NEW ISSUE
BOOK-ENTRY ONLY

MOODY'S RATINGS: Aa2 (2010A Bonds); Aa3 (LTGO Bonds)
S&P'S RATINGS: AA (2010A Bonds); AA (LTGO Bonds)
FITCH'S RATINGS: AA+ (2010A Bonds); AA (LTGO Bonds)
(See the caption "RATINGS" herein)

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2010A Bonds and the 2010B Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010A Bonds and the 2010B Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2010A Bonds and 2010B Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2010C Bonds, the 2010D Bonds and the 2010E Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

CITY OF TACOMA, WASHINGTON

$21,870,000
Unlimited Tax General Obligation Refunding Bonds, 2010A

$7,355,000
Limited Tax General Obligation Refunding Bonds, 2010B

$7,355,000
Limited Tax General Obligation Refunding Bonds, 2010C (Taxable)

$30,225,000
Limited Tax General Obligation Bonds, 2010D
(Taxable Build America Bonds – Direct Payment to Issuer)

$9,130,000
Limited Tax General Obligation Bonds, 2010E
(Taxable Recovery Zone Economic Development Bonds – Direct Payment to Issuer)

DATED: Date of Delivery
DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Unlimited Tax General Obligation Refunding Bonds, 2010A (the "2010A Bonds"), Limited Tax General Obligation Refunding Bonds, 2010B (the "2010B Bonds), Limited Tax General Obligation Refunding Bonds, 2010C (Taxable) (the "2010C Bonds"), Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds – Direct Payment to Issuer) (the "2010D Bonds"), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds – Direct Payment to Issuer) (the "2010E Bonds," and collectively with the 2010A Bonds, the 2010B Bonds, the 2010C Bonds, and the 2010D Bonds, the "Bonds") are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a single series and maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased.

The Bonds bear interest payable semiannually on each June 1 and December 1 beginning June 1, 2011, until the maturity or prior redemption, if any, of such Bonds. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington, currently The Bank of New York Mellon in New York, New York (the "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under Appendix C—"DTC AND BOOK-ENTRY SYSTEM."

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

MATURITY SCHEDULES LOCATED ON INSIDE COVER PAGES

The 2010A Bonds constitute unlimited tax general obligations of the City. The City has irrevocably pledged and is obligated by law to provide for the levy and collection annually of *ad valorem* taxes without limitation as to rate or amount on all taxable property in the City, in amounts sufficient, together with all other money legally available therefor, to pay the principal of and interest on the 2010A Bonds as the same shall become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—2010A Bonds."

The 2010B Bonds, the 2010C Bonds, the 2010D Bonds, and the 2010E Bonds (together, the "LTGO Bonds") constitute limited tax general obligations of the City. The City has irrevocably covenanted for as long as any of the LTGO Bonds are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax, within and as a part of the levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation in an amount which will be sufficient, together with other legally available money, to pay the principal of and interest on the LTGO Bonds when due. The City has irrevocably pledged that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the LTGO Bonds will be irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the LTGO Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—2010B Bonds, 2010C Bonds, 2010D Bonds and 2010E Bonds."

The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds when due. The Bonds do not constitute a debt or indebtedness of the State of Washington or any political subdivision thereof other than the City. See "DESCRIPTION OF THE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Proceeds of the Bonds will be used to finance certain capital improvements of the City, defease and/or refund certain outstanding obligations of the City, and pay costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel. It is expected that delivery of the Bonds will be made by *Fast Automated Securities Transfer* through DTC in New York, New York, on or about November 10, 2010.

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

PiperJaffray.

Dated: October 26, 2010

CITY OF TACOMA, WASHINGTON

Maturities, Amounts, Interest Rates, Yields or Prices and CUSIP Numbers

$21,870,000
Unlimited Tax General Obligation Refunding Bonds, 2010A

Due December 1	Amount	Interest Rate	Yield	CUSIP No.*
2011	$ 15,000	3.000%	0.600%	873465WC8
2012	70,000	3.000	0.770	873465WD6
2013	1,795,000	5.000	1.000	873465WE4
2014	1,885,000	4.000	1.270	873465WF1
2015	1,965,000	3.000	1.560	873465WG9
2016	2,020,000	4.000	1.860	873465WH7
2017**	1,000,000	2.375	2.130	873465WJ3
2017**	1,105,000	5.000	2.130	873465XP8
2018**	1,000,000	2.500	2.370	873465WK0
2018**	1,190,000	5.000	2.370	873465XQ6
2019	2,275,000	5.000	2.630	873465WL8
2020	2,400,000	5.000	2.820	873465WM6
2021	2,525,000	4.000	3.190***	873465WN4
2022	2,625,000	4.000	3.370***	873465WP9

$7,355,000
Limited Tax General Obligation Refunding Bonds, 2010B

Due December 1	Amount	Interest Rate	Yield	CUSIP No.*
2015	$ 1,065,000	2.500%	1.860%	873465WQ7
2016	1,075,000	2.500	2.130	873465WR5
2017	1,085,000	5.000	2.400	873465WS3
2018	1,185,000	5.000	2.640	873465WT1
2019	750,000	3.000	2.900	873465WU8
2020	750,000	3.000	3.090	873465WV6
2021	720,000	3.125	3.290	873465WW4
2022	725,000	3.250	3.420	873465WX2

** Bifurcated maturity.

*** Priced to the par call date of December 1, 2020.

$7,355,000
Limited Tax General Obligation Refunding Bonds, 2010C (Taxable)

Due December 1	Amount	Interest Rate	Yield	CUSIP No.*
2015	$ 825,000	2.347%	2.347%	873465WY0
2016	845,000	2.757	2.757	873465WZ7
2017	865,000	3.157	3.157	873465XA1
2018	895,000	3.541	3.541	873465XB9
2019	925,000	3.841	3.841	873465XC7
2020	960,000	4.041	4.041	873465XD5
2021	1,000,000	4.241	4.241	873465XE3
2022	1,040,000	4.441	4.441	873465XF0

$30,225,000
Limited Tax General Obligation Bonds, 2010D
(Taxable Build America Bonds – Direct Payment to Issuer)

Due December 1	Amount	Interest Rate	Yield	CUSIP No.*
2015	$ 1,240,000	2.347%	2.347%	873465XG8
2016	1,260,000	2.757	2.757	873465XH6
2017	1,285,000	3.157	3.157	873465XJ2
2018	1,310,000	3.541	3.541	873465XK9
2019	1,340,000	3.841	3.841	873465XL7
2020	1,375,000	4.041	4.041	873465XM5
2021	1,410,000	4.241	4.241	873465XN3

$6,085,000 5.041% Term Bonds due December 1, 2025 at a price of 100% CUSIP No.* 873465XS2

$8,835,000 5.398% Term Bonds due December 1, 2030 at a price of 100% CUSIP No.* 873465XX1

$6,085,000 5.498% Term Bonds due December 1, 2033 at a price of 100% CUSIP No.* 873465YA0

$9,130,000
Limited Tax General Obligation Bonds, 2010E
(Taxable Recovery Zone Economic Development Bonds – Direct Payment to Issuer)

$1,560,000 4.141% Term Bonds due December 1, 2020 at a price of 100% CUSIP No.* 873465YB8

$1,485,000 5.141% Term Bonds due December 1, 2025 at a price of 100% CUSIP No.* 873465YC6

$1,725,000 5.498% Term Bonds due December 1, 2030 at a price of 100% CUSIP No.* 873465YD4

$4,360,000 6.000% Term Bonds due December 1, 2040 at a yield of 6.098% CUSIP No.* 873465YF9

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No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement in the connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but the information is not guaranteed as to accuracy or completeness. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The achievement of certain results or other expectations contained in forward-looking statements in this Official Statement involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND ORDINANCE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CITY OF TACOMA, WASHINGTON
747 Market Street
Tacoma, Washington 98402-3768
(253) 591-5800
www.cityoftacoma.org*

MAYOR AND CITY COUNCIL

Marilyn Strickland	Mayor
Jake Fey	Deputy Mayor
David Boe	Councilmember
Marty Campbell	Councilmember
Joe Lonergan	Councilmember
Spiro Manthou	Councilmember
Ryan Mello	Councilmember
Lauren Walker	Councilmember
Victoria Woodards	Councilmember

CERTAIN CITY ADMINISTRATIVE STAFF

Eric A. Anderson	City Manager
Robert K. Biles	Finance Director
Elizabeth A. Pauli	City Attorney
Morgan D. Jacobson	City Treasurer
Doris Sorum	City Clerk

BOND COUNSEL

K&L Gates LLP
Seattle, Washington

FINANCIAL ADVISOR TO THE CITY

Public Financial Management, Inc.
Seattle, Washington

BOND REGISTRAR

Fiscal Agency of the State of Washington
Currently, The Bank of New York Mellon
New York, New York

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* This inactive textual reference to the City's website is not a hyperlink and the City's website, by such reference, is not incorporated herein.

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

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Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds – Direct Payment to Issuer)

INTRODUCTION

The City of Tacoma, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), furnishes this Official Statement in connection with the offering of its Unlimited Tax General Obligation Refunding Bonds, 2010A (the "2010A Bonds"), Limited Tax General Obligation Refunding Bonds, 2010B (the "2010B Bonds), Limited Tax General Obligation Refunding Bonds, 2010C (Taxable) (the "2010C Bonds"), Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds – Direct Payment to Issuer) (the "2010D Bonds"), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds – Direct Payment to Issuer) (the "2010E Bonds," and collectively with the 2010A Bonds, the 2010B Bonds, the 2010C Bonds, and the 2010D Bonds, the "Bonds"). This Official Statement provides information concerning the City and the Bonds.

The Bonds are issued under and in accordance with the provisions of Section 39.36.020 and chapter 39.46 of the Revised Code of Washington ("RCW") and the City's Charter, and are authorized under the provisions of Substitute Ordinance No. 27921, adopted by the City Council on September 14, 2010 (the "Bond Ordinance"), and Substitute Resolution No. 38136 adopted by the City Council on October 26, 2010 (together, the "Bond Ordinance"). Capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as set forth in the Bond Ordinance.

Information contained herein has been obtained from City officers, employees, records, and other sources the City believes to be reliable. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

Brief descriptions of the Bonds, the City, and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references to the statutes, agreements, or other instruments described herein are qualified in their entirety by reference to each such document, statute, or other instrument. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

DESCRIPTION OF THE BONDS

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds of each series will be dated and bear interest from the date of their initial issuance and delivery. The Bonds will mature on the dates and in the principal amounts as set forth on the inside front cover pages of this Official Statement. The Bonds will bear interest payable semiannually, on each June 1 and December 1, commencing June 1, 2011 at the rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Designation of 2010D Bonds as Build America Bonds

The American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), permits the City to issue taxable bonds referred to as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds, and to elect to receive payments from the federal government (the "Subsidy Payments") equal to 35 percent of the corresponding interest payable on such taxable bonds. The 2010D Bonds are being issued as Build America Bonds. Such payments for the 2010D Bonds will be paid to the City. Holders of the 2010D Bonds will not be entitled to a tax credit. The interest on these bonds is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS—Taxable Bonds."

Designation of 2010E Bonds as Recovery Zone Economic Development Bonds

The 2010E Bonds will be issued as bonds designated as "Recovery Zone Economic Development Bonds" under the provisions of the Recovery Act. The interest on these bonds is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS—Taxable Bonds." The City expects to receive a Subsidy Payment from the United States Treasury equal to 45 percent of the interest payable on such 2010E Bonds. Such payments for the 2010E Bonds will be paid to the City. Holders of the 2010E Bonds will not be entitled to a tax credit. See "TAX MATTERS—Taxable Bonds."

Pursuant to Resolution 37925, adopted by the City Council on November 24, 2009 (the "Recovery Zone Resolution"), the City has designated the geographical boundaries of the City as a "recovery zone" pursuant to Sections 1400U-1, 1400U-2 and 1400U-3 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to the Recovery Act, Pierce County, Washington (the "County") was allocated volume cap for Recovery Zone Economic Development Bonds (the "Original Allocation"). The County waived its Original Allocation and reallocated such Original Allocation to the State. The City has been allocated $9,700,000 of volume cap from the State Department of Commerce for the issuance of Recovery Zone Economic Development Bonds. The 2010E Bonds are to be issued pursuant to that volume cap allocation.

Form, Denomination and Registration

The Bonds will be issued in fully registered form as to both principal and interest in the denomination of $5,000 each or any integral multiple thereof within a single series and maturity. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners or bond owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a DTC participant acquires an interest in the Bonds. See Appendix C—"DTC AND BOOK-ENTRY SYSTEM" hereto.

The City has adopted the system of registration for the Bonds approved by the State Finance Committee of the State of Washington (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies ("Fiscal Agency") for bonds issued within the State of Washington. The Committee has designated The Bank of New York, New York, New York as the current Fiscal Agency. The Fiscal Agency will act as Bond Registrar under the terms of the Bond Ordinance.

To meet payment requirements for interest on and principal of the Bonds as the same becomes due and payable, the City will remit money from the "City of Tacoma Unlimited Tax General Obligation Bond Redemption Fund, 2010" (the "UTGO Bond Fund"), with respect to the payment of the 2010A Bonds, and from the "City of Tacoma Limited Tax General Obligation Bond Redemption Fund, 2010 (the "LTGO Bond Fund"), with respect to the payment of the 2010B Bonds, the 2010C Bond, the 2010D Bonds, and the 2010E Bonds, to the Bond Registrar. The Bond Registrar will remit payment to DTC in accordance with the terms of the DTC procedures as then in effect. So long as the Bonds are held in book-entry only form, principal of the Bonds will be paid to Registered Owners at maturity or upon earlier redemption as further described herein in Appendix C.

Redemption

Optional Redemption for the 2010A Bonds, 2010B Bonds and 2010E Bonds Maturing in 2040. The 2010A Bonds and 2010B Bonds maturing on December 1 in the years 2011 through 2020 are not subject to optional redemption prior to their stated maturity dates. The 2010A Bonds and 2010B Bonds maturing on or after December 1, 2021, are subject to redemption prior to their stated maturities at the option of the City on and after December 1, 2020 in whole or in part, at any time (maturities to be selected by the City and by lot within a maturity in such manner as DTC or the Bond Registrar shall determine), at a price of par plus accrued interest to the date of redemption. The 2010E Bonds maturing on December 1, 2040 are subject to redemption prior to their stated maturity at the option of the City on and after December 1, 2020 in whole or in part, at any time (sinking fund maturities to be selected by the City and by lot within a maturity in such manner as DTC or the Bond Registrar shall determine), at a price of par plus accrued interest to the date of redemption.

Optional Redemption for the 2010C Bonds, 2010D Bonds and 2010E Bonds. The 2010C Bonds, the 2010D Bonds and the 2010E Bonds maturing prior to December 1, 2040 (collectively the "Taxable Bonds") are subject to redemption, in whole or in part and if in part, with maturities to be designated by the City (and pro rata within a maturity), on any date prior to their maturity at a redemption price equal to the greater of (i) 100 percent of the principal amount of such Taxable Bonds plus accrued and unpaid interest on such Taxable Bonds being redeemed to the date fixed for redemption; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Taxable Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 25 basis points.

The term "Treasury Rate" means, with respect to any redemption date for a particular Taxable Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market date) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption of the 2010D Bonds. The 2010D Bonds maturing on December 1 in the years 2025, 2030 and 2033 are Term Bonds that shall be redeemed prior to maturity by lot (or paid at maturity), not later than December 1 in the years and in the principal amounts set forth below (to the extent such Term Bonds have not been previously redeemed or purchased), without premium, together with the interest accrued to the date fixed for redemption.

2010D 2025 Term Bonds

Year	Amount
2022	$ 1,450,000
2023	1,495,000
2024	1,545,000
2025*	1,595,000

* Maturity.

2010D 2030 Term Bonds

Year	Amount
2026	$ 1,650,000
2027	1,705,000
2028	1,765,000
2029	1,825,000
2030*	1,890,000

* Maturity.

2010D 2033 Term Bonds

Year	Amount
2031	$ 1,960,000
2032	2,025,000
2033*	2,100,000

* Final maturity.

Mandatory Sinking Fund Redemption of the 2010E Bonds. The 2010E Bonds maturing on December 1 in the years 2020, 2025 2030 and 2040 are Term Bonds that shall be redeemed prior to maturity by lot (or paid at maturity), not later than December 1 in the years and in the principal amounts set forth below (to the extent such Term Bonds have not been previously redeemed or purchased), without premium, together with the interest accrued to the date fixed for redemption.

2010E 2020 Term Bonds

Year	Amount
2015	$ 245,000
2016	250,000
2017	255,000
2018	265,000
2019	270,000
2020*	275,000

* Maturity.

2010E 2025 Term Bonds

Year	Amount
2021	$ 280,000
2022	290,000
2023	295,000
2024	305,000
2025*	315,000

* Maturity.

2010E 2030 Term Bonds

Year	Amount
2026	$ 325,000
2027	335,000
2028	345,000
2029	355,000
2030*	365,000

* Maturity.

2010E 2040 Term Bonds

Year	Amount
2031	$ 375,000
2032	390,000
2033	400,000
2034	415,000
2035	425,000
2036	440,000
2037	455,000
2038	470,000
2039	485,000
2040*	505,000

* Final maturity.

Extraordinary Optional Redemption for the 2010D and 2010E Bonds. The 2010D Bonds and the 2010E Bonds are subject to redemption prior to their stated maturity dates at the option of the City, in whole or in part upon the occurrence of an Extraordinary Event (defined below), at a redemption price (the "Extraordinary Redemption Price") equal to the greater of: (i) the issue price set forth on the inside cover pages hereof (but not less than 100 percent) of the principal amount of such 2010D Bonds or 2010E Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2010D Bonds or 2010E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such 2010D Bonds or 2010E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 100 basis points; plus, in each case, accrued interest on such 2010D Bonds or 2010E Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA of 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") pursuant to which the City's 35 percent cash subsidy payment, in the case of the 2010D Bonds, or 45 percent cash subsidy, in the case of the 2010E Bonds, from the United States Treasury is reduced or eliminated.

The term "Treasury Rate" means, with respect to any redemption date for a particular Taxable Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market date) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Selection of Bonds for Redemption. As long as the Bonds are held in book-entry only form, the maturities to be redeemed will be selected by the City and, within a series and maturity, the selection of Bonds to be redeemed will be in accordance with the operational arrangements in effect at DTC. See Appendix C—"DTC AND BOOK-ENTRY SYSTEM." To the extent the City redeems (other than in satisfaction of the mandatory sinking fund requirements) or purchases for retirement any Bonds that are Term Bonds, the City may reduce the mandatory sinking fund requirements of such Bonds, in like aggregate principal amount for the year or years specified by the City.

If the Bonds are no longer held in uncertificated form and less than an entire maturity of Bonds is to be redeemed, the particular Bonds or portions of Bonds to be redeemed will be selected randomly (or any other manner determined by the Bond Registrar) in integral multiples of $5,000 by the Bond Register.

Notice of Redemption. Official notice of any such redemption (which may be conditional) will be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register. Notwithstanding the foregoing, if the Bonds are held in book-entry only form, notice of redemption will be given in accordance with the operational arrangement in effect at DTC.

Effect of Redemption

Unless the City has revoked a notice of redemption, the City shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date, interest on each Bond to be redeemed shall cease to accrue.

Purchase

The City reserves the right to purchase any of the Bonds for cancellation at any time and at any price.

Defeasance of the Bonds

In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the LTGO Bond Fund or the UTGO Bond Fund, as applicable, or in another special account, held in trust by a trustee, cash or Government Obligations (defined as obligations now or hereafter included as such in chapter 39.53 RCW), or any combination of cash and/or Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the LTGO Bond Fund or the UTGO Bond Fund, as applicable, for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of the Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under the Bond Ordinance.

As defined in chapter 39.53 RCW, "Government Obligations" currently mean (a) direct obligations of or obligations, the principal and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (b) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-import Bank of the United States, federal land banks or the Federal National Mortgage Association; (c) public housing bonds and project notes fully secured by contracts with the United States; and (d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the federal savings and loan insurance corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

The defeasance of any Taxable Bond may result in a deemed sale or exchange of such Bond under certain circumstances; owners of such Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such event. See "TAX MATTERS—Taxable Bonds."

Book-Entry Transfer System

Book-Entry Bonds. DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered initially in the name of Cede & Co., as nominee for DTC. See

Appendix C for additional information. The City makes no representation as to the accuracy or completeness of information in Appendix C provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.

Termination of Book-Entry Transfer System. If the City is unable to retain a qualified successor to DTC, or the City has determined that it is in the best interests of the beneficial owners of the Bonds not to continue the book-entry system of transfer, the City will execute, authenticate and deliver at no cost to the beneficial owners of the Bonds or their nominees Bonds in fully registered form, in the denomination of $5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar; interest on the Bonds will be payable by check or draft mailed or by wire transfer (wire transfer will be made on the date due to an account with a bank located within the United States only if so requested in writing and if the Registered Owner owns at least $1,000,000 par value of the Bonds), to the persons in whose names such Bonds are registered, at the address appearing upon the Bond Register on the 15th day of the month preceding an interest payment date, and the Bonds will be transferable as provided in the Bond Ordinance.

SOURCES AND USES OF FUNDS

Purpose

2010A Bonds. The 2010A Bonds are being issued (a) to refund and defease a portion of the City's outstanding Unlimited Tax General Obligation Bonds, 2002 issued to finance certain improvements to police facilities, and (b) to pay the costs of issuance of the 2010A Bonds. See "Plan of Refunding" below. The Unlimited Tax General Obligation Bonds, 2002 were issued under the provisions of the constitution and laws of the State of Washington and were approved by the voters at an election held in the City on February 5, 2002 (with 67.44 percent of votes in favor of the proposition, according to official election results).

2010B Bonds. The 2010B Bonds are being issued (a) to finance various capital improvements and acquisitions of the City, including but not limited to the acquisition of computer equipment, vehicles, fixtures and furniture; building, street and other infrastructure improvements; and other capital improvements of the City, (b) to defease and/or refund certain outstanding limited tax general obligation bonds of the City to restructure a portion of the City's outstanding debt, and (c) to pay the costs of issuance of the 2010B Bonds. See "Plan of Refunding" below.

2010C Bonds. The 2010C Bonds are being issued (a) to prepay and redeem a taxable limited tax general obligation bond of the City issued to finance the costs of improvements to the South Parking Garage (the "Taxable Note"), (b) to defease and/or refund certain outstanding limited tax general obligation bonds of the City to restructure a portion of the City's outstanding debt, and (c) to pay costs of issuance of the 2010C Bonds. See "Plan of Refunding" below.

2010D Bonds. The 2010D Bonds are being issued (a) to finance various capital improvements and acquisitions of the City, including but not limited to the acquisition of computer equipment, vehicles, fixtures and furniture; building, street and other infrastructure improvements; and other capital improvements of the City, and (b) to pay the costs of issuance of the 2010D Bonds.

2010E Bonds. The 2010E Bonds are being issued (a) to finance the acquisition and construction of a 700-car modular parking structure to be built on land currently owned by the City near the Tacoma Dome, and (b) to pay the costs of issuance of the 2010E Bonds.

Sources and Uses of Funds

The following is a brief description of the expected estimated sources and uses of funds.

Sources	2010A Bonds	2010B Bonds	2010C Bonds	2010D Bonds	2010E Bonds
Principal Amount of Bonds	$ 21,870,000	$ 7,355,000	$ 7,355,000	$ 30,225,000	$ 9,130,000
Net Reoffering Premium/(Discount)	2,468,590	416,202	-	-	(58,723)
Total Sources	$ 24,338,590	$ 7,771,202	$ 7,355,000	$ 30,225,000	$ 9,071,227
Uses					
Costs of Refunding the Refunded Bonds	$ 24,191,554	$ 7,722,515	$ 7,300,917 (1)	-	-
Project Fund	-	-	-	$ 30,000,000	$ 9,000,000
Costs of Issuance (2)	147,036	48,687	54,083	225,000	71,227
Total Uses	$ 24,338,590	$ 7,771,202	$ 7,355,000	$ 30,225,000	$ 9,071,227

(1) Includes proceeds required to prepay and redeem the Taxable Note on the date of issuance of the Bonds in the amount of $1,910,085.

(2) Issuance costs include legal fees, financial advisor fees, underwriter's discount, additional proceeds, and other costs incurred in connection with the issuance of the Bonds.

Plan of Refunding

Unlimited Tax General Obligation Bonds Refunding. The City's Unlimited Tax General Obligation Bonds, 2002 are currently outstanding in the aggregate principal amount of $26,400,000 and mature in the years 2010 to 2022. A portion of the 2010A Bonds will be used for the purpose of advance refunding all of the following maturities of the Unlimited Tax General Obligation Bonds, 2002 for the purpose of achieving a debt service savings (the "UTGO Refunded Bonds"). The City's Unlimited Tax General Obligation Bonds, 2002 that will remain outstanding after this refunding are referred to herein as the "2002 Bonds."

