



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Tacoma

For the period January 1, 2023 through December 31, 2023

*Published December 16, 2024*

Report No. 1036023



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**Office of the Washington State Auditor  
Pat McCarthy**

December 16, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Tacoma January 1, 2023 through December 31, 2023

### 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 basic financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units 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 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.

<u>ALN</u>	<u>Program or Cluster Title</u>
11.307	COVID-19 – Economic Development Cluster – Economic Adjustment Assistance
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.218	COVID-19 – CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.239	COVID-19 – Home Investment Partnerships Program
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,438,665.

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 2023-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Tacoma January 1, 2023 through December 31, 2023

#### **2023-001    The City did not have adequate internal controls to ensure compliance with reporting and federal wage rate requirements.**

<b>Assistance Listing Number and Title:</b>	14.218 – Community Development Block Grants/Entitlement Grants 14.218 – COVID-19 Community Development Block Grants/Entitlement Grants
<b>Federal Grantor Name:</b>	U.S. Department Housing and Urban Development
<b>Federal Award/Contract Number:</b>	B-16-MC-53-0007 B-17-MC-53-0007 COVID-19 B-20-MW-53-0007 B-21-MC-53-0007 B-22-MC-53-0007 B-23-MC-53-0007
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	Yes for Reporting, Finding 2022-002

#### ***Background***

The primary objective of the Community Development Block Grants/Entitlement Grants (CDBG) programs is to help provide decent and affordable housing, particularly for people with moderate, low and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent housing and providing suitable living environments and expanded economic opportunities for people with low incomes. In 2023, the City spent \$5,924,887 for its CDBG program.

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

### *Reporting*

The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients that make first-tier subawards of \$30,000 or more to report them in the FFATA Subaward Reporting System. The City must report subawards and subaward amendments by the end of the month following the month in which it made the subawards and subaward amendments.

### *Wage Rate Requirements*

Under federal wage rate requirements, also known as the Davis-Bacon Act, contractors and subcontractors that work on projects financed with more than \$2,000 of federal funds must pay laborers and mechanics wage rates that the U.S. Department of Labor considers being similar to what local workers have been paid for similar projects.

For construction contracts subject to these wage rate requirements, the City must include a provision that the contractors and subcontractors comply with those requirements and the Department of Labor's regulations. This includes a requirement for the contractors and its subcontractors to submit certified payroll reports to the City weekly, for each week in which any contract work is performed. These reports must include a copy of the payroll and a signed statement of compliance.

## ***Description of Condition***

### *Reporting*

The City's internal controls were ineffective for ensuring compliance with FFATA reporting requirements. Specifically, the City made five new subawards in 2023 that exceeded \$30,000 and it did not prepare or submit any FFATA reports for these subawards, as federal regulations require.

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

### *Wage Rate Requirements*

During fiscal year 2023, the City spent \$2,000,000 for payments to one contractor and seven subcontractors for the Links to Opportunity Streetscape project under award numbers B-16-MC-53-0007 and B-17-MC-53-0007.

Our audit found the City did not have adequate internal controls for ensuring compliance with federal wage rate requirements. Specifically, the City did not establish a contract with the contractor that included the required wage rate provisions.

We consider this internal control deficiency to be a significant deficiency.

***Cause of Condition***

*Reporting*

We reported this issue as a finding in the prior audit. Although City management took corrective action, they did not monitor staff to ensure they completed the reports.

*Wage Rate Requirements*

While City officials knew about federal wage requirements, not all contract templates had been updated to include specific language to meet federal wage rate requirements. Department staff rely on the templates, and as a result, the contract with the prime contractor did not include the required federal wage rate clauses.

***Effect of Condition***

*Reporting*

Failing to submit the required reports diminishes the federal government's ability to ensure accountability and transparency of federal spending. The following table summarizes the discrepancies we identified.

Transactions tested	Subaward not reported	Report not on time	Subaward amount incorrect*	Subaward missing key elements
5	5	N/A	N/A	N/A
Dollar amount of tested transactions	Subaward not reported	Report not on time	Subaward amount incorrect	Subaward missing key elements
\$ 2,154,231	\$ 2,154,231	N/A	N/A	N/A

*Wage Rate Requirements*

Without adequate internal controls to ensure it includes the wage rate clauses in its contracts, the City cannot demonstrate it complied with federal wage rate requirements. Additionally, contractors may be unaware of the wage rate requirements and the City could be liable for paying additional wages if the contractor did not pay prevailing wage rates to laborers working on the contract.

## ***Recommendation***

### *Reporting*

We recommend the City provide training to ensure staff overseeing compliance with federal programs are aware of all applicable federal FFATA reporting requirements.

### *Wage Rate Requirements*

We recommend the City develop internal controls to ensure compliance with federal wage rate requirements. This should include inserting wage rate clauses into contracts. Additionally, we recommend the City provide additional training to ensure all staff overseeing compliance with federal programs are aware of all applicable requirements.

## ***City's Response***

*The City is fully committed to establishing and maintaining robust internal controls to ensure compliance with federal requirements, particularly in the administration of federal grant programs.*

### *Reporting:*

*To meet Federal Funding and Transparency Act (FFATA) reporting requirements, the City will take the following actions:*

- Update training material and implement annual training for all Accounting staff and City departments managing federal grants.*
- Update and distribute monthly email to departments to clarify the required information for FFATA filing and require responses with supporting documentation for review.*
- Periodically review federal reporting requirements for any updates and make adjustments as needed, utilizing resources such as the State Auditor's Office (SAO) Newsletter, conferences, and trainings.*

### *Wage Rate Requirement:*

*To meet Davis Bacon Act reporting requirements, the City will incorporate the verbiage from 29 CFR 5.5(a) in full into specifications, as applicable, which will be incorporated into the resulting contracts.*

### ***Auditor's Remarks***

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to resolve this finding. We will review the condition during our next audit.

### ***Applicable Laws and Regulations***

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

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

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

Title 2 CFR Part 170, *Reporting Subaward and Executive Compensation Information*, establishes the Federal Funding Accountability and Transparency Act (FFATA) requirements of reporting the subaward information through the FFATA Subaward Reporting System (FSRS).

Title 29 CFR, Section 3.3 – Weekly statement with respect to payment of wages, and Section 3.4 – Submission of weekly statements and the preservation and inspection of weekly payroll records, establishes requirements for contractor or subcontractor submission of weekly certified payroll reports.

Title 29 CFR, Section 5.5 – Contract provisions and related matters establishes the requirements for the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part with federal funds the clauses listed, which includes but is not limited to the minimum wages to be paid and payrolls and basic records to be maintained (submission of weekly certified payrolls).



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Tacoma January 1, 2023 through December 31, 2023

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

<b>Audit Period:</b> January 1, 2022 to December 31, 2022	<b>Report Ref. No.:</b> 1033428	<b>Finding Ref. No.:</b> 2022-001	<b>Assistance Listing Number(s):</b> 21.027
<b>Federal Program Name and Granting Agency:</b> COVID-19 – Coronavirus State and Local Fiscal Recovery Funds, US Department of the Treasury		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The City’s internal controls were inadequate for ensuring compliance with federal requirements for reporting and suspension and debarment.			
<b>Background:</b> <i>Suspension and Debarment</i> Whenever the City makes subawards, it must verify the subrecipients have not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the subrecipient, adding a clause or condition into the contract that states the subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration’s System for Award Management at SAM.gov. The City must perform this verification before making the subaward, and it must keep documentation demonstrating compliance with this federal requirement. Our audit found the City’s internal controls were inadequate for ensuring staff verified the suspension and debarment status of all recipients of federal subawards. Specifically, the City did not verify one subrecipient was not suspended or debarred from participating in federal programs before entering into the agreement. <i>Reporting</i> Cities with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding are required to submit a Project and Expenditure Report on financial data,			

projects funded, expenditures, and contracts and subawards more than \$50,000. This report is due by January 31, 2022, and then 30 days after the end of each quarter thereafter. Although the City had a process to ensure reports were submitted, its controls were inadequate for ensuring key line items were accurate. The City's reports of expenditures to date and obligations were not supported by its general ledger or supporting award documentation, which showed the Project and Expenditure Reports to be underreported for each quarter of fiscal year 2022.

**Status of Corrective Action: (check one)**

☒ Fully  
Corrected

☐ Partially  
Corrected

☐ Not Corrected

☐ Finding is considered no  
longer valid

**Corrective Action Taken:**

*The City worked with Procurement and Payables division and legal to update all contracts templates to include self-certification language for suspension and debarment. The quarterly reports for SLFRF undergo review by management to ensure completeness. We are currently focused on coordinating a reconciliation process between the system of record and the report.*



<b>Audit Period:</b> January 1, 2022 to December 31, 2022	<b>Report Ref. No.:</b> 1033428	<b>Finding Ref. No.:</b> 2022-002	<b>Assistance Listing Number(s):</b> 14.218
<b>Federal Program Name and Granting Agency:</b> COVID-19 – Community Development Block Grants/Entitlement Grants, US Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The City’s internal controls were inadequate for ensuring compliance with federal reporting requirements.			
<b>Background:</b> <i>Reporting</i> <p>To comply with federal reporting requirements, the City must submit certain financial and special reports to the U.S. Department of Housing and Urban Development (HUD). For the CDBG program, this includes the Cash on Hand Quarterly Report (PR29) and reports required under the Federal Funding Accountability and Transparency Act (FFATA). We found the City’s internal controls were ineffective for ensuring staff submitted the required reports in compliance with federal reporting requirements. We found the City did not complete eight required Cash on Hand Quarterly Reports (four PR29 and four PR29-CV) during the audit period. Therefore, none of the grantees’ information was submitted to their awarding agency. FFATA Reporting requires direct recipients that make first-tier subawards of \$30,000 or more to report them in the FFATA Subaward Reporting System (FSRS). The City must report subawards by the end of the month following the month in which it made the subaward or subaward amendment. We found the City’s internal controls were ineffective for ensuring it reported four subawards obligated in 2022 in the FSRS, as federal regulations require. We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.</p>			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Not Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>			
<b>Corrective Action Taken:</b> <i>Cash on Hand Quarterly Report (PR29) – The City provided guidance to staff to ensure they have a clear understanding the reporting requirements. FFATA Reporting – The City has updated the monthly email to include a required response of yes or no to ensure departments provide information on new subawards to be reported in a timely manner.</i>			

## INDEPENDENT AUDITOR'S REPORT

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

#### City of Tacoma January 1, 2023 through December 31, 2023

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, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Tacoma, as of and for the year ended December 31, 2023, 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 31, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the City in a separate letter dated November 19, 2024.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 31, 2024, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is November 19, 2024.

## INDEPENDENT AUDITOR'S REPORT

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

**City of Tacoma**  
**January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Tacoma  
Tacoma, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of the City of Tacoma, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

### Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

## **Federal Expenditures Not Included in the Compliance Audit**

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority (TCRA), which expended \$5,572,532 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2023. Our audit, described below, did not include the operations of the Tacoma Community Redevelopment Authority (TCRA) because it has arranged for a separate audit of its federal awards in accordance with the uniform guidance.

## **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;

- Obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

We also noted certain matters related to compliance that we have reported to the management of the City in a separate letter dated November 19, 2024.

## City’s Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. In the accompanying Schedule of Federal Award Findings and Questioned Costs, we consider the deficiencies described in Finding 2023-001 to be a material weakness and the deficiencies described in Finding 2023-001 to be a significant deficiency.

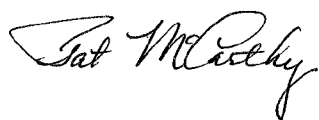
In addition, we noted certain other matters that we have reported to the management of the City in a separate letter dated November 19, 2024.

### **City's Response to Findings**

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

### **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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy, State Auditor

Olympia, WA

November 19, 2024



# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **City of Tacoma January 1, 2023 through December 31, 2023**

Mayor and City Council  
City of Tacoma  
Tacoma, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Tacoma, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Tacoma, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Power, Wastewater, Water, or Solid Waste funds, which are presented as major funds and in aggregate represent 92.8%, 90.9%, and 86.0%, respectively, of the assets, net position and revenues of the business-type activities. We also did not audit the financial statements of the Tacoma Rail fund, which represents 1.4%, 1.6%, and 3.6%, respectively, of the assets, net position and revenues of the business-type activities and 2.0%, 1.4%, and 6.1%, respectively of the assets, net position, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds is based solely on the reports of the other auditors.

## **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 96, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 supplementary information 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

July 31, 2024, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is November 19, 2024.

## **FINANCIAL SECTION**

### **City of Tacoma January 1, 2023 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Activities – 2023

Balance Sheet – Governmental Funds – 2023

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position  
– 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2023

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balance of Governmental Funds to the Statement of Activities – 2023

Statement of Net Position – Proprietary Funds – 2023

Reconciliation of Total Enterprise Net Position to the Government Wide Statement of  
Net Position – 2023

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
– 2023

Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position of  
Enterprise Funds to the Statement of Activities – Business-Type Activities – 2023

Statement of Cash Flows – Proprietary Funds – 2023

Statement of Fiduciary Net Position – Fiduciary Funds – 2023

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Proportionate Share of the Net Pension Liability – LEOFF 1, LEOFF 2, TERS – 2023

Schedule of the City of Tacoma's Contributions – LEOFF 2, TERS – 2023

Schedule of Changes in Total Pension Liability and Related Ratios – Firefighters and  
Police Pension Funds – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – Total City, TERS,  
LEOFF 1, LEOFF 2, Rail – 2023

Notes to Required Supplementary Information – 2023

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– General Fund – 2023

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

## **Management's Discussion and Analysis For the Year Ended December 31, 2023**

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As management of the City of Tacoma (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page 1-1 to 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows of resources by \$3.5 billion. Of this amount, \$722.0 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 \$145.5 million in 2023. Governmental activities increased the City's net position by \$31.6 million and business-type activities increased the net position by \$113.8 million.
- Tacoma Power's net Position for 2023 was \$919.1 million which was an increase of \$43.2 million from 2022.
- Tacoma Water's net position for 2023 was \$706.8 million which was an increase of \$31.1 million from 2022.
- Tacoma Wastewater and Stormwater's net position for 2023 was \$559.0 million which was an increase of \$34.1 million from 2022.
- Tacoma Solid Waste's net position for 2023 was \$104.0 million which was an increase of \$15.2 million from 2022.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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's finances, and are similar to private sector financial statements. The statements also include the discretely presented component units: Tacoma Community Redevelopment Authority (TCRA) and the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD).

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'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 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.

## **Management's Discussion and Analysis For the Year Ended December 31, 2023**

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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 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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City 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 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 uses. Internal service funds are used to accumulate and allocate costs internally among the City'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, Self Insurance and Utility Fleet funds, which only service utilities funds and are included within business-type activities. Enterprise funds account for various utilities which provide services such as power, water,



## Management's Discussion and Analysis For the Year Ended December 31, 2023

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wastewater, stormwater, 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's programs. The accounting used by the fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund statements can be found on pages 3-22 to 3-23 of this report.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-25 to 3-104 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's budget. Required supplementary information can be found on pages 4-1 to 4-16 of this report. The **Combining Statements** referred to earlier in connection with Non-Major governmental funds, Non-Major enterprise funds, and internal service funds can be found on pages 5-1 to 5-102 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.

## Management's Discussion and Analysis For the Year Ended December 31, 2023

### Government-wide Financial Analysis

#### Statement of Net Position

The following table is a condensed Statement of Net Position for the City for December 31, 2023, which compares the current year to the prior year.

STATEMENT OF NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 675,917	\$ 692,338	\$ 1,365,459	\$ 1,376,655	\$ 2,041,376	\$ 2,068,993
Capital assets, net of accumulated depreciation	775,914	789,409	3,160,160	3,105,168	3,936,074	3,894,577
<b>Total assets</b>	<b>1,451,831</b>	<b>1,481,747</b>	<b>4,525,619</b>	<b>4,481,823</b>	<b>5,977,450</b>	<b>5,963,570</b>
<b>Deferred Outflows of Resources</b>	<b>141,372</b>	<b>110,426</b>	<b>134,312</b>	<b>70,703</b>	<b>275,684</b>	<b>181,129</b>
Long-term liabilities	454,770	428,044	1,666,939	1,593,044	2,121,709	2,021,088
Other liabilities	75,221	81,393	155,206	153,115	230,427	234,508
<b>Total liabilities</b>	<b>529,991</b>	<b>509,437</b>	<b>1,822,145</b>	<b>1,746,159</b>	<b>2,352,136</b>	<b>2,255,596</b>
<b>Deferred Inflows of Resources</b>	<b>96,444</b>	<b>149,434</b>	<b>320,734</b>	<b>403,148</b>	<b>417,178</b>	<b>552,582</b>
<b>Net position</b>						
Net investment in capital assets	648,278	656,183	1,745,182	1,716,964	2,393,460	2,373,147
Restricted	266,942	334,353	99,490	231,034	366,432	565,387
Unrestricted	49,700	(57,234)	672,380	455,221	722,080	397,987
<b>Total net position</b>	<b>\$ 964,920</b>	<b>\$ 933,302</b>	<b>\$ 2,517,052</b>	<b>\$ 2,403,219</b>	<b>\$ 3,481,972</b>	<b>\$ 3,336,521</b>

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3.5 billion on December 31, 2023. 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 68.7% 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 20.7% 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 10.5% of net position is restricted for other purposes such as debt redemption and new capital construction. Governmental activities represent 27.7% of total net position and business-type activities represent 72.3% of total net position.



## Management's Discussion and Analysis For the Year Ended December 31, 2023

### Changes in Net Position

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

CHANGES IN NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 43,603	\$ 43,019	\$ 961,139	\$ 898,453	\$ 1,004,742	\$ 941,472
Operating grants and contributions	45,420	94,762	-	-	45,420	94,762
Capital grants and contributions	4,889	10,630	57,063	39,676	61,952	50,306
General revenues						
Property taxes	84,138	79,119	-	-	84,138	79,119
Retail Sales & Use Tax	119,125	120,772	-	-	119,125	120,772
Business	66,065	50,768	-	-	66,065	50,768
Excise taxes	15,400	21,319	-	-	15,400	21,319
Other taxes	5,654	-	-	-	5,654	-
Investment earnings	22,922	(6,945)	47,927	(29,687)	70,849	(36,632)
Miscellaneous revenue	467	643	4,088	384	4,555	1,027
<b>Total revenues</b>	<b>407,683</b>	<b>414,087</b>	<b>1,070,217</b>	<b>908,826</b>	<b>1,477,900</b>	<b>1,322,913</b>
<b>Expenses:</b>						
General government	36,833	25,352	-	-	36,833	25,352
Public safety	241,854	236,506	-	-	241,854	236,506
Transportation	72,298	76,017	-	-	72,298	76,017
Nature and Economic Environment	26,997	12,240	-	-	26,997	12,240
Social Service	24,570	17,726	-	-	24,570	17,726
Culture and recreation	24,963	21,211	-	-	24,963	21,211
Interest on long-term debt	5,393	7,170	-	-	5,393	7,170
Solid Waste	-	-	75,257	65,792	75,257	65,792
Waste Water	-	-	124,752	103,029	124,752	103,029
Water	-	-	127,414	101,687	127,414	101,687
Power	-	-	477,918	437,711	477,918	437,711
Nonmajor Business-Type Activities	-	-	93,529	80,883	93,529	80,883
<b>Total expenses</b>	<b>432,907</b>	<b>396,223</b>	<b>898,869</b>	<b>789,102</b>	<b>1,331,776</b>	<b>1,185,325</b>
Change in net position before transfers	(25,224)	17,864	171,348	119,724	146,124	137,588
Transfers	58,914	47,396	(58,914)	(47,396)	-	-
<b>Change in net position</b>	<b>33,690</b>	<b>65,260</b>	<b>112,434</b>	<b>72,328</b>	<b>146,124</b>	<b>137,588</b>
Net Position, January 1, as Previously Reported	933,302	866,837	2,403,219	2,329,973	3,336,521	3,196,810
Prior Period Adjustment	(2,072)	1,205	(9)	73	(2,081)	1,278
Change in Accounting Principle	-	-	1,408	845	1,408	845
Net Position, January 1, as Restated	931,230	868,042	2,404,618	2,330,891	3,335,848	3,198,933
<b>Net position, December 31</b>	<b>\$ 964,920</b>	<b>\$ 933,302</b>	<b>\$ 2,517,052</b>	<b>\$ 2,403,219</b>	<b>\$ 3,481,972</b>	<b>\$ 3,336,521</b>

## Management's Discussion and Analysis For the Year Ended December 31, 2023

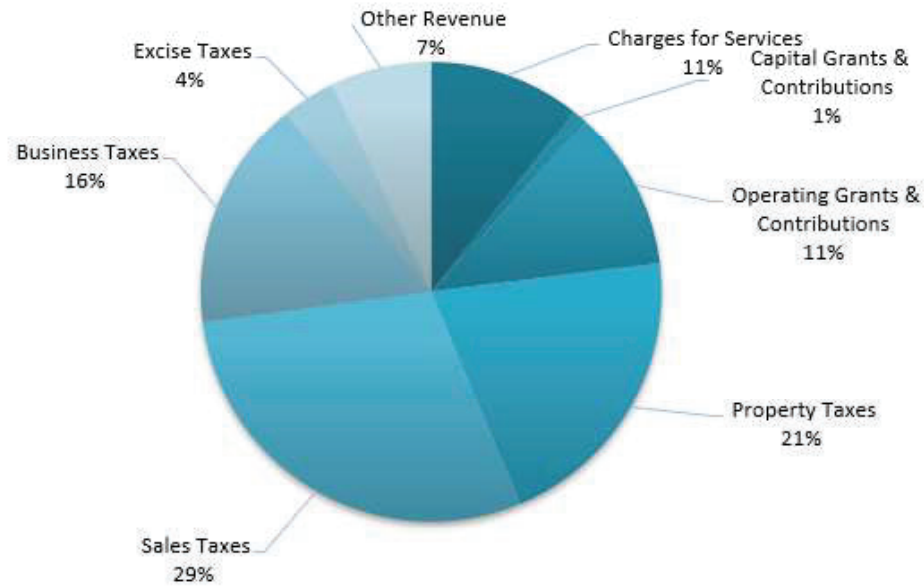
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**Governmental Activities** net position increased by \$31.6 million which was a 3.4% increase from 2022. In 2023, revenues decreased approximately \$12.8 million from 2022, and expenditures also increased by \$36.7 million from 2022. Some key revenue and expenditure highlights of governmental activities for 2023 are as follows:

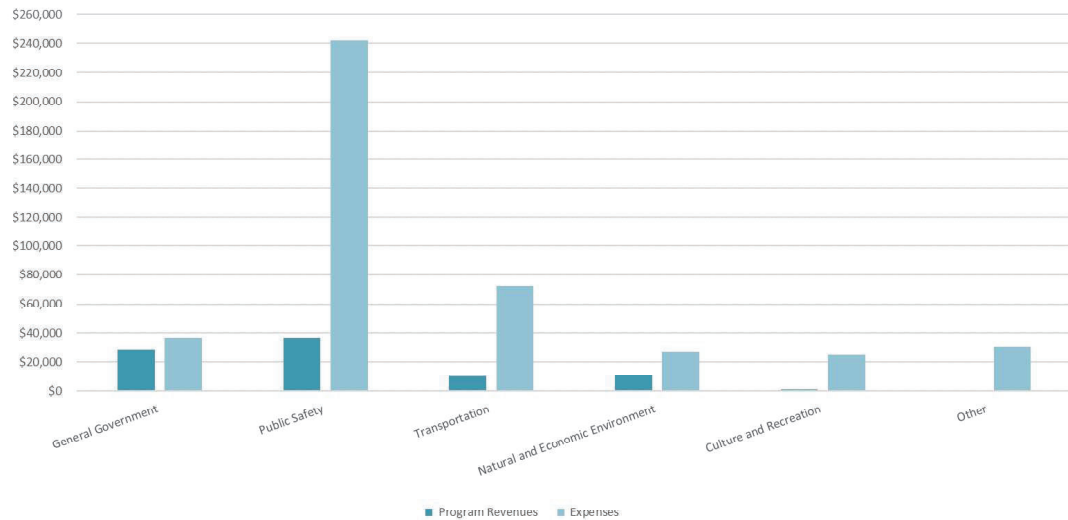
- Operating grants and contributions decreased by \$49.3 million, or 52.1% compared to 2022. This decline was primarily attributable to \$30.5 million in American Resource Plan Act (ARPA) revenues and a \$14.0 million Department of Treasury grant received in 2022, with no further funding allocated in 2023. Intergovernmental revenues from Fire Department EMS experienced a decline of \$4.6 million, predominantly attributable to reduced gross bills for Ground Emergency Medical Transportation (GEMT).
- Capital grants and contributions decreased \$5.7 million or 54.0% decrease from 2022. \$5.3 million of this decrease is attributable to the substantial completion of the 56<sup>th</sup> St and Cirque Drive Corridor Improvement project and Revitalizing Tacoma's Brewery District projects in 2022. The remainder of the decrease is due to no additional funds received from ARPA.
- Tax revenue increased by \$8.2 million, a 3.0% increase from 2022.
  - Retail & use tax revenue decreased by \$1.6 million or 1.4%
  - Business taxes increased by \$15.3 million or 30.1%, mainly due to increases in annual business license fees and service taxes from the banking and healthcare industries.
  - Property Tax increased by \$0.5 million or 0.5%
  - Excise taxes decreased by \$5.9 million, or 27.8 due to decreased REET revenue, as a result of increasing interest rates.
- Charges for services increased by \$5.5 million, which was 23.3% increase from 2022.
  - Public Safety increased \$5.1 million primarily due to increased transport activity for Fire Department EMS.
- Governmental activities expenditures increased by \$36.7 million or 9.3%.
  - General Government increased \$11.5 million or 45.3% over 2022. This includes \$1.2 million in Metro Parks payments from delayed billings, \$2.2 million in internal service activities, \$2.9 million in depreciation expense, and a \$2.8 million in GASB 68 liability.
  - Public Safety increased \$5.3 million or 2.3% over 2022. This includes an increase of \$8.1 million in Fire Department DMS due to a significant increase in overtime that results from a lack of staffing, \$8.6 million increase in Fire and Police function expenditures, and \$4.0 million increase due to increased food and sheltering needs in Neighborhood and Community Services. Conversely, there was a \$14.1 million decrease in the police and firefighters pension liability.
  - Natural and Economic Environment increased by \$14.8 million or 120.6% over 2022, due to an \$8.7 million increase in external contracts for grant expenditures and a \$7.6 million increase in GASB 68 liability. This was offset by a \$1.8 million decrease in GASB 75 liability.
  - Social services increased by \$6.8 million or 38.6% due to a \$5.5 million increase in contract services to support food and shelter needs for Neighborhood and Community Services and a \$1.5 million increase in labor costs.
  - These increases are offset by the decrease in transportation of \$3.7 million (4.9%). The decrease is detailed in the Capital grants and contributions above.

The two charts for governmental activities are shown below. The first chart summarizes the various sources of government revenue by activity, and the second chart illustrates how revenues and expenses are related to the various activities carried out by the City.

### Revenue by Source - Governmental Activities



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



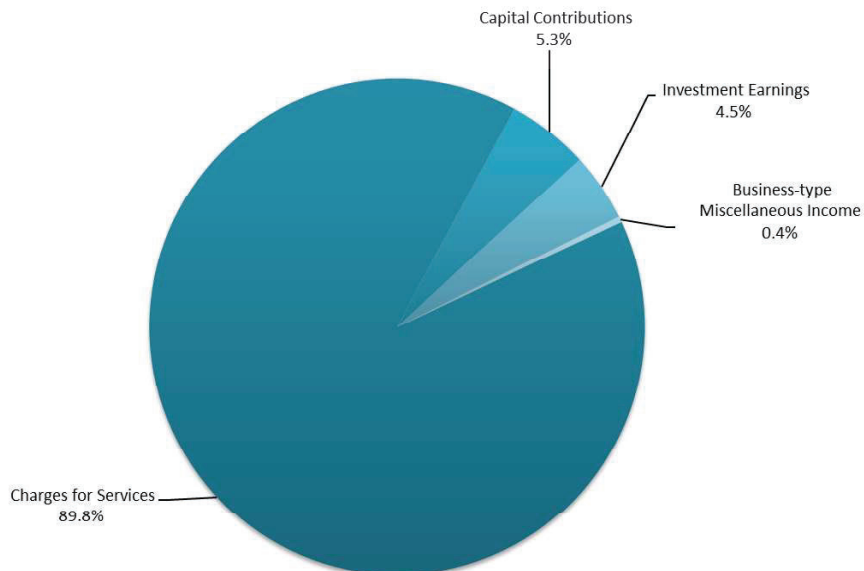
## Management's Discussion and Analysis For the Year Ended December 31, 2023

**Business-Type Activities** net position increased by \$113.8 million which was a 4.7% increase with an ending net position of \$2.5 billion. The major enterprise funds are Solid Waste, Wastewater and Stormwater, Water and Power.

- Charges for Services increased by \$62.7 million or 7.0% in 2023. The majority of the increase was from power for \$36.0 million, water for \$3.8 million, wastewater for \$8.0 million, and solid waste for \$4.4 million.
- Capital grants and contributions increased \$17.4 million. The largest portion of this increase was due to increased grants \$9.5 million from the Washington Department of Ecology for the Madison and Larchmont projects. Water increased \$6.5 million and Power increased \$1.3 million.
- Investment Earnings increased by \$77.6 million in 2023 due to more favorable market conditions in 2023. The annual GASB 31 to adjust for market fair value accounted for an unrealized net loss of \$26.4 million in 2022, which became a \$16.7 million unrealized gain in 2023, an increase of \$43.2 million. Interest earnings were \$34.3 million higher compared to 2022.
- The business-type activities expenses overall increased by 8.9% in 2023 to \$811.7 million. Power expenses increased by \$17.5 million (4.1%), water expenses increased by \$17.3 million (19.3%), wastewater expenses increased by \$18.7 million (21.0%), solid waste expenses increased by \$8.8 million (13.8%), and non-major enterprise funds' expenses increased by \$4.2 million (5.4%).

