NEW ISSUE **Moody's Rating: Aa3**
BOOK-ENTRY **See "RATINGS" herein**

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

CITY OF TACOMA, WASHINGTON

$4,010,771.70
LOCAL IMPROVEMENT DISTRICT NO. 8645 BONDS

DATED: Date of Delivery **DUE: December 1, 2049**

The City of Tacoma, Washington (the "City"), provides this Official Statement in connection with the issuance of its Local Improvement District No. 8645 Bonds (the "Bonds"). The Bonds mature on December 1, 2049, and will bear interest from their Date of Delivery (defined below) to their date of maturity or date of prior redemption.

The Bonds will be issued as fully registered bonds under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in the principal amount of $5,000, or integral multiples thereof, with the exception of one Bond that will be issued in the amount of $771.70 or $771.70 plus any integral multiple of $5,000. The purchasers will not receive certificates representing their interest in the Bonds as long as the Bonds are in book-entry form. The Washington State Fiscal Agent, currently U.S. Bank National Association, will serve as registrar, paying agent and transfer agent for the Bonds. For so long as the Bonds are held by DTC in book-entry form, the State fiscal agent will make payments of principal and interest to DTC, and DTC will pay Bond owners. See Appendix B—"BOOK-ENTRY SYSTEM."

Interest on the Bonds will be payable on December 1, 2020, and annually thereafter on each December 1 until the date of maturity or date of prior redemption. The Bonds are subject to redemption prior to their maturity date on any December 1, commencing December 1, 2020, whenever, and to the extent that, sufficient funds are available in the Local Improvement Fund, District No. 8645 (the "Bond Fund"), for such purpose. An estimated redemption schedule is provided herein under "DESCRIPTION OF THE BONDS—Redemption Provisions and Purchases." The Bonds are also subject to optional redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Redemption Provisions and Purchases" herein.

The Bonds are special fund obligations of the City, payable solely out of the Bond Fund to be funded from the collection of assessments levied against the benefited properties located within Local Improvement District No. 8645 ("LID No. 8645"), and from the City's Local Improvement Guaranty Fund in the manner provided by law.

The Bonds are not general obligations of the City, and neither the full faith and credit of the City, the State nor any political subdivision thereof is pledged for the payment of the principal of and interest on the Bonds.

Proceeds of the Bonds will be used, together with other funds, to (1) finance the costs of carrying out improvements in LID No. 8645, including without limitation, repayment of interim financing for such improvements and accrued interest thereon, and (2) pay the costs of issuance and sale of the Bonds. See "PURPOSE AND APPLICATION OF BOND PROCEEDS" and "SECURITY FOR THE BONDS" herein.

This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the Underwriter 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 as Appendix C. Certain matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Seattle, Washington. It is anticipated that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer ("FAST") on or about December 19, 2019.

D.A. DAVIDSON & CO.

Official Statement dated December 10, 2019

$4,010,771.70
CITY OF TACOMA, WASHINGTON
LOCAL IMPROVEMENT DISTRICT NO. 8645 BONDS

Maturity Schedule

Due (December 1)	Amount	Interest Rate	Yield	Price	CUSIP NO.*
2049	$4,010,771.70	3.125%	3.125%	100.00	87352CAA

* CUSIP ® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP® numbers are provided for the convenience of reference only. Neither the City, the Underwriter, or their agents or counsel assume responsibility for the accuracy of such numbers.

This Official Statement is provided by the City and not by the Underwriter of the Bonds. No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations in connection with the offering of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by 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 information set forth herein has been obtained from sources that are believed to be current and reliable. The City, however, makes no representation regarding the accuracy or completeness of the information in Appendix B—"BOOK-ENTRY SYSTEM," which has been obtained from DTC's website. Estimates and opinions should not be interpreted as statements of fact or other information provided by third parties. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

The presentation of certain information, including tables of receipts from revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue to be repeated in the future.

This Official Statement contains forecasts, projections and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or as guarantees of results. If and when included in this Official Statement, the words "plan," "expect," "forecast," "estimate," "budget," "project," "intends," "anticipates" and similar words are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date they were prepared.

The Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exception contained in such act.

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

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or owners of any of the Bonds.

The initial public offering prices or yields set forth on the inside cover page hereof may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover page hereof.

CITY OF TACOMA, WASHINGTON
747 Market Street
Tacoma, Washington 98402
(253) 591-5000
www.cityoftacoma.org*

MAYOR AND TACOMA CITY COUNCIL

Elected Officials

Name	Position	Term Expires
Victoria Woodards	Mayor	December 31, 2021
Conor McCarthy	Deputy Mayor	December 31, 2019[(1)]
Robert Thoms	Council Member	December 31, 2021
Keith Blocker	Council Member	December 31, 2019[(1)]
Catherine Ushka	Council Member	December 31, 2021
Chris Beale	Council Member	December 31, 2021
Lillian Hunter	Council Member	December 31, 2021
Anders Ibsen[(2)]	Council Member	December 31, 2019
Ryan Mello[(2)]	Council Member	December 31, 2019

City Officials

Elizabeth Pauli	City Manager
Andy Cherullo	Finance Director
Teresa Sedmak	City Treasurer
William C. Fosbre	City Attorney
Doris Sorum	City Clerk

Bond and Disclosure Counsel to the City
Pacifica Law Group LLP
Seattle, Washington

Municipal Advisor
Piper Jaffray & Co.
Seattle, Washington

Bond Registrar
Washington State Fiscal Agent
(currently U.S. Bank National Association, Seattle, Washington)

(1) On November 5, 2019, Conor McCarthy and Keith Blocker were re-elected for additional terms.

(2) Ryan Mello's and Anders Ibsen's terms expire December 31, 2019. On November 5, 2019, Kristina Walker and John Hines were elected to these Councilmember positions.

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OFFICIAL STATEMENT
CITY OF TACOMA, WASHINGTON
$4,010,771.70
LOCAL IMPROVEMENT DISTRICT NO. 8645 BONDS

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 $4,010,771.70 principal amount of its Local Improvement District No. 8645 Bonds (the "Bonds"). The aggregate principal amount of the Bonds represents the portion of the assessment roll for Local Improvement District No. 8645 ("LID No. 8645") remaining uncollected after the expiration of the prepayment period for making cash payments without interest, penalty or cost. This Official Statement, which includes the cover page, the inside cover page, the table of contents and appendices, provides information concerning the City, LID No. 8645 and the Bonds.

All of the summaries of provisions of the constitution and laws of the State, of ordinances and resolutions of the City, and of other documents, are subject to their complete text and do not purport to be complete statements of such laws or documents, copies of which may be obtained from the City upon request. A full review should be made of the entire Official Statement. The offering of the Bonds to prospective investors is made only by means of the entire Official Statement. Unless otherwise defined in this Official Statement, capitalized terms have the meanings set forth in the Bond Ordinance described below.

DESCRIPTION OF THE BONDS

Authorization

The Bonds are issued under the provisions of the State constitution, chapters 39.46 and 35.45 of the Revised Code of Washington ("RCW") and other applicable laws of the State, the City Charter Section 7.16, and pursuant to Ordinance No. 28638 of the City passed on December 3, 2019 (the "Bond Ordinance").

Principal Amount, Date, Interest Rate and Maturity

The Bonds will be dated and bear interest from their date of issuance and delivery. The Bonds will mature on December 1, 2049, and bear interest (payable annually on each December 1, commencing December 1, 2020) until the maturity or prior redemption of the Bonds at the rate set forth on the inside cover of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration and Bond Registrar

Book-Entry System. The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as initial Securities Depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only in minimum denominations of $5,000 or integral multiples thereof within a maturity, with the exception of one Bond which will be issued in the amount of $771.70 or $771.70 plus any integral multiple of $5,000 ("Authorized Denominations"). Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Bonds. For information about DTC and its book-entry system, see Appendix B—"BOOK-ENTRY SYSTEM." The City makes no representation as to the accuracy or completeness of the information in Appendix B provided by DTC. Purchasers of the Bonds should confirm this information with DTC or its Participants.

Bond Registrar. The principal of and interest on the Bonds will be payable by the fiscal agent of the State, currently U.S. Bank National Association in Seattle, Washington (the "Bond Registrar") (or such fiscal agent or agents as the State may from time to time designate). So long as Cede & Co. is the Registered Owner of the Bonds, principal of and interest on the Bonds will be payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds, as further described in Appendix B—"BOOK-ENTRY SYSTEM." Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance

Director may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

Termination of Book-Entry System. In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain physical Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as provided in the Bond Ordinance, and shall no longer be held by a depository. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request The Bonds will be transferable as provided in the Bond Ordinance.

Redemption Provisions and Purchases

Mandatory Redemption. The City will call Bonds for redemption in whole or in part, on each interest payment date when there is money in the Local Improvement Fund, District No. 8645, of the City (the "Bond Fund") from Assessment payments (including principal, interest and penalties thereon), sufficient to pay the Bonds (or portion thereof) so called over and above the amount required for payment of interest payable on all unpaid Bonds on that interest payment date. The estimated redemption schedule for the Bonds, set forth below, is based on an assumption that the Assessments not paid at the expiration of the 30-day prepayment period will be paid in 28 approximately equal annual installments of principal and interest. Property owners may prepay those Assessments at any time, with interest to the next installment due date. The City anticipates that there will be such prepayments, recognizing that it is difficult to predict whether or when prepayments might occur. Accordingly, Bond owners should be aware that the Bonds may be redeemed more quickly than the estimated redemption schedule below, if and to the extent prepayments occur. In addition, it is possible that some property owners will not pay their Assessments when due. See "SECURITY FOR THE BONDS—Special Assessments" for information on the estimated redemption schedule and delinquent Assessments.

TABLE 1:
ESTIMATED REDEMPTION SCHEDULE

Estimated Redemption Date (December 1)	Amount	Estimated Redemption Date (December 1)	Amount
2020	$ 145,772	2034	$ 145,000
2021	145,000	2035	145,000
2022	145,000	2036	145,000
2023	145,000	2037	145,000
2024	145,000	2038	140,000
2025	145,000	2039	140,000
2026	145,000	2040	140,000
2027	145,000	2041	140,000
2028	145,000	2042	140,000
2029	145,000	2043	140,000
2030	145,000	2044	140,000
2031	145,000	2045	140,000
2032	145,000	2046	140,000
2033	145,000	2047	140,000

Various factors beyond the City's control will affect the extent to which Assessments are paid, including the general state of the economy, the rate as which properties subject to Assessments are improved or sold, and the extent to which the Assessments are prepaid due to the sale of assessed properties financed by lenders that require payment in full of any outstanding Assessments. Prepayments have occurred in connection with other City local improvement district bonds. It is also possible that Assessments may not be paid when due and delays in foreclosure proceedings might occur. See "SECURITY FOR THE BONDS—Foreclosure of Assessments."

Optional Redemption. The Bonds are subject to optional redemption from any source on December 1, 2029, and any date thereafter, in whole or in part, at a redemption price equal to 100 percent of the principal amount of Bonds redeemed, together with accrued interest.

Selection of Bonds for Redemption. All or a portion of the principal amount of any Bond that is subject to redemption may be redeemed in any Authorized Denomination (or $771.70 or any Authorized Denomination plus $771.70). For as long as the Bonds are held in book entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions. If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of the denominated amount. In the case of a Bond of a denomination greater than $5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Bond by $5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the Authorized Denominations.

Notice of Redemption. For so long as the Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar shall provide any notice of redemption to any Beneficial Owners. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by email or first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

Rescission of Redemption; Conditional Redemption. The notice of redemption may be conditional. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding. Notice of an optional redemption that is subject to conditions that are not satisfied or waived on or before the scheduled redemption date shall be deemed to be rescinded on the scheduled redemption date.

Effect of Redemption. On or prior to any redemption date, unless such redemption has been rescinded or revoked, or any condition to redemption has not been satisfied, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of such Bonds which are to be redeemed on that date. If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price.

Open Market Purchase. The City reserves the right at any time to purchase any of the Bonds from amounts available for such purchase.

Failure to Redeem Bonds

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

Defeasance of the Bonds

In the event that the City, in order 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, 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 Ordinance.

The term "Government Obligations" 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.

PURPOSE AND APPLICATION OF BOND PROCEEDS

Proceeds of the Bonds will be used, together with other amounts, to (1) finance the costs of carrying out improvements in LID No. 8645, including without limitation, repayment of principal amounts drawn on the City's Local Improvement District Bond Anticipation Note (Revolving Line of Credit) dated as of July 1, 2016 (the "Note") used to provide interim financing for such improvements and accrued interest thereon, and (2) pay the costs of issuance and sale of the Bonds.

Sources and Uses

Table 2 shows the estimated sources and uses of the Bond proceeds.

TABLE 2: SOURCES AND USES

Sources of Funds		
Principal Amount of the Bonds	$	4,010,771.70
Cash contribution		75,898.07
Total Sources:	$	4,086,669.77
Uses of Funds		
Payment of Amounts drawn on Note	$	3,971,669.37
Costs of Issuance[(1)]		115,000.40
Total Uses:	$	4,086,669.77

(1) Costs of issuance include Underwriter's discount, legal fees, municipal advisor's fees, bond counsel fees, rating agency fees, and other costs incurred in connection with the issuance of the Bonds.
Source: City of Tacoma

SECURITY FOR THE BONDS

Special Fund Obligations

The Bonds are special fund obligations of the City, payable solely out of "Local Improvement Fund, District No. 8645" (the "Bond Fund") to be funded from (i) the collections of Assessments levied against the benefited properties located within the LID No. 8645, together with interest and penalties, if any (see "—Special Assessments" below), and (ii) the City's Local Improvement Guaranty Fund (see "—Guaranty Fund" below), all in the manner provided by law and in the Bond Ordinance. **The Bonds are not general obligations of the City, and neither the full faith and credit of the City, the State nor any political subdivision thereof is pledged for the payment of the principal of and interest on the Bonds.**

The Bond Fund is a trust fund and shall be drawn upon only for the payment of the principal of and interest on the Bonds. Except for Bond proceeds and prepaid Assessments applied to pay, refinance or reimburse Project costs or pay costs of issuance, all money on hand representing collections pertaining to installments of Assessments and interest thereon in LID No. 8645 shall be deposited in the Bond Fund, and all collections pertaining to Assessments on the assessment roll of LID No. 8645 shall, when received, be deposited in the Bond Fund to redeem outstanding Bonds.

Special Assessments

Assessments collected in LID No. 8645, together with interest and penalties, if any, are pledged to the payment of the Bonds, which are payable solely out of the Bond Fund and the Guaranty Fund in the manner provided by law. The Bonds are not general obligations of the City. The Bonds are payable from Assessments levied against real property in LID No. 8645. Assessment payments are due in 28 equal annual payments of principal plus interest on the outstanding balance. Interest on the outstanding balance of each Assessment in LID No. 8645, calculated at a rate per annum 0.50 percent higher than the average coupon rate on the Bonds), is payable annually along with installments of principal. The annual Assessment installments of principal together with interest on the outstanding balance of Assessments for LID No. 8645 are due on each October 19.

The City is required to charge a penalty against delinquent Assessments, or installments thereof. The City's municipal code currently provides that the City will impose a penalty for delinquencies equal to 12 percent of both the principal and interest due upon the delinquent installment. This penalty will be assessed in addition to the interest payable on the delinquent Assessment.

Unpaid Assessments constitute a lien against the real property assessed that is superior to mortgages and most other encumbrances, but is subject to liens for general taxes, certain federal liens and homestead rights. See "—Impediments to Foreclosure" below. The City has covenanted in the Bond Ordinance that it will diligently commence and pursue the collection of all delinquent Assessments, which pursuit shall include the timely initiation of foreclosure proceedings on Assessments of properties in LID No. 8645 which are delinquent. See "—Foreclosure of Assessments." State law provides that Assessments may be prepaid in full at any time, so long as all principal and penalties, together with interest payable through the next installment payment date, are paid. Early payments occur when a property owner elects to pay the Assessment currently rather than over the remaining term of the installment period. Because Assessment liens are superior to mortgages, lending institutions often require the prepayment of Assessments as a condition to financing or refinancing the acquisition or development of property within a local improvement district. The rate at which Assessments are prepaid will affect the rate at which the Bonds are redeemed prior to their maturity. See "CERTAIN INVESTMENT CONSIDERATIONS" herein.

Foreclosure of Assessments

Under State law and the City's municipal code, the City must foreclose upon an assessment lien, and the entire assessment amount will be due and payable, under two circumstances: (1) if on the first day of any year, two installments of any assessment are delinquent; or (2) if the final installment of any assessment has been delinquent for more than one year. The foreclosure proceedings must be commenced by December 1 in the year that either of such conditions occurs.

Assessment lien foreclosure actions are tried before the superior court without a jury. The City must notify the property owner at least 30 days before the foreclosure proceeding is commenced. The court may enter a default judgment or a final judgment and order of sale upon any real property involved in the action. The court's decision may be appealed by the property owner within 30 days after the decision is rendered. Any appeal would be made to the Washington Court of Appeals. After the superior court's judgment is rendered (and assuming such judgment is not appealed), the real property described therein must be sold by the City's Treasurer or by the Pierce County sheriff. The sale will occur no earlier than 30 days after a foreclosure notice is sent to the property owner and certain other lien holders. Under RCW 35.50.270, the property owner may reclaim the property if the debt is repaid within two years from the date of sale.

The property may be purchased by a third party, or the City may purchase property at an assessment lien foreclosure sale. The property may also be transferred to the City for lack of bidders. Any real property subject to an assessment for LID No. 8645 that is obtained by the City at an assessment lien foreclosure sale, or transferred to the City for lack of bidders, will be held in trust for the Bond Fund and for the benefit of the owners of the Bonds. If the amount collected

after a foreclosure sale is less than the amount of the delinquent Assessment, the property owner will not be subject to personal liability for such deficiency. If the City wishes to discharge the trust, it may pay into the Bond Fund an amount equal to the delinquent assessment plus interest that will have accrued to the next payment date for the Bonds.

Any money received by the City as a result of such foreclosure action is deposited in the Bond Fund and used to repay the Bonds.

Impediments to Foreclosure

Impact of Homestead Exemption. Chapter 6.13 RCW permits any property owner to protect a certain portion of his or her residence from forced sale. In *City of Algona v. Sharp, et al.*, decided January 4, 1982, Division I of the Washington Court of Appeals held that the filing of a homestead exemption before a scheduled foreclosure sale of a residential property valued at $25,000 or less effectively exempted that property from a forced sale to enforce delinquent special assessments in a special benefit assessment district such as a local improvement district or utility local improvement district. The statutory homestead exemption has since been raised to $125,000.

Extinguishment of Assessment Liens. Any lien for general property taxes is superior to the City's assessment lien. Properties that have property tax delinquencies are subject to tax foreclosure proceedings by Pierce County (the "County") if the taxes are not paid within three years after becoming delinquent. (See "—Guaranty Fund" below.) The minimum bid at the foreclosure sale is required to satisfy only delinquent taxes, not assessments. In addition, the Washington Legislature in 1994 repealed RCW 35.49.120, which expressly provided that assessment liens survived a foreclosure sale for delinquent taxes. If such properties (or any other properties subject to the City's assessment liens) are transferred to the County at a tax foreclosure sale because of lack of bidders, and the County thereafter sells the properties, the sale proceeds will be applied first to discharge the County's liens for general taxes, with any remaining proceeds being applied to discharge the City's assessment liens. Under such circumstances, the City's assessment liens will be discharged, regardless of the amount of sale proceeds actually received by the City.

The City intends, but is not obligated, to protect assessment liens from a tax foreclosure sale. The City can under State law preserve its assessment liens by (1) using money on deposit in the Guaranty Fund to purchase the tax lien from the County (RCW 35.54.080); (2) purchasing the properties at the tax foreclosure sale (RCW 35.49.130); or (3) purchasing the properties from the County after they have been transferred to the County (but before the County otherwise has sold the properties) upon paying the face amount of the delinquent taxes plus costs (but less interest and penalties) (RCW 35.49.150).

Federal Bankruptcy and Other Proceedings. The City's ability to collect Assessments and foreclose its Assessment lien on property within LID No. 8645 may be substantially delayed if the property owner is involved in federal bankruptcy proceedings or the federal government initiates drug or gambling forfeiture liens on the property.

Guaranty Fund

In addition to the pledge of Assessments, the Bonds are secured by a continuing claim and charge against the City's Local Improvement Guaranty Fund (the "Guaranty Fund"). The Guaranty Fund was established by, and is administered pursuant to, chapter 35.54 RCW and chapter 10.08 of the Tacoma Municipal Code. The purpose of the Guaranty Fund is to guarantee, to the extent of money in the fund, the payment of local improvement district bonds and warrants issued by the City. In the Bond Ordinance the City covenants that it will maintain money or lawful investments from time to time in the Guaranty Fund in an amount (based on Fair Market Values), subject only to constitutional or statutory limitations, that shall be at least equal to 10 percent of the total principal amount of all obligations guaranteed by the Guaranty Fund (five percent following the final maturity or earlier redemption of certain outstanding bonds, which are scheduled to mature April 1, 2043), plus accrued but unpaid interest thereon, and less the total amount of money and lawful investments in the respective bond funds for payment and redemption of all outstanding obligations guaranteed by the Guaranty Fund.

If there is insufficient money in the Bond Fund and the Guaranty Fund to make payments on the Bonds when due, the City must issue warrants against the Guaranty Fund in an amount up to five percent of the total amount of all bonds and notes outstanding against the Guaranty Fund to meet such payment. Such warrants are to be redeemed by the proceeds of a property tax levy in the following year, limited as described below, or the collection of assessments.

Source of Funding. The Guaranty Fund is currently funded with money of the City legally available for that purpose, including proceeds of bonds and other obligations. Under State law, the City must continue funding the Guaranty Fund with: (1) deposits of excess money in any local improvement fund after the bonds or warrants payable from such local improvement fund are retired; (2) interest on amounts in the Guaranty Fund; and (3) annual excess tax levies that are sufficient to pay the warrants issued against the Guaranty Fund during the preceding fiscal year. By law, the tax levy in any one year for purposes of the Guaranty Fund may not exceed the greater of: (1) 12 percent of the outstanding obligations secured by the Guaranty Fund; or (2) the total amount of delinquent assessments and interest thereon before the levy as of September 1.

Transfer of Excess Money. State law allows the City Council to transfer assets from its Guaranty Fund to its General Fund only if the City Treasurer certifies that the Guaranty Fund has sufficient funds to meet all outstanding obligations secured by the Guaranty Fund and other obligations reasonably expected to be incurred in the near future. Such transfers may not reduce the balance of the Guaranty Fund to less than ten percent of the net outstanding obligations guaranteed by the fund. See "-*Current Balance.*" If the net cash of the Guaranty Fund is reduced below this minimum amount within five years after such transfer, the City will be obligated to pay, to the extent of the amount transferred, valid claims against the Guaranty Fund as a general obligation of the City.

Taxing Process. As described above, the City can impose an *ad valorem* property tax on all taxable property within the City to fund the Guaranty Fund. Such taxes are imposed at specific rates on the basis of a property's true and fair value. The value of real property for tax purposes is assessed by the Pierce County Assessor-Treasurer pursuant to statute and State Department of Revenue regulations. Property owned by railroads, airlines and public utilities is assessed by the State Department of Revenue. By each November 30, the City must certify to the Pierce County Council for the purpose of levying property taxes, the City's budget or estimate of amounts to be raised by taxation on the assessed valuation of the property in the City. The Pierce County Council then levies the taxes of the City based on the information submitted, compiles the aggregate levies of the State and all taxing districts within the County and submits the amount of taxes to be levied for State purposes to the Department of Revenue.

The Pierce County Office of Budget and Finance (the "County Treasurer") collects all taxes, fines, forfeitures and penalties. Real property taxes are due and payable each April 30. However, if the amount due from a taxpayer exceeds $50, the taxpayer can pay half of the tax on April 30 and pay the balance on October 31. On or before the 10th day of each month, the County Treasurer must remit to each city treasurer that city's *pro rata* share of all taxes collected for the previous month. Delinquent taxes are subject to additional interest and penalty charges. If taxes are not paid within three years after becoming delinquent, the County Treasurer may issue certificates of delinquency to the county for such taxes, together with any interest and costs thereon, and commence foreclosure proceedings in superior court.

Property taxes and all charges and expenses relating to the taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. Such liens have priority over assessment liens, including the liens securing Assessments made in LID No. 8645. See "—Special Assessments" above.

Any levy made by the City to fund the Guaranty Fund is in addition to and in excess of all statutory and charter limitations. However, such levy is subject to Article VII, Section 2 of the Washington Constitution, which limits the aggregate of all the regular tax levies within the City in any year upon real and personal property by the State and all taxing districts to no more than one percent of the true and fair value of such property. For tax collection years 2018 and 2019, the aggregate regular tax levies within the City totaled $62,882,238 and $65,279,732, respectively.

Current Balance. The balance in the Guaranty Fund as of November 1, 2019, was $4,343,668, which represents an excess over the current 10 percent funding level requirement, as show in Table 3.

TABLE 3:
GUARANTY FUND REQUIREMENTS AND BALANCE

LID bonds outstanding	$	22,915,000
Notes outstanding[(1)]		8,641,084
Total LID debt outstanding	$	31,556,084
Less: Cash on hand in LID accounts to pay debt		(657,505)
Total amount used to determine Guaranty Fund requirement	$	30,898,579
Guaranty Fund requirement (at 10%)	$	3,089,858
Total cash and investments in Guaranty Fund		4,343,668
Excess funds over the Guaranty Fund requirement	$	1,253,810

[(1)] The Notes are secured by the Guaranty Fund. A portion of the Notes will be refinanced with the proceeds of the Bonds.

The City has covenanted in the Bond Ordinance that the market values, money or lawful investments held from time to time in the Guaranty Fund (see "THE CITY—Investments" herein), (subject only to constitutional and statutory limitations, see "*—Taxing Process*"), must be maintained in an amount at least equal to (i) so long as the City's Consolidated Local Improvement District No. 64 Bonds or Consolidated Local Improvement District No. 65 Bonds (the "CLID Bonds") are outstanding, 10 percent of the total principal amount of all obligations guaranteed by the Guaranty Fund, plus accrued but unpaid interest thereon, and less the total amount of money and lawful investments in the respective bond funds for payment and redemption of all outstanding obligations guaranteed by the Guaranty Fund; and (ii) thereafter, five percent of the total principal amount of all outstanding obligations guaranteed by the Guaranty Fund. See "CERTAIN INVESTMENT CONSIDERATIONS—Future LID Financings" below for a description of future LID financings planned by the City. Once the CLID Bonds are no longer outstanding (following final maturity on April 1, 2043 or earlier redemption), the balance may be funded at five percent. The final maturity of the Bonds is December 1, 2049. Unless earlier redeemed, the Bonds are expected to be outstanding on and after the date on which the funding requirement for the Guaranty Fund is reduced to five percent (following final maturity of the CLID Bonds on April 1, 2043 or earlier redemption). Amounts in the Guaranty Fund are currently invested in tax-exempt municipal securities.

Delinquencies. As of December 1, 2018, the amount of LID delinquencies totaled $330,958. As of December 1, 2019, there were property owners with delinquent assessments of two years or more and subject to the foreclosure process for bonds secured by the Guaranty Fund. In addition, there are some delinquent assessments of one year or more secured by the Guaranty Fund that are accruing penalties. Most are expected to pay their required assessments and fees before formal proceedings are filed with the court for judgment and the sale stage of the foreclosure process begins. The City has had to complete foreclosures on properties due to assessment delinquencies in assessment payments. The City had five foreclosures due to assessment delinquencies in 2019 and has not yet sold the delinquent properties. The City cannot predict or forecast the likelihood of future foreclosures.

No Supplemental Reserve Fund

In connection with one series of the CLID Bonds, issued in the principal amount of $30,999,358.40 in April 2013, the City created a Supplemental Reserve Fund in accordance with RCW 35.51.040. The City deposited CLID Bond proceeds in the amount of $1,110,000 therein to be used as security for those CLID Bonds. The Supplemental Reserve Fund is the fund of first resort upon default of any payment of LID assessments for those CLID Bonds only, ahead of the Guaranty Fund.

The Supplemental Reserve Fund secures only certain CLID Bonds and may secure other bonds, if such bonds are related to CLID No. 65. **The Supplemental Reserve Fund does not secure the Bonds.**

LOCAL IMPROVEMENT DISTRICT NO. 8645

General

The State Constitution and other State laws authorize the formation of special assessment districts (generally known as local improvement districts when formed by cities) for the purpose of paying the costs of improvements that are deemed by a city to provide special benefits to certain properties within the city. Local improvement projects are initiated either by petition of property owners or by resolution of the City Council. Eligible projects are limited to those local improvements described in RCW 35.43.040.

After holding all properly noticed public hearings required under statute, the city council determines whether the local improvement district should be formed.

Upon completion of construction, or earlier, if applicable, the final costs are determined and assessments calculated and levied after a hearing. When a property owner receives a notice of that property's final assessment collection, he or she has the option of making a cash payment in full during a period of 30 days following the notice or making of annual installment payments. A lien against the property secures timely payment. There is no prepayment penalty if a property owner prepays all or some installments, and prepayments of assessments are common.

LID Financing

The City maintains a Local Improvement District Bond Anticipation Note (Revolving Line of Credit) dated as of July 1, 2016 with Washington Federal, N.A. (the "Note"). The Note has a maximum amount of $15,000,000, and after issuance of the Bonds and repayment of the outstanding portion of the Note allocable to LID No. 8645, will have approximately $1 million outstanding. Proceeds of the Note are used as interim financing for local improvement projects prior to the sale of local improvement bonds, such as the Bonds.

The LID and Project Description

In June 2005, the City Council by resolution declared its intention to form a local improvement district to finance the construction of permanent pavement, reconstruction, repair, renewal of sidewalks and landscaping, including but not limited to the renewing of shade and ornamental trees and shrubbery, and the construction of surface water, wastewater, and water main utility replacements, together, with limited maintenance of the landscaping (collectively, the "Project"). LID No. 8645 was formed pursuant to Ordinance No. 27475 passed by the City Council on April 18, 2006, even though the City received protests representing 54.79% of the property within LID No. 8645. The percentage of protests received fell below the 60 percent statutory threshold to divest the City of authority to proceed with the LID. The City proceeded to form the LID, finding that the benefits of LID No. 8645 will have a substantial positive impact on one of the City's core business areas. See Appendix A for a map of LID No. 8645.

The final assessment roll for LID No. 8645 was confirmed by Ordinance No. 28605, passed by the City Council on September 17, 2019. The final total amount assessed to property owners in LID No. 8645 is $9,025,367.79. The City received $5.0 million of prepayments during the interest-free prepayment period. The remaining assessment payments for LID No. 8645 are due in 28 equal annual payments of principal plus interest on the outstanding balance.

There are 411 parcels within LID No. 8645. Owners of 155 of the parcels have prepaid, leaving 256 parcels with outstanding Assessments. As of the 2017 study, LID No, 8645 encompassed approximately 14.75 acres of usable land and 1,637,222 square feet of building area. The 411 tax parcels identified within the LID boundaries range from vacant properties to commercial, office, public and multi-family apartment and condominium residential properties On January 20, 2017, the parcels were estimated to have a total unimproved probable market value of $159,155,072 for a total probable market value of $167,019,052 as of August 1, 2011. The date of value for the properties in LID No. 8645 reflected a retrospective valuation date to correspond with the timing of the project. The estimated 2019 assessed value of the parcels is $67,838,600 in land and $214,735,300 in improvements for a total estimated assessed value of $282,573,900.

Table 4 provides certain data from the assessment roll and Special Benefit Study (described below) relating only to parcels with Assessments outstanding.

TABLE 4: PARCELS WITH OUTSTANDING ASSESSMENTS
Local Improvement District No. 8645

LID Assessment Roll	$	9,025,368
Less: Prepayments		5,014,596
Remaining Assessment Balance	$	4,010,772
Number of Parcels in LID		411
Number of Parcels Paid in Full during the Prepayment Period		155
Number of Parcels with Assessments Remaining		256
Probable Market Value for Total LID, after Improvements[(1)]	$	167,019,052
Ratio of Remaining Assessment Balance to Probable Market		2.59%

(1) As of August 1, 2011, based on 2017 report. The estimated 2019 assessed value of the parcels is $282,573,900.

Table 5 lists the owners of the property within LID No. 8645 subject to the 10 largest outstanding Assessments. This table includes the number of parcels owned by each of these property owners, and information related to the combined parcels.

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TABLE 5: LARGEST ASSESSMENTS OUTSTANDING
10 Largest Combined Assessments Outstanding within LID No. 8645

Property Owner	Number of Parcels	Assessment Outstanding	Probable Market Value (PMV)[1]	Assessment as % of (PMV)[2]	% of Total Assessments	Usage	Zoning Status
725 Broadway LLC	5	$ 502,197.68	$1,413,500	35.53%	5.18%	Land/parking lot	Downtown Comm. Core/Hist. Dist.
ETP Properties LLC	4	339,015.02	1,719,400	19.72	3.50	Pkg lot/restaurant	Downtown Commercial Core
TLF Stadium LLC	10	316,623.41	2,793,900	11.33	3.27	Vacant land	Downtown Residential District
Broadway Associates 1 LLC	2	248,592.69	16,013,900	1.55	2.57	High rise condos	Downtown Residential District
2000 Armstrong Family LP	6	229,062.27	2,405,600	9.52	2.36	Office condos	Downtown Commercial Core
YWCA Pierce County	6	215,623.00	4,356,200	4.95	2.23	Low income housing	Downtown Residential District
City Ctr. Real Est. & Mgmnt	1	176,481.55	6,335,100	2.79	1.82	High rise apartments	Downtown Residential District
Webster St Helens LLC	2	136,196.29	4,979,200	2.74	1.41	High rise condos	Downtown Commercial Core
Market Nine LLC	1	133,040.56	1,145,100	11.62	1.37	Parking garage	Downtown Commercial Core
Rickshaw Properties LLC	1	127,104.97	378,900	33.55	1.31	Retail business	Downtown Commercial Core
711 Saint Helens Ave. LLC	1	$113,961.38	3,063,300	3.72	1.18	Office spaces	Downtown Commercial Core
Total for 10 Largest		$2,537,898.82	$44,604,100		26.20%		
All Others		1,472,872.88					
Total		$4,010,771.70			73.80%		

[1] Probable Market Value as estimated in the Special Benefit Study dated January 20, 2017. See "Special Benefit Study herein.