UTGO Refunded Bonds

Maturity Years (December 1)	Principal Amount	Interest Rates	Payment Date	Price
2013	$1,725,000	4.750%	December 1, 2012	100%
2014	1,805,000	4.750	December 1, 2012	100
2015	1,895,000	4.800	December 1, 2012	100
2016	1,985,000	4.900	December 1, 2012	100
2017	2,085,000	4.950	December 1, 2012	100
2018	2,195,000	5.000	December 1, 2012	100
2019	2,305,000	5.000	December 1, 2012	100
2020	2,430,000	5.125	December 1, 2012	100
2021	2,555,000	5.125	December 1, 2012	100
2022	2,690,000	5.200	December 1, 2012	100

Limited Tax General Obligation Bond Refunding. The City currently has outstanding numerous limited tax general obligation bonds and other obligations. A portion of the 2010B Bonds and the 2010C Bonds will be used for the purpose of defeasing to maturity and/or refunding certain maturities of these outstanding limited tax general obligation bonds in order to restructure the City's debt. The following chart provides details on the outstanding limited tax general obligation bonds that will be defeased to maturity and/or refunded with proceeds of the 2010B Bonds and the 2010C Bonds (referred to herein as the "Outstanding LTGO Bonds").

Outstanding LTGO Bonds (1)

Series Designation	Authorizing Ordinances	Date of Issue	Original Principal Amount	Currently Outstanding (08/01/2010)	Final Maturity Date
1997B	26078	08/05/1997	$ 6,050,315.10	$ 11,271,075.48 (2)	12/01/2018
2001	26824	07/15/2001	17,390,000	7,100,000	12/01/2014
2004	27249	08/05/2004	51,900,000	47,885,000	12/01/2034
2006A	27516	09/28/2006	16,475,000	15,880,000	12/01/2036
2007 (Taxable)	27635	12/21/2007	9,610,000	9,010,000	12/01/2027
2009 Taxable Note	27807	06/22/2009	1,855,000	1,855,000	12/01/2012

(1) Does not reflect all of the currently outstanding limited tax general obligation bonds and other obligations of the City. See "TAXING POWERS AND DEBT CAPACITY—Outstanding Debt."
(2) Accreted value as of June 1, 2010.

A portion of the proceeds of the 2010B Bonds and the 2010C Bonds will be used on the date of issuance of the Bonds to defease to maturity and/or refund the following Outstanding LTGO Bonds (the "LTGO Refunded Bonds"). The LTGO Refunded Bonds and the UTGO Refunded Bonds are referred to herein as the "Refunded Bonds."

LTGO Refunded Bonds

Series	Principal Amount	Interest Rates (%)	Maturities	Source of Refunding Funds	Redemption/ Payment Date	Price (%)
1997B	$ 525,423.60 (1)	5.050-5.150 (2)	2010-2012	2010B Bonds	Maturity	100
2001	1,910,000	4.500	2010	2010B Bonds	Maturity	100
2001	4,085,000	4.500-4.625	2011-2012	2010C Bonds	12/01/2011	100
2004	3,360,000	5.000	2010-2012	2010B Bonds	Maturity	100
2006A	1,015,000	5.000	2010-2012	2010B Bonds	Maturity	100
2007	960,000	5.375	2010-2012	2010C Bonds	Maturity	100
2009 Taxable Note	1,855,000	3.550	2010-2012	2010C Bonds	11/10/2010	100 (3)

(1) Reflects initial principal amount. Aggregate maturity amount is $1,080,000.
(2) Approximate yield to maturity.
(3) The Taxable Note will be prepaid and redeemed on the date of issuance of the Bonds at a price of par, plus accrued interest to the date of redemption, plus a prepayment penalty.

Escrow Agreement. To defease to maturity and/or refund the Refunded Bonds, a portion of the net proceeds from the sale of the 2010A Bonds, the 2010B Bonds and the 2010C Bonds, will be deposited together with other available funds of the City, in one or more irrevocable escrow accounts and used to purchase direct, noncallable, obligations of the United States of America to be held by U.S. Bank National Association, Seattle, Washington (the "Escrow Agent") under one or more escrow agreements, each dated the date of delivery of the Bonds, between the City and the Escrow Agent. The escrow obligations will mature at such times and pay interest in such amounts so that, with other available funds held by the Escrow Agent under the escrow agreement, sufficient money will be available to pay the interest on the Refunded Bonds coming due on and prior to their respective maturity and redemption dates, as applicable, and to redeem and retire the Refunded Bonds on the respective maturity and/or redemption dates set forth above. Since all payments of principal of and interest on such Refunded Bonds will thereafter be provided for from money and securities on deposit with the Escrow Agent under the escrow agreement, the pledges and covenants of the Refunded Bonds will terminate and be discharged and released.

Verification. Robert Thomas CPA, LLC, Shawnee Mission, Kansas, independent certified public accountants, will deliver on or before the delivery date of the 2010A Bonds and the 2010B Bonds its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public

Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the interest on and redemption price of the applicable Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the 2010A Bonds and the 2010B Bonds will be excluded from gross income for federal income tax purposes.

Debt Payment Record

The City has always promptly met principal and interest payments on outstanding bonds when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Debt

The City has no authorized but unissued general obligation bonds outstanding. Depending on capital needs of the City, the City may issue additional long-term general obligation debt within the next 12 months.

The City currently expects to issue its Convention Center and Parking Revenue Refunding Bonds, Series 2010 simultaneously with the issuance of the Bonds. The Convention Center and Parking Revenue Refunding Bonds, Series 2010 are special, limited obligations of the City and are not general obligations or secured by the full faith and credit of the City.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

2010A Bonds

The 2010A Bonds constitute unlimited tax general obligations of the City. The City has irrevocably pledged for as long as any of the 2010A Bonds are outstanding to include in its annual budget and to levy property taxes, upon all of the taxable property within the City *without limitation as to rate or amount and in amounts sufficient*, together with other money of the City that may be legally available for such purpose, to pay the principal of and interest on such 2010A Bonds as the same shall become due. The City has irrevocably pledged that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the 2010A Bonds will be irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the 2010A Bonds. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the 2010A Bonds when due.

The 2010A Bonds do not constitute a debt or indebtedness of the State, Pierce County (the "County") or any political subdivision thereof other than the City.

The rights and remedies of anyone seeking enforcement of the 2010A Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion.

2010B Bonds, 2010C Bonds, 2010D Bonds and 2010E Bonds

The 2010B Bonds, the 2010C Bonds, the 2010D Bonds and the 2010E Bonds (the "LTGO Bonds") constitute limited tax general obligations of the City. The City has irrevocably covenanted for as long as any of the LTGO Bonds are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax, within and as a part of the levy permitted to cities *without a vote of the people*, upon all the property within the City subject to taxation in an amount which will be sufficient, together with other legally available money, to pay the principal of and interest on the LTGO Bonds when due. The City has irrevocably pledged that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the LTGO Bonds will be irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the LTGO Bonds. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the LTGO Bonds when due. Any such tax levy is subject to certain limitations. See "TAXING POWERS AND DEBT CAPACITY" and "TAXING AUTHORITY."

The LTGO Bonds do not constitute a debt or indebtedness of the State, the County or any political subdivision thereof other than the City.

The rights and remedies of anyone seeking enforcement of the LTGO Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion.

No Acceleration

Upon the occurrence of a default under the Bond Ordinance, payment of the principal of and accrued interest on the Bonds is not subject to acceleration. Payments of debt service on Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, the Bond owners would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies.

TAXING POWERS AND DEBT CAPACITY

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

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

General Obligation Debt and Taxing Powers

Voter-Approved Debt. As prescribed by State statutes, the unlimited tax general obligation indebtedness permitted for cities, *subject to a 60 percent majority vote of registered voters*, is limited to 2.5 percent of assessed value for general purposes, 2.5 percent for utilities and 2.5 percent for open space/park facilities. The 2010A Bonds are being issued to refund voter-approved debt. See "SOURCES AND USES OF FUNDS."

Non-Voted Debt. Within the 2.5 percent of assessed value for general purposes, the City may, *without a vote of the electors*, incur general obligation indebtedness in an amount not to exceed 1.5 percent of assessed value. Additionally, within the 2.5 percent of assessed value for general purposes, the City may, also without a vote of the electors, enter into leases if the total principal component of the lease payments, together with the other non-voted general obligation indebtedness of the City, does not exceed 1.5 percent of assessed value. The combination of unlimited tax and limited tax general obligation debt for general purposes, including leases, cannot exceed 2.5 percent of assessed value and for all purposes cannot exceed 7.5 percent of assessed value. The LTGO Bonds are being issued to refund non-voted debt and finance various capital projects of the City. See "SOURCES AND USES OF FUNDS."

Bonds issued to refund outstanding general obligation indebtedness of either type may be issued without voter approval.

The City may, *without a vote of the electorate,* issue debt as follows:

(i) Pursuant to an ordinance specifying the amount and object of the expenditure of the proceeds, the City Council may borrow money for corporate purposes and issue bonds and notes within the constitutional and statutory limitations on indebtedness.

(ii) The City may execute conditional sales contracts for the purchase of real or personal property.

(iii) The City may execute leases with or without an option to purchase.

Outstanding Debt. The following table summarizes the outstanding voted and non-voted general obligation debt of the City as of September 1, 2010, excluding the Refunded Bonds.

GENERAL OBLIGATIONS: NON-VOTED

Limited Tax General Obligations ("LTGO") (1)	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
LTGO Bonds, Series 1997B	06/15/01	12/01/18	$ 6,050,315.30 (2)	$ 14,300,000 (3)
LTGO Refunding Bonds, 2001	06/15/01	12/01/14	17,390,000	1,105,000
LTGO Bonds, 2004	08/05/04	12/01/34	51,900,000	44,525,000
LTGO Bonds, Series 2006A	09/28/06	12/01/36	16,475,000	14,865,000
LTGO Refunding Bonds, Series 2006B	11/02/06	12/01/22	12,885,000	12,885,000
LTGO Bonds, 2007 (Taxable)	12/21/07	12/01/27	9,610,000	8,050,000
LTGO Note, 2009	09/01/09	09/01/13	1,739,444	1,325,074
LTGO Bonds, 2009A	12/18/09	12/01/35	15,380,000	15,380,000
LTGO Bonds, 2009B	12/18/09	12/01/35	3,320,000	3,320,000
LTGO Bonds, 2009C	12/18/09	12/01/34	4,975,000	4,975,000
LTGO Bonds, 2009D	12/18/09	12/01/14	5,000,000	5,000,000
LTGO Bonds, 2009E	12/18/09	12/01/35	13,526,023.10 (4)	43,955,000 (3)
LTGO Bonds, 2009F	12/18/09	12/01/26	6,680,899.90 (5)	19,510,000 (3)
The 2010B Bonds	11/10/10	12/01/22	7,355,000	7,355,000
The 2010C Bonds	11/10/10	12/01/22	7,355,000	7,355,000
The 2010D Bonds	11/10/10	12/01/33	30,225,000	30,225,000
The 2010E Bonds	11/10/10	12/01/40	9,130,000	9,130,000
LTGO Bond Total			$ 218,996,682	$ 243,260,074
Public Works Trust Fund ("PWTF") Loans (6)				
CTED (7) PWTF Loan	04/08/98	07/01/18	$ 10,000,000	$ 4,322,807
CTED PWTF Loan	01/01/04	07/01/24	7,647,500	5,995,426
PWTF Loan Total			$ 17,647,500	10,318,233
Total Non-voted General Obligations			$ 236,644,182	$ 253,578,307

GENERAL OBLIGATIONS: VOTER APPROVED

Unlimited Tax General Obligation Bonds				
UTGO Bonds, 2002 (8)	06/11/02	12/01/22	$ 34,300,000	$ 4,730,000
The 2010A Bonds	11/10/10	12/01/22	21,870,000	21,870,000
UTGO Bond Total			$ 56,170,000	$ 26,600,000

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(1) Excludes the LTGO Refunded Bonds.
(2) Reflects the initial principal amount. Compounded accreted value at maturity was $16,100,000.
(3) Reflects accreted value at maturity.
(4) Reflects the initial principal amount. Compounded accreted value at maturity is $43,955,000.
(5) Reflects the initial principal amount. Compounded accreted value at maturity is $19,510,000.
(6) The public works trust fund loans listed are obligations of the General Fund.
(7) Community Trade and Economic Development.
(8) Excludes the UTGO Refunded Bonds.

Source: City of Tacoma.

Computation of Debt Capacity

The following information is based on the 2009 assessed value of property within the City for collection of taxes in 2010 and the general obligation of the debt of the City outstanding as of September 1, 2010, with adjustments for the issuance of the Bonds.

COMPUTATION OF DEBT CAPACITY
(As of September 1, 2010) (1)

2010 Collection Year Assessed Value	$	20,717,200,634
Non-voted Debt Capacity		
1.5% of Assessed Value	$	310,758,010
Less: Outstanding Non-voted Debt (2)		(199,513,307)
Less: The LTGO Bonds		(54,065,000)
Remaining Non-voted Debt Capacity	$	57,179,703
Voted and Non-voted Debt Capacity		
2.5% of Assessed Value	$	517,930,016
Less: Outstanding Non-voted Debt (2)		(199,513,307)
Less: The LTGO Bonds		(54,065,000)
Less: Outstanding Voted Debt		(4,730,000)
Less: The 2010A Bonds		(21,870,000)
Total Remaining Voted and Non-voted Debt Capacity	$	237,751,709
Voted Utility Debt Capacity		
2.5% of Assessed Value	$	517,930,016
Less: Outstanding Utility Obligations		0
Total Remaining Utility Debt Capacity	$	517,930,016
Voted Open Space/Park Debt Capacity		
2.5% of Assessed Value	$	517,930,016
Less: Outstanding Open Space/Park Obligations		0
Total Remaining Open Space/Park Debt Capacity	$	517,930,016

(1) Excludes the Refunded Bonds.
(2) Reflects compounded accreted value at maturity for capital appreciation bonds and includes limited tax general obligation debt and public works trust fund loans.
Source: City of Tacoma.

Due to decreasing property values as a result of the current recession, the City expects that the assessed value in the City for collection of taxes in 2011 will decline approximately 9.6 percent (excluding new construction), based on preliminary assessed value information from the County Assessor. At the time debt is issued, the City must have sufficient debt capacity to issue such general obligation debt. After the debt has been issued, however, declines in assessed value do not affect the City's authority to have issued the debt. Decreases can affect the City's debt capacity with respect to the issuance of additional general obligation debt.

Debt Service Schedules

The following table provides debt service schedules for the Bonds and is followed by a table that summarizes the debt service on all of the City's outstanding limited and unlimited tax general obligation bonds.

DEBT SERVICE REQUIREMENTS:
2010A BONDS, 2010B BONDS, 2010C BONDS, 2010D BONDS AND 2010E BONDS

Calendar	2010A Bonds		2010B Bonds		2010CBonds		2010D Bonds (2)		2010E Bonds (2)	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2011	15,000	963,824	—	273,116	—	280,012	—	1,519,595	—	526,398
2012	70,000	910,250	—	258,063	—	264,579	—	1,435,838	—	497,384
2013	1,795,000	908,150	—	258,063	—	264,579	—	1,435,838	—	497,384
2014	1,885,000	818,400	—	258,063	—	264,579	—	1,435,838	—	497,384
2015	1,965,000	743,000	1,065,000	258,063	825,000	264,579	1,240,000	1,435,838	245,000	497,384
2016	2,020,000	684,050	1,075,000	231,438	845,000	245,216	1,260,000	1,406,735	250,000	487,239
2017	2,105,000	603,250	1,085,000	204,563	865,000	221,919	1,285,000	1,371,997	255,000	476,886
2018	2,190,000	524,250	1,185,000	150,313	895,000	194,611	1,310,000	1,331,430	265,000	466,326
2019	2,275,000	439,750	750,000	91,063	925,000	162,919	1,340,000	1,285,043	270,000	455,353
2020	2,400,000	326,000	750,000	68,563	960,000	127,390	1,375,000	1,233,573	275,000	444,172
2021	2,525,000	206,000	720,000	46,063	1,000,000	88,596	1,410,000	1,178,010	280,000	432,784
2022	2,625,000	105,000	725,000	23,563	1,040,000	46,186	1,450,000	1,118,211	290,000	418,390
2023	—	—	—	—	—	—	1,495,000	1,045,117	295,000	403,481
2024	—	—	—	—	—	—	1,545,000	969,754	305,000	388,315
2025	—	—	—	—	—	—	1,595,000	891,871	315,000	372,635
2026	—	—	—	—	—	—	1,650,000	811,467	325,000	356,441
2027	—	—	—	—	—	—	1,705,000	722,400	335,000	338,572
2028	—	—	—	—	—	—	1,765,000	630,364	345,000	320,154
2029	—	—	—	—	—	—	1,825,000	535,089	355,000	301,186
2030	—	—	—	—	—	—	1,890,000	436,576	365,000	281,668
2031	—	—	—	—	—	—	1,960,000	334,553	375,000	261,600
2032	—	—	—	—	—	—	2,025,000	226,793	390,000	239,100
2033	—	—	—	—	—	—	2,100,000	115,458	400,000	215,700
2034	—	—	—	—	—	—	—	—	415,000	191,700
2035	—	—	—	—	—	—	—	—	425,000	166,800
2036	—	—	—	—	—	—	—	—	440,000	141,300
2037	—	—	—	—	—	—	—	—	455,000	114,900
2038	—	—	—	—	—	—	—	—	470,000	87,600
2039	—	—	—	—	—	—	—	—	485,000	59,400
2040	—	—	—	—	—	—	—	—	505,000	30,300
Total (1)	$ 21,870,000	$ 7,231,924	$ 7,355,000	$ 2,120,929	$ 7,355,000	$ 2,425,165	$ 30,225,000	$ 22,907,388	$ 9,130,000	$ 9,967,933

(1) Totals may not foot due to rounding.

(2) Debt service schedule shows total amount of interest due and payable for the 2010D Bonds and 2010E Bonds. The City intends to use the 35 percent federal subsidy payment for the 2010D Bonds and the 45 percent federal subsidy payment for the 2010E Bonds to pay a portion of the interest payment due on these bonds.

SCHEDULE OF GENERAL OBLIGATION BOND DEBT SERVICE (1)

	Unlimited Tax General Obligation Bonds (1)				Limited Tax General Obligation Bonds (1)						
	Outstanding				Outstanding						
Calendar Year	Principal	Interest	2010A Bonds	Total UTGO Debt Service	Principal	Interest	2010B Bonds	2010C Bonds	2010D Bonds (2)	2010E Bonds (2)	Total LTGO Debt Service (3)
2011	$ 1,575,000	$ 152,950	$ 978,824	$ 2,706,744	$ 1,085,000	$ 5,408,145	$ 273,116	$ 280,012	$ 1,519,595	$ 526,398	$ 9,092,266
2012	1,645,000	78,138	980,250	$ 2,703,388	1,110,000	5,376,895	258,063	264,579	1,435,838	497,384	8,942,759
2013	—	—	2,703,150	2,703,150	4,448,140	6,506,643	258,063	264,579	1,435,838	497,384	13,410,647
2014	—	—	2,703,400	2,703,400	4,527,980	6,393,920	258,063	264,579	1,435,838	497,384	13,377,764
2015	—	—	2,708,000	2,708,000	3,248,430	6,656,313	1,323,063	1,089,579	2,675,838	742,384	15,735,607
2016	—	—	2,704,050	2,704,050	3,318,547	6,602,423	1,306,438	1,090,216	2,666,735	737,239	15,721,598
2017	—	—	2,708,250	2,708,250	3,392,189	6,543,555	1,289,563	1,086,919	2,656,997	731,886	15,701,109
2018	—	—	2,714,250	2,714,250	3,468,288	6,425,226	1,335,313	1,089,611	2,641,430	731,326	15,691,194
2019	—	—	2,714,750	2,714,750	5,840,000	4,548,551	841,063	1,087,919	2,625,043	725,353	15,667,929
2020	—	—	2,726,000	2,726,000	6,125,000	4,283,036	818,563	1,087,390	2,608,573	719,172	15,641,734
2021	—	—	2,731,000	2,731,000	6,455,000	4,005,080	766,063	1,088,596	2,588,010	712,784	15,615,533
2022	—	—	2,730,000	2,730,000	6,800,000	3,681,756	748,563	1,086,186	2,568,211	708,390	15,593,106
2023	—	—	—	—	5,617,735	6,758,140	—	—	2,540,117	698,481	15,614,473
2024	—	—	—	—	5,668,735	6,728,819	—	—	2,514,754	693,315	15,605,623
2025	—	—	—	—	5,744,470	6,678,993	—	—	2,486,871	687,635	15,597,969
2026	—	—	—	—	6,117,655	6,349,445	—	—	2,461,467	681,441	15,610,008
2027	—	—	—	—	6,547,360	5,951,744	—	—	2,427,400	673,572	15,600,076
2028	—	—	—	—	5,853,760	5,858,861	—	—	2,395,364	665,154	14,773,139
2029	—	—	—	—	5,953,136	5,796,084	—	—	2,360,089	656,186	14,765,495
2030	—	—	—	—	6,072,180	5,711,660	—	—	2,326,576	646,668	14,757,084
2031	—	—	—	—	6,211,010	5,613,450	—	—	2,294,553	636,600	14,755,613
2032	—	—	—	—	6,372,750	5,496,337	—	—	2,251,793	629,100	14,749,980
2033	—	—	—	—	6,569,036	5,344,829	—	—	2,215,458	615,700	14,745,023
2034	—	—	—	—	10,635,061	1,317,568	—	—	—	606,700	12,559,329
2035	—	—	—	—	6,279,034	2,295,777	—	—	—	591,800	9,166,611
2036	—	—	—	—	970,000	43,650	—	—	—	581,300	1,594,950
2037	—	—	—	—	—	—	—	—	—	569,900	569,900
2038	—	—	—	—	—	—	—	—	—	557,600	557,600
2039	—	—	—	—	—	—	—	—	—	544,400	544,400
2040	—	—	—	—	—	—	—	—	—	535,300	535,300
	$ 3,220,000	$ 231,088	$ 29,101,924	$ 32,553,012	$ 134,430,496	$ 136,376,900	$ 9,475,929	$ 9,780,165	$ 53,132,388	$ 19,097,933	$ 362,293,819

(1) Excludes the Refunded Bonds.

(2) Debt service schedule shows total amount of interest due and payable for the 2010D Bonds and 2010E Bonds. The City intends to use the 35 percent federal subsidy payment for the 2010D Bonds and the 45 percent federal subsidy payment for the 2010E Bonds to pay a portion of the interest payment due on these bonds.

(3) Totals may not foot due to rounding.

Net Direct and Overlapping Debt

The following tables set forth the outstanding principal amount of general obligation bonds issued by the City ("Direct Debt"), and the outstanding principal amount of general obligation bonds issued by other governmental entities whose taxing jurisdiction includes a part or all of the City and the estimated portion of that debt which is applicable to the property within the City ("Overlapping Debt"), with adjustments for the Bonds. The estimate of the percentage of a governmental entity's debt which is applicable to property within the City is based on a ratio of the City's and a governmental entity's assessed values.

SUMMARY OF OVERLAPPING DEBT
(As of September 1, 2010)

Overlapping Taxing District	2010 Assessed Value	Percent Overlap	Outstanding GO Debt	Estimated Overlapping Debt
Metro Parks Tacoma	$21,176,281,039	97.83%	$ 72,152,157	$ 70,587,971
Tacoma SD No. 10	21,961,694,749	92.94	281,362,918	261,490,143
Pierce County	88,468,117,832	23.42	160,863,995	37,670,652
Port of Tacoma	88,468,117,832	23.42	203,315,000	47,611,702
University Place SD No. 83	3,056,944,743	2.91	88,126,970	2,561,655
Fife SD No. 417	2,795,808,036	2.89	31,916,339	920,977
Clover Park SD No. 400	5,690,205,205	1.98	82,602,402	1,633,018
Fire Protection District No. 13	466,303,803	2.31	210,263	4,867
Franklin-Pierce SD No. 402	3,760,437,871	0.66	20,585,000	135,279
TOTAL				$ 422,612,264

Source: Pierce County Assessor and Treasurer and individual taxing districts.

NET DIRECT AND OVERLAPPING DEBT

Regular Assessed Value (2010 Collection Year)	$ 20,717,200,634
Estimated 2010 Population	204,200
Net Direct Debt (1)	$ 280,178,307
Estimated Net Overlapping Debt (as previously detailed herein)	$ 422,612,264
Total Net Direct and Overlapping Debt (1)	$ 702,790,571

(1) Includes the Bonds and excludes the Refunded Bonds. Includes the compound accreted value at maturity of the City's capital appreciation bonds, plus limited and unlimited tax general obligation debt and public works trust fund loans.