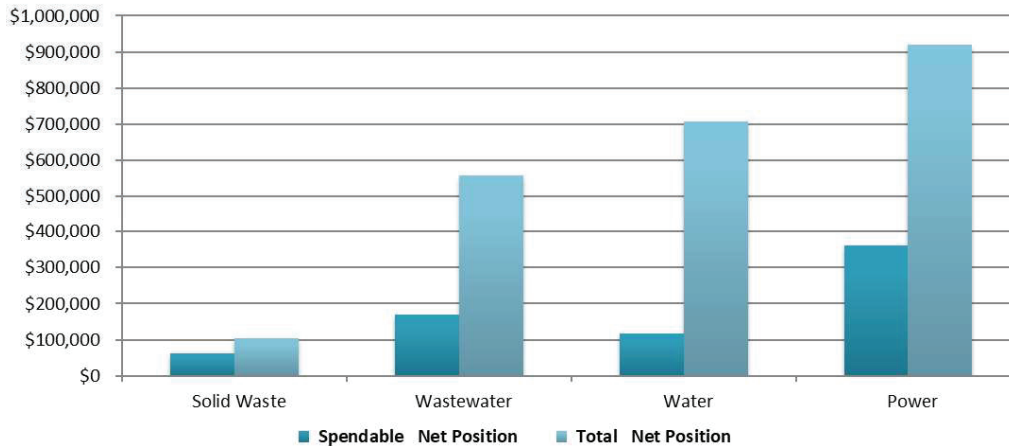
The following charts present the business-type activities. The first chart provides a summary of the business-type activities while the second chart shows the relationship of spendable net position to the total net position of the utility funds. A majority of the net position in each of these funds is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

**Revenues by Source - Business-type Activities**



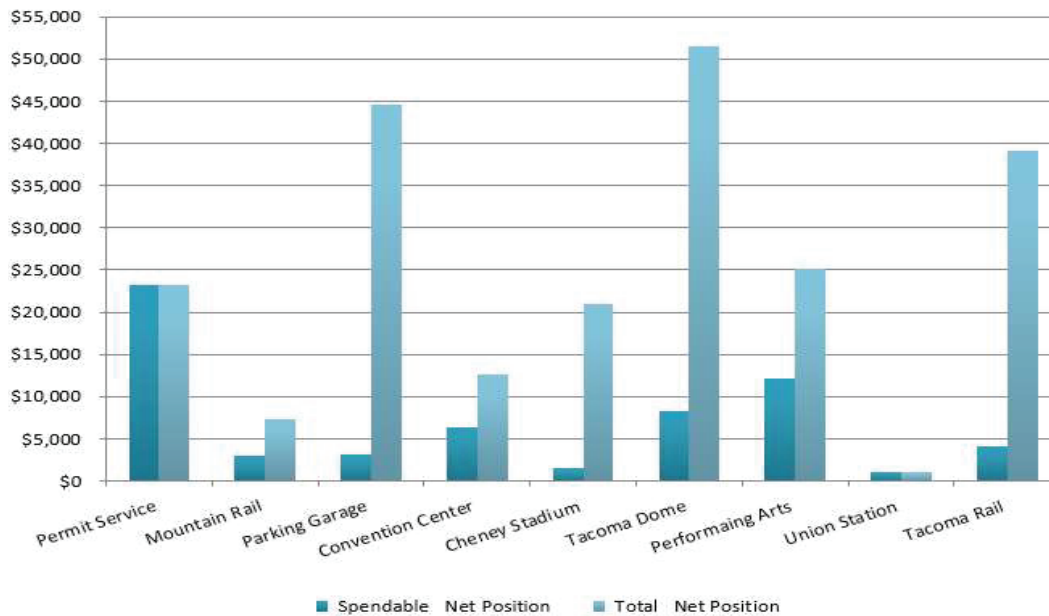
## Management's Discussion and Analysis For the Year Ended December 31, 2023

**Comparison of Spendable Net Position to Total Net Position -  
Utility Funds**



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

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





## **Management's Discussion and Analysis For the Year Ended December 31, 2023**

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### **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 \$118.7 million, an increase of \$9.4 million or 8.6% higher than 2022. Revenues for the general fund as a whole grew in 2023 by \$18.0 million or 8.0%. Retail Sales & Use Tax decreased by \$1.8 million. Property tax increased by \$1.6 million due to the increase in the assessed value of property. Business tax increased \$11.3 million. Excise taxes increased by \$0.3 million. Licenses and permit decreased \$1.7 million. Investment profits increased by \$7.2 million. Additionally, there was an increase of \$1.1 million from other categories.

Fund balance for the Transportation Capital and Engineering fund reported a fund balance of \$4.0 million, a decrease of \$2.5 million or 38.5% lower than 2022. Revenue decreased by \$6.5 million as a result of a reduction in intergovernmental revenue and a decrease of \$5.9 million in expenses. This was offset by a \$9.7 million net increase in transfers in and out.

Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, was \$278.6 million, an increase of \$5.6 million or 2.1%. Overall, other governmental funds revenue decreased by \$33.2 million, with a decrease of \$47.5 million intergovernmental revenues being the largest contributors from Fire Department EMS, Neighborhood Community and American Rescue Plan in 2022. An increase in expenditures of \$13.2 million from 2022 to 2023 was primarily due to a \$5.7 million increase in public safety, a \$9.0 million increase in natural and economic environment, offset by a \$5.0 million decrease in capital outlay.

#### **Fund Balances**

On December 31, 2023, the City's governmental funds reported combined ending fund balances of \$401.4 million. Of this amount, \$3.8 million is nonspendable either due to its form or legal constraints, \$172.5 million is restricted for specific programs by external constraints, \$64.0 million is committed for specific purposes as approved by City Council, \$45.7 million is assigned to specific purposes by management and the remaining \$115.3 million is unassigned.

#### **Proprietary Fund Statements**

Total net position for enterprise funds for 2023 was \$2.5 billion an increase of \$130.5 million from 2022. Power, Water, Solid Waste and Wastewater and Stormwater utilities make up the majority of the proprietary funds and activity in these utilities contributed \$123.8 million for the change in the net position, and non-major enterprise funds contributed \$6.7 million.

In 2023, the net position of the Power fund was \$919.1 million, which represents an increase of \$43.2 million or 4.9% compared to 2022. Operating revenues for the year amounted to \$516.5 million, an increase of \$36.0 million or 7.5%. The sales of electric energy rose by \$34.1 million or 7.5%, mainly driven by higher revenues from residential, general, accrued unbilled revenue, and wholesale, amounting to \$37.9 million. This increase was partially offset by a decrease in contract industrial of \$3.8 million. The 3.5% rate increase that became effective on April 1, 2023 contributed \$63.4 million to the total revenue increase. This was offset by a reduction in consumption of \$29.3 million. Total operating expenses increased by \$17.5 million or 4.1% compared to 2022. Salaries and benefits expenses increased by \$35.2 million but was offset by decreases in supplies and services by \$17.2 million and \$2.2 million, respectively.



## Management's Discussion and Analysis For the Year Ended December 31, 2023

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In 2023, the Water fund's net position was \$706.8 million, which represents an increase of \$31.1 million or 4.6% compared to 2022. Tacoma Water's operating revenues amounted to \$123.7 million, an increase of \$8.5 million or 7.4% from the previous year. Sales of water increased by a net of \$7.6 million, with \$1.2 million due to an average service rate increase of 4.0% effective January 1, 2023, and a \$6.4 million increase due to consumption. Contract resource obligations revenues from Regional Water Second Supply (RWSS) Partners increased by \$819,000 to reimburse Tacoma Water for O&M-related expenses. Operating expenses increased by \$17.3 million or 19.3% in 2023. Salaries and wages increased by \$9.9 million or 33.4% and services increased by \$5.0 million or 19.3%. The increases in operating expenses is mainly due to a \$7.1 million increase in GASB 68 pension adjustment and \$2.8 million increase in personnel expenses due to classification and compensation adjustments for non-represented employees that took effect on January 2, 2023 with 12 additional filled positions and cost of living adjustments in 2023. In addition, bad debt expense increased by \$1.2 million due to significantly lower bad debt recoveries of \$279,000 in 2023 compared to \$1.5 million in 2022. Depreciation increased by \$787,000 in 2023 due to a net increase in depreciable assets of \$24.2 million in 2022, as restated. Taxes increased by \$577,000 due to increase in Sales of Water by 7.5% in 2023.

In 2023, the Wastewater and Stormwater fund's net position increased to \$559.0 million, up \$34.2 million or 6.5% from the previous year. Operating revenues also increased to \$136.3 million, up \$6.8 million or 5.3% from 2022. The Wastewater and Stormwater approved average rates increased by 8.0% and 6.0%, effective from January 1, 2023. Wastewater residential revenues increased by \$4.6 million or 8.1% in 2023 and commercial and public authority (PA) revenues increased by \$1.8 million or 6.7% compared to the previous year. Stormwater residential increased \$1.1 million or 5.3% in 2023 and stormwater commercial increased \$1.2 million or 5.8%. The increases in both were due in part to rate increases and increased consumption. Other revenues decreased \$1.8 million or 43.7% due to less revenues from Septage haulers and the Land Recovery Inc (LRI). Operating expenses increased to \$107.8 million in 2023, up \$18.7 million or 21.0% from 2022. Business operation expenses increased \$10.5 million due to labor expense increase of \$2.2 million, bad debt increase of \$1.0 million, administrative and general credit allocated to capital projects decreased of \$2.5 million, and assessments increased of \$3.9 million. Operations and maintenance expenses increased by \$2.3 million mainly due to labor expense increase of \$3.4 million and external contract increase of \$0.5 million, and assessment decrease of \$2.2 million.

In 2023, the net position of the Solid Waste fund increased by \$15.2 million, reaching \$103.9 million, reflecting a 17.1% rise from 2022. Operating revenue also rose by \$4.9 million or 6.0%, mainly attributed to a 4.0% rate hike for residential customers starting on January 1, 2023, which resulted in \$1.9 million increase in revenue. The revenue from commercial customers increased by \$3.5 million due to increases in number of commercial customers and rates in 2023. The volume increased due to construction activity and additional commercial housing within the service areas. Meanwhile, disposal revenues decreased by \$644,000 due to decreased customer self-haul trips to the landfill and tonnage volume in 2023. The operating expenses for 2023 were \$72.3 million, an \$8.8 million or 13.8% increase from 2022 mainly due to increases in commercial collection expense of \$736,000, onsite operations expense of \$781,000, other collection services expense of \$1.2 million, and support services expenses of \$6.4 million.

## **Management's Discussion and Analysis For the Year Ended December 31, 2023**

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### **General Fund Budgetary Highlights**

The City 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 2023 include:

- \$2.1 million below the current revenue projection for 2023. During the 2023 Mid-Biennial modification process, General Fund Revenues were reprojected up by \$9.0 million to recognize positive trends in Licenses and Permits and Utility Taxes. At the same time, Sales Tax projections were adjusted down in recognition of lower-than-expected collections.
- \$3.5 million in expenditure savings. The expense budget was increased by \$3.2 million at the Mid-Biennial modification process to account for trends in Police and Fire overtime, and third party liability expenses. These increases were partly off-set by savings in jail expenses.

### **Capital Assets, Infrastructure, Bond Debt Administration**

#### **Capital Assets**

The City's capital assets net of accumulated depreciation and amortization for its governmental and business-type activities as of December 31, 2023, is \$3.9 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, right of use, and infrastructure.

Infrastructure in governmental activities increased \$23.6 million primarily due to capitalization of projects, namely \$5.9 million for the Revitalizing Tacoma's Brewery District, \$5.3 million for the 56<sup>th</sup> & Cirque Corridor improvement, \$3.2 million for Fawcett Avenue, \$1.9 million for the S. Yakima Traffic Signal improvement, \$1.6 million for Whitman, Edison, and Lincoln streets, and \$1.1 million for the I-5 S. 56<sup>th</sup> St. Interchange. Construction in progress in governmental activities decreased by \$11.2 million, due to the capitalization of \$22.6 million in projects, offset by \$11.4 million in further additions.

Property, plant and equipment in governmental activities increased \$12.6 million. This is due to \$1.9 million in building additions, \$5.8 million in building improvements, and a net increase of \$4.8 million in equipment purchases.

Construction in Progress in business activities increased by \$25.6 million. There was a total of \$141.2 million capitalized from construction in progress projects in 2023. This included \$59.1 million in Power projects, \$34.1 million in Wastewater and Stormwater projects, \$33.9 million in Water projects, and \$5.0 million in Solid Waste projects. The decrease was offset by \$166.8 million in additional construction in progress costs, including \$77.2 million in Power, \$46.1 million in Water projects, \$29.9 million in Wastewater and Stormwater, and \$5.5 million in Solid Waste.

Property, plant and equipment in business activities increased \$107.2 million. The Power fund increased by \$41.7 million, primarily due to increases of \$1.7 million in intangible plant additions for cybersecurity and resilience, \$5.9 million in Hydraulic Plant additions for various hyro projects, \$3.4 million for transmission additions for substations and power security upgrades, \$32.5 million to distribution plant additions for new and replacement programs, and \$8.1 million in General plant for fleet related vehicles and equipment, conference room upgrades, communication tower modifications, energy control center elevator replacement, advanced metering infrastructure, and security upgrades. Water Fund increase of \$34.6 million

## Management's Discussion and Analysis For the Year Ended December 31, 2023

is due to the increase of \$16.5 million in cast iron mains, \$3.4 million in services, pipes and accessories, \$4.6 million in meters, \$1.5 million in hydrants, \$2.6 million in AMI modules, \$2 million in water easements, and \$700,000 in software assets. Also in 2023, 12.07 miles of water main were added or replaced, 3.99 miles of water main were retired, and construction was completed on 21 private contracts, resulting in 8.08 net miles. Wastewater and Stormwater increase of \$40.3 million is primarily due to \$2.5 million increase in machinery and equipment for the Central Treatment Plant Secondary Clarifier #5 project and \$37.0 million increase in transmission lines and other improvements. Additional changes include Solid Waste with an increase of \$2.9 million and Tacoma Rail increase of \$8.1 million, the majority of which was a \$6.3 million addition to buildings.

Schedule of Capital Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 41,899	\$ 41,899	\$ 167,993	\$ 166,686	\$ 209,892	\$ 208,585
Art	3,138	3,018	-	-	3,138	3,018
Construction in progress	26,168	37,317	95,467	69,903	121,635	107,220
Property, plant and equipment	324,587	311,995	5,203,717	5,096,504	5,528,304	5,408,499
Right of use leases	10,360	10,086	3,147	1,956		
Software subscriptions	6,586	-	12,199	11,246		
Infrastructure	1,552,038	1,528,471	-	-	1,552,038	1,528,471
Less Accumulated depreciation and Amortization	(1,188,862)	(1,143,377)	(2,322,363)	(2,232,799)	(3,511,225)	(3,376,176)
	<b>\$ 775,914</b>	<b>\$ 789,409</b>	<b>\$ 3,160,160</b>	<b>\$ 3,113,496</b>	<b>\$ 3,903,782</b>	<b>\$ 3,879,617</b>

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

### Outstanding Debt

The City's debt on December 31, 2023, was \$2.1 billion, an increase of \$29.4 million from governmental activities and an increase of \$76.6 million from business-type activities caused the \$106.0 million increase for total primary government over 2022. Approximately 78.5% of the bonded debt is related to business-type activities with repayment pledged by specific revenue sources generated by the business-type activities. Of the remaining 21.5% bonded debt, debt is either secured by voter approved special levies or general government resources.

Tacoma Power drew down \$25.0 million from their line of credit with Wells Fargo in 2023. Tacoma Sewer received the final disbursement of \$2.7 million from the WIFIA loan related to the construction of the Central Wastewater Treatment Plant electrical distribution replacement project. It additionally received \$904,860 for costs related to the Central Treatment Plant Electrical Distribution System Replacement project and \$1.6 million for costs related to the Larchmont and Madison district projects as part of the State Revolving Fund Loan program. Tacoma Rail has taken draws from the Washington State Department of Transportation for the Lincoln Track Upgrade in the amount of \$100,000, Tacoma Rail Yard Track Upgrades in the amount of \$433,450, and Alexander Wye Track Upgrades in the amount of \$545,000. Additionally, Tacoma Rail obtained two new Washington State loans from the Department of Transportation for Blair Peninsula Switches in the amount of \$400,000 and Annie Tracks Switch & Curve Upgrade in the amount of \$1,590,000.

State law places a ceiling of 7.5% of the assessed value of taxable properties on the City's limited and unlimited tax general obligation debt. The City's assessed valuation for 2023, according to the most recent report, was \$41.9 billion, giving it a legal debt capacity of \$3.1 billion. By the end of 2023, the City's net outstanding general obligation debt, which includes bonds and two loans from the State of Washington Public Works Trust Fund, would total \$144.7 million, far less than the limit allowed by law, putting the City's

## Management's Discussion and Analysis For the Year Ended December 31, 2023

legal debt margin at \$3.1 billion. State law limits existing LTGO bonds to 1.5% of assessed value, which for 2023 was a capacity of \$628.3 million, under the 7.5% restriction. By the end of 2023, the LTGO's net outstanding debt was \$143.7 million.

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

Schedule of Long Term Liabilities						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Bonded debt and loans	\$ 126,859	\$ 136,211	\$ 1,494,098	\$ 1,512,899	\$ 1,620,958	\$ 1,649,110
Claims and judgments	45,406	36,228	-	-	45,406	36,228
Accrued landfill liability	-	-	12,940	15,190	12,940	15,190
Net OPEB Obligation	-	-	-	-	-	-
Total OPEB Liability	161,693	190,320	30,376	37,122	192,069	227,443
Net Pension Obligation	-	-	-	-	-	-
Total Pension Liability Police and Firefighters	39,302	39,926	-	-	39,302	39,926
Pension Liability	42,322	-	95,833	-	138,155	-
Compensated absences	28,339	25,358	28,950	27,832	57,289	53,190
Lease liability	9,439	-	1,721	-	11,160	-
SBITA liability	4,051	-	5,773	-	9,824	-
	<u>\$ 457,411</u>	<u>\$ 428,044</u>	<u>\$ 1,669,690</u>	<u>\$ 1,593,044</u>	<u>\$ 2,127,102</u>	<u>\$ 2,021,087</u>

The City's debt rating for 2023 is as follows:

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

### Economic Factors

Rate increases for residential and commercial services for solid waste management of about 4% become effective on January 1, 2024. For 2024, it is anticipated that the rate increases will result in an increase of operating revenues of \$3.1 million. The rate increases remain competitive with surrounding jurisdictions.

On February 15, 2024, Tacoma Power issued the Electric System Revenue and Refunding Bonds, Series 2024 including Series 2024 A (Green Bonds) and Series 2024 B in the amount of \$95.3 million and \$47.4 million, respectively. Proceeds of the Series 2024 A Bonds will be used to redeem a portion of the outstanding draws on the revolving line of credit issued by Wells Fargo Bank on October 1, 2021. The Series 2024 B Bonds will be used to refund a portion of 2013A Refunding Bonds and in full of 2013B Refunding Bonds.

Property taxes collected countywide total \$1.93 billion in 2024, a 3.9% increase over 2023. Property taxes support the city and county governments, fire departments, ambulance services, parks, libraries, roads, Port of Tacoma, Sound Transit, and flood control in addition to funding public schools. On the property tax

## **Management's Discussion and Analysis For the Year Ended December 31, 2023**

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statement, there are additional charges for stormwater management, noxious weed control, and conservation. In Pierce County, 58% of all property taxes are made up of local and state levies for schools. Fire/EMS districts make up 12.5% of the total, followed by cities and county (including the road district) at 19.8%. Together, these comprise more than 90% of Pierce County's property tax.

During the Mid-Biennial Budget Modification process, Sales Tax projections were revised down in response to lower than expected collections. The City is carefully monitoring national and local economic trends, due to the potential impact of revenue projections.

In 2023, the Tacoma Streets Initiative had finished its eighth year. Two measures approved by voters in November 2015 made up the initiative. Proposition 3 permitted an additional 1.5% earning tax for natural gas, electric, and phone providers as well as an increase in the standard property tax levy of \$.20 per \$1,000 of assessed value. Proposition A increased sales tax by 1/10 of 1% over ten years. Of the final target of \$325 million over ten years, the program has raised about \$294.7 million, including grant and partnership funding. Total overlays, surface treatments, or other preventative maintenance, the initiative's maintenance work improved or maintained 579 blocks in 2023, bringing the overall number of blocks up to 4,082.

### **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 Finance Department, 747 Market Street Room 132, Tacoma, Washington 98402.

**STATEMENT OF NET POSITION**  
**December 31, 2023**  
**(amounts expressed in thousands)**  
**Page 1 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 485,235	\$ 837,167	\$ 1,322,402
Accounts Receivables (Net)	49,526	115,573	165,099
Due From Other Governmental Units	25,778	7,896	33,674
Internal Balances	10,400	no.400i	-
Inventory	4,839	22,007	26,846
Prepays	2,424	21,725	24,149
Restricted Cash			
Cash and Cash Equivalents	-	205,030	205,030
Notes and Contracts Receivable	-	875	875
Leases Receivable, current	75	1,561	1,636
Non Current Assets			
Cash and Cash Equivalents	-	33,483	33,483
Lease Receivables, noncurrent	3,245	82,110	85,355
Long-Term Contracts and Notes	-	13,199	13,199
Net Pension Asset	94,395	-	94,395
Other Non-Current Assets	-	35,233	35,233
Capital Assets			
Depreciable Capital Anets (Net of Accumulated Depreciation)	690,766	2,887,612	3,578,378
Non-Depreciable Capital Assets	71,205	263,460	334,665
Right-to-Use (Lease Assets and Subscription-Net of Amortization)	13,943	9,088	23,031
<b>Total Assets</b>	<b>1,451,831</b>	<b>4,525,619</b>	<b>5,977,450</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows related to Bond Refunding	273	3,510	3,783
Deferred Outflows related to Pensions	102,145	123,694	225,839
Deferred Outflows related to OPEB	38,953	7,108	46,061
<b>Total Deferred Outflows of Resources</b>	<b>141,372</b>	<b>134,312</b>	<b>275,684</b>
<b>LIABILITIES</b>			
Accounts Payable	40,993	43,318	84,311
Deposits Payable	205	34,683	34,888
Due to Other Governmental Units	2	847	849
Leases Payable, current	427	520	947
SBITA payable, Current	2,215	2,232	4,447
Unearned Revenue	10,908	13,020	23,928
Other Liabilities Payable	22,319	59,169	81,488
Payable From Restricted Assets:			
Other Current liabilities	-	1,417	1,417
Leases Payable, non current	9,012	1,201	10,213
SBITA Payable, non current	1,836	3,541	5,377
Special Assessment Debt with Government Commitment	16,860	-	16,860
Bonds and Other Debt Payable:			
Due Within One Year	57,760	156,193	213,953
Due in More Than One Year	369,302	1,506,004	1,875,306
<b>Total Liabilities</b>	<b>531,839</b>	<b>1,822,145</b>	<b>2,353,984</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Advanced Payment of Special Assessments	15,196	-	15,196
Advance payment of Property Taxes	1,798	-	1,798
Deferred Inflows - Rate Stabilization	-	225,575	225,575
Deferred Inflows related to Bond Refunding	298	90	388
Deferred Inflows related to Pensions	29,253	2,268	31,521
Deferred Inflows related to OPEB	46,642	9,658	56,300
Deferred Inflows related to Leases	3,257	83,143	86,400
<b>Total Deferred Inflows of Resources</b>	<b>96,444</b>	<b>320,734</b>	<b>417,178</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	648,278	1,745,182	2,393,460
Restricted:			
Capital Projects	45,725	3,225	48,950
Debt Service	18,298	11,199	29,497
Utility Donations & System Development	-	45,413	45,413
Culture and recreation	12,489	-	12,489
Environmental Services and Programs	-	3,817	3,817
Inspection	-	790	790
Pension	94,395	-	94,395
Reserves	-	35,046	35,046
Public Safety	4,584	-	4,584
Transportation	27,499	-	27,499
Grants	23,723	-	23,723
Housing and Economic development	40,229	-	40,229
Unrestricted	49,700	672,380	722,080
<b>Total Net Position</b>	<b>\$ 964,920</b>	<b>\$ 2,517,052</b>	<b>\$ 3,481,972</b>

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

**STATEMENT OF NET POSITION**  
**December 31, 2023**  
**(amounts expressed in thousands)**  
**Page 2 of 2**

	Component Units	
	TCRA	GTRCC PFD
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,231	\$ 3,638
Accounts Receivables (Net)	-	996
Due From Other Governmental Units	1,768	-
Internal Balances	-	-
Inventory	-	-
Prepays	34	-
Restricted Cash	-	-
Cash and Cash Equivalents	-	-
Notes and Contracts Receivable	2,046	-
Leases Receivable, current	232	-
Non Current Assets	-	-
Cash and Cash Equivalents	-	-
Lease Receivables, noncurrent	-	-
Long-Term Contracts and Notes	51,644	-
Net Pension Asset	-	-
Other Non Current Assets	1,576	-
Capital Assets	-	-
Depreciable Capital Assets (Net of Accumulated Depreciation)	7,444	-
Non-Depreciable Capital Assets	1,585	-
Right-to-Use (Lease Assets and Subscription-Net of Amortization)	-	-
<b>Total Assets</b>	<b>74,560</b>	<b>4,634</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows related to Bond Refunding	-	-
Deferred Outflows related to Pensions	-	-
Deferred Outflows related to OPEB	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>		
Accounts Payable	61	-
Deposits Payable	-	-
Due to Other Governmental Units	-	4,634
Leases Payable, current	-	-
SBITA payable, Current	-	-
Unearned Revenue	-	-
Other Liabilities Payable	8,704	-
Payable From Restricted Assets:	-	-
Other Current liabilities	-	-
Leases Payable, non current	-	-
SBITA Payable, non current	-	-
Special Assessment Debt with Government Commitment	-	-
Bonds and Other Debt Payable:	-	-
Due Within One Year	39	-
Due in More Than One Year	5,317	-
<b>Total Liabilities</b>	<b>14,121</b>	<b>4,634</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Advanced Payment of Special Assessments	-	-
Advance payment of Property Taxes	-	-
Deferred Inflows - Rate Stabilization	-	-
Deferred Inflows related to Bond Refunding	-	-
Deferred Inflows related to Pensions	-	-
Deferred Inflows related to OPEB	-	-
Deferred Inflows related to Leases	232	-
<b>Total Deferred Inflows of Resources</b>	<b>232</b>	<b>-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,174	-
Restricted:	-	-
Capital Projects	-	-
Debt Service	-	-
Utility Donations & System Development	-	-
Culture and recreation	-	-
Environmental Services and Programs	-	-
Inspection	-	-
Pension	-	-
Reserves	-	-
Public Safety	-	-
Transportation	-	-
Grants	-	-
Housing and Economic development	56,034	-
Unrestricted	-	-
<b>Total Net Position</b>	<b>\$ 60,208</b>	<b>\$ -</b>

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

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**  
(amounts expressed in thousands)  
Page 1 of 2

		Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
<b><u>FUNCTIONS/ PROGRAMS:</u></b>				
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 36,833	\$ 19,647	\$ 8,556	\$ -
Public Safety	241,854	19,189	17,254	280
Transportation	72,298	1,348	4,351	4,440
Natural and Economic Environmen	26,997	2,494	8,311	-
Social Services	24,570	547	6,462	169
Culture and Recreation	24,963	378	486	-
Interest on Long-Term Debt	5,393	-	-	-
	<u>432,907</u>	<u>43,603</u>	<u>45,420</u>	<u>4,889</u>
Business-Type Activities				
Solid Waste	75,257	92,545	-	-
Waste Water	124,752	139,612	-	17,398
Water	127,414	123,899	-	26,337
Power	477,918	516,547	-	13,328
Nonmajor Business-Type Activities	93,529	88,536	-	-
	<u>898,869</u>	<u>961,139</u>	<u>-</u>	<u>57,063</u>
Total Primary Government	<u>\$ 1,331,776</u>	<u>\$ 1,004,742</u>	<u>\$ 45,420</u>	<u>\$ 61,952</u>
<b>Component Units</b>				
TCRA	2,601	5,435	3,892	-
GTRCC PFD	5,868	-	-	-
Total Component Units	<u>\$ 8,469</u>	<u>\$ 5,435</u>	<u>\$ 3,892</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Property Tax				
Retail Sales & Use Tax				
Business Tax				
Excise Tax				
Other				
Gain on Sale of Capital Assets				
Total General Revenues				
Lease Revenue				
Lease Interest Revenue				
Investment Earnings				
Transfers				
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*



**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**  
(amounts expressed in thousands)  
Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Governmental Activities	Business-Type Activities	Total	TCRA	GTRCC PFD
<b><u>FUNCTIONS   PROGRAMS:</u></b>					
<b>Primary Government</b>					
Governmental Activities:					
General Government	\$ (8,630)	\$ -	\$ (8,630)	\$ -	\$ -
Public Safety	(205,131)	-	(205,131)	-	-
Transportation	(62,159)	-	(62,159)	-	-
Natural and Economic Environment	(16,192)	-	(16,192)	-	-
Social Services	(17,392)	-	(17,392)	-	-
Culture and Recreation	(24,099)	-	(24,099)	-	-
Interest on Long-Term Debt	(5,393)	-	(5,393)	-	-
	<u>(338,995)</u>	<u>-</u>	<u>(338,995)</u>	<u>-</u>	<u>-</u>
Business-Type Activities					
Solid Waste	-	17,288	17,288	-	-
Waste Water	-	32,258	32,258	-	-
Water	-	22,822	22,822	-	-
Power	-	51,957	51,957	-	-
Nonmajor Business-Type Activities	-	(4,993)	(4,993)	-	-
	<u>-</u>	<u>119,333</u>	<u>119,333</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (338,995)</u>	<u>\$ 119,333</u>	<u>\$ (219,662)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Component Units</b>					
TCRA				6,726	-
GTRCC PFD				-	(5,868)
Total Component Units				<u>\$ 6,726</u>	<u>\$ (5,868)</u>
General Revenues:					
Taxes:					
Property Tax	\$ 84,138	\$ -	\$ 84,138	\$ -	\$ -
Retail Sales & Use Tax	119,125	-	119,125	-	5,703
Business Tax	66,065	-	66,065	-	-
Excise Tax	15,400	-	15,400	-	-
Other	5,654	-	5,654	-	-
Gain on Sale of Capital Assets	467	4,088	4,555	-	-
Total General Revenues	<u>290,849</u>	<u>4,088</u>	<u>294,937</u>	<u>-</u>	<u>5,703</u>
Lease Revenue	-	-	-	233	-
Lease Interest Revenue	-	-	-	10	-
Investment Earnings	22,922	47,927	70,849	79	165
Transfers	58,914	(58,914)	-	-	-
Change in Net Position	<u>33,690</u>	<u>112,434</u>	<u>146,124</u>	<u>7,048</u>	<u>-</u>
Net Position, January 1	<u>933,302</u>	<u>2,403,219</u>	<u>3,336,521</u>	<u>53,179</u>	<u>-</u>
Prior Period Adjustment	(2,072)	(9)	(2,081)	(19)	-
Change in Accounting Principle	-	1,408	1,408	-	-
Net Position, January 1 restated	<u>931,230</u>	<u>2,404,618</u>	<u>3,335,848</u>	<u>53,160</u>	<u>-</u>
Net Position, December 31	<u>\$ 964,920</u>	<u>\$ 2,517,052</u>	<u>\$ 3,481,972</u>	<u>\$ 60,208</u>	<u>\$ -</u>