[2] Based on aggregate Assessments and Probable Market Value for all parcels owned by this property owner. Individual parcels may have a higher or lower ratio of Probable Market Value.

Source: The City

Description of Properties with Large Assessments

The following provides a description of the one property within LID No. 8645 with currently outstanding Assessments in excess of five percent of total Assessments. 725 Broadway LLC owns a property that represents 5.18% of total Assessments. The property consists of five parcels, zoned Downtown Commercial Core & Historic District. Four of the parcels (with street addresses 717-719 Broadway, 721 Broadway, 723-725 Broadway and 731 Broadway) are currently vacant land, and one parcel includes a parking structure (currently closed) at 735-737 Broadway.

Special Benefit Study

The City commissioned Valbridge Property Advisors to conduct a special benefit/proportional assessment study (the "Special Benefit Study") to provide the basis for Assessments levied against property within LID No. 8645. The purpose of the Special Benefit Study was to provide a fair and proportionate allocation of recommended assessments, based on highest and best use and market value of affected property, both without and with completion of the Project. To make estimates of probable increases in market value or special benefit resulting from the Project, market sales of land and improvement properties were researched, together with rental rate information, for the various types of property within LID No. 8645. The Special Benefit Study found that individual properties within LID No. 8645 specifically benefit from the Project by $7,863,980 compared to an estimated total project cost of $7,644,445. The Special Benefit Study also notes that approximately $2,041,202 in additional or supplemental improvements were to be assessed to individual properties at property owners' request. The Special Benefit Study concluded as follows regarding the total special benefit conferred by the Project.

TABLE 6: SPECIAL BENEFIT STUDY MARKET VALUES

Total Probable Market Value without LID No. 8645:	$ 159,155,072
Total Probable Market Value with LID No. 8645:[(1)]	167,019,052
Difference (Estimated Special Benefit):	$ 7,863,980

[(1)] As of August 1, 2011, based on 2017 report. The estimated 2019 assessed value of the parcels is $282,573,900.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Bonds should carefully consider the following factors, as well as other information contained in this Official Statement, prior to purchasing the Bonds. The information contained under this heading is not intended to be an exhaustive discussion of all possible risks of owning the Bonds. Prospective purchasers should consult their investment advisors before deciding to purchase any of the Bonds.

Special Obligations of the City

The Bond owners' only claim against the City for the payment of the Bonds is from the Assessments levied within LID No. 8645 (together with penalties) and the Guaranty Fund. The Bond Fund is funded from the collections of Assessments levied against the benefited properties located within LID No. 8645, together with interest and penalties, if any (see "SECURITY FOR THE BONDS—Special Assessments"). The Guaranty Fund is funded as previously described (see "SECURITY FOR THE BONDS—Guaranty Fund"). The City is not liable to such owners for losses to the Guaranty Fund occurring in the lawful operation thereof by the City, and the City has pledged to maintain it only as described herein. The remedies of Bond owners in case of non-payment will be confined to the enforcement of Assessments made within LID No. 8645 and to the Guaranty Fund. A statement substantially setting forth these limitations will be printed on each Bond.

Potential Delinquency of Assessments

As Assessments are paid, they will be applied first to interest on all the outstanding Bonds, then to make principal redemptions, as described under the heading "DESCRIPTION OF THE BONDS—Redemption Provisions and

Purchases." Delinquent Assessments may cause a delay in redemptions and could cause shortages in meeting the interest requirements. Prior to the maturity date, the Guaranty Fund will be drawn on only to meet the interest requirements. In the event of Bond Fund shortages caused by nonpayment of Assessments, the payment of interest depends on the City's ability to draw upon the funds in the Guaranty Fund. See "SECURITY FOR THE BONDS—Guaranty Fund."

Under State law and the City's municipal code, the City must foreclose upon an assessment lien, and the entire assessment amount will be due and payable, under two circumstances: (1) if on the first day of any year, two installments of any assessment are delinquent; or (2) if the final installment of any assessment has been delinquent for more than one year. The foreclosure proceedings must be commenced by December 1 in the year that either of such conditions occurs. See "SECURITY FOR THE BONDS—Foreclosure of Assessments."

Effect of Prepayments or Payment of Deferred Assessments

The principal of and interest on the Bonds are payable from Assessments levied against real property in LID No. 8645. Property owners may prepay their Assessments in whole at any time after the Assessment is levied by paying the outstanding principal balance of the Assessment (or any portion thereof) plus interest accrued and accruing thereon through the next interest payment date. The amount of Bond principal which will be redeemed on any payment date depends upon the amount of payments and prepayments received and any delinquencies of Assessments. To the extent that funds from Assessment payments are available above and beyond the interest currently due on the Bonds on any payment date, the City will redeem more Bonds. Otherwise, there can be no assurance that Bonds will be redeemed prior to the maturity date in any amounts or on any particular date. Various factors beyond the City's control will affect the extent to which Assessments are paid, including the general state of the economy, the rate at which properties subject to Assessments are improved or sold, and the extent to which the Assessments are prepaid due to the sale of assessed properties financed by lenders that require payment in full of any outstanding Assessments. It is also possible that Assessments may not be paid when due and delays in foreclosure proceedings might occur. See "SECURITY FOR THE BONDS—Foreclosure of Assessments." Because the amount of annual principal payments on the Bonds is not definite, the Bonds may not be suitable investments for investors seeking fixed payments of principal.

Limitations of the Guaranty Fund

Inability to Redeem Principal Prior to Maturity. A principal payment default cannot occur on the Bonds prior to December 1, 2049, which is the date the Bonds mature. The City cannot use the Guaranty Fund to fund redemption of Bonds on estimated redemption dates. The statutes governing the use of the Guaranty Fund currently provide that the Guaranty Fund must be used to purchase defaulted and Guaranty Fund Warrants. If the City encounters delays in collecting Assessments for LID No. 8645, Bond Owners should not expect that the Guaranty Fund will be available to pay principal of the Bonds before their maturity.

Limit on Replenishing with Taxes. If the Guaranty Fund is used to fund an interest or principal payment on bonds secured by the Guaranty Fund, it is possible that the City will be unable to fully replenish the Guaranty Fund before the following interest payment date or maturity date of the Bonds solely with tax receipts due to timing for collection of property taxes. The discrepancy between when interest or principal payments are due, when tax levies can be made and when taxes are payable can lead to circumstances in which there could be insufficient money in the Guaranty Fund to fund the total amount due on the Bonds on a given payment date, including the maturity thereof.

The City has covenanted in the Bond Ordinance, pursuant to RCW 35.54.060 and subject to applicable statutory and constitutional limitations, to levy a sum sufficient, with other sources of the Guaranty Fund, to maintain a minimum balance equal to 10 percent of the principal amount of bonds outstanding against the Guaranty Fund, expected in and to provide for all payments reasonably expected to be made out of the Guaranty Fund. **Under the Bond Ordinance, the minimum funding level is reduced to five percent following maturity, or earlier redemption, of certain outstanding bonds scheduled to mature April 1, 2043.** See "SECURITY FOR THE BONDS— Guaranty Fund—*Source of Funding*."

Limitations on Guaranty Fund Warrants. If the amount in the Guaranty Fund is insufficient to fund a shortage in the Bond Fund on any interest payment date or at the maturity of the Bonds, the City will be required to issue interest-bearing Guaranty Fund Warrants. The maximum amount of Guaranty Fund Warrants that can be outstanding at any time, however is limited to five percent of the outstanding obligations guaranteed by the Guaranty Fund. Under certain

circumstances, this limitation could preclude the City from issuing Guaranty Fund Warrants to all Owners of defaulted Bonds.

Tender of Defaulted Bonds Required. Payments on defaulted obligations, including any Bonds, will be paid in the order such obligations are presented to the City for payment after such default.

No Preference among Owners of Obligations. As between the owners of the Bonds and any other obligations secured by the Guaranty Fund, no preference will exist. The City has created and may create additional local improvement districts and issue bonds that are equally and ratably secured by the Guaranty Fund. There can be no assurance that the amount on deposit in the Guaranty Fund will be sufficient to cover payments due on any outstanding bonds or future bonds which may be issued.

Secondary Market Liquidity

There can be no assurance that a secondary market in the Bonds can or will be maintained by the Underwriter or others after their issuance, and purchasers of the Bonds should be prepared to hold their Bonds to maturity or an earlier redemption date. The secondary market for assessment bonds, such as the Bonds, is not as liquid as it is for many other types of municipal obligations.

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 complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

Municipal Bankruptcy

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). Chapter 39.64 RCW, entitled the "Taxing Relief Bankruptcy Act," permits any "taxing district" (defined to include any municipality or political subdivision, such as the City) to voluntarily petition for relief under the predecessor statute to the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. Under Chapter 9, a federal bankruptcy court may not appoint a receiver for a municipality or order the dissolution or liquidation of the municipality. The federal bankruptcy courts have fairly broad discretionary powers under the Bankruptcy Code. Taxing districts in the State, including the City, are expressly authorized to carry out a plan of readjustment if approved by the appropriate court. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds. If the City is in bankruptcy, the parties (including the Bond Registrar 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.

Future LID Financings

Neither the City nor the County is precluded from creating one or more additional local improvement districts with boundaries that overlap those of LID No. 8645 and imposing additional assessments for the improvements made therein. The City reserves the right to issue at any time additional local improvement district bonds secured by the Guaranty

Fund. The City has covenanted in the Bond Ordinance that the Fair Market Values, money or lawful investments held from time to time in the Guaranty Fund (see "THE CITY—Investments" herein), subject only to constitutional and statutory limitations, will be at least equal to 10 percent of the total principal amount of all obligations guaranteed by the Guaranty Fund (five percent following maturity, or earlier redemption, of outstanding bonds scheduled to mature April 1, 2043), plus accrued but unpaid interest thereon, and less the total amount of money and lawful investments in the respective bond funds for payment and redemption of all outstanding obligations guaranteed by the Guaranty Fund. See "SECURITY FOR THE BONDS—Guaranty Fund—*Current Balance*" above. The City has future local improvement districts pending, totaling approximately $1.9 million.

Initiative and Referendum

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

Local Measures. Under the City Charter, voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law. Some ordinances become effective immediately, including ordinances passed as emergency measures, or relating to local improvements and assessments and authorization of bonds therefor, or adopting annual budgets, or levying taxes, or making appropriations. Ordinances granting a franchise, right, or privilege, or authorizing the issuance of revenue bonds in an amount exceeding $5 million take effect as the City Council determines. All other ordinances take effect only after the expiration of 10 days from publication and are subject to the provisions of the City Charter concerning referendum. The City Charter provides that ordinances relating to local improvements and assessments and authorization of bonds therefor become effective immediately and are not subject to the referendum procedures.

Seismic and Other Natural Disasters

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. The Emergency Management Plan addresses disaster planning, but may not anticipate all potential hazards and their effects.

THE CITY

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 a Mayor and eight Councilmembers, five of whom are elected from districts which have been apportioned according to population. The three remaining positions are "at large" positions, nominated and elected City-wide. The Councilmember positions are four year terms with overlapping terms to allow for the election of four Councilmembers every two years. The Mayor is elected City-wide for a four year term and is the presiding officer of the City Council. Councilmembers, including the Mayor, can serve no more than ten consecutive years as a member of the City Council, Mayor or combination thereof.

City Officials

The current Mayor and other Council members and their terms of office are provided on page ii.

Administration

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

The City Manager appoints the City Treasurer who is responsible for the receipt, custody and disbursement of City funds. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by the Finance Director. The Government Performance and Finance Committee, composed of the Mayor and three 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. Andrew Cherullo joined the City in February 2013. Prior to joining the City, he most recently served as the Chief Financial Officer for the Washington State Health Care Authority. Prior to that, Mr. Cherullo served as the Chief Financial Officer for the Massachusetts School Building Authority. He started his career in public finance at the Massachusetts House Ways and Means Committee, where within four years became the Budget Director. As Finance Director for the City, Mr. Cherullo serves as the Chief Financial Officer for the City Manager and the City Council. He is responsible for overseeing the City's financial affairs, including accounting, debt and investment management, procurement and purchasing, and financial reporting. Mr. Cherullo has Bachelor's degrees in Economics and Political Science from the University of Montana and a Master's degree in Economics from Tufts University.

Teresa Sedmak, City Treasurer. Teresa Sedmak began serving as the City Treasurer in June 2012. In that role, she holds primary responsibility for the receipt and investment of the City's funds and management of the City's debt portfolio. Ms. Sedmak served as the Manager of Debt and Investments for the Regional Transportation District ("RTD") in Denver, Colorado for thirteen years prior to her employment with the City. Previous to her experience at RTD, she served as Vice President at Dominion Capital Group, an investment advisory firm specializing in the investment of public funds, including bond proceeds. Ms. Sedmak earned both her Bachelor's and her Master's Degree in Business at the University of Colorado.

Financial Policies

The City Council approved the Financial Management Policy Statement in Resolution No. 36935, passed on August 8, 2006. These policies may be amended by the City Council at any time.

Budgetary Policies

The biennial budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve, by ordinance, any amendments which increase the total for the fund. Any unexpended appropriated balances lapse at the end of the fiscal biennium.

Auditing

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

The State Auditor is required to examine the affairs of cities and the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the finance department of the City. The City audited 2018 financial report is included as Appendix E hereto.

Pension System

Substantially all City employees, including employees of the System, 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. Additional information is available on the TERS website at www.cityoftacoma.org/retirement (which website is not incorporated herein by this reference).

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, 2019, there were 2,474 retirees and beneficiaries currently receiving benefits, 557 vested terminated members entitled to future benefits and 2,989 active members in TERS.

Contributions City-wide totaled $48.9 million in 2018 ($26.4 million in employer contributions and $22.5 million in employee contributions) and totaled $44.7 million in 2017 ($24.1 million in employer contributions and $20.6 million in employee contributions). The contribution rate for the City's covered payroll is currently set at 21.00% of pensionable wages for 2019 (11.34% paid by the City and 9.66% paid by employees). The current rate includes a one percent increase approved by the City Council on November 28, 2017 (split 0.54% for employers and 0.46% for employees) that became effective the first pay period of February 2018.

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.

The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of active employees and retirees rather than based on the claims experience of retirees only. This difference is a benefit to the retirees, since health claims costs generally increase with age. Generally accepted accounting principles require that the portion of age-adjusted expected retiree health claims costs that exceed the premium charged to retirees be

recognized as a liability for accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and are subject to continual revision as results are compared to past expectation and new estimates are made about the future. The City funds its OPEB obligation on a pay as you go basis.

Table 7 shows the annual OPEB cost and net OPEB obligation for three years for the City. This table is based upon a 3.50% interest rate for 2016, 2017 and 2018.

TABLE 7: OTHER POST-EMPLOYMENT BENEFITS

Year Ended	Annual OPEB Cost	Benefits Paid	Net OPEB Obligation
12/31/2016	$18,151,028	$8,539,402	$82,741,128
12/31/2017	17,681,876	9,010,941	91,412,063
12/31/2018	19,936,716	8,352,070	220,811,987[(1)]

(1) Reflects implementation of GASB 75.
Source: City of Tacoma

For additional information regarding the City's OPEB, see Note 5 to the City's Audited Financial Statements for 2018, attached as Appendix E.

Insurance

The City is self-insured for tort liability, medical benefits, unemployment and worker's compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for Incurred but Not Reported ("IBNR") claims. The estimate for reported claims is based on Risk Management and Legal Departments' projections and is adjusted annually. The IBNR for the self-insured employee benefits is based on the average of two-month claims from the reporting year. The IBNR for tort liabilities are calculated by a periodic actuarial study. The handling and paying of all tort liability claims is accounted for in either the Self-Insurance Claim Fund or the Tacoma Public Utilities ("TPU") Self-Insurance Claim Fund. Moneys are appropriated from various cost centers based on prior claims history and paid to these funds. The balances in the Self-Insurance Claim Fund, the TPU Self-Insurance Claim Fund and the Workers Compensation Fund, as of December 31, 2018, were $28,714,000, $5,172,000 and $5,049,000, respectively. See Note 7 to the City's Audited Financial Statements for 2018 attached as Appendix E.

The City's Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with RCW 35.21.085(2). The City carries a supplemental liability policy with a $20 million limit and a $3 million self-insured retention, renewable in August of each year. This policy is provided to supplement the City's current self-insurance risk for settlements in excess of the self-insured retention.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a $1 million retention for each occurrence as well as an additional $250,000 for any one policy year. This policy renews January 1st of each year. The City carries property coverage with a maximum single occurrence limit of $500,000,000 with sub-limits, and $150,000 deductible per occurrence, with exceptions. This policy renews July 1st of each year.

Investments

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

As of October 1, 2019, the City's cash and investments on a fair value basis, totaled approximately $1.044 million, not including City pension funds. The portfolio was distributed in various types of investment instruments in the following percentages:

TABLE 8: CITY INVESTMENTS[(1)]
(As of October 1, 2019)

Bank Interest-Bearing Accounts	0.94%
Local Government Investment Pool	6.15
U.S. Treasuries	40.17
Municipal Securities	2.17
Supranational	1.92
US Corporate	5.75
Federal Home Loan Mortgage Assn (Freddie Mac)	8.04
Federal Farm Credit Bank (Farm Credit)	6.96
Federal Home Loan Bank (Home Loan)	19.17
Federal National Mortgage Assn (Fannie Mae)	8.74
Total	100.00%

(1) Unaudited.
Source: City of Tacoma

Local Government Investment Pool. The LGIP is a voluntary investment vehicle administered by the State Treasurer's Office. Since it was created in 1986, over 530 local governments (including counties, cities, towns, special taxing districts, community colleges and universities, State agencies and other public entities in the State) have participated in the LGIP. During fiscal year ending June 30, 2019, the average balance in the LGIP portfolio was $15.4 billion maintained by 637 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 principles are, in order of priority, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) providing a competitive interest rate relative to other comparable investment alternatives. 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. To provide for safety and liquidity of funds, the LGIP policy is to invest in only those high quality, short-term instruments authorized by statute. Investments are restricted to fixed rate securities that mature in 397 days or less, except for securities utilized in repurchase agreements and U.S. government floating or variable rate notes which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a fair value that approximates their amortized cost. The portfolio's weighted average maturity will not exceed 60 days, and a weighted average life will not exceed 120 days. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositaries, and obligations of the State or its political subdivisions. Certain authorized investments have credit rating requirements at the time of purchase. The City may withdraw funds in their entirety on less than 24-hours' notice.

Labor Relations

As of September, 2019, the City employed 3,739 people, including 2,305 general government and 1,434 Tacoma Public Utilities employees. As of such date, approximately 73 percent of those employees who are eligible under State law to be represented by a labor organization were members of one of the labor unions representing City employees. Table 9 shows the current union contracts and their respective expiration dates. The City considers its relationship with the bargaining units to be good.

TABLE 9: LABOR RELATIONS DETAIL

Bargaining Unit	Number of Employees	Contract Expiration Date
BLET	20	6/31/2017(1)
District 160 General	84	12/31/2019
District 160 Mechanics	15	12/31/2020(1)
District 160 Track Workers	7	12/31/2020(1)
District 160 WWTP Supyr	2	12/31/2019
District 160 Yardclerks	5	12/31/2019(1)
Local 117 Library	16	12/31/2021
Local 117 Teamsters – General	216	12/31/2018
Local 117 Teamsters – TVE	25	12/31/2020
Local 120 General	152	12/31/2019
Local 120 Library	105	12/31/2019
Local 17 PTE	245	12/31/2018
Local 26 Police Cpts &Lts	18	12/31/2019
Local 31 Fire Dept	369	12/31/2020
Local 313 Teamsters	131	12/31/2021
Local 483 Clerical	157	12/31/2019
Local 483 Click!	29	12/31/2019
Local 483 Court Clerks	25	12/31/2021
Local 483 Custodians	26	12/31/2019
Local 483 Customer & Field Services	166	12/31/2018
Local 483 Human Resources	20	12/31/2020
Local 483 Power	305	3/31/2021
Local 483 Supervisors	13	12/31/2020
Local483 Water	118	12/31/2021
Local 483 Water Pollution	47	12/31/2019
Local 6 Police	322	12/31/2019
PPSMA Asst & Deputies	9	12/31/2020
SMART-TD Conductors	46	6/31/2017(1)
SMART-TD Yardmasters	6	12/31/2018(1)

(1) Unexpired or evergreen contracts without expiration dates.

Source: The City of Tacoma.

GENERAL AND ECONOMIC 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 2019 population of 211,400. The City is located 32 miles south of Seattle and 28 miles northeast of Olympia, the State capital.

TABLE 10: POPULATION
CITY AND PIERCE COUNTY

Year	Tacoma	Pierce County
2015	202,300	830,120
2016	206,100	844,490
2017	208,100	859,400
2018	209,100	872,220
2019	211,400	888,300

Source: Washington State Office of Financial Management estimates.

The following are economic indicators for the City and Pierce County.

TABLE 11: TACOMA-PIERCE COUNTY
2018 MAJOR EMPLOYERS

Employer	Sector	Number of Full Time Employees
Joint Base Lewis-McChord	Military	53,000
Multicare Health System	Health Care	7,705
State of Washington	Government	7,621
Chi Franciscan Health	Health Care	6,786
City and TPU	Government	3,591
Tacoma Public Schools	Education	3,333
Pierce County Government	Government	3,089
Puyallup School District	Education	2,190
Emerald Queen Casino	Gaming	2,165
Bethel School District	Education	2,028

Source: Economic Development Board of Tacoma-Pierce County.

TABLE 12: CITY RESIDENTIAL AND
COMMERCIAL BUILDING PERMIT VALUES

	Residential		Commercial	
Year	Total Permits	Total Value	Total Units	Total Value
2014	1,418	$90,668,713	1,231	$295,192,283
2015	1,525	83,409,875	1,447	261,495,508
2016	1,289	65,195,877	1,307	356,078,555
2017	1,444	84,776,177	1,283	657,021,518
2018	1,415	76,281,408	1,465	595,199,594

Source: City of Tacoma

TABLE 13: PIERCE COUNTY NEW RESIDENTIAL BUILDING PERMIT VALUES

	Single-Family		Multi-Family	
Year	**Total Permits**	**Total Value**	**Total Units**	**Total Value**
2014	2,371	$663,531,092	1,406	$163,645,690
2015	2,265	659,214,682	652	75,127,456
2016	2,469	749,179,490	1,396	158,455,279
2017	3,014	900,976,729	1,954	258,194,496
2018	1,127	335,086,262	962	124,590,691

Source: U.S. Census Bureau.

TABLE 14: PIERCE COUNTY AND CITY OF TACOMA TAXABLE RETAIL SALES ($000)

Year	Pierce County	City of Tacoma
2014	$ 12,736,324,142	$ 4,317,891,441
2015	10,201,076,723	3,415,608,845
2016	14,878,550,727	5,015,371,719
2017	16,081,078,014	5,465,163,728
2018	17,592,771,533	5,821,935,082
2019[(1)]	875,948,644	1,363,239,930

(1) Through the 1st quarter of 2019.

Source: Washington State Department of Revenue.

TABLE 15: PIERCE COUNTY AND WASHINGTON STATE MEDIAN HOUSEHOLD INCOME

Year	Pierce County	Washington State
2014	$ 59,998	$ 60,153
2015	59,566	63,439
2016	61,042	65,500
2017[(2)]	65,517	69,287
2018[(1)]	70,320	73,294

(1) Projected.

(2) Preliminary estimates.

Source: Washington State Office of Financial Management for County and State data.

TABLE 16: PIERCE COUNTY AND STATE OF WASHINGTON
TOTAL PERSONAL AND PER CAPITA INCOME

	Pierce County		State of Washington	
Year	Total Personal Income (in thousands)[1]	Per Capita Income[1]	Total Personal Income (in thousands)[2]	Per Capita Income[2]
2014	$ 36,541,591	$ 44,089	$ 362,951,551	$ 51,505
2015	38,490,654	45,742	384,651,032	53,776
2016	40,504,727	47,112	404,232,131	55,519
2017	43,148,793	49,214	428,765,189	57,896

(1) Estimates for 2014-2018 reflect county population estimates available as of October 2019.
(2) Estimates for 2014-2018 use state population estimates as of October 2019.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Employment within the County is described in the following table:

TABLE 17: TACOMA METROPOLITAN AREA (PIERCE COUNTY)
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT AND AVERAGE CIVILIAN NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

NAICS Industry Title	**Annual Average**				
Residential Labor Force	**2019[(1)]**	**2018**	**2017**	**2016**	**2015**
Civilian Labor Force	437,666	424,137	415,291	404,636	392,345
Total Employment	413,467	402,190	393,087	380,551	366,996
Total Unemployment	24,199	21,947	22,204	24,085	25,349
Unemployment Percent of Labor Force	5.5%	5.2%	5.3%	6.0%	6.5%
Total Nonfarm	328,144	321,925	312,617	306,525	296,408
Total Private	268,511	262,900	253,992	248,250	238,967
Goods Producing	43,689	42,142	40,258	38,942	37,400
Mining and Logging	300	300	300	250	300
Construction	25,700	24,492	23,075	21,550	19,908
Specialty Trade Contractors	16,944	16,050	14,717	13,633	12,717
Manufacturing	17,689	17,350	16,883	17,142	17,192
Services Providing	284,456	279,783	272,358	267,583	259,008
Trade, Transportation and Utilities	67,456	68,100	67,558	65,908	62,542
Wholesale Trade	13,656	13,150	12,617	12,475	12,917
Retail Trade	35,922	36,125	41,200	39,608	36,192
Food and Beverage Stores	6,044	5,958	5,800	5,783	5,958
General Merchandise Stores	8,689	8,808	8,642	8,875	8,750
Transportation and Utilities	17,878	18,825	13,742	13,825	13,433
Information	2,544	2,525	2,608	2,683	2,800
Financial Activities	14,600	14,642	14,658	13,850	13,808
Professional and Business Services	35,644	33,517	30,500	29,567	27,650
Admin, Support, Waste Mgmt & Remed.	21,644	21,867	19,833	18,725	17,392
Administrative and Support Services	19,933	20,200	18,250	17,283	15,925
Education and Health Services	56,778	54,642	52,700	52,742	50,992
Ambulatory Health Care Services	18,067	17,108	16,258	15,875	15,192
Hospitals	12,911	12,300	11,892	11,875	11,300
Leisure and Hospitality	33,367	32,967	31,558	30,700	30,183
Food Services and Drinking Places	27,033	26,800	25,592	24,875	24,433
Other Services	14,433	14,367	14,150	13,858	13,592
Government	59,633	59,025	58,625	58,275	57,442
Federal Government	12,322	11,817	11,883	11,967	11,742
State Government	11,133	11,442	11,517	11,675	11,883
State Government Educational Services	3,544	3,717	3,883	3,817	3,800
Local Government	36,178	35,767	25,225	34,633	33,817
Local Government Educational Services	20,344	20,067	19,642	19,067	18,617

(1) Average through September 2019.
Source: Washington State Employment Security Department.

LITIGATION

No Litigation Concerning the Bonds

There is no litigation pending or threatened in any court (local, state, or federal) to restrain or enjoin the issuance or delivery of the Bonds, or questioning the creation, organization, existence, or title to office of the officers of the City, the validity or enforceability of the Bond Ordinance, the assessment roll for LID No. 8645, or the proceedings for the authorization, execution, sale, and delivery of the Bonds.

Other Litigation

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

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 C.

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

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

Under the Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner there 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). 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 tax advisors with respect to federal income tax consequences of owning such Bonds.

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

effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Owners to incur significant expense.

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

DESCRIPTION OF RATINGS

Moody Investor's Services has assigned a rating of "Aa3" to the Bonds. The rating was applied for by the City and certain information was supplied by the City to the rating agency to be considered in evaluating the Bonds. The rating reflects only the view of the rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward, suspended, or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension, or withdrawal of the rating would be likely to have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by D.A. Davidson & Co. (the "Underwriter") at a price of $3,972,669.37 (representing the par amount of the Bonds less an underwriter's discount of $38,102.33). The Underwriter 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 set forth on the inside cover page of this Official Statement, and such initial offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

The City has retained Piper Jaffray & 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.

APPROVAL OF COUNSEL

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. The form of the opinion of Bond Counsel with respect to the Bonds is attached as Appendix C. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds. Bond Counsel periodically serves as underwriter's counsel to the Underwriter. Pacifica Law Group LLP also is serving as Disclosure Counsel to the City.

Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Seattle, Washington, and any opinion of such counsel will be limited in scope, addressed solely to the Underwriter, and cannot be relied upon by investors.

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 with the report for the fiscal year ended December 31, 2019, 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 D for a form of the Continuing Disclosure Certificate.

Prior Compliance with Continuing Disclosure Undertakings

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 ("CLID") No. 65 Bonds for fiscal years ended December 31, 2014-2016; (ii) taxable sales information and solid waste tonnage percentage calculations for fiscal years ended December 31, 2014-2018, and (iii) related notices of failure to file. As of the date of this Official Statement, the foregoing financial and operating information has been filed and/or linked to the respective issues.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and are not a representation of fact. This Official Statement is not to be construed as an agreement or contract between the City and the purchasers or owners of any Bonds.

CITY OF TACOMA, WASHINGTON

/s/Andrew Cherullo
Andrew Cherullo
Finance Director

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APPENDIX A

MAP OF LID NO. 8645



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APPENDIX B

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The following information has been provided by the Depository Trust Company, New York, New York ("DTC"). The City makes no representation regarding the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bond certificate will be issued for each maturity of the Bonds in the principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book- entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both

U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com (which website is not incorporated by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Owners entered into the transaction. Transfers of ownership interests in the Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 the Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

When notices are given, they shall be sent by the Bond Registrar to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds 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 the City or the Bond Registrar, 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 (nor its nominee), the Bond Registrar, or the City, 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 any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC or any successor (the "Depository") may determine not to continue to act as securities depository for the Bonds, and the City may advise the Depository of its determination to discontinue book-entry of the Bonds through such Depository. If the City is unable to retain a qualified successor to the Depository or the City has determined that it is in the best interest of the City not to continue the book-entry system of transfer or that the interests of Beneficial Owners might be adversely affected if the book-entry system is continued, Bond certificates will be delivered to the Beneficial Owners or their nominees in registered form, in the denomination of $5,000 or any integral multiple of $5,000. In the event the book-entry system is discontinued, the persons to whom Bond certificates are delivered and in whose names the Bonds are registered will be treated as "bondowners" for all purposes of the Bond Ordinance.

With respect to Bonds registered on the Bond Register in the name of Cede & Co., as nominee of DTC, the City and the Bond Registrar shall have no responsibility or obligation to any Participant or to any person on behalf of whom a Participant holds an interest in the Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption; (iii) the payment to any Participant or any other person, other than a bondowner as shown on the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given action taken by DTC as registered owner; or (vi) any other matter. The City and the Bond Registrar may treat and consider Cede & Co., in whose name each Bond is registered on the Bond Register, as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall include the person for whom the Participant acquires an interest in the Bonds.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

December 19, 2019

City of Tacoma
Tacoma, Washington

D.A. Davidson & Co.
Seattle

Re: City of Tacoma, Washington
Local Improvement District No. 8645 Bonds - $4,010,771.70

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of the proceedings taken in the matter of the issuance by the City of its Local Improvement District No. 8645 Bonds (the "Bonds") pursuant to Ordinance No. 28638 of the City passed on December 3, 2019 (the "Bond Ordinance"). The Bonds are to be issued to finance the costs of carrying out improvements in LID No. 8645, including without limitation, repayment of the portion of outstanding principal of the City's Local Improvement District Bond Anticipation Note (Revolving Line of Credit) dated as of July 1, 2016 (the "Note") used to provide interim financing for such improvements and accrued interest thereon.

Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. The Bonds are subject to redemption prior to their stated maturities as provided in the Official Statement prepared in connection with the issuance of the Bonds.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

1. The Bonds have been legally issued and constitute valid and binding obligations of the Local Improvement Fund, District No. 8645 (the "Bond Fund") and the Local Improvement Guaranty Fund of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The Bond Ordinance is a legal, valid and binding obligation of the City, has been duly authorized, executed and delivered and are enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. Both principal of and interest on the Bonds are payable out of assessments collected in LID No. 8645, together with interest and penalties, if any, pledged to the payment of the Bonds. The Bonds are payable solely out of the Bond Fund and the Local Improvement Guaranty Fund of the City in the manner provided by law.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the City must comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements with respect to the Bonds 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 D

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 Local Improvement District No. 8645 Bonds (the "Bonds") pursuant to Ordinance No. 28638 of the City Council, passed on December 3, 2019 (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 dated December 10, 2019.

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 2020 for the fiscal year ended December 31, 2019):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);

(2) The outstanding balance of obligations secured by the Guaranty Fund; and

(3) Balance of money and investments (based upon Fair Market Value) in the Guaranty Fund.