BONDED DEBT RATIOS (1)

Net Direct Debt to Assessed Value	1.35%
Net Direct and Overlapping Debt to Assessed Value	3.39%
Per Capita Assessed Value	$ 101,455
Per Capita Net Direct Debt	$ 1,372
Per Capita Total Net Direct and Net Overlapping Debt	$ 3,442

(1) Ratios are calculated based on the compound accreted value at maturity of the City's capital appreciation bonds.

TAXING AUTHORITY

Authorized Property Tax Levies

The City is authorized to impose (i) a regular property tax levy (up to $3.60/$1,000), and (ii) excess property tax levies (unlimited as to rate or amount). The City's regular levy for the 2010 collection year is $2.36463/$1,000. The regular levy is imposed without a vote of the people for general purposes, including payment of debt service on the LTGO Bonds, and is subject to limitations. See "—General Property Taxes" and "—Regular Property Tax Limitations" herein.

Excess levies are imposed, upon voter approval, to pay debt service on unlimited tax general obligation bonds, including payment of debt service on the 2010A Bonds. An excess levy also may be imposed without a vote to prevent the impairment of a contract (RCW 84.52.052).

The City's Property Tax Levies

The following table shows the City's levy rates and dollar amounts levied since 2006.

AD VALOREM TAX LEVIES
(Dollars per $1,000 of Assessed Value)

Levy Rate (Dollars per $1,000 of Assessed Value)

Collection Year	Regular	Bond	EMS	Total
2010	$2.36463	$0.13719	$0.48835	$2.99018
2009	2.21645	0.13527	0.45894	2.81066
2008	2.23500	0.14077	0.46385	2.83962
2007	2.42183	0.15790	0.50000	3.07973
2006	2.79256	0.18624	0.40409	3.38290

Levy Amounts

Collection Year	Regular	Bond	EMS	Total
2010	$48,988,602	$2,812,256	$10,117,421	$61,918,278
2009	47,930,876	2,896,649	9,924,527	60,752,051
2008	46,476,865	2,898,471	9,645,780	59,021,116
2007	45,365,016	2,930,107	9,365,856	57,660,979
2006	43,854,603	2,902,205	6,360,363	53,217,172

Sources: Pierce County Assessor's and Treasurer's Offices.

Overlapping Taxing Districts

The overlapping taxing districts within the City have the statutory power to levy regular property taxes at the following rates, subject to the limitations provided by chapter 84.55 RCW, and levy excess voter approved property taxes. For purposes of demonstration, representative levy rates for "levy code 005," as well as the statutory levy authority of each type of potential overlapping district, are listed below.

	Representative 2010 Levy Rates Per $1,000 of Assessed Value	Statutory Levy Authority Per $1,000 of Assessed Value
Pierce County	$1.1599 (1)	$1.800 (2)
County (Road Levy)	n/a (3)	2.250
Rural Library District	n/a (3)	0.500
Fire Protection District	n/a (3)	1.500
Port of Tacoma	0.1840	0.450
The City	2.9902 (4)	3.375
Cities and Towns	n/a	0.225 (5)
Hospital Districts	n/a (3)	0.750
State Schools	2.0674	3.600 (6)
Metro Parks Tacoma	0.7666	0.750
Tacoma School District No. 10	4.6542	n/a (8)
Total rate for Pierce County levy code 005:	**$11.8224**	

(1) Includes Conservation Futures of $0.0418 per $1,000.

(2) Pursuant to RCW 84.52.043(1), a county may increase its levy from $1.80 per $1,000 to a rate not to exceed $2.475 per $1,000 for general county purposes if (i) the total levies for both the county and any road district within the county do not exceed $4.05 per $1,000 and (ii) no other taxing district has its levy reduced as a result of the increased county levy.

(3) Pierce County levy code 005 is included within the incorporated portion of Pierce County and therefore does not have a road levy. Likewise, it does not contain either a rural library district, fire protection district or a hospital district.

(4) Includes voted bond levy of $0.1372 per $1,000 and emergency medical service levy of $0.4884 per $1,000.

(5) RCW 41.16.060. To be used for pension funding purposes, if required; otherwise, this tax may be levied and used for any other municipal purpose (used by the City).

(6) RCW 84.52.043(1). The levy by the State shall not exceed $3.60 per $1,000 assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue to be used exclusively for the support of the common schools.

(7) Includes a voter-approved levy of $0.2797 per $1,000.

(8) Washington school districts do not have non-voted regular levy authority.

Source: Pierce County Assessor's Office

General Property Taxes

The following provides a general description of the City's taxing authority and limitations thereon, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information.

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

(i) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, such as the LTGO Bonds. Regular property taxes do not require voter approval except as described below.

(ii) *Excess Property Taxes.* Excess property taxes are not subject to limitation as to rates or amounts but must be authorized by a 60 percent approving popular vote, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40 percent of the number who voted at the last City general election, except that one-year excess tax levies also are valid if the turnout is less than 40 percent and the measure receives a number of affirmative votes equal to or greater than 24 percent of the number who voted at the last City general election. Excess levies may be imposed without a popular vote when necessary to prevent impairment of the obligations of contracts. The 2010A Bonds are payable from voter-approved excess property taxes.

Regular Property Tax Limitations

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

Regular property tax levies are subject to rate limitations and amount limitations and to the uniformity requirement of Article VII, Section 1 of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district.

Special excess levies approved by a 60 percent majority of the voters and meeting minimum voter turnout requirements are not subject to the rate or amount limitations on regular levies described below.

Maximum Rate Limitation. Title 84 RCW authorizes the imposition of regular tax levies to various statutory maximums (see "Overlapping Taxing Districts" herein).

The One Percent Aggregate Regular Levy Limitation. Article VII, Section 2 of the Washington Constitution, as amended in 1973, limits aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, to one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

$5.90/$1,000 Aggregate Regular Levy Limitation. Within the one percent limitation described above, RCW 84.52.043(2) imposes an aggregate limitation on regular tax levies by all taxing districts, other than the State, of $5.90/$1,000 of assessed value, except levies for any port or public utility district; excess levies authorized in Article VII, Section 2 of the State Constitution; and certain levies for acquiring conservation futures, for emergency medical services or care, and to finance affordable housing.

Uniformity Requirement. Article VII, Section 1 of the Washington Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying such taxes. It is possible because of different overlapping taxing districts in different areas of the City that the maximum permissible levy might vary within the City. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest permissible rate for any part of the City would be applied to the entire City.

Prioritization of Levies. RCW 84.52.010 provides that if aggregate levies certified by all taxing districts exceed the aggregate levy limitations described above, levies certified by junior taxing districts are reduced or eliminated in order to bring the aggregate levy into compliance with the statutory maximum prescribed by RCW 84.52.050 and 84.52.043. RCW 84.52.043 defines "junior taxing districts" as all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts.

The tax levy for unlimited tax general obligation bonds is a special excess levy approved by the voters, and as such, is not subject to the limitations on regular levies described above.

The Levy Limitation. The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount of regular property taxes levied by an individual local taxing district such as the City to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, annexations, improvements and State-assessed property at the previous year's rate. The limit factor is the lesser of 101 percent of the highest levy in the three previous years (excluding new construction, improvements, and State-assessed property) or 100 percent plus inflation, unless a greater amount is approved by a simple majority of the voters. With a supermajority vote of the Council, the limit factor is a flat 101 percent.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as "banked" levy capacity. The City does not have any banked levy capacity.

With a majority vote of its electors, a taxing district may levy, within the rate limitations described above, more than what otherwise would be allowed by the tax increase limitation indefinitely or for a limited period or to satisfy a limited purpose, as allowed by RCW 84.55.050. This is known as a "levy lid lift." A newly created taxing district can initiate its levy at the maximum permitted statutory levy rate, unless that rate would exceed any of the limitations described above.

Since the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction, improvements and State-assessed property) which exceed the rate of growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed value of all property in the taxing district (including new construction, improvements and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates.

Assessed Valuation

The County Assessor, or equivalent thereof ("Assessor"), determines the value of all real and personal property throughout the County that is subject to *ad valorem* taxation, except certain utility properties which are valued by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of its market value. Three approaches may be used to determine real property value: market data, replacement cost and income generating capacity. In the County, all property is subject to an annual property valuation and an on-site revaluation at least once every six years. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revisions by the County Board of Equalization and, for certain property, subject to further revisions by the State Board of Tax Appeals.

Tax Collection Procedure

Property taxes are levied in specific amounts and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district on a tax roll that contains the total amount of taxes to be so levied and collected. By January 15 of each year, the tax roll is delivered to the County Treasurer, or equivalent thereof, who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All such taxes are due and payable on April 30 of each year, but if the amount due from a taxpayer exceeds $50, one-half may be paid then and the balance no later than October 31 of that year. Delinquent taxes are subject to interest at the rate of 12 percent per year computed on a monthly basis from the date of delinquency until paid. In addition, a penalty of three percent is assessed on June 1st of the year in which the tax was due and eight percent on December 1st of the year due. All collections of interest on delinquent taxes are credited to the County's current expense fund.

The method of giving notice of payment of taxes due, the accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by detailed statutes. The lien on property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law the Treasurer may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency. The State's courts have not decided whether the Homestead Law (chapter 6.13 RCW) may give the occupying homeowner a right to retain the first $125,000 (effective July 22, 2007) of proceeds of the forced sale of the family residence or other "homestead" property for delinquent general property taxes. (See *Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982), holding the homestead right superior to the improvement district assessments). The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

TAX COLLECTION RECORD
As of August 31, 2010

Collection Year	Regular Assessed Value (1)	*Ad Valorem* Tax Levy	Tax Collection: Year of Levy	Tax Collection: As of 8/31/10
2010	$20,717,200,634	$61,918,278	52.5% (2)	52.5% (2)
2009	21,625,087,509	60,752,051	95.4	98.2
2008	20,795,031,550	59,021,116	96.6	99.3
2007	18,731,712,628	57,660,979	96.8	99.9
2006	15,739,885,099	53,217,172	97.2	100.0
2005	13,212,370,610	54,569,543	97.3	100.0

(1) Assessed value is based upon 100 percent of actual value. See "TAXING POWERS AND DEBT CAPACITY—Computation of Debt Capacity."
(2) In process of collection.
NOTE: Taxes are due and payable on April 30 of each year of the levy. The entire tax or first half must be paid on or before April 30, otherwise the total amount becomes delinquent on May 1. The second half of the tax is payable on or before October 31, becoming delinquent November 1.
Source: Pierce County Assessor's Office and City of Tacoma.

MAJOR PROPERTY TAXPAYERS

Taxpayer	Type of Business	2010 Collection Year Assessed Value	Percent of City's Total A.V.
Tacoma Mall Partnership	Retail	$ 208,473,516	1.01%
Simpson Tacoma Kraft Company	Lumber Manufacturing	128,186,578	0.62
CSC of Tacoma LLC	Detention Center	79,333,100	0.38
US Oil & Refining Company	Petroleum refinery	72,788,400	0.35
Simpson Lumber Company LLC	Lumber Manufacturing	70,745,800	0.34
AT&T Mobility LLC	Cellular	69,508,221	0.34
Qwest Corporation	Telecommunications	68,838,942	0.33
Puget Sound Energy/Gas	Utility	63,342,862	0.31
NGP Centennial Tacoma LLC	Real Estate	55,488,100	0.27
Fred Meyer Stores Inc.	Retail	52,057,653	0.25
Subtotal – City's Ten Largest Taxpayers		$ 868,763,172	4.19%
All Other City Taxpayers		$19,848,437,462	95.81%
Total City Taxpayers		$20,717,200,634	100.00%

Source: Pierce County Assessor-Treasurer's Office

Lodging Taxes

As additional security for the payment of the 2004 Bonds and the 2006A Bonds comprising the LTGO Refunded Bonds (see "SOURCES AND USES OF FUNDS—Plan of Refunding"), the City had covenanted in the authorizing ordinances for such bonds to levy lodging taxes (the "Lodging Taxes") at not less than the maximum rate currently permitted to it by statute. Proceeds of the 2004 Bonds and the 2006A Bonds were used to finance the acquisition, construction, improvement and equipping of the Greater Tacoma Convention and Trade Center (the "Convention Center"). Under the terms of the Bond Ordinance, the City has covenanted to continue levying such Lodging Taxes and has pledged such taxes to the payment of the 2010B Bonds and the 2010C Bonds to the extent permitted to it by statute. Chapter 67.28 RCW authorizes Washington cities to levy a lodging tax for the purpose of tourism promotion or for the acquisition or operation of tourism-related facilities such as the Convention Center.

In 1998 the Washington State Legislature comprehensively amended the lodging tax statutes to provide Washington cities with the authority to levy a two percent basic lodging tax (RCW 67.28.180) and an additional lodging tax of two percent (RCW 67.28.181). A number of cities also retained the authority to levy additional lodging taxes at grandfathered rates. As a result, the City is currently authorized to levy the two percent basic lodging tax and an additional lodging tax of five percent , for a total lodging tax of seven percent. Pursuant to the Bond Ordinance, the additional seven percent lodging tax is pledged to the payment of the principal of and interest on the 2010B Bonds and 2010C Bonds.

The following table reflects actual collections of City's lodging taxes for 2005 through 2009.

LODGING TAX COLLECTIONS

	2009	2008	2007	2006	2005
Basic 2% Tax	$ 906,187.83	$1,004,954.66	$ 916,460.97	$ 815,707.18	$ 687,028.13
Additional Tax (1)	2,232,112.47	2,471,225.16	2,250,796.14	1,996,882.93	1,688,379.38

(1) The additional tax is levied in the City at a rate of five percent. The two percent portion of the additional tax is collected on room revenues in all properties. The three percent portion is collected at properties with 26 or more rooms.

Source: City of Tacoma.

Collection of Other Taxes and Revenues

In addition to its regular property tax levy, the City also collects various other taxes, including a retail sales tax (also known as a "local sales and use tax"), business and occupation tax, real estate excise tax, utility taxes and lodging taxes, among others. A table showing historical revenue from these sources is included at the end of this section.

Local Sales and Use Tax. In addition to the State, the City imposes a sales and use tax on the selling price for value on any retail sale or use of tangible personal property within the City. The City's sales and use tax is collected by the State Department of Revenue (the "Department") under a contract with the City that provides for a deduction by the Department of one percent of the tax collected for the Department's administration costs. The general sales and use tax rate within the City as of September 1, 2010, is 9.300 percent. The sales tax rate is distributed as follows: 6.5100 percent to the State; 0.3385 percent to the County; 0.9000 percent to the Rapid Transit Authority, 0.6000 percent to Pierce Transit, 0.1000 percent to Tacoma Metropolitan Park district, and 0.8515 percent to the City. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

Streamlined Sales and Use Tax Agreement. In 2003, the State Legislature approved legislation authorizing the State's membership in the Streamlined Sales and Use Tax Agreement (the "SSUTA"), in an effort to make sales and use taxes in the State more uniform with other states. Congress has required that state sales taxes be more uniform before Congress will permit taxation of interstate catalogue and Internet sales. In 2007, the State Legislature adopted legislation fully conforming to the SSUTA. Effective July 1, 2008, the sales tax system changed in the State from an origin-based system to a destination-based system. Under destination sourcing, sales taxes on goods delivered to customers in the State are credited to the taxing jurisdiction where the goods are delivered (as opposed to the point of sale) and the rate of the tax is determined by the local rate in the destination taxing jurisdiction.

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system. To qualify, the local taxing jurisdiction must be negatively impacted by the legislation and the local sales tax must be in effect before July 1, 2008, among other requirements. Money for mitigation is subject to appropriation by the State Legislature. Under the mitigation legislation, on each July 1, the State Treasurer is required to transfer an amount determined by the Department to fully mitigate negatively impacted local jurisdictions. Mitigation for the first year is determined by the Department from tax reporting data to determine actual losses less gains from voluntarily registered sellers. Beginning December 31, 2008, distributions from the account are required to be made quarterly. After the first year, the Department is required to determine each local jurisdiction's annual losses, and distributions are required to be made quarterly representing one-fourth of a jurisdiction's annual loss less voluntary compliance revenue from the previous quarter. Losses in sales tax revenues are based on a business by business comparison of sales patterns in each jurisdiction before and after the change to destination-based sales tax. "Voluntary compliance revenue" is the local sales tax revenue gain to each local taxing jurisdiction reported to the Department by sellers in other states voluntarily registered through the SSUTA.

As a result of this legislation, the City has received mitigation payments from the State, including $139,498 in payments for the first three quarters of 2010, with another quarterly payment expected in December 2010. Although the City cannot predict its future sales tax receipts, if the City is negatively impacted by the legislation in the future, it intends to seek mitigation payments to offset any losses so long as it is eligible.

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

TYPE OF BUSINESS	TAX RATE
Service and Other/Retail Services	0.400%
International Investment Services	0.220
Retailing	0.153
Public Road Construction	0.110
Manufacturing/Extraction	0.110
Wholesaling	0.102

Real Estate Excise Tax. Real estate excise tax ("REET") is split into two parts, REET 1 and REET 2, both at ¼ of one percent of the gross amount of real estate transfers made in the City for a total of ½ of one percent.

Utility Taxes. Utility taxes are taxes applied to utilities providing services in the City including City-owned and privately-owned utilities. The City levies a tax of six percent on telephone, electric and natural gas utilities. In addition, the City levies a tax of eight percent on solid waste disposal and cable television services.

Historical Tax Collections

The following table shows the historical revenues from these taxes.

HISTORICAL TAX COLLECTIONS

General Fund (2)	**Budgeted 2010 (1)**	**2009**	**2008**	**2007**	**2006**	**2005**
Property	$ 48,089,000	$ 47,178,832	$ 46,003,012	$ 44,782,600	$ 39,795,499	$ 39,123,951
Sales	38,750,000	37,475,429	43,309,045	45,780,364	44,594,892	40,524,509
Utility	41,247,000	38,638,385	41,565,551	41,325,305	39,333,367	35,837,899
B&O Taxes	41,056,000	40,006,635	44,716,740	42,753,899	40,843,343	38,642,290
Subtotal	$ 169,142,000	$ 163,299,281	$ 175,594,348	$ 174,642,168	$ 164,597,101	$ 154,128,649
Other Funds						
Property (3)	$ 2,896,624	$ 2,852,490	$ 2,879,580	$ 2,911,617	$ 2,973,970	$ 5,594,603
Real Estate Excise	3,993,000	3,006,534	4,372,230	8,728,457	9,475,839	8,747,242
Subtotal	$ 6,889,624	$ 5,859,024	$ 7,251,810	$ 11,640,074	$ 12,449,809	$ 14,341,845
Total Taxes	$ 176,031,624	$ 169,158,305	$ 182,846,158	$ 186,282,242	$ 177,016,910	$ 168,470,494

(1) See “FINANCIAL RESULTS—Update on Biennial Budget” for updated information on the City’s 2010 budget.

(2) Total tax revenue in the General Fund differs from the amount reported on the City’s financial statements due to a restatement of utility taxes to interfund transfer revenues and to the inclusion of penalties and interest on business taxes in tax revenue in the financial statements. The amounts listed above represent the receipts before the restatement.

(3) Property taxes levied for debt service payments on a voter-approved levy.

Source: City of Tacoma

AUTHORIZED INVESTMENTS

Chapter 35.39 RCW limits the investment by cities and towns of its inactive funds or other funds in excess of current needs to the following authorized investments: United States bonds; United States certificates of indebtedness; bonds or warrants of the State and any local government in the State; its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund law; and any other investment authorized by law for any other taxing district or the State Treasurer. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in the obligations of the federal home loan bank, federal national mortgage association and other government corporations subject to statutory provisions and may enter into repurchase agreements. Utility revenue bonds and warrants of any city and bonds or warrants of a local improvement district are also eligible investments (RCW 35.39.030).

Chapter 39.59 RCW provides that, in addition to any other investment authority granted by law, the City is authorized to invest in bonds of the State of Washington and any local government in the State of Washington that have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency; and general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or for the benefit of the general government in accordance with city ordinances or resolutions. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the authorizing ordinances, resolutions or bond covenants may lawfully prescribe.

Investment Practices

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

(i) *Banker's Acceptances.* City investment policy allows for purchase of Banker's Acceptances of the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 40 percent of the total portfolio with no more than ten percent of the total portfolio in any one bank.

(ii) *U.S. Treasury Bills, Certificates, Notes and Bonds.* Portfolio mix guidelines allow for a maximum of 100 percent of the total portfolio to be invested in these securities.

(iii) *U.S. Government Agency Securities.* Portfolio mix guidelines suggest a maximum of 90 percent of the total portfolio with no more than 50 percent of the total portfolio per agency.

(iv) *Commercial Paper.* Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than ten percent of the portfolio invested in commercial paper with an additional limit of no more than three percent in any one issuer.

(v) *Repurchase Agreements.* Portfolio mix guidelines suggest repurchase agreements be limited to a maximum of 15 percent of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by two percent over the term of the agreement. The collateral must be an investment instrument that the City is authorized to purchase.

(vi) *Reverse Repurchase Agreements.* The City is allowed to participate in reverse repurchase agreements, but did not in 2009.

(vii) *U. S. Municipal Securities.* Portfolio mix guidelines suggest a maximum of 25 percent. These must meet the credit requirement set forth in chapters 35.39 and 39.59 RCW of the three highest credit ratings of a national recognized rating agency.

(viii) *Bankers Acceptances.* Portfolio mix guidelines suggest a maximum of 20 percent.

As of December 31, 2009, the City's total deposits and investments consisted of the following:

SCHEDULE OF DEPOSITS AND INVESTMENTS
December 31, 2009
(000's)

POOLED INVESTMENTS		
Financial Institutions		
State Local Government Investment Pool	$	202,040
US Treasury Securities		805
Government Agencies		661,473
Commercial Paper		10,572
Electric System Revenue Bonds Investments		8,961
Equity in Pool Transferred to Component Units		(1,252)
Total Investment with Financial Institutions	$	882,400
Component Units	$	1,252

Pension Investments. TERS investments are made by the TERS Board in consultation with Wilshire Consulting and in accordance with its investment allocation strategy. The allocation strategy is determined after consultation with Wilshire Consulting and was most recently revised in 2008. Investment managers for each asset class tier are selected by the TERS Board after a thorough evaluation process. The TERS Board reviews investment manager performance in detail at its quarterly meeting.

As of December 31, 2009, the City's TERS investments consisted of the following:

SCHEDULE OF DEPOSITS AND INVESTMENTS
December 31, 2009
(000's)

PENSION TRUST		
Other Assets Not Allowable for City Investments		
U.S. Government Obligations	$	83,229
Domestic Corporate Bonds		245,834
Domestic Stocks		298,348
International Stocks		200,234
International Bonds		23,347
Real Estate Investment Trust		71,526
Private Equity		4,087
Short-Term Investments/Mutual Funds		37,438
Total Investment with Financial Institutions	$	964,043

State Local Investment Pool

The Office of the State Treasurer administers the Washington State Local Government Investment Pool (the "LGIP"), a fund that invests money on behalf of more than 640 cities, counties, special taxing districts and State agencies. The LGIP had approximately $9.3 billion under investment as of June 2010. The LGIP's investment objectives are, in priority order: (i) the safety of principal; (ii) maintaining adequate liquidity to meet cash flow demands; and (iii) to provide a competitive interest rate relative to the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The LGIP is invested in securities with a maximum final maturity of 397 days except for floating-rate and variable-rate securities and securities that are used for repurchase agreements, and the average life typically is less than 90 days. Investments permitted under the LGIP's guidelines generally include repurchase agreements, U.S. Treasury bills and notes, U.S. agency discount notes, coupons, floating-rate and variable-rate notes, reverse repurchase agreements and bank deposits. See "AUTHORIZED INVESTMENTS—Investment Practices" for a summary of the City's current investment portfolio.

Authorized Investments for Bond Proceeds

In addition to the eligible investments discussed above, bond proceeds may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with average maturities of less than four years; municipal securities rated in one of the four highest categories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories of a nationally recognized rating agency. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030). See "AUTHORIZED INVESTMENTS—Investment Practices" herein for a discussion of the City's investment portfolio.

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FINANCIAL RESULTS

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures and changes in fund balance for the City's General Fund and the General Fund 2009-10 biennial budget.

