12 miles of saltwater areas.

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 reporting 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 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.

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 TIP 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 method the City uses to manage 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 individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful 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 \$4,132,325 and \$3,127,764 as of December 31, 2020 and 2019, respectively.

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.

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 premiums and gain/loss on refunding - Bond premiums are amortized over the life of the bonds using the straight line or 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 inflows/outflows in the statement of net position.

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 operation. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

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:

	Years
Buildings and Improvements	20 - 50
Resource Recovery Facility	5 - 50
Vehicles	5 - 10
Containers and Equipment	5 - 10
Other Assets	3 - 10

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 Generally Accepted Accounting Principles, 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 expense in the year earned. 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.

(*) 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.

Operating revenues - Revenues are derived from providing solid waste services to both residential and commercial customers. Residential rates are based on the size of the garbage container and include services for recycling, yard waste and costs for other special programs. Commercial rates are based on the garbage container type and frequency of collection with additional charges for recycling services. Customers are billed on bi-monthly or monthly billing cycles.

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 bond requirements.

The City has a parity bond ordinance that it will establish, maintain and collect rates or charges in connection with the ownership and operation of the utility to 1) pay the cost of maintenance and operation of the utility, 2) to make all payments required to be made for the parity bonds, 3) to make all payments required to be made on any other junior debt, and 4) to prepay debt, invest in improvement projects to utility assets, make payments to the Solid Waste Rate Stabilization Fund, or other lawful City purposes including payment of legal claims and judgments against the utility.

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 8.00%. The Division also pays business and occupation taxes to the State, 1.50% on service revenues and 0.47% on retail revenues. The Division is exempt from payment of federal income tax.

Net position - The Statement of Net Position reports all financial and capital resources. The difference between assets and deferred outflows and liabilities and deferred inflows is 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 outstanding balances of any bonds, loans or other borrowings, less outstanding construction funds, which 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 components are those that are not "net investment in capital assets" or "restricted".

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.

Landfill post-closure care costs - The Division is required to expense a portion of the estimated closure and post-closure costs in each period that the landfill accepts solid waste. The Division has been reporting a portion of these costs as a liability and as an operating expense since 1994. As of December 31, 2020, the landfill is at 100% of capacity, closed, and capped and 23 years remaining for post closure monitoring.

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, depreciation, Other Post Employment Benefits (OPEB Liability), self-insurance liabilities, accrued landfill post closure care costs, 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:

Debt Securities:	As of			
	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>

Debt Securities:	As of			
	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 5.09% and 5.13% as of December 31, 2020 and 2019, respectively.

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	\$ 2,855,763	\$ -	\$ -	\$ -	\$ 2,855,763
Construction in progress	1,681,787	9,664,660	-	(4,091,828)	7,254,619
Total capital assets, not being depreciated	4,537,550	9,664,660	-	(4,091,828)	10,110,382
Capital assets, being depreciated:					
Buildings	61,767,413	-	-	-	61,767,413
Landfill infrastructure	70,254,160	-	-	424,966	70,679,126
Machinery and equipment	54,410,426	-	(3,334,589)	3,666,862	54,742,699
Computer software	5,137,760	-	-	-	5,137,760
Total capital assets, being depreciated	191,569,759	-	(3,334,589)	4,091,828	192,326,998
Less: accumulated depreciation	(115,036,678)	(5,768,322)	2,664,700	-	(118,140,300)
Total capital assets, being depreciated, net	76,533,081	(5,768,322)	(669,889)	4,091,828	74,186,698
Total capital assets, net	\$ 81,070,631	\$ 3,896,338	\$ (669,889)	\$ -	\$ 84,297,080

	2018	Additions	Retirements	Transfers & Adjustments	2019
Capital assets, not being depreciated:					
Land	\$ 2,855,763	\$ -	\$ -	\$ -	\$ 2,855,763
Construction in progress	520,840	6,889,215	-	(5,728,268)	1,681,787
Total capital assets, not being depreciated	3,376,603	6,889,215	-	(5,728,268)	4,537,550
Capital assets, being depreciated:					
Buildings	61,767,413	-	-	-	61,767,413
Landfill infrastructure	68,074,220	-	-	2,179,940	70,254,160
Machinery and equipment	52,031,763	-	(1,150,202)	3,528,865	54,410,426
Computer software	5,118,297	-	-	19,463	5,137,760
Total capital assets, being depreciated	186,991,693	-	(1,150,202)	5,728,268	191,569,759
Less: accumulated depreciation	(110,602,401)	(5,579,390)	1,145,113	-	(115,036,678)
Total capital assets, being depreciated, net	76,389,292	(5,579,390)	(5,089)	5,728,268	76,533,081
Total capital assets, net	\$ 79,765,895	\$ 1,309,825	\$ (5,089)	\$ -	\$ 81,070,631