Items (2)-(3) shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the last day of the ninth month after the end of the City's fiscal year. The City's fiscal year currently ends on December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross refer to other documents available to the public

on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

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

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

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

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

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

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

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

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

Section 8. Responsible Officer; Dissemination Agent. The Finance Director (or his or her designee) is designated to carry out this undertaking in accordance with Rule 15c2-12. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

DATED this 19th day of December, 2019.

CITY OF TACOMA, WASHINGTON

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APPENDIX E

2018 AUDITED FINANCIAL STATEMENTS

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Office of the Washington State Auditor

Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Tacoma

For the period January 1, 2018 through December 31, 2018

Published September 30, 2019

Report No. 1024781

Office of the Washington State Auditor
Pat McCarthy

September 30, 2019

Mayor and City Council
City of Tacoma
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Tacoma
January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Federal Programs

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

CFDA No.	Program or Cluster Title
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $829,655.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2018-001 and 2018-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma
January 1, 2018 through December 31, 2018

2018-001 The City did not have adequate internal controls to ensure compliance with federal reporting and subrecipient monitoring requirements.

CFDA Number and Title:	14.218 Community Development Block Grant/Entitlement Grants
Federal Grantor Name:	Department of Housing and Urban Development
Federal Award/Contract Number:	B-14-MC-53-007 B-15-MC-53-007 B-16-MC-53-007 B-17-MC-53-007 B-18-MC053-007
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	$0

Background

The primary objective of the Community Development Block Grant (Program) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, mainly for people with low to moderate income. The City spent $2,059,134 in grant funds during fiscal year 2018, of which it passed $1,421,251 through to subrecipients.

Federal regulations require grant recipients to establish and maintain internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring program compliance.

Description of Conditions

Reporting

Program regulations require each recipient that administers covered public and Tribal housing assistance, regardless of amount spent, and each recipient that administered covered housing and community development assistance exceeding $200,000 in a program year, must submit the HUD 60002 performance report, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons.* This performance report is due at the same time as the Consolidated Annual Performance and Evaluation Report (CAPER), which for the City is September 30.

The City did not have controls in place or a process to ensure it prepared and submitted the HUD 60002 report when it was due to the granting agency, as required.

We consider this internal control deficiency to be a material weakness.

The issue was reported as a finding in the prior audit as finding 2017-003.

Subrecipient monitoring

Federal regulations require the City to do the following for every subaward it issues:

- Clearly identify to the subrecipient 1) the award as a subaward by providing the information described in criteria noted below; 2) all requirements imposed by the City on the subrecipient so the award is used in accordance with federal statues, regulations, and the terms and conditions of the award; and 3) any additional requirements that the City imposes on the subrecipient for the City to meet its own responsibility for the award
- Evaluate the subrecipient's risk of noncompliance to determine the appropriate subrecipient monitoring related to the subaward
- Monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, complies with its terms and conditions, and achieves performance goals. In addition to the monitoring identified as necessary by the risk evaluation, this includes: 1) reviewing required reports; 2) following up and ensuring the subrecipient takes timely action on all deficiencies detected through audits, onsite reviews, or other means; and 3) issuing a management decision for audit findings pertaining to the award the City provided to the subrecipient.

The City could not demonstrate controls were in place during the audit period.

We consider this internal control deficiency to be a material weakness.

This condition was reported as a finding in the prior audit as finding 2017-003.

Cause of Conditions

The City experienced turnover in key personnel responsible for grant management. Department management did not assign the necessary responsibilities to new staff members or monitor to ensure the City complied with the Program's requirements.

Effect of Conditions

Reporting

The City did not comply with the Program requirement to submit its annual HUD 60002 performance report to the granting agency by September 30, 2018.

Subrecipient monitoring

The City did not comply with the Program requirements for subrecipient monitoring as follows:

The City did not include all of the required information in its subrecipient contracts. Without this information, there is an increased risk that the subrecipient would not be aware of and not comply with Program requirements or may spend funds for unallowed purposes. The required elements missing from the contract were:

- The subrecipient's unique entity identifier
- Federal award identification number
- Federal award date
- CFDA number and name
- Identification of whether the award was for research and development (R&D)

For four contracts, totaling 534,935, that required annual monitoring, the City could not provide supporting documentation that it performed risk assessments, as required.

The City performed monitoring activities but had insufficient documentation to determine if this occurred and was reviewed during the audit period.

Further, the City could not provide documentation showing it performed the following subrecipient monitoring activities:

- Verify if the subrecipient received a single audit (if required)
- Ensure corrective actions were taken on any deficiencies identified;
- Issue a management decision within six months of audit report issuance

Recommendations

Reporting

We recommend the City assign the responsibilities of ensuring reporting requirements are met, as required by the Program.

Subrecipient monitoring

We recommend the City ensure that subrecipient monitoring requirements are completed and supporting documentation maintained to demonstrating subrecipient monitoring took place, as required by the Program.

City's Response

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

Reporting

As a recipient of CDBG grant funds, the City must file annually to the federal granting agency the HUD 60002, Section 3 Summary Report. To ensure compliance with this requirement, the City has assigned a staff member to complete and submit this report by the appropriate deadline. While the Program Year 2017 report was not submitted on time, the assigned staff member did submit in May 2019. Unfortunately, this was not done during the January 1, 2018 to December 31, 2018 audit period. The assigned staff member will provide confirmation to management that they have submitted the report.

Subrecipient Monitoring

Federal regulations require the City to include specific information within its contracts with subrecipients and to monitor activities, as well as, following up on

any deficiencies identified through audits and reviews. To ensure the contracts include all required information, the City will review the agreements to ensure all required items are included in applicable contract templates. In addition, the City will request copies of audit reports and reviews to ensure sub-recipient takes appropriate action to address any deficiencies.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Title 2 CFR Part 200, Uniform Guidance, section 302, Financial management, establishes requirements for financial management systems and reporting accurate, current and complete financial results of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 327, Financial reporting, establishes requirements for reporting financial information related to Federal awards.

Title 24 CFR Part 135, Economic Opportunities for Low- and Very Low-Income Persons, sections 135.3, Applicability, and 135.90, Reporting, provide the requirements for the applicability of and submitting HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System.

Title 2 CFR Part 200, Uniform Guidance, Section 331, Requirements for pass-through entities, establishes sub-recipient monitoring and management requirements for pass-through entities.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma
January 1, 2018 through December 31, 2018

2018-002 The City did not have adequate internal controls to ensure compliance with federal matching and reporting requirements

CFDA Number and Title:	14.239 Home Investment Partnerships Program (HOME Program)
Federal Grantor Name:	Department of Housing and Urban Development
Federal Award/Contract Number:	M-14-DC-53-0206 M-15-DC-53-0206 M-16-DC-53-0206 M-17-DC-53-0206 M-18-DC-53-0206
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	$0

Background

The City of Tacoma administers the Home Investment Partnership Program (HOME). The City spent $843,984 in grant funds during fiscal year 2018. One of the main objectives of HOME is to expand the supply of decent and affordable housing, particularly for low- and very-low-income households. The Program supports construction, acquisition or rehabilitation of affordable housing units, and creates rental and home-ownership opportunities.

Federal regulations require grant recipients to establish and maintain internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring for program compliance.

Description of Conditions

Reporting

Program regulations require each recipient that administers covered public and Tribal housing assistance, regardless of amount spent, and each recipient that administered covered housing and community development assistance exceeding $200,000 in a program year, to submit the HUD 60002 performance report, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*. This performance report is due at the same time as the Consolidated Annual Performance and Evaluation Report (CAPER), which for the City is September 30.

The City did not have controls in place or a process to ensure it prepared and submitted the HUD 60002 report when it was due to the granting agency, as required.

We consider this internal control deficiency to be a material weakness.

The issue was reported as a finding in the prior audit as finding 2017-002.

Matching

Under federal regulations, the City must provide eligible matching contributions of 25 percent of HOME funds spent during the fiscal year. The match must be provided by the end of the fiscal year. To demonstrate compliance with matching requirements, the City must keep documentation, including individual project records and a running log of match obligations, and match credits as they are generated.

The City did not have controls in place to ensure it identified, calculated or reported its matching contributions, as required.

We consider this internal control deficiency to be a material weakness.

The issue was reported as a finding in the prior audit as finding 2017-002

Cause of Conditions

The City experienced turnover in key personnel responsible for grant management. Department management did not assign the necessary responsibilities to new staff members or monitor to ensure the City complied with HOME requirements.

Effect of Conditions and Questioned Costs

Reporting

The City did not comply with the requirement to submit its annual HUD 60002 performance report to the granting agency by September 30, 2018.

Matching

The City was reimbursed funds without knowing if it would meet the 25 percent matching funds requirement by the end of the year. The City used a report from the federal Integrated Disbursement and Information System (IDIS) website to show it complied with the matching funds requirement; therefore, we are not questioning the costs.

Recommendation

We recommend the City establish and follow internal controls to ensure it submits required reports to the grantor and accurately tracks and reports eligible matching contributions, as required by HOME.

City's Response

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

Reporting

As a recipient of HOME grant funds, the City must file annually to the federal granting agency the HUD 60002, Section 3 Summary Report. To ensure compliance with this requirement, the City has assigned a staff member to complete and submit this report by the appropriate deadline. While the Program Year 2017 report was not submitted on time, the assigned staff member did submit in May 2019. Unfortunately, this was not done during the January 1, 2018 to December 31, 2018 audit period. The assigned staff member will provide confirmation to management that they have submitted the report.

Matching

As a recipient of HOME grant funds, the City must have a process in place to identify, calculate, monitor and report eligible matching contributions of 25% of

HOME funds spent each year. Procedures were developed to ensure matching dollars are appropriately tracked. Unfortunately, those were not in place during the completion of the Program Year 2017 Consolidated Annual Performance and Evaluation report submitted in September 2018. However, because HOME funds are primarily utilized for large affordable housing developments that have a range of funding sources that far exceed a match requirement, City staff believes this requirement was met. To ensure compliance with this requirement, the City will implement procedures to appropriately track matching funds. This will include working with grantees, when applicable, to ensure they submit confirmation of matching funds utilized in a funded project.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

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

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

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

Title 2 CFR) Part 200, Uniform Guidance, section 302, Financial management, establishes requirements for financial management systems and reporting accurate, current and complete financial results of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 327, Financial reporting, establishes requirements for reporting financial information related to Federal awards.

Title 24 CFR Part 92, HOME Investment Partnerships Program, sections 92.218-.222, Matching Contribution Requirement and 92.508, Recordkeeping, describe the program-specific requirements for matching and the records that must

be maintained, including individual project records and a running log to demonstrate compliance with matching requirements.

Title 24 CFR Part 135, Economic Opportunities for Low- and Very Low-Income Persons, sections 135.3, Applicability, and 135.90, Reporting, provide the requirements for the applicability of and submitting HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System.

City of Tacoma
Finance Department

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Tacoma
January 1, 2018 through December 31, 2018

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

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**
January 1, 2017 through December 31, 2017	22949	2017-001

Finding Caption:

The City needs to strengthen its internal controls to ensure accurate reporting of its Police and Firefighter's Relief and Pension Funds.

Background:

Management is responsible for designing, implementing and maintaining internal controls to fairly present financial statements and provide reasonable assurance regarding reliability of financial reporting. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit identified a significant deficiency in internal controls over accounting and financial reporting that hampered the City's ability to produce reliable financial statements.

Governmental Accounting Standards Board (GASB) Statement 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

City of Tacoma holds their responsibility for enabling internal controls to ensure accurate financial reporting at the highest regard. The implementation of GASB Statement No. 73 spanned two years. With transition in key staff responsible for CAFR preparation coupled with the verbiage contained in the 2016 CAFR, it appeared the entire statement had been

implemented with no mention of additional requirements outstanding. The City appropriately implemented three additional standards with the preparation of the 2017 CAFR.

The City has taken several steps to improve internal controls over financial reporting. Recognizing the need to involve additional members of management and staff in the implementation of GASB standards each year, the City has begun to hold regular GASB Implementation meetings of the GASB Implementation Committee. This ensures that valuable information regarding the implementation of accounting standards will carry forward from year-to-year should there be a transition amongst key staff. To achieve this, the City has and will continue to:

1. *Provide external training opportunities on new and upcoming GASB's to all accounting managers, as well as other key staff. This year's training included (not a comprehensive listing):*
   a. *Webinars on upcoming GASB's*
2. *Washington Finance Officers Association Conference Engage all accounting managers and other key City staff in the implementation of new GASB standards. For the fiscal year ended December 31, 2018, the City implemented GASB No. 75, No. 85 and No. 86. In addition, the City reviewed and implemented GASB No. 89 effective of January 1, 2019. The process included:*
   a. *Holding regular meetings to discuss implementation,*
   b. *Reviewing and assigning individual tasks included on the checklist for implementation of new accounting standards,*
   c. *Creating and documenting a plan for implementation, and*
   d. *Updating the year-end checklist to reflect important milestones to the GASB implementations.*
3. *Internal training was provided to staff impacted by the change in accounting standard on a one-on-one or small group basis.*

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**	**CFDA Number(s):**
January 1, 2017 through December 31, 2017	22949	2017-002	14.239
Federal Program Name and Granting Agency: HOME Investment Partnership Program Department of Housing and Urban Development		**Pass-Through Agency Name:** N/A	

Finding Caption:

The City did not have adequate internal controls to ensure compliance with federal requirements regarding matching and reporting.

Background:

The City of Tacoma administers the HOME Investment Partnership Program (Program) spent $1,321,601 in grant funds during fiscal year 2017. One of the main objectives of HOME is to expand the supply of decent and affordable housing, particularly for low- and very-low-income households. The Program supports construction, acquisition or rehabilitation of affordable housing units and creates rental and home-ownership opportunities.

Federal regulations require recipients of federal grant funding to establish and follow internal controls to ensure program funds are spent in accordance with the program's requirements. These controls include knowledge of grant requirements and monitoring of program compliance.

Status of Corrective Action: (check one)

☐ Fully Corrected	☐ Partially Corrected	☒ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. The City has taken steps to improve internal controls and develop procedures such as:

1. The City has assigned staff the responsibility to submit the required reports, as well, as provide confirmation that it's been submitted.
2. The City created procedures to appropriately track matching funds and they will continue to train staff on the procedures to ensure compliance.

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**	**CFDA Number(s):**
January 1, 2017 through December 31, 2017	22949	2017-003	14.218

Federal Program Name and Granting Agency:	**Pass-Through Agency Name:**
Community Development Block Grant/Entitlement Grants Department of Housing and Urban Development	N/A

Finding Caption:

The City did not have adequate internal controls to ensure compliance with federal subrecipient monitoring, earmarking and reporting requirements.

Background:

The primary objective of the Community Development Block Grant (Program) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income. The City spent $1,572,266 in grant funds during fiscal year 2017.

Federal regulations require recipients of federal grant funding to establish and follow internal controls to ensure program funds are spent in accordance with the program's requirements. These controls include knowledge of grant requirements and monitoring of Program compliance.

Status of Corrective Action: (check one)

☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place to ensure that it complies with all requirements governing the administration of federal grant programs.

The City has taken steps to improve internal controls and develop procedures such as:

1. *The City has worked with the attorney to update contract templates.*
2. *It's developed procedures to verify and document the review of the earmarking requirement*
3. *The City has assigned staff the responsibility to submit the required reports, as well, as provide confirmation that it's been submitted.*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Tacoma
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Tacoma
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tacoma, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 17, 2019. As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

July 17, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

City of Tacoma
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Tacoma, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority, which expended $4,125,430 in federal awards and which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2018. Our audit, described below, did not include the operations of the Tacoma Community Redevelopment Authority because it has arranged for a separate audit of its federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the

United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2018-001 and 2018-002 to be material weaknesses.

City's Response to Findings

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

Purpose of this Report

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



Pat McCarthy

State Auditor

Olympia, WA

September 26, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Tacoma
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tacoma, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 31.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Power, Sewer, Water and Solid Waste funds, which are presented as major funds and in aggregate represent 91 percent, 90 percent, and 89 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Tacoma Rail fund, which represents one percent, one percent, and four percent, respectively, of the assets, net position and revenues of the business-type activities and two percent, one percent, and eight percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion,

insofar as it relates to the amounts included for the Power, Sewer, Water, Solid Waste and Tacoma Rail funds, is based solely on the reports of other auditors.

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

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 City'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 City'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 opinions.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tacoma, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

July 17, 2019

FINANCIAL SECTION

City of Tacoma
January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

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Statement of Activities – 2018
Balance Sheet – Governmental Funds– 2018
Reconciliation of Balance Sheet of Governmental Funds to the Government-Wide Statement of Net Position – 2018
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

As management of the City of Tacoma, we offer readers of the City of Tacoma's financial statements this narrative overview and analysis of the financial activities of the City of Tacoma for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page 1-1 to 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows of resources by $2.9 billion. Of this amount, $199 million is reported as unrestricted net position, representing amounts which are available to meet the City's on-going obligations to citizens and creditors.
- The City's overall net position increased by $61.9 million in 2018.
- Tacoma Power's net position for 2018 was $863 million which was an increase of $33 million from 2017.
- Tacoma Water's net position for 2018 was $582 million which was an increase of $25 million from 2017.
- Tacoma Sewer's net position for 2018 was $459 million which was an increase of $23 million from 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Tacoma's basic financial statements. The City of Tacoma's basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Tacoma's finances, and are similar to private sector financial statements. The statements also include the discretely presented component units: Tacoma Community Redevelopment Authority (TCRA), the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD), and the Foss Waterway Development Authority (FWDA.)

The Statement of Net Position includes information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources of the City of Tacoma's general government as well as its business-type activities. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Tacoma is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-24 to 3-91 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain **Required Supplementary Information** (RSI) concerning the City of Tacoma's budget. Required supplementary information can be found on pages 4-1 to 4-8 of this report. The **Combining Statements** referred to earlier in connection with Non-Major governmental funds, internal service funds, and fiduciary funds can be found on pages 5-1 to 5-99 of this report. The **Statistical Section** provides financial trends, revenue and debt capacity, and demographic and economic information about the City's operations. The Statistical Section can be found on pages 6-1 to 6-35.

Government-wide Financial Analysis

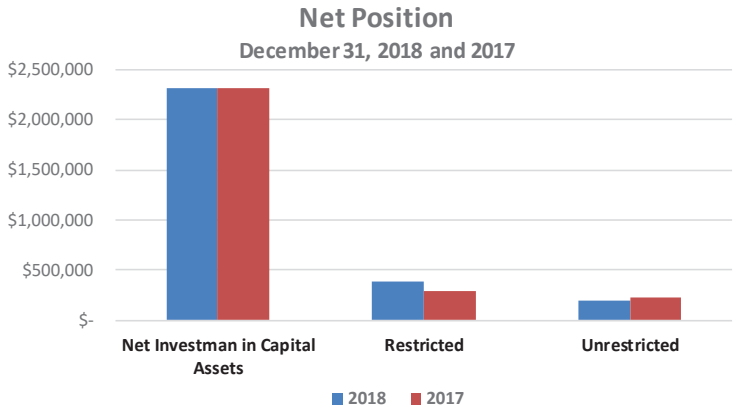
Statement of Net Position

The following table is a condensed Statement of Net Position for the City of Tacoma for December 31, 2018, which compares the current year to the prior year.

STATEMENT OF NET POSITION
(in thousands $)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/18	As of 12/31/17	As of 12/31/18	As of 12/31/17	As of 12/31/18	As of 12/31/17
Current and other assets	$ 431,227	$ 401,122	$ 1,028,720	$ 856,424	$ 1,459,947	$ 1,257,546
Capital assets, net of accumulated depreciation	818,614	806,327	2,871,352	2,822,014	3,689,966	3,628,341
Total assets	1,249,841	1,207,449	3,900,072	3,678,438	5,149,913	4,885,887
Deferred Outflows of Resources	40,789	37,607	41,327	75,168	82,116	112,775
Long-term liabilities	462,040	391,050	1,467,277	1,441,943	1,929,317	1,832,993
Other liabilities	48,081	43,991	130,457	114,463	178,538	158,454
Total liabilities	510,121	435,041	1,597,734	1,556,406	2,107,855	1,991,447
Deferred Inflows of Resources	63,106	43,788	167,644	129,096	230,750	
Net position						
Net investment in capital assets	634,650	666,530	1,671,671	1,636,652	2,306,321	2,303,182
Restricted for:						
Capital Purchases	12,888	3,922	31,211	33,079	44,099	37,001
Debt Service	11,187	-	29,839	35,709	41,026	35,709
Utilities & System Development	-	12,063	64,770	52,727	64,770	64,790
Culture & Recreation	10,783	7,423	21,222	4,405	32,005	11,828
Self Insurance	-	-	2,696	1,150	2,696	1,150
Environmental Programs	-	-	2,367	2,467	2,367	2,467
Inspections	-	-	666	299	666	299
Pension	76,416	52,480	26,470	-	102,886	52,480
Reserves	-	-	32,186	-	32,186	-
Public Safety	2,942	6,606	-	-	2,942	6,606
Transportation	43,167	78,137	-	-	43,167	78,137
Grants	800	95	-	-	800	95
Housing & Economic Development	21,597	7,554	-	-	21,597	7,554
Unrestricted	(97,027)	(68,583)	295,681	301,616	198,654	233,033
Total net position	$ 717,403	766,227	$ 2,178,779	$ 2,068,104	$ 2,896,182	$ 2,834,331

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2.9 billion at December 31, 2018. The City's investment in capital assets less any outstanding debt used to acquire those assets, known as the Net Investment in Capital Assets is 79.6% of the total net position. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Unrestricted net position is 6.9% of the total net position, these are funds readily available for meeting the City's ongoing obligations such as road maintenance, employee salaries and other general government services. The remaining 13.5%



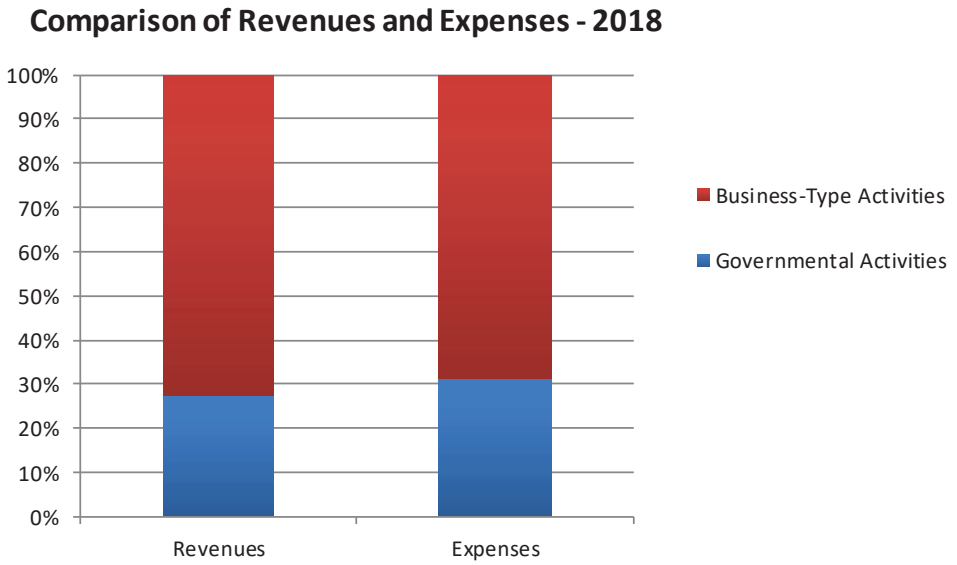
of net position is restricted for other purposes such as debt redemption and new capital construction. Governmental activities represent 25% of total net position and business-type activities represent 75% of total net position.

Changes in Net Position

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

CHANGES IN NET POSITION
(in thousands $)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	$ 46,788	$ 48,562	$ 823,360	$ 791,542	$ 870,148	$ 840,104
Operating grants and contributions	44,865	31,791	-	208	44,865	31,999
Capital grants and contributions	18,304	11,549	52,194	30,528	70,498	42,077
General revenues						
Property taxes	74,918	74,479	-	-	74,918	74,479
Sales taxes	76,153	71,634	1,387	1,702	77,540	73,336
Business	53,249	51,043	-	-	53,249	51,043
Excise taxes	15,665	12,881	-	-	15,665	12,881
Investment earnings	5,028	2,134	10,848	5,591	15,876	7,725
Miscellaneous revenue	1,233	293	3,250	4,650	4,483	4,943
Total revenues	336,203	304,366	891,039	834,221	1,227,242	1,138,587
Expenses:						
General government	39,791	24,436	-	-	39,791	24,436
Public safety	154,794	162,416	-	-	154,794	162,416
Transportation	78,066	69,741	-	-	78,066	69,741
Nature and Economic Environment	25,864	25,102	-	-	25,864	25,102
Social Service	7,425	4,908	-	-	7,425	4,908
Culture and recreation	15,380	11,187	-	-	15,380	11,187
Debt Service	-	8,837	-	-	-	8,837
Interest on long-term debt	6,680	-	-	-	6,680	-
Solid Waste	-	-	55,544	52,938	55,544	52,938
Waste Water	-	-	91,802	95,960	91,802	95,960
Water	-	-	96,565	97,540	96,565	97,540
Power	-	-	406,741	420,368	406,741	420,368
Nonmajor Business-Type Activities	-	-	70,862	73,148	70,862	73,148
Total expenses	328,000	306,627	721,514	739,954	1,049,514	1,046,581
Increase in net position before transfers	8,203	(2,261)	169,525	94,267	177,728	92,006
Transfers	49,459	51,452	(49,459)	(51,452)	-	-
Change in net position	57,662	49,191	120,066	42,815	177,728	92,006
Net Position, January 1, as Previously Reported	766,227	751,813	2,068,104	2,025,289	2,834,331	2,777,102
Prior Period Adjustment	(6,856)	1,169	442	-	(6,414)	1,169
Change in Accounting Principle	(99,630)	(35,946)	(9,833)	-	(109,463)	(35,946)
Net Position, January 1, as Restated	659,741	715,867	2,058,713	-	2,718,454	715,867
Net position, December 31	$ 717,403	$ 766,227	$ 2,178,779	$ 2,068,104	$ 2,896,182	$ 2,834,331



Governmental Activities net position decreased by $48.8 million which was a 6.3% decrease from 2017. This was primarily due to a change in accounting principle. Some key revenue and expenditure highlights of governmental activities for 2018 are as follows:

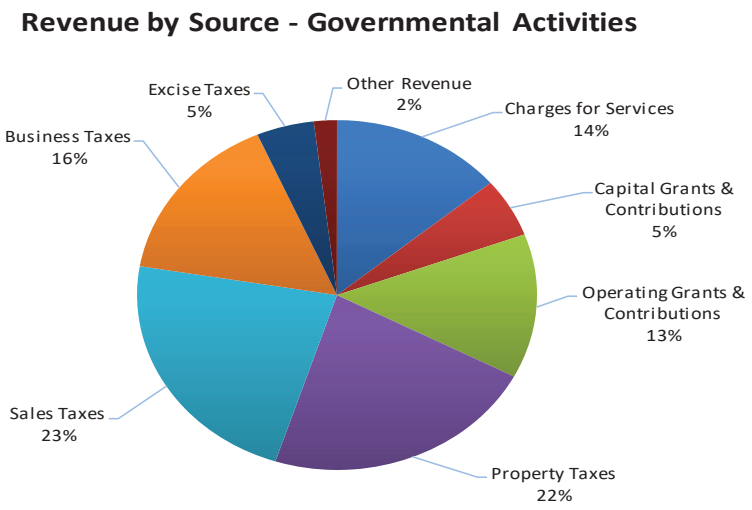
- Operating grants and contributions increased by $12.9 million, which was a 40% increase over 2017. The largest portion of this increase was due to $8.3 million the City received from Puget Sound Energy in lieu of taxes to cover the reopening of Fire Station 5 and transportation issues around the proposed liquid natural gas plant.
- Overall general tax revenues increased by $9.6 million which is a 4.6% increase over 2017. All of the tax categories showed an increase over 2017 which reflects directly on the continued growth of the economy.
    - Sales tax revenue increased by $4.2 million or 5.7%
    - Excise taxes revenues increased by $2.8 which or 22%.
    - Business tax revenues increased by $2.2 million or 4.3%
    - Property tax revenue increased $0.4 million or 0.6%.
- Governmental activities expenses increased by $21 million which was a 7% increase. The most significant sources of the increase in expenses can be attributed to general government activities increasing $15.4 million (63%), transportation increasing $8.3 million (12%), and interest on long term debt by $6.7 million. Public safety expenses decreased by $7.6 million which helped to offset the increases.

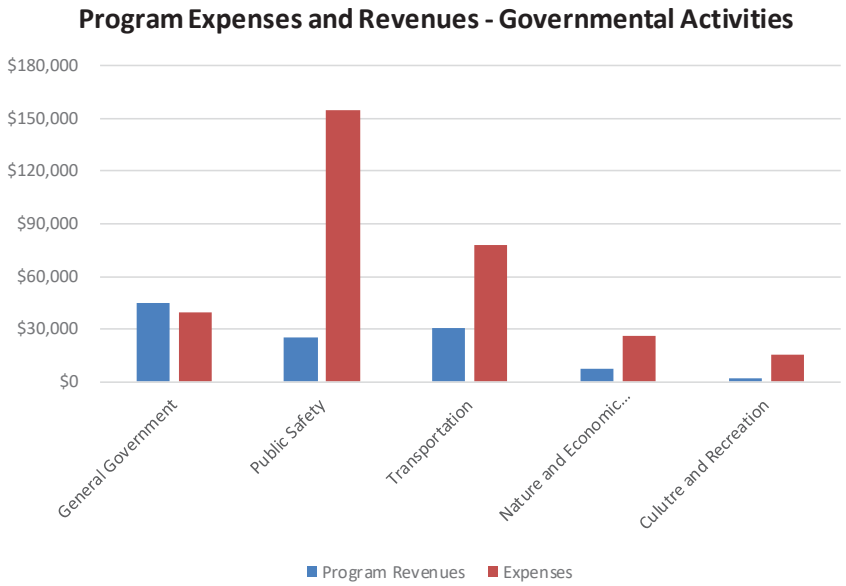
Business-Type Activities net position increased by $111 million which was a 5.4% increase with an ending net position of $2.18 billion. The major enterprise funds are the Solid Waste, Wastewater, Water and Power funds.

- Charges for Services saw an increase of $31.8 million or a 4% increase for 2018. This was the result of the various rate increases including Power with a 5.9% average rate increase, Water with an average 4% rate increase, Sewer with rate increase of 5%, and Solid Waste with an average rate increase of 3.7%.
- Grants and Contributions increased by $21.5 million, this was a 70% increase for 2018. One of the most significant reasons for this increase was large contributions in aid of construction related to the Curran Road acquisition, system development, and new meter installs.
- Investment Earnings saw a $5.3 million increase to $10.8 million in 2018, another sign of the improving economy as interest rates are still favorable.
- The business-type activities expenses overall were reduced by 2.5% in 2018 to $722 million. Power reduced their expenses by $13.6 million (3.2%), Water was down $1 million (1%), and Sewer was down $4.2 million

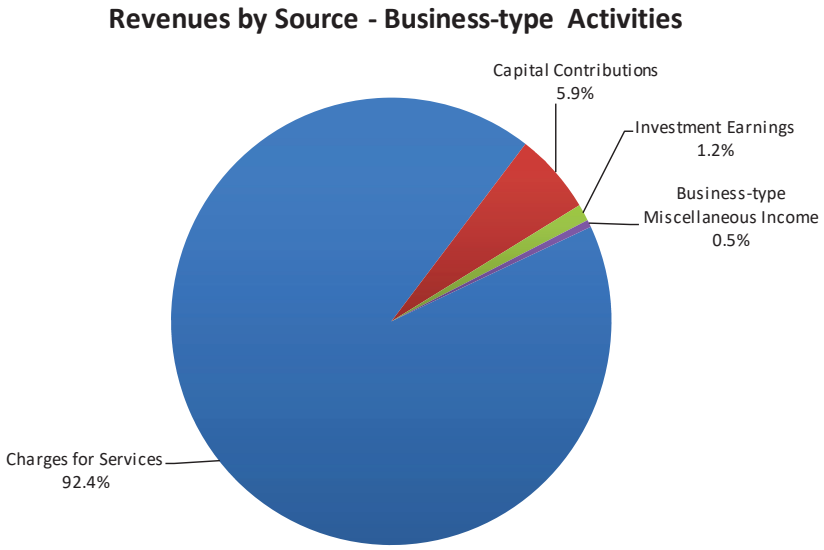
(4.3%). Solid waste was the only major utility fund with increased expenses in 2018 of $2.6 million (4.9%) from the increased recycling costs on the international market.