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2023  
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 114,968	\$ 3,931	\$ 261,582	\$ 380,481
Accounts Receivables (Net)	7,323	130	41,603	49,056
Due From Other Funds	-	-	53	53
Due From Other Governmental Units	16,788	1,148	7,842	25,778
Inventory	1,841	-	1,858	3,699
Prepays	64	-	52	116
Total Assets	<u>140,984</u>	<u>5,209</u>	<u>312,990</u>	<u>459,183</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	-
Total Assets and Deferred Outflows	<u>140,984</u>	<u>5,209</u>	<u>312,990</u>	<u>459,183</u>
<b>LIABILITIES</b>				
Account Payable	5,633	1,195	8,008	14,836
Customer Deposits	29	-	176	205
Other Liabilities Payable	12,028	-	4,000	16,028
Due to Other Funds	1,553	-	-	1,553
Unearned Revenue	-	-	943	943
Total Liabilities	<u>19,243</u>	<u>1,195</u>	<u>13,127</u>	<u>33,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues	3,048	-	21,219	24,267
Total Deferred Inflow of Resources	<u>3,048</u>	<u>-</u>	<u>21,219</u>	<u>24,267</u>
<b>FUND BALANCE</b>				
Nonspendable	1,905	-	1,917	3,822
Restricted	404	3,692	168,451	172,547
Committed	17	8	63,947	63,972
Assigned	1,089	314	44,329	45,732
Unassigned	115,278	-	-	115,278
Total Fund Balance	<u>\$ 118,693</u>	<u>\$ 4,014</u>	<u>\$ 278,644</u>	<u>\$ 401,351</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 140,984</u>	<u>\$ 5,209</u>	<u>\$ 312,990</u>	<u>\$ 459,183</u>

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

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

December 31, 2023

(amounts expressed in thousands)

Total governmental fund balances as reported on this statement	\$	401,351
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.		735,372
Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Net pension asset		94,395
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	20,494	
Unavailable revenue reported for special assessments	<u>(15,196)</u>	5,298
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.		74,263
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and loans payable	(123,505)	
Premium on Bonds Payable	(604)	
Deferred amount on bond refunding	55	
Deferred amounts related to OPEB	(7,689)	
Deferred amounts related to pensions	47,713	
Interest payable	(6,944)	
Net pension liability	(22,449)	
Police and Fire liability	(39,302)	
Total OPEB liability	(161,693)	
Lease and Subscriptions Liability	(9,969)	
Compensated absences payable	<u>(21,373)</u>	(345,759)
Net position of government activities as reported on the statement of net position	<u>\$</u>	<u>964,920</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2023  
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 67,281	\$ -	\$ 16,772	\$ 84,053
Retail Sales & Use	82,293	-	36,832	119,125
Business	59,587	-	6,478	66,065
Excise	3,810	-	11,590	15,400
Licenses and Permits	2,421	-	2,207	4,628
Intergovernmental	8,054	4,324	32,855	45,233
Charges for Services	9,931	214	19,049	29,194
Fines and Forfeitures	2,170	-	4,792	6,962
Investment Earnings	5,983	187	11,896	18,066
Miscellaneous	799	-	3,139	3,938
Total Revenues	242,329	4,725	145,610	392,664
<b>EXPENDITURES</b>				
Current:				
General Government	29,310	-	1,689	30,999
Public Safety	193,341	-	53,095	246,436
Transportation	-	4,330	38,605	42,935
Natural and Economic Environment	6,075	-	19,611	25,686
Social Services	16,263	-	8,307	24,570
Culture and Recreation	15,551	-	7,564	23,115
Debt Service:				
Principal	783	-	12,660	13,443
Interest and Other Costs	226	27	4,288	4,541
Capital Outlay	2,522	12,949	6,124	21,595
Total Expenditures	264,071	17,306	151,943	433,320
Excess (Deficiency) of Revenues OVER EXPENDITURES	(21,742)	(12,581)	(6,333)	(40,656)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	79	-	69	148
Right - of - use proceeds	1,299	-	168	1,467
Issuance of Debt	-	423	-	423
Transfers In	71,003	9,741	74,242	154,986
Transfers Out	(41,176)	(87)	(62,637)	(103,900)
Total Other Financing Sources and Uses	31,205	10,077	11,842	53,124
Net Change in Fund Balance	9,463	(2,504)	5,509	12,468
Fund Balance - January 1, as Previously Reported	109,248	6,523	273,002	388,773
Prior Period Adjustment	(18)	(5)	133	110
Fund Balance - January 1, restated	109,230	6,518	273,135	388,883
Fund Balance - Ending	\$ 118,693	\$ 4,014	\$ 278,644	\$ 401,351

*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, 2023  
(amounts expressed in thousands)

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$	12,468
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	21,595	
Depreciation Expense	<u>(39,539)</u>	(17,944)
The net effect of various miscellaneous transactions involving capital assets.		184
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		(423)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes	85	
Amortization of loss on refunding	1,790	
Other unavailable revenue	4,738	
Amortization of bond premium	<u>(82)</u>	6,531
Developer contributions and annexation of infrastructure assets are reported as revenue in the statement of activities, but do not provide current financial resources and are not reported as fund revenue.		0
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.		12,555
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.		11,324
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	(2,561)	
Change in net pension obligation or asset	10,382	
Change in net other postemployment benefits	4,030	
Change in compensated absences payable	(2,052)	
Change in lease payable	35	
Change in SBITA Liability	<u>(840)</u>	8,994
Change in net position on the Statement of Activities	<u>\$</u>	<u>33,690</u>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2023  
(amounts expressed in thousands)  
Page 1 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
<b>A S S e t s</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 84,648	\$ 188,550	\$ 60,493	\$ 426,963
Accounts Receivables (Net)	7,831	16,810	14,977	66,797
Due from Other Funds	-	-	-	-
Due From Other Governmental Units	-	3,861	4,003	-
Inventory	-	2,792	5,861	11,202
Prepaid Expenses	-	454	3,090	13,664
Restricted Cash:				
Debt Service	539	1,733	1,863	18,168
Construction	6,844	33,764	-	-
Other	80	-	88,987	30,374
Leases Receivable-Current	-	232	-	1,267
Note and Contracts Receivable	-	318	-	-
Total Current Assets	99,942	248,514	179,274	568,435
<b>Noncurrent Assets</b>				
Restricted Cash, Bond Reserves	2,110	-	21,703	4,998
Restricted Cash, Debt Reserves	-	4,672	-	-
Long-Term Lease Receivables	-	3,501	-	78,259
Long-Term Notes and Contracts	-	414	-	5,155
Other non-current assets	-	-	3,867	29,407
Capital Assets:				
Right to Use Lease Assets	43	543	1,450	11,357
Less: Accumulated Amortization	(1)	(241)	(725)	(4,418)
Land	3,242	25,492	29,222	75,131
Property, Plant, and Equipment	210,658	1,053,734	1,278,195	2,319,928
Construction in Progress	2,076	15,816	28,271	44,071
Less: Accumulated Depredation	(127,184)	(370,876)	(379,380)	(1,268,838)
Total Capital Assets (Net of <b>N D</b> )	88,834	724,468	957,033	1,177,231
Total Noncurrent Assets	90,944	733,055	982,603	1,295,050
Total Assets	190,886	981,569	1,161,877	1,863,485
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Outflow from Bond Refunding	-	2,808	250	-
Deferred Outflow related to Pensions	9,616	17,762	17,039	69,116
Deferred Outflow related to OPEB	601	1,171	1,333	2,820
Total Deferred Outflow of Resources	10,217	21,741	18,622	71,936

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2023**  
(amounts expressed in thousands)  
Page 2 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	3,231	5,316	4,742	27,041
Due to Other Governmental Units	-	840	-	-
<b>Customer Deposits</b>	80	-	337	14,179
Interest Payable	-	176	1,559	11,682
<b>Environment Liabilities - Current</b>	494	590	-	120
Notes and Contracts Payable - Current	-	5,305	6,534	105,000
<b>Compensated Absences - Current</b>	161	385	367	1,615
Bonds Payable - Current	3,497	7,750	9,230	6,555
Payable From Restricted Assets:				
Debt Principal Payable - Current	318	705	-	-
Interest Payable	221	1,028	-	-
Deposits and Other Payable	74	-	-	-
<b>Unearned Revenue</b>	350	725	-	4,681
<b>Claims and Judgements - Current</b>	-	-	-	-
<b>Lease Liability - Current</b>	-	69	12	44
SBITA payable, Current	8	28	319	1,802
OPEB Liability - Current	74	89	119	321
Other Liabilities Payable	1,034	1,549	3,132	9,099
<b>Total Current Liabilities</b>	<u>9,542</u>	<u>24,555</u>	<u>26,351</u>	<u>182,139</u>
<b>Noncurrent Liabilities</b>				
Bonds Payable	56,832	324,165	320,075	506,619
<b>Unearned Revenue</b>	-	-	6,814	-
<b>Compensated Absences</b>	1,448	3,464	3,303	14,531
<b>Environmental Liabilities</b>	11,001	736	-	-
Claims and Judgements	-	-	-	-
<b>Leases Payable, noncurrent</b>	-	99	-	545
Other LT Liabilities Payable	350	3,114	10,059	3,275
Notes and Contracts Payables	-	41,110	52,504	-
SBITA Payable, non current	27	29	220	3,216
Total OPEB Liability	2,576	3,104	4,145	11,186
Net Pension Liability	7,450	13,761	13,201	53,548
<b>Total Noncurrent Liabilities</b>	<u>79,684</u>	<u>389,582</u>	<u>410,321</u>	<u>592,920</u>
<b>Total Liabilities</b>	<u>89,226</u>	<u>414,137</u>	<u>436,672</u>	<u>775,059</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred Inflow - Rate Stabilization	7,000	25,000	35,575	158,000
Deferred Inflow related to Bond Refunding	68	-	-	-
<b>Deferred Inflow related to Pensions</b>	176	326	313	1,268
Deferred Inflow related to Leases	-	3,571	-	79,197
Deferred Inflow related to OPEB	718	1,256	1,118	2,770
<b>Total Deferred Inflow of Resources</b>	<u>7,962</u>	<u>30,153</u>	<u>37,006</u>	<u>241,235</u>
<b>NET POSITION</b>				
Net Investment In Capital Assets	42,438	390,353	590,082	558,378
<b>Restricted for:</b>				
Capital Purchase	-	-	-	-
<b>Debt Service</b>	2,110	-	314	6,555
Utility Donations & System Development	-	-	45,413	-
<b>Environment Service &amp; Program</b>	-	-	-	-
Inspection	-	-	-	-
Reserves	-	4,672	-	30,374
<b>Unrestricted</b>	59,367	163,995	71,012	323,820
<b>Total Net Position</b>	<u>\$ 103,915</u>	<u>\$ 559,020</u>	<u>\$ 706,821</u>	<u>\$ 919,127</u>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2023**  
(amounts expressed in thousands)  
Page 3 of 4

	<b>Enterprise Funds</b>		<b>Governmental Activities</b>
	Non-Major <b>Enterprise</b> Funds	Total <b>Enterprise</b> Funds	Internal Service Funds
<b>A S S e t s</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 62,402	\$ 823,056	\$ 118,865
Accounts Receivables (Net)	9,158	115,573	470
Due from Other Funds	-	-	1,500
Due From Other Governmental Units	32	7,896	-
Inventory	1,443	21,298	1,849
Prepaid Expenses	4,517	21,725	2,308
Restricted Cash:			
Debt Service	1,717	24,020	-
Construction	-	40,608	-
Other	20,961	140,402	-
Leases Receivable-Current	62	1,561	75
Note and Contracts Receivable	557	875	-
Total Current Assets	100,849	1,197,014	125,067
<b>Noncurrent Assets</b>			
Restricted Cash, Bond Reserves	-	28,811	-
Restricted Cash, Debt Reserves	-	4,672	-
Long-Term Lease Receivables	350	82,110	3,245
Long-Term Notes and Contracts	7,630	13,199	-
Other non-current assets	1,959	35,233	-
Capital Assets:			
Right to Use Lease Assets	1,908	15,301	5,927
Less: Accumulated Amortization	(858)	(6,243)	(1,913)
Land	34,906	167,993	357
Property, Plant, and Equipment	337,171	5,199,686	129,252
Construction in Progress	4,878	95,112	4,758
Less: Accumulated Depredation	(166,626)	(2,312,904)	(96,624)
Total Capital Assets (Net of ND)	211,379	3,158,945	41,757
Total Noncurrent Assets	221,318	3,322,970	45,002
Total Assets	322,167	4,519,984	170,069
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow from Bond Refunding	452	3,510	-
Deferred Outflow related to Pensions	8,665	122,198	27,146
Deferred Outflow related to OPEB	1,183	7,108	-
Total Deferred Outflow of Resources	10,300	132,816	27,146

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



**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2023**  
(amounts expressed in thousands)  
Page 4 of 4

	<b>Enterprise Funds</b>		<b>Governmental Activities</b>
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	2,820	43,150	10,297
Due to Other Governmental Units	7	847	2
<b>Customer Deposits</b>	20,087	34,683	-
Interest Payable	144	13,561	-
<b>Environment Liabilities - Current</b>	-	1,204	-
Notes and Contracts Payable - Current	897	117,736	-
<b>Compensated Absences - Current</b>	335	2,863	728
Bonds Payable - Current	5,456	32,488	-
Payable From Restricted Assets:			
Debt Principal Payable - Current	-	1,023	-
Interest Payable	-	1,249	60
Deposits and Other Payable	94	168	-
<b>Unearned Revenue</b>	450	6,206	-
<b>Claims and Judgements - Current</b>	-	-	35,741
<b>Lease Liability - Current</b>	395	520	202
SBITA payable, Current	60	2,217	1,604
OPEB Liability - Current	244	847	-
Other Liabilities Payable	1,741	16,555	18,814
Total Current Liabilities	32,730	275,317	67,448
<b>Noncurrent Liabilities</b>			
Bonds Payable	38,779	1,246,470	-
<b>Unearned Revenue</b>	-	6,814	-
<b>Compensated Absences</b>	3,020	25,766	6,557
<b>Environmental Liabilities</b>		11,737	-
Claims and Judgements		-	9,665
<b>Leases Payable, noncurrent</b>	557	1,201	108
Other LT Liabilities Payable	5,174	21,972	6,414
Notes and Contracts Payables	2,767	96,381	7,990
<b>SBITA Payable, non current</b>	33	3,525	1,638
Total OPEB Liability	8,518	29,529	-
Net Pension Liability	6,714	94,674	21,032
Total Noncurrent Liabilities	65,562	1,538,069	53,404
Total Liabilities	98,292	1,813,386	120,852
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflow - Rate Stabilization	-	225,575	-
Deferred Inflow related to Bond Refunding	22	90	-
<b>Deferred Inflow related to Pensions</b>	158	2,241	498
Deferred Inflow related to Leases	375	83,143	3,257
Deferred Inflow related to OPEB	3,796	9,658	-
Total Deferred Inflow of Resources	4,351	320,707	3,755
<b>NET POSITION</b>			
Net Investment In Capital Assets	162,746	1,743,997	38,145
<b>Restricted for:</b>			
Capital Purchase	3,225	3,225	-
<b>Debt Service</b>	2,220	11,199	-
Utility Donations & System Development	-	45,413	-
<b>Environment Service &amp; Program</b>	3,817	3,817	-
<b>Inspection</b>	790	790	-
<b>Reserves</b>	-	35,046	-
<b>Unrestricted</b>	57,026	675,220	34,463
Total Net Position	\$ 229,824	\$ 2,518,707	\$ 72,608

*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, 2023  
(amounts expressed in thousands)

NET POSITION -TOTAL ENTERPRISE FUNDS	\$ 2,518,707
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Amounts reported for business activities in the statement of net position are different because:

Internal service funds are used by management to charge the cost of support services to individual enterprise funds. In this case the support service is Fleet Management. The assets and liabilities of the Fleet fund are included in the business activities in the government-wide statement of net position.	(1,655)
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NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u>\$ 2,517,052</u>
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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, 2023**

**(amounts expressed in thousands)**

**Page 1 of 2**

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 91,498	\$ 133,808	\$ 108,790	\$ 488,845
Interfund Insurance Premiums	-	-	-	-
Lease Revenue	-	228	-	2,508
Other Operating Revenue	722	2,296	14,905	25,194
Total Operating Revenue	<u>92,220</u>	<u>136,332</u>	<u>123,695</u>	<u>516,547</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	26,364	42,381	39,641	158,867
Supplies	1,726	6,521	4,778	137,762
Services	35,872	35,068	30,691	68,498
Taxes	1,542	1,879	1,909	24,010
Depreciation and Amortization	6,754	21,980	29,580	53,576
Total Operating Expenses	<u>72,258</u>	<u>107,829</u>	<u>106,599</u>	<u>442,713</u>
Operating Income (Loss)	<u>19,962</u>	<u>28,503</u>	<u>17,096</u>	<u>73,834</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Interest Revenue	2,606	6,692	5,478	12,933
Interest Revenue-Lease Activities	-	87	-	1,245
Operating Contributions	291	1,229	204	-
Other Non-Operating Revenues	34	2,051	-	-
Gain (Loss) on Sale of Capital Assets	146	50	3,892	(1,327)
Unrealized Net Gain(Loss) on Fair Value Investment	1,417	3,965	3,507	6,910
Interest Expense	(2,005)	(12,710)	(16,693)	(23,976)
Other Non-Operating Expenses	-	(22)	885	(321)
External Contributions	(306)	(492)	(331)	(3,500)
Total Non-Operating Revenues (Expenses)	<u>2,183</u>	<u>850</u>	<u>(3,058)</u>	<u>(8,036)</u>
Income (Loss) Before Contributions & Transfers	<u>22,145</u>	<u>29,353</u>	<u>14,038</u>	<u>65,798</u>
Capital Contributions	-	17,398	26,337	13,328
Transfers In	396	492	331	2,728
Transfers Out	<u>(7,359)</u>	<u>(13,047)</u>	<u>(9,789)</u>	<u>(39,788)</u>
Change in Net Position	<u>15,182</u>	<u>34,196</u>	<u>30,917</u>	<u>42,066</u>
Net Position, January 1	88,733	524,824	675,677	875,881
Prior Period Adjustment	-	-	-	-
Change in Accounting Principle	-	-	227	1,180
Net Position, January 1 restated	<u>88,733</u>	<u>524,824</u>	<u>675,904</u>	<u>877,061</u>
Net Position, December 31	<u>\$ 103,915</u>	<u>\$ 559,020</u>	<u>\$ 706,821</u>	<u>\$ 919,127</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2023

(amounts expressed in thousands)

Page 2 of 2

	Enterprise Funds		
	Non-Major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 77,027	\$ 899,968	\$ 82,608
Interfund Insurance Premiums	-	-	107,450
Lease Revenue	71	2,807	117
Other Operating Revenue	582	43,699	-
Total Operating Revenue	77,680	946,474	190,175
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	39,970	307,223	66,597
Supplies	2,657	153,444	3,026
Services	27,543	197,672	131,986
Taxes	949	30,289	-
Depreciation and Amortization	11,230	123,120	8,003
Total Operating Expenses	82,349	811,748	209,612
Operating Income (Loss)	(4,669)	134,726	(19,437)
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Interest Revenue	2,164	29,873	3,223
Interest Revenue-Lease Activities	10	1,342	75
Operating Contributions	10,060	11,784	409
Other Non-Operating Revenues	796	2,881	151
Gain (Loss) on Sale of Capital Assets	(6,666)	(3,905)	331
Unrealized Net Gain(Loss) on Fair Value Investment	913	16,712	2,168
Interest Expense	(1,585)	(56,969)	-
Other Non-Operating Expenses	(1,335)	(793)	(88)
External Contributions	(73)	(4,702)	-
Total Non-Operating Revenues (Expenses)	4,284	(3,777)	6,269
Income (Loss) Before Contributions & Transfers	(385)	130,949	(13,168)
Capital Contributions	-	57,063	-
Transfers In	13,387	17,334	9,369
Transfers Out	(6,265)	(76,248)	(1,541)
Change in Net Position	6,737	129,098	(5,340)
Net Position, January 1	223,095	2,388,210	86,390
Prior Period Adjustment	(9)	(9)	(8,442)
Change in Accounting Principle	1	1,408	-
Net Position, January 1 restated	223,087	2,389,609	77,948
Net Position, December 31	\$ 229,824	\$ 2,518,707	\$ 72,608

*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, 2023  
(amounts expressed in thousands)

NET CHANGE IN NET POSITION -TOTAL ENTERPRISE FUNDS	\$ 129,098
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Amounts reported for business activities in the statement of activities are different because:

The net revenue of certain activities of internal service funds is reported with business activities.	(16,664)
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NET POSITION OF BUSINESS ACTIVITIES	<u>\$ 112,434</u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOW**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2023  
(amounts expressed in thousands)  
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipt from customers and users	\$ 91,122	\$ 135,958	\$ 121,718	\$ 536,789
Receipts from interfund services provided	-	-	-	-
Contribution received - employee/employer	-	-	-	-
Payments to suppliers	(38,514)	(45,994)	(31,818)	(203,917)
Payments to employees	(24,953)	(39,958)	(37,164)	(151,129)
Payments for taxes	(1,521)	(2,342)	(7,318)	(26,373)
Payments for interfund services used	-	-	-	-
Other operating or non-operating Receipts		1,559	574	783
Other operating or non-operating payments	(279)			(2,484)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	25,855	49,223	45,992	153,669
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer from other funds	396	492	331	2,728
Grants and contributions received	291	1,330	204	69
Payments paid on noncapital debts	(332)	(451)	-	(3,500)
Transfer to other funds	(7,359)	(13,047)	(9,789)	(39,788)
Grants Paid	-	-	-	(971)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(7,004)	(11,676)	(9,254)	(41,462)
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	-	-
Proceeds received from long term debts	-	-	-	-
Proceeds received from capital debts	-	5,222	-	25,000
Proceeds from sales of capital assets	216	339	3,996	481
Contributions and donations	-	5,725	15,602	12,708
Acquisitions and constructions of capital assets	(5,550)	(30,090)	(44,355)	(73,666)
Principal paid on capital debts	(3,680)	(13,105)	(14,015)	(6,240)
Principal payments on leases and subscriptions	(9)	(116)	(337)	(2,144)
Interest and issuance costs paid on capital debts	(2,465)	(13,090)	(17,475)	(26,702)
Transfers to other funds	-	-	-	-
Other Long-Term Liabilities	-	-	(2,888)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(11,488)	(45,115)	(59,472)	(70,563)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interests and dividends received	4,023	10,657	8,985	19,844
Change in fair value of investment	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,023	10,657	8,985	19,844
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,386	3,089	(13,749)	61,488
CASH AND CASH EQUIVALENTS, JANUARY 1	82,835	225,630	186,795	419,015
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 94,221	\$ 228,719	\$ 173,046	\$ 480,503

• Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments

*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, 2023  
(amounts expressed in thousands)  
Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipt from customers and users	\$ 89,296	\$ 974,883	\$ 18,972
Receipts from interfund services provided	-	-	94,379
Contribution received - employee/employer	-	-	106,425
Payments to suppliers	(27,594)	(347,837)	(42,325)
Payments to employees	(39,149)	(292,353)	(167,658)
Payments for taxes	(888)	(38,442)	(1,813)
Payments for interfund services used	(7,868)	(7,868)	(2,288)
Other operating or non-operating Receipts	1,189	4,105	110
Other operating or non-operating payments	(2,610)	(5,373)	(7,595)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,376	287,115	(1,793)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer from other funds	8,396	12,343	8,581
Grants and contributions received	9,571	11,465	356
Payments paid on noncapital debts	-	(4,283)	-
Transfer to other funds	(3,261)	(73,244)	(1,523)
Grants Paid	-	(971)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	14,706	(54,690)	7,414
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	4,990	4,990	788
Proceeds received from long term debts	-	-	-
Proceeds received from capital debts	1,078	31,300	-
Proceeds from sales of capital assets	4	5,036	331
Contributions and donations	559	34,594	-
Acquisitions and constructions of capital assets	(5,510)	(159,171)	(11,467)
Principal paid on capital debts	(9,359)	(46,399)	-
Principal payments on leases and subscriptions	24	(2,582)	1,777
Interest and issuance costs paid on capital debts	1,306	(58,426)	(15)
Transfers to other funds	(3,003)	(3,003)	(19)
Other Long-Term Liabilities	-	(2,888)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(9,911)	(196,549)	(8,605)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interests and dividends received	2,174	45,683	3,303
Change in fair value of investment	913	913	2,169
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,087	46,596	5,472
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,258	82,472	2,488
CASH AND CASH EQUIVALENTS, JANUARY 1	64,822	979,097	116,377
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 85,080	\$ 1,061,569	\$ 118,865
• Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments			

*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, 2023  
(amounts expressed in thousands)  
Page 3 of 4

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 19,962	\$ 28,503	\$ 17,096	\$ 73,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by:				
Operating Activities:				
Depreciation and amortization expenses	6,754	21,980	29,580	53,576
(Increase) decrease in accounts receivable	(826)	(147)	(1,671)	13,796
(Increase) decrease in intergovernmental receivables	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in inventories	-	(203)	(572)	(298)
(Increase) decrease in prepaid items	-	(141)	(859)	-
(Increase) decrease in other assets	-	-	(409)	3,277
Increase (decrease) in deposit payable	36	(4)	104	3,368
Increase (decrease) in accounts payable	(487)	(3,135)	-	(1,245)
Increase (decrease) in accrued wages payable	(68)	(127)	(56)	(485)
Increase (decrease) in compensated absences	6	130	-	581
Increase (decrease) in intergovernmental payable	-	30	106	-
Increase (decrease) in unearned revenues	-	10	-	-
Increase (decrease) in other current liabilities	(14)	(411)	(295)	(2,246)
Increase (decrease) long term liabilities	771	1,013	2,394	8,026
Miscellaneous non-operating revenues (expenses)	(279)	1,725	574	1,485
Prior Period Adjustment	-	-	-	-
Total adjustments	5,893	20,720	28,896	79,835
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 25,855</b>	<b>\$ 49,223</b>	<b>\$ 45,992</b>	<b>\$ 153,669</b>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Contribution of capital assets	-	8,734	8,845	619
Interest expense accrued as debt principal	-	276	-	-
Acquisition of ROU Assets with additions to ROU Liabilities	<b>8</b>	<b>208</b>	871	5,307
Unrealized Net Gain(Loss) on Fair Value Investment	-	-	3,507	6,910

*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, 2023  
(amounts expressed in thousands)  
Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES
	Non-Major	Total	
	Enterprise	Enterprise	Internal
	Funds	Funds	Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (4,669)	\$ 134,726	\$ (19,437)
Adjustments to reconcile operating income (loss) to net cash provided (used) by:			
Operating Activities:			
Depreciation and amortization expenses	11,230	123,120	8,003
(Increase) decrease in accounts receivable	(205)	10,947	(177)
(Increase) decrease in intergovernmental receivables	-	-	85
(Increase) decrease in due from other funds	-	-	(1,500)
(Increase) decrease in inventories	(431)	(1,504)	(217)
(Increase) decrease in prepaid items	(1,519)	(2,519)	(1,245)
(Increase) decrease in other assets	-	2,868	84
Increase (decrease) in deposit payable	11,724	15,228	-
Increase (decrease) in accounts payable	(2,049)	(6,916)	(378)
Increase (decrease) in accrued wages payable	32	(704)	779
Increase (decrease) in compensated absences	15	732	113
Increase (decrease) in intergovernmental payable	(1)	135	2
Increase (decrease) in unearned revenues	208	218	-
Increase (decrease) in other current liabilities	(36)	(3,002)	15,976
Increase (decrease) long term liabilities	393	12,597	4,499
Miscellaneous non-operating revenues (expenses)	(2,307)	1,198	62
Prior Period Adjustment	(9)	(9)	(8,442)
Total adjustments	17,045	152,389	17,644
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 12,376</b>	<b>\$ 287,115</b>	<b>\$ (1,793)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Contribution of capital assets	-	18,198	-
Interest expense accrued as debt principal	-	-	-
Acquisition of ROU Assets with additions to ROU Liabilities	24	6,418	0
Unrealized Net Gain(Loss) on Fair Value Investment			

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

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2023  
(amounts expressed in thousands)

	Custodial Forfeitures Fund	Pension Trust Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1	2,727
Investments	-	41,083
Equities	-	558,701
Fixed income	-	887,050
Real estate	-	186,037
Venture capital and partnerships	-	487,149
Securities lending collateral	-	42,803
Due from other funds	-	2
Due From Other Governments	-	2,511
Interest and Dividends	-	3,744
Investment Sales	-	7,272
Capital Assets, net of accumulated depreciation	-	5
Total Assets	<u>1</u>	<u>2,219,084</u>
 DEFERRED OUTFLOW OF RESOURCES	 -	 -
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>-</b>	<b>-</b>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	1,690
Accrued Wages and Benefits Payable	-	112
Investments Purchase Payable	-	91,416
Other Current Liabilities	-	10
Total Current Liabilities	<u>-</u>	<u>93,228</u>
Noncurrent Liabilities		
Accrued Employee Leave Benefits	-	371
Total Noncurrent Liabilities	<u>-</u>	<u>371</u>
Total Liabilities	<u>-</u>	<u>93,599</u>
 DEFERRED INFLOW OF RESOURCES		
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>-</b>
 <b>NET POSITION</b>		
Net position restricted for pensions and other purposes	<u>\$ = = = = = 1</u>	<u><u>2,125,485</u></u>

*The notes to the financial statements are an intrega/ part of this statement.*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the Year Ended December 31, 2023  
(amounts expressed in thousands)

	Custodial Forfeitures Fund	Pension Trust Fund
<b>ADDITIONS</b>		
Employer Contributions	\$ -	37,132
Member Contributions	-	32,235
Total Contributions	-	69,367
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	1	125,201
Interest and Dividends	-	51,319
Total Investment Income	1	176,520
Less Investment Expenses:		
Investment Management Fees	-	(7,593)
Securities Lending - Agent Fees	-	(77)
Securities Lending - Broker Rebates	-	(2,926)
Total Investment Expense	-	(10,596)
Net Investment Income	1	165,924
Total Additions	1	235,291
<b>DEDUCTIONS</b>		
Wages and Benefit Payments	-	1,226
Healthcare Benefit Payments	-	106,677
Refunds of Contributions	-	3,339
Administrative Expense	-	990
Total Deductions	-	112,232
Net Increase (Decrease)	1	123,059
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>		
Net position - beginning	-	2,002,426
Net position - ending	\$=====1	2,125,485

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

## **Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of The City of Tacoma's are presented in conformity with Generally Accepted Accounting Principles (GAAP) in the United States as applied to governments as prescribed by the Governmental Accounting Standards Board (GASB).

The following is a summary of the significant accounting policies and reporting practices of the City:

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

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

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

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

1. The economic resources received or held by the organization are almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
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 in 2013 and also approved Resolution No. TBD008, placing a ballot for authorizing a sales tax increase of one tenth of one percent (0.01 percent) for General Election, effective in 2015.

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 12-member board appointed by the Tacoma City Council. Although it is legally separated from the City, the TCRA is a component unit of the primary government because its sole purpose is to finance and provide housing rehabilitation and community & economic development loans to residents and businesses in the City of Tacoma. The City has operational responsibility for administration and contract approval.

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

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

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

*Joint Ventures:*

**Tacoma-Pierce County Health Department (TPCHD)** 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 TPHCD is included in Note 7 Section E. The City of Tacoma, however, does not report an equity interest in the Government-wide financial statements.

**B. Accounting Standards**

In Fiscal Year 2023, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

***GASB Statement No. 94 – Public-Private and Public-Public Partnership and Availability Payment Arrangements.*** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Under this Statement, a transferor is required to recognize the receivables for installment payments to be submitted by the operator and a deferred inflow of resources, while an operator is required to recognize a liability for installment payments to be submitted and a deferred outflow of resources, which taken together enhance the relevance and consistency of information about governments' outsourcing of functions to external operators. The City did not have any agreements covered by GASB Statement No. 94 in the fiscal year ended December 31, 2023. Therefore, there are no effects on the City's financial statements upon implementation.