GENERAL FUND
BALANCE SHEET
Years Ending December 31
(amounts expressed in thousands)

	Actual				
	2009	**2008**	**2007**	**2006**	**2005**
Assets					
Cash and Cash Equivalents	$ 15,801	$ 30,517	$44,237	$46,614	$32,457
Accounts Receivable	12,776	12,915	14,877	13,918	15,517
Due from Other Funds	6,575	604	356	2,312	504
Due from Other Governments	4,307	4,275	197	213	230
Prepaid Expenditures	378	214	103	116	98
Inventory	2,469	1,809	1,216	654	525
Recoverable Deposits	0	0	1	1	1
Other Current Assets	3	3	3	0	3
Advances to Other Funds	13,249	15,630	14,757	7,499	3,890
Total Assets	$ 55,558	$ 65,967	$75,747	$71,327	$53,225
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 2,801	$ 3,641	$ 2,241	$ 2,878	$ 861
Accrued Wages and Benefits Payable	3,969	3,354	2,379	1,829	1,689
Notes, Leases and Contracts Payable	2	2	0	0	0
Deposits Payable	4	21	292	409	306
Accrued Taxes Payable	12	21	60	44	56
Due to Other Funds	4,985	771	914	4,051	170
Due to Other Governments	217	592	37	84	23
Deferred Revenue	5,131	4,986	3,865	5,336	6,573
Other Current Liabilities	176	174	125	188	120
Total Liabilities	$ 17,297	$ 13,562	$ 9,913	$14,819	$9,798
Fund Balances:					
Reserved For:					
Encumbrances	$ 4,699	$ 3,333	$ 3,553	$ 1,400	$ 2,342
Advances to Other Funds	13,249	15,630	14,757	7,499	3,890
Other Purposes	6,569	5,908	1,216	654	623
Unreserved, Reported in General Fund	13,744	27,534	46,308	46,955	36,572
Total Liabilities and Fund Balance	$ 55,558	$ 65,967	$75,747	$71,327	$53,225

Source: City of Tacoma Audited Financial Statements

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ending December 31
(amounts expressed in thousands)

	Actual				
	2009	**2008**	**2007**	**2006**	**2005**
Revenues					
Taxes	$ 126,721	$ 135,832	$ 135,319	$ 128,458	$ 123,820
Licenses and Permits	4,713	5,108	8,483	8,121	2,559
Intergovernmental	8,887	10,691	9,137	11,959	9,001
Charges for Services	2,942	3,830	3,419	4,012	3,436
Fines and Forfeitures	4,031	4,070	3,104	2,312	2,448
Interest	1,634	2,840	4,331	3,420	1,626
Miscellaneous	267	1,478	295	375	497
Total Revenues	**$ 149,195**	**$ 163,849**	**$ 164,088**	**$ 158,657**	**$ 143,387**
Expenditures					
Current					
General Government	$ 22,159	$ 21,186	$ 15,613	$ 18,092	$ 17,019
Security of Persons and Property	132,004	129,466	121,630	110,057	109,314
Physical Environment	0	541	532	488	471
Transportation	15,344	17,040	16,654	16,014	15,579
Economic Environment	19,470	20,543	17,852	16,942	14,898
Mental and Physical Health	1,364	1,354	1,328	1,318	1,216
Culture and Recreation	12,930	16,157	12,919	13,412	12,155
Capital Outlay	1,470	2,838	1,654	2,750	1,840
Debt Service (1)	42	117	181	388	120
Total Expenditures	**$204,783**	**$209,242**	**$188,363**	**$179,461**	**$172,612**
Excess (deficiency) of Revenues Over (Under) Expenditures	**(55,588)**	**(45,393)**	**(24,275)**	**(20,804)**	**(29,225)**
Other Financing Sources (Uses)					
Sale of Capital Asset	170	3	43	22	1,496
Transfers In	47,033	41,978	42,078	40,273	35,793
Transfers Out	(5,759)	(7,762)	(8,570)	(5,327)	(1,129)
Total Other Financing Sources (Uses)	**41,444**	**34,219**	**33,551**	**34,968**	**36,160**
Net Change in Fund Balance	**(14,144)**	**(11,174)**	**9,326**	**13,081**	**6,935**
Fund Balances-Beginning	52,405	65,834	56,508	43,427	36,492
Prior Period Adjustments	-	(2,255)	50	(1,083)	-
Fund Balances-Ending (2)	**$ 38,261**	**$ 52,405**	**$ 65,834**	**$ 56,508**	**$ 43,427**
Ending Fund Balance as % of Expenditures	**18.7%**	**25.0%**	**35.0%**	**31.5%**	**25.2%**

(1) Debt service on some limited tax general obligation bonds is paid from revenue sources other than General Fund taxes.
(2) Projected ending General Fund balance for 2010 is $38.4 million.
Source: City of Tacoma Audited Financial Statements

GENERAL FUND
2009-2010 REVISED BIENNIAL BUDGET (1)

Revenues	Budget
Utilities/Other Tax	$ 83,323,000
Property Tax	95,268,000
Sales and Use Tax	76,325,000
Business Tax	80,594,000
Intergovernmental Revenue	17,931,000
Cash Balance	16,523,053
Misc. Revenue	12,384,000
License and Permit	7,618,000
Fines and Forfeits	10,717,000
Charges For Services	5,699,000
Total Revenues	**$406,382,053**
Expenditures	
Police	$143,978,000
Fire	91,620,000
City Non-Departmental	15,800,596
Public Works	42,714,000
Library	22,817,684
Human Rights And Services	12,734,000
Community Economic Development	10,689,000
Municipal Court	8,242,000
Legal	7,233,000
Finance	5,901,000
Human Resources	2,372,000
City Manager	2,363,000
City Council	1,366,000
Hearings Examiner	764,000
Government Relations	831,000
Transfers – Interfund	26,868,783
Transfers – Outside Agencies	10,136,102
Total Expenditures	**$406,430,165**

(1) As of August 31, 2010 biennium to date revenues were $322,275,420. Biennium to date expenditures were $335,830,525.

Source: City of Tacoma

Update on Biennial Budget

The City has determined a need to cut approximately $39 million from its budget and is currently in the process of making a mid-biennium budget adjustment. The City has identified $46 million of adjustments including expenditure reductions, revenue enhancements and one-time transfers to the General Fund. Actions taken to date have focused on retaining organizational capacity and minimizing impacts to service levels and employees. As of August 31, 2010, General Fund revenues were $322.275 million and expenditures were $335.830 million. The projected 2010 ending General Fund balance is $38.4 million.

THE CITY

Administration

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

The Council appoints a City Manager who is the chief executive officer of the City and who serves at the pleasure of the Council. The City Manager is responsible to the Council for the administration of all departments of the City with the exception of the Department of Public Utilities. The City Manager has the power to appoint department heads.

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

The City Treasurer is responsible for the receipt, custody and disbursement of City funds. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by the Director of Finance. A Finance Committee composed of the Mayor, Director of Finance and City Treasurer controls the investment of City funds.

Eric Anderson, City Manager. Mr. Anderson has been the City Manager for the City since 2005. As City Manager, Mr. Anderson is the chief administrator of the City and manages the administrative affairs, gives general direction to the programs and departments and is responsible for the proper execution of the policies set by the City Council. He is responsible for over 2,000 employees, over 400 programs, and a biennial budget of more than $1.2 billion. Mr. Anderson previously served as city manager and town manager in a variety of cities and towns. He is currently on the International City Manager's Retirement Corporation and the Vantage Trust Company Boards of Directors. Mr. Anderson received a Bachelor's Degree from Syracuse University, a Master's of Public Administration from the Graduate School of Public Affairs, State University of New York at Albany; and a Master of Arts from Maxwell School, Syracuse University.

Robert K. "Bob" Biles, Finance Director. Mr. Biles has been the City's Finance Director since 2008. His primary duties include accounting, budget preparation and monitoring, revenue collections, investments, bond issuance, procurement administration, and payroll administration. Prior to joining the City, Mr. Biles served as the head of finance to various cities. Mr. Biles earned a Bachelor's Degree in Business Administration from Pittsburg State University.

Pension Plans

City employees other than law enforcement officers, fire fighters and railroad employees are covered by the Tacoma Employees' Retirement System ("TERS"), an actuarially funded system administered by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System ("LEOFF"), which is operated by the State for law enforcement officers and firefighters throughout the State. Additionally, the City administers two single-employer pension funds as required by State Statute: a Police Relief and Pension Fund and a Firemen's Relief and Pension Fund.

TERS is a local single employer defined benefit pension retirement plan covering City of Tacoma employees. The Board of Administration of TERS administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code. As of December 31, 2009, there were 1,846 retirees and beneficiaries receiving benefits, 366 vested terminated employees entitled to future benefits, and 3,142 active members in TERS.

Employees covered by TERS are required by Chapter 1.30 of the Tacoma City Code to contribute to TERS. Contributions are based on the percent of employee pay shown in the following table:

Applicable Period	City Rate	Member Rate	Total Rate
1/1/1980 to 12/31/1996	10.44%	8.89%	19.33%
1/1/1997 to 12/31/2000	9.02%	7.68%	16.70%
1/1/2001 to 2/1/2009	7.56%	6.44%	14.00%
2/2/2009 to 12/31/2009	8.64%	7.36%	16.00%
1/1/2010 to 12/31/2010	9.72%	8.28%	18.00%
1/1/2011 to 12/31/2011	10.26% (1)	8.74% (1)	19.00%
1/1/2012 to 12/31/2012	10.80% (1)	9.20% (1)	20.00%

(1) Proposed by the TERS Board.

Following the market decline in 2008, and based on an actuarial valuation performed by Milliman (consulting actuary) recommended an increase in the contribution rates for 2009 and 2010. The increases were subsequently approved by the Tacoma City Council. Additional contribution are being recommended for 2011 and 2012 are shown above. The City continues to actively monitor TERS.

LEOFF contains two plans. Participants who joined the LEOFF system by September 30, 1970, are Plan I members ("LEOFF I"), and those who joined thereafter are Plan II members "LEOFF II"). Contribution rates for LEOFF I are developed by the Office of State Actuary to fully fund the system. LEOFF I members are required to contribute none of their annual covered salary, and the City is required to contribute 16 percent in each year from 2009 through 2012. The State is responsible for the balance of the funding.

LEOFF II employers and employees are required to pay at the level established by the Legislature. As of July 1, 2009, LEOFF II members were required to contribute 8.45 percent of their covered salary and the City was required to contribute 5.23 percent. For the period 2010 through 2012, employee rates increased to 8.46 percent and the City's contribution increased to 5.24 percent.

Other Post Employment Benefits

The Governmental Accounting Standards Board ("GASB") issued a standard concerning Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB 45). In addition to pensions, many state and local governmental employers provide other post-employment benefits ("OPEB") as part of total compensation to attract and retain the services of qualified employees. OPEB includes post employment health care as well as other forms of post-employment benefits that are provided separately from pension plan benefits. The new standard provides for the measurement, recognition and display of OPEB expenses/expenditures, related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports. This pronouncement became effective for the City for the fiscal year ended December 31, 2007.

Information about the City's OPEB obligation for the year ended December 31, 2009, is provided below.

OTHER POST EMPLOYMENT BENEFITS

	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
TERS	$ 4,424,675	27.27%	$7,925,270
LEOFF I	10,570,243	65.73	6,059,518
LEOFF II	1,638,600	6.65	4,952,248
Rail	128,717	43.57	(64,312)

Insurance Coverage

The City self-insures for all general liability claims. Funds are appropriated from the various cost centers based on prior claims history, and each cost center is assessed a proportionate share of administrative costs. The Self Insurance Program Claim Fund (the "Self Insurance Fund") is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with State law. The Self Insurance Fund is dedicated and requires a unanimous vote of the Council before its assets can be used for any purpose except insurance or casualty losses. Additionally, the City maintains a supplemental general liability policy with limits of $15 million, subject to a self-insured retention of $3 million.

The City has a policy to cover extraordinary workers' compensation claims with a limit of $25 million ($1 million retention), and a property coverage policy with a limit of $500 million replacement cost ($100,000 deductible per occurrence, with exceptions). Earthquake coverage has a per building deductible of the greater of five percent or $250,000.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for as a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, other financing sources, expenditures or expenses, as appropriate, and other financing uses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

The State Auditor is required to examine the affairs of all local governments at least once every three years. The City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the finance department of the City. Excerpts from the City's 2009 Comprehensive Annual Financial Report is attached as Appendix B.

Budget Process

The expenditure budget is as adopted by appropriation ordinance of the City Council and may be amended by subsequent ordinances. Budgets are legally adopted for all governmental fund types, with the exception of the capital projects funds. 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 City's Comprehensive Annual Financial Reports. All budgets are controlled at the fund level; the expenditures of a given fund may not legally exceed its appropriations. Any amendments to increase a fund's budget must be approved by the City Council. Budgets may be administratively revised within all funds as long as the total appropriation is not changed.

Governmental fund type budgets are on the modified accrual basis of accounting. All budgets are adopted on a basis consistent with generally accepted accounting principles.

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic plan, identifying goals, and setting priorities. City departments and agencies begin budget preparation in early June, while agency budget requests are due in late July. August is the month devoted to budget review and revision by the Budget and Research Division.

Labor Relations

As of September 1, 2010, the City employed approximately 3,821 people, including 2,371 general government and 1,450 Tacoma Public Utilities employees. As of such date, approximately 75 percent of those employees who are eligible under State law to be represented by a labor organization are members of one of the labor unions representing City employees. The following table shows the current union contracts and their respective expiration dates.

LABOR UNIONS

Labor Union	Contract Expiration Date
Tacoma Joint Labor Committee	12/31/2012
Local 17 International Federation of Professional and Technical Engineers	12/31/2010
Local 26 IUPA Tacoma Police Management Association (Captains and Lieutenants)	12/31/2011
Local 31 Tacoma Fire Fighters Union	12/31/2011
Local 117 Teamsters (General Unit)	12/31/2010
Local 117 Teamsters (Public Assembly Facilities (PAF) Unit)	12/31/2010
Local 117 Teamsters (Library Unit)	12/31/2010
Local 120 Washington State Council of County and City Employees	12/31/2010
Local 120 Washington State Council of County and City Employees (Library Unit)	12/31/2010
Local 160 IAM and AW International Association of Machinist and Aerospace Workers (General Unit)	12/31/2011
Local 160 IAM and AW (WWTP Supervisors Unit)	12/31/2010
Local 160 IAM & AW (Yard Clerk Unit)	12/31/2011 (1)
Local 160 IAM & AW (Rail Mechanics Unit)	12/31/2012 (1)
Local 160 IAM and AW (Track Workers Unit)	12/31/2012 (1)
Local 313 Teamsters	12/31/2010
Local 483 IBEW (Click! Unit)	12/31/2010
Local 483 IBEW (Custodial and Building Maintenance Unit)	12/31/2011
Local 483 IBEW (Customer and Field Services)	12/31/2010
Local 483 IBEW (Supervisors Unit)	12/31/2010
Local 483 IBEW (Tacoma Power)	03/31/2013 (2)
Local 483 IBEW (Water Division)	12/31/2010
Local 483 IBE (Water Pollution Control Unit)	12/31/2010
Local 483 IBEW (Clerical Unit)	12/31/2010
Local 6 IUPA Tacoma Police Union	12/31/2011
Professional Public Safety Managers Association	12/31/2011
Brotherhood of Locomotive Engineers	12/31/2001 (1)
United Transportation Union (Switch Crews Unit)	12/31/2010 (1)
United Transportation Union (Yardmasters)	12/31/2011 (1)

(1) Under the terms of the National Railway Labor Act (45 USC Section 8), the contract does not expire but is only amendable.

(2) A successor contract with Local 483 IBEW, Tacoma Power Unit is pending approval through the City Council. Once the contract is approved, the expiration date will become March 31, 2013. Approval is expected by early October 2010.

Source: City of Tacoma.

As provided by State law, matters that are delegated by the City Charter to the City's Civil Service Board are not negotiated at the bargaining table. Such matters include issues relating to tenure of employment, hiring, recruitment and termination.

INITIATIVE AND REFERENDUM

General. Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the Legislature and then, if not enacted, to the voters) and require the Legislature to refer legislation to the voters through the power of referendum. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws. The Washington State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several state-wide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Initiatives and Referendum filed for November 2010. Six initiatives and one referendum have been filed in the State for consideration by the voters at the general election in November 2010. The City has reviewed the potential budget impact if these State initiatives are approved by the voters. Two initiatives (I-1100 and I-1105) propose to privatize the distribution and sale of liquor. If approved by the voters, the City estimates that I-1100 could result in a $1.7 million decrease in taxes expected to be received by the City for the 2011-2012 biennium, and a $3.4 million decrease in the following biennium. Likewise, the City estimates that I-1105, if approved by the voters, could result in a $1.63 million decrease in taxes expected to be received by the City for the 2011-2012 biennium, and a $4.9 million decrease in the following biennium. The City estimates that I-1107, which would repeal the sales tax on candy, soft drinks and bottled water, could result in a $165,000 to $180,000 reduction in taxes expected to be received by the City in this time period.

City Initiatives and Referenda

Under the City Charter, Tacoma voters may initiate local legislation and City Charter amendments and modify existing legislation through the powers of initiative and referendum.

Future Initiatives and Legislative Action

Additional initiative petitions may be filed in the future. The City cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, the City cannot predict what actions the Legislature might take, if any, regarding any future initiatives approved by the voters.

GENERAL AND ECONOMIC INFORMATION

The City is the third largest city in the State and the county seat of Pierce County. It is located in the west-central part of the State, near the southern tip of Puget Sound, approximately 28 miles north of Olympia, the State capitol, and 32 miles south of Seattle. The City is a world-class port city, with various major downtown redevelopment projects undertaken over the last decade.

Population

POPULATION

Year	Pierce County	City of Tacoma	State of Washington
2010	814,600	204,200	6,733,250
2009	813,600	203,400	6,668,200
2008	805,400	202,700	6,587,600
2007	790,500	201,700	6,488,000
2006	773,500	199,600	6,375,600
2005	755,900	198,100	6,256,400

Source: Washington State Office of Financial Management estimates.

Income

PERSONAL INCOME AND PER CAPITA INCOME

	Pierce County		State of Washington	
Year	Total Personal Income (in thousands)	Per Capita Income	Total Personal Income (in thousands)	Per Capita Income
2008 (1)	$31,046,350	$39,444	$280,677,561	$42,747
2007	29,863,847	38,581	271,007,842	41,919
2006	27,915,671	36,527	252,022,976	39,550
2005	25,580,131	34,131	230,001,881	36,734
2004	23,906,049	32,248	222,378,678	35,959
2003	22,790,634	30,955	206,946,797	33,852

(1) Preliminary estimate. Most recent data available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Taxable Retail Sales

TAXABLE RETAIL SALES
($000)

Year	Pierce County	City of Tacoma
2010 (1)	$ 5,026,217	$ 1,798,785
2009	10,434,800	3,803,604
2008	11,711,653	4,288,739
2007	12,535,646	4,665,527
2006	12,154,469	4,536,401
2005	11,266,231	4,218,012

(1) Through the second quarter of 2010.
Source: Washington State Department of Revenue.

Building Permits

CITY OF TACOMA BUILDING PERMIT ACTIVITY

	City of Tacoma	
Year	**Total Number**	**Value**
2010 (1)	1,208	$249,073,088
2009	1,796	214,530,401
2008	2,146	343,884,905
2007	2,628	519,576,251
2006	2,746	482,193,083
2005	2,586	345,444,070

(1) Through September 2010.
Source: City of Tacoma Public Works Department, Building Division.

PIERCE COUNTY
RESIDENTIAL BUILDING PERMITS

	New Single Family Units		New Multi Family Units		Total
Year	**Number**	**Construction Cost**	**Number**	**Construction Cost**	**Construction Cost**
2010 (1)	1,207	$273,892,366	96	$ 10,662,659	$ 284,555,025
2009	1,240	242,118,582	804	79,995,681	322,114,263
2008	1,805	342,505,780	545	64,597,860	407,103,640
2007	3,571	725,405,494	1,561	182,469,096	907,874,590
2006	4,884	871,654,939	1,122	136,877,649	1,008,532,588
2005	5,515	940,937,931	1,311	149,095,600	1,090,033,531

(1) Through August 2010.
Source: *U.S. Bureau of the Census.*

Employment

Employment within the County is described in the following tables:

PIERCE COUNTY
MAJOR EMPLOYERS – 2010

Employer	Type of Business	Number of Employees
Joint Base Lewis McChord	Military	49,674
Local Public School Districts (K-12)	Education	13,381
Washington State Employees	Public Sector	7,448
Multicare Health System	Health Services	6,410
US Army Madigan Hospital	Military Health Care	5,554
Franciscan Health System	Health Services	5,028
City of Tacoma (including Tacoma Public Utilities)	Government/Public Offices	3,636
Pierce County Government	Government/Public Offices	3,059
Washington State Higher Education	Education	2,604
Washington State National Guard	Military	2,476
Emerald Queen Casino	Casino Gambling	2,105
The Boeing Company (Frederickson Site)	Aerospace	1,440
Wal-Mart	Retail	1,406
Fred Meyer Stores (includes part time employees)	Retail Store	1,301
US Postal Service	Government/Public Offices	1,192
Costco	Wholesale	1,151
Safeway Stores, Inc.	Grocery	1,123
State Farm Insurance Companies	Insurance	1,117
Pierce Transit	Transportation	971

Source: Economic Development Board of Tacoma-Pierce County.

TACOMA METROPOLITAN DIVISION (PIERCE COUNTY) NONAGRICULTURAL WAGE AND SALARY WORKERS AND LABOR FORCE AND EMPLOYMENT DATA (1)

NAICS Industry Title	**Annual Average**				
Resident Labor Force	**2010 (1)**	**2009**	**2008**	**2007**	**2006**
Employment	356,700	359,530	372,500	366,870	352,940
Unemployment	39,020	36,590	21,860	17,870	18,890
Total	395,720	396,120	394,360	384,740	371,830
Percent of Labor Force	9.9%	9.2%	5.5%	4.6%	5.1%
Total Nonfarm	263,900	268,900	280,600	281,300	272,800
Total Private	205,300	211,100	223,700	226,300	218,100
Goods Producing	33,500	36,300	43,700	46,500	44,100
Mining and Logging	300	300	400	500	400
Construction	17,000	19,200	23,500	25,500	23,500
Specialty Trade Contractors	10,800	12,100	15,000	16,000	14,500
Manufacturing	16,200	16,900	19,800	20,500	20,200
Services Providing	230,400	232,600	236,900	234,800	228,700
Trade, Transportation And Utilities	52,600	53,000	55,600	56,400	54,200
Wholesale Trade	11,000	10,900	11,400	11,400	10,700
Retail Trade	30,800	31,200	32,900	33,400	32,000
Food And Beverage Stores	5,400	5,400	5,500	5,400	5,300
General Merchandise Stores	7,600	7,800	7,900	7,900	7,200
Transportation, Warehousing And Utilities	10,800	10,900	11,400	11,600	11,500
Information	2,900	3,100	3,700	3,700	3,600
Financial Activities	12,200	12,900	13,300	13,700	14,000
Professional And Business Services	22,800	23,700	24,900	25,500	24,300
Admin, Support, Waste Mgmt & Remed.	13,100	13,300	14,300	15,200	14,500
Administrative And Support Services	11,400	11,900	12,900	13,800	13,300
Education And Health Services	43,500	43,300	41,600	40,400	39,200
Ambulatory Health Care Services	14,200	14,000	13,600	13,300	12,900
Hospitals	10,600	10,100	9,600	9,100	8,800
Leisure And Hospitality	25,100	26,100	27,800	27,500	26,400
Food Services And Drinking Places	19,800	20,600	22,100	22,200	21,200
Other Services	12,700	12,800	13,000	12,700	12,500
Government	58,700	57,800	56,900	54,900	54,600
Federal Government	13,200	11,700	10,800	10,300	10,500
State Government	11,200	11,700	11,900	11,400	11,200
State Government Educational Services	3,700	3,700	3,800	3,600	3,700
Local Government	34,300	34,400	34,300	33,300	32,900
Local Government Educational Services	18,500	18,400	18,200	18,000	18,000

(1) Average through August 2010.
Source: Washington State Employment Security Department

ENFORCEABILITY

The provisions of the Bonds and the Bond Ordinance, respectively, constitute contracts between the City and the owner or owners of the Bonds, and such provisions are enforceable by the registered owner or owners in a court of competent jurisdiction in the State by mandamus or other appropriate remedy, subject to judicial discretion and the valid exercise of sovereign police power of the State and may be limited by laws affecting the rights of creditors.

LEGAL INFORMATION

Litigation

There is no litigation pending or, to the actual knowledge of the City, threatened questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or seeking to enjoin the issuance of the Bonds.

Other Litigation Regarding the City

The City is a defendant in various legal actions and claims that arise during the normal course of business, some of which are covered by insurance. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable and, in the opinion of City management, the final outcome of these matters, taken individually or in the aggregate, will not have a material adverse effect on the governmental operations or financial position of the City or its ability to pay debt service on the Bonds. In most cases, the City has provided reserves for these matters which, in the opinion of City management, are adequate.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinions of K&L Gates LLP, Seattle, Washington, Bond Counsel. Forms of the opinions of Bond Counsel are attached hereto as Appendix A.