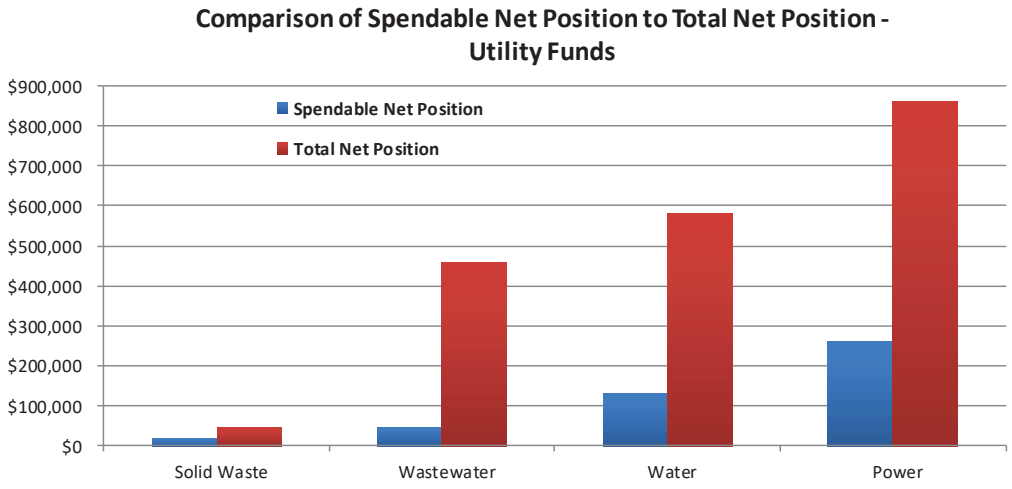
There are two charts depicted below for governmental activities. The first chart gives a summary of the governmental revenues sources by activity while the second shows the relationship of the revenues to expenses for the varying activities of the City.



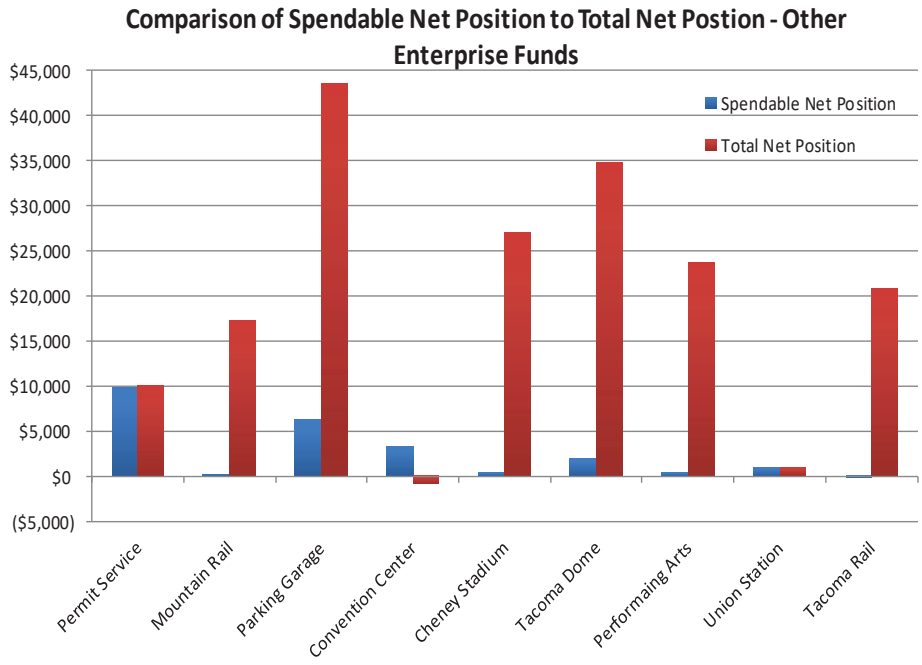


The following charts below cover the business-type activities. The first gives a summary of the business-type activities while the second shows the relationship of spendable net position to the total net position of the utility funds. A majority of the net position in each of these funds is related to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





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



Information on significant outstanding claims can be found in Note 8.

Financial Analysis of the City's Fund Statements

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

Governmental Fund Statements

Fund balance for the City's General Fund was $92.4 million this is an increase of $12.2 million and 15.2% over 2017. Overall general fund revenues saw an 8.8% increase in 2018, the largest contributor of this was the increase in tax revenue collections from property, sales, business, and excise taxes of $7.7 million. Fund balance for the Transportation Capital and Engineering fund is $3.2 million which decreased by $0.6 million (16%) in 2018. This was caused by an increase in transportation expenditures of $5.6 million but also saw an increase of overall revenues of $6.6 million mainly driven by increased intergovernmental revenues. Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, was $120.3 million. This decrease of $17.9 million is the result of an overall increase in expenditures, with transportation costs being the largest contributor at an increase of $12.8 million.

Fund Balances

At December 31, 2018, the City's governmental funds reported combined ending fund balances of $216 million. Of this amount, $5.3 million is nonspendable, either due to its form or legal constraints. $99.3 million is restricted for specific programs by external constraints. $8.3 million is committed for specific purposes as approved by City Council. $18.6 million is assigned to specific purposes by management and the remaining $84.4 million is unassigned.

Proprietary Fund Statements

Total net position for enterprise funds increased by $106 million in 2018. Power, Water, Solid Waste and Sewer utilities make up the majority of the proprietary funds and activity in these utilities was the primary driver for the change in the net position.

The Power funds net position for 2018 was $863 million this is a $33.3 million increase in net position (4% increase) from 2017. This can be attributed to the 5.9% rate increase that Power had which went into effect April 1st, 2018. Revenues from residential, commercial, general, and industrial increased by $13.4 million, while also seeing a consumption decrease of 137,000 MWh billed.

The Water fund had a net position of $582 million in 2018, this was a 4.5% increase of $25 million over 2017. With an increase in usage of $2.2 million and an average rate increase of 4% that went into effect on January 1, 2018, revenues increased by $7.3 million. Expenses decreased by $0.6 million from 2017 from the reporting of GASB 68 and the allocation requirements of labor expenses for the divisions of Water.

The Sewer fund's net position was $459 million in 2018 which increased by $23.5 million (5.4%) from 2017. The Sewer funds net investments in capital assets is the largest portion of the net position which totaled $411 million in 2018. Revenues increased by $5.8 million in 2018 to $116 million. This can be attributed to an approved average rate increases of 4.5% for Wastewater and 5.5% increase for Surface water that went in effect January 1st 2018. Operating expenses for Sewer were $4.8 million less than 2017.

The Solid Waste funds net position increased in 2018 by $9.1 million to $46.2 million, this was a 24.6% increase over 2017. An average rate increase of 3.7% went into effect at the beginning of the year, residential customer revenues increased by $324,000 and commercial customers increased by $573,000. Customer self-hauls had increased revenues of $567,000, but due to the disruption in the international recycling market, the salvage revenues were down by $265,000. Operating expenses increased in 2018 by $2.8 million to $53.8 million. Increases in labor costs and external contract services contributed to this increase. There was $5.6 million that was transferred to the general fund for gross earnings tax. Another $230,000 was contributed to the City's Asphalt plant project that will be able to create reclaimed asphalt pavement and reclaimed asphalt shingles.

General Fund Budgetary Highlights

The City of Tacoma budgets on a biennial basis; that is, the City Council adopts a budget that spans two years. Each budget begins on January 1 of an odd-numbered year and is concluded on December 31 of an even-numbered year. City departments, with the approval of the City Manager and City Council, will adjust their budgets at the conclusion of the odd-numbered year, if necessary, as the needs of the department and city residents shift.
Major General Fund variances for 2018 include:

- $20.6 million in revenues above projection. The increased revenues included better than expected business and sales tax collections (primarily Retail, Wholesaling, Manufacturing, and Service Taxes), utility taxes, and intergovernmental and miscellaneous revenues.
- $13.9 million in expenditure savings. The primary areas of under-spending include personnel costs and vacancies, as well as prudent financial management. There are some delays in contract savings that also contribute to this positive variance.

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets

The City of Tacoma's capital assets net of accumulated depreciation for its governmental and business-type activities as of December 31, 2018 is $3.69 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, and infrastructure. The vast majority of this amount represents assets held by the City's various utilities and infrastructure.

Schedule of Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 35,828	$ 36,380	$ 165,055	$ 164,293	$ 200,883	$ 200,673
Art	2,654	-	-	-		
Construction in progress	56,277	30,800	74,656	53,807	130,933	84,607
Property, plant and equipment	289,905	275,701	4,551,188	4,428,165	4,841,093	4,703,866
Infrastructure	1,423,474	1,410,490	-	-	1,423,474	1,410,490
Less Accumulated depreciation	(989,524)	(947,044)	(1,919,547)	(1,824,251)	(2,909,071)	(2,771,295)
	$ 818,614	$ 806,327	$ 2,871,352	$ 2,822,014	$ 3,687,312	$ 3,628,341

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

Outstanding Debt

The City's debt at December 31, 2018 was $1.93 billion, an increase of $71 million from governmental activities and an increase of $25 million from business-type activities caused the $96 million increase from 2017. Approximately 76% of the bonded debt is related to utilities with repayment pledged by specific revenue sources generated by the utilities. Of the remaining 24% bonded debt, debt is either secured by voter approved special levies or general government resources.

The sewer fund issued $101 million of revenue bonds to finance and refinance capital construction, improvements and equipping of sewer system and to pay the cost of the issuance of the 2018 bonds. The Power fund had a $100 million line-of-credit agreement with Wells Fargo that matured in May 2018, but an amendment was issued to extent the line-of-credit for 3 years out to May 2021. Additional information on the City of Tacoma's long-term debt can be found in Note 3-F and Note 11 of the Notes to the Financial Statements.

Schedule of Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonded debt and loans	$ 183,973	$ 196,081	$ 1,394,085	$ 1,317,775	$ 1,578,058	$ 1,513,856
Claims and judgments	33,763	33,784	-	-	33,763	33,784
Accrued landfill liability	-	-	17,960	18,080	17,960	18,080
Net OPEB Obligation	-	69,698	-	21,656	-	91,354
Total OPEB Liability	185,867	-	34,945	-	220,812	-
Net Pension Obligation	-	44,317	-	-	-	44,317
Total Pension Liability Police and Firefighters	38,296	-	-	-	38,296	-
Pension Liability	-	27,989	-	64,891	-	92,880
Compensated absences	20,145	19,181	20,289	19,541	40,434	38,722
	$ 462,044	$ 391,050	$ 1,467,279	$ 1,441,943	$ 1,929,323	$ 1,832,993

The City's debt rating for 2018 is as follows:

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

Economic Factors

Economic indicators in the City of Tacoma, Pierce County, and the broader Puget Sound region continue to be favorable. Retail sales have increased, which, in turn, has increased the City of Tacoma's sales tax revenues by $3.0 million, or 6.2% from 2017 to 2018. Taxable property has increased in value within the City of Tacoma by $3.4 billion dollars. Yet, the increase in property values is also an indicator of housing cost in Tacoma and the surrounding area. The increasing cost of housing persists as a regional problem as well as an issue of import for the City and its civic leaders.

Over the past year the economy has continued to grow, but not quite as fast as it has in the past few years. The current unemployment rate for the Tacoma-Lakewood Metropolitan Division is 5.2% which is down from 5.4% and 6.0% in 2017 and 2016 respectively. The 5.2% unemployment rate is actually better than the pre-recession low of 5.3% back in 2007.

The Tacoma Streets Initiative had completed its third year in 2018. The initiative was made up of two voter passed propositions back in November of 2015. Proposition A raised sales tax by 1/10 of 1% over ten years, while Proposition 3 authorized an additional 1.5% earning tax to natural gas, electric and phone companies, and increase in the regular property tax levy of $.20 per $1,000 of assessed value. The program has raised approximately $114 million, $29.7 million in 2018, of the end goal of $325 million over 10 years. Maintenance performed from the initiative has improved 815 blocks in 2018 through the use of either overlays, surface treatments, or other preventative maintenance to bring the total up to 1,659 blocks out of the estimated 5,822.

In November 2018, voters within the City passed a 0.1% increase in sales tax dedicated to a cultural access program called Tacoma Creates. The program will begin as revenues are received by the City in July 2019. Not only will this program fund artists and art organizations in the city, it is designed to help transport City residents to art shows and installations as well as build capacity of neighborhood organizations to put on art events. The City projects between $10-13 million per biennium will fund this program.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tacoma Finance Department, 747 Market Street Room 132, Tacoma, Washington 98402.

STATEMENT OF NET POSITION

December 31, 2018

(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 262,727	$ 422,891	$ 685,618
Investments	5,180	-	5,180
Accounts Receivables (Net)	53,003	104,942	157,945
Due From Other Governmental Units	27,159	2,871	30,030
Internal Balances	(4,280)	4,280	-
Inventory	3,501	12,147	15,648
Prepaids	2,644	14,034	16,678
Restricted Cash			
Cash and Cash Equivalents	-	362,491	362,491
Notes and Contract Receivable	-	986	986
Non Currrent Assets			
Cash and Cash Equivalents	-	9,395	9,395
Long-Term Contracts and Notes	-	14,613	14,613
Net Pension Asset	81,293	27,370	108,663
Other Non Current Assets	-	52,700	52,700
Capital Assets			
Depreciable Capital Assets (Net of Accumulated Depreciation)	723,855	2,631,641	3,355,496
Non-Depreciable Capital Assets	94,759	239,711	334,470
Total Assets	1,249,841	3,900,072	5,149,913
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Bond Refunding	3,669	6,224	9,893
Deferred Outflows related to Pensions	21,643	35,103	56,746
Deferred Outflows related to OPEB	15,477	2,758	18,235
Total Deferred Outflows of Resources	40,789	44,085	84,874
LIABILITIES			
Accounts Payable	28,917	42,681	71,598
Deposits Payable	898	25,289	26,187
Due to Other Governmental Units	88	599	687
Unearned Revenue	9,134	7,270	16,404
Other Liabilities Payable	9,044	53,486	62,530
Payable From Restricted Assets:			
Other Current Liabilities	-	1,132	1,132
Special Assessment Debt with Government Commitment	22,427	-	22,427
Bonds and Other Debt Payable:			
Due Within One Year	48,357	105,920	154,277
Due in More Than One Year	391,256	1,361,357	1,752,613
Total Liabilities	510,121	1,597,734	2,107,855
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Advanced Payment of Special Assessments	22,514	4,446	26,960
Deferred Inflows - Rate Stabilization	-	115,575	115,575
Deferred Inflows related to Bond Refunding	-	521	521
Deferred Inflows related to Pensions	39,113	46,592	85,705
Deferred Inflows related to OPEB	1,479	510	1,989
Total Deferred Inflows of Resources	63,106	167,644	230,750
NET POSITION			
Net Investment in Capital Assets	634,650	1,671,671	2,306,321
Restricted:			
Capital Projects	12,888	31,211	44,099
Debt Service	11,187	29,839	41,026
Utility Donations & System Development	-	64,770	64,770
Culture and recreation	10,783	21,222	32,005
Self Insurnace	-	2,696	2,696
Environmental Services and Programs	-	2,367	2,367
Inspection	-	666	666
Pension	76,416	26,470	102,886
Reserves	-	32,186	32,186
Public Safety	2,942	-	2,942
Transportation	43,167	-	43,167
Grants	800	-	800
Housing and Economic development	21,597	-	21,597
Unrestricted	(97,027)	295,681	198,654
Total Net Position	$ 717,403	$ 2,178,779	$ 2,896,182

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

Component Units		
TCRA	GTRCC PFD	FWDA
$ 7,964	$ 2,053	$ 706
-	-	-
715	756	11
141	-	3
-	-	-
-	-	-
20	-	42
-	-	-
1,906	-	-
-	-	-
37,522	-	-
-	-	-
1,545	-	-
8,800	-	15,326
1,462	-	7,002
60,075	2,809	23,090
-	-	-
-	-	-
-	-	-
-	-	-
739	-	36
-	-	29
-	2,809	11
-	-	970
307	-	16
-	-	-
-	-	-
-	-	3
5,026	-	2,486
6,072	2,809	3,551
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
5,736	-	19,872
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
48,267	-	-
-	-	(333)
$ 54,003	$ -	$ 19,539

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
FUNCTIONS / PROGRAMS:				
Primary Government				
Governmental Activities:				
General Government	$ 39,791	$ 24,223	$ 20,773	$ -
Public Safety	154,794	14,734	10,035	209
Transportation	78,066	5,087	7,444	18,095
Natural and Economic Environmen	25,864	2,410	5,377	-
Social Services	7,425	9	-	-
Culture and Recreation	15,380	325	1,236	-
Interest on Long-Term Debt	6,680	-	-	-
	328,000	46,788	44,865	18,304
Business-Type Activities				
Solid Waste	55,544	69,541	-	-
Waste Water	91,802	118,606	-	5,569
Water	96,565	103,364	-	20,037
Power	406,741	458,960	-	12,992
Nonmajor Business-Type Activities	70,862	72,889	-	13,596
	721,514	823,360	-	52,194
Total Primary Government	$ 1,049,514	$ 870,148	$ 44,865	$ 70,498
Component Units				
TCRA	2,836	125	1,316	-
GTRCC PFD	4,194	-	-	-
FWDA	1,600	371	-	276
Total Component Units	$ 8,630	$ 496	$ 1,316	$ 276
General Revenues:				
Taxes:				
Property Tax				
Retail Sales & Use Tax				
Business Tax				
Excise Tax				
Investment Earnings				
Gain on Sale of Capital Assets				
Transfers				
Total General Revenues				
Change in Net Position				
Net Position, January 1				
Prior Period Adjustment				
Change in Accounting Principle				
Net Position, January 1 restated				
Net Position, December 31				

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

Net (Expense) Revenue and Changes in Net Position			Component Units		
Governmental Activities	Business-Type Activities	Total	TCRA	GTRCC PFD	FWDA
$ 5,205	$ -	$ 5,205	$ -	$ -	$ -
(129,816)	-	(129,816)	-	-	-
(47,440)	-	(47,440)	-	-	-
(18,077)	-	(18,077)	-	-	-
(7,416)	-	(7,416)	-	-	-
(13,819)	-	(13,819)	-	-	-
(6,680)	-	(6,680)	-	-	-
(218,043)	-	(218,043)	-	-	-
-	13,997	13,997	-	-	-
-	32,373	32,373	-	-	-
-	26,836	26,836	-	-	-
-	65,211	65,211	-	-	-
-	15,623	15,623	-	-	-
-	154,040	154,040	-	-	-
$ (218,043)	$ 154,040	$ (64,003)	$ -	$ -	$ -
			(1,395)	-	-
			-	(4,194)	-
			-	-	(953)
			$ (1,395)	$ (4,194)	$ (953)
$ 74,918	$ -	$ 74,918	$ -	$ -	$ -
76,153	1,387	77,540	-	4,162	-
53,249	-	53,249	-	-	-
15,665	-	15,665	-	-	-
5,028	10,848	15,876	28	32	13
1,233	3,250	4,483	-		-
49,459	(49,459)	-	-		-
275,705	(33,974)	241,731	28	4,194	13
57,662	120,066	177,728	(1,367)	-	(940)
766,227	2,068,104	2,834,331	55,280	-	20,539
(6,856)	442	(6,414)	90	-	(60)
(99,630)	(9,833)	(109,463)	-	-	-
659,741	2,058,713	2,718,454	55,370	-	20,479
$ 717,403	$ 2,178,779	$ 2,896,182	$ 54,003	$ -	$ 19,539

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 79,234	$ 2,454	$ 101,315	$ 183,003
Investments	-	-	5,180	5,180
Accounts Receivables (Net)	17,568	236	34,642	52,446
Due From other Funds	487	305	3,719	4,511
Due From Other Governmental Units	16,110	2,335	8,695	27,140
Inventory	1,429	-	1,368	2,797
Prepaids	4	-	-	4
Advance to Other Funds	-	-	400	400
Total Assets	114,832	5,330	155,319	275,481
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
Total Assets and Deffered Outflows	114,832	5,330	155,319	275,481
LIABILITIES				
Account Payable	7,813	2,000	7,957	17,770
Customer Deposits	-	-	898	898
Other Liabilities Payable	830	10	-	840
Due to Other Funds	3,650	90	2,123	5,863
Due to Other Governmental Units	88	-	-	88
Advances from Other Funds	-	-	400	400
Total Liabilities	12,381	2,100	11,378	25,859
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	10,035	46	23,648	33,729
Total Deferred Inflow of Resources	10,035	46	23,648	33,729
FUND BALANCE				
Nonspendable	3,915	-	1,404	5,319
Restricted	388	1,953	97,006	99,347
Committed	588	-	7,680	8,268
Assigned	3,148	1,231	14,206	18,585
Unassigned	84,377	-	(3)	84,374
Total Fund Balance	92,416	3,184	120,293	215,893
Total Liabilities, Deferred Inflows and Fund Balance	$ 114,832	$ 5,330	$ 155,319	$ 275,481

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

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2018

Total governmental fund balances as reported on this statement		$ 215,893
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.		780,058
Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Net pension asset		76,037
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the governmental funds.		
Unearned revenue beyond the city's measurable and available period		2,081
Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet, maintenance and information technology, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		65,064
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and loans payable	(183,456)	
Premium on Bonds Payable	(517)	
Deferred amount on bond refunding	3,669	
Deferred amounts related to OPEB	13,998	
Deferred amounts related to pensions	(15,262)	
Police and Fire liability	(38,296)	
Total OPEB liability	(185,867)	
Compensated absences payable	(15,999)	
		(421,730)
Net position of government activities as reported on the statement of net position		$ 717,403

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 59,142	$ -	$ 17,488	$ 76,630
Retail Sales & Use	58,526	-	17,627	76,153
Business	50,466	-	2,783	53,249
Excise	1,123	-	14,542	15,665
Licenses and Permits	7,320	-	4,200	11,520
Intergovernmental	21,053	20,037	19,309	60,399
Charges for Services	12,613	1,236	8,271	22,120
Fines and Forfeitures	1,584	3	4,029	5,616
Investment Earnings	1,865	42	1,882	3,789
Miscellaneous	92	266	3,773	4,131
Total Revenues	213,784	21,584	93,904	329,272
EXPENDITURES				
Current:				
General Government	36,617	-	15,475	52,092
Public Safety	145,013	-	23,133	168,146
Transportation	375	2,990	44,249	47,614
Natural and Economic Environment	19,311	-	6,217	25,528
Social Services	-	-	7,696	7,696
Culture and Recreation	12,989	-	712	13,701
Debt Service:				
Principal	-	-	13,988	13,988
Interest and Other Costs	-	-	8,874	8,874
Capital Outlay	1,213	22,971	20,470	44,654
Total Expenditures	215,518	25,961	140,814	382,293
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,734)	(4,377)	(46,910)	(53,021)
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	2	-	986	988
Insurance Recoveries	71	-	-	71
Issuance of Debt	-	-	2,209	2,209
Transfers In	47,136	4,742	82,898	134,776
Transfers Out	(33,647)	(120)	(57,166)	(90,933)
Total Other Financing Sources and Uses	13,562	4,622	28,927	47,111
Net Change in Fund Balance	11,828	245	(17,983)	(5,910)
Fund Balance - January 1, as Previously Reported	80,214	3,793	138,205	222,212
Prior Period Adjustment	374	(854)	71	(409)
Fund Balance - January 1, restated	80,588	2,939	138,276	221,803
Fund Balance - Ending	$ 92,416	$ 3,184	$ 120,293	$ 215,893

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

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

For the Year Ended December 31, 2018

(amounts expressed in thousands)

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance		$ (5,910)
Amount reported as change in net position in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	44,654	
Depreciation Expense	(41,057)	3,597
The net effect of various miscellaneous transactoins involving capital assets.		14,269
Debt proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		
Issuance of new debt		(2,209)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	(1,712)	
Amortization of bond premium	(333)	
		(2,045)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		14,299
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		10,430
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	2,216	
Change in net pension obligation or asset	25,966	
Change in net other postemployment benefits	(2,483)	
Change in compensated absences payable	(468)	
		25,231
Change in net position on the Statement of Activities		$ 57,662

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 42,300	$ 70,167	$ 62,264	$ 198,828
Accounts Receivables (Net)	6,719	15,499	11,607	61,755
Due from Other Funds	71	98	757	1,842
Due From Other Governmental Units	-	815	300	1,756
Inventory	-	1,099	2,470	7,007
Prepaid Expenses	-	227	2,062	10,225
Restricted Cash:				
Debt Service	393	6,977	3,830	20,073
Construction	4,124	103,531	24,024	-
Other	60	-	132,151	31,222
Note, Contract , Lease Receivable	-	212	-	774
Total Current Assets	53,667	198,625	239,465	333,482
Noncurrent Assets				
Restricted Cash, Bond Reserves	4,723	4,672	-	-
Long-Term Contracts and Notes	-	601	-	2,634
Net Pension Assets	2,240	4,409	3,438	15,506
Other non-current assets	-	188	1,231	51,171
Capital Assets:				
Land	2,856	23,696	25,168	77,331
Property, Plant, and Equipment	186,992	834,618	1,097,516	2,042,593
Construction in Progress	521	19,216	7,523	44,528
Less: Accumulated Depreciation	(110,603)	(282,875)	(258,706)	(1,095,980)
Total Capital Assets (Net of A/D)	79,766	594,655	871,501	1,068,472
Total Noncurrent Assets	86,729	604,525	876,170	1,137,783
Total Assets	140,396	803,150	1,115,635	1,471,265
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflow from Bond Refunding	-	2,287	1,175	-
Deferred Outflow related to Pensions	2,873	5,655	4,410	19,886
Deferred Outflow related to OPEB	194	317	296	957
Total Deferred Outflow of Resources	3,067	8,259	5,881	20,843

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 25,379	$ 398,938	$ 103,677
Accounts Receivables (Net)	9,178	104,758	741
Due from Other Funds	845	3,613	1,070
Due From Other Governmental Units	-	2,871	19
Inventory	1,213	11,789	1,062
Prepaid Expenses	1,520	14,034	2,640
Restricted Cash:			
Debt Service	2,842	34,115	-
Construction	-	131,679	-
Other	33,264	196,697	-
Note, Contract , Lease Receivable	-	986	-
Total Current Assets	74,241	899,480	109,209
Noncurrent Assets			
Restricted Cash, Bond Reserves	-	9,395	-
Long-Term Contracts and Notes	11,378	14,613	-
Net Pension Assets	1,409	27,002	5,624
Other non-current assets	110	52,700	-
Capital Assets:			
Land	36,004	165,055	357
Property, Plant, and Equipment	323,950	4,485,669	186,454
Construction in Progress	2,866	74,654	697
Less: Accumulated Depreciation	(132,830)	(1,880,994)	(121,984)
Total Capital Assets (Net of A/D)	229,990	2,844,384	65,524
Total Noncurrent Assets	242,887	2,948,094	71,148
Total Assets	317,128	3,847,574	180,357
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow from Bond Refunding	2,762	6,224	-
Deferred Outflow related to Pensions	1,807	34,631	7,213
Deferred Outflow related to OPEB	994	2,758	-
Total Deferred Outflow of Resources	5,563	43,613	7,213

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,614	5,641	1,953	28,672
Due to Other Funds	466	556	1,566	207
Due to Other Governmental Units	-	599	-	-
Customer Deposits	37	-	343	2,708
Interest Payable	-	185	1,835	10,072
Environment Liabilities - Current	947	1,222	-	-
Notes, Contract, Lease Payable - Current	1,980	3,939	177	-
Compensated Absences - Current	134	306	244	1,091
Bonds Payable - Current	-	6,187	14,538	10,095
Payable From Restricted Assets:				
Debt Principal Payable - Current	180	438	-	-
Unearned Revenues	213	853	-	-
Deposits and Other Payable	57	9	-	-
Unearned Revenue	246	403	-	2,753
Other Liabilities Payable	1,101	1,691	2,375	10,969
Total Current Liabilities	6,975	22,029	23,031	66,567
Noncurrent Liabilities				
Bonds Payable	60,508	253,410	368,867	406,089
Unearned Revenue	-	-	7,270	-
Compensated Absences	1,206	2,758	2,197	9,822
Environmental Liabilities	14,778	1,013	-	-
Other LT Liabilities Payable	-	-	7,869	4,222
Notes, Contracts, and Lease Payables	-	36,635	85,282	55,250
Total OPEB Liability	2,611	4,101	3,781	12,272
Net Pension Liability	-	-	-	-
Total Noncurrent Liabilities	79,103	297,917	475,266	487,655
Total Liabilities	86,078	319,946	498,297	554,222
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow - Rate Stabilization	7,000	25,000	35,575	48,000
Deferred Inflow Related to Bond Refunding	378	54	-	-
Deferred Inflow related to Pensions	3,813	7,506	5,853	26,395
Deferred Inflow related to OPEB	44	64	53	59
Total Deferred Inflow of Resources	11,235	32,624	41,481	74,454
NET POSITION				
Net Investment in Capital Assets	28,216	410,745	449,840	602,011
Restricted for:				
Capital Purchase	-	-	-	-
Debt Service	4,723	10,254	1,995	10,003
Utility Donations & System Development	-	-	64,770	-
Culture and Recreation	-	-	-	-
Self Insurance	-	-	-	-
Environment Service & Program	-	-	-	-
Inspection	-	-	-	-
Pension	2,240	4,410	3,438	15,506
Reserves	-	-	-	26,249
Unrestricted	10,971	33,430	61,695	209,663
Total Net Position	$ 46,150	$ 458,839	$ 581,738	$ 863,432

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,101	41,981	11,007
Due to Other Funds	449	3,244	87
Due to Other Governmental Units	-	599	-
Customer Deposits	22,201	25,289	-
Interest Payable	-	12,092	-
Environment Liabilities - Current	-	2,169	-
Notes, Contract, Lease Payable - Current	820	6,916	-
Compensated Absences - Current	229	2,004	437
Bonds Payable - Current	8,120	38,940	-
Payable From Restricted Assets:			
Debt Principal Payable - Current	-	618	-
Unearned Revenues	-	1,066	-
Deposits and Other Payable	-	66	-
Unearned Revenue	1,044	4,446	-
Other Liabilities Payable	1,023	17,159	40,766
Total Current Liabilities	37,987	156,589	52,297
Noncurrent Liabilities			
Bonds Payable	77,165	1,166,039	-
Unearned Revenue	-	7,270	-
Compensated Absences	2,072	18,055	3,935
Environmental Liabilities	-	15,791	-
Other LT Liabilities Payable	6,985	19,076	7,200
Notes, Contracts, and Lease Payables	4,403	181,570	-
Total OPEB Liability	12,180	34,945	-
Net Pension Liability	-	-	-
Total Noncurrent Liabilities	102,805	1,442,746	11,135
Total Liabilities	140,792	1,599,335	63,432
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow - Rate Stabilization	-	115,575	-
Deferred Inflow Related to Bond Refunding	89	521	-
Deferred Inflow related to Pensions	2,399	45,966	9,575
Deferred Inflow related to OPEB	290	510	-
Total Deferred Inflow of Resources	2,778	162,572	9,575
NET POSITION			
Net Investment in Capital Assets	153,892	1,644,704	66,259
Restricted for:			
Capital Purchase	4,934	4,934	26,277
Debt Service	2,864	29,839	-
Utility Donations & System Development	-	64,770	-
Culture and Recreation	21,222	21,222	-
Self Insurance	-	-	2,696
Environment Service & Program	2,367	2,367	-
Inspection	666	666	-
Pension	508	26,102	368
Reserves	5,937	32,186	-
Unrestricted	(13,269)	302,490	18,963
Total Net Position	$ 179,121	$ 2,129,280	$ 114,563

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

RECONCILIATION OF TOTAL ENTERPRISE NET POSITION
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
December 31, 2018
(amounts expressed in thousands)

NET POSITION - TOTAL ENTERPRISE FUNDS	$ 2,129,280
Amounts reported for business activities in the statement of net position are different because:	
Internal service funds are used by management to charge the cost of suppport services to individual enterprise funds. In this case the support service is Fleet Management. The assets and liabilities of the Fleet fund are included in the business activities in the government-wide statement of net position.	49,499
NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ 2,178,779

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
OPERATING REVENUES				
Charges for Services	$ 68,599	$ 112,117	$ 90,475	$ 436,752
Interfund Insurance Premiums	-	-	-	-
Other Operating Revenue	512	3,700	11,467	18,539
Total Operating Revenue	69,111	115,817	101,942	455,291
OPERATING EXPENSES				
Salaries and Benefits	19,220	31,309	23,189	99,056
Supplies	978	4,758	2,372	140,512
Services	26,887	28,290	20,330	66,085
Taxes	1,028	1,832	5,274	21,486
Depreciation	5,670	17,563	26,118	53,869
Other Operating Expenses	-	-	-	8,233
Total Operating Expenses	53,783	83,752	77,283	389,241
Operating Income (Loss)	15,328	32,065	24,659	66,050
NON-OPERATING REVENUE (EXPENSE)				
Interest Revenue	799	1,991	3,656	3,554
Tax Revenues	-	-	-	-
Other Non-Operating Revenues	337	1,866	252	1,933
Gain (Loss) on Sale of Capital Assets	346	(95)	2,975	24
Unrealized Net Gain(Loss) on Fair Value Investment	17	(234)	221	166
Interest Expense	(1,761)	(8,042)	(19,270)	(17,219)
Other Non-Operating Expenses	-	(8)	(12)	(281)
Total Non-Operating Revenues (Expenses)	(262)	(4,522)	(12,178)	(11,823)
Income (Loss) Before Contributions & Transfers	15,066	27,543	12,481	54,227
Capital Contributions	-	5,569	20,037	12,992
Transfers In	-	583	70	223
Transfers Out	(5,841)	(9,488)	(7,696)	(34,385)
Change in Net Position	9,225	24,207	24,892	33,057
Net Position, January 1	37,044	435,373	556,716	830,170
Prior Period Adjustment	-	-	-	-
Change in Accounting Principle	(119)	(741)	130	205
Net Position, January 1 restated	36,925	434,632	556,846	830,375
Net Position, December 31	$ 46,150	$ 458,839	$ 581,738	$ 863,432