***GASB Statement No. 96 – Subscription-based information technology arrangements (SBITAs).*** The objective of this statement is to better meet the information needs of financial statement users by establishing a definition for SBITAs and prescribing accounting and financial reporting for SBITAs by governments. Prior to the issuance of GASB Statement No. 96, there was no accounting or financial reporting guidance specifically for SBITAs. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities. Where applicable, the City has made the required adjustments as prescribed by GASB Statement #96 as of December 31, 2023. (see Note 3 Section E).

***GASB Statement No. 99*** – This statement is to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and

public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for the fiscal year ended December 31, 2023 address the following topics:

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (paragraphs 11-17)
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset (paragraphs 18-22)
- Clarification of provisions in Statement No. 96 SBITAs related to terms and definitions: subscription termination, short-term SBITAs, and measurement of subscription liabilities (paragraphs 23-25)

GASB Statement No. 99 paragraphs 11-17, 18-22, and 23-25 were implemented by The City for the fiscal year ended December 31, 2023. There is no effect on the City's financial statements as a result of the implementation. Additionally, City does not have derivative or hedging instruments as defined by Statement No. 99.

### **C. 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.

#### **D. 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.

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 resources available in this fund are a combination of grant funding and tax funding. Other resources include general fund transfers. A significant amount of the resources available to this fund are restricted.

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 Stormwater (Sewer) fund (#4300-01) accounts for the planning, design, construction, operation, and maintenance of the wastewater and stormwater 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.

The City reports the following major fiduciary funds:

- The Tacoma Employees' Retirement System (#6100) is a cost-sharing, multiple-employer defined benefit public employee pension plan, covering a majority of the employees of the City of Tacoma, and three Member Public Agencies.
- The Custodian Forfeiture fund (#6331) accounts for deposits being held in trust until various court cases are adjudicated.

Additionally, the City reports the following fund types:

- *Special revenue funds* are primary operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities.
- *Debt service funds* account for financial resources that are restricted, committed, or assigned to expenditures for both the principal and interest of long-term debt.
- *Capital project fund* account for the financial resources used in acquisition or construction of major capital facilities.
- *Enterprise funds* for the operations of predominantly self-supporting activities rendering services to the public on a user charge basis.
- *Internal service funds* are used to account for goods and/or services administered from one department to another department. The internal service funds follow a cost allocation method.

#### **E. 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. Since the participating funds in the City's investment pool use the pool as if it were a demand deposit account, the proprietary fund equity in pooled investments is considered cash for cash flow reporting purposes.

## ***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 F for further information.

### **5. Capital assets**

Capital assets; which include land, property, plant, equipment, construction in progress and intangible assets (assets right of use), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

The estimated useful lives for all City assets are:

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

### **6. Compensated absences**

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

Deferred Outflows of Resources - Deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of losses on refunding of

bonds, deferred outflows of resources related to pensions, and deferred outflows of resources related to post employment benefits other than pensions.

Deferred Inflows of Resources - Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of inflows for rate stabilization, deferred inflows of resources related to pensions, deferred inflows of resources related to post employment benefits other than pensions, and deferred inflows of resources related to leases as a result of implementation of GASB Statement No. 87, Leases.

#### **8. *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.

#### **9. *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.

#### **10. *Fund balance***

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

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

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

Use of resources will be spent in the following hierarchy:

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

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

***Fund 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.

## **11. Leases**

Leases are recognized in accordance with GASB Statement No. 87, Leases.

### **City as a Lessee:**

The city is a lessee for noncancelable leases. The city recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The city recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

- The city uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the city generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the city is reasonably certain to exercise.

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

### **City as a Lessor:**

The city is a lessor for noncancelable leases. The city recognizes a lease receivable and a deferred inflow of resources in the government - wide and fund financial statements. The city recognizes right of use asset with an initial, individual value of \$5,000 or more.

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

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

- The city uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

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

## **12. Subscription Based Information Technology Arrangements (SBITAs)**

Subscription-based information technology arrangements (SBITAs) are recognized in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement defines a SBITA as a contract that conveys control of the right to use another party's (the SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

A subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term. The City uses various SBITA assets that it contracts through cloud computing arrangements such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the net present value of future subscription payments and is adjusted over time by payments and interest. Future subscription payments are discounted using the City's average incremental borrowing rate. Payments for future subscription may be fixed or variable, based on the terms of the agreement between the subscriber and the vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription. Subscription and capitalizable implementation cost payments made prior to the commencement of the subscription are classified as assets under construction until the subscription commences; after the subscription commences, the assets under construction are reclassified as an intangible right-to-use subscription asset.

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

## **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 \$1,330,346 for 2023.

## B. Deficits in fund balance or net position

The following governmental and proprietary funds had deficit net position.

Third Party Liability Claims Fund has a net position deficit of \$34.6 million, a decrease of \$10.6 million over the prior year, due to the decreases in liability claims and increase claims expenses of \$12.7 million.

Workers Compensation Fund has a net position deficit of \$2.8 million, a decrease of \$4.1 million over the prior year, due to the increase of stat tax and claims expenses of \$3.1 million.

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

Net Deficit (expressed in thousands)	
FUND	AMOUNT
Third Party Liability Claims (#5550)	(34,589)
Workers Compensation (#5570)	(2,770)
	<u>\$ (37,359)</u>

## C. Legal and contractual compliance

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

# Note 3 – DETAILED NOTES ON ALL FUNDS

## A. Deposits and Investments

### 1. Legal, Contractual and Administrative Provisions

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



1, 2009, the WSPDPC required public depositories 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 \$65,450,110.

***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 City sustained no investment losses during 2023, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

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

1. U.S. Treasury Bills, Certificates, Notes and Bonds: Portfolio mix guidelines allow for a maximum of 100% of the total portfolio to be invested in these securities.
2. U.S. Government Agency Securities: Portfolio mix guidelines suggest a maximum of 90% of the total portfolio with no more than 50% of the total portfolio per agency.
3. Supranational Agency Bonds: U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment: (1) the Supranational is rated within one of the two highest rating categories of a NRSRO; and the institution has the United States government as its largest shareholder. No more than 10% of the Portfolio may be invested in Supranational Agency obligations with no more than 5% being invested in obligations of a single Supranational Agency.
4. Bankers Acceptances: City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. A maximum of 20% of the total portfolio may be invested in bankers' acceptances with no more than 5% of the total portfolio in any one bank.
5. Commercial Paper: Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 5% in any one issuer.
6. Repurchase Agreements: Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 25% of the total portfolio. The fair value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.
7. Reverse Repurchase Agreements: The City did not participate in any reverse repurchase agreements in 2023.
8. Municipal Bonds: A maximum of 30% of the portfolio invested in municipal bonds with no more than 5% of the portfolio being invested in bonds of any one municipal bond issuer. The maximum maturity for investments in municipal bonds shall be limited to five years.

9. Certificates of Deposit (CDs): The percentage of CDs may not exceed 25% of the total assets of the portfolio with the percentage limited to 3% for any single bank or savings and loan association. Maturities shall not exceed one year.
10. Corporate Notes: Unsecured debt obligations purchased on the secondary market, provided that such investments are made in accordance with the investment policies and procedures adopted by the State Investment Board. No more than 10% of the portfolio may be invested in corporate notes and no more than 2% with any one issuer.
11. Money Market Funds: Money Market Funds meeting the requirements outlined in the City's Investment Policy are permissible investments exclusively for bond proceeds invested in accordance with Section 1.148 of the U.S. Internal Revenue Code, related to arbitrage rebate. A maximum of 25% of such bond proceeds may be invested in Money Market Funds.
12. Local Government Investment Pools: A maximum of 25% of the portfolio may be invested in local government investment pools.

## 2. Deposits and investments – December 31, 2023

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

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

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

At December 31, 2023, the City's total deposits and investments consisted of the following:

### Schedule of Deposits and Investments December 31, 2023 (amounts expressed in thousands)

#### Reconciliation of Cash and Investments:

Investments (less Component Units)	\$ 3,701,016
Treasurer's Cash, net	65,262
Petty Cash Funds	188
Sub-total	<u>3,766,466</u>
Component Units:	
Tacoma Community Redevelopment Authority (TCRA)	1,727
TCRA - External Cash	6,510
Public Facilities District (PFD)	3,638
Sub-total (Component Units)	<u>11,875</u>
Total	<u>\$ 3,778,341</u>

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	\$ 1,322,403
Restricted cash and cash equivalents	238,513
Total Primary Government	1,560,916
Component Units	
TCRA	8,237
GTRCC PFD	3,638
Total Component Units	11,875
Fiduciary Funds	
Cash and cash equivalents	2,728
Investments at fair value	41,082
Pension Trust	2,161,740
Total Fiduciary Funds	2,205,550
Total cash and investments	<u>\$ 3,778,341</u>

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

Investments:	Fair Value at 12/31/2023
Financial Institutions	
WA State Local Government Investment Pool	\$ 53,917
Government Agencies (various)	1,449,642
Equity in Pool Transferred to Component Units	(8,093)
Total Investments with Financial Institutions	1,495,466
Pension Trust	
Equities	558,701
Fixed Income	887,050
Real Estate	186,037
Venture Capital & Partnerships	487,149
Short Term Bill & Notes	37,490
Other Assets	-
Cash and Cash Equivalents	6,320
Securities Lending Collateral	42,803
Total Other Investments - Pension Trust	2,205,550
Total	<u>\$ 3,701,016</u>

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

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its

fair value to changes in market interest rates. City of Tacoma Investment Policy allows for authorized investments up to 60 months in maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations. The city has deposits of \$26,879,515 with the State Treasurer's Local Government Investment Pool and \$36,677,384 in the city's deposit accounts with commercial banks. The monies from these accounts are available immediately.

Investment Type	Par	Maturing (in months)				
		Less than 12	13-24	25-36	37-48	49-60
Main Bank Demand Deposits	\$ 36,677,384	\$ 36,677,384	\$ -	\$ -	\$ -	\$ -
Bank Demand Deposits & State Pool	53,917,034	53,917,034	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	13,978,512	8,705,963	3,134,748	2,137,802	-	-
Fixed Rate Non-Callable Agency Securities	301,783,087	151,404,184	113,468,494	16,900,832	-	20,009,577
Fixed Rate Callable Agency Securities	371,952,679	248,603,729	118,730,545	4,618,405	-	-
Totals	\$ 778,308,696	\$ 499,308,294	\$ 235,333,787	\$ 23,657,039	\$ -	\$ 20,009,577
Percent of Total		64.2%	30.2%	3.0%	0.0%	2.6%

#### 4. Disclosure Relating to Credit Risk

**Credit risk** is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by state statute, which is the same in the City Investment policy and the actual rating as of the end of the year 2023 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	\$ 90,594,417	FDIC & PDPC	\$ 90,594,417	\$ -	\$ -	\$ -
Fixed Rate Non-Callable Municipal Securities	13,978,512	A	-	1,999,882	11,978,630	-
Fixed Rate Non-Callable Agency Securities	301,783,087	AAA	-	294,665,374	-	7,117,713
Fixed Rate Callable Agency Securities	371,952,679	AAA	-	371,952,679	-	-
Total	<u>\$ 778,308,695</u>		<u>\$ 90,594,417</u>	<u>\$ 668,617,935</u>	<u>\$ 11,978,630</u>	<u>\$ 7,117,713</u>

#### 5. Concentration of Credit Risk

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

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	\$ 117,415,190	8.1%
Federal Home Loan Bank	Agency Securities	332,896,135	22.9%
Federal Home Mortgage Corporation	Agency Securities	137,713,029	9.5%
Federal National Mortgage Association	Agency Securities	85,711,413	5.9%
Total		<u>\$ 673,735,767</u>	

## 6. Disclosure of Custodial Credit Risk

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

## 7. Investments Measured at Fair Value

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

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

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

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

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			
	12/31/2023	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 643,384,888	\$ -	\$ 643,384,888	\$ -
Supranational Securities	32,104,066	-	32,104,066	-
Municipal Bonds	22,877,650	-	22,877,650	-
Agency Securities	673,735,766	-	673,735,766	-
Money Market	1,199,500	1,199,500	-	-
Corporate Securities	77,539,604	-	77,539,604	-
Total	\$ 1,450,841,474	\$ 1,199,500	\$ 1,449,641,974	\$ -

**B. Receivables**

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

(amounts expressed in thousands)

Accounts Receivable (amounts expressed in thousands)	General Fund	Trans Capital Non-Major & Engineering Governmental		Solid Waste Fund	Waste Water Fund
		Fund	Funds		
Accounts Receivable (net short-term)	\$ 7,323	\$ 130	\$ 41,603	\$ 7,831	\$ 16,810
Due from Other Governments	16,788	1,148	7,842	-	3,861
Leases Receivable (net short-term)	-	-	-	-	232
Leases Receivable (net long-term)	-	-	-	-	3,501
Notes and Contracts Receivable (net short-term)	-	-	-	-	318
Notes and Contracts Receivable (net long-term)	-	-	-	-	414
TOTAL	\$ 24,111	\$ 1,278	\$ 49,445	\$ 7,831	\$ 25,136

Accounts Receivable (amounts expressed in thousands)	Water Fund	Power Fund	Non-Major Enterprise Funds	Internal Service Funds	Total
Accounts Receivable (net short-term)	\$ 14,977	\$ 66,797	\$ 9,158	\$ 470	\$ 165,099
Due from Other Governments	4,003	-	32	-	33,674
Leases Receivable (net short-term)	-	1,267	62	75	1,636
Leases Receivable (net long-term)	-	78,259	350	3,245	85,355
Notes and Contracts Receivable (net short-term)	-	-	557	-	875
Notes and Contracts Receivable (net long-term)	-	5,155	7,630	-	13,199
TOTAL	\$ 18,980	\$ 151,478	\$ 17,789	\$ 3,790	\$ 299,838

### C. Capital assets

Capital asset activity for the year-ended December 31, 2023 was as follows:

(amounts expressed in thousands)

Governmental activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 41,899	\$ -	\$ -	\$ 41,899
Art	3,018	120	-	3,138
Construction work in progress	37,317	11,435	(22,584)	26,168
Total capital assets, not being depreciated	<u>82,234</u>	<u>11,555</u>	<u>(22,584)</u>	<u>71,205</u>
Capital assets, being depreciated or amortized:				
Property, plant, and equipment	311,995	14,771	(2,179)	324,587
Infrastructure	1,528,471	23,567	-	1,552,038
Right-of-use Lease Land	48	-	-	48
Right-of-use Lease Property, plant and equip	10,038	622	(348)	10,312
Right-of-use Software Subscriptions	-	6,624	(38)	6,586
Total capital assets, being depreciated or amortized	<u>1,850,552</u>	<u>45,584</u>	<u>(2,565)</u>	<u>1,893,571</u>
Less accumulated depreciation and amortization:				
Property, plant, and equipment	(191,287)	(14,914)	2,069	(204,132)
Infrastructure	(951,555)	(30,172)	-	(981,727)
Right-of-use Lease Land	(22)	(22)	-	(44)
Right-of-use Lease Property, plant and equip	(513)	(593)	56	(1,050)
Right-of-use Software Subscriptions	-	(1,915)	6	(1,909)
Total accumulated depreciation and amortization	<u>(1,143,377)</u>	<u>(47,616)</u>	<u>2,131</u>	<u>(1,188,862)</u>
Governmental activities, capital assets (net of accumulated depreciation or amortization)	<u>\$ 789,409</u>	<u>\$ 9,523</u>	<u>\$ (23,018)</u>	<u>\$ 775,914</u>

Business activities	Beg Bal Restated	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 166,686	\$ 2,565	\$ (1,258)	\$ 167,993
Construction work in progress	69,903	166,783	(141,219)	95,467
Total capital assets, not being depreciated	<u>236,589</u>	<u>169,348</u>	<u>(142,477)</u>	<u>263,460</u>
Capital assets, being depreciated or amortized				
Property, plant, and equipment	5,096,504	144,946	(37,733)	5,203,717
Right-of-use Lease Land	353	88	(46)	395
Right-of-use Lease Property, plant and equip	1,603	1,149	-	2,752
Right-of-use Software Subscriptions	<u>11,246</u>	<u>1,208</u>	<u>(255)</u>	<u>12,199</u>
Total capital assets, being depreciated or amortized	<u>5,109,706</u>	<u>147,391</u>	<u>(38,034)</u>	<u>5,219,063</u>
Less accumulated depreciation and amortization:				
Property, plant, and equipment	(2,229,540)	(119,997)	33,432	(2,316,105)
Right-of-use Lease Land	(78)	(55)	46	(87)
Right-of-use Lease Property, plant and equip	(647)	(505)	-	(1,152)
Right-of-use Software Subscriptions	<u>(2,534)</u>	<u>(2,740)</u>	<u>255</u>	<u>(5,019)</u>
Total accumulated depreciation and amortization	<u>(2,232,799)</u>	<u>(123,297)</u>	<u>33,733</u>	<u>(2,322,363)</u>
Business activities, capital assets (net of accumulated depreciation)	<u>\$ 3,113,496</u>	<u>\$ 193,442</u>	<u>\$ (146,778)</u>	<u>\$ 3,160,160</u>

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

**Governmental Activities:**

General Government	\$ 3,927
Public Safety	4,236
Transportation	29,519
Economic Environment	42
Culture and Recreation	1,820
Capital Assets held by Internal Services funds which are charged to various functions based on their usage of the assets	<u>8,072</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 47,616</u>



**Business-type activities:**

Permit	\$ 21
Mountain Rail	781
Parking Garage	1,356
Convention Center	1,765
Baseball Park	1,401
Tacoma Dome	1,685
Performing Arts	1,598
TPU Fleet *	163
TPU Self Insurance *	14
Solid Waste	6,754
Waste Water	21,980
Tacoma Rail	2,623
Water	29,580
Power	53,576
Total depreciation and amortization expense - business-type activities	<u>\$ 123,297</u>

\*Internal Service fund that solely supports Business-type activities

**D. Leases****Lease receivables and Deferred Inflows of Resources – Leases**

As the lessor, the City leases and subleases City-owned properties such as buildings and land. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. The total amount of lease revenue and interest revenues recognized in the current reporting period from leases is \$ 2.9 million and \$1.4 million respectively.

The City's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee.

In 2023, the City realized a \$1.8 million loss due to Tacoma Power and Ranier Connect IRU lease modification and termination. As of September 30, 2023, a 20-year renewal term was added to the initial lease term, and lease receivables and deferred inflows were remeasured.

The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

***Governmental Activities:***

Tacoma Public Library signed a lease on February 1, 2022, for a workspace that will be made available to essential service providers at a lower cost. The initial 24-month lease period began on February 1st, 2022, and will last through January 31st, 2024, with an option of extension. The calculation of the net present value of lease receivables did not include the renewal term in the lease duration due to uncertainty. As of January 1, 2023, the monthly lease revenue was increased from \$600 to \$640. A remeasurement of the lease was recorded. Subsequently, on September 30, 2023, the lease agreement was suspended due to the Library closure and is expected to resume in late Spring 2024. Due to this suspension and the tenant not having the right to use the asset, this was treated as lease termination and the carrying values of lease receivable and deferred inflows were reduced with the difference recognized

as a loss.

On March 9, 2016, Tacoma Regional Convention and Visitors Bureau entered into a lease agreement for 2,239 square feet southernmost space located within the first level of the Greater Tacoma Convention & Trade Center building. The first lease term began on March 9, 2016, and lasted for sixty (60) months, concluding on March 9, 2021. There was also an option to renew the lease, extending the actual length by two further periods of forty-eight (48) months. The initial option for renewal has been exercised and the new lease period expires on April 1, 2025. The lease period was adjusted to account for the second renewal option when determining the lease receivable's net present value. In determining the net present value of the lease receivable, a stated discount rate of 2.80% in the agreement was used. The monthly lease revenue was \$5,557 as of December 31, 2023. The Consumer Price Index (CPI) for the Seattle/Tacoma area will be used to determine the monthly rate increase for each year that follows. At the beginning of 2022, a \$517,946 initial lease receivable was recorded and as of December 31, 2023, the lease receivable was \$412,464. Deferred inflows were initially reported as \$517,946 at the beginning of 2022, and as of December 31, 2023, deferred inflows balance is \$375,065.

On October 1, 2014 the City entered into an agreement with United States Department of Justice for a non-exclusive joint license to certain portions of City's property for purposes of locating unmanned 800 Megahertz (MHz) Public Safety Radio System and associated support equipment. The initial 12-month lease period began on October 1, 2014, and lasted through September 30th, 2015, with an option to extend for nine one-year terms. The calculation of the net present value of lease receivables includes the extension term of 1 year as that is certain. In 2023, a prior period adjustment was recorded to recognize the lease. In addition a \$67,710 initial lease receivable was recorded and as of December 31, 2023, the lease receivable was \$19,535. \$67,710 initial deferred inflows was recorded and as of December 31, 2023, the deferred inflows totaled \$18,466.

On March 16, 2006, Foss Waterway Development Authority (FWDA) and Foss Waterway Management LLC entered into an agreement for the use of property that consists of the marinas and improvements commonly known as City Marina, Dock Street Marina and the Multi-Use Float on 15th Street. FWDA was dissolved as of 12/31/2020 and all assets, obligations, property, and liabilities were assumed/transferred to the City as of 1/1/2021. The initial lease term began on March 16, 2006, and expires on December 31, 2025. This agreement contains an option to renew the lease, extending the term of the lease for ten (10) successive periods of five (5) years. The calculation of the net present value of lease receivables includes the option to extend. In 2023, a prior period adjustment was recorded to recognize the lease. In addition, \$1,172 million initial lease receivable was recorded and as of December 31, 2023, the lease receivable was \$1,152 million. \$1,172 million initial deferred inflows were also recorded on 2023 and as of December 31, 2023, the deferred inflows totaled \$1,129 million.

On February 9, 2023, the City entered into an agreement with Foss Harbor Marine, LLC, for the use of the Municipal Dock located in Tacoma, Washington. The lease term started on February 9, 2023, for ten (10) years and will end on March 31, 2040. This agreement may be renewed for an additional five (5) years, for up to a total of six (6) such five (5) year extensions. The calculation of the net present value of lease receivables includes the renewal option. In 2023, a \$732,228 initial lease receivable was recorded and as of December 31st, 2023, the lease receivable balance was \$723,323. In 2023, \$732,228 initial deferred inflows were recorded and as of December 31, 2023, the deferred inflows totaled \$697,215.

On March 16, 2006, Foss Waterway Development Authority (FWDA), City and Foss Waterway Management LLC entered into an agreement for the use of a 416-slip marina referred to as the "Marina". FWDA was dissolved as of 12/31/2020 and all assets, obligations, property, and liabilities were assumed/transferred to the City as of 1/1/2021. The initial lease term commenced on March 16, 2006,

and expires on December 31, 2030. On February 24, 2020, an amendment to extend the lease term for 30 years from the date of mutual execution of the amendment was signed setting the new expiration date to February 23, 2050. In 2023, a prior period adjustment was recorded to recognize the lease. In addition, \$1,502 million initial lease receivable was recorded and as of December 31, 2023, the lease receivable was \$1,421 million. \$1,502 million initial deferred inflows were also recorded in 2023 and as of December 31, 2023, the deferred inflows totaled \$1,395 million.

***Business Activities:***

On February 8, 1966, Power entered into a lease agreement related to the recreational use of existing Cushman project reservoirs for private development of individual tracts on or near the reservoirs. The lease term started on March 1, 1966 for ninety-nine (99) years and will end on February 28, 2065. The annual rental payment will be increased every five years in accordance with the Consumer Price Index - CPI (All Urban Consumers – Seattle – Tacoma – Bremerton). The basis for this increase is the annual rent for the base year of the lease, which was \$40,000 in 1966. A monthly receipt of \$30,463 from January 1, 2021 to end of lease term, February 28, 2065, is applied to calculate the net present value of the lease receivable in the absence of future CPI. An initial lease receivable was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2023, the lease receivable is \$9.8 million. An initial deferred inflows was recorded in the amount of \$10.2 million as of January 1, 2021, and as of December 31, 2023, the deferred inflows is \$9.5 million.

On April 1, 2020, Power entered into an IRU agreement with Rainier Connect and Rainier Connect took operational control of the telecommunications network. The lease term started on April 1, 2020 for twenty (20) years and will end on March 31, 2040. This agreement may be renewed for up to two additional terms of ten (10) years each. The renewal period was not included in the lease period in calculating the net present value of lease receivables due to uncertainty as of December 31, 2022. Monthly IRU fee range is from \$208,333 to \$250,000 in the first five year of the lease period. Each subsequent year following the fifth year, the IRU fee will be adjusted on the anniversary of the Effective Date to reflect the Consumer Price Index Increase. If there is no Consumer Price Index Increase (i.e. there is deflation during the relevant period), there shall be no reduction in the IRU fee from the prior year. As of September 30, 2023, the renewal term of total 20 years was added to the original lease term and remeasurement of lease receivables and deferred inflows were performed as of this date using the average incremental borrowing rate of 2.671%. An initial lease receivable was recorded in the amount of \$45.9 million as of January 1, 2021. The remeasured lease receivable as of September 30, 2023 was \$70.2 million and as of December 31, 2023, the lease receivable was \$69.7 million. An initial deferred inflows was recorded in the amount of \$45.9 million as of January 1, 2021. The remeasured deferred inflows as of September 30, 2023 was \$70.2 million and as of December 31, 2023, the deferred inflows was \$69.7 million. A loss on lease modification of \$1.8 million was recorded in 2023 as a result of the remeasurement.

The Wastewater and Stormwater Management division entered into a lease agreement related to buildings for office and lab space. The lease term starts on July 1, 2021 for sixty-two (62) months and will end on August 31, 2026. There are two (2) five-year options to extend the lease term. Lease requires monthly payments of \$23,555 for the term of the agreement with an annual increase of 3% to occur on the anniversary of the commencement date. An estimate of increase rate of 3% is applied for the extension period. Total lease receivable as of December 31, 2023 is \$3.7 million. Current lease receivable as of December 31, 2023 is \$231,680 as of December 31, 2023. Interest income on lease activity and lease revenue recorded in 2023 were \$87,349 and \$228,013 respectively. An initial deferred inflows was recorded in the amount of \$4.7 million as of January 1, 2021, and as of December 31, 2023, the deferred inflows is \$3.6 million.

For those leases where the interest rate was not specified in the lease agreement, the City used its average

incremental borrowing rate of 2.671% as of December 31, 2023 and 2.264% as of December 31, 2022 in calculation of net present value of lease receipts.

### **Lease Liability**

The City leases and subleases a significant amount of nonfinancial assets such as land, buildings, equipment and infrastructure. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below.

The City did not incur expenses related to its leasing activities related to residual value guarantees or lease termination penalties. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

Furthermore, the City had no commitments for leases that did not commence as of the end of the Fiscal Year 2023. The City also enters into lease arrangements with third parties in which the City is a sublessee.

#### ***Governmental Activities:***

On March 1, 2012, City entered into a lease agreement for the use of the aquatic land commonly known as Commencement Bay for Maritime Security Operations and fireboat moorage. The lease term started on March 1, 2012, for twelve (12) years and will end on February 29, 2024 with no renewal option. The monthly rent for the remaining two months in 2024 is \$2,023. An initial lease liability was recorded in the amount of \$47,869 as of January 1, 2022 and as of December 31, 2023, the lease liability is \$4,035. The value of the right to use asset as of December 31, 2023, was \$47,869 with accumulated amortization of \$44,187.

On March 1, 2019, the City entered into a lease agreement for the lease of filtered water dispensers. The lease term started on March 1, 2019, and will end on February 28, 2024, for a full contract amount not to exceed \$62,137. An initial lease liability was recorded in the amount of \$24,639 as of January 1, 2022, and as of December 31, 2023, the lease liability is \$1,935. The value of the right to use asset as of December 31, 2022, was \$24,639 with accumulated amortization of \$22,744.

On November 6, 2020, the City entered into a lease agreement for the use of approximately 0.52 acres of First Christian Church property along with the use of three (3) standard parking stalls and one (1) handicapped parking stall to establish and manage a micro shelter site for persons experiencing homelessness. The lease term started on November 6, 2020, and will end on July 31, 2023, with a renewal option. City is required to make a monthly payment of \$3,000. An initial lease liability was recorded in the amount of \$56,044 as of January 1, 2022, and as of July 31<sup>st</sup>, 2023, there was no outstanding liability upon the expiration of the lease. The renewal option was not excised.

On January 1, 2022, City entered into a lease agreement for the use of South Sound 911 premises for emergency management. The lease term started on January 1, 2022, for five (5) years and will end on December 31, 2026 with no renewal option. The monthly rent as of December 31, 2023, was \$3,653. The annual rate for each succeeding year will increase by amount of the Consumer Price Index for the Seattle/Tacoma area (CPI). An initial lease liability was recorded in the amount of \$219,977 as of January 1, 2022, and as of December 31, 2023, the lease liability is \$138,789. The value of the right to use asset

as of December 31, 2023, was \$219,977 with accumulated amortization of \$87,991.

On December 3, 2014, the City entered into a master service agreement with Optic Fusion that included an embedded lease of storage space. The initial lease term started on December 3, 2014, for five (5) years ending on December 2, 2019, with a renewal option to extend the effective term of the lease for additional five (5) years. This renewal option was exercised and the new lease term ends December 3, 2024. On December 3, 2023, an amendment to the lease to increase the monthly rent from \$11,900 to \$13,895 was signed. The new rental amount resulted in the remeasurement of the net present value using the average incremental borrowing rate of 2.671%. An initial lease liability was recorded in the amount of \$403,439 as of January 1, 2022. The remeasured lease liability as of December 3, 2023 was \$164,718 and as of December 31, 2023, the lease liability is \$150,823. The value of the remeasured right to use asset as of December 31, 2023, was \$429,835 with accumulated amortization of \$278,843.

On April 1, 2014, the City entered into a communication site sub-lease agreement with Pierce County for use of space at the Hoffman Hill Public Safety Communications Facility operated by the County on property owned by the City of DuPont. The initial lease term started on April 1, 2014, for five (5) years ending on April 1, 2019, with a renewal option to extend the effective term of the lease for two (2) consecutive five (5) year terms. This renewal option was automatic and the new lease term ends March 31, 2029. The monthly rent as of December 31, 2023, was \$250. An initial lease liability was recorded in the amount of \$20,079 as of January 1, 2022, and as of December 31, 2023, the lease liability is \$14,837. The value of the right to use asset as of December 31, 2023, was \$20,079 with accumulated amortization of \$5,539.

On January 1, 2022, Tacoma Public Library entered into a parking space lease agreement with Tacoma Onwer LLC for use of 34 parking stalls. The initial lease term started on January 1, 2022, for five (5) years ending on December 31, 2026, with a renewal option to extend the effective term of the lease for an additional five (5) year term. The monthly rent as of December 31, 2023, was \$2,210. An initial lease liability was recorded in the amount of \$237,570 as of January 1, 2022, and as of December 31, 2023, the lease liability is \$193,889. The value of the right to use asset as of December 31, 2023, was \$237,570 with accumulated amortization of \$47,514.