All legal opinions with respect to the enforceability of the Bonds will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the rights of creditors generally, and by general principles of equity. The forms of the opinions of Bond Counsel with respect to the Bonds are attached as Appendix A. Prospective investors concerned with the impact of any bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws should consult with their own independent counsel before purchasing any Bonds.

Conflicts of Interests

The fees of Bond Counsel, the Underwriter and the Financial Advisor are contingent upon the sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Underwriter in connection with transactions other than the issuance of the Bonds.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Bond Counsel, interest on the 2010A Bonds and 2010B Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2010A Bonds and 2010B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2010A Bonds and the 2010B Bonds (the "Tax-Exempt Bonds"), including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Tax-Exempt Bonds and the facilities financed and refinanced with proceeds of the Tax-Exempt Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Tax-Exempt Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Tax-Exempt Bonds regardless of the date on which the event causing taxability occurs. In rendering its opinion, Bond Counsel has also relied on the report of Robert Thomas CPA, LLC, Shawnee Mission, Kansas, independent certified public accountants, with respect to the accuracy of certain mathematical calculations.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Tax-Exempt Bonds, as applicable, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, the extent to which interest on the Tax-Exempt Bonds is included in adjusted current earnings for the purposes of computing the federal alternative minimum tax imposed on certain corporations and various withholding requirements.

Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of the Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Tax-Exempt Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Tax-Exempt Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds are advised that, if the IRS does audit the Tax-Exempt Bonds under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the Tax-Exempt Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Tax-Exempt Bonds until the audit is concluded, regardless of the ultimate outcome.

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

Premium. An amount equal to the excess of the purchase price of a Tax-Exempt Bond over its stated redemption price at maturity constitutes premium on that Tax-Exempt Bond. A purchaser of a Tax-Exempt Bond must amortize any premium over that Tax-Exempt Bond's term using constant yield principles, based on the Tax-Exempt Bond's yield to maturity. As premium is amortized, the purchaser's basis in the Tax-Exempt Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Tax-Exempt Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Tax-Exempt Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such Tax-Exempt Bonds.

Original Issue Discount. The initial public offering price of certain Tax-Exempt Bonds (the "Original Issue Discount Bonds"), is less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the Tax-Exempt Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Tax-Exempt Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

Taxable Bonds

This advice was written to support the promotion or marketing of the 2010C Bonds, the 2010D Bonds and the 2010E Bonds (the "Taxable Bonds"). This advice is not intended or written by K&L Gates LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the Taxable Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of the Taxable Bonds. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only Taxable Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the Taxable Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Taxable Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE TAXABLE BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE TAXABLE BONDS.

For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts (“Foreign Owners”) to the extent that their ownership of the Taxable Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain “single member entities” are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. Interest derived from a Taxable Bond by an Owner is subject to U.S. federal income taxation. In addition, a Taxable Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

The City will make irrevocable elections to have the 2010D Bonds treated as “Build America Bonds” within the meaning of section 54AA(d) of the of the Code that are “qualified bonds” within the meaning of section 54AA(d) of the Code. As a result of these elections, interest on the 2010D Bonds is not excludable from the gross income of the Owners for federal income tax purposes. Owners of the 2010D Bonds will not be entitled to any tax credits as a result either of ownership of the 2010D Bonds or of receipt of any interest payments on the 2010D Bonds. In addition, a 2010D Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

The City will also make irrevocable elections to have the 2010E Bonds treated as “Recovery Zone Economic Development Bonds” within the meaning of section 1400U-2 of the of the Code that are “qualified bonds” within the meaning of section 54AA(d) of the Code. As a result of these elections, interest derived from a 2010E Bond by an Owner is subject to U.S. federal income taxation. Owners of the 2010E Bond will not be entitled to any tax credits as a result either of ownership of the 2010E Bond or of receipt of any interest payments on the 2010E Bonds. In addition, a 2010E Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Interest, including additional amounts of cash and interest, if any, paid on the Taxable Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner’s method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a Taxable Bond, or upon the retirement of a Taxable Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner’s adjusted tax basis in the Taxable Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. If the City defeases any Taxable Bonds, such Taxable Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the Owner of a Taxable Bond would recognize a gain or loss on the Taxable Bond at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the Taxable Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

Original Issue Discount. The initial public offering price of certain 2010E Bonds (the "Original Issue Discount Bonds"), is less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the 2010E Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such 2010E Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

ERISA CONSIDERATIONS—TAXABLE BONDS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any Taxable Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold Taxable Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by independent "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a Taxable Bond, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such Taxable Bond, or (ii) the Underwriter is not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such Taxable Bond, or (iii) the purchase and holding of such Taxable Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the Taxable Bonds.

CONTINUING DISCLOSURE

Contract/Undertaking. In accordance with Section (b)(5) of Securities and Exchange Commission (the "Commission") Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the City has agreed in the Bond Ordinance, for the benefit of the beneficial owners of the Bonds, to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ended December 31, 2010):

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

2. The assessed valuation of taxable property in the City;

3. Ad valorem taxes due and percentage of taxes collected;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB's internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB or filed with the Commission.

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

Material Events. The City agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the 2010A Bonds or the 2010B Bonds;

- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856);
- Defeasances;
- Release, substitution or sale of property securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no debt service reserves or property secures payment of the Bonds.

Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in paragraphs 1 through 5 above on or prior to the date set forth in "Contract/Undertaking" above.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org (which is not incorporated herein by this reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

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

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

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

Compliance With Prior Undertakings

The City is in compliance with its previous undertakings to provide continuing disclosure under the Rule.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned their underlying ratings of "Aa2," "AA" and "AA+," respectively, to the 2010A Bonds. Moody's, S&P and Fitch have assigned their underlying ratings of "Aa3," "AA" and "AA," respectively, to the LTGO Bonds. Such ratings will reflect only the views of the respective Rating Agency at the time the ratings will be given, and the City makes no representation as to the appropriateness of such ratings. Certain information was supplied by the City to such rating agencies to be considered in evaluating the Bonds.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITER OF THE BONDS

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The 2010A Bonds are being purchased at a price of $24,254,827.95, and will be reoffered at a price of $24,338,590.05. The 2010B Bonds are being purchased at a price of $7,743,031.90, and will be reoffered at a price of $7,771,201.55. The 2010C Bonds are being purchased at a price of $7,324.256.10, and will be reoffered at a price of $7,355,000.00. The 2010D Bonds are being purchased at a price of $30,081,129.00, and will be reoffered at a price of $30,225,000.00. The 2010E Bonds are being purchased at a price of $9,026,764.10, and will be reoffered at a price of $9,071,227.20.

The Underwriter has entered into an agreement (the **"**Distribution Agreement**"**) with Advisors Asset Management, Inc. (**"**AAM**"**) for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

The applicable prices or yields are set forth on the inside cover pages of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering price set forth on the inside cover pages hereof, and such initial offering price may be changed from time to time, by the Underwriter. After the initial public offering, the public offering price may be varied from time to time.

FINANCIAL ADVISOR

Public Financial Management, Inc., Seattle, Washington, has acted as financial advisor to the City in connection with the issuance of the Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or the other information available from the City with respect to the appropriateness, accuracy and completeness of the disclosure of such information, and the financial advisor makes no guarantee, warranty or other representation on any matter related to such information.

OFFICIAL STATEMENT CERTIFICATE

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of their knowledge, this Official Statement, as of its date and as of the date of the delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described herein. The information has been compiled from official sources and, while not guaranteed by the City, is believed to be correct.

The purpose of this Official Statement is to supply information to purchasers of the Bonds. The summaries provided in this Official Statement and in the appendices attached hereto of the Bonds and the documents referred to herein do not purport to be comprehensive or definitive, and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of the documents referred to herein are available for inspection during the period of the offering at the principal office of the City.

The City has authorized the execution and delivery of this Official Statement. This Official Statement shall not be construed as a contract or agreement with purchasers of the Bonds.

CITY OF TACOMA, WASHINGTON

By: /s/ Robert K. Biles
Robert K. Biles, Finance Director

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APPENDIX A

FORMS OF LEGAL OPINIONS

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K&L | GATES

K&L Gates LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104-1158

T 206.623.7580 www.klgates.com

November 10, 2010

City of Tacoma
Tacoma, Washington

Piper Jaffray & Co.
Seattle, Washington

Re: City of Tacoma, Washington, Unlimited Tax General Obligation Refunding Bonds, 2010A — $21,870,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Unlimited Tax General Obligation Refunding Bonds, 2010A (the "2010A Bonds"), in the aggregate principal amount of $21,870,000. The 2010A Bonds are issued pursuant to Substitute Ordinance No. 27921 of the City Council passed on September 14, 2010, and Substitute Resolution No. 38136 of the City Council adopted on October 26, 2010 (together, the "Bond Ordinance"), to finance the costs of refunding and defeasing a portion of the City's outstanding Unlimited Tax General Obligation Bonds, 2002 and pay the costs of issuance of the 2010A Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. Simultaneously with the issuance of the 2010A Bonds, the City is issuing its Limited Tax General Obligation Refunding Bonds, 2010B, Limited Tax General Obligation Refunding Bonds, 2010C (Taxable), Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds — Direct Payment to Issuer), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds — Direct Payment to Issuer).

The 2010A Bonds are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010A Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From such examination, as of this date and under existing law, we express the following opinions.

1. The 2010A Bonds have been legally issued and constitute valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the 2010A Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. Both principal of and interest on the 2010A Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City without limitation as to rate or amount and in amounts that, together with other available funds, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the 2010A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2010A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on corporations. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2010A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2001A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010A Bonds.

The City has not designated the 2010A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010A Bonds. Owners of the 2010A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

K&L|GATES

K&L Gates LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104-1158

T 206.623.7580 www.klgates.com

November 10, 2010

City of Tacoma
Tacoma, Washington

Piper Jaffray & Co.
Seattle, Washington

Re: City of Tacoma, Washington, Limited Tax General Obligation Refunding Bonds, 2010B — $7,355,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2010B (the "2010B Bonds"), in the aggregate principal amount of $7,355,000. The 2010A Bonds are issued pursuant to Substitute Ordinance No. 27921 of the City Council passed on September 14, 2010, and Substitute Resolution No. 38136 of the City Council adopted on October 26, 2010 (together, the "Bond Ordinance"), to finance capital improvements and acquisitions of the City, including building, street and other infrastructure improvements; to defease and/or refund certain outstanding limited tax general obligation bonds of the City; and to pay the costs of issuance of the 2010B Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. Simultaneously with the issuance of the 2010B Bonds, the City is issuing its Unlimited Tax General Obligation Refunding Bonds, 20010A, Limited Tax General Obligation Refunding Bonds, 2010C (Taxable), Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds — Direct Payment to Issuer), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds — Direct Payment to Issuer).

The 2010B Bonds are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010B Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From such examination, as of this date and under existing law, we express the following opinions.

1. The 2010B Bonds have been legally issued and constitute valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the 2010B Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. Both principal of and interest on the 2010B Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in amounts that, together with all other legally available funds, including amounts derived from Lodging Taxes, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the 2010B Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2010B Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2010B Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on corporations. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2010B Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2001B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010B Bonds.

The City has not designated the 2010B Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010B Bonds. Owners of the 2010B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010B Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

K&L|GATES

K&L Gates LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104-1158

T 206.623.7580 www.klgates.com

November 10, 2010

City of Tacoma
Tacoma, Washington

Piper Jaffray & Co.
Seattle, Washington

Re: City of Tacoma, Washington, Limited Tax General Obligation Refunding Bonds, 2010C (Taxable) — $7,355,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the “City”), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2010C (Taxable) (the “2010C Bonds”), in the aggregate principal amount of $7,355,000. The 2010C Bonds are issued pursuant to Substitute Ordinance No. 27921 of the City Council passed on September 14, 2010, and Substitute Resolution No. 38136 of the City Council adopted on October 26, 2010 (together, the “Bond Ordinance”), to prepay and redeem a taxable limited tax general obligation bond of the City issued to finance the costs of improvements to the South Parking Garage; to defease and/or refund certain outstanding limited tax general obligation bonds of the City; and to pay costs of issuance of the 2010C Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. Simultaneously with the issuance of the 2010C Bonds, the City is issuing its Unlimited Tax General Obligation Refunding Bonds, 20010A, Limited Tax General Obligation Refunding Bonds, 2010B, Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds — Direct Payment to Issuer), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds — Direct Payment to Issuer).

The 2010C Bonds are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010B Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From such examination, as of this date and under existing law, we express the following opinions.

1. The 2010C Bonds have been legally issued and constitute valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the 2010C Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. Both principal of and interest on the 2010C Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in amounts that, together with all other legally available funds, including amounts derived from Lodging Taxes, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the 2010C Bonds is not excludable from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010C Bonds. Owners of the 2010C Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010C Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

K&L|GATES

K&L Gates LLP
925 Fourth Avenue
Suite 2900
Seattle, WA 98104-1158

T 206.623.7580 www.klgates.com

November 10, 2010

City of Tacoma
Tacoma, Washington

Piper Jaffray & Co.
Seattle, Washington

Re: City of Tacoma, Washington, Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds — Direct Payment to Issuer) — $30,225,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds – Direct Payment to Issuer) (the "2010D Bonds"), in the aggregate principal amount of $30,225,000. The 2010D Bonds are issued pursuant to Substitute Ordinance No. 27921 of the City Council passed on September 14, 2010, and Substitute Resolution No. 38136 of the City Council adopted on October 26, 2010 (together, the "Bond Ordinance"), to finance capital improvements and acquisitions of the City, including building, street and other infrastructure improvements, and pay the costs of issuance of the 2010D Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. Simultaneously with the issuance of the 2010D Bonds, the City is issuing its Unlimited Tax General Obligation Refunding Bonds, 20010A, Limited Tax General Obligation Refunding Bonds, 2010B, Limited Tax General Obligation Refunding Bonds, 2010C (Taxable), and Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds — Direct Payment to Issuer).

The 2010D Bonds are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010D Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From such examination, as of this date and under existing law, we express the following opinions.

1. The 2010D Bonds have been legally issued and constitute valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the 2010D Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. Both principal of and interest on the 2010D Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in amounts that, together with all other legally available funds, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the 2010D Bonds is not excludable from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010D Bonds. Owners of the 2010D Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010D Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

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November 10, 2010

City of Tacoma
Tacoma, Washington

Piper Jaffray & Co.
Seattle, Washington

Re: City of Tacoma, Washington, Limited Tax General Obligation Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds — Direct Payment to Issuer) — $9,130,000

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Bonds, 2010E (Taxable Build America Bonds – Direct Payment to Issuer) (the "2010E Bonds"), in the aggregate principal amount of $9,130,000. The 2010E Bonds are issued pursuant to Substitute Ordinance No. 27921 of the City Council passed on September 14, 2010, and Substitute Resolution No. 38136 of the City Council adopted on October 26, 2010 (together, the "Bond Ordinance"), to finance the acquisition and construction of a parking structure on City-owned land near the Tacoma Dome and pay the costs of issuance of the 2010E Bonds. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. Simultaneously with the issuance of the 2010E Bonds, the City is issuing its Unlimited Tax General Obligation Refunding Bonds, 20010A, Limited Tax General Obligation Refunding Bonds, 2010B, Limited Tax General Obligation Refunding Bonds, 2010C (Taxable), and Limited Tax General Obligation Bonds, 2010D (Taxable Build America Bonds — Direct Payment to Issuer).

The 2010E Bonds are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2010E Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also examined such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From such examination, as of this date and under existing law, we express the following opinions.

1. The 2010E Bonds have been legally issued and constitute valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the 2010E Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. Both principal of and interest on the 2010E Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in amounts that, together with all other legally available funds, will be sufficient to pay such principal and interest as the same shall become due.

4. Interest on the 2010E Bonds is not excludable from gross income for federal income tax purposes.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2010E Bonds. Owners of the 2010E Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2010E Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

APPENDIX B

EXCERPTS FROM THE CITY'S 2009 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 16, 2010

Mayor and City Council
City of Tacoma
Tacoma, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Power, Sewer, and Water funds, which are presented as major funds and represent 85 percent, 90 percent, and 86 percent, respectively, of all the assets, net assets and revenues of the business-type activities. We also did not audit the financial statement of the Solid Waste fund which represents 5 percent, .5 percent and 10 percent, respectively, of the assets, net assets and revenues of the business-type activities, and 8 percent, .6 percent and 11 percent, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Power, Sewer, Water and Solid Waste funds is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Power, Sewer, Water and Solid Waste funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tacoma, Pierce County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated, 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. That report will be issued under separate cover in the City's Single Audit Report. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2-3 through 2-12, pension trust information on pages 4-1 through 4-4 and budgetary comparison on pages 4-5 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining statements and other supplementary information on pages 5-1 through 5-105 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tacoma, we offer readers of the City of Tacoma's financial statements this narrative overview and analysis of the financial activities of the City of Tacoma for the fiscal year ended December 31, 2009. 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 pages 1-1 to 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets exceeded the City's liabilities by $2.4 billion. Of this amount, $309.1 million were reported as unrestricted net assets; amounts which are available for use to meet the City's on-going obligations to citizens and creditors.
- The City's net assets increased by $50.2 million. This increase is due to an increase in the capital assets in the Business Activities.
- Tacoma Power reported a change in net assets of $40.3 million, down $33.2 million from 2008.
- Tacoma Water reported change in net assets of $8.6 million, down $3.6 million from 2008.

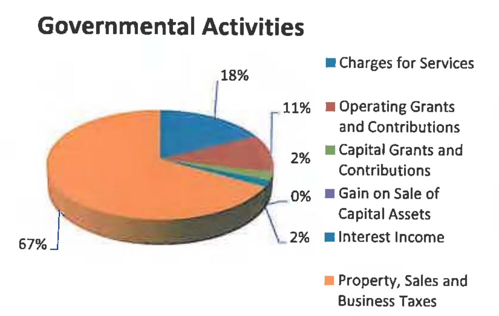
Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).



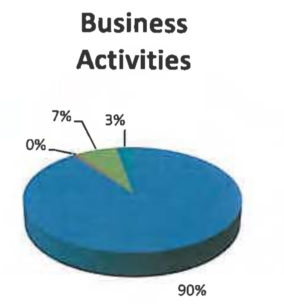


Figure 1. Comparison of Governmental and Business Activity Revenues

Both the Statement of Net Assets 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, public works, economic environment/development, and culture and recreation and are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover most if not all of their costs through user fees and charges for services. The government-wide financial statements can be found on pages 3-2 to 3-5 of this report.

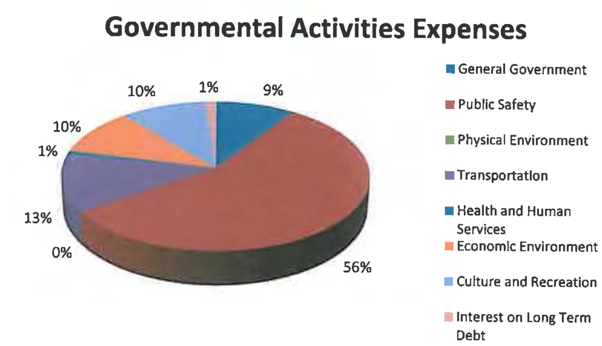


Figure 2. Governmental Activities Expenses

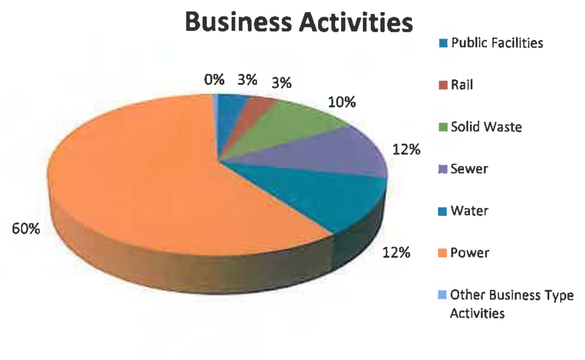


Figure 3. Business Activities Expenses

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

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

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

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

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

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

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

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

Notes to the Financial Statements
The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-24 to 3-75 of this report.

Required Supplementary Information
In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information (RSI) concerning the City of Tacoma's budget. Required supplementary information can be found on pages 4-1 to 4-5 of this report.

Combining Statements – Non-Major funds
The combining statements referred to earlier in connection with Non-Major governmental funds, internal service funds, and fiduciary funds can be found on pages 5-1 to 5-105 of this report.

Statistical Section
This 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 6-24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The City's total assets exceeded liabilities by $2.4 billion at December 31, 2009. Eighty-one percent of the total net assets reflect the City's investment in capital, less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Thirteen percent of the City's net assets are unrestricted, meaning they are available for meeting the City's ongoing obligations. The remaining six percent of the net assets are restricted for other purposes such as debt redemption and new capital construction. General government net assets represent 32% of the total and business-type net assets represent 68% of the total.

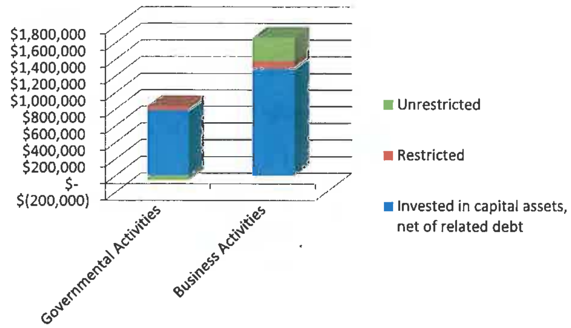


Figure 4. Comparison of Net Assets, By Activity Type (Amounts expressed in thousands)

Statement of Net Assets
For the Year Ended December 31, 2009

(Amounts expressed in thousands)	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 248,029	$ 256,246	$ 910,075	$ 859,120	$ 1,158,104	$ 1,115,366
Capital assets	787,640	803,036	2,178,822	2,081,181	2,966,462	2,884,217
Total assets	$ 1,035,669	$ 1,059,282	$ 3,088,897	$ 2,940,301	$ 4,124,566	$ 3,999,583
Current and other liabilities	$ 87,092	$ 87,332	$ 238,999	$ 254,163	$ 326,091	$ 341,495
Long-term liabilities outstanding	169,879	112,069	1,192,204	$ 1,159,862	1,362,083	1,271,931
Total liabilities	$ 256,971	$ 199,401	$ 1,431,203	$ 1,414,025	$ 1,688,174	$ 1,613,426
Net Assets:						
Invested in capital assets, net of related debt	$ 697,653	$ 716,586	$ 1,286,616	$ 1,202,761	$ 1,984,269	$ 1,919,347
Restricted	48,852	23,144	94,139	54,137	142,991	77,281
Unrestricted	32,193	120,151	276,939	269,378	309,132	389,529
Total net assets	$ 778,698	$ 859,881	$ 1,657,694	$ 1,526,276	$ 2,436,392	$ 2,386,157

Table 1. Summary Statement of Net Assets

The City's net assets increased $50.2 million. This increase is due to an increase in the capital assets in the Business Activities. See the accompanying notes to the financial statements for more information on changes in capital assets.

Restricted cash in the governmental activities increased $25.7 million from LTGO Bonds issued in 2009 for $48.9 million. The proceeds of these funds are to be used for the Cheney Stadium renovations and other capital projects.