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	\$ 53,140,000	\$ -	\$ (2,270,000)	\$ 50,870,000	\$ 2,314,997
Plus: Unamortized premium	6,625,649	-	(697,358)	5,928,291	-
Total long-term debt	\$ 59,765,649	\$ -	\$ (2,967,358)	\$ 56,798,291	\$ 2,314,997

	2018	Additions	Reductions	2019	Due within One Year
Revenue bonds	\$ 55,300,000	\$ -	\$ (2,160,000)	\$ 53,140,000	\$ 2,160,000
Plus: Unamortized premium	7,368,097	-	(742,448)	6,625,649	-
Total long-term debt	\$ 62,668,097	\$ -	\$ (2,902,448)	\$ 59,765,649	\$ 2,160,000

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

	Principal	Interest	Service
2021	\$ 2,314,997	\$ 2,405,750	\$ 4,720,747
2022	2,410,000	2,313,150	4,723,150
2023	2,530,000	2,192,650	4,722,650
2024	2,630,000	2,091,450	4,721,450
2025	2,760,000	1,959,950	4,719,950
2026-2030	14,565,000	7,724,250	22,289,250
2031-2035	19,195,000	3,656,250	22,851,250
2036	4,465,003	133,950	4,598,953
	\$ 50,870,000	\$ 22,477,400	\$ 73,347,400

Notes to the Financial Statements (continued)

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

	2020	2019
2015 Revenue Bonds, with an interest rate from 2% to 5% due in yearly installments of \$1,960,000 to \$2,760,000 from 2017 through 2025. Original par value \$21,095,000. Bonds issued as "green bonds" to fund certain capital improvements in support of environmental sustainability, fund a bond reserve, and pay the costs of issuance. Callable on June 1, 2025.	\$ 12,645,000	\$ 14,915,000
2016 Series A Refunding Bonds, with interest rates ranging from 3.0% to 5.0%. Principal payments range between \$2,905,000 to \$4,465,000 between 2031 and 2036. Original par value value \$23,200,000. Purpose was to refund a portion of the 2006 Series A Bonds and to pay cost of issuance.	23,200,000	23,200,000
2016 Series B Refunding Bonds, with interest rates at 5.0%. Principal payments range between \$460,000 to \$3,205,000 between 2026 and 2031. Original par value value \$15,025,000. Purpose was to refund a portion of the 2006 Series B Bonds and to pay cost of issuance.	15,025,000	15,025,000
Total revenue bonds outstanding	50,870,000	53,140,000
Less:		
Current portion	(2,122,080)	(2,080,833)
Current portion payable from restricted assets	(192,917)	(189,167)
Plus: Unamortized premium	5,928,291	6,625,649
Total long-term debt - Revenue Bonds	<u>\$ 54,483,294</u>	<u>\$ 57,495,649</u>

Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned ratings of "A1," "AA" and "AA-", respectively.

Defeased and outstanding 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 therefore are excluded from the financial statements because the likelihood of additional funding requirements is considered remote. As of fiscal year-end December 31, 2020 and 2019, the Division did not have any outstanding defeased debt.

The Division's revenue bonds are secured by net operating income and cash and equity in pooled investments balances in the bond construction, reserve, and debt service funds. The bonds are also subject to certain financial and non-financial covenants. Arbitrage calculations were prepared and no arbitrage was due in 2020 or 2019.

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 \$187,429 for 2020 and \$178,504 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 \$11,379 in 2020 and \$9,635 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 agreement for the International Association of Machinists 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 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
Solid Waste Mechanic	7.06% of gross pay

There was no contribution in 2020. In 2019, the Division contributed \$210,801.

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 \$437,420 as of December 31, 2020, and December 31, 2019.

NOTE 8 TACOMA EMPLOYEES’ RETIREMENT SYSTEM (TERS OR THE SYSTEM)

The Tacoma Employees’ Retirement System (TERS), 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 Allocations - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per 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.

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)	\$11,402,564	\$(1,065,425)	\$ (11,484,993)

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	\$ (535,436)	\$ 932,851
Changes of assumptions	-	588,289
Net Difference Between Projected and Actual Earnings	(3,523,945)	-
Changes in Employer Proportion	(742)	69
Contributions Made Subsequent to the Measurement Date	-	1,639,697
Total	\$ (4,060,123)	\$ 3,160,906

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	\$	(787,141)
2022		(649,866)
2023		319,151
2024		(1,521,376)
2025		100,318
		\$ (2,538,914)

At December 31, 2020, the Division reported a pension asset of \$1,065,425 for its proportionate share of the total System, compared to a pension liability of \$6,556,061 at December 31, 2019. The proportionate share of the Solid Waste is 5.73% of the total System's pension liability as of December 31, 2020, and 5.60% 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.