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES			
Charges for Services	$ 65,693	$ 773,636	$ 81,088
Interfund Insurance Premiums	-	-	95,381
Other Operating Revenue	5	34,223	1
Total Operating Revenue	65,698	807,859	176,470
OPERATING EXPENSES			
Salaries and Benefits	31,420	204,194	45,213
Supplies	2,255	150,875	3,691
Services	23,159	164,751	110,510
Taxes	826	30,446	-
Depreciation	8,675	111,895	10,390
Other Operating Expenses	-	8,233	-
Total Operating Expenses	66,335	670,394	169,804
Operating Income (Loss)	(637)	137,465	6,666
NON-OPERATING REVENUE (EXPENSE)			
Interest Revenue	746	10,746	1,379
Tax Revenues	1,387	1,387	-
Other Non-Operating Revenues	6,831	11,219	112
Gain (Loss) on Sale of Capital Assets	-	3,250	557
Unrealized Net Gain(Loss) on Fair Value Investment	(68)	102	89
Interest Expense	(3,861)	(50,153)	-
Other Non-Operating Expenses	(666)	(967)	-
Total Non-Operating Revenues (Expenses)	4,369	(24,416)	2,137
Income (Loss) Before Contributions & Transfers	3,732	113,049	8,803
Capital Contributions	13,596	52,194	-
Transfers In	13,053	13,929	6,451
Transfers Out	(5,978)	(63,388)	(835)
Change in Net Position	24,403	115,784	14,419
Net Position, January 1	163,584	2,022,887	102,494
Prior Period Adjustment	442	442	(2,350)
Change in Accounting Principle	(9,308)	(9,833)	-
Net Position, January 1 restated	154,718	2,013,496	100,144
Net Position, December 31	$ 179,121	$ 2,129,280	$ 114,563

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2018
(amounts expressed in thousands)

NET CHANGE IN NET POSITION - TOTAL ENTERPRISE FUNDS	$ 115,784
Amounts reported for business activities in the statement of activities are different because:	
The net revenue of certain activities of internal service funds is reported with business activities.	4,282
NET POSITION OF BUSINESS ACTIVITIES	$ 120,066

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
CASH FLOW FROM OPERATING ACTIVITIES				
Receipt from customers and users	$ 69,717	$ 113,697	$ 101,669	$ 456,705
Contribution received - employee/employer	-	-	-	-
Payments to suppliers	(27,244)	(29,418)	(23,225)	(214,903)
Payments to employees	(21,155)	(35,453)	(26,248)	(119,302)
Payments for taxes	(1,015)	(1,824)	(5,011)	(21,415)
Payments for interfund services used	-	-	-	-
Other operating or non-operating revenues	74	1,527	-	(8)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	20,377	48,529	47,185	101,077
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	438	-	74,834
Grants and contributions received	119	304	-	-
Payments paid on noncapital debts	(332)	(29,723)	-	-
Transfer to other funds	(5,824)	(9,452)	(7,625)	(109,219)
Advance from other funds	-	-	-	-
Contributions made	-	20	-	(100)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITES	(6,037)	(38,413)	(7,625)	(34,485)
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	145	-	-
Proceeds received from capital debts	-	100,945	-	75,000
Proceeds from sales of capital assets	504	51	-	-
Contributions and donations	-	3,146	14,710	12,596
Acquisitions and constructions of capital assets	(3,498)	(27,758)	(18,795)	(82,223)
Principals paid on capital debts	(2,060)	(15,168)	(13,559)	(31,575)
Interest and issuance costs paid on capital debts	(2,312)	(1,713)	(19,778)	(20,060)
Transfers to other funds	-	(42)	-	-
Capital lease obligation	-	-	-	360
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITES	(7,366)	59,606	(37,422)	(45,902)
CASH FLOW FROM INVESTING ACTIVITIES				
Interests and dividends received	799	1,757	7,092	5,496
Change in fair value of investment	17	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	816	1,757	7,092	5,496
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,790	71,479	9,230	26,186
CASH AND CASH EQIVALENTS, JANUARY 1	43,810	113,868	213,039	223,937
CASH AND CASH EQIVALENTS, DECEMBER 31	$ 51,600	$ 185,347	$ 222,269	$ 250,123

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt from customers and users	$ 99,539	$ 841,327	$ 82,192
Contribution received - employee/employer	-	-	90,747
Payments to suppliers	(39,645)	(334,435)	(107,265)
Payments to employees	(31,899)	(234,057)	(46,867)
Payments for taxes	(825)	(30,090)	(1,503)
Payments for interfund services used	(4,518)	(4,518)	(4,137)
Other operating or non-operating revenues	7,817	9,410	84
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	30,469	247,637	13,251
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	9,551	84,823	5,526
Grants and contributions received	4,238	4,661	30
Payments paid on noncapital debts	-	(30,055)	-
Transfer to other funds	(3,063)	(135,183)	(806)
Advance from other funds	(431)	(431)	-
Contributions made	-	(80)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITES	10,295	(76,265)	4,750
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,502	3,647	924
Proceeds received from capital debts	-	175,945	-
Proceeds from sales of capital assets	-	555	-
Contributions and donations	2,602	33,054	-
Acquisitions and constructions of capital assets	(7,755)	(140,029)	(11,688)
Principals paid on capital debts	(8,820)	(71,182)	-
Interest and issuance costs paid on capital debts	(4,074)	(47,937)	-
Transfers to other funds	(2,876)	(2,918)	(29)
Capital lease obligation	-	360	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITES	(17,421)	(48,505)	(10,793)
CASH FLOW FROM INVESTING ACTIVITIES			
Interests and dividends received	742	15,886	1,384
Change in fair value of investment	(65)	(48)	88
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	677	15,838	1,472
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,020	138,705	8,680
CASH AND CASH EQIVALENTS, JANUARY 1	37,780	632,434	94,997
CASH AND CASH EQIVALENTS, DECEMBER 31	$ 61,800	$ 771,139	$ 103,677

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 15,328	$ 32,065	$ 24,659	$ 66,050
Adjustments to reconcile operating income (loss) to net cash provided (used) by:				
Operating Activities:				
Depreciation and amortization expenses	5,670	17,563	26,118	62,102
(Increase) decrease in accounts receivable	68	(1,507)	(839)	72
(Increase) decrease in intergovernmental receivables	-	-	-	(8)
(Increase) decrease in due from other funds	(4)	(97)	(688)	(25)
(Increase) decrease in inventories	-	144	(66)	-
(Increase) decrease in prepaid items	-	87	(822)	(3,437)
(Increase) decrease in other assets	-	33	842	-
Increase (decrease) in deposit payable	(3)	9	(14)	(83)
Increase (decrease) in accounts payable	560	2,376	584	-
Increase (decrease) in accrued wages payable	9	260	74	423
Increase (decrease) in compensated absences	101	(222)	129	424
Increase (decrease) in intergovernmental payable	-	48	-	-
Increase (decrease) in due to other funds	213	(176)	469	140
Increase (decrease) in deferred revenues	1,000	62	-	-
Increase (decrease) in other current liabilities	51	345	-	-
Increase (decrease) in notes, contracts, and lease payable	-	-	-	-
Increase (decrease) long term liabilities	(2,690)	(4,023)	(3,261)	(24,581)
Miscellaneous non-operating revenues (expenses)	74	1,562	-	-
Prior Period Adjustment	-	-	-	-
Total adjustments	5,049	16,464	22,526	35,027
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 20,377	$ 48,529	$ 47,185	$ 101,077
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contribution of capital assets	-	2,422	5,326	619

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (637)	$ 137,465	$ 6,666
Adjustments to reconcile operating income (loss) to net cash provided (used) by:			
Operating Activities:			
Depreciation and amortization expenses	8,675	120,128	10,390
(Increase) decrease in accounts receivable	(1,211)	(3,417)	(475)
(Increase) decrease in intergovernmental receivables	-	(8)	-
(Increase) decrease in due from other funds	(331)	(1,145)	(119)
(Increase) decrease in inventories	(46)	32	160
(Increase) decrease in prepaid items	(635)	(4,807)	836
(Increase) decrease in other assets	(1,293)	(418)	(5,399)
Increase (decrease) in deposit payable	16,877	16,786	-
Increase (decrease) in accounts payable	1,411	4,931	1,472
Increase (decrease) in accrued wages payable	9,240	10,006	1,167
Increase (decrease) in compensated absences	269	701	489
Increase (decrease) in intergovernmental payable	296	344	(3)
Increase (decrease) in due to other funds	110	756	(799)
Increase (decrease) in deferred revenues	(201)	861	(63)
Increase (decrease) in other current liabilities	(1,757)	(1,361)	95
Increase (decrease) in notes, contracts, and lease payable	-	-	-
Increase (decrease) long term liabilities	894	(33,661)	(1,248)
Miscellaneous non-operating revenues (expenses)	9,233	10,869	82
Prior Period Adjustment	(10,425)	(10,425)	-
Total adjustments	31,106	110,172	6,585
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 30,469	$ 247,637	$ 13,251
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contribution of capital assets	10,993	19,360	-

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018
(amounts expressed in thousands)

	Deferred Compensation Fund #6050	TERS Fund #6100	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 40	$ 2,191	$ 2,231
Investments	-	15,318	15,318
Equities	-	823,621	823,621
Fixed income	-	576,714	576,714
Real estate	-	76,859	76,859
Venture capital and partnerships	-	150,993	150,993
Securities lending collateral	-	21,576	21,576
Due From Other Governments	-	1,138	1,138
Interest and Dividends	-	2,796	2,796
Investment Sales	-	582	582
Capital Assets, net of accumulated depreciation	-	9	9
Total Assets	40	1,671,797	1,671,837
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-	-
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	1,752	1,752
Accrued Wages and Benefits Payable	2	67	69
Due To Other Governmental Units	-	4	4
Investments Purchase Payable	-	34,839	34,839
Other Current Liabilities	-	5	5
Total Current Liabilities	2	36,667	36,669
Noncurrent Liabilities			
Accrued Employee Leave Benefits	-	110	110
Total Noncurrent Liabilities	-	110	110
Total Liabilities	2	36,777	36,779
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-
NET POSITION			
Net position restricted for pensions and other purposes	$ 38	$ 1,635,020	$ 1,635,058

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	Deferred Compensation Fund #6050	TERS Fund #6100	TOTAL
ADDITIONS			
Employer Contributions	$ -	$ 28,588	$ 28,588
Member Contributions	-	25,193	25,193
Other Contributions	243	-	243
Total Contributions	243	53,781	54,024
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	-	(86,229)	(86,229)
Interest and Dividends	-	35,749	35,749
Total Investment Income	-	(50,480)	(50,480)
Less Investment Expenses:			
Investment Management Fees	-	(6,625)	(6,625)
Securities Lending - Agent Fees	-	(59)	(59)
Securities Lending - Broker Rebates	-	(922)	(922)
Total Investment Expense	-	(7,606)	(7,606)
Net Investment Income	-	(58,086)	(58,086)
Total Additions	243	(4,305)	(4,062)
DEDUCTIONS			
Wages and Benefits Payable	112	866	978
Healthcare Benefit Payments	-	80,035	80,035
Refunds of Contributions	-	2,199	2,199
Administrative Expense	102	825	927
Total Deductions	214	83,925	84,139
Net Increase (Decrease)	29	(88,230)	(88,201)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Net position - beginning	9	1,723,250	1,723,259
Net position - ending	$ 38	$ 1,635,020	$ 1,635,058

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

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Effective for the fiscal year 2018, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. It replaces the requirement of GASB statements No. 45 and No. 57.

GASB Statement No. 85 – *Omnibus 2017.* The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues.* The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which existing resources are placed into an irrevocable trust for the sole purpose of extinguishing debt.

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

A. Reporting Entity

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

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

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

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

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

1. The economic resources received or held by the organization are almost entirely for the direct benefit of the primary government, its component units, or its constituents.

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

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

For related party transactions refer to Note 3 Section H.

Blended Component Units:

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

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

Discretely presented Component Units:

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

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

The Greater Tacoma Regional Convention Center Public Facilities District (the District) is a public corporation organized under the Laws of Washington, Chapter 165, 1999 Regular Session, Sections 1 through 23 and pursuant to an interlocal agreement between the Cities of Tacoma, Fife, University Place, Lakewood and Pierce County. Liability of the District is limited to the District's assets with no recourse to the City of Tacoma assets or property. Although it is legally separated from the City, the District is a component unit of the primary government because its sole purpose is to assist finance, and otherwise facilitate the construction and operation

of a Convention Center. The City appoints a voting majority of the board and has exercised oversight responsibility for administration for the debt service on bonds issued by the City for the construction of the Convention Center. The District imposed the 0.033 percent sales and use tax authorized by RCW 82.08 and 82.12. The District pays these revenues to the City of Tacoma primarily for the debt service for bond issued by the City of Tacoma to fund the design, development, construction and operation of Convention Center inclusive of real property, buildings, fixtures, furnishings, appurtenances and improvements.

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

The Foss Waterway Development Authority (FWDA or Authority) is a separate legal entity and a component unit of the primary government because its sole purpose is to manage the redevelopment of property within and along the Thea Foss Waterway for the City's benefit. The City provides contributions, as necessary, to support FWDA activities. The Authority was created on October 1, 1996 by Resolution No. 33513. Under the terms of an agreement between the City and the Authority, the Authority serves to improve the environment, and along with the City, is taking steps to enhance the Waterway.

Separate financial statements for the Authority can be obtained from: Foss Waterway Development Authority, c/o the City of Tacoma Finance Department, 747 Market Street, Room 132, Tacoma, Washington 98402.

Joint Ventures:

The City participates in two joint ventures: the South Sound 911 and the Tacoma-Pierce County Health Department.

South Sound 911

On November 8, 2011, voters in Pierce County approved a county-wide one-tenth of one percent local sales and use tax to fund costs associated with regional 911 system and facility improvements. Development of the regional system is being managed by South Sound 911, an interlocal agency created by Pierce County, the City of Tacoma, the City of Lakewood, the City of Fife and West Pierce Fire and Rescue pursuant to RCW 39.34. All services previously provided by the Law Enforcement Support Agency (LESA) are now being provided by South Sound 911. On December 17, 2012, all LESA employees were transitioned to the new agency. All assets and liabilities were transferred to South Sound 911 on the official transition date of January 1, 2013. During the next few years, Public Safety Answering Points (PSAP's) managed by the City of Tacoma, City of Fife and West Pierce Fire and Rescue will transition to South Sound 911.

In 2012, South Sound 911 established its first Policy Board consisting of nine voting members.

Members of the Policy Board include:

- One member of the Pierce County Council;
- The Pierce County Executive;
- The Mayor of Tacoma;
- One member of the Tacoma City Council;
- The Mayor or one member of the Lakewood City Council;
- The Pierce County Sheriff;
- The Mayor or one member of the Fife City Council;
- One Fire Commissioner of West Pierce Fire & Rescue;
- One Mayor or Councilmember of a city or town within Pierce County with a population under (50,000) fifty-thousand residents, provided that such city or town contracts with South Sound 911 or a Member Agency. Such position shall be filled for a two-year term by appointment through a vote of the Policy Board.

South Sound 911 also established an Operations Board under the authority of the Policy Board. The members of the Operations Board are the members of the Law Enforcement Services and Fire Services Committees. Each committee will have (1) one vote. If the Operations Board cannot reach consensus, the deciding vote will be cast by the Policy Board.

Tacoma-Pierce County Health Department

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

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

B. Government-wide and fund financial statements

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given governmental function or business segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment. Taxes, transfers between funds, and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues

are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are no longer specifically reported as reservations of fund balances for governmental type funds. They are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium. The amount of encumbrances, expressed in thousands, needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end are as follows:

General Fund	Transportation Capital & Engineering	Non-major Funds
$ 2,394	$ 9,429	$ 22,833

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

D. **Assets, liabilities and net position or fund balances**

1. ***Cash and investments***

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

2. ***Receivables and payables***

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

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

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

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

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

3. *Inventories and prepaid items*

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

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

4. *Restricted assets*

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

5. *Capital assets*

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

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

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

The estimated useful lives for all City funds are:

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

6. *Compensated absences*

The City has two different policies for compensated absences. The City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. An employee is entitled to 100% of the value of the vacation leave; 25% of the value of the sick leave at retirement or death, or 10% of the value of the sick leave upon termination for any other reason. Under a revised City policy, employees earn Personal Time off (PTO) without distinction between vacation and sick leave with a maximum accrual of 960 hours. Employees who worked for the City prior to the change, or are covered by a collective bargaining agreement that provides only for vacation and sick leave could choose to stay with the original policy or may opt to convert to the new policy. The amount of leave earned is based on years of service. The Tacoma Public Library has slightly different rules governing sick leave and vacation leave, but these differences are not considered material to the City's financial statements.

7. *Pensions*

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and the Tacoma Employees Retirement System (TERS) sponsored pension plan and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the respective sponsors. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. *Long-term obligations*

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

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

9. ***Fund equity***

Fund balance

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

1. Nonspendable: Includes amounts that are not in a spendable form, such as inventories, prepaid items, long-term interfund receivables, and amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.

2. Restricted: Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Amounts should be reported as restricted when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

3. Committed: Fund Balance can only be used for specific purposes as determined by formal action by the City Council. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation. The amount committed in the General Fund is accounted for under Fund 1030 Contingency Fund.

4. Assigned: Includes amounts that have been allocated by the General Fund through the encumbrance process, previously classified as unassigned. The authority to assign funds is delegated to City Management through the adoption of the biennium budget by the City Council. Fund balances of special revenue funds, debt service funds, capital project funds, that are not classified as nonspendable, restricted, or committed will be classified as assigned for the purpose of the fund. The authority to create funds is determined by formal action by the City Council, by adoption of an ordinance, or by state statue.

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

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

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

Use of resources will be spent in the following hierarchy:

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

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

Net position

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

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

For budgetary tracking purposes, in the General Fund, assessments are budgeted as negative revenues. These negative revenues are considered a budgetary authority increase to both revenues and expenditures for reporting purposes in the original and final adopted budgets. The budgeted amount totaled $1,453,673 for 2018.

B. Deficits in fund balance or net position

The following governmental and proprietary funds had deficit net position.

The $0.785 million deficit in the Convention Center fund resulted from cumulative expenses exceeding revenues/transfers. The fund balance has increased by $3.7 million over the previous year. Operating losses were $3.5 million for the year as compared to $4.2 million for the prior year. The fund is reviewed periodically to determine the necessary transfer amounts the General Fund needs to contribute.

The Third Party Liability Claims Fund has a net position deficit of $25.2 million, a decrease of $1.2 million over the prior year, due to an increase in claims liability.

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

Net Deficit
(amounts expressed in thousands)

FUND	AMOUNT
Convention Center (#4165)	$ (785)
Third Party Liability Claims (#5550)	(25,184)
	$ (25,969)

C. Legal and contractual compliance

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

Note 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Legal, Contractual and Administrative Provisions

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

At year-end, the carrying amount of the City's deposits was $75,242,954.

Other investments: State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, bankers' acceptances, commercial paper, and repurchase agreements. The City is also authorized to enter into reverse repurchase agreements. The pension trust fund is authorized to invest under the "prudent person rule."

The City sustained no investment losses during 2018, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

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

1. Bankers Acceptances: City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 20% of the total portfolio with no more than 5% of the total portfolio in any one bank.

2. U.S. Treasury Bills, Certificates, Notes and Bonds: Portfolio mix guidelines allow for a maximum of 100% of the total portfolio to be invested in these securities.

3. U.S. Government Agency Securities: Portfolio mix guidelines suggest a maximum of 90% of the total portfolio with no more than 50% of the total portfolio per agency.

4. Commercial Paper: Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 5% in any one issuer.

5. Repurchase Agreements: Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 25% of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.

6. Reverse Repurchase Agreements: The City did not participate in any reverse repurchase agreements in 2018.

7. Municipal Bonds: Portfolio mix guidelines allow 30% of the portfolio to be invested in municipal bonds with no more than 5% of the portfolio being invested in bonds of any one municipal bond issuer. The maximum maturity for investments in municipal bonds shall be limited to five years.

8. Certificates of Deposit (CDs): The percentage of CDs may not exceed 25% of the total assets of the portfolio with the percentage limited to 3% for any single bank or savings and loan association. Maturities shall not exceed one year.

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

2. Deposits and investments – December 31, 2018

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

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

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

At December 31, 2018, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments
December 31, 2018
(amounts expressed in thousands)

Reconciliation of Cash and Investments:	
Investments (less Component Units)	$ 2,649,212
Certificates of Deposit	4,116
Treasurer's Cash, net	76,391
Petty Cash Funds	277
Sub-total	2,729,996
Component Units:	
Tacoma Community Redevelopment Authority (TCRA)	1,591
TCRA - External Cash	6,373
Foss Waterway Development Authority (FWDA)	441
FWDA - External Cash	265
Public Facililities District (PFD)	2,053
Sub-total (Component Units)	10,723
Total	$ 2,740,719

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

	Amounts expressed in thousands
From Statement of Net Position	
Cash and cash equivalents	$ 685,618
Investments at fair value	5,180
Restricted cash and cash equivalents	371,886
Total Primary Government	1,062,684
Component Units	
TCRA	7,964
GTRCC PFD	2,053
FWDA	706
Total Component Units	10,723
Fiduciary Funds	
Cash and cash equivalents	2,231
Investments at fair value	15,318
Pension Trust	1,649,763
Total Fiduciary Funds	1,667,312
Total cash and investments	$ 2,740,719

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

Investments:	Fair Value at 12/31/18
Financial Institutions	
WA State Local Government Investment Pool	$ 178,206
Government Agencies (various)	810,009
Equity in Pool Transferred to Component Units	(6,316)
Total Investments with Financial Institutions	981,899
Pension Trust	
Equities	823,621
Fixed Income	576,714
Real Estate	76,859
Venture Capital & Partnerships	150,993
Short Term Bill & Notes	4,547
Cash and Cash Equivalents	13,001
Securities Lending Collateral	21,576
Total Other Investments - Pension Trust	1,667,311
Total	$ 2,649,210

3. GASB 40 - General Disclosure and Disclosure Relating to Interest Rate Risk/Segmented Time Distribution Method

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. City of Tacoma Investment Policy allows for authorized investments up to 60 months in maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations. The city has deposits of $172,726,974 with the State Treasurer's Local Government Investment Pool, $9,153,363 in an interest bearing certificate of deposit with a commercial bank and $75,785,656 in the city's deposit accounts with commercial banks. The monies from these accounts are available immediately.

		Maturing (in months)				
Investment Type	Par	Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	$ 75,785,656	$ 75,785,656	$ -	$ -	$ -	$ -
Bank Demand Deposits & State Pool	182,322,392	182,322,392	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	35,748,647	18,059,490	13,190,708	4,498,449	-	-
Fixed Rate Non-Callable Agency Securities	422,796,533	185,854,995	120,854,541	49,347,925	24,942,545	41,796,527
Fixed Rate Callable Agency Securities	24,218,747	14,878,005	9,340,742	-	-	-
Totals	$ 740,871,975	$ 476,900,538	$ 143,385,991	$ 53,846,374	$ 24,942,545	$ 41,796,527
Percent of Total		64.37%	19.35%	7.27%	3.37%	5.64%

4. GASB 40 - Disclosure Relating to Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by state statute, which is the same in the City Investment policy and the actual rating as of the end of the year 2018 for each type of investment. AAA is

the highest rating for bonds. The Bank Certificates of Deposit and Demand Deposit Accounts are protected by the Federal Deposit Insurance Corporation (FDIC) insurance up to $250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. It constitutes fully insured or fully collateralized pool. The WA State Treasurers Local Government Investment Pool (LGIP) is authorized by the Revised Code of Washington (RCW) 43.250. The LGIP operates like a 2A7 fund and is collateralized by short term legal investments.

Investment Type	Par	Minimum Legal Requirement	FDIC and PDPC	AAA	AA	A
Bank Demand Deposits & State Pool	$ 258,108,048	FDIC & PDPC	$ 258,108,048	$ -	$ -	$ -
Fixed Rate Non-Callable Municipal Securities	35,748,647	A	-	2,142,864	33,605,783	-
Fixed Rate Non-Callable Agency Securities	422,796,533	AAA	-	422,796,533	-	-
Fixed Rate Callable Agency Securities	24,218,747	AAA	-	24,218,747	-	-
Total	$ 740,871,975		$ 258,108,048	$ 449,158,144	$ 33,605,783	$ -

5. GASB 40 - Concentration of Credit Risk

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

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

Issuer	Investment Type	Amount Reported	Percentage
Washington State	Municipal Securities	$ n/a	n/a
Federal Farm Credit Bank	Agency Securities	55,443,638	6.8%
Federal Home Loan Bank	Agency Securities	190,306,151	23.5%
Federal Home Mortgage Corporation	Agency Securities	87,568,311	10.8%
Federal National Mortgage Association	Agency Securities	98,657,205	12.2%
Total		$ 431,975,305	

6. Disclosure of Custodial Credit Risk

Custodial Credit Risk – Investment

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

7. Investments Measured at Fair Value

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

- Level 2 – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- Level 3– Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

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

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

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

Investments Measured at Fair Value

Debt Securities	As of 12/31/2018	Level 1	Level 2	Level 3
U.S. Treasury Securities	$ 282,822,308	$ -	$ 282,822,308	$ -
Supranational Securities	19,814,100	-	19,814,100	-
Municipal Bonds	35,748,647	-	35,748,647	-
Agency Securities	447,015,280	-	447,015,280	-
Corporate Securities	24,607,491	-	24,607,491	-
Total	$ 810,007,826	$ -	$ 810,007,826	$ -

B. Receivables

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

(amounts expressed in thousands)

Accounts Receivable (amounts expressed in thousands)	General Fund	Trans Capital & Enginerring Fund	Non-Major Governmental Funds	Solid Waste Fund	Waste Water Fund
Accounts Receivable (net short-term)	$ 17,568	$ 236	$ 34,642	$ 6,719	$ 15,499
Due from other Funds	487	305	3,719	71	98
Advances to other Funds	-	-	400	-	-
Due from Other Governments	16,110	2,335	8,695	-	815
Interest Receivable (net short-term)	-	-	-	-	-
Notes and Contracts Receivable (net short-term)	-	-	-	-	212
Notes and Contracts Receivable (net long-term)	-	-	-	-	601
TOTAL	$ 34,165	$ 2,876	$ 47,456	$ 6,790	$ 17,225

Accounts Receivable (amounts expressed in thousands)	Water Fund	Power Fund	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts Receivable (net short-term)	$ 11,607	$ 61,755	$ 9,178	$ 741	$ -	$ 157,945
Due from other Funds	757	1,842	845	1,069	-	9,193
Advances to other Funds	-	-	-	-	-	400
Due from Other Governments	300	1,756	-	19	1,138	31,168
Interest Receivable (net short-term)	-	-	-	-	2,796	2,796
Notes and Contracts Receivable (net short-term)	-	774	-	-	582	1,356
Notes and Contracts Receivable (net long-term)	-	2,634	11,378	-	-	14,613
TOTAL	$ 12,664	$ 68,761	$ 21,401	$ 1,829	$ 4,516	$ 217,471

C. Capital assets

Capital asset activity for the year-ended December 31, 2018 was as follows:

(amounts expressed in thousands)

Governmental activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	$ 36,380	$ 11	$ (563)	$ 35,828
Art	2,414	240	-	2,654
Construction Work in progress	30,800	36,038	(10,561)	56,277
Total Capital assets, not being depreciated	69,594	36,289	(11,124)	94,759
Capital assets, being depreciated				
Property, plant, and equipment	273,287	20,822	(4,204)	289,905
Infrastructure	1,410,490	13,011	(27)	1,423,474
Total capital assets, being depreciated	1,683,777	33,833	(4,231)	1,713,379
Less Accumulated depreciation:				
Property, plant, and equipment	(149,433)	(23,298)	3,791	(168,940)
Infrastructure	(797,611)	(33,571)	10,598	(820,584)
Total accumulated depreciation	(947,044)	(56,869)	14,389	(989,524)
Governmental activities, capital assets (net of accumulated depreciation)	$ 806,327	$ 13,253	$ (966)	$ 818,614

Business Type Activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	$ 164,293	$ 857	$ (95)	$ 165,055
Construction Work in progress	53,807	53,805	(32,956)	74,656
Total Capital assets, not being depreciated	218,100	54,662	(33,051)	239,711
Capital assets, being depreciated				
Property, plant, and equipment	4,428,165	141,152	(18,129)	4,551,188
Total capital assets, being depreciated	4,428,165	141,152	(18,129)	4,551,188
Less Accumulated depreciation:				
Property, plant, and equipment	(1,824,251)	(116,912)	21,616	(1,919,547)
Total accumulated depreciation	(1,824,251)	(116,912)	21,616	(1,919,547)
Business Type Activities, capital assets (net of accumulated depreciation)	$ 2,822,014	$ 78,902	$ (29,564)	$ 2,871,352

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

Governmental Activities:		
General Government	$	888
Public Safety		3,321
Transportation		34,548
Economic Environment		127
Social Services		3
Culture and Recreation		2,170
Capital Assets held by Internal Services funds which are charged to various functions based on their usage of the assets		6,800
Total depreciation expense - governmental activities		47,857
Prior period adjustment		9,012
Total depreciation increase	$	56,869
Business-type activities:		
Permit	$	19
Mountain Rail		824
Parking Garage		1,363
Convention Center		1,927
Baseball Park		1,535
Tacoma Dome		537
Performing Arts		732
TPU Fleet *		3,590
Solid Waste		5,670
Waste Water		17,563
Tacoma Rail		1,738
Water		26,118
Power		53,869
Total depreciation expense - business-type activities		115,485
Prior period adjustment		1,427
Total depreciation increase	$	116,912

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

D. Leases

There are no capital leases to report for fiscal year 2018.

E. Short-term debt

Governmental activities: No short-term debt was issued or outstanding in 2018.
Business-type activities: No short-term debt was issued or outstanding in 2018.

F. Long-term debt

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

The annual debt service requirements to maturity, including principal and interest, for general obligation bonds as of December 31, 2018 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2019	10,128	4,877	$ 2,597	$ 2,267
2020	10,468	4,545	2,677	2,168
2021	10,852	4,179	2,763	2,043
2022	11,219	3,803	2,861	1,932
2023	7,920	5,006	2,505	1,797
2024-2028	38,974	24,845	14,505	6,982
2029-2033	37,112	23,317	18,150	3,476
2034-2038	20,861	4,065	5,930	299
2039-2043	990	90	-	-
Total	$ 148,526	$ 74,728	$ 51,987	$ 20,963

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

General obligation bonds outstanding
(amoutns expressed in thousands)

	Interest Rates to Maturity	Outstanding December 31,2018
Governmental activities	2.6323 - 7.2020%	$ 148,526
Business-type activities	2.7966 - 3.20667%	$ 51,987

Special assessment bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2018, the amount of LID Special Assessment delinquency equals $330,958. The bond interest rates range from 3.25 to 5.75% and are payable over the next twenty-five years.

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

Governmental activities
Special Assessment Bonds
(amounts expressed in thousands)

	Principal	Interest	Total
2019	-	1,276	1,276
2020	-	1,276	1,276
2021	-	1,276	1,276
2022	-	1,276	1,276
2023	154	1,276	1,430
2024-2028	-	6,341	6,341
2029-2033	-	6,341	6,341
2034-2038	1,680	6,231	7,911
2039-2043	21,105	6,068	27,173
Total	22,939	31,360	54,299

Revenue Bonds and Loans

The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. Revenue bonds are secured by net operating revenue and cash and equity in pooled investment balances in the bond construction, reserve, and debt service funds. The bonds are also subject to certain financial and non-financial covenants. The original amount of outstanding revenue bonds, Washington State Public Works Trust Fund loans, Washington State Department of Transportation Rail loans, and Drinking Water State Revolving Fund loans issued in prior years was $1.2 billion. During 2018, new debt issues amounted to $175.9 million for refunding, construction and capital improvements in the Tacoma Sewer fund.

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

	Principal	Interest	Total
2019	$ 43,701	$ 54,325	$ 98,025
2020	44,169	50,346	94,514
2021	43,494	48,666	92,160
2022	40,017	47,054	87,071
2023	38,200	45,721	83,921
2024-2028	210,611	207,917	418,528
2029-2033	256,779	162,920	419,699
2034-2038	269,347	89,859	359,207
2039-2043	222,720	33,793	256,513
2043-2048	46,900	3,561	50,461
Total	$ 1,215,938	$ 744,162	$ 1,960,100

Changes in long-term liabilities for the year ended December 31, 2018 are as follows:

Changes in long-term liabilities

Governmental activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year	Reconcile to Note 11
General obligation bonds	$ 155,874	$ 2,209	$ (9,559)	148,524	$ 10,128	$ 148,524
Add: Unamortized premium	897	-	(332)	565	-	-
Less: Unamortized discount	(53)	-	5	(48)	-	-
Public works trust fund loans	4,534	-	(1,112)	3,422	570	3,423
Bond anticipation notes	8,572	-	-	8,572	8,572	8,572
Special assessment debt	26,257	-	(3,319)	22,938	511	22,938
Claims and judgments	33,784	4,608	(4,629)	33,763	26,563	-
Net OPEB obligation	69,698	-	(69,698)	-	-	-
Total OPEB Liabilities	-	193,715	(7,848)	185,867		
Total pension liability-Police and Firefighters'	44,317	-	(6,021)	38,296	-	-
Net pension liability	27,989		(27,989)	-	-	-
Compensated absences	19,181	13,425	(12,461)	20,145	2,014	-
Total governmental activities - long-term liabilities	$ 391,050	$ 213,957	$ (142,963)	$ 462,044	$ 48,359	$ 183,457

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, $4.4 million of internal service funds compensated absences were included in the above amounts. Additionally, the governmental activities, claims and judgments, and employee benefits are generally liquidated by the Third Party Claims and Workers' Compensation funds, Information Services fund, and the General fund respectively.