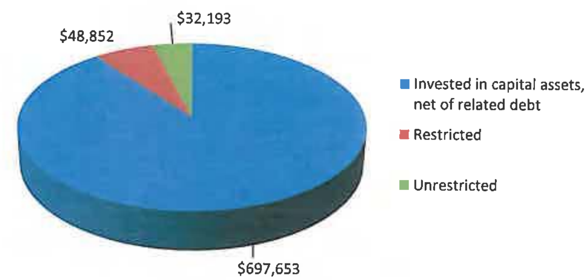


Figure 5. Composition of Net Assets--Governmental Activities (Amounts expressed in thousands)

City of Tacoma, Washington
Changes in Net Assets

(Amounts expressed in thousands)	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	$ 38,574	$ 37,282	$ 589,299	$ 627,693	$ 627,873	$ 664,975
Operating grants and contributions	24,245	12,516	3,821	11,252	28,066	23,768
Capital grants and contributions	5,058	8,244	43,784	35,600	48,842	43,844
General revenues						
Property taxes	62,564	58,498	-	-	62,564	58,498
Other taxes	85,308	96,720	-	1,715	85,308	98,435
Other	40,426	9,271	(15,823)	22,575	24,603	31,846
Total revenue	$ 256,175	$ 222,531	$ 621,081	$ 698,835	877,256	$ 921,366
Expenditures						
General government	$ 27,788	$ 24,504	$ -	$ -	$ 27,788	$ 24,504
Public safety	168,059	143,922	-	-	168,059	143,922
Physical environment	-	622	-	-	-	622
Transportation	37,608	53,007	-	-	37,608	53,007
Health and human services	2,369	2,051	-	-	2,369	2,051
Economic development	30,332	26,947	-	-	30,332	26,947
Culture and recreation	30,052	22,815	-	-	30,052	22,815
Interest on long-term debt	3,777	3,905	-	-	3,777	3,905
Public assembly facilities	-	-	19,051	18,562	19,051	18,562
Rail	-	-	16,986	20,286	16,986	20,286
Solid waste	-	-	51,563	52,530	51,563	52,530
Sewer	-	-	61,681	55,121	61,681	55,121
Water	-	-	61,769	58,685	61,769	58,685
Power	-	-	317,481	334,180	317,481	334,180
Other business-type funds	-	-	3,017	6,922	3,017	6,922
Total expenses	$ 299,985	$ 277,773	$ 531,548	$ 546,286	$ 831,533	$ 824,059
Increase/(Decrease) in net assets before transfers	(43,810)	(55,242)	89,533	152,549	45,723	97,307
Transfers	-	35,212	-	(35,212)	-	-
Increase/(Decrease) in net assets	$ (43,810)	$ (20,030)	$ 89,533	$ 117,337	$ 45,723	$ 97,307
Net assets--January 1, 2009	859,881	883,895	1,526,277	1,408,158	2,386,158	2,292,053
Prior Period Adjustments	(37,373)	(3,984)	41,884	781	4,511	(3,203)
Net assets--January 1, 2009	822,508	879,911	1,568,161	1,408,939	2,390,669	2,288,850
Net assets--December 31, 2009	$ 778,698	$ 859,881	$ 1,657,694	$ 1,526,276	$ 2,436,392	$ 2,386,157

Table 2. Changes in Net Assets

The governmental activities net assets decreased by $81.2 million in 2009 due to a decrease in assets of $23.6 million and an increase of $57.6 million in liabilities.

Business activities' net assets increased by $131.4 million in 2009, which is $13.3 million higher than 2008. This is a result of a decrease in expenses of $14.7 million.

Information on significant outstanding claims can be found in Note 9.

Financial Analysis of the City's Fund Statements

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

Governmental Fund Statements
Fund balance for the City's General Fund decreased by $14.1 million in 2009. The fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, increased by $34.9 million. The General Fund's balance decreased due to lower tax revenues, lower intergovernmental revenues and increased expenditures.

Proprietary Fund Statements
The total net assets for enterprise funds' decreased $87.3 million in 2009. The Power, Water, Solid Waste and Sewer utilities make up the majority of the proprietary funds. Activity in these utilities was the primary driver for the change in the net assets. All four of these utilities had a significant increase in their net assets due to upgrades to existing utility plants or capital contributions.

The internal service funds' net assets decreased by $6.1 million. This is the result of increased liabilities of $9.0 million and an increase of $3.9 million in capital assets.

General Fund Budgetary Highlights

In 2009, the City made budgetary adjustments as part of the 2009-2010 Biennium End Budget Amendment. Budget revisions included $5.5 million of transfers from other funds to support the General Fund. The City's budget is a two year biennium budget which begins every odd year.

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets
The City of Tacoma's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of December 31, 2009, is $2.1 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, infrastructure, museum and historical collections, as well as library materials. The vast majority of this amount represents assets held by the City's various utilities and infrastructure.

The following table summarizes the City's investment in capital assets.

City of Tacoma, Washington
Schedule of Capital Assets

(Amounts expressed in thousands)	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 26,807	$ 25,419	$ 136,986	$ 133,903	$ 163,793	$ 159,322
Parks	5,248	5,245	-	-	5,248	5,245
Construction in progress	62,591	17,461	70,092	192,239	132,683	209,700
Property, plant and equipment	199,603	242,244	3,095,572	2,765,369	3,295,175	3,007,613
Infrastructure	1,137,537	1,131,836	-	-	1,137,537	1,131,836
Works of art	1,545	918	-	-	1,545	918
Library materials	19,259	19,384	-	-	19,259	19,384
Less accumulated depreciation	(664,950)	(639,471)	(1,123,828)	(1,018,778)	(1,788,778)	(1,658,249)
Other Non-Current Assets	-	-	-	8,448	-	8,448
	$ 787,640	$ 803,036	$ 2,178,822	$ 2,081,181	$ 2,966,462	$ 2,884,217

Table 3. Schedule of Capital Assets

Additional information on the City's capital assets can be found in Notes 1-D5 and 4-C of the Notes to the Financial Statements.

Outstanding Debt

The City's debt at December 31, 2009 was $1.3 billion. Approximately 80% of the bonded debt is related to utilities with repayment pledged by specific revenue sources generated by the utilities. Of the remaining 20% bonded debt, debt is either secured by voter approved special levies or general government resources. Additional information on the City of Tacoma's long-term debt can be found in Note 4-F and Note 12 of the Notes to the Financial Statements.

City of Tacoma, Washington
Schedule of Long Term Debt

(Amounts expressed in thousands)	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Bonded debt and loans	$ 136,368	$ 82,982	$ 1,175,313	$ 1,150,767	$ 1,311,681	$ 1,233,749
Capital leases	2,501	3,401	180	220	2,681	3,621
Claims and judgments	59,693	54,342	1,972	2,501	61,665	56,843
Accrued landfill liability	-	-	40,786	39,833	40,786	39,833
Compensated absences	19,443	18,280	16,342	14,756	35,785	33,036
	$ 218,005	$ 159,005	$ 1,234,593	$ 1,208,077	$ 1,452,598	$ 1,367,082

Table 4. Schedule of Long Term Debt

The City's debt rating for 2009 is as follows:

	Moody's	S&P	Fitch
GO	A1	AA-	AA-
LTGO	A1	AA-	AA-
Solid Waste	A2	AA	A+
Sewer	Aa3	AA+	AAA
Water	Aaa	AAA	--
RWSS	Aa3	AA-	--
Power	Aa3	AA-	A+
Convention Center Revenue	A3	A	A+

Economic Factors

The economy in Tacoma has managed to survive the economic downturn better than many other areas, primarily due to the two main economic engines, military and health care, powering the local economy. The strong military and health care sectors provide a counter cyclical support which offsets negative forces.

As we moved closer to 2010, the economy suffered the worst downturn in many years, with significant drop off in tax receipts and a significant increase in the unemployment levels. This, in turn, has caused an increase in demand for City services, while we are underperforming in terms of revenues, challenges that the City anticipates facing head on until the fundamentals in the economy turn around and the economy starts to rebound.

Other Considerations

In response to the slowing economy, the City has taken steps to reduce the discretionary spending, but revenue growth is limited by several citizen initiatives that limit the growth of property tax collections, and a significant decrease in the sales of homes and new vehicles.

The City has adopted the Model Ordinance in accordance with Washington State House Bill 2030 to provide for municipal tax uniformity among the cities in Washington that impose a Business & Occupation (B&O) tax. The Model Ordinance adversely impacts the City's B&O tax revenues; the full impact is estimated at a minimum of $1.5 million a year beginning in 2008.

Requests for Information

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

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2009 Comprehensive Annual Financial Report *City of Tacoma, Washington*

STATEMENT OF NET ASSETS
December 31, 2009
(amounts expressed in thousands)
Page 1 of 2

Page 2 of 2

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TCRA	GTRCC PFD	FWDA
ASSETS						
Cash and cash equivalents	$ 184,071	$ 409,785	$ 593,856	$ 2,645	$ 195	$ 837
Investments at fair value	2,232	-	2,232	-	-	-
Receivables (net of allowance for uncollectibles)	22,705	89,785	112,490	1,143	-	174
Due from other governmental units	13,809	1,446	15,255	-	191	6
Internal balances	13,687	(13,687)	-	-	-	-
Inventories	3,435	11,186	14,621	-	-	-
Prepaids	753	2,555	3,308	12	-	20
Other non-current assets	7,337	3,280	10,617	-	-	-
Temporarily restricted assets:						
Cash and cash equivalents	-	338,833	338,833	-	-	-
Investments at fair value	-	805	805	-	-	-
Notes and contracts receivable	-	3,768	3,768	-	-	-
Contracts, notes, non-current leases	-	62,319	62,319	45,654	-	-
Capital assets (not being depreciated):						
Land	26,807	136,986	163,793	434	-	8,322
Parks	5,248	-	5,248	-	-	1,445
Construction in progress	62,591	70,092	132,683	-	-	2,370
Capital assets:						
Property, plant, and equipment	199,603	3,095,572	3,295,175	2,957	-	13,976
Infrastructure	1,137,537	-	1,137,537	-	-	-
Works of art	1,545	-	1,545	-	-	-
Library materials	19,259	-	19,259	-	-	-
Accumulated depreciation	(664,950)	(1,123,828)	(1,788,778)	-	-	(1,257)
Total assets	$ 1,035,669	$ 3,088,897	$ 4,124,566	$ 52,845	$ 386	$ 25,893
LIABILITIES						
Accounts payable and other current liabilities	$ 17,936	$ 61,781	$ 79,717	2,688	-	107
Deposits payable	17	3,717	3,734	-	-	29
Due to other governments	270	384	654	-	386	4,161
Unearned revenue	5,951	97,207	103,158	-	-	25
Payable from restricted assets current liabilities	-	1,900	1,900	-	-	-
Other liabilities	-	19,799	19,799	-	-	-
Special assessment debt with governmental commitment	260	-	260	-	-	-
Net OPEB obligation	14,235	4,701	18,936	-	-	-
Non-current liabilities:						
Due within one year	62,658	54,211	116,869	362	-	-
Due in more than one year	155,644	1,187,503	1,343,147	4,662	-	-
Total liabilities	$ 256,971	$ 1,431,203	$ 1,688,174	$ 7,712	$ 386	$ 4,322
NET ASSETS						
Investment in capital assets, net of related debt	$ 697,653	$ 1,286,616	$ 1,984,269	$ 3,391	$ -	$ 20,695
Restricted for:						
Capital purposes	-	23,477	23,477	-	-	-
Debt service	48,852	39,156	88,008	-	-	-
Housing urban development	-	-	-	41,742	-	-
Water & assurance & system development	-	28,143	28,143	-	-	-
Other purposes	-	3,363	3,363	-	-	-
Unrestricted	32,193	276,939	309,132	-	-	876
Total net assets	$ 778,698	$ 1,657,694	$ 2,436,392	$ 45,133	$ -	$ 21,571

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

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

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

(amounts expressed in thousands)

2009 Comprehensive Annual Financial Report

City of Tacoma, Washington

		PROGRAM REVENUES			CHANGES IN NET ASSETS					
					PRIMARY GOVERNMENT			COMPONENT UNITS		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANT & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TCRA	GTRCC PFD	FWDA
Primary government:										
Governmental activities:										
General government	$ 27,788	$ 11,747	$ 337	$ -	$ (15,704)	$ -	$ (15,704)	$ -	$ -	$ -
Public safety	168,059	12,409	2,498	337	(152,815)	-	(152,815)	-	-	-
Transportation	37,608	7,820	15,663	1,098	(13,027)	-	(13,027)	-	-	-
Health and human services	2,369	815	56	-	(1,498)	-	(1,498)	-	-	-
Economic environment	30,332	5,372	5,069	929	(18,962)	-	(18,962)	-	-	-
Culture and recreation	30,052	411	622	2,694	(26,325)	-	(26,325)	-	-	-
Interest on long-term debt	3,777	-	-	-	(3,777)	-	(3,777)	-	-	-
Total governmental activities	$ 299,985	$ 38,574	$ 24,245	$ 5,058	$ (232,108)	$ -	$ (232,108)	$ -	$ -	$ -
Business-type activities:										
Airport	$ 73	$ -	$ -	$ -	$ -	$ (73)	$ (73)	$ -	$ -	$ -
Mountain Rail	2,536	2,005	3,737	-	-	3,206	3,206	-	-	-
Parking Garage	2,940	3,328	-	19,115	-	19,503	19,503	-	-	-
Convention Center	10,451	4,046	-	-	-	(6,405)	(6,405)	-	-	-
Baseball Park	689	222	-	2,298	-	1,831	1,831	-	-	-
Tacoma Dome	5,983	5,596	-	-	-	(387)	(387)	-	-	-
Performing Arts	1,928	-	-	148	-	(1,780)	(1,780)	-	-	-
Solid Waste	51,563	55,928	84	-	-	4,449	4,449	-	-	-
Waste Water	61,681	75,098	-	2,559	-	15,976	15,976	-	-	-
Union Station	4	-	-	-	-	(4)	(4)	-	-	-
Tacoma Rail	14,450	15,574	-	837	-	1,961	1,961	-	-	-
Water	61,769	65,622	-	7,121	-	10,974	10,974	-	-	-
Power	317,000	361,694	-	9,845	-	54,539	54,539	-	-	-
Low income Assistance	-	181	-	-	-	181	181	-	-	-
Power - Conservation	481	5	-	1,861	-	1,385	1,385	-	-	-
Total business-type activities	$ 531,548	$ 589,299	$ 3,821	$ 43,784	$ -	$ 105,356	$ 105,356	$ -	$ -	$ -
Total primary government	$ 831,533	$ 627,873	$ 28,066	$ 48,842	$ (232,108)	$ 105,356	$ (126,752)	$ -	$ -	$ -
Component units:										
TCRA	$ 2,502	$ -	$ 3,989	$ -	$ -	$ -	$ -	$ 1,487	$ -	$ -
GRTCC PDF	2,562	-	-	-	-	-	-	-	(2,562)	-
FWDA	1,412	538	1,663	27	-	-	-	-	-	816
Total component units	$ 6,476	$ 538	$ 5,652	$ 27	$ -	$ -	$ -	$ 1,487	$ (2,562)	$ 816
General revenues:										
Property taxes					$ 62,564	$ -	$ 62,564	$ -	$ -	$ -
Sales taxes					42,256	-	42,256	-	2,543	-
Business taxes					43,052	-	43,052	640	19	-
Unrestricted investment earnings					5,699	18,427	24,126	-	-	11
Gain on sale of capital assets					344	133	477	-	-	-
Transfers					34,383	(34,383)	-	-	-	-
Total general revenues and transfers					$ 188,298	$ (15,823)	$ 172,475	$ 640	$ 2,562	$ 11
Change in net assets					$ (43,810)	$ 89,533	$ 45,723	$ 2,127	$ -	$ 827
Net assets beginning					$ 859,881	$ 1,526,277	$ 2,386,158	$ 42,999	$ -	$ 20,744
Prior period adjustment					$ (37,373)	$ 41,884	$ 4,511	$ 7	$ -	$ -
Net assets beginning (restated)					$ 822,508	$ 1,568,161	$ 2,390,669	$ 43,006	$ -	$ 20,744
Net assets ending					$ 778,698	$ 1,657,694	$ 2,436,392	$ 45,133	$ -	$ 21,571

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009
(amounts expressed in thousands)

	GENERAL FUND # 0010	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash & cash equivalents	$ 15,801	$ 114,695	$ 130,496
Investments	-	2,232	2,232
Accounts receivables (net of allowances)	12,776	5,143	17,919
Due from other funds	6,575	1,277	7,852
Due from other governmental units	4,307	9,425	13,732
Prepaid expenditures	378	1	379
Inventory	2,469	275	2,744
Other current assets	3	3,518	3,521
Advances to other funds	13,249	5,885	19,134
TOTAL ASSETS	$ 55,558	$ 142,451	$ 198,009
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 2,801	$ 3,528	$ 6,329
Accrued wages and benefits payable	3,969	291	4,260
Notes, leases & contracts payable	2	-	2
Deposits Payable	4	13	17
Accrued taxes payable	12	23	35
Due to other funds	4,985	1,334	6,319
Due to other governmental units	217	-	217
Deferred revenue	5,131	5,971	11,102
Advances from other funds	-	6,151	6,151
Other current liabilities	176	950	1,126
Total liabilities	$ 17,297	$ 18,261	$ 35,558
Fund balances			
Reserved for:			
Encumbrances	$ 4,699	$ 40,318	$ 45,017
Advances to other funds	13,249	5,885	19,134
Other purposes	6,569	4,757	11,326
Unreserved reported in:			
General fund	13,744	-	13,744
Non-major Special Revenue Funds	-	14,432	14,432
Non-major Debt Service Funds	-	1,001	1,001
Non-major Capital Project Funds	-	57,797	57,797
Total fund balances	$ 38,261	$ 124,190	$ 162,451
TOTAL LIABILITIES AND FUND BALANCES	$ 55,558	$ 142,451	$ 198,009

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

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEETS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2009
(amounts expressed in thousands)

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 162,451
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet	749,628
Internal service funds are used by management to charge the cost of various support services such as information systems, graphic services, communication, fleet and others activities to individual funds. The assets and liabilities of the Internal service funds are included in the government activities in the statement of net assets.	21,441
Long Term Receivables are not reported in the governmental funds balance sheet	3,445
Certain taxes will be collected after year-end and will not be available to pay for current year expenditures and are reported as deferred revenue.	5,154
Long Term Liabilities are not reported in the governmental funds balance sheet	(342)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(166,895)
Negative Net Pension Obligation (NPO) is reported as an asset in the governmental activities and is not considered to represent a financial asset, therefore, are not reported in the governmental funds balance sheet.	3,816
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 778,698

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 1 of 1

	GENERAL FUND #0010	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 126,721	$ 18,380	$ 145,101
Licenses and permits	4,713	669	5,382
Intergovernmental revenues	8,887	32,104	40,991
Charges for services	2,942	7,894	10,836
Fines and forfeits	4,031	586	4,617
Investment earnings	1,634	2,497	4,131
Miscellaneous revenues	267	2,339	2,606
TOTAL REVENUES	$ 149,195	$ 64,469	$ 213,664
EXPENDITURES			
Current:			
General government	$ 22,159	$ 2,852	$ 25,011
Security of persons and property	132,004	15,402	147,406
Transportation	15,344	8,720	24,064
Economic environment	19,470	9,212	28,682
Mental & physical health	1,364	892	2,256
Culture & recreation	12,930	255	13,185
Capital outlay	1,470	38,702	40,172
Debt service:			
Principal payment	-	4,949	4,949
Interest payment fiscal charges	42	3,735	3,777
TOTAL EXPENDITURES	$ 204,783	$ 84,719	$ 289,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (55,588)	$ (20,250)	$ (75,838)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	$ 170	$ -	$ 170
Transfer in	47,033	9,602	56,635
Transfer (out)	(5,759)	(10,853)	(16,612)
Issuance of debt	-	56,335	56,335
Premium on debt issue	-	226	226
Discount on debt issue	-	(154)	(154)
TOTAL OTHER FINANCE SOURCES (USES)	$ 41,444	$ 55,156	$ 96,600
NET CHANGE IN FUND BALANCE	$ (14,144)	$ 34,906	$ 20,762
FUND BALANCE JANUARY 1	$ 52,405	$ 89,284	$ 141,689
FUND BALANCE DECEMBER 31	$ 38,261	$ 124,190	$ 162,451

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 20,762
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures in the year purchased. The entity wide statement of activities reports capital outlay as depreciation expense over the life of the asset. This is the amount by which capital outlays exceeded depreciation in the current period.	(3,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	6,216
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:	
Net OPEB obligation	(6,427)
Compensated absences	(1,206)
Net Pension obligation	2,770
The net revenue of certain activities of internal service funds is reported with governmental activities:	
Profit Loss reallocation that decrease expenditure	(11,147)
Debt proceeds provide current financial resources to governmental funds but issuing debt increases non-current liabilities in the statement of net assets. Repayment of non-current debt is an expenditure in the governmental funds but on the statement of net assets it reduces the liability:	
Bond Issuance Cost/Discount Amortization	(2)
Proceeds from debt issuance	(56,405)
Principal repayment	4,949
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (43,810)

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
ASSETS			
Current assets:			
Cash & cash equivalents	$ 101,206	$ 20,541	$ 220,835
Accounts receivable - net of allowance for uncollectibles	10,690	10,492	54,766
Due from other funds	1,782	1,188	4,201
Due from other governmental units	384	-	-
Inventory	777	2,524	6,764
Prepaid expenses	84	1,009	-
Other current assets	-	-	3,280
Restricted assets:			
Cash for construction	44,300	60,375	31,016
Cash for debt service	5,910	2,873	42,697
Cash for other special purposes	559	66,491	28,949
Investments for other special purposes	-	-	-
Notes and contracts receivable	-	3,663	-
Total restricted assets	$ 50,769	$ 133,402	$ 102,662
Total current assets	$ 165,692	$ 169,156	$ 392,508
Non-current assets:			
Notes, contracts, leases receivable - non-current	$ 657	$ -	$ -
Advances to other funds	-	-	-
Other non-current assets	881	3,654	7,305
Capital assets:			
Land	5,323	20,240	69,840
Property, plant, and equipment	530,736	709,748	1,435,063
Accumulated depreciation	(156,812)	(133,167)	(644,837)
Construction work in process	8,160	8,384	40,995
Total capital assets net of depreciation	$ 387,407	$ 605,205	$ 901,061
Total non-current assets	$ 388,945	$ 608,859	$ 908,366
TOTAL ASSETS	$ 554,637	$ 778,015	$ 1,300,874

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009
(amounts expressed in thousands)
Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
LIABILITIES			
Current liabilities:			
Accounts payable	$ 1,295	$ 1,847	$ 13,409
Accrued wages and benefits payable	639	683	2,811
Accrued taxes payable	583	1,089	17,608
Accrued interest payable	331	1,520	11,769
Deposits payable	-	266	3,091
Environmental liability - current	549	-	-
Notes, contracts & leases payable - current	3,329	2,170	-
Revenue bonds - current portions	2,136	6,075	30,820
Due to other funds	2,413	1,754	3,878
Due to other government units	384	-	-
Deferred revenues	22,805	54,715	10,533
Other current liabilities	-	-	-
Liabilities payable from restricted assets:			
Revenue bonds - current portion	194	-	-
Bonds interest payable	451	-	-
Deposits payable	559	-	-
Total current liabilities	$ 35,668	$ 70,119	$ 93,919
Non-current liabilities			
Environmental liability - non-current	$ 1,423	$ -	$ -
Notes, contracts & leases payable - non-current	69,155	35,005	-
Revenue bonds - non-current portion	105,902	256,924	459,202
Accrued employee leave benefits	1,752	2,496	9,602
Advances from other funds	-	-	-
Incurred but not yet reported	-	-	-
Net OPEB obligation	738	878	2,557
Other noncurrent liabilities	-	-	-
Liabilities payable from restricted assets:			
Accrued landfill liability	-	-	-
Total non-current liabilities	$ 178,970	$ 295,303	$ 471,361
TOTAL LIABILITIES	$ 214,638	$ 365,422	$ 565,280
NET ASSETS			
Investment in capital assets net of related debt	294,076	369,573	478,420
Restricted:			
Restricted for capital purchases	-	-	-
Restricted for debt	5,263	1,353	30,928
Restricted for water assurance and systems development	-	28,143	-
Restricted for other purposes	-	-	2,338
Unrestricted	40,660	13,524	223,908
TOTAL NET ASSETS	$ 339,999	$ 412,593	$ 735,594

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009
(amounts expressed in thousands)
Page 3 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS			
Current assets:			
Cash & cash equivalents	$ 39,469	$ 382,051	$ 81,309
Accounts receivable - net of allowance for uncollectibles	13,938	89,886	1,345
Due from other funds	1,971	9,142	8,062
Due from other governmental units	1,062	1,446	-
Inventory	733	10,798	1,079
Prepaid expenses	1,462	2,555	374
Other current assets	-	3,280	-
Restricted assets:			
Cash for construction	41,126	176,817	-
Cash for debt service	6,381	57,861	-
Cash for other special purposes	8,156	104,155	-
Investments for other special purposes	805	805	-
Notes and contracts receivable	-	3,663	-
Total restricted assets	$ 56,468	$ 343,301	$ -
Total current assets	$ 115,103	$ 842,459	$ 92,169
Non-current assets:			
Notes, contracts, leases receivable - non-current	$ 47,842	$ 48,499	$ -
Advances to other funds	-	-	1,916
Other non-current assets	1,980	13,820	-
Capital assets:			
Land	41,583	136,986	357
Property, plant, and equipment	369,504	3,045,051	144,289
Accumulated depreciation	(155,469)	(1,090,285)	(95,753)
Construction work in process	11,431	68,970	7,219
Total capital assets net of depreciation	$ 267,049	$ 2,160,722	$ 56,112
Total non-current assets	$ 316,871	$ 2,223,041	$ 58,028
TOTAL ASSETS	$ 431,974	$ 3,065,500	$ 150,197