On January 1, 2009, City entered into a lease agreement for the use of portions of the County-City Building together with nine (9) reserved parking stalls. The lease term started on January 1, 2009, for forty-five (45) years and will end on December 31, 2054, with no renewal option. The monthly rent as of December 31, 2023, was \$35,569. The monthly rent is allocated 94% governmental activity and 6% business activities – parking fund. An initial total lease liability for both governmental and business activities was recorded in the amount of \$9,928 million as of January 1, 2022, and as of December 31, 2023, the lease liability is \$9,502 million. The value of the right to use asset as of December 31, 2023, was \$9,928 million with accumulated amortization of \$601,703.

***Business Activities:***

Power Division entered into a real estate lease for a communication site and associated beams paths at Capital Peak located in Thurston County, Washington. The lease is for ten (10) years which started on August 1, 2013 and will end on July 31, 2023. Tacoma Power is required to make an annual rent of \$12,500 for the period of August 1, 2013 to July 31, 2014. This annual rent will increase by 3% on the first-year anniversary and on each anniversary thereafter. The Division also pays annual road use fee in the amount of \$2,300 during the term on the lease. The road use fee may be adjusted by the State annually on the anniversary date. An initial lease liability was recorded in the amount of \$45,648 as of January 1, 2021 and as of December 31, 2022, the lease liability is \$10,683. The value of the right to use asset as of December 31, 2022 was \$45,648 with accumulated amortization of \$35,341. The lease term ended on July 31, 2023 and was extended to July 31, 2024. The Division has recorded this contract as a



short-term lease thereafter with the payments are recorded as expenses. As of December 31, 2023, there were no balances of lease liability and right to use of asset for this contact.

On May 1, 2016, Power Division entered into a real estate lease for a communication site property situated in Lewis County, Washington for a period of twenty (20) years started on May 1, 2016 and will end on or before April 30, 2036. Annual rental fee for the 1st year is \$17,500 and the fee will increase by 3% on the anniversary date in the subsequent year of the lease term. An initial lease liability was recorded in the amount of \$306,897 as of January 1, 2021, and as of December 31, 2023, the lease liability was \$261,742. The value of the right to use asset as of December 31, 2023 was \$306,898 with accumulated amortization of \$63,863.

On June 14, 2017, Power Division entered into a telecommunication lease agreement for accessing fiber network. The lease is for twenty (20) years from 2017 to 2037. The Division is required to deposit upon execution of this lease agreement \$181,453 and an annual operations fee of \$31,542 for the first year beginning in 2018. After the first year, the annual rate for each succeeding year will increase by amount of the Consumer Price Index for the Seattle/Tacoma area (CPI). Without the CPI at the time of GASB No. 87 implementation, the annual fee of \$31,542 is used in calculating the net present value of the lease liability. An initial lease liability was recorded in the amount of \$687,005 as of December 31, 2017 and as of December 31, 2023, the lease liability was \$327,695. The value of the right to use asset as of December 31, 2023 was \$687,005 with accumulated depreciation of \$137,401.

On August 1, 2020, the Wastewater and Stormwater Management division entered into a commercial real estate lease for 8,900 rentable square feet of a 20,900 square foot building for a lease term of 60 months ending July 31, 2025. The Division is required to make an annual rent payment of \$4,895 for the duration of the lease with an annual increase of 2% to occur on the anniversary of the commencement date. In addition to the rent, the Division will pay one-twelfth of the pro-rata share of operating costs which the landlord shall provide as soon as possible following the first day of each succeeding calendar year a good faith estimate. As of December 31, 2023, the lease liability was \$98,000. The value of the right to use asset as of December 31, 2023 was \$267,000 with accumulated amortization of \$171,000.

The Wastewater and Stormwater Management division entered into a land lease for 39,482 square feet of nonwatery-dependent aquatic land located in Pierce County, Washington for a lease term of 30 years started on May 1, 2002 and will end April 30, 2032. The 1st annual rent payment was \$7,045 and is subject to annual adjustment pursuant to Chapter 79.105 (2005) Aquatic Lands - General. Without the fair market rental value for the future lease period at the time of recognition of this lease liability, the annual rent payment in the amount of \$9,302 of the lease period ended April 30, 2023 was used in calculating the net present value of the lease liability. As of December 31, 2023, the lease liability was \$69,000. The value of the right to use asset as of December 31, 2023 was \$88,000 with accumulated amortization of \$23,000.

On October 31, 2019, Tacoma Arts Live entered into a leasehold agreement with Pantages Building and Renovation Project LLC for the use of Pantages Building. The initial lease term started on October 31, 2019, for five (5) years ending on October 31, 2024, with a renewal option to extend the effective term of the lease for two (2) consecutive five (5) year terms. The period used to calculate the net present value is the compliance period which ends on January 1, 2025. After the compliance period, the agreement will be dissolved. The annual rent as of December 31, 2023, was \$416,329. An initial lease liability covering up to compliance period was recorded in the amount of \$1,151 million as of January 1, 2022 and as of December 31, 2023, the lease liability is \$382,243. The value of the right to use asset as of December 31, 2023, was \$1,151 million with accumulated amortization of \$767,243.

For those leases where the interest rate was not specified in the lease agreement, the City used its average incremental borrowing rate of 2.671% and 2.264% as of December 31, 2023 and 2022, respectively, in calculation of net present value of lease payments, as the interest rate is not stated in the agreement.

Lease liability for the year ended December 31, 2023 is as follows:

	Governmental Activity	Business Activity	Total
Beginning balance, January 1, 2023	\$ (9,641,162)	\$ (1,408,709)	\$ (11,049,871)
Additions	(260,649)	(1,254,829)	(1,515,478)
Reductions	462,758	942,725	1,405,483
Ending Balance, December 31, 2023	<u>\$ (9,439,053)</u>	<u>\$ (1,720,813)</u>	<u>\$ (11,159,866)</u>

As of December 31, 2023, the City (excluding discretely presented component units) had minimum principal and interest payment requirements for its leasing activities with a remaining term in excess of one year, as follows:

Fiscal Year Ended Dec 31,	Governmental Activities		Business Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 426,748	\$ 209,331	\$ 519,722	\$ 37,898	\$ 1,193,699
2025	277,540	201,103	102,117	25,443	606,203
2026	285,342	194,738	66,436	24,890	571,406
2027	242,014	188,726	67,491	24,554	522,785
2028	247,550	183,190	68,623	24,163	523,526
2029 - 2033	1,256,097	830,312	347,062	113,287	2,546,758
2034 - 2038	1,319,611	686,488	205,886	91,683	2,303,668
2039 - 2043	1,477,617	528,483	94,316	33,733	2,134,148
2044 - 2048	1,654,541	351,558	105,609	22,440	2,134,148
2049 - 2053	1,852,650	153,449	118,254	9,795	2,134,148
2054 - 2058	399,343	4,877	25,298	311	429,830
Total	<u>\$ 9,439,053</u>	<u>\$ 3,532,256</u>	<u>\$ 1,720,813</u>	<u>\$ 408,197</u>	<u>\$ 15,100,319</u>

#### E. Subscription Based Information Technology Arrangements (SBITA)

A subscription-based information technology arrangement (SBITA) is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The City is involved in various SBITAs for information technology software and underlying subscription assets which are subscribed mainly from commercial and retail software vendors. With the implementation of GASB Statement No. 96, effective the fiscal year ended December 31, 2023, all existing and newly acquired subscriptions during the current fiscal year were analyzed and classified as either qualified or non-qualified SBITAs. With this implementation, a subscription payable is recognized.

The City has entered into 73 qualified SBITA agreements as the subscriber for software. The subscription liability related to these SBITAs was initially recognized on January 1, 2023, with the adoption of GASB Statement No. 96. All SBITAs have initial terms of two to seven years, and may contain renewal provisions, generally one to three-year periods. The City calculated the net present value of SBITA liability used its average incremental borrowing rate of 2.671% as of December 31, 2022.

The related payable are presented in the amounts equal to the present value of subscription payments, payable during the remaining SBITA term. A SBITA asset is presented as part of Right-of-Use Subscription, in the Capital Assets section, on the government-wide Statement of Net Position and in the Capital Assets note table 3C.

The City has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance and usage of the underlying asset. Variable payments based on future performance of the City, usage of the underlying IT assets, or number of user seats, were not included in the measurement of the subscription liability. Other payments, such as termination penalties, were also not included in the measurement of the subscription liability. Rather, these variable and other payments were recognized as outflows of resources in the period in which the obligation for those payments was incurred. Components of variable payments that are fixed in substance, are included in the measurement of the SBITA liability presented in the table below. During fiscal year 2023, the City incurred \$8,535 in expenses for variable payments not previously included in the measurement of the subscription liability. The City did not incur expenses related to its SBITA activities such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment.

Furthermore, the City has commitments under SBITA that have not commenced as of the end of the Fiscal Year 2023 including SAPNow project which is to upgrade the City's current enterprise resource planning software.

Subscription liability for the year ended December 31, 2023 is as follows:

	Governmental Activities	Business Activity	Total
Beginning Balance	\$ -	\$ 7,210,127	\$ 7,210,127
Additions	6,308,754	1,106,997	7,415,751
Reductions	(2,257,744)	(2,545,425)	(4,803,169)
Ending Balance	<u>\$ 4,051,010</u>	<u>\$ 5,771,699</u>	<u>\$ 9,822,710</u>

The principal and interest requirements to maturity as of December 31, 2023, are as follows:

Fiscal Year Ended	Governmental Activities		Business Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 2,215,825	\$ 102,658	\$ 2,231,726	\$ 153,559	\$ 4,703,768
2025	1,265,187	49,456	1,189,121	94,536	2,598,300
2026	315,086	15,412	1,197,445	62,476	1,590,419
2027	245,186	6,893	1,138,159	30,066	1,420,304
2028	9,727	263	15,247	-	25,238
2029 - 2033	-	-	-	-	-
Total	<u>\$ 4,051,011</u>	<u>\$ 174,682</u>	<u>\$ 5,771,698</u>	<u>\$ 340,637</u>	<u>\$ 10,338,029</u>



## F. Long-term liabilities

### General obligation bonds

The City issues general obligation bonds and loans to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and loans have been issued for both governmental and business-type activities. The following table presents the individual general obligation bonds and public works trust fund loans outstanding as of December 31, 2023:

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-23	ISSUED 2023	REDEEMED 2023	AMOUNT O/S 12/31/2023
<b>GENERAL OBLIGATION BONDS, LOANS, &amp; NOTES</b>								
Limited General Obligation Bonds								
2009A Improvement - Cheney	12/17/09	2011 - 2035	15,380	5.8600	12,390	-	510	11,880
2009E Improvement - Multiple Projects	12/17/09	2026 - 2035	13,526	5.7500	13,526	-	-	13,526 (1)
2009E Accreted Interest	12/18/09	2026 - 2036	13,526	5.7500	14,481	1,620	-	16,101 (1)
2009F Improvement - Cheney & Env Remed	12/17/09	2023 - 2026	6,681	7.2020	6,681	-	5,500	1,181 (2)
2009F Accreted Interest	12/18/09	2023 - 2027	6,681	7.2020	9,940	1,212	-	11,152 (2)
2010D Improvement - Capital	11/10/10	2015 - 2033	30,225	5.0399	19,555	-	1,495	18,060
2010E Improvement - Capital	11/10/10	2015 - 2040	9,130	5.7155	2,640	-	295	2,345
2013 Refunding (2001, 2004)	03/05/13	2015 - 2034	44,170	3.1768	31,055	-	31,055	-
2015A Refunding (2006A, 2006B, 2007)	12/29/15	2016 - 2036	12,735	3.2066	10,035	-	525	9,510
2015B Refunding (2006A, 2006B, 2007)	12/29/15	2016 - 2027	20,215	2.8933	3,490	-	650	2,840
2017 Improvement - Tacoma Dome	12/12/17	2019 - 2037	25,295	3.2114	20,215	-	1,090	19,125
2021A Refunding (2009B, 2010B)	04/13/21	2021 - 2035	4,555	2.2439	3,120	-	-	3,120
2021B Refunding (2009C)	04/13/21	2021 - 2034	4,475	2.2158	4,475	-	-	4,475
2021C Refunding (2010E)	04/13/21	2021 - 2040	4,555	2.7447	4,445	-	-	4,445
2023 Refunding (2001, 2004, 2013)	06/22/23	2023 - 2034	27,870	3.0431	-	27,870	1,970	25,900
Subtotal Limited (Councilmanic)					156,048	30,702	43,090	143,660
Washington State Public Works Trust Fund Loan								
CTED PWTF No. 04-691-068 Capital Improvement	06/02/04	2004 - 2024	4,500	0.5000	1,141	-	570	571
Union Ave Bridge PE24-96103-001 Capital Improvement	08/16/23	2024 - 2043	423	1.3800	-	423	-	423
Subtotal Washington State Loan (Councilmanic)					1,141	423	570	994
Total General Obligation Bonds, Loans, & Notes					<b>\$ 157,189</b>	<b>\$ 31,125</b>	<b>\$ 43,660</b>	<b>\$ 144,654</b>

#### Notes:

1. Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accreted interest capitalized to bond principal.
2. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed - Additions represent accreted interest capitalized to bond principal.

The annual debt service requirements to maturity, including principal and interest, for general obligation bonds and loans as of December 31, 2023 are as follows:

	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2024	\$ 9,902	\$ 3,218	\$ 2,610	\$ 1,705
2025	9,177	3,393	2,295	1,574
2026	9,150	3,428	2,410	1,460
2027	9,219	3,341	2,535	1,339
2028-2032	8,400	3,371	2,670	4,579
2033-2037	41,626	17,137	17,150	812
2038-2042	20,075	2,947	6,348	-
2043-2047	1,086	45	-	-
	<b>\$ 108,637</b>	<b>\$ 36,880</b>	<b>\$ 36,018</b>	<b>\$ 11,470</b>

General obligation bonds and loans 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 and loans currently outstanding are as follows:

General obligation bonds outstanding  
(amounts expressed in thousands)

	Interest Rates to Maturity	Outstanding December 31, 2023
Governmental activities	2.2158 - 7.2020%	\$ 108,637
Business-type activities	2.2439 - 3.2066%	\$ 36,018

***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, 2023, the amount of LID Special Assessment delinquency was \$891,285. The bond interest rates range from 3.125 to 5.75% and are payable over the next twenty-four years. The following table presents the outstanding special assessment bonds:

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-23	ISSUED 2023	REDEEMED 2023	AMOUNT O/S 12/31/2023
<b>SPECIAL ASSESSMENT BONDS</b>								
Local Improvement District Bonds								
District #64 Bonds Construction	04/05/16		2,341	3.2500	1,380		1,295	85
District #65 Bonds Construction	04/29/13	2043	30,999	5.7500	15,075		1,005	14,070
District #66 Bonds Construction	12/19/19	2047	4,011	3.1250	2,850		145	2,705
Subtotal LID Bonds/Notes					19,305	-	2,445	16,860
Bond Anticipation Notes								
Revolving Line of Credit LID Construction	07/01/16	At CLID Issue \$15mm Max		Floating	841			841
Subtotal Bond Anticipation Notes					841	-	-	841
Total Special Assessment Bonds					\$ 20,146	\$ -	\$ 2,445	\$ 17,701

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
2024	\$ -	\$ 896	\$ 896
2025	-	896	896
2026	-	896	896
2027	-	896	896
2028	-	896	896
2029-2033	-	4,482	4,482
2034-2038	85	4,476	4,561
2039-2043	14,070	4,468	18,538
2044-2047	2,705	338	3,043
Total	\$ 16,860	\$ 18,245	\$ 35,105

### Revenue Bonds and Loans

The City also issues revenue bonds where the City pledges revenue generated by the respective Proprietary Funds, and are issued for construction, acquisition, various system upgrades and infrastructure. 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, please refer to Schedule 15 in the Statistical Section of this document for further information about pledge revenue coverage.

The following table presents revenue bonds outstanding as of December 31, 2023:

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-23	ISSUED 2023	REDEEMED 2023	AMOUNT O/S 12/31/2023
<b>ENTERPRISE REVENUE BONDS, LOANS, &amp; NOTES</b>								
Greater Tacoma Convention Center								
2010 Revenue & Refunding Tac CC & Parking (2004)	11/10/10	2015 - 2024	5,015	3.7656	1,210	-	590	620
2015 Revenue & Refunding Tac CC & Parking (2004)	08/14/15	2015 - 2024	20,453	2.3304	4,408	-	2,182	2,226
Subtotal Convention Center					5,618	-	2,772	2,846
Wastewater Utility								
State Revolving Fund Loan #40006A Trmnt Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	16,807	-	2,954	13,853
State Revolving Fund Loan #40006B Trmnt Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	7,345	-	1,258	6,087
2015 Sewer Revenue & Refunding	03/18/15	2016 - 2045	109,300	3.5358	96,765	-	2,160	94,605
2016A Sewer Revenue & Refunding	06/15/16	2016 - 2038	31,855	2.8277	24,895	-	1,185	23,710
2018 Sewer Revenue Waste I Improvement	11/28/19	2019 - 2048	43,460	3.9387	39,925	-	960	38,965
2018 Sewer Revenue Waste II Improvement	11/28/19	2019 - 2031	6,115	3.0387	5,595	-	510	5,085
State Revolving Fund Loan #0166 Trmnt Plant Upgrade	11/08/21	2021 - 2041	2,627	1.2000	2,438	-	118	2,320
WIFIA Loan Trmnt Plant Upgrade	12/01/21	2026 - 2054	15,049	1.2000	16,372	2,882	-	19,254 (3)
2022 Sewer Revenue Improvement	04/07/22	2022 - 2051	59,110	3.3515	58,920	-	195	58,725
State Revolving Fund Loan #EL220451	09/30/22		14,611	1.6000	10,207	984	187	11,004
Subtotal Wastewater					279,269	3,866	9,527	273,608
Surface Water Utility								
DOE SFR Loan L-1000007 Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	227	-	26	201
DOE SFR Loan 2018 - Madison District	07/01/18	2023 - 2028	5,000	0.7000	93	1,106	-	1,199 (4)
DOE SFR Loan 2020 - Larchmont District	07/01/19	2024 - 2044	2,800	2.0000	91	526	-	617 (4)
2018 Sewer Revenue Bonds Surface I Improvement	11/28/19	2019 - 2048	26,930	3.9387	24,740	-	595	24,145
2018 Sewer Revenue Bonds Surface II Improvement	11/28/19	2019 - 2031	24,440	3.0387	22,370	-	2,040	20,330
2022 Surface Water Revenue Bonds Capital Improvement	04/07/22	2022 - 2051	27,315	3.5548	27,020	-	465	26,555
Subtotal Surface Water					74,541	1,632	3,126	73,047
Solid Waste Utility								
2015 Solid Waste Revenue Bonds Improvement	03/18/15	2017 - 2025	21,095	2.1375	7,920	-	2,530	5,390
2016A Solid Waste Revenue & Refunding Bonds	06/15/16	2031 - 2036	23,200	3.4260	23,200	-	-	23,200
2016B Solid Waste Revenue & Refunding Bonds	06/15/16	2026 - 2031	15,025	2.9985	15,025	-	-	15,025
Solid Waste Revenue Bonds, 2022	04/07/22	2022 - 2031	13,190	2.1788	12,460	-	1,150	11,310
Subtotal Solid Waste					58,605	-	3,680	54,925
Electric System								
2010B Electric System Rev Bonds (BABS)	07/27/10	2031 - 2035	147,070	3.9071	147,070	-	-	147,070
2010C Electric System Rev Bonds (CREBS)	07/27/10	2027	24,185	1.9235	24,185	-	-	24,185
2013A Electric System Revenue & Refunding Bonds	06/13/13	2014 - 2042	181,610	3.3869	88,655	-	-	88,655
2013B Electric System Revenue Refunding Bonds	06/13/13	2014 - 2030	35,620	3.3427	31,825	-	3,985	27,840
2017 Electric System Revenue Bonds Capital Improvement	09/01/17	2022 - 2046	70,575	3.5702	68,425	-	2,255	66,170
2021 Electric System Revenue Bonds Refunding of Bank No	09/14/21	2036 - 2051	121,855	2.8590	121,855	-	-	121,855
Subtotal Electric System					482,015	-	6,240	475,775
Water System								
PW-04-691-PRE-101 Construction	03/19/04	2006 - 2024	1,000	0.5000	108	-	53	55
2005 Water Sys Ref & Rev Bonds 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	1,482	-	371	1,111
2009 Water Sys Rev Bonds (Taxable BABS) Capital Imp	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	3,275	-	546	2,729
DM07-952-015 Construction	03/31/10	2010 - 2028	4,040	1.5000	1,291	-	215	1,076
PW-DWSHF-09-952-0/4 Construction	04/09/10	2013 - 2032	6,519	1.0000	3,611	-	361	3,304
2010B Water Sys Rev Bonds (BABS) Construction	08/24/10	2024 - 2040	74,985	5.5636	74,985	-	-	74,985
2010A Water RWSS Revenue Bonds Construction	08/24/10	2013 - 2024	3,595	3.2460	700	-	345	355
2010B Water RWSS Revenue Bonds (BABS) Construction	08/24/10	2025 - 2040	44,245	5.5636	44,245	-	-	44,245
PW-DWSRF 10-952-026 Construction	06/17/11	2015 - 2034	6,060	1.5000	3,030	-	303	2,727
PW-DWSRF 11-952-035 Construction	06/30/11	2016 - 2035	6,060	1.5000	1,336	-	122	1,214
PW-DWSRF 11-952-036 Construction	06/30/11	2016 - 2035	6,060	1.5000	3,939	-	303	3,636

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-23	ISSUED 2023	REDEEMED 2023	AMOUNT O/S 12/31/2023
Water System (cont'd)								
PC 12-951-017 Construction	07/01/11	2011 - 2031	10,000	0.5000	4,999	-	556	4,443
PW-DWSRF 12-952-088 Construction	01/22/13	2017 - 2036	12,120	1.5000	7,878	-	606	7,272
2013 Water Sys Rev Ref Bonds (RWSS) Refinance	04/16/13	2013 - 2032	64,795	3.1477	52,045	-	2,110	49,935
2013 Water Sys Rev Ref Bonds Refinance	05/07/13	2013 - 2043	78,305	3.8523	74,355	-	-	74,355
PW-DWSRF-13-952-133 Construction	10/07/13	2019 - 2037	12,120	1.5000	7,878	-	606	7,272
PW-DWSRF-10-952-031 Construction	03/26/14	2015 - 2034	6,060	1.5000	3,654	-	305	3,349
PW-DWSRF-13-952-167 Construction	11/06/14	2015 - 2037	12,120	1.5000	7,878	-	606	7,272
2015A Water Sys Ref Bonds Refinance	05/12/15	2017 - 2025	16,645	1.9926	5,805	-	1,845	3,960
DM15-952-033 Construction	06/01/14	2016 - 2034	12,120	1.5000	8,292	-	638	7,654
2020 Water Refunding Bonds	05/14/20	2020 - 2023	14,467	1.7107	4,120	-	4,120	-
Subtotal Water System					391,746	-	14,017	377,729
Tacoma Rail								
WA State Rail Loan RR00407 2009 Capital Improvement	08/04/09	2010 - 2024	26	0.0000	3		1	2
WA State Rail Loan RR00408 2009 Capital Improvement	08/04/09	2011 - 2025	249	0.0000	49		17	32
WA State Rail Loan RRB-1026 Capital Improvement	09/06/12	2014 - 2023	347	0.0000	34		34	-
WA State Rail Loan RRB-1030 Capital Improvement	09/06/12	2014 - 2023	364	0.0000	37		37	-
WA State Rail Loan RRB-1045 Capital Improvement	09/01/13	2015 - 2024	823	0.0000	123		62	61
WA State Rail Loan RRB-1046 Capital Improvement	08/01/13	2015 - 2024	250	0.0000	50		25	25
WA State Rail Loan RRB-1052 Capital Improvement	10/24/13	2016 - 2025	366	0.0000	109		37	72
WA State Rail Loan RRB-1053 Capital Improvement	10/24/13	2016 - 2025	773	0.0000	233		77	156
WA State Rail Loan RRB-1054 Capital Improvement	10/24/13	2016 - 2025	1,015	0.0000	331		111	220
WA State Rail Loan RRB-1055 Capital Improvement	10/08/13	2016 - 2025	516	0.0000	154		52	102
WA State Rail Loan RRB-1086 Capital Improvement	10/27/15	2016 - 2025	1,037	0.0000	273		91	182
WA State Rail Loan RRB-1108 Capital Improvement	07/03/17	2017 - 2026	311	0.0000	125		31	94
WA State Rail Loan RRB-1109 Capital Improvement	09/29/16	2017 - 2026	121	0.0000	49		12	37
WA State Rail Loan RRB-1110 Capital Improvement	09/08/16	2017 - 2026	406	0.0000	161		41	120
WA State Rail Loan RRB-1111 Capital Improvement	01/06/17	2017 - 2026	370	0.0000	148		37	111
WA State Rail Loan RRB-1112 Capital Improvement	12/06/16	2017 - 2026	150	0.0000	60		15	45
WA State Rail Loan RRB-1225 Capital Improvement	06/30/20	2021 - 2029	233	0.0000	187		23	164
WA State Rail Loan RRB-1226 Capital Improvement	12/30/20	2021 - 2029	125	0.0000	320		40	280
WA State Rail Loan RRB-1269 Capital Improvement	11/29/22	2022 - 2031	868	0.0000	779		87	692
WA State Rail Loan RRB-1275 Capital Improvement	11/29/22	2023 - 2032	318	0.0000	210	108	32	286
WA State Rail Loan RRB-1276 Capital Improvement	11/29/22	2023 - 2032	465	0.0000	17	448	47	418
WA State Rail Loan RRB-1286 Capital Improvement	11/29/22	2024-2033	606	0.0000	-	561	-	561 (5)
Subtotal Tacoma Rail					3,452	1,117	909	3,660
Total Revenue Bonds					<b>\$ 1,295,246</b>	<b>\$ 6,615</b>	<b>\$ 40,271</b>	<b>\$ 1,261,590</b>
Local Agent Site Lease, Series 2020C	07/21/20	2021 - 2040	12,795	2.1197	11,705	-	570	11,135
Subtotal Local Agent Site Lease					11,705	-	570	11,135

Notes:

3. WIFIA loan ending balance is \$467,000 different than the amortization schedule. Of which, \$350,000 is due to the dates requested to recognize the debt is different from date on repayment schedule, which should balance out and be accurate in 2025. The remaining \$116,000 difference is due to the amortization schedule include the accrued interest on 6/1/24.
4. DOE SFR Loan 2018 and DOE SFR Loan 2020 are not included on the amortization schedule because they are not finalized.
5. WA State Rail Loan RRB-1286 ending balance is \$45,000 difference than the amortization schedule because the schedule includes the contract loan amount of \$606,000 while the table above shows only the amount that was drawn in the accounting module.

The original amount of outstanding revenue bonds, Washington State Department of Transportation Rail loans, and Drinking Water State Revolving Fund loans issued in prior years was \$1.3 billion. During 2023, new debt issues amounted to \$6.6 million for capital improvements in the Wastewater, Surfacewater, and Rail Fund.

Power has pledged future power charges and other revenues, net of operating expenses to repay \$475.8 million in revenue bonds issued prior years. The bonds are payable solely from power charges and other revenues and are payable through 2051. The total principal and interest remaining to be paid on the bonds is \$774.2 million. Principal and interest paid for the current year and total pledged revenue were \$29.6 million and \$150.0 million, respectively.

Water has pledged future Water charges and other revenues, net of operating expenses to repay \$ 382.4 million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Water charges and other revenues and are payable through 2043. The total principal and interest remaining to be paid on the bonds is \$580.9million. Principal and interest paid for the current year and total pledged revenue were \$25.2 million and \$58.6 million, respectively.

Sewer has pledged future Sewer charges and other revenues, net of operating expenses to repay \$ 379



million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Sewer charges and other revenues and are payable through 2054. The total principal and interest remaining to be paid on the bonds is \$515.7 million. Principal and interest paid for the current year and total pledged revenue were \$26.4 million and \$63.9 million, respectively.

Solid Waste has pledged future Solid Waste charges and other revenues, net of operating expenses to repay \$60.6 million in revenue bonds and loans issued prior years. The bonds and loan are payable solely from Solid Waste charges and other revenues and are payable through 2036. The total principal and interest remaining to be paid on the bonds is \$73.2 million. Principal and interest paid for the current year and total pledged revenue were \$6.5 million and \$30.6 million, respectively.

Convention Center and Parking has pledged future net of parking Revenue and District contribution, net of operating expenses to repay \$2.8 million in revenue bonds issued prior years. The bonds are payable solely from Net parking revenue and District Contribution and are payable through 2024. The total principal and interest remaining to be paid on the bonds is \$2.9 million. Principal and interest paid for the current year and total pledged revenue were \$2.9 million and \$7.6 million, respectively.

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

	Principal	Interest	Total
2024	\$ 42,124	\$ 55,816	\$ 97,940
2025	40,547	55,816	96,363
2026	42,069	54,276	96,345
2027	60,799	53,057	113,856
2028	42,993	50,974	93,967
2029-2033	279,330	210,279	489,610
2034-2038	306,253	130,827	437,080
2039-2043	279,448	63,994	343,442
2044-2048	115,997	19,565	135,562
2049-2054	50,734	2,903	53,637
Total	<u>\$ 1,260,294</u>	<u>\$ 697,508</u>	<u>\$ 1,957,802</u>

***Line of Credit***

On October 1, 2021, Tacoma Power entered into a \$150 million line-of-credit agreement with Wells Fargo to pay for working capital, which will mature on October 1, 2024. As of December 31, 2023, this line-of-credit was classified as current portion with the due date on October 1, 2024. Each advance will bear interest based on the weekly Securities Industry and Financial Markets Association (SIFMA) index rate. On December 31, 2023, SIFMA was 3.87%. Each advance is secured by Revenues as set forth in the Note Ordinance.

NAME AND PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-23	ISSUED 2023	REDEEMED 2023	AMOUNT O/S 12/31/2023
Wells Fargo Revolving Line of Credit Capital Improvement	10/01/21	10/1/2024	\$150mm Max	0.5000	80,000	25,000	-	105,000
Subtotal Wells Fargo Revolving Line of Credit					80,000	25,000	-	105,000

Changes in long-term liabilities for the year ended December 31, 2023 are as follows:

### Changes in long-term liabilities

#### Governmental activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
General obligation bonds	\$ 114,350	\$ 2,831	\$ (9,540)	107,641	\$ 9,332
Add: Unamortized premium	660	-	(56)	604	-
Less: Unamortized discount	(85)	-	5	(80)	-
Public works trust fund loans	1,140	423	(570)	993	570
Bond anticipation notes	841	-	-	841	841
Special assessment debt	19,305	-	(2,445)	16,860	-
Claims and judgments	36,228	25,122	(15,944)	45,406	35,741
Total OPEB Liabilities	190,320	66,635	(95,262)	161,693	4,511
Total pension liability-Police and Firefighters'	39,926	-	(624)	39,302	3,930
Net pension liability	-	42,322	-	42,322	-
Compensated absences	25,358	40,928	(37,946)	28,339	2,834
Lease liability	9,641	258	(460)	9,439	427
SBITA liability	-	6,309	(2,258)	4,051	2,215
Total governmental activities - long-term liabilities	\$ 437,685	\$ 184,827	\$ (165,101)	\$ 457,411	\$ 60,401

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, \$6.9 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 \$2.8 million listed above represents accreted interest capitalized to bond principal of existing bonds.