The additions for governmental activities general obligations bonds in the amount of $2,209 listed above represents the Governmental Funds issuance of long-term debt ($2,209) reported in the government wide financial statements.

Business-Type activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Revenue Bonds, Public Works Trust Fund loans, Drinking Water State Revolving loans, WA DOT Rail loans	$ 1,191,244	$ 100,945	$ (76,251)	$ 1,215,938	$ 43,701
Muckleshoot liability	6,944	-	(181)	6,763	177
General obligation bonds	54,778	-	(2,791)	51,987	2,597
Add: Unamortized premium	64,578	7,011	(7,425)	64,163	-
Less: Unamortized discount	(19)	-	3	(16)	-
Revolving line of credit	250	75,000	(20,000)	55,250	55,250
Environmental liability	1,726	1,439	(930)	2,235	1,222
Landfill postclosure care cost liability	16,354	71	(700)	15,725	947
Net OPEB obligation	21,656	-	(21,656)	-	-
Total OPEB Liabilities	-	35,742	(797)	34,945	-
Compensated absences	19,541	15,935	(15,187)	20,289	2,027
Net pension liability	64,891	-	(64,891)	-	-
Total business-type activities - long-term liabilities	$ 1,441,943	$ 236,143	$ (210,806)	$ 1,467,279	$ 105,921

Note 11 summarizes changes in long-term debt.

Debt issued in 2018

Governmental activities

There is no new bond issue for Governmental activities in 2018

Business-type activities:

On November 1, 2018, the Sewer Revenue Bonds, Series 2018 were issued in the amount of $100,945,000 with interest rate ranging from 3.0% to 4.0%. The proceeds from sale of the bond will be used (a) to finance and refinance certain capital construction, improvements and equipping of Sewer System and (b) to pay the costs of issuance of the 2018 Bonds.

In October 2018, Tacoma Sewer used cash to deceased $34,315,000 of outstanding 2011 Sewer Revenue and Refunding Bonds and $5,000 of the outstanding 2006 Sewer Revenue and Refunding Bonds to levelize and reduce future debt service payments. This defeasance resulted in a loss of $150,361. The Cash Flow impact of the defeasance was a reduction in principal and interest payments in the amount of $34,320,000 and $14,836,000 from 2019 through 2036.

In 2015, Tacoma Power entered into a $100 million line-of-credit agreement with Wells Fargo for working capital. The line matured in May 2018. An amendment was executed in May 2018 to extend the line-of-credit for an additional 3 years and will mature in May 2021. Each advance will bear interest at the London Interbank Offered Rate (LIBOR) of 3.13819% at December 31, 2018. Each advance is secured by Revenues as set forth in the Note Ordinance. The balance outstanding is $55.3 million as of December 31, 2018.

Bond Defeasance

In October 2018, the Wastewater and Surface Water Fund used 36,870,275 of cash to defease $34,320,000 of the outstanding 2006 and 2011 Sewer Revenue and Refunding Bonds, resulting in a loss of $150,361 as summarized below.

Defeased Bonds	Amount of debt	Total Cash transferred to escrow	Gain/Loss on cash defeasance
2006 Sewer Revenue and Refunding Bonds	$ 5,000	$ 7,635	$ 975
2011 Sewer Revenue and Refunding Bonds	34,315,000	36,862,640	(151,336)
	$ 34,320,000	$ 36,870,275	$ (150,361)

The bonds were defeased to reduce debt service and trigger springing-forward bond covenants allowing the required bond reserves for the 2016 Series A and B Revenue and Refunding Bonds to be zero, thus freeing up these bond reserves to debt service and allowing future debt required reserves to be zero.
Those funds were deposited in an irrevocable trust with an escrow agent to purchase United States Treasury Securities – State and Local Government Series (SLGS) to provide for the future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds have been removed from the statement of net position.

The cash flow requirements on the old bonds prior to this transaction were $34,320,000 in principle and $18,005,507.68 in interest from 2019 through 2036.

As of December 31, 2018, the following outstanding bonds were considered defeased in substance:

Issue	Amount
Sewer Revenue Refunding Bonds, 2006 and 2011	$ 36,125,148
Sewer Revenue Refunding Bonds, Series 2016 A (TES Properties Lease Revenue Bonds 2009)	31,762,760
Electric System Revenue Refunding Bonds 2013 Series A	25,411,262
	$ 93,299,170

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

Arbitrage

Under US Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general, the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The city has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 31, 2018, has no outstanding arbitrage liability.

G. Restricted assets

The balance of the current restricted assets accounts in the enterprise funds are as follows: (amounts expressed in thousands)

Cash for debt service	$	34,115
Cash for bond reserve		9,395
Cash for construction		131,679
Cash for other special purposes		196,697
	$	371,886

H. Related party transactions

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

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

I. Fund balances

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

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

	Major Funds		Non-major Funds			
	General Fund	Transp Capital & Engr	Special Revenue	Debt Service	Capital Project	Total Funds
Fund balances:						
Nonspendable:						
Long-term receivables/advances	$ 2,482	$ -	$ -	$ -	$ -	$ 2,482
Inventory	1,429	-	1,368	-	-	2,797
Prepaids	4	-	-	-	-	4
Trust	-	-	36	-	-	36
Total nonspendable	3,915	-	1,404	-	-	5,319
Restricted:						
Business & Training Assistance	-	-	25	-	-	25
Crime Prevention & Safety	-	-	9,782	-	-	9,782
Debt service	-	-	10,360	5,644	1,247	17,251
Economic development programs	-	-	7,341	-	-	7,341
Grants	-	-	800	-	-	800
Library, Arts & Preservation	-	-	4,721	-	-	4,721
Local Improvement District	-	1,573	-	-	-	1,573
Neighborhoods	-	-	269	-	-	269
Other capital & purchase	-	-	4,345	-	4,146	8,491
Paths & Trails	-	-	149	-	-	149
Pensions	379	-	-	-	-	379
Public services	9	-	7,112	-	-	7,121
Public Works projects	-	-	8,092	-	12,120	20,212
Sidewalk & Street projects	-	380	12,888	-	7,965	21,233
Total restricted	388	1,953	65,884	5,644	25,478	99,347
Committed:						
Council contingency*	588	-	-	-	-	588
Neighborhoods	-	-	85	-	-	85
Public Works projects	-	-	-	-	7,595	7,595
Total committed	588	-	85	-	7,595	8,268
Assigned:						
Business & Training Assistance	-	-	329	-	-	329
Demolitions	-	-	2,552	-	-	2,552
Library	-	-	2,401	-	-	2,401
Municipal TV	-	-	453	-	-	453
Neighborhoods	-	-	3,266	-	-	3,266
Open Space Properties	-	-	428	-	-	428
Police activities	-	-	570	-	-	570
Public services	-	1,231	3,909	-	269	5,409
Other purposes	3,148	-	-	-	29	3,177
Total assigned	3,148	1,231	13,908	-	298	18,585
Unassigned:	84,377	-	-	(3)	-	84,374
Total fund balances:	$ 92,416	$ 3,184	$ 81,281	$ 5,641	$ 33,371	$ 215,893

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

J. Restricted fund balance – governmental funds

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

Purpose		
Capital purchases	$	4,346
Debt Service		17,249
Culture and recreation		4,721
Public safety		9,782
Transportation		54,704
Grants		800
Housing and economic development		7,367
Pension		378
	$	99,347

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

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$0
Pension assets	$108,662,849
Deferred outflows of resources	$56,745,776
Deferred inflows of resources	($85,704,671)
Pension expense/expenditures	($16,534,813)

At December 31, 2018, The City reported the aggregate deferred outflows of resources and deferred inflows of resources for all pension plans as follows:

Total - All Plans	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Difference between expected and actual experience	($22,956,320)	$2,691,028
Changes of assumptions	($7,209,730)	$24,015,261
Net difference between projected and actual earnings	($55,466,249)	-
Contributions made subsequent to the measurement date	n/a	$28,464,568
Changes in employer proportion	($72,731)	$1,574,920
Total	($85,705,030)	$56,745,777

A. Tacoma Employees' Retirement System fund (TERS)

The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information and can be obtained by writing to:

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

Or the TERS CAFR may be downloaded from the TERS website at www.cityoftacoma.org/retirement

1. Administration of the system: The Tacoma Employees' Retirement System is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department as well as certain employees of Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still departments of the City of Tacoma are also members. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are: the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

2. Membership: Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighter, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments. The breakdown of membership as of January 1, 2018 is as follows:

Retirees and beneficiaries currently receiving benefits		2,396
Terminated vested and other terminated participants		715
Active members:		
City of Tacoma	2,677	
South Sound 911	2	
Pierce Transit	8	
Tacoma-Pierce County Health Department	261	
Total active members		2,948
Total membership		6,059

3. *Benefits*: There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member's age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

Any active member who has not retired, and has five or more years of service may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 41.54 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

4. *Contributions*: The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council. Currently, the required contribution rate for employees is 9.66% of their regular base pay; the employer contributes 11.34%, for a combined total of 21.00%. This is consistent with the Board's goal of maintaining a contribution rate that is greater than or equal to the normal cost rate of 18.49%. The difference of 2.51% between the contribution rate and the normal cost rate will be used to amortize the unfunded liability of the System. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

5. ***Significant Assumptions:*** The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2017
Valuation Date	January 1, 2018
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: • Level percent • Open periods • 25 year amortization period • 3.75% amortization grown rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.75%
Salary Increases	Varies by service; details in funding valuation report
Investment Rate of Return	7.00%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, eligibility; details in funding valuation report.
Turnover	Varies by service, gender; details in funding valuation report.
Mortality	RP-2014 Mortality for Healthy and Disabled Annuitants, with age adjustments
Active Members: Male Inactive Members and Male Beneficiaries: Female Inactive Members and Female Beneficiaries:	RP-2014 Employee Mortality, sex-distinct. RP-2014 50% Blue Collar/50% White Collar Mortality for Healthy Males, RP-2014 Disabled Mortality for males. RP-2014 Blue Collar Mortality for Healthy Females, RP-2014 Disabled Mortality for females.

**Note that the actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL in 30 years. Note that a period of 30 years is used for years beginning January 1, 2017 and earlier and a period of 25 years is used for years beginning January 1, 2018 and later.*

6. ***Benefit and Assumption Changes***: The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. Between January 1, 2016 and January 1, 2017 assumptions were changed.

Significant Changes in Benefits, Contributions, and Assumptions were as follows:

Valuations as of January 1

- 2018 Contribution rates were increased effective February 2018
- 2017 Nearly all economic and non-economic actuarial assumptions were changed
- 2016 No change
- 2015 No change
- 2014 The discount rate (investment return assumption was lowered)
- 2013 The discount rate (investment return assumption) was lowered, along with price amd wage inflation. Most active demographic assumptions were changed. The mortality assumption for contributing members, service retirees, beneficiaries, and disabled members was changed.
- 2012 Contribution rates were increased effective Janurary 1, 2012.
- 2011 Contribution rates were increased effective Janurary 1, 2011.

7. *Target Allocations*: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2017. The target asset allocation is based on TERS Investment Policy Statement dated March 2016.

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	15.0%	2.06%
US Inflation-Indexed Bonds	5.0	1.36
High Yield Bonds	9.0	4.69
Emerging Market Debt	5.0	3.39
Global Equity	41.5	4.95
Public Real Estate	2.0	5.55
Private Real Estate	2.5	3.83
Private Equity	10.0	8.88
Master Limited Partnerships	4.0	4.20
Timber	2.0	4.04
Infrastructure	2.0	4.89
Agriculture	2.0	4.54
Assumed Inflation - Mean		2.75
Assumed Inflation - Standard Deviation		1.85
Portfolio Arithmetic Real Mean Return		4.56
Portfolio Median Nominal Geometric Return		6.68
Portfolio Standard Deviation		11.77
Long-Term Expected Rate of Return, net of investment expenses		7.00

8. Sensitivity Analysis: The following presents the employer's proportionate share of the collective net pension liability as of the December 31, 2017 measurement date calculated using the discount rate of 7.00%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employers proportionate share of the net pension liability	$159,881,485	($39,323,299)	($205,786,372)

9. Deferred outflows of resources and deferred inflows of resources: These balances are presented by source (for example, experience gains and losses, or differences between assumed and actual investment earnings)

For the period ended December 31, 2018, the employer recognizes the following amounts:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	($21,789,842)	-
Changes of assumptions	-	23,986,824
Net difference between projected and actual earnings	(45,123,372)	-
Contributions made subsequent to the measurment date	n/a	26,414,403
Changes in employer proportion	(24,218)	27,878
Total	(66,937,432)	50,429,105

10. Deferred outflows for contribution subsequent to the measurement date: The total contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. Note that the employer reporting date is one year later than the measurement date.

Year-ended December 31	
2018	($3,079,587)
2019	($543,524)
2020	($20,343,542)
2021	($17,944,634)
2022	($1,011,533)
Thereafter	-

11. Schedule of Pension Amounts by Employer: The employer's percentage of the collective net pension liability, how it was determined, and any change in the percentage since the previous measurement.

The following table is a schedule of the proportionate share by employer. Each employer in TERS contributes at the same rate of payroll. Using the actual contributions for the year provides a reasonable basis for each employer's projected long-term contribution effort.

Employer	2017 Employer Contributions	Rounded Percentage of Total Contributions	Beginning Net Pension Liability *	Ending Net Pension Liability **
City of Tacoma	$24,124,140	92.46037%	$92,880,523	($39,323,299)
South Sound 911	22,953	0.08797%	136,405	(37,414)
Pierce Transit	73,435	0.28145%	274,143	(119,702)
Health Department	1,870,803	7.17021%	7,139,763	(3,049,483)
Grand Total	26,091,331	100.00000%	100,430,834	(42,529,898)

** Based on unrounded contributions from 2016.*

*** Based on unrounded contributions from 2017.*

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest

consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**
Local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
State of Washington	3.50%	**N/A**
Total	**3.50%**	

The City of Tacoma's actual contributions to the plan were $4,278,699 for the year ended December 31, 2018.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For fiscal year ending June 30, 2018, the state contributed $68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $2,770,377.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study and the 2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council and LEOFF 2 Board.
    - Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40
    - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
    - Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Improved how minimum benefits paid to TRS 1 annuitants were modeled in the case where the member had elected a reduced annuity upon retirement
- Updated the trend that the valuation software uses to project medical inflation for the LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all LEOFF plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. LEOFF 1 uses 7.5 percent. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL/(Asset)

The table below presents the City of Tacoma's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent as well as what the City of Tacoma's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
LEOFF 1	($15,197,487)	($19,103,856)	($22,467,105)
LEOFF 2	($6,680,407)	($50,235,694)	($85,760,096)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City of Tacoma reported a total LEOFF pension asset of $69,339,550 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
LEOFF 1	($19,103,856)
LEOFF 2	($50,235,694)

The amount of the liability/ (asset) reported above for LEOFF Plan 1 and 2 reflects a reduction for State pension

support provided to the City of Tacoma. The amount recognized by the City of Tacoma as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City of Tacoma were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	($19,103,856)	($50,235,694)
State's proportionate share of the net pension liability/(asset) associated with the employer	($129,218,006)	($32,526,664)
TOTAL	($148,321,862)	($82,762,358)

At June 30, 2018, the City of Tacoma's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
LEOFF 1	1.07%	1.05%	(.02%)
LEOFF 2	2.59%	2.47%	(.12%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2018 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City of Tacoma recognized pension expense as follows:

	Pension Expense
LEOFF 1	($2,891,650)
LEOFF 2	($1,633,806)
TOTAL	($4,525,456)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City of Tacoma reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	($1,550,954)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$0	$0
TOTAL	$0	($1,550,594)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$2,691,028	($1,166,478)
Net difference between projected and actual investment earnings on pension plan investments	$0	($8,791,922)
Changes of assumptions	$28,437	($7,209,730)
Changes in proportion and differences between contributions and proportionate share of contributions	$1,547,042	($48,153)
Contributions subsequent to the measurement date	$2,050,165	$0
TOTAL	$6,316,671	($17,216,284)

Deferred outflows of resources related to pensions resulting from the City of Tacoma's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	LEOFF 1
2019	$1,481
2020	($349,881)
2021	($952,937)
2022	($249,617)
2023	$0
Thereafter	$0

Year ended December 31:	LEOFF 2
2019	($835,426)
2020	($2,166,575)
2021	($5,055,418)
2022	($1,822,974)
2023	($576,533)
Thereafter	($2,492,853)

C. Police and Firefighter's Relief and Pension Funds

The following table represents the aggregate pension amounts for the single plan subject to the requirements of the GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year 2018:

Aggregate Pension Amounts		
	Firefighters' Pension Fund	Police Pension Fund
Total pension liability	$24,903,710	$13,391,119

1. *Plan description*:

The Police Relief and Pension Fund (PRP) and the Fire Relief and Pension Fund (FRP) are single-employer defined-benefit pension plans. These funds were established and administered by the City in accordance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20. Both pension funds were reclassified from a fiduciary fund to the General Fund in 2016, as prescribed by GASB Statement 73, paragraph 115. The City implemented the rest of GASB Statement 73 that became effective in fiscal year 2017.

The plans provide retirement and medical benefits to all police officers, firefighters and their beneficiaries for individuals employed before March 1, 1970, the effective date of LEOFF. The LEOFF laws were subsequently amended by the Pension Reform Act, which took effect October 1, 1977. Through the LEOFF Act, the state undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March 1, 1970. The plans are closed plans that provide pension and medical benefits, some of which can be in excess of LEOFF benefits. There are 0 active Police Officer and 1 active Firefighters with prior rights covered under these plans as of December 31, 2018. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 119 for the PRP and 163 for the FRP as of December 31, 2018. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

Each retiree receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new for any police or firefighter, the excess benefits are paid from the FRP and PRP of the city employment them on March 1, 1970.

The Police Pension Board consists of six members authorized by statute: the Mayor as Chair, the City Clerk, the City Treasurer, and three law enforcement officers (active or retired LEOFF 1 or LEOFF 2 officers), who will serve in the elected capacity for three-year terms.

The Fire Pension Board consists of five members authorized by statute: the Mayor as Chair, the Finance Director, the City Treasurer, and two elected firefighters (active or retired LEOFF 1 or LEOFF 2 firefighters). The two elected firefighters serve two year terms and select a third firefighter who serves as an alternate in the event of an absence of one of the regularly elected firefighters.

2. Benefit Provisions

The LEOFF Act requires a varying obligation of the City for benefits paid to police officers and firefighters.

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970; continue to be paid in their entirety by the City under the old pension laws.

- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.

- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.

- Police officers and firefighters hired on or after October 1, 1977, are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.

- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

3. *Contributions*

The PRP is funded entirely from annual contributions from the City's General Fund that are budgeted and approved by the City Council. Funding of these benefits is required by RCW 41.20. The FRP contributions are required by RCW 41.18 and are funded from two sources: (1) state contributions of 25% on fire insurance premium collections and is considered a non-employer contributing entity and (2) a property tax levy of up to $.225 per $1,000 of assessed valuation. Retirement benefit provisions are established in state statute and may only be amended by the State Legislature. Amendments to each of the Plans are authorized by the separate Police and Fire Pension Boards.

Contributions are determined on a pay-as-you-go basis. There have been no required employee contributions to the police and firefighter's relief and pension plans since March 1, 1970.

The General Fund is responsible for the costs of administering the plans and ensuring that the fund has

adequate cash to pay its obligations each year. The total General Fund contributions to the FRP and PRP were $4.1 million and $4.6 million for 2018.

The state contributes 25% of taxes on fire insurance premiums to the FRP and the amount contributed in 2018 was $387,000.

4. *Actuarial Assumptions*

The total pension liability (TPL) was determined by an actuarial valuation as of January 1, 2018, projected forward to the measurement date of December 31, 2018. The liability was calculated based on the discount rate and other actuarial assumptions below.

	Firefighter Relief and Pension	**Police Relief and Pension**
Discount Rate		
Municipal bond rate	4.00%	4.00%
Actuarial Assumptions:		
Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2018	December 31, 2018
Inflation	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for females (set forward two years for disabled members).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for females (set forward two years for disabled members).
Actual Cost Method	Entry Age Normal	Entry Age Normal

5. Changes in the Total Pension Liability

	Firefighters' Relief Pension	Police Relief Pension
	Increase (Decrease) Total Pension Liability	Increase (Decrease) Total Pension Liability
Balance as of December 31, 2017	$ 28,827,798	$ 15,489,578
Changes for the year:		
Service cost	-	-
Interest	975,114	514,470
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	(1,871,375)	(666,515)
Effect of assumptions changes or inputs	(1,076,219)	(540,011)
Benefit payments*	(1,951,608)	(1,406,403)
Net changes	**(3,924,088)**	**(2,098,459)**
Balance as of December 31, 2018	**24,903,710**	**13,391,119**

*Benefit payments are estimated based on expected payouts.

6. Sensitivity of the Total Pension Liability

The table below presents the total pension liability calculated using the discount rate of 3.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total pension liability - Fire	$27,137,094	$24,903,710	$22,966,195
Total pension liability - Police	$14,509,928	$13,391,119	$12,414,515

7. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

Pension expense of ($2,359,480) and ($692,056) for was recognized in 2018 for the FRP and PRP. As of December 31, 2018, there are no deferred outflows or deferred inflows of resources related to these pension funds. The effects of changes in assumptions/inputs and economic/demographic gains or losses are recognized over the average remaining service life for all active and inactive members, with immediate recognition when the average remaining service life is less than one. Therefore, the $1,076,219 and $540,011 shown above for the effect of changes in assumptions were expensed in the current year.

D. Defined Benefit Other Post-Employment Benefits (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	($220,811,987)
OPEB assets	-
Deferred outflows of resources	18,234,375
Deferred inflows of resources	(1,988,674)
OPEB expense/expenditures	12,361,610

1. *Plan description:*

Eligibility and the amount of benefits paid by the City for Other Post-Employment Benefits (OPEB) vary by retirement group. Each plan provides medical benefits to eligible retired City employees and beneficiaries. The City contributes to multiple retirement systems including the Tacoma Employees' Retirement System Fund (TERS), a cost sharing-multi employer plan; the Law Enforcement Officers' and Firefighters' Retirement System Plans (LEOFF Plan 1) administered by the City; the Law Enforcement Officers' and Firefighters' Retirement System Plan (LEOFF Plan 2), a cost sharing-multi employer plans administered by Washington State; and the Railroad Retirement System which is an independent agency in the executive branch of the U.S. Government which administers the Railroad Retirement Act. The benefits under the Railroad Retirement Act are not payments under a 'pension plan' but rather are grants under a Federal statute. Railroad benefit amounts are divided into a social security level benefit, staff-type benefits based on a railroad services, and in some instances a dual benefit component. The railroad retirement benefits are paid from the Railroad Retirement Account, maintained by the Department of the Treasury of the U.S. and is financed through taxes levied upon railroad employees and employers by the Railroad Retirement Tax Act (26 U.S.C. 3201 et seq.), which is administered by the Internal Revenue Service.

Benefit provisions for TERS are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. These statutes assign the authority to establish benefit provision for TERS. For LEOFF Plan 2, benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26. These statutes assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provision are established by state statute of the State of Washington through the Department of Retirement Systems, per RCW 41.26. LEOFF Plan 1 is closed to new entrants. For the Railroad Retirement System, these are administered by Federal statute under the Railroad Retirement Act (45 U.S.C. 231 et seq.) and authority resides by these Federal statutory provisions.

Financial reports for the LEOFF Plans and Railroad Retirement System plans are available at the addresses below. These reports may be obtained by writing at the following addresses:

LEOFF Plan 1
State of Washington
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113

U.S. Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-2092

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma's Human Resources Department. The membership in the program is as follows:

	Non-LEOFF 1 as of January 1, 2017	LEOFF 1 As of January 1, 2018	Total
Inactive employees or beneficiaries currently receiving benefits	255	406	661
Inactive employees entitle to but not yet receiving benefits	476	0	476
Active employees	3,490	1	3,491
Total	4,221	407	4,628

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

2. Actuarial Assumptions and Other Inputs:

The Valuation Date is January 1, 2017 for non-LEOFF 1 members and January 1, 2018 for LEOFF 1 members. This is the date as of which the census data was gathered and the actuarial valuation was performed. The Measurement Date is December 31, 2017. The Reporting Date is December 31, 2018. This is also the City's fiscal year ending date.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

	Non-LEOFF 1	LEOFF 1
Valuation Date	January 1, 2017	January 1, 2018
Measurement Date	December 31, 2017	December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Discount Rate – based on 20 Year Tax-Exempt Municipal Bond Yield with an average rating of AA/Aa or higher at the Measurement Date	3.44%	3.44%
Funding Plan	Pay-as-you-go	Pay-as-you-go
Medical Cost Trends	2017 9.1% 2018 6.4% 2019 5.8% 2020 5.3% 2030 5.4% 2040 5.5% 2050 5.2% Grading down to an ultimate rate of 4.4% in 2073. The trends above do not reflect increases in costs due to excise tax.	**Pre-65 Post-65** 2018/19 5.8% 5.5% 2019/20 5.3% 5.2% 2020/21 4.9% 4.9% 2021/22 4.9% 4.8% 2022/23 4.8% 4.8% 2023/25 4.8% 4.7% Grading down to an ultimate rate of 3.8% in 2074. The trends above do not reflect increases in costs due to excise tax.
Dental Trend	Not applicable	Minimum of 4% and Medical Trend.
Long-Term Care Inflation Rate	Not applicable	4.5%
Participation Assumption	100% Rail employees eligible for City-paid retiree medical benefits. 25% of TERS and LEOFF 2 active employees who are not eligible for benefits paid entirely by the City. 5% of terminated vested members.	100% participation
Experience Study Dates	2012-2015	2007-2012
Demographic Assumptions (Eligibility):		
Disability	Five years of service are required for non-service connected disability.	For a duty disability, employee is eligible after six-month waiting period (RCW 41.18.050). For non-duty disability, employee eligible after 90-day waiting period (RCW 41.18.080).

	Non-LEOFF 1	LEOFF 1
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 service years - Age 40 with 20 service years LEOFF 2 members are eligible for retiree medical benefits after achieving one of the following: - Age 53 with 5 service years - Age 50 with 20 service years Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 service years.	Members are eligible to receive lifetime medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire at time of termination but have 20 years of service credit, they are eligible for medical benefits when pension benefits commence.
Mortality:		
Active Members	RP-2014 Employee Tables for respective sexes, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (adopted 1/1/2017).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females.
Male Inactive Members, Retired Members, and Beneficiaries	RP-2014 Mortality Table for Males, blended 50% Blue Collar and 50% White Collar, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (adopted 1/1/2017).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males.
Female Inactive Members, Retired Members, and Beneficiaries:	RP-2014 Blue Collar Mortality for Females, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (adopted 1/1/2017).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward one year for females.
Disabled Members	RP-2014 Disabled Male Mortality projected with unisex table based on Social Security Administration data from the most recent 60 years available (adopted 1/1/2017).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years for disabled members.

3. Sensitivity Analysis:

The following represents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates. See the Medical Cost Trends provided in the table above.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$194,295,536	$220,811,987	$252,553,115

The following represents the total OPEB liability of the City, calculated using the discount rate of 3.44%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that are one percentage point lower (2.44%) or one percentage point higher (4.44%) than the current trend rates.

	1% Decrease 2.44%	Discount Rate 3.44%	1% Increase 4.44%
Total OPEB Liability	$251,108,907	$220,811,987	$195,695,862

4. Changes in the Total OPEB Liability:

Changes in the Total OPEB Liability for reporting period ending December 31, 2018, are as follows:

	Increase (Decrease) Total OPEB Liability
Total OPEB Liability at beginning of period	$209,227,341
Changes for the year:	
Service cost	3,010,110
Interest on total OPEB liability	7,866,185
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	9,060,421
Expected benefit payments	(8,352,070)
Total OPEB Liability at end of period	$220,811,987

There was a change in assumption as the discount rate was updated to 3.44% from 3.78%.

The total OPEB liability of $220,811,987 was determined by an actuarial valuation as of the valuation dates of January 1, 2017 and 2018, calculated based on the discount rate of 3.44%, and then projected to the measurement date of December 31, 2017. The City recognized an OPEB expense of $12,361,610. The OPEB expense for December 31, 2018 financial reporting period is as follows:

	OPEB Expense
Service cost	$3,010,110
Interest on total OPEB liability	7,866,185
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	-
Recognition of assumptions changes or inputs	1,485,315
OPEB Expense	$12,361,610

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$-	$-
Changes of assumptions	7,575,106	-
Changes in proportionate share	1,157,567	(1,157,567)
Difference in contributions	831,107	(831,107)
Payments subsequent to the measurement date	8,670,595	-
TOTAL	$18,234,375	($1,988,674)

Deferred outflows of resources of $8,670,595 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	$1,485,315
2020	1,485,315
2021	1,485,315
2022	1,485,315
2023	1,485,315
Thereafter	$148,531

5. Excise Tax for High Cost or "Cadillac" Health Plans in 2020 and Beyond:

An excise tax for high cost health coverage or "Cadillac" health plans was included in the Affordable Care Act (ACA) passed into law in March 2010. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. The Consolidated Appropriations Act (CAA), which was signed into law in December 2015, delays the tax for two years, until 2020.

The City believes the current provisions of ACA should be reflected in the projection of benefits and therefore, we do include the value of the excise tax in the valuation. The City assumes there will be no changes to the current tax law and that there will be no changes in the plan design to help mitigate the impact of the tax.

GASB Statement No. 75 indicates that the projection of benefits should include all benefits to be provided to retirees in accordance with the current "substantive" plan. The substantive plan refers to the plan terms as understood by the employer and plan members at the time of the valuation. For this reason, we believe the current provisions of ACA should be reflected in the projection of benefits and therefore, we do include the value of the excise tax in this valuation. The City assumes there will be no changes to the current tax law and that there will be no changes in the plan design to help mitigate the impact of the tax.

Note 5 – DEFERRED COMPENSATION

The City offers its employees two deferred compensation plans through a third party created in accordance with Internal Revenue Code Section 457. The plans, available to all City permanent full-time and part-time employees, permit 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 does offer a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions. The 2018 contribution limits are $18,500 for regular deferral, $37,000 for pre-retirement and $24,500 for age 50 provision deferrals. The City has agreed through contract negotiation with the Police union and the Fire union to match contributions made by all Police Officers and Fire Officers up to a maximum of $192 per pay period.

Benefit Plan	Third Party Administrator	Pre-Tax Employer Contributions	Pre-Tax Employee Contributions	After-Tax Employee Contributions	Total by Plan
457 deferred compensation	ICMA	2,075,140	13,900,338	1,073,654	17,049,132
457 deferred compensation	Nationwide	1,348,673	2,417,884	81,303	3,847,860
Total		$ 3,423,813	$ 16,318,222	$ 1,154,957	$ 20,896,992

Note 6 – INTERFUND ACTIVITY

Interfund activity is composed of three types of transactions. Due to and due from other funds represent internal charges for services. Advances to and from other funds are loans between funds for capital or cash flow purposes. Transfers represent a sharing of resources between funds. At the fund level, these transfers increase or decrease individual funds resources, but they do not affect the City's total resources. These internal activities do not represent inflows or outflows of the City's resources; rather, they reflect resources being moved within the City. The effects of these transactions are included in the City's fund statements but are removed from the entity-wide financial statements.

Due to and Due from balances result when transactions are recorded in the accounting system and payments are made between funds after December 31, 2018.

	Due From									
Due To	General Fund	Trans Cap & Engineer Fund	Non-major Governmental Funds	Solid Waste Fund	Waste Water Fund	Tacoma Water Fund	Tacoma Power Fund	Internal Service Funds	Non-major Enterprise Funds	Total
General Fund	$ 4	$ -	$ 2,889	$ -	$ -	$ 563	$ 38	$ 102	$ 54	$ 3,650
Trans Cap & Engineer Fund	-	-	48	-	-	-	-	-	42	90
Non-major Governmental Funds	287	305	618	2	51	30	5	145	680	2,123
Solid Waste Fund	1	-	27	-	-	-	170	268	-	466
Waste Water Fund	7	-	18	51	-	-	390	40	50	556
Tacoma Water Fund	-	-	4	18	-	164	1,144	236	-	1,566
Tacoma Power Fund	-	-	10	-	-	-	-	194	3	207
Non-major Enterprise Funds	177	-	101	-	47	-	62	46	16	449
Internal Service Funds	11	-	4	-	-	-	33	39	-	87
Total	$ 487	$ 305	$ 3,719	$ 71	$ 98	$ 757	$ 1,842	$ 1,070	$ 845	$ 9,194

The composition of interfund advances to and from other funds balances at December 31, 2018 is as follows:

Interfund Advances to/from Other Funds
(amounts expressed in thousands)

	Interfund Advances to		
Interfund Advances from	Non-Major Governmental	Non-Major Enterprise	Total
Non-Major Governmental	$400	$0	$400
Total	$400	$0	$400

The information below provides detail of the advances, or interfund payable transactions:

$399,992 was authorized from the Capital Projects Fund (#3211) to the Fire Department Fund (#1090) to refit and renovate a fireboat.