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 2019 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%
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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 \$2,536,608 for its proportionate share of the collective total OPEB liability of \$208.4 million, compared to \$2,404,966 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 1.17825% as compared to 1.21705% at December 31, 2020. For the year ended December 31, 2020, the participating Division recognized an OPEB expense of \$56,629.

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 Outflows of Resources
Difference Between Expected and Actual Experience	\$ (37,141)	\$ 440
Changes of assumptions	(154,977)	125,633
Changes in Employer Proportion	(6,149)	106,179
Differences in Contributions	(91,464)	-
Contributions Made Subsequent to the Measurement Date	-	60,010
Total	\$ (289,731)	\$ 292,262

The Division reported \$60,010 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	\$ (12,493)
2022	(12,493)
2023	(12,493)
2024	(31,645)
2025	10,144
Thereafter	1,501
	\$ (57,479)

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	\$ 2,873,147	\$ 2,536,608	\$ 2,256,088

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 rate:

	1% Decrease 5.00%	Current Trend Rates 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 2,244,282	\$ 2,536,608	\$ 2,883,505

NOTE 10 LANDFILL POST-CLOSURE CARE LIABILITIES

The Division operates a 235-acre landfill site, which became part of the South Tacoma Channel Superfund Site in 1983. In 1991, the City entered a Consent Decree settlement with the United States Environmental Protection Agency (EPA) and the Washington State Department of Ecology (DOE), titled United States et al v. City of Tacoma US District Court Case No. C-89C583T, to “clean-up” the release of hazardous substances at the Landfill. The City completed the majority of the remediation work required by the Consent Decree several years ago. The remaining work mostly involves monitoring the remediation work completed by the City in the 1990s to assure that it continues to protect human health and the environment. The Consent Decree settlement was entered pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. §9601 et seq., and the state Model Toxics Control Act (MTCA), Chapter 70.105D RCW.

The City’s remediation work has included: (1) covering the landfill with a double flexible membrane cap that is impermeable to water; (2) capturing methane gas within and at the landfill perimeter to prevent off-site migration; (3) pumping and treating ground water to remove contamination at the point of compliance and beyond property boundaries; and (4) closing the landfill in accordance with the above-referenced Consent Decree. The City has an obligation under the Consent Decree to monitor the remediation work over the next 20 years, or more years to make sure it continues to be effective at protecting human health and the environment.

The costs for ongoing maintenance of the Tacoma Landfill are not expected to require rate increases above those already projected. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. The City’s on-going monitoring efforts indicate the remedial actions undertaken by the City at the Tacoma Landfill are performing as designed.

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the

requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February of 2019, the City and the TPCHD executed an agreement where in the City agreed to comply with TPCHD closure permit requirements and a new Solid Waste permit was issued by TPCHD expiring in March of 2020. The new Solid Waste Permit was renewed in 2021 and now expires March 24, 2022.

Long-term plans for the closed capped areas of the Tacoma Landfill include recreational facilities, such as trails and playfields, as well as other governmental facilities, such as greenhouses for grounds maintenance operations. All development on the Tacoma Landfill site must be designed to accommodate differential settlement and allow for continued functioning of the environmental remediation systems.

The Division reported \$14,435,352 as landfill post-closure care liability as of December 31, 2020 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$14,865,976 at December 31, 2019 based on 100% of capacity. Actual care costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The Division will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Long-term Contract - Land Recovery, Inc. - In February 2000, the Division entered into a 20-year contract with Land Recovery, Inc. (LRI) to dispose of all “acceptable waste” collected or handled by the Division (as that term is defined in the agreement), at the 304th Street landfill operated by LRI. The Division entered into this agreement to extend the life of the Tacoma Landfill and to secure a long-term disposal arrangement at a favorable disposal cost. The agreement excludes solid waste that LRI is not authorized by law or permit to receive, or which could create or expose LRI or the Division to potential liability, among other things. Recycling and/or composting waste is not covered by the agreement. The agreement further provides that LRI shall charge a base rate per ton for disposal services, and that said rate shall decrease as the tonnage increases during each contract year. The agreement also provides that the base rate charged by LRI shall increase annually based on the Seattle-Tacoma CPI. The rate per ton is periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. These rate adjustments are part of the existing agreement.