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009
(amounts expressed in thousands)
Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities:			
Accounts payable	$ 3,757	$ 20,308	$ 6,811
Accrued wages and benefits payable	818	4,951	779
Accrued taxes payable	763	20,043	47
Accrued interest payable	910	14,530	62
Deposits payable	360	3,717	-
Environmental liability - current	-	549	-
Notes, contracts & leases payable - current	1,439	6,938	1,600
Revenue bonds - current portions	7,693	46,724	-
Due to other funds	2,819	10,864	7,858
Due to other government units	-	384	-
Deferred revenues	9,154	97,207	3
Other current liabilities	85	85	52,536
Liabilities payable from restricted assets:			
Revenue bonds - current portion	302	496	-
Bonds interest payable	338	789	-
Deposits payable	56	615	-
Total current liabilities	$ 28,494	$ 228,200	$ 69,696
Non-current liabilities			
Environmental liability - non-current	$ -	$ 1,423	$ -
Notes, contracts & leases payable - non-current	63,899	168,059	3,095
Revenue bonds - non-current portion	138,865	960,893	-
Accrued employee leave benefits	2,327	16,177	1,679
Advances from other funds	11,928	11,928	2,969
Incurred but not yet reported	-	-	7,157
Net OPEB obligation	528	4,701	-
Other noncurrent liabilities	19,799	19,799	-
Liabilities payable from restricted assets:			
Accrued landfill liability	40,786	40,786	-
Total non-current liabilities	$ 278,132	$ 1,223,766	$ 14,900
TOTAL LIABILITIES	$ 306,626	$ 1,451,966	$ 84,596
NET ASSETS			
Investment in capital assets net of related debt	126,447	1,268,516	51,958
Restricted:			
Restricted for capital purchases	-	-	23,477
Restricted for debt	1,612	39,156	-
Restricted for water assurance and systems development	-	28,143	-
Restricted for other purposes	(1,554)	784	2,579
Unrestricted	(1,157)	276,935	(12,413)
TOTAL NET ASSETS	$ 125,348	$ 1,613,534	$ 65,601

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

RECONCILIATION OF TOTAL ENTERPRISE NET ASSTS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2009
(amounts expressed in thousands)

NET ASSETS - TOTAL ENTERPRISE FUNDS	$	1,613,534
Amounts reported for business activities in the statement of net assets are different because:		
Internal service fund 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 assets.		44,160
NET ASSETS OF BUSINESS ACTIVITIES	$	1,657,694

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 1 of 2

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
OPERATING REVENUES:			
Charges for services	$ 72,596	$ 63,994	$ 355,506
Interdepartmental billings	-	-	-
Premiums/contributions	-	-	-
Miscellaneous	999	-	-
TOTAL OPERATING REVENUES	$ 73,595	$ 63,994	$ 355,506
OPERATING EXPENSES:			
Personnel, salaries & wages	$ 16,428	$ 19,509	$ 86,695
Supplies, services, and charges	27,765	14,547	134,154
Health benefit payments	-	-	-
Depreciation	9,543	13,846	53,050
Taxes	257	3,093	15,188
TOTAL OPERATING EXPENSES	$ 53,993	$ 50,995	$ 289,087
OPERATING INCOME (LOSS)	$ 19,602	$ 12,999	$ 66,419
NON-OPERATING REVENUES(EXPENSES):			
Interest revenue	$ 4,140	$ 2,900	$ 8,722
Interest expense and fiscal charges	(6,806)	(10,027)	(22,937)
Amortization of bond discount & expenses	(124)	6	133
Contribution to project need	-	-	(1,230)
Operating grant	-	-	-
Gain (loss) on disposition of property	-	26	-
Miscellaneous	496	743	1,322
NON-OPERATING REVENUE NET OF EXPENSE	$ (2,294)	$ (6,352)	$ (13,990)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	$ 17,308	$ 6,647	$ 52,429
Capital contributions	$ 2,559	$ 7,121	$ 9,845
Transfers in	-	-	-
Transfers out	(6,264)	(5,185)	(21,985)
CHANGE IN NET ASSETS	$ 13,603	$ 8,583	$ 40,289
NET ASSETS, JANUARY 1	$ 326,396	$ 404,010	$ 695,305
Prior Year Adjustment	-	-	-
NET ASSETS, JANUARY 1 RESTATED	326,396	404,010	695,305
NET ASSETS, DECEMBER 31	$ 339,999	$ 412,593	$ 735,594

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 2 of 2

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
OPERATING REVENUES:			
Charges for services	$ 80,407	$ 572,503	$ 2,254
Interdepartmental billings	-	-	46,039
Premiums/contributions	-	-	69,756
Miscellaneous	500	1,499	377
TOTAL OPERATING REVENUES	$ 80,907	$ 574,002	$ 118,426
OPERATING EXPENSES:			
Personnel, salaries & wages	$ 31,609	$ 154,241	$ 24,071
Supplies, services, and charges	35,379	211,845	31,180
Health benefit payments	-	-	59,556
Depreciation	11,834	88,273	9,250
Taxes	1,031	19,569	-
TOTAL OPERATING EXPENSES	$ 79,853	$ 473,928	$ 124,057
OPERATING INCOME (LOSS)	$ 1,054	$ 100,074	$ (5,631)
NON-OPERATING REVENUES(EXPENSES):			
Interest revenue	$ 2,517	$ 18,279	$ 1,789
Interest expense and fiscal charges	(10,088)	(49,858)	(73)
Amortization of bond discount & expenses	(39)	(24)	-
Contribution to project need	-	(1,230)	-
Operating grant	3,821	3,821	-
Gain (loss) on disposition of property	(6)	20	287
Miscellaneous	4,808	7,369	(197)
NON-OPERATING REVENUE NET OF EXPENSE	$ 1,013	$ (21,623)	$ 1,806
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	$ 2,067	$ 78,451	$ (3,825)
Capital contributions	$ 24,259	$ 43,784	$ -
Transfers in	4,664	4,664	2,375
Transfers out	(5,948)	(39,382)	(7,681)
CHANGE IN NET ASSETS	$ 25,042	$ 87,517	$ (9,131)
NET ASSETS, JANUARY 1	$ 100,566	$ 1,526,277	$ 71,666
Prior Year Adjustment	(260)	(260)	3,066
NET ASSETS, JANUARY 1 RESTATED	100,306	1,526,017	74,732
NET ASSETS, DECEMBER 31	$ 125,348	$ 1,613,534	$ 65,601

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES - BUSINESS ACTIVITIES
For the Year Ended December 31, 2009
(amounts expressed in thousands)

NET CHANGES IN NET ASSETS - TOTAL ENTERPRISE FUNDS	$ 87,517
Amounts reported for busnines activities in the statement of activities are different because:	
The net revenue of certain activities of internal service funds is reported with business activities:	
Profit Loss reallocation that decrease expenditure	2,016
CHANGES IN NET ASSETS OF BUSINESS ACTIVITIES	$ 89,533

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 70,291	$ 62,757	$ 354,131
Receipts from interfund services provided	-	-	-
Contributions received - employee/employer	-	-	-
Payments to suppliers	(20,540)	(14,833)	(148,927)
Payments to employees	(21,982)	(19,165)	(83,984)
Payments to insurance carriers	-	-	-
Payments for taxes	(1,200)	(3,227)	(14,594)
Payments for interfund services used	-	-	-
Other operating revenues (expenses)	-	-	(5,617)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 26,569	$ 25,532	$ 101,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	$ (6,018)	$ (5,185)	$ (21,985)
Grants received	512	-	-
Debt service related to environmental	(2,247)	-	-
Contributions and Donations	-	-	(1,230)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	$ (7,753)	$ (5,185)	$ (23,215)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	$ (225)	$ -	$ -
Acquisition and construction of capital assets	(15,561)	(25,799)	(97,956)
System development charges	-	5,215	-
Proceeds from capital debt	-	81,006	-
Proceeds from the sale of capital assets	-	26	-
Proceeds from leased property	-	-	-
Pantages lease and leaseback	-	-	-
Principal paid on capital debt	(5,265)	(7,939)	(26,590)
Interest paid on capital debt	(5,191)	(9,398)	(24,229)
Change in deferred credits	-	-	7,145
Contributions and donations	-	-	9,845
Grants received	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	$ (26,242)	$ 43,111	$ (131,785)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	$ 4,140	$ 1,955	$ 8,722
Rental and other income	51	497	1,315
Other net non-operating revenues and deductions	-	108	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ 4,191	$ 2,560	$ 10,037
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	$ (3,235)	$ 66,018	$ (43,954)
CASH & CASH EQUIVALENTS, JANUARY 1	155,210	84,262	367,451
CASH , RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	$ 151,975	$ 150,280	$ 323,497

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	WASTE WATER FUND #4300/4301	WATER FUND #4600	POWER FUND #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 19,602	$ 12,999	$ 66,419
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	$ 9,543	$ 13,846	$ 53,050
(increase) decrease in accounts receivable	(1,010)	(1,237)	(1,305)
(Increase) decrease in intergovernmental receivables	(365)	-	
(Increase) decrease in due from other funds	(425)	(733)	(2,002)
(Increase) decrease in inventories	(80)	93	1,303
(Increase) decrease in prepaid items	(64)	24	-
(Increase) decrease in other current assets	-	-	-
Increase (decrease) in deposits payable	52	19	(28)
Increase (decrease) in accounts payable	(754)	(969)	(16,233)
Increase (decrease) in accrued wages payable	81	109	586
Increase (decrease) in compensated absences	136	216	1,125
Increase (decrease) in deferred credits	-	-	-
Increase (decrease) in in intergovernmental payables	21	-	-
Increase (decrease) in due to other funds	93	1,165	3,780
Increase (decrease) in deferred revenues	46	-	-
Increase (decrease) in other current liabilities	-	-	-
Increase (decrease) in notes, contracts, and leases payable	(78)	-	-
Increase (decrease) in other long-term liabilities	(229)	-	-
Miscellaneous non-operating revenues (expenditures)	-	-	(5,686)
Total adjustments	$ 6,967	$ 12,533	$ 34,590
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 26,569	$ 25,532	$ 101,009
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	2,458	-	-

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 3 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 81,824	$ 569,003	$ 16,087
Receipts from interfund services provided	69	69	27,912
Contributions received - employee/employer	-	-	70,080
Payments to suppliers	(37,974)	(222,274)	(94,379)
Payments to employees	(26,839)	(151,970)	(11,318)
Payments to insurance carriers	(44)	(44)	(258)
Payments for taxes	(1,257)	(20,278)	-
Payments for interfund services used	(434)	(434)	414
Other operating revenues (expenses)	-	(5,617)	(1,234)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 15,345	$ 168,455	$ 7,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	$ (1,540)	$ (34,728)	$ (4,345)
Grants received	441	953	-
Debt service related to environmental	-	(2,247)	-
Contributions and Donations	2,893	1,663	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	$ 1,794	$ (34,359)	$ (4,345)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Transfers from (to) other funds	$ 173	$ (52)	$ 778
Acquisition and construction of capital assets	(10,500)	(149,816)	(13,377)
System development charges	-	5,215	-
Proceeds from capital debt	351	81,357	-
Proceeds from the sale of capital assets	1,567	1,593	309
Proceeds from leased property	1,922	1,922	-
Pantages lease and leaseback	3,969	3,969	-
Principal paid on capital debt	(12,448)	(52,242)	(55)
Interest paid on capital debt	(12,556)	(51,374)	(40)
Change in deferred credits	-	7,145	-
Contributions and donations	5,245	15,090	(291)
Grants received	1,574	1,574	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	$ (20,703)	$ (135,619)	$ (12,676)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	$ 2,401	$ 17,218	$ 2,074
Rental and other income	52	1,915	-
Other net non-operating revenues and deductions	35	143	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ 2,488	$ 19,276	$ 2,074
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	$ (1,076)	$ 17,753	$ (7,643)
CASH & CASH EQUIVALENTS, JANUARY 1	93,561	700,484	88,952
RESTRICTED CASH & CASH EQUIVALENTS, JANUARY 1	2,647	2,647	-
CASH , RESTRICTED CASH & CASH EQUIVALENTS, DECEMBER 31	$ 95,132	$ 720,884	$ 81,309

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(amounts expressed in thousands)
Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 1,054	$ 100,074	$ (5,631)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	$ 11,834	$ 88,273	$ 9,250
(increase) decrease in accounts receivable	1,765	(1,787)	259
(Increase) decrease in intergovernmental receivables	-	(365)	-
(Increase) decrease in due from other funds	(349)	(3,509)	(4,758)
(Increase) decrease in inventories	(51)	1,265	(79)
(Increase) decrease in prepaid items	(55)	(95)	579
(Increase) decrease in other current assets	(17)	(17)	-
Increase (decrease) in deposits payable	(715)	(672)	-
Increase (decrease) in accounts payable	(1,281)	(19,237)	(611)
Increase (decrease) in accrued wages payable	183	959	183
Increase (decrease) in compensated absences	(47)	1,430	232
Increase (decrease) in deferred credits	(228)	(228)	-
Increase (decrease) in in intergovernmental payables	(272)	(251)	-
Increase (decrease) in due to other funds	933	5,971	3,454
Increase (decrease) in deferred revenues	667	713	-
Increase (decrease) in other current liabilities	(8)	(8)	5,351
Increase (decrease) in notes, contracts, and leases payable	-	(78)	-
Increase (decrease) in other long-term liabilities	1,162	933	-
Miscellaneous non-operating revenues (expenditures)	770	(4,916)	(925)
Total adjustments	$ 14,291	$ 68,381	$ 12,935
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 15,345	$ 168,455	$ 7,304
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	21,413	23,871	-

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2009
(amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6240, 6350	AGENCY FUNDS #6570 6790
ASSETS		
Cash & cash equivalents	$ 53,560	$ 3,093
Investments at fair value:		
U.S. Obligations	83,229	-
Domestic corporate bonds	245,834	-
Domestic stocks	298,348	-
International stocks	200,234	-
International bonds	23,347	-
International REITs	4,087	-
REITs	71,526	-
Security lending collateral	92,441	-
Accounts receivable: net of uncollectible accounts	5,551	2
Due from other funds	53	3
Capital assets (net of accumulated depreciation)	22	-
TOTAL ASSETS	$ 1,078,232	$ 3,098
LIABILITIES		
Current liabilities:		
Accounts payable	$ 599	$ 122
Accrued wages and benefits payable	1,234	664
Deposits payable	-	-
Due to other funds	77	-
Due to other governmental units	-	2,312
Investment purchase payable	16,594	-
Securities lending collateral	92,441	-
Other current liabilities	3,039	-
Total current liabilities	$ 113,984	$ 3,098
Non-current liabilities:		
Accrued employee leave benefits	15	-
Total non-current liabilities	$ 15	$ -
TOTAL LIABILITIES	$ 113,999	$ 3,098
NET ASSETS		
Held in trust for pension benefits and other purposes	$ 964,233	$ -

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2009
(amounts expressed in thousands)

	PENSION AND EMPLOYEE TRUST FUNDS #6050-6240, 6350
ADDITIONS:	
Employer contributions	$ 30,397
Member contributions	15,684
Other contributions	192
Total contributions	$ 46,273
Investment Income:	
Net appreciation (depreciation) in FMV of investments	$ 178,544
Interest and dividends	29,571
Securities lending gross income	496
Total investment income	$ 208,611
Less Investment expenses::	
Investment management fees	$ 1,913
Security lending - agent fees	82
Security lending - broker rebates	17
Total investment expense	$ 2,012
Total investment income	$ 206,599
TOTAL ADDITIONS	$ 252,872
DEDUCTIONS:	
Wages and benefits payable	47,663
Health care benefit payments	7,287
Refunds of contributions	1,281
Administrative expenses	2,155
TOTAL DEDUCTIONS	$ 58,386
NET INCREASE (DECREASE)	$ 194,486
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Net assets - beginning	769,747
Net assets - ending	$ 964,233

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

Notes to the Financial Statements
For the Year Ended December 31, 2009

NOTES TO FINANCIAL STATEMENTS

Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 Summary of significant accounting policies

A. The 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. These include police, fire, public works, planning and development, human relations, and general administrative and support services.

The accompanying financial statements present the City and its component units. Component units are separate legal entities for which the City is financially accountable. Exclusion of these entities would cause the City's financial statements to be misleading or incomplete.

Discretely presented Component Units:

The Tacoma Community Redevelopment Authority (TCRA) is a separate public corporation established through City ordinances and the laws of the State of Washington. TCRA was created to administer Human and Urban Development (HUD) programs and assists the City in economic development efforts of a business nature or with homeowners. Separate financial statements for TCRA can be obtained from: TCRA, 747 Market Street, Room 1036, Tacoma, Washington 98402-3773.

The Greater Tacoma Regional Convention Center Public Facilities District (GTRCC PFD, PFD, or District) is a separate public corporation organized under Washington State law. The District was created 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. The District has entered into an interlocal agreement with the City of Tacoma to assist with the construction and operation of a Convention Center. The District imposed the 0.33 percent sales and use tax authorized by RCW 82.08 and 82.12, and also has the authority to impose admission and parking taxes. The District pays these revenues to the City of Tacoma primarily for the debt service on bonds issued by the City for the construction of the Convention Center. The District assigned the title to the Convention Center inclusive of real property, buildings, fixtures, furnishings, appurtenances and improvements to the City of Tacoma. 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 98402-3773.

The Foss Waterway Development Authority (FWDA or Authority), is a separate legal entity and presented as a discretely presented component unit in the City's financial statements. The Authority was created on October 1, 1996 by Resolution No. 33513. Under the terms of an agreement between the City and the Authority, the Authority manages the redevelopment of property within and along the Thea Foss Waterway. The Authority serves to improve the environment, and along with the City, is taking steps to enhance the Waterway. Separate financial statements for the Authority can be obtained from: Foss Waterway Development Authority, c/o the City of Tacoma Finance Department, 747 Market Street, Room 132, Tacoma, Washington 98402-3773.

Joint Ventures:

The City participates in two joint ventures: the Law Enforcement Support Agency (LESA) and the Tacoma-Pierce County Health Department.

The governing bodies of both LESA and the Tacoma-Pierce County Health Department are appointed jointly by the City of Tacoma and Pierce County Councils. The City is not financially accountable for these two entities and contributes substantially less than half of their operating revenues. Financial information for both entities is included in Note 8 Section G.

Notes to the Financial Statements
For the Year Ended December 31, 2009

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

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

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

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

C. Measurement focus, basis of accounting and financial statement presentation
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected to follow subsequent private sector guidance for its utility funds.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year end are reported as reservations of fund balances for governmental type funds. Encumbrances outstanding at the end of the biennium are reappropriated at the beginning of the next biennium.

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 thirty (30) 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 services 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 revenues represent property taxes that were not available to finance expenditures of the current period and grant revenues received in advance. All other revenue items, including

Notes to the Financial Statements
For the Year Ended December 31, 2009

Property taxes, 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. This reconciliation is part of the 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 fund:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Wastewater and Surface Water (Sewer) fund for the planning, design, construction, operation, and maintenance of the Wastewater and Surface water facilities owned by the City.

The Water fund accounts for the activities of the City's water distribution system.

The Power fund accounts for the activities of the City's electric production and distribution operations.

Additionally, the City reports the following fund types:

Internal service funds account for Finance, Budget and Research, BSIP Project, Human Resources, Graphics Services, Fleet Services, Youth Build Tacoma, Equipment Rental, Asphalt Plant, Radio Communications, Third Party Liability Claims, Unemployment Compensation, Worker's Compensation, Facilities Management, Information Systems, Health Benefits, and Self Insurance Claims funds. These funds provide services to other departments on a cost reimbursement basis.

The pension trust fund accounts for the activities of the City's retirement system, which accumulates resources for pension, benefit payments to qualified City employees. The police and fire relief and pension trust funds account for the activities related to the police and fire LEOFF pension system. The employees benefit trust funds include deferred compensation and miscellaneous payroll deduction funds account for activities related to mandatory and optional payroll deductions.

Agency funds account for Law Enforcement Support Agency, Tacoma Urban Network, and Tacoma Pierce County Employment Training Consortium which the City acts as an agent for these funds.

The City has no private purpose trust funds or permanent funds.

D. Assets, liabilities and net assets or equity

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

Notes to the Financial Statements
For the Year Ended December 31, 2009

investment portfolio. Each fund receives interest based on a pro-rata share of its cash balance to the total cash invested. Portfolio earnings are distributed monthly based on average daily cash balances of the participating funds.

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 after year end are considered not available and are recognized as revenues in the fund statements when collected. 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 uncollectibles. The uncollectible 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 home owners. A large majority of the Power utility notes and contracts receivable represent energy conservation efforts between the City and home owners 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.

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 4-G for further information.

5. *Capital Assets*
Capital assets; which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks and similar items), 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 more than $5,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

Notes to the Financial Statements
For the Year Ended December 31, 2009

The estimated useful lives for all City funds are:

Property, plant, and equipment	2 – 100 years
Infrastructure	5 – 100 years
Works of art	30 years
Library materials	5 years

6. *Compensated Absences*
The City has two different policies for compensated absences. The City's original policy allowed 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 25% of the value of the sick leave at retirement or death or 10% of the value upon termination for any reason. Under the City's current policy, new employees earn Personal Time Off (PTO) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could chose to stay with the original policy or opt to convert to the new policy. The amount of PTO earned is based on years of service. The 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.

In governmental funds, vacation pay, sick leave or PTO are recorded as expenditures when paid which occurs when used or upon employee termination. In the entity-wide statements and the proprietary fund statements, vacation pay and PTO are recorded as a liability and expense in the year earned. A liability and expense is recorded for the vested amount of sick leave.

The differences between the governmental fund statements and the entity-wide statements represent reconciling items between the fund level and government-wide financial statements. The reconciliations are included as part of the financial statements.

7. *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 assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In governmental fund financial statements, bond premiums and discounts and bond issuance costs are treated as expenditures of the current period. The face amount of debt issued is reported as other financing sources while discounts and issuance costs are reported as debt service expenditures.

8. *Fund Equity*
In the fund financial statements, governmental and proprietary funds report reservations of fund balances or reservations of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change. Restricted net assets are subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Note 2 Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balances—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets. As explained in Note 1 C, this reconciliation is necessary because of the differences in accounting basis, most significantly the differences in accounting for capital assets and debt.

Notes to the Financial Statements
For the Year Ended December 31, 2009

One element of the reconciliation explains:

"Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

The details of these dollar differences are as follows:
(amounts expressed in thousands)

Bonds and leases payable	$	134,762
Discount on bond issuance		(31)
Net Other Post Employment Benefits obligation		14,235
Compensated absences		17,929
Net adjustment to reduce fund balance for total governmental funds to arrive at net assets for governmental activities	$	166,895

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities
The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of the reconciliation explains:

"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."

The details of these dollar differences are as follows:
(amounts expressed in thousands)

Capital Outlay	$	40,172
Depreciation Expense		(43,492)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$	(3,320)

Another element of the reconciliation states:

"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,"

Notes to the Financial Statements
For the Year Ended December 31, 2009

The details of this dollar differences are as follows:
(amounts expressed in thousands)

OPEB	$	(6,427)
Compensated absences		(1,206)
Net pension obligation		2,770
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets	$	(4,863)

Note 3 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 proprietary funds and some selected trust funds. There were no material violations of expenditures or expenses exceeding appropriations.

The description of the budget process, any funds that exceeded appropriations (immaterial amounts), and the budget reconciliation schedule are included in the budget notes included 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 for the biennium.

B. Deficits in fund balances or net assets
The following governmental and proprietary funds had deficit net assets.

The Tacoma Fire Department and 2002 Police Facility funds have fund balance deficits due to a reclassification of reporting internal note proceeds as an Interfund loan which was received in prior years. The Tacoma Fire Department had a positive net change in 2009 and reduced the prior year deficit by $165 thousand. The 2002 Police Facilities fund net change increased over the prior year by $287 thousand due to interest payments made on debt and additional capital outlay expenditures.

The Third Party Liability Claims Fund has a net assets deficit, an increase of $2,514 over the prior year, due to an excess of accrued and incurred but not reported (IBNR) claims over total assets.

The Worker's Compensation Fund has a net assets deficit due to insufficient contributions from the departments, and an excess of accrued and IBNR claims over total assets. The Worker's Compensation fund had a positive net change in 2009 and reduced the prior year by $239 thousand.

The Consolidated LID Bond Redemption Fund has a net assets deficit due to a prior period adjustment made prior to 2009 for the transfer of a loan previously in the Public Works Street fund. The Consolidated LID Bond Redemption Fund had a positive net change in 2009 and reduced the prior year deficit by $26 thousand.

The deficit in the Power Conservation Project fund resulted from incurring bond debt in order to continue the conservation efforts of the City. The Bonneville Power Administration (BPA), under an agreement with the City, has committed to contributing the resources to liquidate this debt. The Power Conservation Project Fund had a positive net change in 2009 and reduced the prior year by $1,391 thousand.