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Interfund Transfers
(amounts expressed in thousands)

	Transfer In								
	General Fund	Trans Capital & Engineering	Non-Major Governmental Funds	Wastewater & Surface Water	Tacoma Water	Tacoma Power	Non-Major Enterprise Funds	Internal Service Funds	Transfer Out Total
Transfer Out									
General Fund	$ 250	$ -	$ 23,332	$ -	$ -	$ -	$ 5,848	$ 4,217	$ 33,647
Trans Capital & Engineering	-	-	120	-	-	-	-	-	120
Non-Major Governmental Funds	307	4,742	42,939	228	70	223	6,880	1,777	57,166
Solid Waste	4,208	-	1,403	-	-	-	-	230	5,841
Wastewater & Surface Water	7,085	-	2,403	-	-	-	-		9,488
Tacoma Water	5,781	-	1,915	-	-	-	-	-	7,696
Tacoma Power	27,442	-	6,943	-	-	-	-	-	34,385
Non-Major Enterprise Funds	2,063	-	3,238	327	-	-	325	25	5,978
Internal Service Funds	-	-	605	28	-	-	-	202	835
Transfer In Total	$ 47,136	$ 4,742	$ 82,898	$ 583	$ 70	$ 223	$ 13,053	$ 6,451	$ 155,156

The information below provides detail of the interfund transfer transactions:

$250,000 was transferred from the General Fund to the General Fund for Contingency

$4,217,177 was transferred from the General Fund to Internal Service funds for services and projects.

$23,331,956 was transferred from the General Fund to Non-Major Governmental Funds for grant matches, debt service, capital projects, non-capital projects and regular operations

$5,847,473 was transferred from the General Fund to Non-Major Enterprise Funds for contributions to support debt services payments, capital projects and regular operations

$120,276 was transferred from the Trans Capital & Engineering Fund to Non-Major Governmental Funds for capital projects.

$4,208,348 was transferred from the Solid Waste Fund to the General Fund for Gross Earnings Tax.

$230,068 was transferred from Solid Waste to Internal Service Funds to support Asphalt Plant.

$1,402,782 was transferred from the Solid Waste Fund to Non-Major Governmental Funds for Gross Earnings Tax.

$7,084,363 was transferred from the Waste Water Fund to the General Fund for Gross Earnings Tax.

$2,403,454 was transferred from the Waste Water Fund to the Non-Major Governmental Funds for Gross Earnings Tax

$5,781,019 was transferred from the Water Fund to the General Fund for Gross Earnings Tax.

$1,913,393 was transferred from the Water Fund to the Non-Major Governmental Funds for Gross Earnings Tax

$27,441,557 was transferred from the Power Fund to the General Fund for Gross Earnings Tax.

$6,943,400 was transferred from the Power Fund to the Non-Major Governmental Funds for special revenues.

$28,500 was transferred from the Internal Service Funds to Waste Water Fund for capital assets

$201,485 was transferred from the Internal Service Funds to Internal Service Fund for regular operations.

$605,388 was transferred from the Internal Service Funds to Non-Governmental Funds for regular operations.

$307,250 was transferred from the Non-Major Governmental Funds to the General Fund to fund emergency medical services and fire management analyst.

$4,741,904 was transferred from the Non-Major Governmental funds to the Trans Capital & Engineering Fund for capital projects.

$227,678 was transferred from the Non-Major Governmental Funds to Wastewater & Surface Water Fund for the streets Initiative Green Projects

$70,350 was transferred from the Non-Major Governmental Funds to Water Fund for capital projects

$223,114 was transferred from the Non-Major Governmental Funds to Power Fund for capital projects

$1,776,577 was transferred from the Non-Major Governmental Funds to Internal Services Funds for facilities and equipment.

$42,939,566 was transferred from the Non-Major Governmental funds to Non-Major Governmental Funds for various capital projects and debt service payments.

$6,880,681 was transferred from the Non-Major Governmental funds to Non-Major Enterprise funds for capital projects and debt service payments.

$2,063,145 was transferred from the Non-Major Enterprise Funds to the General Fund for Gross Earnings Tax.

$326,833 was transferred from the Non-Major Enterprise Funds to Wastewater & Surface Water Fund for capital projects

$25,000 was transferred from the Non-Major Enterprise Funds to Internal Services Funds for facilities and equipment.

$3,238,233 was transferred from the Non-Major Enterprise Funds to Non-Major Governmental Funds for Gross Earnings Tax and debt service payments.

$325,000 was transferred from the Non-Major Enterprise Funds to Non-Major Enterprise Funds for capital projects.

Note 7 – OTHER INFORMATION

A. Accounting changes

Effective for the fiscal year 2018, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. It replaces the requirement of GASB statements No. 45 and No. 57. Specifically, this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefits payments to their actuarial present value, and attribute that present value to periods of employee service. Requirements were also established for note disclosures and required supplemental information. The City has made the required adjustments as prescribed by GASB Statement No. 75. As a result of this implementation the Net OPEB Obligation was replaced by the Total OPEB Liability resulting in a decrease in beginning net position of $109,463,000. The beginning net position for governmental activities was decreased by $99,630,000 and for business-type activities was decreased by $9,833,000.

Solid Waste, Wastewater & Surface Water, Tacoma Water, Tacoma Power and Tacoma Rail issue separate, audited standalone comparative financial statements for the years ended December 31, 2018 and 2017. GASB 75 requires retroactive implementation. For standalone statements it requires the restatement of all presented periods. This resulted in a change in the beginning fund balances for January 1, 2018 on the face of the standalone statements. However, since the City does not present comparable financial statements, the net effect of the accounting change related to the above mentioned funds are reflected in the Change in Accounting Principle instead of restating the January 1, 2018 beginning balance.

GASB Statement No. 85 – *Omnibus 2017.* The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (both pensions and other postemployment benefits other than pensions). Where applicable, the City has made the required adjustments as prescribed by GASB Statement No. 85.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues.* The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which existing resources are placed into an irrevocable trust for the sole purpose of extinguishing debt. It improves the accounting and financial reporting for prepaid insurance on debt that is extinguished and improves the required note disclosures for debt that is defeased in substance. The City has made the required adjustments as prescribed by GASB Statement No. 86.

B. Risk management

The City is self-insured for tort liability, medical benefits, unemployment and worker's compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for Incurred but Not Reported (IBNR) claims. The estimate for reported claims is based on Risk Management and Legal

Departments' projections and is adjusted annually. The IBNR for the self-insured employee benefits is based on an average of 2-months claims from the reporting year. The IBNR for tort liabilities are calculated by a periodic actuarial study. The handling and paying of all tort liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the TPU Self Insurance Claim Fund. Monies are appropriated from various cost centers based on prior claims history and paid to these funds.

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with the Revised Code of Washington in RCW 35.21.085(2). The general government of the City carries a supplemental liability policy with a $20 million limit and a $3 million self-insured retention, except a $5,000,000 self-insured retention applies to Law Enforcement Liability claims. This policy renews on May 1 of each year. TPU carries separate supplemental liability policies with total limits of $60,000,000, $250,000 retention for wrongful acts claims and a $1,500,000 self-insured retention for all other covered claims, renewable on December 1 of each year. The Belt Line Railroad carries separate Railroad Liability policies with total limits of $50,000,000 each occurrence and a $1,000,000 self-insured retention renewable on December 1 of each year. Mountain Rail carries a separate Railroad Liability policy a limit of $7,000,000 each occurrence and a $50,000 self-insured retention renewable on December 2 of each year. These policies are provided to supplement the City's current self-insurance risk for settlements in excess of the self-insured retentions.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a $1 million retention for each occurrence as well as an additional $250,000 for any one policy year. This policy renews January 1st of each year.

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

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Railroad became a participant in 1985. Total assets in this fund are $7.6 million. Settlement payments were within amounts available for coverage for the last three years—2018, 2017, and 2016.

Changes in estimated claims settlements liability for the past two years were as follows:

(Amounts expressed in thousands)

	Self Insurance Fund		Worker Compensation Fund		TPU Self Insurance Fund	
	2018	2017	2018	2017	2018	2017
Balance 01/01	$ 28,700	$ 21,502	$ 5,084	$ 5,681	$ 5,878	$ 4,827
New Claims	875	1,191	1,791	2,320	1,254	969
Adjustments to Claims	3,419	10,380	3,435	1,419	(2,131)	1,499
Claims Payment	(4,280)	(4,373)	(5,261)	(4,336)	171	(1,417)
Balance 12/31	$ 28,714	$ 28,700	$ 5,049	$ 5,084	$ 5,172	$ 5,878

C. Prior-Period Adjustments

Prior year adjustments are used for the correction of an error or the implementation of a new authoritative standard.

Subsequent to the issuance of the December 31, 2018 financial statements, prior period adjustments were made.

Governmental Funds:

Fund Name	Description
Geneal Fund # 0010	Beginning net position increased by $373,550 from accrual, replacement expenditures, and prepaid postage.
Transportaion Capital and Engin #1060	Beginning net position decreased by $853,871 from allowance for uncollectible account, revenue, and capital expenditure.
Special Funds # 1090 and # 1650	Beginning net position increased by $69,108 from grant revenue and expenditure accrual.
Capital Project Fund # 3218	Beginning net position increased by $1,679 from capital outlay and accrual of expenditure

Enterprises Funds

Fund Name	Description
Fund #4110	Beginning net positon decreased by $123,154 from correction of revenues
Fund #4140	Beginning net positon increased by $888,147 from correction of revenues and reclassified depreciation
Fund #4170	Beginning net positon decreased by $313,905 from reclassified depreciation
Fund #4180	Beginning net positon decreased by $57,243 from reclassified depreciation
Fund #4190	Beginning net positon decreased by $48,695 from reclassified depreciation
Fund #4200	Beginning net positon decreased by $119,028 from adjustment of OPEB - GASB 75
Fund# 4300	Beginning net positon decreased by $740,773 from adjustment of OPEB - GASB 75
Fund #4450	Beginning net positon decreased by $9,308,463 from adjustment of OPEB - GASB 75
Fund #4600	Beginning net positon increased by $129,846 from adjustment of OPEB - GASB 75
Fund $4700	Beginning net positon increased by $204,841 from adjustment of OPEB - GASB 75

Internal Service Funds

Fund name	Description
Fund #5540	Beginning net positon decreased by $290,664 from redassified depreciation
Fund #5700	Beginning net positon decreased by $1,398,481 from redassified depreciation
Fund #5800	Beginning net positon decreased by $661,275 from redassified depreciation

Government-wide Statements
(amounts expressed in thousands)

The impact of the prior period adjustments on the fund statements detailed above impacted the Government-Wide statements as followed:

Activity	Amount	Description
Governmental	$ (2,760)	General Fund, Trans Capital and Engineering, Fire, Traffic Enforcement, and LTGO Capital
Business	(11,265)	Permit Services, Parking Garage, Solid Waste, Waste Water, Rail, Water, and Power
Total	$ (14,025)	

D. Segment Information

The following are the three segment enterprise funds maintained by the City. Segment information was as follows:

(Amounts expressed in thousands)

CONDENSED STATEMENT OF NET POSITION	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Assets:			
Current assets	$ 2,595	$ 1,983	$ -
Accounts receivable (net)	640	227	4,052
Prepayments	23	55	-
Restricted assets	3,495	2,012	1,997
Capital assets (net)	47,429	56,511	-
Other non-current assets	150	318	11,378
Total assets	54,332	61,106	17,427
Deferred outflow of resources	193	3,028	-
Liabilities:			
Current liabilities	2,139	4,552	4,287
Due to other funds	9	5	-
Net pension liabilities	-	-	-
Non-current liabilities	8,538	59,977	12,212
Total liabilities	10,686	64,534	16,499
Deferred inflow of resources	314	385	-
Net position			
Net invesment in capital assets	37,241	(4,175)	-
Restricted	3,495	2,222	1,997
Unrestricted	2,789	1,168	(1,069)
Total Net Position	$ 43,525	$ (785)	$ 928

CONDENSED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Operating revenues	$ 7,519	$ 3,272	$ -
Depreciation expense	(1,363)	(4,869)	-
Other operating expenses	(3,702)	(1,927)	(4)
Operating income	2,454	(3,524)	(4)
Nonoperating revenues (expenses)			
Tax	-	10	-
Interest revenue	167	69	5
Interest expense	(280)	(2,363)	(1,214)
Other nonoperating revenues(expenses)	(434)	2,427	1,214
Capital contributions	-	1,521	-
Transfers	(1,530)	5,592	-
Change in net position	377	3,732	1
Beginning net position	44,036	(4,517)	927
Prior period adjustments	(888)	-	-
Ending net position	$ 43,525	$ (785)	$ 928

CONDENSED STATEMENT OF CASH FLOW

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Net cash provided (used) by:			
Operating activities	$ 1,877	$ (1,191)	$ 3,973
Noncaptial financing activities	2	4,455	-
Captial and related financing activities	(4,602)	(1,194)	(3,974)
Investing activities	167	69	5
Net increase (decrease)	(2,556)	2,139	4
Beginning cash and cash equivalents	8,645	1,854	1,993
Ending cash and cash equivalents	$ 6,089	$ 3,993	$ 1,997

- Parking Garage fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.
- Union Station fund (#4450) accounts for the thirty-year lease with the Federal Government who uses Union Station as a Federal Courthouse.

E. Tax expense – Utility Funds

The taxes expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Surface Water, Waste Water, and Solid Waste and a 7.5% tax upon gross earnings for Tacoma Power which is paid to the General Fund. Non-governmental utilities also pay gross earnings tax at the following rates: Natural Gas, 7.5%; Cable TV, 8.0%; Electricity, 7.5%; Solid Waste Collection, 8% and Telephone, 7.5%.

F. Results of operations of joint ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) on-going financial responsibility.

The City participates in two joint ventures: South Sound 911 and the Tacoma-Pierce County Health Department (Health Department). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Summary financial information on the joint ventures is listed below for the year of the last audited financials. These figures reflect the information as prepared and submitted to the City by the various entities.

Joint Venture
(amounts expressed in thousands)

	SOUTH SOUND 911	HEALTH DEPARTMENT
Balance Sheet Date	12/31/2017	12/31/2017
Total Assets	$ 22,280	$ 12,860
Captial Assets (net of accumulated depreciation)	7,023	698
Deferred Outflows	2,834	7,508
Total Liabilities	2,684	3,501
Non-current Liabilities	13,936	7,305
Deferred Inflows	2,426	1,584
Total Net Position	13,091	8,676
Total Revenues	39,323	32,849
Total Expenditures/Expenses	39,800	33,529
Net Increase/(Decrease) in Net Assets	(477)	(680)
City Contribution	7,528	1,161

Additional information about each entity can be obtained from separately published financial statements by each entity by contacting South Sound 911, Budget and Finance Manager, 955 Tacoma Avenue South #102, Tacoma, WA 98402 and the Tacoma/Pierce County Health Department, Christopher Schuler, Business Support Services, 3629 South D Street, Tacoma, WA 98418-6813.

Note 8 – CLAIMS, JUDGEMENTS AND COMMITMENTS

A. Claims

From time to time, claims have been filed against the City involving tort actions for such things as defective sidewalks, automobile accidents, claims of false arrest, etc.; all of which are in a sense routine in nature and common to all local governments. In those instances, when material, where it has been determined that it is probable that a claim will be paid by the City, the expenditure/expense and the related liability are reported in

the statements of the appropriate fund in the year when such a determination is made. See Note 7B for risk management information.

The City has entered into interlocal agreements with the Tacoma-Pierce County Health Department. If, in fact, this entity was to suffer a catastrophic disaster, claim or lawsuit that exceeded the levels of insurance maintained by the Health Department, their self-insurance funds or otherwise resources were to be depleted; the City and other participating jurisdictions may be required to stand behind and make good the excess liability.

Under state law, the City is required to pay for unemployment and industrial insurance and medical aid. The City has chosen to self-insure rather than remit its payments to the state pool. See Note 8 B for risk management information.

B. Construction Commitments

The City has various construction projects as of December 31, 2018. The projects include street and capital project constructions for improvements of existing streets and bridges or new bridges. At year-end the City's major commitments with the contractors are as follows: (amounts expressed in thousands)

Project	Authorized	Spent-to-date	Remaining Commitment
2018 Pavement Preservation Project	-	706,638	(706,638)
Capital Sidewalk Program Package 2	223,523	159,409	64,114
Citywide Guardrail	227,722	-	227,722
Citywide LED Streetlight Installation	1,548,300	1,261,595	286,705
E. 25th Street Improvements	-	728,120	(728,120)
Homeless Encampment Civil Site Work	-	142,351	(142,351)
Historic Water Ditch Trail IV	2,100,000	1,842,668	257,332
N. 21st Street Pedestrian Crossing Improvements	781,010	243,207	537,803
On-Call Building Demolition	505,078	320,946	184,132
On-Call Nuisance Abatement Services	635,357	-	635,357
On-Call Securing Properties	424,155	-	424,155
Pedestrian Accessibility Improvements	646,659	585,696	60,963
Pipeline Trail Phase 2	2,726,445	2,157,639	568,806
Puyallup River Bridge F-16 A & B	30,650,000	25,282,934	5,367,066
South 38th Streetscapes (Lincoln Business District)	5,679,656	5,738,329	(58,673)
South Stevens/Tyler/66th Bike & Pedestrian Connector	1,407,434	1,173,487	233,947
Streets Initiative Package #3	2,783,718	2,301,947	481,771
Streets Initiative Package #5	4,281,190	3,771,302	509,888
Streets Initiative Package #6	4,092,639	1,860,466	2,232,173
Streets Initiative Package #8	1,079,109	873,665	205,444
Streets Initiative Package #9	1,275,599	1,154,265	121,334
Streets Initiative Package #11	2,344,276	1,755,339	588,937
Streets Initiative Package #12	1,658,661	1,181,313	477,348
Yakima Streetscape	2,436,459	1,970,013	466,446
	$ 67,506,990	$55,211,329	$ 12,295,661

These commitments are being funded by a variety of funding sources such as Federal, State and Local Grants, Gas Tax Revenue, City contributions and long-term debt.

The City entered into an agreement with Sound Transit on March 21, 2017, related to the Tacoma Link Expansion project. The total project costs are estimated to be $175 million, in which the City's contribution will be approximately $43.3 million. The City's contribution to this project will be reduced by grant contributions of $33.1 million and in-kind match which is expected to cover the remaining outstanding balance.

C. Tax Abatements

As of December 31, 2018, the City provides tax abatements for the following programs:

1. Multifamily Housing Property Tax Exemption

The Multifamily Housing Property Tax Exemption Program encourages development of market rate and affordable housing in mixed use areas. This program was established under the Tacoma Municipal Code, Section 6A.110.020.

Criteria: The applicant must be the owner of the property, and the property must be located within the boundaries of a mixed-use center. The Tax Review Committee, made up of City staff from the Community & Economic Development Dept. and the Legal Dept., and a representative from the Pierce County Assessor's Office, approve the request. Once approved, the construction must be completed within 3 years. If the owner sells the property after the tax exemption has been granted, the exemption stays with the property and is transferred to the new owner. The contract includes the agreed upon specifications of the housing improvements. The exemption will begin after the improvements are completed. The City will issue a Final Certificate of Tax Exemption with the Pierce County Assessor's Office and the property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2018 is .015762107 of assessed value. The City of Tacoma receives 21.012% of that tax.

2. Special Valuation Property Tax Exemption

This Special Valuation Property Tax Exemption Program encourages the owners of historic properties to invest in the improvement and rehabilitation of historic buildings. This program was established under the Washington State RCW Chapter 84.26, Historic Property.

Criteria: Property owners may obtain a reduced tax assessment by submitting an application at the conclusion of project construction. The applicant must be the owner of the property, and the property must be listed on the Tacoma Register of Historic Places or be a historically contributing property within a local historic overlay zone. In addition, the project must meet the Secretary of Interior's Standards for Rehabilitation of Historic Buildings and must not adversely affect the building's historically significant, character defining elements. Exterior modifications must be approved by the Tacoma Landmarks Preservation Commission. The project investment expenditures must be a minimum of 25% of the assessed value of current improvements on the property over a 24 month consecutive period. The reduced assessment begins the tax year following the approval. This program is jointly processed and administered by the City's Historic Preservation Program and the Pierce County Assessor. The property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2017 is .015762107 of assessed value. The City of Tacoma receives 21.012% of that tax.

The City is required to disclose other abatement arrangements entered into by other governments that reduce the City's tax revenues. The State of Washington's tax abatements that affected the City of Tacoma tax revenue are included below:

3. Manufacturing facilities in counties with high unemployment rates are allowed to defer sales and use tax. This program was established under the Washington State RCW Chapter 82.60, Tax Deferrals for Investment Projects in Rural Counties. The City of Tacoma's data is confidential and cannot be disclosed.

4. The Multi-Unit Urban Housing Exemption encourages increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It also encourages the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities within these urban centers. This program was established under the Washington State RCW 84.14, New and Rehabilitated Multiple-Unit Dwellings in Urban Centers.

   Information relevant to the disclosure of those programs under contract with the City of Tacoma for the fiscal year ended December 31, 2018 is:

Tax Abatement Program	Amount of Taxes Abated in Thousands
Multifamily Property Tax Exemption	$ 1,132
Special Valuation Tax Exemption	$ 176
Multi-Unit Urban Housing Exemption	$ 510

Solid waste utility—landfill closure and post closure liabilities

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

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

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

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

permit will mirror the requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. However, the City and the TPCHD are working cooperatively on an agreement pursuant to which the City will voluntarily comply with the TPCHD closure permit requirements.

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 $15,724,975 as landfill post-closure care liability as of December 31, 2018 based on 100% use of the total capacity of the Tacoma Landfill. This compares to $16,354,014 at December 31, 2017 based on 100% of capacity. Actual care costs may be higher or lower due to inflation, changes in technology, or changes in regulations. 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. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

E. Potential environmental contamination or utility claims or suits

Solid Waste (#4200) Landfill Clean Air Act Enforcement Action **-** Puget Soundkeeper Alliance v City of Tacoma, Clean Water Act Litigation; Federal District Court, Western District Wash., Case No. 3:16-cv-05195-RBL. On January 14, 2016, the City of Tacoma received a notice of Intent to Sue from Puget Soundkeeper Alliance ("Soundkeeper"). The Notice was filed pursuant to 33 U.S.C. Section 1365 of the Clean Water Act. This act allows third parties to bring claims against municipalities for violation of National Pollution Discharge Elimination System ("NPDES") Permits and order issued pursuant to the Clean Water Act. Plaintiffs filed suit against the City on March 15, 2016. A consent decree was filed February 9, 2017 settling all claims. The Consent Decree includes on-going obligations of the City to update its pretreatment program which the City has undertaken. The Consent Decree will terminate on May 11, 2019.

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

Note 9 – CONTINGENT LIABILITIES

Solid Waste (#4200) Long-term Contract – Land Recovery, Inc. - In February 2000, the Division entered into a 20-year contract with Land Recovery, Inc. (LRI) to dispose of all "acceptable waste" collected or handled by the Division (as that term is defined in the agreement), at the 304th Street landfill operated by LRI. The Division entered into this agreement to extend the life of the Tacoma Landfill and to secure a long-term disposal arrangement at a favorable disposal cost. The agreement excludes solid waste that LRI is not authorized by law or permit to receive, or which could create or expose LRI or the Division to potential liability, among other things. Recycling and/or composting waste is not covered by the agreement. The agreement further provides that LRI shall charge a base rate per ton for disposal services, and that said rate shall decrease as the tonnage increases during each contract year. The agreement also provides that the base rate charged by LRI shall increase annually based on the Seattle-Tacoma CPI. The rate per ton is periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. These rate adjustments are part of the existing agreement.

Solid Waste (#4200) Long-term Contract – Pierce County Recycling, Composting and Disposal - In October 2004 the Division entered into a ten (10) year agreement with Pierce County Recycling Composting and Disposal (PCRCD) 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, PCRCD will charge a base rate per ton for the organic waste it receives from the City. This price may be adjusted beginning on the second anniversary of the agreement, and thereafter annually based on the Seattle-Tacoma-Bremerton CPI. The agreement also includes a revenue sharing component. The Division entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost through 2030.

Wastewater and Surface Water (#4300-01) Commencement Bay Natural Resource Damages - The City resolved federal, state, and tribal natural resource damage claims associated with municipal storm water discharges in Commencement Bay through a Consent Decree, effective December 30, 1997. The stated value of the City's settlement was approximately $7,700,000. Under the Consent Decree (the NRDA Consent Decree), the City agreed to undertake five restoration projects within the Commencement Bay watershed and make certain cash payments. The construction was completed on four projects and the City made a payment to the Port of Tacoma of $134,692 to construct the fifth project. This final project, Place of Circling Waters, was built in 2010 and the monitoring period was completed in 2016.

The City provided notification to the Trustees in 2013 that the obligations of the NRDA Consent Decree were fulfilled. In the Trustees response, they indicated that monitoring of Place of Circling Waters needed to be complete before the Consent Decree could be closed out. Included in the financial statements for the years 2018 and 2017 is liabilities of $196,673. This amount will carry over until the Consent Decree can be closed out. Now that the monitoring was completed, it is currently anticipated the closeout will occur in 2019.

Although the City resolved its NRDA liability, the City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities will be de minimus given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources.

Wastewater and Surface Water (#4300-01) Olympic View Resource Area - - In 2001, the City entered into an Administrative Order on Consent for Removal Action at the Olympic View Resource Area (OVRA) with the Environmental Protection Agency (EPA). Contamination identified during construction of the NRDA site in this location led to the need for sediment cleanup work to be performed as a separate action. The cleanup action was completed in 2002, followed by long term monitoring to ensure the protectiveness of the cap. In 2014, results of this monitoring indicated the potential of some loss of the capping material present at the site. This material loss was confirmed by subsequent surveys. A report of these findings was submitted to EPA in early 2017 along with a Contingency Planning Proposal. The City began implementation of this Contingency Planning Proposal in 2017. Included in the financial statements for the years 2018 and 2017 are liabilities of $1,050,662 and $1,129,000 respectively.

Wastewater and Surface Water (#4300-01) Foss Consent Decree – The City completed the first ten years of post-construction monitoring under the Foss Consent Decree in 2016 and is currently working with the Environmental Protection Agency to finalize the monitoring plan for the next ten years. Under this Long Term Monitoring Plan developed in accordance with the Foss Consent Decree, the City will have an obligation for continued monitoring until at least 2028. The results of this monitoring may result in additional limited cleanup efforts in the future. Included in the financial statements for the years 2018 and 2017 are liabilities of $987,500 and $400,000 respectively.

Wastewater and Surface Water (#4300-01) Coal-Gas Site Agreed Order - In 1993 the City became a party to an agreed order with the State Department of Ecology under MTCA (RCW 70.105D.050(1)) for the clean-up of the coal-gas properties located at the head of the Foss Waterway just south of the cable stay bridge below the SR 705 spur. The City is one of several potentially liable parties (PLPs) that are signatories to this agreed order. The agreed order, and subsequent amendments, provided for interim
measures to control the coal-tar from migrating from this site into the Foss Waterway but did not provide for final clean-up or closure of the site. In early-2016 the other PLPs contacted the City of Tacoma regarding

monitoring of the wells on the site, which they subsequently did on several occasions with Ecology authorization.

In mid-2016, Ecology contacted the City and other parties to initiate the negotiations of a new Agreed Order which would address final closure of the Coal Gas Site by completion of a Remedial Investigation/Feasibility Study (RI/FS) and development of a draft Cleanup Plan (dCAP) for the site. The City's role and cost obligation should be limited. This new Agreed Order was fully executed in 2018 and work has commenced.

Tacoma Rail (#4500) Western Metal Industry Pension Fund (WWIPF) Withdrawal - On December 11, 2018 the Tacoma City Council approved the collective bargaining agreements for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma Rail Mechanics and Track Workers. Contained in these agreements were a call for cessation of the participation in the Western Metal Industry Pension Fund (WMIPF). The contributions submitted for the December 31, 2018, payroll was the final contributions made on behalf of the employees in those two units.

WMIPF remains in "critical" status in the Plan Year ending December 31, 2017 after being certified as "critical" in the 2010 Plan Year. WMIPF provided the City of Tacoma with a Partial Withdrawal Liability Estimate for the Rail Mechanics and Track Workers. Because the withdrawal of these two bargaining units constitutes a partial withdrawal of the City of Tacoma controlled group a final partial withdrawal liability assessment cannot be completed until made available by WMIPF in 2020. The cause of the delay is due to the calculation requiring the use of contributory base unit data for the 2019 Plan Year.

In accordance with GASB 78 the Rail Division has recognized a liability in the amount of $2,320,000 as the expected loss is both probable and reasonably estimated.

Tacoma Water (#4600) Capital Improvements – The financial requirement for Tacoma Water's 2017-2018 biennial Capital Improvement program is approximately $48.1 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2018 the remaining financial requirement for Capital Improvement Programs relating to all prior biennia is approximately $9.1 million.

Tacoma Water (#4600) Muckleshoot Indian Tribe Settlement – A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately $30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing $12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water's historical operations on the river, gain the Tribe's support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

Tacoma Water (#4600) General Legal Matters - The Water Division has received several other miscellaneous claims or litigation that either do not allege material amounts or that the Legal Department has determined do not pose a risk of liability to the Utility.

Grants

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Note 10 – SUBSEQUENT EVENTS

There are no subsequent events for 2018.