Long-term Contract - Pierce County Recycling, Composting and Disposal - In October 2004 the Division entered into a ten (10) year agreement with Pierce County Recycling Composting and Disposal (PCRCDD) LLC to accept organic material collected by the City curbside or delivered to the City's landfill for processing into compost. Under the agreement, which has two 5-year renewal options, PCRCDD will charge a base rate per ton for the organic waste it receives from the City. This price may be adjusted beginning on the second anniversary of the agreement, and thereafter annually based on the Seattle-Tacoma-Bremerton CPI. The agreement also includes a revenue sharing component. The Division entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost through 2030.

NOTE 12 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. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

NOTE 13 – 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 \$152,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), of which \$88,000 was used to support small business for business interruptions, and \$64,000 was used for COVID-19 related expenses.

NOTE 14 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.

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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	5.73%	5.60%	5.70%	5.56%	5.52%	5.50%
Employer's proportion share of net pension liability (asset)	(\$1,065,425)	\$6,556,061	(\$2,240,216)	\$5,161,926	\$4,779,164	(\$529,445)
Employer's covered payroll	\$14,756,596	\$13,968,588	\$13,465,213	\$12,772,077	\$12,948,158	\$12,591,124
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	-7.22%	46.93%	-16.64%	40.42%	36.91%	-4.20%
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	\$1,639,697	\$1,565,610	\$1,504,807	\$1,340,723	\$1,303,538	\$1,253,635
Contributions in relation to the contractually required employer contribution	(1,639,697)	(1,565,610)	(1,504,807)	(1,340,723)	(1,303,538)	(1,253,635)
Employer contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered employee payroll	\$14,860,715	\$14,756,596	\$13,968,588	\$13,465,213	\$12,772,077	\$12,948,158
Employer contribution as a percentage of covered-employee payroll	11.03%	10.61%	10.77%	9.96%	10.21%	9.68%

* 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.

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	1.22%	1.18%	1.18%	1.15%
Employer's proportion share of collective OPEB liability	\$2,536,608	\$2,404,966	\$2,611,190	\$2,401,762
Employer's covered-employee payroll**	\$14,756,596	\$13,968,588	\$13,465,213	\$12,773,370
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	17.19%	17.22%	19.39%	18.80%

* 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.

Supplemental Information (Unaudited)

**City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Unaudited Supplemental Information**

**City of Tacoma, Washington Solid Waste Revenue Bonds, Series 2015
City of Tacoma, Washington Solid Waste Revenue Refunding Bonds, Series 2016A
City of Tacoma, Washington Solid Waste Revenue Refunding Bonds, Series 2016B**

The following continuing disclosure information for 2020 is provided in accordance with SEC Rule 15c2-12(b)(5)

Outstanding Solid Waste Bonds

Reference Note 5 in Notes to Financial Statements

Debt Service Coverage

	<u>2019</u>	<u>2020</u>
Parity Bond Debt Service Coverage Ratio	4.33	4.56
Parity Bond Debt Service Coverage Ratio Before Rate Stabilization	4.33	4.56

Number of Customers by Type of Service

The System's number of customers for 2019 and 2020 by type of service is shown below:

<u>Customer Class</u>	<u>2019</u>	<u>2020</u>
Residential	56,250	56,718
Commercial	5,284	5,190
Total Customers	<u>61,534</u>	<u>61,908</u>

Top Ten Customers

The System's ten largest customers for 2020 are shown in the following table.

<u>Customer Name</u>	<u>Amount</u>	<u>Percent of 2020 Operating Revenues</u>
Multicare	\$ 1,116,342	1.48%
St. Joseph	712,457	0.94%
Puyallup Tribe	665,515	0.88%
City of Tacoma	464,184	0.61%
Salishan	417,446	0.55%
United Parcel Service	398,905	0.53%
Westrock	374,234	0.50%
Lakeside Landing	358,281	0.47%
Home Depot USA Inc	316,911	0.42%
Tacoma School District	315,273	0.42%
Total Revenue	<u>\$ 5,139,548</u>	<u>6.80%</u>
Total system revenue	\$ 75,591,565	

Revenues by Service

	<u>2019</u>	<u>2020</u>
Residential collection	\$ 29,026,851	\$ 32,193,018
Commercial collection	32,495,722	32,954,928
Disposal revenues	11,084,069	9,758,808
Salvage revenues	302,850	290,620
Other operating revenues	640,652	394,191
	<u>\$ 73,550,144</u>	<u>\$ 75,591,565</u>

Municipal Solid Waste Disposal Volumes:

	Thousands of Tons			
	2019 Tonnage	2019 Percent of Total	2020 Tonnage	2020 Percent of Total
Solid waste	202,632	76%	194,415	75%
Recycling	29,130	11%	25,525	10%
Yard waste	33,692	13%	37,978	15%
Total	<u>265,454</u>	<u>100%</u>	<u>257,918</u>	<u>100%</u>

Municipal Solid Waste Disposal Methods:

	2019 Tonnage	2019 Percent of Total	2020 Tonnage	2020 Percent of Total
	Hauled to Landfills	202,632	76%	194,415
Recycling and Composting	62,822	24%	63,503	25%
Total	<u>265,454</u>	<u>100%</u>	<u>257,918</u>	<u>100%</u>

Solid Waste Rates

Rates become effective January 1 of each year and are net of refuse collection taxes.