#### Business-Type activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Revenue Bonds	\$ 1,195,874	\$ 2,882	\$ (29,222)	\$ 1,169,534	\$ 30,901
General obligation bonds	41,698	27,870	(33,550)	36,018	2,610
Add: Unamortized premium	78,359	5,119	(9,046)	74,432	-
Less: Unamortized discount	(7)	-	3	(4)	-
Mudshoat liability	6,080	938	(1,099)	5,920	938
State COP Loan	11,705	-	(570)	11,135	575
State Revolving Fund (SRF) Loan	95,919	2,620	(10,140)	88,399	10,326
WA State Rail Loan	3,454	1,119	(909)	3,664	897
Revolving line of credit	80,000	25,000	-	105,000	105,000
Environmental liability	3,056	731	(2,342)	1,446	710
Landfill postclosure care cost liability	12,134	97	(737)	11,494	494
Claims and judgments	2,873	2,674	(1,298)	4,249	3
Total OPEB liabilities	37,122	12,747	(19,493)	30,376	847
Compensated absences	27,832	31,764	(30,646)	28,950	2,895
Net pension liability	-	95,833	-	95,833	-
Lease liability	1,409	1,255	(943)	1,721	520
SBITA liability	7,210	1,108	(2,545)	5,773	2,232
Total business-type activities - long-term liabilities	\$ 1,604,718	\$ 211,758	\$ (142,536)	\$ 1,673,940	\$ 158,948

### ***Debt issued in 2023***

#### **Governmental activities**

On August 16, 2023, the City received a Public Works Trust Fund Loan for the repair of the Union Ave Bridge. The loan amount is \$423,341 with an interest rate of 1.38%. The loan is payable through 2043.

#### **Business-type activities:**

On June 22, 2023, the City issued Limited Tax General Obligation Bonds in the amount of \$27.87 million with the interest rate of 3.043%. The City uses the Bonds to refund on a current basis all of the outstanding Limited Tax General Obligation Refunding Bonds, 2013 (the "Refunded Bonds"). Proceeds of the Refunded Bonds were used to refund certain of the City's (a) Limited Tax General Obligation Refunding Bonds, 2001, proceeds of which were used to finance and refinance capital projects of the City, including a municipal building, and (b) Limited Tax General Obligations, 2004, proceeds of which were used to finance and refinance the costs of acquiring, constructing, and equipping the Greater Tacoma Convention Center. The aggregate difference in debt service between the Refunded and the Refunding Bonds is \$2.82 million over the life of the bonds, with an economic gain of \$2.3 million (in 2023 dollars). The Refunded Bonds were paid in full in October 2023, with no outstanding defeased debt as of December 31, 2023.

In December 2023, Tacoma Power took a draw of 25.0 million on the line of credit agreement with Wells Fargo. The balance outstanding is \$105.0 million as of December 31, 2023.

No new bonds were issued for Sewer (Stormwater and Wastewater) but the outstanding balance of the WIFIA loan as of December 31, 2023, is \$19.3 million, an increase of \$2.9 million over 2022. An additional \$904,860 was also reimbursed for the State Revolving Fund Loan 2022 (DOE EL220451), with \$79,140 of accrued interest, for costs related to the construction of CTP Electrical Distribution System Replacement projects.

In 2023, Tacoma Rail drew from Washington State loans from the Department of Transportation for the following projects: Lincoln Ave Track Upgrade for \$108,000, Yard Track Upgrade for \$448,000, and Alexander Wye Rehabilitation for \$561,000.

#### **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, 2023, 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	\$	24,020
Cash for debt and bond reserve		33,483
Cash for construction		40,608
Cash for other special purposes		140,402
	\$	<u>238,513</u>

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

#### **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
Nonspendable:						
Accounts Receivable	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 25
Inventory	1,840	-	1,858	-	-	3,698
Prepays	40	-	42	-	-	82
Library Endowment	-	-	17	-	-	17
Total nonspendable	1,905	-	1,917	-	-	3,822
Restricted:						
Crime Prevention & Safety	372	-	4,212	-	-	4,584
Debt service	-	-	10,642	6,237	1,419	18,298
Economic development programs	-	-	3,026	-	-	3,026
Grants	-	-	23,723	-	-	23,723
Housing Development	-	-	18,907	-	-	18,907
Library, Culture, Arts, Preservation	-	-	12,489	-	-	12,489
Neighborhoods	-	-	1,436	-	-	1,436
Other capital & purchase	-	-	6,185	-	834	7,019
Public services	32	-	16,828	-	-	16,860
Public Works projects	-	-	13,055	-	25,651	38,706
Sidewalk & Street projects	-	3,692	-	-	23,807	27,499
Total restricted	404	3,692	110,503	6,237	51,711	172,547
Committed:						
Council contingency*	17	-	-	-	-	17
Crime Prevention & Safety	-	-	-	-	4,952	4,952
Library, Culture, Arts, Preservation	-	-	5,025	-	157	5,182
Neighborhoods	-	-	2,592	-	-	2,592
Other Capital	-	-	749	-	-	749
Public services	-	-	482	-	-	482
Public Works projects	-	8	46,830	-	3,160	49,998
Total committed	17	8	55,678	-	8,269	63,972

continued on next page

	Major Funds		Non-major Funds			
	General	Transp Capital & Fund Engr	Special Revenue	Debt Service	Capital Project	Total Funds
Assigned:						
Business & Training Assistance	-	-	348	-	-	348
Council contingency*	742	-	-	-	-	742
Crime Prevention & Safety	-	-	34	-	-	34
Demolitions	-	-	2,768	-	-	2,768
Economic development programs	-	-	4,943	-	-	4,943
Housing Development	-	-	2,009	-	-	2,009
Library, Culture, Arts, Preservation	-	-	3,459	-	171	3,630
Neighborhoods	-	-	969	-	-	969
Open Space Properties	-	-	529	-	-	529
Paths & Trails	-	-	371	-	-	371
Police activities	-	-	2,793	-	-	2,793
Public services	-	-	11,900	-	-	11,900
Public Works projects	347	314	5,717	-	-	6,378
Sidewalk & Street projects	-	-	8,262	-	-	8,262
Other purposes	-	-	56	-	-	56
Total assigned	1,089	314	44,158	-	171	45,732
Unassigned:	115,278	-	-	-	-	115,278
Total fund balances:	\$ 118,693	\$ 4,014	\$ 212,256	\$ 6,237	\$ 60,151	\$ 401,351

\* 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 a majority of the City Council through the adoption of an ordinance detailing the facts surrounding its reason for withdrawal.

#### 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 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (138,155,523)
Pension assets	94,394,804
Deferred outflows of resources	225,839,193
Deferred inflows of resources	(31,520,403)
Pension expense/expenditures	53,209,327

At December 31, 2023, 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	\$ (3,639,937)	\$ 35,652,456
Changes of assumptions	(15,539,702)	107,530,826
Net difference between projected and actual earnings	(5,246,909)	43,469,510
Contributions made subsequent to the measurement date	-	2,055,689
Changes in employer proportion	(7,093,855)	37,130,712
Total	<u>\$ (31,520,403)</u>	<u>\$ 225,839,193</u>

#### A. Tacoma Employees' Retirement System fund (TERS)

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

Tacoma Employee's Retirement System  
3628 South 35<sup>th</sup> Street  
Tacoma, WA 98409

Or the TERS annual comprehensive financial report may be downloaded from the TERS website at [www.cityoftacoma.org/retirement](http://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, 2023, is as follows:

Retirees and beneficiaries	2,765	
Terminated vested and other terminated participants	918	
Active members:		
City of Tacoma	2,877	
Pierce Transit	17	
South Sound 911	2	
Tacoma-Pierce County Health Department	305	
Total active members		3,201
Total membership		6,884

**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 1<sup>st</sup> of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

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

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

**4. *Contributions.*** The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council. Currently, the required contribution rate for employees is 9.66% of their regular base pay; the employer contributes 11.34%, for a combined total of 21.00%. This is consistent with the Board’s goal of maintaining a contribution rate that is greater than or equal to the normal cost rate of 18.97%. The difference of 2.03% between the contribution rate and the normal cost rate will be used to amortize the unfunded liability of the System. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

The Normal Cost Rate increased from 19.03% of pay to 19.05% of pay from the prior actuarial valuation. Therefore, the portion of the total 21.00% of pay contribution rate available to amortize

the UAAL after Normal Costs are financed decreased from 1.97% of pay at January 1, 2022 (21.00% - 19.03%) to 1.95% of pay at January 1, 2023 (21.00% - 19.05%).

TERS		
Actual Contribution Rates	Employer	Employee
January - December 2023		
TERS	11.34%	9.66%
TERS UAAL	1.95%	
Administrative Fee	0.80%	
Total	14.09%	9.66%

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

Measurement Date	December 31, 2022
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contribution rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution. The amortization method for the ADC is as follows* <ul style="list-style-type: none"> <li>• Level percent</li> <li>• Open Periods</li> <li>• 25-year amortization period</li> <li>• 3.25% amortization growth rate</li> </ul>
Asset Valuation Method	4-year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service; details in funding valuation report
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, eligibility, details in funding valuation report
Mortality	105% of Male and 100% of Female PubG-2010 Amount Weighted Mortality Tables, sex distinct. Generational improvements with projection unisex based on Social Security Administration Data from 1957-2017
Active members:	Employee Mortality
Inactive Members, Retired Members, and Beneficiaries:	Healthy Retiree Mortality
Disabled Members:	Disabled Retired Mortality

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

**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.

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

Valuation Date*	Change
2013	The discount rate (investment return assumption) was lowered, along with price and wage inflation. Most active demographic assumptions were changed. The mortality assumption for contributing members, service retirees, beneficiaries, and disabled members was changed.
2014	The discount rate (investment return assumption) was lowered.
2017	Nearly all economic and non-economic actuarial assumptions were changed.
2018	Contribution rates were increased effective February 2018. Reflected new annuity conversion factors effective January 1, 2020.
2021	Nearly all economic and non-economic actuarial assumptions were changed.
2022	Reflected new annuity conversion factors effective January 1, 2022.
2023	None reported

\* Valuations as of January 1.

**7. Target Allocations:** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the System's investment advisors as of December 31, 2023. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated August 2023.

Asset Class	Target Allocation	Arithmetic Real Rate of Return
Investment Grade Fixed Income	21.5%	2.28%
US Bank / Leveraged Loans	2.0%	4.12%
US Long Gvt Bonds	3.0%	2.43%
High Yield Bonds	5.0%	3.93%
Emerging Market Debt	5.0%	2.80%
Global Equity	19.0%	4.35%
Low Volatility Global Equity	9.5%	4.47%
Private Real Estate	10.0%	3.53%
Private Equity	15.0%	7.15%
Master Limited Partnerships	3.0%	5.90%
Infrastructure	7.0%	5.28%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.44%
Portfolio 10 year Geometric Rate of Return		6.60%
Portfolio 30 year Arithmetic Rate of Return*		7.89%
Portfolio 30 year Geometric Rate of Return		7.28%
Portfolio Standard Deviation		11.55%
Long-Term Expected Rate of Return, net of investment expenses		6.75%

\*Long-Term Expected Geometric Rates of Return shown are based on a 30-year period

**8. Sensitivity Analysis:** The following presents the employer's proportionate share of the collective net pension liability as of the December 31, 2022 measurement date calculated using the discount rate of 6.75%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Employer's proportionate share of net pension liability (asset)	\$ 392,745,766	\$ 138,155,523	\$ (74,000,540)

**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, 2022, the employer recognizes the following amounts:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (3,114,414)	\$ 9,560,918
Change of assumptions	-	27,152,619
Net difference between projected and actual investment earnings	-	107,530,826
Contributions made subsequent to the measurement date	NA	34,076,240
Changes in employer proportion	(156,270)	418
Total	\$ (3,270,684)	\$ 178,321,021

**10. *Pension Expense;*** For the year ended December 31, 2023, the City of Tacoma recognized \$56,522,311 as its proportionate share of pension expense.

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

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

\* Note that the employer reporting date is one year later than the measurement date.

Year ended December 31:	
2023	\$ 12,672,496
2024	40,867,275
2025	26,145,265
2026	61,109,162
2027	179,899
Thereafter	-

**12. *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	2022 Employer Contributions	Percentage of Total Contributions	Beginning Net Pension Liability/(Asset)*	Ending Net Pension Liability/(Asset)**
City of Tacoma	\$ 31,269,626	91.99190%	\$ (146,649,370)	\$ 138,155,523
South Sound 911	30,590	0.08999%	(142,813)	135,153
Pierce Transit	168,298	0.49511%	(587,117)	743,575
Health Department	2,523,201	7.42299%	(12,487,915)	11,148,012
Grand Total	\$ 33,991,715	100.00000%	\$ (159,867,215)	\$ 150,182,263

\*Based on unrounded contributions from 2021

\*\*Based on unrounded contributions from 2022

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

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

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

Or the DRS comprehensive annual financial report may be downloaded from the DRS website at [www.drs.wa.gov](http://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 – 1.0% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-paid consecutive 24 months' 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 a COLA. 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 0%, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid 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 – 52, the reduction is 3% 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 a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. . The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

Actual Contribution Rates	<u>Employer</u>	<u>Employee</u>
January - August 2023		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
September - December 2023		
State and local governments	5.12%	8.53%
Administrative Fee	0.20%	
Total	5.32%	8.53%

The City of Tacoma's actual contributions to the plan were \$6,221,155 for the year ended December 31, 2023.

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, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$6,010,965.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

## Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

The table below summarizes the 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, 2023. The inflation component used to create the table is 2.2% 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Tacoma's proportionate share\* of the net pension liability calculated using the discount rate of 7%, 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%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
LEOFF 1	\$ (27,061,182)	\$ (30,518,796)	\$ (33,517,079)
LEOFF 2	10,576,140	63,876,008	124,808,700

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

At June 30, 2023, the City of Tacoma reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
LEOFF 1	\$ (30,518,796)
LEOFF 2	(63,876,008)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Tacoma. The amount recognized by the City of Tacoma as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Tacoma were as follows:

	<u>LEOFF 1 Asset</u>	<u>LEOFF 2 Asset</u>
Employer's proportionate share	\$ (30,518,796)	\$ (63,876,008)
State's proportionate share of the net pension asset associated with the employer	(206,428,377)	(40,790,561)
Total	<u>\$ (236,947,173)</u>	<u>\$ (104,666,569)</u>

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

	<u>Proportionate Share 6/30/22</u>	<u>Proportionate Share 6/30/23</u>	<u>Change in Proportion</u>
LEOFF 1	1.04%	1.03%	(0.01%)
LEOFF 2	2.65%	2.66%	0.01%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

#### **Pension Expense**

For the year ended December 31, 2023, the City of Tacoma recognized pension expense as follows:

	<u>Pension Expense</u>
LEOFF 1	\$ (2,485,789)
LEOFF 2	(1,027,195)
Total	<u>\$ (3,512,984)</u>

#### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023, the City of Tacoma reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 1		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(2,023,678)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ (2,023,678)
LEOFF 2		
Differences between expected and actual experience	\$ 26,091,538	\$ (525,523)
Net difference between projected and actual investment earnings on pension plan investments	-	(13,516,024)
Changes of assumptions	16,316,891	(5,246,909)
Changes in proportion and differences between contributions and proportionate share of contributions	2,055,271	(6,937,585)
Contributions subsequent to the measurement date	3,054,292	-
Total	\$ 47,517,992	\$ (26,226,041)

Deferred outflows of resources related to pensions resulting from the City of Tacoma contributions subsequent to the measurement date but before the end of the reporting period will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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	LEOFF 2
2024	\$ (1,387,504)	\$ (5,882,075)
2025	(1,741,134)	(8,064,736)
2026	1,080,087	11,168,409
2027	24,874	3,735,740
2028	-	4,088,216
Thereafter	-	13,192,107
Total (DI) / DO	\$ (2,023,677)	\$ 18,237,661

### 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 2023:*

Aggregate Pension Amounts	Firefighters' Pension Fund	Police Pension Fund
Total pension liability	\$ 24,526,983	\$ 14,774,539

## **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 0 active Firefighters with prior rights covered under these plans as of December 31, 2023. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 98 for the PRP and 130 for the FRP as of December 31, 2023. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

Each police officer or firefighter in service on March 1, 1970 receives the greater of benefit payable under the LEOFF system and the benefits available under the old law. Where benefits under the old law exceed those under LEOFF, the excess benefits are paid by the Pension Fund of the City employing him/her 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 PRD and FRP were \$4.6 million and \$4.0 million for 2023.

The state contributes 25% of taxes on fire insurance premiums to the FRP and the amount contributed in 2023 was \$541,000.

### ***4. Actuarial Assumptions***

The Total Pension Liability was determined by an actuarial valuation as of the valuation date of January 1, 2022, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date of December 31, 2023. There were no significant changes during this period. Any significant changes would need to be reflected as prescribed by GASB 73.

	<u>Firefighter Relief and Pension</u>	<u>Police Relief and Pension</u>
Discount Rate:		
Discount Rate	3.25%	3.25%
Municipal Bond Rate	3.25%	3.25%
Actuarial Assumptions:		
Valuation Date	January 1, 2022	January 1, 2022
Measurement Date	December 31, 2023	December 31, 2023
Inflation	2.50%	2.50%
Salary increases including inflation	3.50%	3.50%
Mortality	<p>Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.</p>	<p>Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.</p>
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, 2022	\$ 24,764,964	\$ 15,160,796
Changes for the year:		
Service cost	-	-
Interest on Total Pension Liability	890,516	541,666
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	-	-
Effect of assumptions changes or inputs	926,167	518,157
Benefit payments*	(2,054,664)	(1,446,080)
Net changes	(237,981)	(386,257)
Balance as of December 31, 2023	\$ 24,526,983	\$ 14,774,539

\*Benefit payments are estimated based on expected payouts.

## 6. *Sensitivity of the Total Pension Liability*

The following presents the Total Pension Liability of the City, calculated using the discount rate of 3.25%, as well as what the City's Total Pension Liability would be if it were calculated using a discount rate that is one percentage point lower (2.25%) or one percentage point higher (4.25%) than the current rate.

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total pension liability - Fire	\$ 26,577,454	\$ 24,526,983	\$ 22,733,458
Total pension liability - Police	15,916,569	14,774,539	13,769,733

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

The Firefighter's pension expenses of \$1,275,683 and Police Relief pension expense of \$1,059,823 were recognized in 2023. As of December 31, 2023, there are no deferred outflows or deferred inflows of resources related to these pension funds. The effects of changes in assumptions/inputs and economic/demographic gains or losses are recognized over the average remaining service life for all active and inactive members, with immediate recognition when the average remaining service life is less than one. There is no effect of changes in assumptions in the current year.

## 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 2023:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$ (192,069,212)
Deferred outflows of resources	46,061,320
Deferred inflows of resources	(56,299,543)
OPEB expense/expenditures	5,358,430

### 1. *Plan description:*

The City provides the opportunity to receive medical benefits to most of its retirees until the age of 65. Eligibility and the amount of benefits paid by the City for Other Post-Employment Benefits (OPEB) vary by retirement group (TERS, LEOFF 1, LEOFF 2, or Rail). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both active members and retirees. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the City of Tacoma's Human Resources Department. Eligibility and the amount of benefits paid by the City for OPEB vary by retirement group. Each plan provides medical benefits to eligible retired City employees and beneficiaries.

Benefits per retirement group are as follows:

Medical TERS and LEOFF 2 Upon retirement, members are permitted to receive medical benefits. Retirees pay a blended/composite rate that reflects the costs for both active and retired employees under age 65. Spouses and child dependents are also covered while the employee is under age 65 and the retirees pay the same premium regardless of the number of lives covered.

Medical Rail Retirees and their spouses receive medical benefits through age 65, paid fully by the employer if the employee belongs to one of the following personnel sub-areas:

- BL Engineers
- UTU Switch Crew
- UTU Yardmasters

Other Rail employees and their spouses can purchase medical benefits for the same rates as TERS members.

Medical LEOFF 1 The necessary hospital, medical and nursing care expenses not payable by workers' compensation, Social Security, or other programs are covered for any retired LEOFF 1 member. These expenses are paid both prior to age 65 and afterwards. The City also pays the Medicare Part B premiums for all LEOFF 1 employees who are over age 65. Spouses of LEOFF 1 members are permitted to purchase medical insurance. The premium rates are set specifically for the spouses of LEOFF 1 members and are not subsidized by the City. We therefore do not include liability for LEOFF 1 spouses.

Dental Non-LEOFF 1 retirees are paid in full by the retirees and are not considered in this valuation.

Dental LEOFF 1 retirees are paid by the city and included in this valuation.

Benefit provisions for TERS are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. These statutes assign the authority to establish benefit provision for TERS. For LEOFF Plan 2, benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26. These statutes assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provisions 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, 2022	LEOFF 1 as of January 1, 2022	Total
Inactive employees or beneficiaries currently receiving benefits	291	348	639
Inactive employees entitled to but not yet receiving benefits	584	-	584
Active employees	3,819	1	3,820
Total	4,694	349	5,043

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, 2022. This is the date as of which the census data is gathered and the actuarial valuation is performed. The Measurement Date is December 31, 2022. This is the date as of which the Total OPEB Liability is determined. Note that GASB 75 allows a lag of up to one year between the date and the reporting date. No adjustment is required between the measurement date and the reporting date. The Reporting Date is December 31, 2023. This is the employer's fiscal year ending date. The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates.

Between the January 1, 2022 Valuation Date and the December 31, 2022 Measurement Date, the medical and dental trends have been updated to reflect increased expectations for future medical inflation. The revised medical and dental trends are reflected in the December 31, 2022 Total OPEB Liability.

	Non-LEOFF 1	LEOFF 1
Reporting Date	December 31, 2023	December 31, 2023
Valuation Date	January 1, 2022	January 1, 2022
Measurment Date	December 31, 2022	December 31, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
GASB 75 requires that 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. We based the rate on the Bond Buyer General Obligation 20-year municipal bond index for bonds that mature in 20 years	3.75%	3.75%
Funding Plan	Pay-as-you-go	Pay-as-you-go
Medical Cost and Dental Trends Cobmined	Pre-65	Post-65 Fire Police
	2023 6.5%	2023 6.0% 6.0%
	2024 6.9%	2024 6.5% 6.6%
Dental benefits for Non-LEOFF 1 retirees are paid infull by retirees and are not considered in this valuation.	2025 6.3%	2025 6.2% 6.2%
	2026 5.7%	2026 5.6% 5.6%
	2027 5.1%	2027 5.0% 5.1%
	2028 4.9%	2028 4.9% 4.9%
	2029 4.8%	2029 4.7% 4.8%
Note that the trend for year 2023 reflect the percent by which 2024 medical costs are expected to exceed 2023 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.	2030 4.6%	2030 4.6% 4.6%
	2040 4.3%	2040 4.3% 4.3%
	2050 4.3%	2050 4.3% 4.3%
	2060 4.4%	2060 4.3% 4.4%
	2070 4.1%	2070 4.1% 4.1%
	2080 3.9%	2080 3.9% 3.9%
The youngest LEOFF 1 Fire member will turn 65 in January 2025. The Pre-65 LEOFF 1 Fire trend is assumed to be 5.50% in 2022, 6.60% in 2023, and 6.9% in 2024. There are no Pre-65 LEOFF 1 Police members.		

	<u>Non-LEOFF 1</u>	<u>LEOFF 1</u>
Long-Term Care Inflation Rate	Not Applicable	5.0%
Participation Assumption	100% of Rail employees eligible for City-paid retiree medical benefits are assumed to receive retiree medical benefits.  25% of TERS and LEOFF 2 active employees who are not eligible for benefits paid entirely by the City.  25% of Rail employees who are not eligible for benefits paid entirely by the City are assumed to receive medical benefits.  5% of terminated-vested members are assumed to receive retiree medical benefits	100% participation
Experience Study Dates	Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	2013-2018
Demographic Assumptions (Eligibility) Disability	Five years of service are required for non-service connected disability for TERS and LEOFF 2. Ten years of service are required for non-service connected disability for Rail.	For a duty disability, employee is eligible after six-month waiting period (RCW 41.18.050), [Same, except salary is payable by City during the waiting period. (RCW 41.26.120)]  For non-duty disability, employee is eligible after 90-day waiting period, during which time salary is payable from the Fund. (RCW 41.18.080) [Disabled after six-month waiting period, during which time salary is payable by the City. (RCW 41.26.125)]

	<u>Non-LEOFF 1</u>	<u>LEOFF 1</u>
Retirement	<p>TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).</p> <ul style="list-style-type: none"> <li>- 30 years of service</li> <li>- 60 years of age</li> <li>- Age + Service = 80 years</li> <li>- Age 55 with 10 service years</li> <li>- Age 40 with 20 service years</li> </ul>	<p>Members are eligible to receive lifetime medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire at time of termination but have 20 years of service credit, they are eligible for medical benefits when pension benefits commence.</p>
	<p>Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefits commence.</p>	
	<p>LEOFF 2 members are eligible for retiree medical benefits after achieving one of the following:</p> <ul style="list-style-type: none"> <li>- Age 53 with 5 services years</li> <li>- Age 50 with 20 service years</li> </ul>	
	<p>Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 service years.</p>	

	Non-LEOFF 1	LEOFF 1
Mortality		
Contributing Members	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males.
Inactive Members, Retired Members, and Beneficiaries	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	The mortality rates are based on the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males.
Disabled Members	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	The mortality rates are based on a blend of the Pub-2010 Safety Mortality Table and Pub-2010 Contingent Annuitant Table with generational projection using the ultimate rates in Projection Scale MP-2017.

### 3. Sensitivity Analysis:

The following Total OPEB Liability of the City, based on proportionate share calculations for each of the City's retirement groups, is calculated using the discount rate of 2.00%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate.

	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
TERS OPEB Liability	\$ 46,552,264	\$ 41,962,396	\$ 38,030,118
LEOFF 1 OPEB Liability	132,575,584	119,504,158	108,305,476
LEOFF 2 OPEB Liability	24,229,471	21,840,541	19,793,873
Rail OPEB Liability	9,720,522	8,762,117	7,941,023
Total City OPEB Liability	\$ 213,077,841	\$ 192,069,212	\$ 174,070,490

The following Total OPEB Liability of the City, based on proportionate share calculations for each of the City's retirement groups, is 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.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
TERS OPEB Liability	\$ 37,448,593	\$ 41,962,396	\$ 47,250,201
LEOFF 1 OPEB Liability	106,649,356	119,504,158	134,563,229
LEOFF 2 OPEB Liability	19,491,202	21,840,541	24,592,732
Rail OPEB Liability	7,819,595	8,762,117	9,866,257
Total City Liability	\$ 171,408,746	\$ 192,069,212	\$ 216,272,419

#### 4. Changes in the Total OPEB Liability:

Changes in the Total OPEB Liability, based on proportionate share calculations for each of the City's retirement groups, are as follows:

	TERS	LEOFF1	LEOFF2	Rail	Total
Total OPEB Liability at 01/01/2022	\$ 49,690,503	\$ 141,512,930	\$ 25,862,857	\$ 10,375,812	\$ 227,442,102
Changes for the year:					
Service cost	826,833	2,354,727	430,349	172,650	3,784,559
Interest on total OPEB liability	990,221	2,820,038	515,389	206,768	4,532,416
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or loss	-	-	-	-	-
Effect of assumptions changes or inputs	(7,522,627)	(21,423,590)	(3,915,368)	(1,570,791)	(34,432,376)
Expected benefit payments	(2,022,534)	(5,759,947)	(1,052,686)	(422,322)	(9,257,489)
Total OPEB Liability at end of period	\$ 41,962,396	\$ 119,504,158	\$ 21,840,541	\$ 8,762,117	\$ 192,069,212

The Total OPEB Liability of \$192,069,212 was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and was then projected to the measurement dates. Between the January 1, 2022 valuation date and the December 31, 2022 measurement date, the medical and dental trends have been updated to reflect increased expectations for future medical inflation. The revised trends are reflected in the December 31, 2022 Total OPEB Liability.

The City recognized a total OPEB expense of \$5,358,430. The OPEB expense for December 31, 2022 financial reporting period is as follows:

Total City OPEB Expense	
Service cost	\$ 3,784,559
Interest on OPEB Liability	4,532,416
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	-
Recognition of economic/demographic gains or losses	(126,383)
Recognition of assumptions changes or inputs	(2,832,162)
Total OPEB Expense	\$ 5,358,430



The following is the total City OPEB expense broken down for each of the City's retirement groups:

OPEB Expense by Retirement Group	
TERS	\$ 2,393,701
LEOFF 1	1,745,004
LEOFF 2	1,525,286
Rail	(305,561)
Total City OPEB Expense	\$ 5,358,430

At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB, for each retirement group, from the following sources:

	Total City Deferred Outflows of Resources by Retirement Group				
	TERS	LEOFF 1	LEOFF 2	Rail	Total Plans
Differences between expected and actual experience	\$ 465,529	\$ 1,325,771	\$ 242,298	\$ 97,206	\$ 2,130,804
Changes of assumptions	3,083,121	8,780,387	1,604,699	643,781	14,111,988
Changes in Employer Proportion	9,144,410	2,954,006	4,562,664	301,174	16,962,254
Differences in Contributions	135,299	2,233,241	596,521	-	2,965,061
Contributions subsequent to the measurement date	1,339,655	6,953,724	1,457,062	140,772	9,891,213
Total Deferred Outflows	\$ 14,168,014	\$ 22,247,129	\$ 8,463,244	\$ 1,182,933	\$ 46,061,320

	Total City Deferred Inflows of Resources by Retirement Group				
	TERS	LEOFF 1	LEOFF 2	Rail	Total Plans
Differences between expected and actual experience	\$ (274,530)	\$ (781,833)	\$ (142,887)	\$ (57,324)	\$ (1,256,574)
Changes of assumptions	(7,671,906)	(21,848,722)	(3,993,065)	(1,601,961)	(35,115,654)
Changes in Employer Proportion	(1,960,814)	(12,953,424)	(835,800)	(1,212,216)	(16,962,254)
Differences in Contributions	(1,881,124)	(1)	(158,824)	(925,112)	(2,965,061)
Total Deferred Inflows (CR)	\$ (11,788,374)	\$ (35,583,980)	\$ (5,130,576)	\$ (3,796,613)	\$ (56,299,543)

Deferred outflows of resources of \$9,891,213 resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense below. Note that additional future deferred inflows and outflows of resources may impact these numbers.