NOTE 11
CHANGES IN LONG TERM DEBT
(all dollar values in thousands)

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01/01/18	ISSUED 2018	REDEEMED 2018	AMOUNT O/S 12/31/18
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Unlimited General Obligation Bonds									
Genl Obl Bonds 2010	Refunding 2002 Bonds	11/10/10	2011 - 2022	21,870	2.6323	12,015		2,190	9,825
Subtotal Unlimited (Voted)						**12,015**	**0**	**2,190**	**9,825**
Limited General Obligation Bonds									
Ltd. Genl Obl Bonds 1997 Ser B	Capital Improvements	08/05/97	2008 - 2018	16,100	5.4554	783		783	0
Ltd. Genl Obl Bonds 1997 Ser B Acreted Interest		08/06/97	2008 - 2019	16,100	5.4554	1,612	135	1,747	0
Ltd. Genl Obl Bonds 2009A Cheney	Capital Improvements	12/17/09	2011 - 2035	15,380	5.8600	14,235		285	13,950
Ltd. Genl Obl Bonds 2009B Dock & Salishan	Capital Improvements	12/17/09	2035	3,320	3.5400	3,320			3,320
Ltd. Genl Obl Bonds 2009C Cheney	Capital Improvements	12/17/09	2034	4,975	4.8800	4,975			4,975
Ltd. Genl Obl Bonds 2009E Multiple Projects	Capital Improvements	12/17/09	2026 - 2035	13,526	5.7500	13,526			13,526
Ltd. Genl Obl Bonds 2009E Acreted Interest		12/18/09	2026 - 2036	13,526	5.7500	7,620	1,222		8,842
Ltd. Genl Obl Bonds 2009F Cheney & Env Reme	Capital Improvements	12/17/09	2023 - 2026	6,681	7.2020	6,681			6,681
Ltd. Genl Obl Bonds 2009F Acreted Interest		12/18/09	2023 - 2027	6,681	7.2020	5,010	852		5,862
Ltd. Genl Obl Bonds 2010B Refunding Bonds	Refund 1997B, 2001, 2004,	11/10/10	2015 - 2022	7,355	2.7966	4,130		1,185	2,945
Ltd. Genl Obl Bonds 2010C Refunding Bonds	Refund 2001, 2007, 2009 L	11/10/10	2015 - 2022	7,355	3.8076	4,820		895	3,925
Ltd. Genl Obl Bonds 2010D Bonds	Capital Improvements	11/10/10	2015 - 2033	30,225	5.0399	26,440		1,310	25,130
Ltd. Genl Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015 - 2040	9,130	5.7155	8,380		265	8,115
Ltd. Genl Obl Bonds 2013 Refunding Bonds	Refund 2001 & 2004	03/05/13	2015 - 2034	44,170	3.1768	39,810		1,610	38,200
Ltd. Genl Obl Bonds 2015A Refunding Bonds	Ref 2006A, 2006B, & 2007	12/29/15	2016 - 2036	12,735	3.2066	12,315		420	11,895
Ltd. Genl Obl Bonds 2015B Refunding Bonds	Ref 2006A, 2006B, & 2007	12/29/15	2016 - 2027	20,215	2.8933	19,685		705	18,980
Ltd. Genl Obl Bonds 2017 - Tacoma Dome	Capital Improvements	12/12/17	2018 - 2037	25,295	3.2114	25,295		955	24,340
Subtotal Limited (Councilmanic)						**198,637**	**2,209**	**10,160**	**190,686**
Washington State Public Works Trust Fund Loan									
CTED PWTF No. 98-791-065	Capital Improvements	08/17/98	1999 - 2018	9,000	1.0000	541		541	0
CTED PWTF No. 04-691-068	Capital Improvements	06/02/04	2004 - 2024	4,500	0.5000	3,993		570	3,423
Subtotal Washington State Loan (Councilmanic)						**4,534**	**0**	**1,111**	**3,423**
Total General Obligation Bonds, Loans, & Notes						**215,186**	**2,209**	**13,461**	**203,934**

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01/01/18	ISSUED 2018	REDEEMED 2018	AMOUNT O/S 12/31/18
ENTERPRISE REVENUE BONDS, LOANS, & NOTES									
Greater Tacoma Convention Center									
Tac CC & Parking Rev/Ref Bonds, Series 2010	Refunding 2004 Bonds	11/10/10	2015 - 2024	5,015	3.7656	3,765		465	3,300
Tac CC & Parking Rev/Ref Bonds, Series 2015	Refunding 2004 Bonds	08/14/15	2015 - 2024	20,453	2.3304	14,696		1,980	12,716
	Subtotal Convention Center					**18,461**	**0**	**2,445**	**16,016**
Wastewater Utility									
State Revolving Fund (SRF) Loan #40006A	Treatment Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	30,929		2,740	28,189
State Revolving Fund (SRF) Loan #40006B	Treatment Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	13,169		1,105	12,064
Sewer Rev & Ref Bonds 2006	Improvements/Refunding	06/29/06	2006 - 2036	55,000	4.8852	5		5	0
Sewer Rev & Ref Bonds 2011	Refunding	10/12/11	2022 - 2031	34,315	3.8768	34,315		34,315	0
Sewer Rev & Ref Bonds 2015	Refunding	03/18/15	2016 - 2045	109,300	3.5358	106,365		1,765	104,600
Sewer Rev & Ref Bonds 2016A	Refunding	06/15/16	2016 - 2038	31,855	2.8277	30,355		1,010	29,345
Sewer Rev & Ref Bonds 2016B	Refunding	06/15/16	2017 - 2020	11,865	1.3269	9,700		2,250	7,450
Sewer Revenue Bonds 2018 Waste I	Improvements	11/28/18	2019 - 2048	43,460	3.9387		43,460		43,460
Sewer Revenue Bonds 2018 Waste II	Improvements	11/28/18	2019 - 2031	6,115	3.0387		6,115		6,115
	Subtotal Sewer					**224,838**	**49,575**	**43,190**	**231,223**
Surface Water Utility									
DOE SFR Loan L-1000007	Sewer Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	345		23	322
Sewer Revenue Bonds 2018 Surface I	Improvements	11/28/18	2019 - 2048	26,930	3.9387		26,930		26,930
Sewer Revenue Bonds 2018 Surface II	Improvements	11/28/18	2019 - 2031	24,440	3.0387		24,440		24,440
	Subtotal Surface Water					**345**	**51,370**	**23**	**51,692**
Solid Waste Utility									
Solid Waste Revenue Bonds, 2015	Capital Improvements	03/18/15	2017 - 2025	21,095	2.1375	19,135		2,060	17,075
Solid Waste Rev/Ref Bonds, 2016A	Refunding	06/15/16	2031 - 2036	23,200	3.4260	23,200			23,200
Solid Waste Rev/Ref Bonds, 2016B	Refunding	06/15/16	2026 - 2031	15,025	2.9985	15,025			15,025
	Subtotal Refuse					**57,360**	**0**	**2,060**	**55,300**
Electric System									
Electric System 2010B Rev Bonds (BABS)	Capital Improvements	07/27/10	2031 - 2035	147,070	3.9071	147,070			147,070
Electric System 2010C Rev Bonds (CREBS)	Capital Improvements	07/27/10	2027	24,185	1.9235	24,185			24,185
Electric System 2013A Rev Ref Bonds	Refund & Capital Imp	06/13/13	2014 - 2042	181,610	3.3869	127,160		11,575	115,585
Electric System 2013B Rev Ref Bonds	Refunding	06/13/13	2014 - 2030	35,620	3.3427	35,620			35,620
Electric System 2017 Revenue Bonds	Capital Improvements	09/01/17	2022-2046	70,575		70,575			70,575
	Subtotal Electric System					**404,610**	**0**	**11,575**	**393,035**

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01/01/18	ISSUED 2018	REDEEMED 2018	AMOUNT O/S 12/31/18
Water System									
PW-DWSRF-00-65120-031	Construction	10/07/02	2003 - 2021	3,060	2.5000	644		161	483
PW -00-691-PRE-115	Construction	04/11/01	2003 - 2021	1,000	0.5000	211		53	158
PW-01-691-061	Construction	08/27/01	2003 - 2021	10,000	0.5000	2,133		533	1,600
PW -01-691-PRE-127	Construction	02/15/02	2003 - 2021	1,000	0.5000	217		54	163
PW-02-691-056	Construction	04/15/02	2004 - 2022	10,000	0.5000	2,656		531	2,125
PW-04-691-PRE-101	Construction	03/19/04	2006 - 2024	1,000	0.5000	374		54	320
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006 - 2025	46,550	4.6390	5			5
PW-06-962-043	Construction	07/18/06	2008 - 2026	7,000	0.5000	3,335		370	2,965
Water Sys Rev Bonds 2009 (Taxable BABS)	Capital Improvements	11/04/09	2033 - 2039	76,775	3.7780	76,775			76,775
PC08-951-047	Construction	11/25/09	2010 - 2028	10,000	0.5000	6,005		546	5,459
DM07-952-015	Construction	03/31/10	2010 - 2028	4,040	1.5000	2,366		215	2,151
PW-DWSRF 09-952-074	Construction	04/09/10	2013 - 2032	6,579	1.0000	5,506		367	5,139
Water Sys Rev & Ref Bonds 2010A	Refunding	08/24/10	2012 - 2023	29,100	3.2789	25,825		3,935	21,890
Water Sys Rev Bonds 2010B (BABS)	Construction	08/24/10	2024 - 2040	74,985	5.5636	74,985			74,985
Water RWSS Revenue Bonds 2010A	Construction	08/24/10	2013 - 2024	3,595	3.2460	2,245		290	1,955
Water RWSS Revenue Bonds 2010B (BABS)	Construction	08/24/10	2025 - 2040	44,245	5.5636	44,245			44,245
PW-DWSRF 10-952-026	Construction	06/17/11	2015 - 2034	6,060	1.5000	4,545		303	4,242
PW-DWSRF 11-952-035	Construction	06/30/11	2016 - 2035	6,060	1.5000	1,944		121	1,823
PW-DWSRF 11-952-036	Construction	06/30/11	2016 - 2035	6,060	1.5000	5,454		303	5,151
PC 12-951-017	Construction	07/01/11	2011 - 2031	10,000	0.5000	7,778		556	7,222
PW-DWSRF 12-952-088	Construction	01/22/13	2017 - 2036	12,120	1.5000	10,908		606	10,302
Water Sys Rev Ref Bonds 2013 (RWSS)	Refinance	04/16/13	2013 - 2032	64,795	3.1477	60,165		765	59,400
Water Sys Rev Ref Bonds 2013	Refinance	05/07/13	2013 - 2043	78,305	3.8523	74,355			74,355
PW-DWSRF-13-952-133	Construction	10/07/13	2018 - 2037	12,120	1.5000	10,908		606	10,302
PW-DWSRF-10-952-031	Construction	03/26/14	2015 - 2034	6,060	1.5000	5,178		305	4,873
PW-DWSRF-13-952-167	Construction	11/06/14	2015 - 2037	12,120	1.5000	10,908		606	10,302
Water Sys Ref Bonds 2015A	Refinance	05/12/15	2017 - 2025	16,645	1.9926	13,800		1460	12,340
DM15-952-033	Construction	06/01/14	2016 - 2034	12,120	1.5000	11,482		638	10,844
	Subtotal Water System					**464,952**	**0**	**13,378**	**451,574**
Tacoma Rail									
WA State Rail Loan RR00407 2009	Capital Improvements	08/04/09	2010 - 2024	26	0.0000	12		2	10
WA State Rail Loan RR00408 2009	Capital Improvements	08/04/09	2011 - 2025	249	0.0000	133		17	116
WA State Rail Loan RRB-1007	Capital Improvements	12/06/11	2013 - 2022	450	0.0000	225		45	180
WA State Rail Loan RRB-1010	Capital Improvements	03/28/12	2013 - 2022	612	0.0000	306		61	245
WA State Rail Loan RRB-1011	Capital Improvements	03/28/12	2013 - 2022	349	0.0000	174		35	139
WA State Rail Loan RRB-1026	Capital Improvements	09/06/12	2014 - 2023	347	0.0000	208		35	173
WA State Rail Loan RRB-1030	Capital Improvements	09/06/12	2014 - 2023	364	0.0000	218		36	182
WA State Rail Loan RRB-1045	Capital Improvements	08/01/13	2015 - 2024	823	0.0000	433		62	371
WA State Rail Loan RRB-1046	Capital Improvements	08/01/13	2015 - 2024	250	0.0000	175		25	150
WA State Rail Loan RRB-1052	Capital Improvements	10/24/13	2016 - 2025	366	0.0000	293		37	256
WA State Rail Loan RRB-1053	Capital Improvements	10/24/13	2016 - 2025	773	0.0000	618		77	541
WA State Rail Loan RRB-1054	Capital Improvements	10/24/13	2016 - 2025	1,015	0.0000	884		111	773
WA State Rail Loan RRB-1055	Capital Improvements	10/08/13	2016 - 2025	516	0.0000	413		52	361

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01/01/18	ISSUED 2018	REDEEMED 2018	AMOUNT O/S 12/31/18
WA State Rail Loan RRB-1086	Capital Improvements	10/27/15	2016 - 2025	1,037	0.0000	728		91	637
WA State Rail Loan RRB-1108	Capital Improvements	07/03/17	2017 - 2026	311	0.0000	281		32	249
WA State Rail Loan RRB-1109	Capital Improvements	09/29/16	2017 - 2026	121	0.0000	109		12	97
WA State Rail Loan RRB-1110	Capital Improvements	09/08/16	2017 - 2026	406	0.0000	365		41	324
WA State Rail Loan RRB-1111	Capital Improvements	01/06/17	2017 - 2026	370	0.0000	333		37	296
WA State Rail Loan RRB-1112	Capital Improvements	12/06/16	2017 - 2026	150	0.0000	135		15	120
Subtotal Tacoma Rail						**6,043**	**0**	**823**	**5,220**
Lease Revenue									
Lease Revenue Bonds 1990	Construction	03/15/90	1992-2022	36,250	9.3476	13,055		2,455	10,600
Lease Revenue Bonds 1992	Construction	12/15/92	1993-2022	4,695	7.4769	1,580		305	1,275
Subtotal Lease Revenue						**14,635**	**0**	**2,760**	**11,875**
Total Revenue Bonds						**$1,191,244**	**$100,945**	**$76,254**	**$1,215,935**
Total General Obligation & Revenue Bonds						**$1,406,430**	**$103,154**	**$89,715**	**$1,419,869**
SPECIAL ASSESSMENT BONDS									
Local Improvement District Bonds									
District #63 Bonds	Construction	09/29/11	2023	1,557	4.1800	307		154	153
District #64 Bonds	Construction	04/05/16		2,341	3.2500	1,830		150	1,680
District #65 Bonds	Construction	04/29/13	2043	30,999	5.7500	24,120		3,015	21,105
Subtotal LID Bonds/Notes						**26,257**	**0**	**3,319**	**22,938**
Bond Anticipation Notes									
Revolving Line of Credit	LID Construction	07/01/16	At CLID Issue	$15mm Max	Floating	8,572			8,572
Subtotal Bond Anticipation Notes						**8,572**	**0**	**0**	**8,572**
Total Special Assessment Bonds						**$34,829**	**$0**	**$3,319**	**$31,510**
Wells Fargo Revolving Line of Credit	Capital Improvements	05/15/15	5/11/2018	$100mm Max	0.5000	$250	$75,000	$20,000	55,250
Subtotal Wells Fargo Revolving Line of Credit						**250**	**75,000**	**20,000**	**55,250**
Total All Bonds						**$1,441,509**	**$178,154**	**$113,034**	**$1,506,629**

Notes related to debt increases:

1. Ltd. Genl Obl Bonds 1997 Ser B - Additions represent accreted interest capitalized to bond principal.
2. Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accreted interest capitalized to bond principal.
3. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed - Additions represent accreted interest capitalized to bond principal.
4. PW-DWSRF & DM - Additions for each of these represent an additional draw from available funds.

Required Supplementary Information

LEOFF 1

Proportionate Share of the Net Pension Liability
Last 10 Years*

	Fiscal Years Ended June 30				
	2018	2017	2016	2015	2014-2009
Employer's proportion of the net pension liability(asset) as a percentage	1.05%	1.07%	1.08%	1.09%	N/A
Employer's proportionate share of net pension liability(asset)	(19,103,856)	(16,163,187)	(11,098,437)	(13,178,851)	N/A
State's proportionate share of the net pension liability(asset) associated with the employer	(129,218,006)	(109,327,398)	(75,069,549)	(89,141,418)	N/A
Total	(148,321,862)	(125,490,585)	(86,167,986)	(102,320,269)	N/A
Covered payroll (1)	133,877	140,884	117,193	206,871	N/A
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-14269.71%	-11472.69%	-9470.22%	-6370.56%	N/A

Schedule of the City of Tacoma's Contributions
Last 10 Fiscal Years*

	Fiscal Years Ended December 31				
	2018	2017	2016	2015	2014-2009
Contractually required employer contribution	$0	$0	$0	$0	N/A
Contributions in relation to the contracturally required employer contribution	0	0	0	0	N/A
Employer contribution deficency (excess)	$0	$0	$0	$0	N/A
Covered payroll	$135,945	$133,877	$140,884	$117,194	N/A
Employer contribution as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	N/A

*This table is intended to show ten years of data. As more information becomes available, this table will be updated.

LEOFF 2

Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal Years Ended June 30				
	2018	2017	2016	2015	2014-2009
Employer's proportion of the net pension liability(asset) as a percentage	2.47%	2.59%	2.48%	2.47%	N/A
Employer's proportionate share of net pension liability(asset)	(50,235,694)	(35,974,279)	(14,416,299)	(25,352,743)	N/A
State's proportionate share of the net pension liability (asset) associated with the employer	(32,526,664)	(23,335,843)	(9,398,378)	(16,763,253)	N/A
Total	(82,762,358)	(59,310,122)	(23,814,677)	(42,115,996)	N/A
Covered payroll	79,762,242	77,370,718	77,913,214	72,486,494	N/A

Schedule of the City of Tacoma's Contributions
Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2018	2017	2016	2015	2014-2009
Contractually required employer contribution	$4,278,699	$4,025,059	$4,026,349	$3,716,978	N/A
Contributions in relation to the contracturally required employer contribution	(4,278,699)	(4,025,059)	(4,026,349)	(3,716,978)	N/A
Employer contribution deficency (excess)	0	0	0	0	N/A
Covered payroll	$71,393,403	$79,762,242	$77,370,718	$77,913,215	N/A
Employer contribution as a percentage of covered payroll	5.99%	5.05%	5.20%	4.77%	N/A

* This table is intended to show ten years of data. As more information becomes available, this table will be updated.

Tacoma Employee's Retirement System Fund (TERS)

Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2018	2017	2016	2015	2014-2009
Employer's proportion of the net pension liability(asset) as a percentage	92.46%	92.48%	92.63%	92.67%	N/A
Employer's proportion share of net pension liability(asset)	(39,323,299)	92,880,524	86,584,348	(9,606,514)	N/A
Covered payroll (1)	223,371,667	218,669,028	210,616,602	205,085,611	N/A
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-17.60%	42.48%	41.11%	-4.68%	N/A
Plan fiduciary net position as a percentage the total pension liability	102.53%	93.91%	93.94%	100.71%	N/A

**The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.*

(1) The covered payroll has been updated per GASB 82 to accurately reflect the covered payroll, which therefore also updated the calculation for the Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll.

Schedule of the City of Tacoma's Contributions
Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2018	2017	2016	2015	2014-2009
Contractually required employer contribution	$24,124,140	$23,616,255	$22,746,593	$22,149,246	N/A
Contributions in relation to the contracturally required employer contribution	(24,124,140)	(23,616,255)	(22,746,593)	(22,149,246)	N/A
Employer contribution deficency (excess)	0	0	0	0	N/A
Covered payroll	$223,371,667	$218,669,028	$210,616,602	$205,085,611	N/A
Employer contribution as a percentage of covered payroll	10.80%	10.80%	10.80%	10.80%	N/A

*This table is intended to show ten year of data. As more information becomes available, this table will be updated.

Firefighters and Police Pension Fund

Schedule of Changes in Total Pension Liability and Related Ratios
Last 10 Years*
(dollars expressed in thousands)

Firefighters' Pension Fund

	Fiscal Year Ended December 31		
	2018	2017	2016 - 2009*
Total Pension Liability			
Service cost	$ -	$ -	N/A
Interest on total pension liability	975	1,058	N/A
Effect of plan changes	-	-	N/A
Effect of economic/demographic gains or (losses)	(1,871)	-	N/A
Effect of assumption changes or inputs	(1,076)	622	N/A
Benefit payments	(1,952)	(2,100)	N/A
Net change in total pension liability	(3,924)	(420)	N/A
Total pension liability, beginning	28,828	29,248	N/A
Total pension liability, ending	24,904	28,828	N/A
Covered payroll	-	-	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A

Police Relief and Pension Fund

	Fiscal Year Ended December 31		
	2018	2017	2016 - 2009*
Total Pension Liability			
Service cost	$ -	$ -	N/A
Interest on total pension liability	514	573	N/A
Effect of plan changes	-	-	N/A
Effect of economic/demographic gains or (losses)	(667)	-	N/A
Effect of assumption changes or inputs	(540)	311	N/A
Benefit payments	(1,406)	(1,341)	N/A
Net change in total pension liability	(2,098)	(456)	N/A
Total pension liability, beginning	15,490	15,946	N/A
Total pension liability, ending	13,391	15,490	N/A
Covered payroll	-	-	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A

*This table is intended to represent 10 years of comparative data. Prior years are not available. As future years become available the table will be updated.

Other Post Employment Benefit Plan (OPEB)

Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Years*
(dollars expressed in thousands)

	Measurement Period Ended December 31	
	2017	2018 - 2010*
Total Pension Liability		
Service cost	$ 3,010	N/A
Interest on total OPEB liability	7,866	N/A
Changes in benefit terms	-	N/A
Effect of economic/demographic gains or (losses)	-	N/A
Effect of assumption changes or inputs	9,060	N/A
Expected benefit payments	(8,352)	N/A
Net change in total OPEB liability	11,584	N/A
Total OPEB liability, beginning	209,227	N/A
Total OPEB liability, ending	220,811	N/A
Covered payroll	$ 330,788	N/A
Total OPEB liability as a % of covered payroll	66.75%	N/A

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2018
(amounts expressed in thousands)

	Budget Amounts			
	Original (GAAP Basis) 2017-2018 Biennium	Final Adopted (GAAP Basis) 2017-2018 Biennium	Actual Results 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Property	$ 115,955	$ 116,579	$ 116,578	$ (1)
Retail Sales & Use	101,843	111,001	113,472	2,471
Business	93,312	95,102	98,608	3,506
Excise	1,826	1,958	2,177	219
Other	-	-	-	-
Licenses and Permits	12,149	13,292	14,517	1,225
Intergovernmental	20,997	22,099	31,631	9,532
Charges for Services	5,439	5,523	7,527	2,004
Fines and Forfeitures	2,996	3,037	2,928	(109)
Special Assessments	-	-	-	-
Investment Earnings	1,442	1,877	2,886	1,009
Miscellaneous	40	78	909	831
Total Revenues	355,999	370,546	391,233	20,687
EXPENDITURES:				
Current:				
General Government	75,235	78,168	70,288	(7,880)
Public Safety	265,463	268,165	265,227	(2,938)
Transportation	758	782	743	(39)
Natural and Economic Environment	35,531	38,407	36,573	(1,834)
Culture and Recreation	28,585	29,557	25,850	(3,707)
Capital Outlay	-	-	2,493	2,493
Total Expenditures	405,572	415,079	401,174	(13,905)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,573)	(44,533)	(9,941)	34,592
OTHER FINANCING SOURCES (USES):				
Sales of Capital Assets	36	36	2	(34)
Insurance Recoveries	-	-	130	130
Transfers In	87,312	94,085	92,863	(1,222)
Transfers Out	(55,636)	(73,018)	(71,294)	1,724
Total Other Financing Sources and Uses	31,712	21,103	21,701	598
Net Change in Fund Balances	(17,861)	(23,430)	11,760	35,190
Fund Balances - Janaury 1	17,861	23,430	79,297	55,867
Prior Period Adjustment	-	-	392	392
Fund Balance - January 1, Restated	17,861	23,430	79,689	56,259
Fund Balances -December 31	$ -	$ -	$ 91,449	$ 91,449

Perspective Difference Reconciliation	
ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	91,449
The following fund were budgeted as general fund or trust fund but do not meet the definition of special revenue fund, or trust and therefore are accounted for within the general fund	
Contingency Fund	588
Police Pension Fund	151
Firefighter Pension fund	228
TOTAL FUND BALANCE - GENERLA FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS	$ 92,416

Notes to Required Supplementary Information (RSI)

Note 1—Budgetary data

A. General budget policies

The biennial budget is adopted by appropriation ordinance of the Tacoma City Council and may be amended by subsequent ordinances. Biennial budgets are legally adopted for all governmental fund types. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are administratively allowed, but only City Council has the legal authority to increase or decrease a given funds biennial budget. While not required by law, the City adopts budgets for proprietary funds and some selected trust funds. These budgets are "management budgets" and as such, are not reported in the CAFR.

Although the City is not legally responsible for the Tacoma Community Redevelopment Authority (TCRA), the City has included certain financial information pertaining to TCRA. The City is not required to report the TCRA, Foss Waterway Development Authority (FWDA), or the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD)'s budgets and therefore it is excluded from the budget and actual comparisons.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded, is employed as an extension of formal budgetary control for governmental fund types. Encumbrances outstanding at December 31 are reported as restricted, committed, or assigned fund balances as defined by GASB 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium with budget's approval.

B. Budget basis of accounting

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

C. The budget process

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic plan, identifying goals, and setting priorities. In early June, the initial revenue forecast is completed by the Office of Management, Budget and Analysis (OMBA) and City departments and agencies begin budget preparation. Budget requests are due to OMBA in late July. OMBA reviews and revises budget requests in August. The revenue forecast is refined in early September and a preliminary budget is presented to the Executive Forum in early October. The preliminary budget is further refined during the month of October.

By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in mid-November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid-biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium. Supplemental budget requests are accepted from departments during the month of August. Revenue estimates for the biennium are reviewed and adjusted in early September. The new revenue estimates and the supplemental requests are submitted to the Budget Committee and the Executive Forum in late September. Preliminary modifications are presented to the City Manager for review and changes in October. Modifications are submitted to the City Council in early November. Public hearings are conducted in November. The City Council adopts the amended biennial budget on or before December 31.

D. Funds presented

Budgetary information is displayed for all funds that are subject to the City's biennial budget process. The General Fund's budgetary information is located in the Required Supplementary Information section on page 4-8. Non-major special revenue funds budgetary information are located in the Combining Statements Non-Major Funds

section on pages 5-17 to 5-38. Non-major debt service funds budgetary information are located in the Combining Statements Non-Major Funds section on pages 5-46 to 5-54.

Note 2 Combining statements

The Non-Major Governmental, Proprietary funds and Internal Service funds are displayed in aggregated columns in the City's fund statements. This section of the report contains combining statements that display the financial information for these funds. There are separate combining statements for Non-Major Governmental funds, Non-Major Enterprise funds and the Internal Service funds.

Note 3 Pensions

Schedule of Changes in the Employer Net Pension Liability or Asset: The total pension liability contained in the schedule was provided by the System's actuary, Milliman. The net pension liability or asset is measured at the total pension liability, less the amount of System's fiduciary net position.

Schedule of Employer Contributions: The required employee contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions: The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board.

The police and firefighters pension funds are not within the scope of GASB 68 and are not administered through an irrevocable trust. They are required to be reported under the requirements of GASB 73. The assets accumulated for this purpose are recorded in the General Fund.

Note 4 Other Post-Employment Benefits (OPEB)

Schedule of Changes in the Total OPEB Liability and Related Ratios are presented above. The schedule was provided by the actuary. It includes a 10-year schedule of changes in the total OPEB liability as well as the total OPEB liability, covered-employee payroll and the total OPEB liability as a percentage of covered-employee payroll.

There are no assets accumulated in a trust that meets the criteria set forth in paragraph 4 of GASB 75 to pay related benefits. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required. GASB 75 requires the discount rate used to measure the Total OPEB Liability to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Compared to the prior measurement date, the discount rate changed from 3.78% to 3.44% at the December 31, 2017 measurement date.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	MB16OBD8050 037	-	343,053	343,053	-	
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53-0007	-	256,058	256,058	240,047	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-53-0007	-	95,974	95,974	72,393	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-53-0007	-	376,707	376,707	275,850	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-53-0007	-	654,877	654,877	425,625	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-53-0007	-	671,911	671,911	438,336	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-53-0007	-	3,607	3,607	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
	Total CDBG - Entitlement Grants Cluster:			**-**	**2,059,134**	**2,059,134**	1,452,251	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E-17-MC-53-0007	-	88,342	88,342	79,403	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E-18-MC-53-0007	-	91,590	91,590	83,562	
			Total CFDA 14.231:	**-**	**179,932**	**179,932**	162,965	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-14-DC-53-0206	-	16,752	16,752	16,752	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-15-DC-53-0206	-	214,406	214,406	213,545	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-16-DC-53-0206	-	334,690	334,690	307,941	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-17-DC-53-0206	-	231,596	231,596	189,176	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-18-DC-53-0206	-	46,541	46,541	-	
			Total CFDA 14.239:	**-**	**843,984**	**843,984**	727,415	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants Section 108 Loan Guarantees	14.248	N/A	-	3,146,000	3,146,000	-	4
ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Fair Housing Assistance Program State and Local	14.401	FF-210K-18-1007	-	66,014	66,014	-	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Pierce County Sherriff's Department)	Violence Against Women Formula Grants	16.588	N/A	2,036	-	2,036	-	
COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF	Public Safety Partnership and Community Policing Grants	16.710	2015-CK-WX-0025	-	5,632	5,632	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0242	-	11,755	11,755	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0543	-	88,781	88,781	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0163	-	44,193	44,193	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ_BX-0491	-	142,154	142,154	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Pierce County Sherriff's Department)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	11,021	-	11,021	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Pierce County Sherriff's Department)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2,502	-	2,502	-	
			Total CFDA 16.738:	**13,523**	**286,882**	**300,405**	-	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	45,841	45,841	-	
Department of Justice - Federal Bureau of Investigation	Pacific NW FBI Innocence Lost Task Force	16.U01	N/A	-	103	103	-	6
Department of Justice - Federal Bureau of Investigation	South Side Gang Task Force	16.U02	N/A	-	2,003	2,003	-	6
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPE-1280 (034)	3,385	-	3,385	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1280(038)	1,344,418	-	1,344,418	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BRM-3246(012)	17,845,873	-	17,845,873	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-9927(054)	2,427	-	2,427	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3298 (003)	98,168	-	98,168	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3200 (002)	257,737	-	257,737	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-00074(24)	12,901	-	12,901	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPE-1280 (037)	38,913	-	38,913	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-9927(060)	3,615	-	3,615	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3149 (005)	620,064	-	620,064	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3133(007)	145,118	-	145,118	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (467)	102,699	-	102,699	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-3133 (008)	80,191	-	80,191	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-3137 (002)	64,648	-	64,648	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHPP-3244 (006)	10,335	-	10,335	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3011(004)	16,461	-	16,461	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-9927(063)	6,254	-	6,254	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8045, GCB2361	51,720	-	51,720	-	
	Total Highway Planning and Construction Cluster:			**20,704,927**	**-**	**20,704,927**	-	

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	FM-MHP-0308-17 Speed Trailer	-	10,933	10,933	-	
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Sound Transit)	Federal Transit Capital Investment Grants	20.500	WA-2016-007-00	622,359	-	622,359	-	
		Total Federal Transit Cluster:		**622,359**	**-**	**622,359**	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,178	-	1,178	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	7,025	-	7,025	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,472	-	1,472	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	14,142	-	14,142	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	224	-	224	-	
			Total CFDA 20.600:	**24,040**	**-**	**24,040**	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	81	-	81	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	2,751	-	2,751	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	1,090	-	1,090	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	3,603	-	3,603	-	
			Total CFDA 20.616:	**7,525**	**-**	**7,525**	-	
			Total Highway Safety Cluster:	**31,566**	**-**	**31,566**	-	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	45310018C0062	-	15,580	15,580	-	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024	16-4292-7102	-	20,000	20,000	-	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024	176200-7052	-	37,027	37,027	-	
			Total CFDA 45.024:	**-**	**57,027**	**57,027**	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WQNEP-2016-TacoES-00011	292,572	-	292,572	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Environmental Workforce Development and Job Training Cooperative Agreements	66.815	JT-01J23001	-	11,319	11,319	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
Department of Energy - Bonneville Power Administration	COMM HVAC CHEPS	81.U01	GRT #76515	-	587	587	-	
Department of Energy - Bonneville Power Administration	2045 Smart Water Heater Field Test	81.U02	GRT # 75458	-	27,560	27,560	-	
Department of Energy - Bonneville Power Administration	COMM SEM Field Test	81.U03	GRT # 78138	-	98,658	98,658	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health-Community Health Systems)	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	93.810	Contract #GVL22908	905	-	905	-	
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Pierce County Sherriff's Department)	High Intensity Drug Trafficking Areas Program	95.001	N/A	91,168	-	91,168	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	N/A	12,812	-	12,812	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	N/A	282,526	-	282,526	-	

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City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	N/A	11,834	-	11,834	-	
			Total CFDA 97.025:	**294,360**	**-**	**294,360**	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-013	87,971	-	87,971	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-013	31,546	-	31,546	-	
			Total CFDA 97.042:	**119,517**	**-**	**119,517**	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2015-PU-00600	-	200,290	200,290	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00161	-	42,226	42,226	-	
			Total CFDA 97.056:	**-**	**242,516**	**242,516**	-	

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Homeland Security Grant Program	97.067	N/A	11,355	-	11,355	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	CERT Training	10,000	-	10,000	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	CERT Training	2,668	-	2,668	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	5,393	-	5,393	-	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	26,424	-	26,424	-	5
			Total CFDA 97.067:	**55,841**	**-**	**55,841**	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	676,372	676,372	-	

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
			Total Federal Awards Expended:	22,241,585	8,119,128	30,360,714	2,342,631	

The accompanying notes are an integral part of this schedule.

CITY OF TACOMA, WASHINGTON

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Tacoma's financial statements. Governmental fund financial statements use the modified accrual basis of accounting, and proprietary funds use the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Tacoma's portion, may be more than shown.

NOTE 3 – INDIRECT COST RATE

The City of Tacoma has elected not to use the 10% de minimus indirect cost rate allowed under uniform guidance.

NOTE 4 – FEDERAL LOAN GUARANTEES

(1) Section 108 Loan issued by the U.S. Department of Housing and Urban Development (CFDA 14.248) in the amount of $3,146,000 to the LeMay Museum. The loan term was amended in 2017 to be extended through August 2029.

(2) The City of Tacoma participates in the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program in order to leverage large economic development projects. Funds must be used for activities that meet national Community Development Block Grant (CDGB) objectives and all applications are reviewed and approved by HUD. The City is able to borrow up to five times its annual CDBG allocation at very low interest rates, and in turn lend the funds for eligible projects. The Block Grant is the source of the guarantee. No City funds are pledged to the 108 loans.

The Bank of New York Mellon serves as the City's Custodian under a Custodial Agreement, disbursing the Section 108 funds to borrowers, receiving loan repayments from the borrowers, and remitting the City's loan repayments to HUD.

NOTE 5 – NON-CASH AWARDS – EQUIPMENT

The City received equipment and supplies that were purchased with federal Department of Homeland Security funds by Pierce County. The amount reported on the schedule is the value of the property on the date it was received by the City and priced by the County.

NOTE 6 - DEPARTMENT OF JUSTICE TASK FORCE CFDA NUMBERS

The City of Tacoma has researched the CFDA numbers for the FBI and DEA task forces reported. This included contacting the grantor, researching the SAM.gov website, and contacting the Washington State Auditor's office. At this time we are reporting these programs under unknown designation 16U. We will continue to research the CFDA numbers for these programs.

City of Tacoma
Finance Department

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Tacoma
January 1, 2018 through December 31, 2018

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number:	**Finding caption:**
2018-001	The City did not have adequate internal controls to ensure compliance with federal reporting and subrecipient monitoring requirements.

Name, address, and telephone of City contact person:

Susan Calderon, Assistant Finance Director/Controller

747 Market Street, Suite 132

Tacoma, WA 98402

(253) 591-5802

Corrective action the auditee plans to take in response to the finding:

Reporting

City of Tacoma holds their responsibility for enabling internal controls to ensure accurate financial reporting at the highest regard. As a recipient of CDBG grant funds, the City must file annually to the federal granting agency the HUD 60002, Section 3 Summary Report. To ensure compliance with this requirement, the City has assigned a staff member to complete and submit this report by the appropriate deadline. The assigned staff member will provide confirmation to management that they have submitted the report.

Sub-recipient Monitoring

Federal regulations require the City to include specific information within its contracts with subrecipients and to monitor activities, as well as, following up on any deficiencies identified through audits and reviews. To ensure the contracts include all required information, the City will review the agreements to ensure all required items are included in applicable contract templates. In addition, the City will request copies of audit reports and reviews to ensure sub-recipient takes appropriate action to address any deficiencies.

Anticipated date to complete the corrective action: December 31, 2019

Finding ref number:	**Finding caption:**
2018-002	The City did not have adequate internal controls to ensure compliance with federal matching and reporting requirements.

Name, address, and telephone of City contact person:

Susan Calderon, Assistant Finance Director/Controller

747 Market Street, Suite 132

Tacoma, WA 98402

(253) 591-5802

Corrective action the auditee plans to take in response to the finding:

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

Reporting

As a recipient of HOME grant funds, the City must file annually to the federal granting agency the HUD 60002, Section 3 Summary Report. To ensure compliance with this requirement, the City has assigned a staff member to complete and submit this report by the appropriate deadline. The assigned staff member will provide confirmation to management that they have submitted the report.

Matching

As a recipient of HOME grant funds, the City must have a process in place to identify, calculate, monitor and report eligible matching contributions of 25% of HOME funds spent each year. Procedures were developed to ensure matching dollars are appropriately tracked. To ensure compliance with this requirement, the City will implement procedures to appropriately track matching funds. This will include working with grantees, when applicable, to ensure they submit confirmation of matching funds utilized in a funded project.

Anticipated date to complete the corrective action: December 31, 2019

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov

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