	<u>2019</u>		<u>2020</u>	
	Rate Per 100 Pounds	Minimum Charge	Rate Per 100 Pounds	Minimum Charge
Garbage Disposal				
City of Tacoma Resident ⁽¹⁾	\$ 7.25	\$ 20.00	\$ 7.25	\$ 20.00
Non-City of Tacoma Resident	7.25	20.00	7.25	20.00
Commercial	7.25	20.00	7.25	20.00
Yard Waste				
City of Tacoma Resident	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Non-City of Tacoma Resident	7.25	20.00	7.25	20.00
Commercial	7.25	20.00	7.25	20.00

⁽¹⁾ For City residents, the minimum charge includes the first 400 pounds.

Solid Waste Capital Expenditures of 2015 “Green” Bonds

The “green” bonds were spent on the following projects:

Description	2018 and Prior	2019	2020
Green Facilities ⁽¹⁾	\$ 3,933,937		
Diesel Hybrid Collection Vehicles (8 vehicles)	3,450,734		
CNG Fork Box Truck	307,323		
Tier 4 Emissions Onsite Equipment	373,549		
CNG Drop Off Box Trucks (9 vehicles)	2,560,888		
CNG Front Loaders (2 vehicles)	672,767		
CNG Rear Loaders (4 vehicles)	1,293,030		
Diesel Tractors (6 vehicles)	1,040,022		
CNG Scorpion Automated Side-Loaders (4 vehicles)	1,487,618		
CNG Rotopack Automated Side-Loaders (8 vehicles)	3,149,068		
Crane Carrier Rear Loader (3 vehicles)		\$ 998,552	
Horizontal Grinder		636,554	\$ -
	<u>\$ 18,268,936</u>	<u>\$ 1,635,106</u>	<u>\$ -</u>

⁽¹⁾ CNG Fuel Station, Recycling Roof and Food Optimization.



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 Solid Waste Revenue Bonds, 2022 (the “Bonds”), pursuant to Ordinance No. 28805 of the City Council of the City (the “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 Generally Accepted Accounting Principles prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);

(2) Principal amount of outstanding Parity Bonds;

(3) Debt service coverage for outstanding Parity Bonds;

(4) Total number of residential and commercial customers;

(5) Aggregate percent of total revenues received from the System’s ten largest customers;

(6) Tonnage and percentage for each disposal method;

(7) Rates for the System substantially as provided in the rate ordinance approved by the Council; and

(8) Gross Revenues by service.

Items (2) through (8) shall be required only to the extent that such information and data is not included in the information and data provided pursuant to item (1) above.

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 current fiscal year 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 reference 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 will provide the City's audited annual financial statements prepared in accordance with Generally Accepted Accounting Principles prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(b) *Listed Events.* The City further agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- Incurrence of a financial obligation of the City, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Section 4. Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in above on or prior to the date set forth in above.

Section 5. EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB’s Electronic Municipal Market Access system (“EMMA”), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination/Modification. The City’s obligations to provide annual financial information and notices of listed events with respect to a series of Bonds shall terminate upon the legal defeasance or payment in full of such series of Bonds. Any provision of this undertaking shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of all or any portion of this undertaking.

Notwithstanding any other provision of this certificate, the City may amend this certificate, and any provision of the undertaking contained herein may be waived, in accordance with Rule, which, as currently interpreted by the Commission, requires that (i) the amendment or waiver be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule at the time of the primary offering, after taking into account any amendments or interpretations of Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the City (such as bond counsel) or by the approving vote of holders of the Bonds.

In the event of any amendment or waiver of the undertaking provided for in this certificate, the City shall describe such amendment or waiver in the next annual report, and shall include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event above, and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Bond Owner’s Remedies. The right of any bond owner or beneficial owner of Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the City’s obligations under this undertaking, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this Certificate, “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 8. Responsible Officer; Dissemination Agent. The 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 April 7, 2022.

CITY OF TACOMA, WASHINGTON