	Measurement Period December 31"				
	TERS	LEOFF1	LEOFF2	Rail	Total City
2023	\$ (938,424)	\$ (2,672,524)	\$ (488,430)	\$ (195,951)	\$ (4,295,329)
2024	(361,919)	(1,030,703)	(188,371)	(75,572)	(1,656,565)
2025	(397,063)	(1,130,790)	(206,663)	(82,910)	(1,817,426)
2026	(617,789)	(1,759,389)	(321,545)	(129,000)	(2,827,723)
2027	(1,101,381)	(3,136,607)	(573,245)	(229,978)	(5,041,211)
Thereafter	(981,212)	(2,794,383)	(510,701)	(204,886)	(4,491,182)

#### Note 5 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan that was created in accordance with Internal Revenue Service Code Section 457(b), which the City has hired two third party recordkeepers (MissionSquare Retirement and Nationwide Plan Services) to administer. The plan is available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary into a retirement savings plan. Withdrawals from a participant's account are normally available at separation, retirement, disability, or to a beneficiary in the case of an employee's death. The withdrawal for an active employee can be done through in-service withdrawals upon turning age 59 ½ or older, in-service withdrawal within the one-year period of a qualifying birth or adoption, in the form of a hardship withdrawal, or through a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions, up to the IRS annual contribution limits. The 2023 contribution limits were \$22,500 for regular deferral, \$45,000 for pre-retirement and \$30,000 for age 50 provision deferrals. The City has agreed through contract negotiation with the Local 6 Police union and the Local 31 Firefighters union to match contributions made by all Police Officers and Firefighter Officers up to a maximum of \$211 per pay period. Local 26 Police Officers and Fire/Police Professional Public Safety Management Association employees receive a \$238 employer contribution per pay period with or without employee match. Tacoma Rail employees receive matching contributions up to three percent per TMC 1.12.115 and applicable collective bargaining agreements.

Benefit Plan	Third Party Administrator	Pre-Tax Employer Contributions	Pre-Tax Employee Contributions	After-Tax Employee Contributions	Total by Plan
457 deferred compensation	MissionSquare	2,054,994	15,281,298	3,121,403	20,457,695
457 deferred compensation	Nationwide	1,923,525	3,652,029	424,154	5,999,708
Total		\$ 3,978,519	\$ 18,933,327	\$ 3,545,557	\$ 26,457,403

#### Note 6 – INTERFUND ACTIVITY

Interfund activity is composed of three types of transactions. Due to and due from other funds represent internal charges for services. Advances to and from other funds are loans between funds for capital or cash flow purposes. Transfers represent a sharing of resources between funds. At the fund level, these transfers increase or decrease individual funds resources, but they do not affect the City's total resources. These internal activities do not represent inflows or outflows of the City's resources; rather, they reflect resources being moved within the City. The effects of these transactions are included in the City's fund statements but are removed from the entity-wide financial statements.

The composition of interfund transfers for the year ended December 31, 2023 is as follows:

Interfund Transfers (amounts expressed in thousands)										
Transfer In										
	General Fund	Trans Capital & Engineering	Solid Waste Fund	Waste Water Fund	Water Fund	Power Fund	Internal Service Funds	Non-Major Governmental Funds	Non-Major Enterprise Funds	Transfer Out Total
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,654	\$ 26,951	\$ 6,571	\$ 41,176
Trans Capital & Engineering	-	-	-	-	-	-	-	87	-	87
Solid Waste Fund	5,519	-	-	-	-	-	-	1,840	-	7,359
Waste Water Fund	8,529	-	-	-	-	-	-	2,843	1,675	13,047
Water	7,206	-	-	-	-	-	-	2,583	-	9,789
Power	31,810	-	-	-	-	-	12	7,966	-	39,788
Internal Service Fund	-	-	-	-	-	-	-	1,541	-	1,541
Non-Major Governmental	15,556	9,741	396	492	331	2,728	1,663	26,740	4,990	62,637
Non-Major Enterprise	2,382	-	-	-	-	-	40	3,693	150	6,265
Transfer In Total	\$ 71,003	\$ 9,741	\$ 396	\$ 492	\$ 331	\$ 2,728	\$ 9,369	\$ 74,242	\$ 13,387	\$ 181,689

The information below provides detail of the interfund transfer transactions:

\$7,653,849 was transferred from the General Fund to Internal Service Funds for liability modification, police and firefighter's healthcare, and police officers' vehicle.

\$26,950,996 was transferred from the General Fund to Non-Major Governmental Funds for grant matches, debt service, capital projects, non-capital projects and regular operations.

\$6,570,921 was transferred from the General Fund to Non-Major Enterprise Funds for contributions to support debt services payments, capital projects and regular operations.

\$86,904 was transferred from the Trans Capital & Engineering Fund to Non-Major Governmental Funds for capital projects.

\$5,519,130 was transferred from the Solid Waste Fund to General Fund for Gross Earnings Tax.

\$1,839,710 was transferred from the Solid Waste Fund to Non-Major Governmental Funds for Gross Earning Tax.

\$8,528,769 was transferred from the Waste Water Fund to General Fund for Gross Earnings Tax.

\$2,842,923 was transferred from the Waste Water Fund to Non-Major Governmental Funds for Gross Earning Tax.

\$1,675,000 was transferred from the Waste Water Fund to Non-Major Enterprise Fund for operations of PDS Development Service.

\$7,206,489 was transferred from the Water Fund to General Fund for Gross Earnings Tax.

\$2,582,736 was transferred from the Water Fund to Non-Major Governmental Funds for Gross Earnings Tax.

\$31,810,323 was transferred from the Power Fund to General Fund for Gross Earnings Tax.

\$12,031 was transferred from the Power Fund to Internal Service Fund for equipment purchase.

\$7,965,609 was transferred from the Power Fund to Non-Major Governmental Funds for Gross Earning Tax.

\$1,541,011 was transferred from the Internal Service Funds to Non-Major Government Fund for Tacoma Municipal Building exterior work and electric worker apprenticeship.

\$15,556,314 was transferred from the Non-Major Governmental Funds to General Fund to reimburse capital project and support grants.

\$9,740,955 was transferred from the Non-Major Governmental funds to Trans Capital & Engineering Fund for capital projects.

\$396,291 was transferred from the Non-Major Governmental funds to Solid Waste for Federal emergency assistance grants.

\$491,840 was transferred from the Non-Major Governmental Funds to Waste Water Fund for Federal emergency assistance grants.

\$330,979 was transferred from the Non-Major Governmental funds to Water Fund for Federal emergency assistance grants.

\$2,728,458 was transferred from the Non-Major Governmental funds to Power Fund for Federal emergency assistance grants.

\$1,662,703 was transferred from the Non-Major Governmental Funds to Internal Services Funds for purchasing Fleet vehicles and capital project.

\$26,739,882 was transferred from the Non-Major Governmental funds to Non-Major Governmental Funds for various capital projects and debt service payments.

\$4,989,947 was transferred from the Non-Major Governmental funds to Non-Major Enterprise funds for debt service payments.

\$2,382,345 was transferred from the Non-Major Enterprise Funds to General Fund for Gross Earnings Tax.

\$40,452 was transferred from the Non-Major Enterprise Funds to the Internal Service Funds for vehicle Purchasing.

\$3,693,047 was transferred from the Non-Major Enterprise Funds to Non-Major Governmental Funds for Gross Earnings Tax and debt service payments.

\$150,000 was transferred from the Non-Major Enterprise Funds to Non-Major Enterprise Funds for debt service payments.

## **Note 7 – OTHER INFORMATION**

### **A. Risk management**

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

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with Revised Code of Washington in RCW 35.21.085(2). The General Government of the City carries excess liability insurance policies with total limits of \$20 million, and a \$5 million self-insurance retention except an excess liability coverage limit of \$10 million is maintained for Law Enforcement Liability. These policies are renewable on May 15 of each year. TPU carries separate excess liability insurance policies with total limits of \$57.5 million, with a \$250,000 retention for wrongful acts claims, and a \$2.5 million self-insured retention for all other covered claims, and are renewable on December 1 of each year. The Belt Line Railroad carries separate Railroad Liability policies with total limits of \$50 million per occurrence and \$100 million aggregate, in excess of the \$1 million retention, renewable on December 1 of each year. Mountain Rail carries a separate Railroad Liability policy with a limit of \$7 million each occurrence and a \$50,000 self-insured retention, renewable on December 2 of each year. The foregoing policies are provided to supplement the City's current self-insurance risk for settlements in excess of the self-insured retentions.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a \$1.25 million retention for each occurrence. This policy renews January 1 of each year.

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

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Railroad became a participant in 1985. Total assets in this fund are \$12.6M. Settlement payments were within amounts available for coverage for the last three years—2023, 2022, and 2021.

Changes in estimated claims settlements liability for the past three years were as follows:

(Amounts expressed in thousands)

	Self Insurance Fund			Worker Compensation Fund			TPU Self Insurance Fund		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance 01/01	\$ 33,626	\$ 35,525	\$ 33,131	\$ 2,602	\$ 3,487	\$ 4,158	\$ 2,872	\$ 3,070	\$ 3,099
New Claims	11,788	138	84	3,302	2,212	1,295	2,560	1,179	1,140
Adjustments to Claims	2,995	2,012	7,137	3,223	1,371	2,431	(880)	(666)	(648)
Claims Payment	(5,941)	(4,049)	(4,827)	(6,189)	(4,468)	(4,397)	(303)	(711)	(521)
Balance 12/31	\$ 42,468	\$ 33,626	\$ 35,525	\$ 2,938	\$ 2,602	\$ 3,487	\$ 4,249	\$ 2,872	\$ 3,070

## B. 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, 2022 financial statements, prior period adjustments were made.

Governmental Funds:	Description
General Fund #0010, #1030 #1991, #6120, and #6150	Beginning net position decreased by \$17,705 from expenditures and revenues in different funds, and labor adjustment
Transportation Capital & Engineering #1060	Beginning net position decreased by 4,714 from correcting expenditure
Special Funds #1085, #1185, #1195 #1267, #1431, and #1700	Beginning net position decreased by \$133,029 from expenditures and revenues in different funds, and labor adjustment

Enterprise Funds:	Description
Performing Art Fund #4190	Beginning net position decreased by \$9,304 from GASB 87 corrections
Tacoma Rail Fund #4500	Beginning net position increased by \$1,257 from GASB 96 change in accounting principle
Water Fund #4600	Beginning net position increased by \$226,874 from GASB 96 change in accounting principle
Power Fund #4700	Beginning net position increased by \$1,179,952 from GASB 96 change in accounting principle
Public Works Equipment Rental Fund #5400	Beginning net position decreased by \$513,147 from no reversal of 2022 expense accrual
Communications Equipment Fund #5540	Beginning net position increased by \$1,074 from GASB 87 corrections
Workers Compensation Fund #5570	Beginning net position increased by \$16,870 from correct replacement expenses in 2015-2022
Facilities Fund #5700	Beginning net position increased by \$36,615 from duplicated expenses in 2022
General Government Internal Service Fund #5800	Beginning net position decreased by \$7,984,186 from expenditures and revenues in different funds and GASB 87 change in accounting principle

The prior period adjustments on the fund statements detailed above impacted the Government-Wide statements as follows:

Government-wide Statements  
(amounts expressed in thousands)

Activity	Amount	Description
Governmental Activities	\$ 8,332,164	General Fund, Transportation Capital & Engineering, Streets Initiative, Neighborhood & Community Services, Community & Economic Development, Police Special Revenue, Municipal Cable, American Rescue Act, Public Work Equipment Rental, Communication Equipment, Workers Compensations, Facilities, Police and Firefighters Healthcare Trust
Full Accrual Conversion	\$ (6,260,366)	2022 Opioid settlement revenue adjustment
Total Governmental Activities	\$ 2,071,798	
Business Activities	(1,398,779)	Performing Arts, Wastewater, Tacoma Rail, Water and Power
City Total	<u>\$ 673,019</u>	

### C. Segment Information

The following are the two segment enterprise funds maintained by the City. Segment information was as follows:

*(Amounts expressed in thousands)*

	Parking Garage Fund #4140	Convention Center Fund #4165
Assets:		
Current assets	\$ 2,818	\$ 4,423
Accounts receivable (net)	293	122
Prepayments	57	143
Restricted assets	-	3,057
Lease Receivable-current	-	62
Lease Receivable-noncurrent	-	350
Capital assets (net)	43,549	48,592
Other non-current assets	-	27
Total assets	46,717	56,776
Deferred outflow of resources	506	1,568
Liabilities:		
Current liabilities	1,601	5,524
Lease & sBITA Liability-current	13	24
Lease & sBITA Liability-noncurrent	557	23
Pension Liability-noncurrent	392	865
Other non-current liabilities	22	38,910
Total liabilities	2,585	45,346
Deferred inflow of resources	23	403
Net position		
Net investment in capital assets	41,440	6,160
Restricted	2	3,057
Unrestricted	3,173	3,378
Total Net Position	\$ 44,615	\$ 12,595



CONDENSED STATEMENT OF REVENUES  
EXPENSES, AND CHANGES IN NET POSITION

	Parking Garage Fund #4140	Convention Center Fund #4165
Operating revenues	\$ 4,846	\$ 3,628
Depreciation expense	1,356	1,765
Other operating expenses	4,140	6,995
Operating income (loss)	(650)	(5,132)
Nonoperating revenues (expenses)		
Interest revenue	51	264
Interest expense	(106)	(1,493)
Other nonoperating revenues(expenses)	(72)	5,901
Transfers	2,528	4,166
Change in net position	1,751	3,706
Beginning net position	42,864	8,889
Ending net position	\$ 44,698	\$ 12,595

CONDENSED STATEMENT OF CASH FLOW

	Parking Garage Fund #4140	Convention Center Fund #4165
Net cash provided (used) by:		
Operating activities	\$ 560	\$ (3,187)
Noncapital financing activities	3,229	5,815
Capital and related financing activities	(2,697)	(1,687)
Investing activities	49	353
Net increase (decrease)	1,141	1,294
Beginning cash and cash equivalents	1,677	6,186
Ending cash and cash equivalents	\$ 2,818	\$ 7,480

- Parking Garage fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.

**D. Tax expense – Utility Funds**

The tax expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Stormwater, Wastewater, 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%.

## E. Results of operations of joint ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) on-going financial responsibility.

The City participates in a joint venture with the Tacoma-Pierce County Health Department (Health Department). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Summary financial information on the joint venture 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.

<b>Joint Venture</b> (amounts expressed in thousands)	
	<b>HEALTH DEPARTMENT</b>
Balance Sheet Date	<u>12/31/2021</u>
Total Assets	\$ 27,869
Capital Assets (net of accumulated depreciation)	1,753
Deferred Outflows	7,684
Total Liabilities	10,629
Non-current Liabilities	5,850
Deferred Inflows	1,187
Total Net Position	19,640
Total Revenues	91,324
Total Expenditures/Expenses	87,278
Net Increase/(Decrease) in Net Assets	4,046
City Contribution	—

Additional information about the entity can be obtained from separately published financial statements by contacting the Tacoma/Pierce County Health Department, Christopher Schuler, Business Support Services, 3629 South D Street, Tacoma, WA 98418-6813.

## Note 8 – CLAIMS, JUDGEMENTS AND COMMITMENTS

### A. Claims

From time to time, claims have been filed against the City involving tort actions for such things as defective sidewalks, automobile accidents, claims of false arrest, etc.; all of which are in a sense routine in nature and common to all local governments. In those instances, when material, where it has been determined that it is probable that a claim will be paid by the City, the expenditure/expense and the related liability are reported in the statements of the appropriate fund in the year when such a determination is made. See Note 7A 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 7A for risk management information.

## B. Construction Commitments

The City has various construction projects as of December 31, 2023. 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
2023 Sidewalk Cutting	\$ 200	\$ 117	\$ 83
705 Slope Repair	994	852	142
East Locomotive Servicing Facility	4,474	1,900	2,574
Edison, Whitman, Lincoln Safe Routes to Schools-REBID	1,290	1,335	(45)
Foss Waterways Site 10, 12 and Municipal Dock Bulkhead Repl	3,267	3,425	(158)
I-5/S. 56th Interchange ADA Compliance	1,246	1,075	171
Links to Opportunity Streetscape - Bid Package 3		2,148	(2,148)
New Security Gate at Theater on the Square (TOTS)	27	27	-
On-Call Nuisance Abatements 2022-2024	370	468	(98)
On-Call Securing Properties, 2022-2024 - REBID		377	(377)
Planter Strip Landscape		161	(161)
Prairie Line Trail Phase II - Rebid II	6,579	17	6,562
Revitalizing Tacoma's Brewery District	7,596	7,556	40
S. Yakima Sidewalk (S 67th to S 70th) & Bimey Elementary SRTS Improvements (S 76th)		293	(293)
Sidewalk Replacement, Eastside of Tacoma	461	632	(171)
South Yakima Ave Traffic Signal Improvements	1,678	1,545	133
Streets Initiative Package#23	3,897	1,159	2,738
Taylor Way Rehabilitation	23,645	21,499	2,146
TEMS 6 - Freedom Site MLK & S 23rd		269	(269)
TEMS 7 35th & Pacific		1,125	(1,125)
Union Ave Bridge Fire Repair		428	(428)
	<u>\$ 55,724</u>	<u>\$ 46,408</u>	<u>\$ 9,316</u>

These commitments are being funded by a variety of funding sources such as Federal, State and Local Grants, Gas Tax Revenue, City contributions and long-term debt.

## C. Solid waste utility—landfill closure and post closure liabilities

The Environmental Services Solid Waste Division operates a 235-acre landfill site, which became part of the South Tacoma Channel Superfund Site in 1983. In 1991, the City entered a Consent Decree settlement with the United States Environmental Protection Agency (EPA) and the Washington State Department of

Ecology (DOE), titled United States et al v. City of Tacoma US District Court Case No. C-89C583T, to “clean-up” the release of hazardous substances at the Landfill. The City completed the majority of the remediation work required by the Consent Decree several years ago. The remaining work mostly involves monitoring the remediation work completed by the City in the 1990s to assure that it continues to protect human health and the environment. The Consent Decree settlement was entered pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. §9601 et seq., and the state Model Toxics Control Act (MTCA), Chapter 70.105D RCW.

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

The City has an obligation under the Consent Decree to monitor the remediation work over the next 20 years, or more years to make sure it continues to be effective at protecting human health and the environment.

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

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February of 2019, the City and the TPCHD executed an agreement where in the City agreed to comply with TPCHD closure permit requirements and a new Solid Waste permit was issued by TPCHD expiring in March of 2020. This agreement was renewed in March of 2023 for a five-year term. The Solid Waste Permit issued by the TPCHD will expire in March of 2024 and the City anticipates renewal of this permit before its expiration.

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 \$11,494,416 as landfill post-closure care liability as of December 31, 2023 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$12,133,832 at December 31, 2022 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 retains on-going post-closure care liability and 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.

The City has initiated meetings with the State Department of Ecology, the Environmental Protection Agency and the Tacoma-Pierce County Department of Health to discuss closure of the Consent Decree and post closure liabilities. These meetings are on-going.

#### **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 – Cedar Grove Composting, Inc*** - In December 2022 the Division entered into a five (5) year agreement with Cedar Grove Composting, Inc 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, Cedar Grove will charge a rate of \$59.50 per ton for the organic waste it receives from the Division. The price may be adjusted beginning on the first anniversary of the effective date of the Contract and annually on each anniversary of the effective date thereafter (each an "Adjustment Date"), Cedar Grove will receive an adjustment to the then-current per-ton rate multiplied by one hundred percent (100%) of the Consumer Price Index Increase. "Consumer Price Index Increase" means the increase in the Consumer Price Index for All Urban Consumers (CPIU) of the Seattle-Tacoma-Bellevue area, as computed and published by the U.S. Bureau of Labor. 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 2032.

***Solid Waste (#4200) General Legal Matters***- Because of the nature of its activities, the Division is subject to various pending and threatened legal actions, which arise in the ordinary course of business. The Division believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the Division, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

***Wastewater and Surface Water (#4300-01) Olympic View Resource Area*** - In 2001, the City entered into an Administrative Order on Consent for Removal Action at the Olympic View Resource Area (OVRA) with the Environmental Protection Agency (EPA). Contamination identified during construction of the NRDA site in this location led to the need for sediment cleanup work to be performed as a separate action. The cleanup action was completed in 2002, followed by long-term monitoring to ensure the protectiveness of the cap. In 2014, results of this monitoring indicated the potential of some loss of the capping material present at the site. This material loss was confirmed by subsequent surveys and a cap material replenishment project was designed and subsequently implemented in 2020 under EPA oversight. Because contaminated material was left in place under a cap at the site, long-term monitoring is expected to continue a periodic basis in perpetuity. The first long-term monitoring event is scheduled to occur in 2023. The results of this monitoring through the years may result in additional limited

maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2023 are estimated costs of \$10,000 and \$10,000 that will be incurred in the year 2024 and 2025, respectively.

***Wastewater and Stormwater (#4300-01) Foss Consent Decree*** - Under the current long-term Monitoring Plan developed in accordance with the Foss Consent Decree, the City has an obligation for continued monitoring through 2028. Regularly scheduled monitoring is planned for 2023 and 2028. It is expected that another long-term Monitoring Plan will be developed following completion of monitoring under the current plan. Because contaminated material is left in place under caps in the waterway, some level of periodic monitoring will continue in perpetuity. Erosion in two areas was identified and requires maintenance to protect the integrity of the remedy. The basis of design evaluation began in 2021, design is currently being completed, and construction of the maintenance project is planned for 2023/2024. Ongoing monitoring may result in additional limited maintenance efforts in the future. Included in the estimated liabilities as of December 31, 2023 are estimated costs of \$600,000 and \$50,000 that will be incurred in the year 2024 and 2025, respectively.

The City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities will be de minimus given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources.

***Wastewater and Stormwater (#4300-01) Coal-Gas Site Agreed Order*** - In 1993 the City, through the Environmental Services Department, became a party to an agreed order with the State Department of Ecology under MTCA (RCW 70.105D.050(1)) for the initial steps of 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 coaltar from migrating from this site into the Foss Waterway but did not provide for final cleanup or closure of the site.

In 2018, the City and other potentially liable parties entered a new Agreed Order with Ecology which will address final closure of the Coal Gas Site by completion of a Remedial Investigation/Feasibility Study (RI/FS) and development of a draft Cleanup Plan (dCAP) for the site. Other parties are performing the work under the Agreed Order, and the City's role and cost obligation should be limited. Work under this order has commenced

***Wastewater and Stormwater (#4300-01) General Legal Matters*** 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.

***Tacoma Rail (#4500) General Legal Matters*** - Tacoma Rail is involved in various litigations in the normal course of business. In the opinion of management, the ultimate outcome of these claims will not have a material effect on Tacoma Rail's financial position beyond amounts already accrued as of December 31, 2023.

***Tacoma Rail (#4500) Operation of City of Tacoma, Department of Public Works ("Public Works", Mountain Division*** - Public Works owns approximately 142 miles of track, called Mountain Division, that connects to Tacoma Rail track in Tacoma, Washington. The trackage reduced to 33 miles on March 15, 2023. Tacoma Rail is under contract with Public Works to perform as its operator through 2023 and



maintenance through 2024. The agreement states that Public Works would fund Tacoma Rail for any operations and maintenance on the Mountain Division.

***Tacoma Water (#4600) Capital Improvements*** – The financial requirement for Tacoma Water’s 2023-2024 biennial Capital Improvement program is \$76.3 million and Tacoma Water has substantial contractual commitments relating to the program. On December 31, 2023 the remaining financial requirement for Capital Improvement Programs relating to the current biennium is approximately \$39.4 million.

***Tacoma Water (#4600) Muckleshoot Indian Tribe Settlement*** – A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately \$30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing \$12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water’s historical operations on the river, gain the Tribe’s support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

***Tacoma Water (#4600) General Legal Matters*** - The Water Division has received several other miscellaneous claims or litigation that either do not allege material amounts or that the Legal Department has determined do not pose a risk of liability to the Utility.

***Tacoma Power (#4700) Capital Improvements*** – The financial requirement for Tacoma Power’s 2023/2024 biennial Capital Improvement Program is approximately \$179.4 million. As of December 31, 2023, the remaining financial requirement for the 2023/2024 biennial Capital budget was approximately \$121.6 million.

***Tacoma Power (#4700) Kosmos Mill Oil Seep*** - On November 21, 2019, emergency action was initiated and subsequently completed to install a containment cap on oil seepage near Riffe Lake on the Cowlitz River. A sawmill was historically located at this site near the town of Kosmos before the area was inundated by Riffe Lake. The Division is working through an Agreed Order with the Department of Ecology to provide remedial action. Per the Agreed Order, a remedial investigation is in progress, and a feasibility study and a draft cleanup plan will be completed, anticipated by June, 2025. Liability in the amount of \$120,000 has been recognized as the known cost for the site investigation progress in 2023.

***Tacoma Power (#4700) General Legal Matters*** Tacoma Power has received several other miscellaneous claims that either do not allege significant amounts or that the Legal Department has determined do not pose a risk to liability to the Utility.

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

The Plan fell into critical status following the 2009 Plan Year and was certified as “critical” in 2010. In an effort to improve the Plan’s funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan's funded status. The Trustees have adopted the "free look" rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

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

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160 and Local Lodge 297 covering City of Tacoma General Unit and District Lodge 160 and Local Lodge 282 covering Wastewater Treatment Plant Maintenance Supervisors' Unit. Contained in this agreement was a call for cessation of participation in the WMIPF Plan. The contributions submitted for the December 31, 2019, payroll were the final contributions made on behalf of the employees in this unit. As of December 31, 2023, there were no employees participating in the plan nor were there any contributions made.

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

There were no contribution rates applicable, and no contributions made for 2023 and 2022.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the Plan and the system is currently functioning on a pay-as-you-go basis.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from Western Metal Industry Pension Fund. The actuaries for the Fund determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total. The payment schedules were calculated in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). The initial \$337,619 payment was due on or before January 1, 2022, which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments will be due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320, while the last quarterly installment for the complete withdrawal will be due on April 1, 2028, for a total of \$4,276,732, the last payment amount will be \$81,982. The payments of \$1.7 million and \$1.0 million were made during 2023 and 2022, respectively.

As of December 31, 2023, the City reported a liability of \$6,715,491 for its proportionate share of the collective total withdrawal liability of \$14,823,481. The current portion of the withdrawal liability is \$611,765 as of December 31, 2023. On December 31, 2023, the City's proportion was 45.3%. There was no withdrawal expense for the year ended December 31, 2023.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). On April 12, 2023, the City submitted a Demand and Notice of Initiation Arbitration to American Arbitration Association. On January 2, 2024, the City received the ruling on motions for summary judgement and award regarding the interest rate used to calculate the withdrawal liability from American Arbitration Association. On January 23, 2024, the City filed a complaint to enforce arbitration award to United States District Court Western District of



Washington in Seattle. The outcome of the complaint is uncertain at the time of the report issuance and may affect the liability amount.

### ***Grants***

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

## **Note 10 – TAX ABATEMENTS**

As of December 31, 2023, 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 it must be located within the boundaries of a mixed-use center. The request is approved by the Tax Review Committee, which consists of City personnel from the Community & Economic Development and Legal departments, as well as a representative from the Pierce County Assessor's Office. Once approved, construction must be completed within three years. If the owner sells the property after the tax exemption has been granted, the exemption remains with the property and transfers 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 submit a Final Certificate of Tax Exemption to 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 for 2023 is 0.010359964 of assessed value. The City of Tacoma receives 18.874% 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 for 2023 is 0.010359964 of assessed value. The City of Tacoma receives 18.874% of that tax.

The City is required to disclose other abatement arrangements entered into by other governments that reduce the City's tax revenues. The State of Washington's tax abatements that affected the City of Tacoma tax revenue are included below:

### **3. *Aerospace Industries Tax Exemption***

Aerospace industries are allowed a tax exemption for computer hardware, software and peripherals. This program was established under the Washington State RCW Chapters 82.08.975 and 82.12.975 Exemptions – Computer parts and software related to the manufacture of commercial airplanes. The City of Tacoma's data is confidential and cannot be disclosed.

### **4. *Manufacturing Facilities Tax Exemption***

Manufacturing facilities in counties with high unemployment rates are allowed to defer sales and use tax. This program was established under the Washington State RCW Chapter 82.60, Tax Deferrals for Investment Projects in Rural Counties. The City of Tacoma's data is confidential and cannot be disclosed.

### **5. *Multi-Unit Urban Housing Tax Exemption***

The Multi-Unit Urban Housing Exemption encourages increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It also encourages the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities within these urban centers. This program was established under the Washington State RCW 84.14, New and Rehabilitated Multiple-Unit Dwellings in Urban Centers.

Information relevant to the disclosure of those programs under contract with the City of Tacoma for the fiscal year ended December 31, 2023, is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated (in thousands)</u>
Multifamily Property Tax Exemption	\$ 1,957
Special Value Tax Exemption	\$ 201
Multi-Unit Urban Housing Tax Exemption	\$ 1,928

## **Note 11 – SUBSEQUENT EVENTS**

On January 23, 2024, Tacoma Water issued the Water System Revenue Refunding Bonds, Series 2024 (Green Bonds) in the amount of \$63.8 million. Proceeds of the Series 2024 Bonds will be used to refund the 2013 Water System Revenue and Refunding Bonds. In addition, the 2005 Water System Revenue and Refunding Bonds was defeased on the same date.

On February 14, 2024, Tacoma Water issued the Regional Water Supply System Revenue Refunding Bonds, Series 2024 (Green Bonds) in the amount of \$32.35 million. Proceeds of the Series 2024 Bonds will be used to refund the 2013 Regional Water Supply System Revenue and Refunding Bonds.

On February 15, 2024, Tacoma Power issued the Electric System Revenue and Refunding Bonds, Series 2024 including Series 2024 A (Green Bonds) and Series 2024 B in the amount of \$95.3 million and \$47.4 million, respectively. Proceeds of the Series 2024 A Bonds will be used to redeem a portion of the outstanding draws on the revolving line of credit issued by Wells Fargo Bank on October 1, 2021. The Series 2024 B Bonds will be used to refund a portion of 2013A Refunding Bonds and in full of 2013B Refunding Bonds.

On September 9, 2020, a Complaint for Wrongful Death and Survival was filed in Pierce County Superior Court on behalf of the estate and beneficiaries of Wesley Evans against the City arising out of a motor vehicle accident where Wesley Evans was killed when his vehicle collided with a Tacoma Rail Train. Initially, all claims were dismissed on summary judgment on March 29, 2022. Plaintiffs moved for reconsideration and the trial judge denied reconsideration on April 28, 2022. Plaintiffs timely filed their Notice of Appeal with Division II, Court of Appeals. The appeal was heard (without oral argument) on March 10, 2023, and on April 18, 2023, the Court of Appeals issued an unpublished decision reversing the trial court's order granting summary judgment to the City and remanded the proceedings. On May 17, 2023, the City filed a petition for review with the Washington State Supreme Court, which was denied on September 6, 2023, and the Supreme Court remanded the case back to Pierce County Superior Court. Thereafter, a new trial date was set for March 10, 2025. Outside counsel for the City in this matter is Debra Dickerson of Preg O'Donnell. On July 25, 2024, the parties reached a tentative settlement at mediation for \$1.5 million. The parties expect to fully finalize the settlement and have all claims dismissed with prejudice by the court in the next few weeks.

# Required Supplementary Information

## LEOFF 1

### Proportionate Share of the Net Pension Liability Last 10 Fiscal Years\*

	Fiscal Years Ended June 30				
	2023	2022	2021	2020	2019
Employer's proportion of the net pension liability(asset) as a percentage	1.03%	1.04%	1.03%	1.03%	1.03%
Employer's proportionate share of net pension liability(asset)	(30,518,796)	(29,720,322)	(35,295,141)	(19,497,420)	(20,428,571)
State's proportionate share of the net pension liability(asset) associated with the employer	(206,428,377)	(201,027,522)	(238,735,457)	(131,880,066)	(138,178,348)
Total	(236,947,173)	(230,747,844)	(274,030,598)	(151,377,486)	(158,606,919)
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	175.99%	169.62%	187.45%	146.88%	148.78%
	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability(asset) as a percentage	1.05%	1.07%	1.08%	1.09%	-
Employer's proportionate share of net pension liability(asset)	(19,103,856)	(16,163,187)	(11,098,437)	(13,178,851)	-
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)	-
Total	(148,321,862)	(125,490,585)	(86,167,986)	(102,320,269)	-
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	N/A

\*Until a full 10-year trend is compiled, only information for those years available is presented.

## LEOFF 2

### Proportionate Share of the Net Pension Liability Last 10 Fiscal Years\*

	Fiscal Years Ended June 30				
	2023	2022	2021	2020	2019
Employer's proportion of the net pension liability(asset) as a percentage	2.66%	2.65%	2.44%	2.50%	2.38%
Employer's proportionate share of net pension liability(asset)	(63,876,008)	(72,032,830)	(141,804,064)	(51,021,624)	(55,232,023)
State's proportionate share of the net pension liability (asset) associated with the employer	(40,790,561)	(46,661,299)	(91,479,101)	(32,634,464)	(36,169,575)
Total	(104,666,569)	(118,694,129)	(233,283,165)	(83,656,088)	(91,401,598)
Covered payroll	108,071,365	96,271,477	82,311,046	75,426,288	71,393,403
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-59.11%	-74.82%	-172.28%	-67.64%	-77.36%
Plan fiduciary net position as a percentage the total pension liability	113.17%	116.09%	142.00%	115.83%	119.43%
	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability(asset) as a percentage	2.47%	2.59%	2.48%	2.47%	-
Employer's proportionate share of net pension liability(asset)	(50,235,694)	(35,974,279)	(14,416,299)	(25,352,743)	-
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)	-
Total	(82,762,358)	(59,310,122)	(23,814,677)	(42,115,996)	-
Covered payroll	79,762,242	77,370,718	77,913,215	72,486,494	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-62.98%	-46.50%	-18.50%	-34.98%	-
Plan fiduciary net position as a percentage the total pension liability	118.50%	113.36%	106.04%	111.67%	-

\*Until a full 10-year trend is compiled, only information for those years available is presented.

# **Tacoma Employee's Retirement System Fund (TERS)**

## **Proportionate Share of the Net Pension Liability Last 10 Fiscal Years\***

	Fiscal Year Ended December 31				
	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability(asset) as a percentage	91.99%	91.73%	92.23%	92.40%	92.39%
Employer's proportion share of net pension liability(asset)	138,155,523	(146,649,370)	69,360,120	(18,606,284)	117,009,191
Covered payroll (1)	275,746,261	261,569,330	252,515,159	246,403,836	233,555,537
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	50.10%	-56.07%	27.47%	-7.55%	50.10%
Plan fiduciary net position as a percentage the total pension liability	93.02%	107.74%	96.22%	101.08%	92.81%
	2017	2016	2015	2014	2013
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.

## LEOFF 2

### Schedule of the City of Tacoma's Contributions Last 10 Fiscal Years\*

	Fiscal Year Ended December 31				
	2023	2022	2021	2020	2019
Contractually required employer contribution	\$6,221,155	\$5,775,736	\$4,982,250	\$4,892,925	\$4,687,724
Contributions in relation to the contractually required employer contribution	(6,221,155)	(5,775,736)	(4,982,250)	(4,892,925)	(4,687,724)
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$121,506,830	\$112,800,269	\$97,146,418	\$93,760,283	\$90,117,849
Employer contribution as a percentage of covered payroll	5.12%	5.12%	5.13%	5.22%	5.20%

	2018	2017	2016	2015	2014
Contractually required employer contribution	\$4,448,565	\$4,025,059	\$4,026,349	\$3,716,978	-
Contributions in relation to the contractually required employer contribution	(4,448,565)	(4,025,059)	(4,026,349)	(3,716,978)	-
Employer contribution deficiency (excess)	0	0	0	0	-
Covered payroll	\$84,770,897	\$78,198,160	\$79,849,106	\$73,603,497	-
Employer contribution as a percentage of covered payroll	5.25%	5.15%	5.04%	5.05%	-

\*Until a full 10-year trend is compiled, only information for those years available is presented.

# **Tacoma Employee's Retirement System Fund (TERS)**

## Schedule of the City of Tacoma's Contributions Last 10 Fiscal Years\*

Fiscal Year Ended December 31

	2022	2021	2020	2019	2018
Contractually required employer contribution	\$31,269,626	\$29,661,962	\$28,635,219	\$27,942,195	\$26,414,402
Contributions in relation to the contractually required employer contribution	(31,269,626)	(29,661,962)	(28,635,219)	(27,942,195)	(26,414,402)
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$275,746,261	\$261,569,330	\$252,515,159	\$246,403,836	\$233,555,537

Employer contribution as a percentage of covered payroll	11.34%	11.34%	11.34%	11.34%	11.31%
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	2017	2016	2015	2014	2013
Contractually required employer contribution	\$24,124,140	\$23,616,255	\$22,746,593	\$22,149,246	-
Contributions in relation to the contractually required employer contribution	(24,124,140)	(23,616,255)	(22,746,593)	(22,149,246)	-
Employer contribution deficiency (excess)	0	0	0	0	-
Covered payroll	\$223,371,667	\$218,669,028	\$210,616,602	\$205,085,611	-

Employer contribution as a percentage of covered payroll	10.80%	10.80%	10.80%	10.80%	-
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*\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.*



## Firefighters and Police 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

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	891	563	592	701	957
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(733)	-	3,587	-
Effect of assumption changes or inputs	926	(2,168)	-	1,972	2,624
Benefit payments	(2,055)	(2,048)	(2,117)	(2,101)	(1,968)
Net change in total pension liability	(238)	(4,386)	(1,525)	4,159	1,613
Total pension liability, beginning	24,765	29,151	30,676	26,517	24,904
Total pension liability, ending	24,527	24,765	29,151	30,676	26,517
 Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	-	-	-
Interest on total pension liability	975	1,058	-	-	-
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(1,871)	-	-	-	-
Effect of assumption changes or inputs	(1,076)	622	-	-	-
Benefit payments	(1,952)	(2,100)	-	-	-
Net change in total pension liability	(3,924)	(420)	-	-	-
Total pension liability, beginning	28,828	29,248	-	-	-
Total pension liability, ending	24,904	28,828	-	-	-
 Covered payroll	-	-	-	-	-

## Firefighters and Police Pension Fund

### Schedule of Changes in Total Pension Liability and Related Ratios Last 10 Years\* (dollars expressed in thousands)

#### Police Relief and Pension Fund

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	542	233	253	371	512
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	5,437	-	(1,005)	-
Effect of assumption changes or inputs	518	(1,400)	-	785	1,303
Benefit payments	(1,446)	(1,478)	(1,016)	(1,029)	(1,196)
Net change in total pension liability	(386)	2,792	(763)	(878)	619
Total pension liability, beginning	15,161	12,369	13,132	14,010	13,391
Total pension liability, ending	14,775	15,161	12,369	13,132	14,010
Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	-	-	-
Interest on total pension liability	514	573	-	-	-
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	(667)	-	-	-	-
Effect of assumption changes or inputs	(540)	311	-	-	-
Benefit payments	(1,406)	(1,341)	-	-	-
Net change in total pension liability	(2,098)	(456)	-	-	-
Total pension liability, beginning	15,490	15,946	-	-	-
Total pension liability, ending	13,391	15,490	-	-	-
Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	-	-	-	-	-

\*This table is intended to represent 10 years of comparative data. Prior years are not available. As future years become available the table will be updated.

**Other Post Employment Benefit Plan (OPEB)**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Total City  
Last 10 Years\*  
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 3,785	\$ 3,263	\$ 2,576	\$ 2,338	\$ 3,302
Interest on total OPEB liability	4,532	4,830	5,662	8,272	7,562
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	2,729	374	(3,650)	54
Effect of assumption changes or inputs	(34,432)	(3,218)	21,022	6,839	(18,945)
Expected benefit payments	(9,257)	(9,426)	(8,793)	(9,490)	(8,671)
Net change in total OPEB liability	(35,373)	(1,821)	20,841	4,309	(16,698)
Total OPEB liability, beginning	227,442	229,263	208,422	204,113	220,811
Total OPEB liability, ending	192,069	227,442	229,263	208,422	204,113
Covered-employee payroll	\$ 423,774	\$ 403,783	\$ 380,095	\$ 369,912	\$ 350,507
Total OPEB liability as a % of covered-employee payroll	45.32%	56.33%	60.32%	56.34%	58.23%

	Measurement Period Ended December 31				
	2017	2016	2015	2014	2013
<b>Total OPEB Liability</b>					
Service cost	\$ 3,010	-	-	-	-
Interest on total OPEB liability	7,866	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	9,060	-	-	-	-
Expected benefit payments	(8,352)	-	-	-	-
Net change in total OPEB liability	11,584	-	-	-	-
Total OPEB liability, beginning	209,227	-	-	-	-
Total OPEB liability, ending	220,811	-	-	-	-
Covered-employee payroll	\$ 330,788	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	66.75%	-	-	-	-

**Other Post Employment Benefit Plan (OPEB)**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
TERS  
Last 10 Years\*  
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 2,478	\$ 2,013	\$ 1,503	\$ 1,367	-
Interest on total OPEB liability	578	537	535	800	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	1,987	(615)	-	-
Effect of assumption changes or inputs	(2,365)	(224)	5,133	(1,009)	-
Expected benefit payments	(1,144)	(1,308)	(1,211)	(1,353)	-
Net change in total OPEB liability	(454)	3,006	5,345	(195)	-
Total OPEB liability, beginning	26,982	23,976	18,631	18,826	-
Total OPEB liability, ending	26,528	26,982	23,976	18,631	18,826
 Covered-employee payroll	 \$ 299,751	 \$ 285,145	 \$ 273,789	 \$ 266,662	 252,789
Total OPEB liability as a % of covered-employee payroll	8.85%	9.46%	8.76%	6.99%	7.45

	Measurement Period Ended December 31				
	2017	2016	2015	2014	2013
<b>Total OPEB Liability</b>					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
 Covered-employee payroll	 -	 -	 -	 -	 -
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

**Other Post Employment Benefit Plan (OPEB)**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
LEOFF 1  
Last 10 Years\*  
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	-
Interest on total OPEB liability	3,490	3,881	4,678	6,799	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(2,945)	-	(3,650)	-
Effect of assumption changes or inputs	(30,595)	(2,772)	14,429	8,681	-
Expected benefit payments	(6,504)	(6,911)	(6,610)	(7,237)	-
Net change in total OPEB liability	(33,608)	(8,747)	12,497	4,593	-
Total OPEB liability, beginning	177,745	186,492	173,996	169,403	-
Total OPEB liability, ending	144,137	177,745	186,492	173,996	169,403
Covered-employee payroll	0	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	0	-	-	-	-

	Measurement Period Ended December 31				
	2017	2016	2015	2014	2013
<b>Total OPEB Liability</b>					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

**Other Post Employment Benefit Plan (OPEB)**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
LEOFF 2  
Last 10 Years\*  
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 863	\$ 800	\$ 637	\$ 571	-
Interest on total OPEB liability	348	293	301	463	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	3,812	1,506	-	-
Effect of assumption changes or inputs	(977)	(30)	1,253	(577)	-
Expected benefit payments	(1,513)	(1,159)	(881)	(790)	-
Net change in total OPEB liability	(1,279)	3,716	2,816	(333)	-
Total OPEB liability, beginning	17,311	13,596	10,780	11,113	-
Total OPEB liability, ending	16,033	17,311	13,596	10,780	11,113
 Covered-employee payroll	 \$ 112,586	 \$ 107,293	 \$ 94,586	 \$ 91,575	 \$ 86,516
Total OPEB liability as a % of covered-employee payroll	14.24%	16.13%	14.37%	11.77%	12.85%

	Measurement Period Ended December 31				
	2017	2016	2015	2014	2013
<b>Total OPEB Liability</b>					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
 Covered-employee payroll	 -	 -	 -	 -	 -
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

**Other Post Employment Benefit Plan (OPEB)**  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Rail  
Last 10 Years\*  
(dollars expressed in thousands)

	Measurement Period Ended December 31				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 443	\$ 451	\$ 437	\$ 400	-
Interest on total OPEB liability	116	119	148	210	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(125)	(518)	-	-
Effect of assumption changes or inputs	(495)	(192)	206	(256)	-
Expected benefit payments	(96)	(49)	(90)	(109)	-
Net change in total OPEB liability	(32)	205	183	245	-
Total OPEB liability, beginning	5,404	5,198	5,015	4,770	-
Total OPEB liability, ending	5,371	5,404	5,198	5,015	4,770
Covered-employee payroll	\$ 11,438	\$ 11,344	\$ 11,720	\$ 11,675	\$ 11,202
Total OPEB liability as a % of covered-employee payroll	46.96%	47.63%	44.36%	42.96%	42.58%

	Measurement Period Ended December 31				
	2017	2016	2015	2014	2013
<b>Total OPEB Liability</b>					
Service cost	-	-	-	-	-
Interest on total OPEB liability	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	-	-	-
Effect of assumption changes or inputs	-	-	-	-	-
Expected benefit payments	-	-	-	-	-
Net change in total OPEB liability	-	-	-	-	-
Total OPEB liability, beginning	-	-	-	-	-
Total OPEB liability, ending	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered-employee payroll	-	-	-	-	-

## 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 other governmental fund types (special revenue, debt service, enterprise and internal service) and for the capital project funds, only two of the five capital project funds (3210 - REET and 3211- Special Capital Project Funds) are legally adopted. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are administratively allowed, but only City Council has the legal authority to increase or decrease a given funds biennial budget. While not required by law, the City adopts budgets for proprietary funds and some selected trust funds. These budgets are "management budgets" and as such, are not reported in the ACFR.

Although the City is not legally responsible for the Tacoma Community Redevelopment Authority (TCRA), the City has included certain financial information pertaining to TCRA. The City is not required to report the TCRA or the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD)'s budgets and therefore it is excluded from the budget and actual comparisons.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded, is employed as an extension of formal budgetary control for governmental fund types. Encumbrances outstanding at December 31 are reported as restricted, committed, or assigned fund balances as defined by GASB 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium with budget's approval.

#### B. Budget basis of accounting

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

#### C. The budget process

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic plan, identifying goals, and setting priorities. In early June, the initial revenue forecast is completed by the Office of Management, Budget and Analysis (OMBA) and City departments and agencies begin budget preparation. Budget requests are due to OMBA in late July. OMBA reviews and revises budget requests in August. The revenue forecast is refined in early September and a preliminary budget is presented to the Executive Forum in early October. The preliminary budget is further refined during the month of October.

By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in mid-November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid-biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium. Supplemental budget requests are accepted from departments during the month of August. Revenue estimates for the biennium are reviewed and adjusted in early September. The new revenue estimates and the supplemental requests are submitted to the Budget Committee and the Executive Forum in late September. Preliminary modifications are presented to the City Manager for review and changes in October. Modifications are submitted to the City Council in early November. Public hearings are conducted in November. The City Council adopts the amended biennial budget on or before December 31.

#### D. Funds presented

Budgetary information is displayed for all funds that are subject to the City's biennial budget process. The General Fund and Transportation Capital and Engineering Fund budgetary information is located in the Required Supplementary Information section on page 4-15. Non-major special revenue funds budgetary information is located in the Combining Statements Non-Major Funds section on pages 5-12 to 5-40.



## **Note 2 Pensions**

Schedule of Changes in the Employer Net Pension Liability or Asset: The total pension liability contained in the schedule was provided by the System's actuary, Milliman. The net pension liability or asset is measured at the total pension liability, less the amount of System's fiduciary net position.

Schedule of Employer Contributions: The required employee contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions: The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board.

The police and firefighters pension funds are not within the scope of GASB 68 and are not administered through an irrevocable trust. They are required to be reported under the requirements of GASB 73. The assets accumulated for this purpose are recorded in the General Fund.

## **Note 3 Other Post-Employment Benefits (OPEB)**

Schedule of Changes in the Total OPEB Liability and Related Ratios are presented above. The schedule was provided by the actuary. It includes a 10-year schedule of changes in the total OPEB liability as well as the total OPEB liability, covered-employee payroll and the total OPEB liability as a percentage of covered-employee payroll.

There are no assets accumulated in a trust that meets the criteria set forth in paragraph 4 of GASB 75 to pay related benefits. Between the January 1, 2022 Valuation Date and the December 31, 2022 Measurement Date, the medical and dental trends have been updated to reflect increased expectations for future medical inflation. The revised medical and dental trends are reflected in the December 31, 2022 Total OPEB Liability. 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. The discount rate was 3.75% at the December 31, 2022 measurement date.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended December 31, 2023  
(amounts expressed in thousands)

	Budget Amounts			
	Original (GMP Basis) 2023-2024 Biennium	Final Adopted (GMPBasis) 2023-2024 Biennium	Actual Results 2023-2024 Biennium	Variance
REVENUES:				
Taxes:				
Property	\$ 135,539	\$ 135,539	\$ 67,281	\$ (68,258)
Retail Sales & Use	147,100	169,309	82,293	(87,016)
Business	120,561	120,406	59,587	(60,819)
Excise	108,130	4,466	2,073	(2,393)
Other	5,121	3,065	1,737	(1,328)
Licenses and Permits	20,087	6,405	2,421	(3,984)
Intergovernmental	27,241	16,855	7,521	(9,334)
Charges for Services	7,185	17,393	9,620	(7,773)
Fines and Forfeitures	1,323	3,083	2,170	(913)
Investment Earnings	32	3,712	5,928	2,216
Miscellaneous	34,401	1,775	799	(976)
Total Revenues	606,720	482,008	241,430	(240,578)
EXPENDITURES:				
Current:				
General Government	75,751	80,748	28,751	(51,997)
Public Safety	358,463	379,692	184,246	(195,446)
Natural and Economic Environment	8,987	13,960	6,075	(7,885)
Social Service	39,694	39,008	16,263	(22,745)
Culture and Recreation	30,526	32,064	15,551	(16,513)
Debt Service	-	-	1,009	1,009
Capital Outlay	-	-	2,522	2,522
Total Expenditures	513,421	545,472	254,417	(291,055)
Excess (Deficiency) of Revenues OVER EXPENDITURES	93,299	(63,464)	(12,987)	50,477
OTHER FINANCING SOURCES (USES):				
Sales of Capital Assets	-	23	79	56
Capital Lease Revenue	-	-	1,299	1,299
Transfers In	-	143,315	71,003	(72,312)
Transfers Out	(101,754)	(101,754)	(50,094)	51,660
Total Other Financing Sources and Uses	(101,754)	41,584	22,287	(19,297)
Net Change in Fund Balances	(8,455)	(21,880)	9,300	31,180
Fund Balances - January 1	8,455	21,880	108,255	86,375
Prior Period Adjustment	-	-	(82)	(82)
Fund Balance - January 1, Restated	8,455	21,880	108,173	86,293
Fund Balances -December 31	\$ -	\$ -	\$ 117,473	\$ 117,473
Perspective Difference Reconciliation				
ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE			117,473	
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			759	
Deferred Compensation Fund			68	
Police Pension Fund			94	
Firefighter Pension Fund			277	
Payroll Clearing Fund			22	
TOTAL FUND BALANCE - GENERAL FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS			\$ 118,693	

**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Economic Development Cluster</b>								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	COVID 19 - Economic Adjustment Assistance	11.307	-	-	400,000	400,000	-	
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	COVID 19 - Economic Adjustment Assistance	11.307	-	-	1,287,000	1,287,000	1,287,000	6
<b>Total Economic Development Cluster:</b>				-	<b>1,687,000</b>	<b>1,687,000</b>	1,287,000	
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	-	-	373,654	373,654	-	
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	-	-	271,174	271,174	-	
<b>Total ALN 11.805:</b>				-	<b>644,828</b>	<b>644,828</b>	-	
<b>CDBG - Entitlement Grants Cluster</b>								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	390,384	390,384	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	1,609,616	1,609,616	-	

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, 2023**

	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
				Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	-	-	472,363	472,363	375,336	
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	15,557	15,557	15,557	
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	2,361,761	2,361,761	2,144,799	
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	1,075,206	1,075,206	805,420	
		<b>Total CDBG - Entitlement Grants Cluster:</b>		-	-	<b>5,924,887</b>	<b>5,924,887</b>	<b>3,341,112</b>	
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	-	-	27,478	27,478	24,497	
	ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	-	-	143,965	143,965	139,484	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231		-	40,373	40,373	35,344	
			<b>Total ALN 14.231:</b>	-	<b>211,816</b>	<b>211,816</b>	199,325	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	1,130,283	1,130,283	1,088,923	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Home Investment Partnerships Program	14.239		-	413,478	413,478	232,530	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	41,511	41,511	7,741	
			<b>Total ALN 14.239:</b>	-	<b>1,585,272</b>	<b>1,585,272</b>	1,329,194	
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Economic Development Initiative, Community Project Funding, and Miscellaneous grants	14.251		-	39,300	39,300	-	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Fair Housing Assistance Program	14.401		-	95,000	95,000	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507		-	264,403	264,403	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	P22AF01250	7,000	-	7,000	7,000	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034		-	28,126	28,126	-	
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via Pierce County Sheriff's Department)	Violence Against Women Formula Grants	16.588	15JOVW-22- GG-00458- STOP	7,500	-	7,500	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	92,675	92,675	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	166,871	166,871	155,050	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			<b>Total ALN 16.738:</b>	-	<b>259,546</b>	<b>259,546</b>	155,050	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922		-	71,647	71,647	-	
Department of Justice - Federal Bureau of Investigation	FBI Pacific Northwest Child Exploitation Task Force	16.U01	31C-SE- C94371	-	9,452	9,452	-	
Department of Justice - Drug Enforcement Administration	Tacoma Regional Task Force	16.U02	2021-2022	-	6,169	6,169	-	
Department of Justice - Drug Enforcement Administration	Organized Crime Drug Enforcement Task Force	16.U03	PA-WAW-0364	-	3,427	3,427	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-1280(039)	320,804	-	320,804	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3200 (008)	59,502	-	59,502	-	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1280 (043)	12,020	-	12,020	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3246 (014)	249,078	-	249,078	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3133(007)	6,264	-	6,264	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3133 (009)	55,071	-	55,071	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3278(003)	143,122	-	143,122	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3011(005)	1,621,460	-	1,621,460	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3011 (006)	428,711	-	428,711	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-2946(001)	20,997	-	20,997	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3298(004)	198,548	-	198,548	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM-1280(041)	14,024	-	14,024	-	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHPP-3224 (002)	80,153	-	80,153	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHPP-3133 (010)	58,338	-	58,338	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STBGUL-3133 (011)	44,928	-	44,928	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3262(008)	1,993	-	1,993	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3234(002)	12,834	-	12,834	-	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHFP-9927 (070)	3,525	-	3,525	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3240(002)	54,277	-	54,277	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1280 (044)	25,939	-	25,939	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-000S(595)	267,314	-	267,314	-	
<b>Total ALN 20.205:</b>				<b>3,678,902</b>	<b>-</b>	<b>3,678,902</b>	<b>-</b>	
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	10,520	-	10,520	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2023-HVE-4687	1,934	-	1,934	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2023-HVE-4687	682	-	682	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2023-HVE-4687	597	-	597	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2023-HVE-4687	17,173	-	17,173	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2024-HVE-5116	3,120	-	3,120	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2024-HVE-5116	2,955	-	2,955	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	2024-HVE-5116	2,834	-	2,834	-	
			<b>Total ALN 20.600:</b>	<b>39,815</b>	-	<b>39,815</b>	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2023-AG-4730- Tacoma	55,367	-	55,367	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2024-FG-5003	3,598	-	3,598	-	
			<b>Total ALN 20.616:</b>	<b>58,965</b>	-	<b>58,965</b>	-	
			<b>Total Highway Safety Cluster:</b>	<b>98,780</b>	-	<b>98,780</b>	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	-	-	859,601	859,601	859,601	

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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	24,286	24,286	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	176,522	176,522	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	11,447	11,447	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	573	573	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	117,068	117,068	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	119,304	119,304	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	50,000	50,000	-	

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**City of Tacoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	30,990	30,990	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	2,946	2,946	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	11,749	11,749	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	291,450	291,450	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	4,651	4,651	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	28,034	28,034	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	24,135	24,135	-	

*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, 2023**

	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	176,050	176,050	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	11,998	11,998	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	33,026	33,026	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	360,398	360,398	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	1,106,680	1,106,680	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	930,737	930,737	-	
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	22,000	22,000	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	45,000	45,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	40,001	40,001	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	121,419	121,419	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	31,393	31,393	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	91,392	91,392	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	250,000	250,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	33,938	33,938	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	6,258	6,258	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	98,465	98,465	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	31,950	31,950	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	750,000	750,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	160,000	160,000	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	70,334	70,334	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	31,952	31,952	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	16,621	16,621	-	
	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	15,242,488	15,242,488	-	
	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	23-732C0-005	999,111	-	999,111	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-96720-115	174,593	-	174,593	174,593	
	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-54 104-085	3,857,568	-	3,857,568	-	
	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027						
<b>Total ALN 21.027:</b>				<b>5,031,272</b>	<b>20,555,255</b>	<b>25,586,527</b>	<b>174,593</b>	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	UNIVERSAL SERVICE FUND - SCHOOLS and LIBRARIES	32.004		-	126,240	126,240	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures				Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total			
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via The Office of the Secretary of State Washington, Washington State Library)	Grants to States	45.310	2018-WA-81184	6,711	-	6,711		-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via The Office of the Secretary of State Washington, Washington State Library)	National Leadership Grants	45.312	LG-95-17-0079- 17	2,196	-	2,196		-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES	National Leadership Grants	45.312		-	158,428	158,428		-	
			<b>Total ALN 45.312:</b>	<b>2,196</b>	<b>158,428</b>	<b>160,624</b>		-	
SMALL BUSINESS ADMINISTRATION, SMALL BUSINESS ADMINISTRATION	COVID 19 - Shuttered Venue Operators Grant Program	59.075		-	4,148,993	4,148,993		-	6
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Water Infrastructure Finance and Innovation (WIFIA)	66.958		-	1,411,172	1,411,172		-	3

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3322FAS22015 3	10,658	-	10,658	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3322FAS22015 3	619	-	619	-	
			<b>Total ALN 97.012:</b>	<b>11,277</b>	<b>-</b>	<b>11,277</b>	<b>-</b>	
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	6,601	-	6,601	-	
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	287,916	-	287,916	-	
			<b>Total ALN 97.025:</b>	<b>294,517</b>	<b>-</b>	<b>294,517</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-2050	149,810	-	149,810	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-169	26,132	-	26,132	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-169	1,158	-	1,158	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-169	85,905	-	85,905	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E23-169	4,104	-	4,104	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E24-298	11,277	-	11,277	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E24-298	3,908	-	3,908	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E24-298	30,502	-	30,502	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-255	7,288	-	7,288	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Emergency Management Performance Grants	97.042	E22-255	5,229	-	5,229	-	
<b>Total ALN 97.042:</b>				<b>175,503</b>	<b>-</b>	<b>175,503</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Fire Department)	Port Security Grant Program	97.056	EMW-2019-PU - 00241-S01	40,656	-	40,656	-	

*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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	CERT Training	2,273	-	2,273	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	11,576	-	11,576	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	114,952	-	114,952	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	EMW-2021-SS- 00081-S01	106,306	-	106,306	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	EMW-2021-SS- 00083-S01	103,574	-	103,574	-	4
<b>Total ALN 97.067:</b>				<b>338,681</b>	<b>-</b>	<b>338,681</b>	<b>-</b>	
Countering Weapons of Mass Destruction, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Securing the Cities Program	97.106	20CWDSTC000 08	22,150	-	22,150	-	4

*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, 2023**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards		
				Total			
Total Federal Awards Expended:				9,864,955	38,090,562	47,955,517	7,352,874

CITY OF TACOMA, WASHINGTON

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023

**NOTE 1 – BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Tacoma's financial statements. Governmental fund financial statements use the modified accrual basis of accounting, and proprietary funds use the accrual basis of accounting.

**NOTE 2 – INDIRECT COST RATE**

The City of Tacoma has elected not to use the 10% de minimus indirect cost rate allowed under uniform guidance.

**NOTE 3 – FEDERAL LOANS**

A 2020 revenue bond was placed with the U.S. Environmental Protection Agency in accordance with a Water Infrastructure Finance and Innovation Act loan agreement. A total of \$18,854,175 was reimbursed through the WIFIA loan, with an interest rate of 1.2%, due in yearly installments of \$809,225 from 2026 through 2054. Interest will be accrued until 2025, and the first payment starts in 2026. A total of \$400,159 in interest was accrued in 2021, 2022, and 2023.

**NOTE 4 – NONCASH AWARDS**

The City of Tacoma received equipment and supplies that were purchased with federal Homeland Security funds by the Seattle Police Department. The amount reported on the Schedule is the value of the property on the date it was received by the City of Tacoma and priced by the Seattle Police Department.

**NOTE 5 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Tacoma's portion, may be more than shown.

**NOTE 6 – PRIOR YEAR EXPENDITURES**

ALN 11.307 – Economic Adjustment Assistance – 2021 and 2022 expenditures passed through to TCRA in the amount of \$1,287,000 were not previously reported and are now reported on the 2023 SEFA.

ALN 59.075 – Shuttered Venue Operators Grant Program – 2020 expenditures in the amount of \$4,148,993 were approved for reimbursement in 2021 but were not previously reported and are now reported on the 2023 SEFA.



## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Tacoma**  
**January 1, 2023 through December 31, 2023**

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).

<b>Finding ref number:</b> 2023-001	<b>Finding caption:</b> The City did not have adequate internal controls to ensure compliance with reporting and federal wage rate requirements.
<b>Name, address, and telephone of City contact person:</b> Polly Wainaina, Financial services Division Manager	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City is fully committed to establishing and maintaining robust internal controls to ensure compliance with federal requirements, particularly in the administration of federal grant programs.</i> <b>Reporting:</b> <i>To meet Federal Funding and Transparency Act (FFATA) reporting requirements, the City will take the following actions:</i> <ul style="list-style-type: none"> <li>• <i>Update training material and implement annual training for all Accounting staff and City departments managing federal grants.</i></li> <li>• <i>Update and distribute monthly email to departments to clarify the required information for FFATA filing and require responses with supporting documentation for review.</i></li> </ul> <i>Periodically review federal reporting requirements for any updates and make adjustments as needed, utilizing resources such as the State Auditor's Office (SAO) Newsletter, conferences, and trainings.</i> <b>Wage Rate Requirement:</b> <i>To meet Davis Bacon Act reporting requirements, the City will incorporate the verbiage from 29 CFR 5.5(a) in full into specifications, as applicable, which will be incorporated into the resulting contracts.</i>	
<b>Anticipated date to complete the corrective action:</b> End of 2025	

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

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