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

Notes to the Financial Statements
For the Year Ended December 31, 2009

Net Deficit
(amounts expressed in thousands)

FUNDS		
Fire Department (#1090)	$	(1,020)
Consolidated LID Bond Redemption (#1-7999)		(95)
2002 Police Facility (#3216)		(4,176)
Power Conservation Fund (#4850)		(7,732)
Third Party Liability Claims (#5550)		(42,710)
Worker's Compensation (#5570)		(1,943)
	$	(57,676)

C. Legal and contractual compliance
The City has complied, to the best of its knowledge, with all material finance related legal and contractual provisions. No related party transactions have been identified.

Note 4 Detailed notes on all funds

A. Deposits and Investments

1. Legal, contractual and administrative provisions

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

At year end, the carrying amount of the City's deposits was $65,139,861.

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

The City sustained no investment losses during 2009, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

Security lending: The City is authorized under State Law, primarily RCW 43.84.080, RCW 39.59.020 and by the City of Tacoma Investment Policy (Tacoma City Charter Section 7.4) to make security lending transactions. Securities lent are collateralized with cash or securities having 102 percent of market value. The city did participate in security lending transactions in 2009.

The City's custodian (Bank of New York) is authorized to lend available securities subject to receipt of acceptable collateral, which may be in the form of cash or U.S. Government Securities. Securities are loaned at 102% of market value of the securities plus any accrued interest. All securities loaned can be terminated on demand by either the lender or the borrower.

Notes to the Financial Statements
For the Year Ended December 31, 2009

City of Tacoma Securities Lent and Collateral
(In Thousands)

	2009		2008	
Type of Securities Lent	**Fair Values of Securities Lent**	**Collateral**	**Fair Values of Securities Lent**	**Collateral**
U.S. Government and Agencies	13,929	14,217	31,888	32,379
Total Securities Lent	13,929	14,217	31,888	32,379

Collateral	**2009**	**2008**
U.S. Corportate Obligations	7,000	7,502
Asset Backed Securities	2,465	12,000
Repurchase Agreements/Money Mkt	4,752	12,877
Total Collateral	14,217	32,379

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

1. Bankers Acceptances: City investment policy allows for purchases of banker's acceptances from the top 50 world banks as published by American Banker. Portfolio mix guidelines suggest a maximum of 40% of the total portfolio with no more than 10% of the total portfolio in any one bank.

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

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

4. Commercial Paper: Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 3% in any one issuer.

5. Repurchase Agreements: Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 15% of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.

6. Reverse Repurchase Agreements: The city did not participate in any reverse repurchase agreements in 2009.

Notes to the Financial Statements
For the Year Ended December 31, 2009

2. Deposits and investments – December 31, 2009

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

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

All certificates of deposit held by the City are in the City's name and are insured by FDIC up to

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

At December 31, 2009, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments
December 31, 2009
(amounts expressed in thousands)

Investments (less Component Units)	$	1,938,884
Certificates of Deposit		65,140
Treasurer's Cash, net		9,392
Petty Cash Funds		315
Adjustment for Rounding		(1)
Sub-total	$	**2,013,730**
Component Units:		
Tacoma Community Redevelopment Authority (TCRA)	$	945
TCRA - External Cash		1,927
Foss Waterway Development Authority (FWDA)		110
FWDA - External Cash		707
Public Facililities District (PFD)		196
Sub-total (Component Units)	$	3,885
Total	$	**2,017,615**

Notes to the Financial Statements
For the Year Ended December 31, 2009

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

Investments:		Fair Value @ 12/31/09
Financial Institutions		
WA State Local Government Investment Pool	$	202,040
US Treasury Securities		805
Government Agencies (various)		661,473
Commercial Paper		10,572
Electric System Revenue Bond Investments		8,762
Equity in Pool Transferred to Component Units		(1,252)
Total Investments with Financial Institutions	$	882,400
Component Units		
TCRA Equity in Investment Pool	$	946
FWDA Equity in Investment Pool		110
PFD Equity in Investment Pool		196
Total Component Unit Investments	$	1,252
Pension Trust		
Other Assets Not Allowable for City Investments	$	-
U.S. Government Obligations		97,138
Domestic Corporate Bonds		253,623
Domestic Stocks		302,435
International Stocks		200,234
International Bonds		23,347
REITs		71,526
Securities Lending Collateral		92,441
Cash and Cash Equivalents		15,740
Total Other Investments - Pension Trust	$	1,056,484
Total	$	1,940,136

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 to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations. The City has deposits of $202,039,836 with the State Treasurer's Local Government Investment Pool and $5,139,861 in an interest bearing demand deposit account with a commercial bank. Portfolio Modified Duration is 2.12 years.

Notes to the Financial Statements
For the Year Ended December 31, 2009

		Maturing (in months)				
Investment Type	Par	Less than 12	13-24	25-36	37-48	49-60
Bank Demand and Deposits & State Pool	$ 207,179,697	$ 207,179,697	$ -	$ -	$ -	$ -
Bank Certificates of Deposit	60,000,000	60,000,000	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	132,965,000	34,000,000	38,590,000	11,840,000	34,410,000	14,125,000
Fixed Rate Non-Callable Agency Securities	82,526,000	12,015,000	17,722,000	31,811,000	20,978,000	-
Fixed Rate Callable Securuities	445,179,000	-	32,090,000	117,600,000	51,319,000	244,170,000
Totals	$ 927,849,697	$ 313,194,697	$ 88,402,000	$ 161,251,000	$ 106,707,000	$ 258,295,000
Percent of Total	100.0%	33.8%	9.5%	17.4%	11.5%	27.8%

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 2009 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 (WSPDPC) 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	$ 207,179,697	FDIC & PDPC	$ 207,179,697	$ -	$ -	$ -
Bank Certificates of Deposit	60,000,000	FDIC & PDPC	60,000,000	-	-	-
Fixed Rate Non-Callable Municipal Securities	132,965,000	A	-	15,630,000	73,325,000	44,010,000
Fixed Rate Non-Callable Agency Securities	82,526,000	AAA	-	82,526,000	-	-
Fixed Rate Callable Agency Securities	445,179,000	AAA	-	445,179,000	-	-
Total	$ 927,849,697		$ 267,179,697	$ 543,335,000	$ 73,325,000	$ 44,010,000

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 of the City's investments. The following include Government Sponsored Agencies which have an AAA rating.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Issuer	Investment Type	Amount Reported	Percentage
Federal Home Loan Bank	Agency Securities	$ 91,840,000	17.40%
Federal Home Mortgage Corporation	Agency Securities	186,258,000	35.30%
Federal Agriculture Mortgage Corporation	Agency Securities	22,090,000	4.19%
Federal National Mortgage Association	Agency Securities	188,434,000	35.71%
Federal Farm Credit Corporation	Agency Securities	39,083,000	7.40%
Total		$ 527,705,000	100.00%

6. Disclosure of Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. City policy is all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

B. Receivables

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

Accounts Receivable (amounts expressed in thousands)	General Fund	Non-Major Governmental Funds	Sewer Fund	Water Fund
Accounts Receivable (net short-term)	$ 1,158	$ 3,828	$ 10,585	$ 9,427
Interest Receivable (net short-term)	-	58	-	-
Taxes Receivable (net short-term)	11,618	1,257	-	-
Loans Receivable (net short-term)	-	-	-	-
Notes and Contracts Receivable (net short-term)	-	3,518	105	1,065
Notes and Contracts Receivable (net long-term)	-	-	657	3,663
TOTAL	$ 12,776	$ 8,661	$ 11,347	$ 14,155

Accounts Receivable (amounts expressed in thousands)	Power Fund	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts Receivable (net short-term)	$ 52,510	$ 13,938	$ 1,345	$ 5,551	$ 98,342
Interest Receivable (net short-term)	-	-	-	-	58
Taxes Receivable (net short-term)	-	-	-	-	12,875
Loans Receivable (net short-term)	-	-	-	-	-
Notes and Contracts Receivable (net short-term)	40	-	-	-	4,728
Notes and Contracts Receivable (net long-term)	2,216	47,842	-	-	54,378
TOTAL	$ 54,766	$ 61,780	$ 1,345	$ 5,551	$ 170,381

Notes to the Financial Statements
For the Year Ended December 31, 2009

C. Capital Assets
Capital asset activity for the year ended December 31, 2009 was as follows (amounts expressed in thousands):

Governmental Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets, not being depreciated:					
Land	$ 25,419	$ 1,866	$ (1,254)	$ 776	$ 26,807
Parks	5,245	3	-	-	5,248
Art	918	288	-	339	1,545
Intangibles	-	3,166	(1,572)	-	1,594
Construction work in progress	17,461	26,833	(47,550)	65,847	62,591
Total capital assets, not being depreciated	$ 49,043	$ 32,156	$ (50,376)	$ 66,962	$ 97,785
Capital assets, being depreciated:					
Property, plant, and equipment	$ 242,244	$ 11,174	$ (5,179)	$ (50,230)	$ 198,009
Library materials	19,384	1,064	(1,189)	-	19,259
Infrastruture	1,131,836	20,093	-	(14,392)	1,137,537
Total capital assets, being depreciate	$ 1,393,464	$ 32,331	$ (6,368)	$ (64,622)	$ 1,354,805
Less accumulated depreciation:					
Property, plant, and equipment	$ (132,415)	$ (13,950)	$ 2,791	$ 32,583	$ (110,991)
Library materials	(14,478)	(1,644)	1,190	163	(14,769)
Intangibles	-	(96)	1,572	-	1,476
Infrastruture	(492,578)	(28,394)	-	(19,694)	(540,666)
Total accumulated depreciation	$ (639,471)	$ (44,084)	$ 5,553	$ 13,052	$ (664,950)
Governmental activities capital assets (net of accumulated depreciation)	$ 803,036	$ 20,403	$ (51,191)	$ 15,392	$ 787,640

Business-type Activities	Beg Bal	Increases	Decreases	PPA	End Bal
Capital assets, not being depreciated:					
Land	$ 133,903	$ 3,083	$ -	$ -	$ 136,986
Construction work in progress	192,239	148,559	(270,706)		70,092
Total capital assets, not being depreciated	$ 326,142	$ 151,642	$ (270,706)	$ -	$ 207,078
Capital assets, being depreciated:					
Property, plant, and equipment	$ 2,765,369	$ 303,153	$ (23,180)	$ 50,230	$ 3,095,572
Intangibles	-	-	-	-	-
Total capital assets, being depreciate	$ 2,765,369	$ 303,153	(23,180)	50,230	3,095,572
Less accumulated depreciation:					
Property, plant, and equipment	$ (1,018,778)	$ (91,273)	$ 18,806	$ (32,583)	$ (1,123,828)
Intangibles	-	-	-	-	-
Total accumulated depreciation	$ (1,018,778)	$ (91,273)	$ 18,806	$ (32,583)	$ (1,123,828)
Business-type activities capital assets (net of accumulated depreciation)	$ 2,072,733	$ 363,522	$ (275,080)	$ 17,647	$ 2,178,822

Prior period adjustments include a construction work in progress reclass from Infrastructure, post capitalization of prior period work in progress, and a reclass of an internal service fund to Business-type activities.

Notes to the Financial Statements
For the Year Ended December 31, 2009

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

Governmental Activities:	
General Government	$ 9,633
Public Safety	3,214
Transportation	14,346
Economic Environment	75
Culture and Recreation	16,816
Total depreciation expense - governmental activities	$ 44,084

Business-type activities:	
Airport	$ (1)
Mountain Rail	414
Parking Garage	760
Convention Center	2,271
Baseball Park	279
Tacoma Dome	667
Performing Arts	477
Solid Waste	6,773
Waste Water	9,867
Tacoma Rail	598
Water	14,316
Power	54,852
Total depreciation expense - business-type activities	$ 91,273

Notes to the Financial Statements
For the Year Ended December 31, 2009

D. Leases

Capital leases
The City leases certain equipment under various capital lease agreements. Capital lease balances at December 31, 2009:

(amounts expressed in thousands)

Governmental Activities

Information Systems Fund San Storage & CISCO Lease Purchase $ 2,501

Year Ending December 31		Amount
2010		625
2011		625
2012		625
2013		626
Total lease payments	$	2,501

Business Activities

Tacoma Dome Energy Upgrades $180

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, are as follows: (amounts expressed in thousands)

Year Ending December 31		Amount
2010	$	47
2011		51
2012		52
2013		52
Total minimum lease payments	$	202
Less: Interest amount		(22)
Present value of min. lease payments	$	180

E. Short-term debt
Governmental activities:
No short-term debt was issued or outstanding in 2009.

Business activities:
No short term debt was issued or outstanding in 2009.

F. Long-term debt

General obligation bonds
The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities. The original amount of general obligation bonds outstanding issued in prior years was $158.7 million. General

Notes to the Financial Statements
For the Year Ended December 31, 2009

obligation bonds were issued in 2009 in the amount of $52.5 million. These issues carry variable interest rates adjusted quarterly equal to the composite interest rate earned on the investments of the City Treasury's pooled cash portfolio for the previous calendar quarter.

Annual debt service requirements to maturity, including principle and interest, for GO Bonds and Public Works Trust fund loans are as follows:

GO Bonds and Public Works Trust Fund Loans (amounts expressed in thousands)				
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principle	Interest
2010	$ 12,379	$ 4,489	$ 1,400	$ 3,099
2011	7,271	4,324	1,460	3,029
2012	7,501	4,077	1,515	2,956
2013	6,009	4,774	1,580	2,881
2014	5,765	4,646	1,640	2,802
2015-2019	25,258	21,740	9,295	12,785
2020-2024	25,435	8,952	11,565	10,352
2025-2029	19,568	30,413	14,650	7,221
2030-2034	17,095	20,212	18,765	3,271
2035-2039	5,354	2,211	1,895	129
Total	$ 131,635	$ 105,838	$ 63,765	$ 48,525

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

	Interest Rates	Amount
Governmental Activities	4.39%-5.63%	$ 113,413
Business Activities	4.45%-4.86%	$ 63,765

Special assessment bonds
The City has issued special assessment bonds in prior years 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, 2009, the amount of LID Special Assessment delinquency equals $39,600. The bond interest rates range from 3.9 to 5.6% and are payable over the next twenty years.

Annual debt service requirements to maturity for special assessment debt outstanding at year end are as follows:

Notes to the Financial Statements
For the Year Ended December 31, 2009

Special Assessment Debt
(amounts expressed in thousands)

	Governmental Activities	
	Principle	Interest
2010	$ -	$ 180
2011	-	180
2012	-	180
2013	-	180
2014	-	180
2015-2019	-	901
2020-2024	-	901
2025-2029	10,143	366
2030-2034	-	-
2035-2038	-	-
Total	$ 10,143	$ 3,068

Revenue Bonds and Loans
The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. The original amount of outstanding revenue bonds, WA public works board loans and drinking water state revolving loans issued in prior years was $1.4 billion. During the year $88 million were issued for construction and capital improvements in the water fund.

Revenue Bonds and Loans
(amounts expressed in thousands)

	Business-type activities	
	Principle	Interest
2010	$ 52,542	51,902
2011	55,017	49,050
2012	57,699	46,376
2013	60,448	43,844
2014	63,499	40,433
2015-2019	360,219	153,496
2020-2024	237,667	77,105
2025-2029	80,673	47,476
2030-2034	70,085	31,498
2035-2038	58,055	10,373
Total	$ 1,095,904	551,553

Notes to the Financial Statements
For the Year Ended December 31, 2009

Changes in long-term debt

Governmental activities - long term

(amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within on year
General obligation Bonds	$ 64,801	$ 52,476	$ (3,864)	$ 113,413	$ 5,927
Less: Unamortized discount	(33)	-	2	(31)	(2)
Public works trust fund loans	11,416	2,500	(1,073)	12,843	1,072
Bond anticipation notes	6,423	3,460	-	9,883	-
Special assessment debt	375	-	(115)	260	-
Capital leases	3,401	-	(900)	2,501	625
Claims and judgements	54,342	10,869	(5,518)	59,693	52,536
Accrued employee leave benefits	18,280	13,358	(12,195)	19,443	1,944
Governmental activities - long term liabilities	$ 159,005	$ 82,663	$ (23,663)	$ 218,005	$ 62,102

Business activities - long-term

(amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within on year
Revenue Bonds	$ 1,048,528	$ 76,775	$ (45,311)	$ 1,079,992	$ 52,542
Water public works board and drinking water state revolving loans	25,007	4,850	(1,736)	28,121	1,993
Muckleshoot liability	9,376	-	(323)	9,053	177
General obligation bonds	65,115	-	(1,350)	63,765	1,400
Plus: Unamortized premium	20,743	-	(5,567)	15,176	-
Less: Unamortized discount	(650)	-	95	(555)	-
Less: Loss on refundings	(17,027)	-	(2,485)	(19,512)	-
Less: Loss on defeasance	(875)	-	148	(727)	-
Bond anticitpation notes	550	-	(550)	-	-
Captial leases	220	-	(40)	180	47
Environmental liability	2,501	-	(529)	1,972	549
Landfill closure cost liability	39,833	953	-	40,786	-
Accrued employee leave benefits	14,756	10,773	(9,187)	16,342	1,634
Business activities - long-term liabilities	$ 1,208,077	$ 93,351	$ (66,835)	$ 1,234,593	$ 58,342

Business activities – long term liabilities - $496,000 has been accounted for in payable from restricted assets – current liabilities. See Proprietary Funds Statement of Net Assets.

Long-term liabilities are included as part of the above totals for governmental activities. At year end, $1.7 million of internal service funds compensated absences were included in the above amounts Also the governmental activities, capital leases, claims and judgments, and employee benefits are generally liquidated by the Third Party Claims and Workers' Comp funds, IT and the Tacoma Dome funds, and the General fund respectfully.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Limited General Obligation Bonds Issued in 2009

The City sold limited general obligation bonds on June 22, and July 13, 2009. The proceeds were used to fund $1.8 million in capital improvements for city parking facilities, and for a $1.7 million purchase of electronic content management software. On December 17, 2009 the City sold limited general obligation bonds in the amount of $48.9 million. The proceeds from this bond issue will be used for Cheney Stadium renovations and various other capital improvement projects.

Note 12 summarizes changes in long-term debt by bond issue.

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

Cash for Construction	$	176,817
Cash for debt service		57,861
Cash for other special purposes		104,155
Investments for other purposes		805
Notes and contracts receivable		3,663
Customer deposits		-
	$	343,301

H. Related party transactions
The City is not aware of any related party transactions.

I. Federal Compliance Requirements for Municipal Securities Issuers.
Internal Revenue Code Sections 103 and 148-150 and U. S. Treasury Regulation Sections 1.148-1.150 require that most tax-exempt bonds issued after August 31, 1986 are subject to the arbitrage rebate requirement and the tax-exempt proceeds subject to yield restrictions.

The City monitors the tax-exempt issues for compliance and rebates.

The Internal Revenue Service (IRS) does correspondence examinations periodically. In May 2004 the IRS began an examination on 6 tax-exempt bond issues of $225 million in bonds for Tacoma Power, Tacoma Water, Environmental Service and Wastewater Management and General Government. In April 2005 the City received notification from the IRS that they had successfully completed the correspondence examination. There have been no other Federal Compliance issues since then.

J. Reserved Fund balances
In the fund financial statements, the governmental funds report a reserve of fund balances that are legally segregated for a future use or are not available for appropriation.

		General Fund		Other Governmental Funds		Total
Reserved for:						
Encumbances	$	4,699	$	40,318	$	45,017
Advances to othe funds		13,249		5,885		19,134
Other purposes		6,569		4,757		11,326
Total reserved fund balance	$	24,517	$	50,960	$	75,477

Reserved for encumbrances. A reserve is reported to recognized outstanding commitments in subsequent periods.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Advances to other funds. The reserve should agree with the advances to other funds to segregate current financial resources that are not available for appropriation.

Other purposes. The reserve is used to match the reservation of fund balance to the long-term receivables, and inventory reported in the governmental funds. Even though, this represents a financial resource, this does not constitute a current financial resource because the receipt is not expected until future years.

Note 5 Pension plan(s) obligations and other post employment benefits

Employees of the City, other than law enforcement officers, firefighters, and railroad employees, are covered by the Tacoma Employes' Retirement 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) which is operated 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.

A. Tacoma Employees' Retirement System Fund (TERS)

1. Administration of the System: The "Tacoma Employees' Retirement System" is a local single employer defined benefit pension retirement plan covering City of Tacoma employees. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and benefit provisions are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. There are currently 1,846 retirees and beneficiaries receiving benefits, 366 vested terminated employees entitled to future benefits; and 3,148 active members of Tacoma Employees' Retirement System, as of December 31, 2009.

2. *Basis of Accounting:* The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

3. *Investments*: Equity securities, fixed income securities, private equity, real estate, and short-term investments are all reported at fair market value. Fair market value for public market managers was determined by our custodian bank utilizing standard industry practices and verified by our performance consultant. Private equity investments are reported by the managers' subject to their "fair value" policies. No investment in any one corporation or organization exceeded 5% of net assets available for benefits.

4. *Contracts*: The system has no securities of the employer and related parties included in the plan assets. The system has not made any loans to the employer in the form of notes, bonds, or other instruments.

5. *Benefits*: The pension received upon 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) which is determined based on the member's age and years of service. Provided however, that the monthly retirement allowance for members retiring from City service on and after January 1, 1997 will not be less than the actuarial equivalent of 200 percent of the members' accumulated normal contributions. The system also provides death and disability benefits.

6. *Contribution Rates*: Covered employees are required by Chapter 1.30 of the Tacoma City Code to contribute based on the rates provided in the following table:

Applicable Period	City Rate	Member Rate	Total Rate
1/1/1980 to 12/31/1996	10.44%	8.89%	19.33%
1/1/1997 to 12/31/2000	9.02%	7.68%	16.70%
1/1/2001 to 2/1/2009	7.56%	6.44%	14.00%
2/2/2009 to 12/31/2009	8.64%	7.36%	16.00%
1/1/2010 to forward	9.72%	8.28%	18.00%

Notes to the Financial Statements
For the Year Ended December 31, 2009

Contributions city-wide totaled $31.2 million in 2009 ($16.65 million employer contributions and $14.55 million employee contributions) and totaled $27.2 million in 2008 ($14.5 million employer contributions and $12.7 million employee contributions).

7. ***GASB Statement 50***: The note disclosures above emphasize the employer disclosures with additional detailed information presented in an independent annual report issued by the Retirement System. Further detailed information regarding these disclosures can be found in that report which may be obtained by writing to Tacoma Employees' Retirement System, 3628 S 35th St, Tacoma, WA 98409.

8. ***Funding Status and Progress***: Historical trend information about TERS is presented with supplementary information and can be found in the required supplementary information section of this report. This information is intended to help assess TERS funding status on a going-concern basis, and assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. January 1, 2009 Funding Progress (dollar amounts in millions) $1,097.3 Actuarial Value of Assets less $1,002.3 Actuarial Accrued Liability equals a ($95.0) Unfunded Actuarial Accrued Liabilities (UAAL). January 1, 2009 Funded Ratio is 109.5% with a UAAL of (48.1%) of the Covered Payroll in the amount of $197.4 million.

9. *Actuarial Methods and Significant Actuarial Assumptions*:

Valuation Date:	January 1, 2009
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of the Systems Projected Payroll
Remaining Amortiztion Period:	30 years (Open)
Asset Valuation Method:	Assets are valued at market value, with a four year smoothing of all market value gains and losses
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Project Salary Increases	4.25%
Includes Inflation at	3.25%
Cost of Living Adjustments	2.125%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation may be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of Tacoma Employes' Retirement System funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in analysis of Tacoma Employes' Retirement System progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Annual Pension Cost and Net Pension Obligation:
The City's annual pension cost and net pension obligation to the Retirement System for 2009 were as follows:

	(amounts expressed in millions)
Annual Required Contributions (ARC):	$ 14.3
Adjustment to ARC:	-
Annual Pension Cost (ARC)	14.3
Employer Contribution:	14.9
Increase/(Decrease) in Pension Obligation:	(0.6)
Net Pension Obligation at beginning of year:	(0.4)
Net Pension Obligation at end of year:	$ (1.0)

Trend Information
(dollars in millions)

Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/2002	$ 11.6	100%	$ (0.4)
12/31/2003	$ 11.6	100%	$ (0.4)
12/31/2004	$ 13.0	100%	$ (0.4)
12/31/2005	$ 13.1	100%	$ (0.4)
12/31/2006	$ 13.2	100%	$ (0.4)
12/31/2007	$ 13.6	100%	$ (0.4)
12/31/2008	$ 14.3	100%	$ (1.0)
12/31/2009	$ 15.2	100%	$ (3.8)

B. Law Enforcement Officers' and Firefighters' Retirement System (LEOFF)

The City of Tacoma contributes to the LEOFF system, a plan administered by the State of Washington.

1. *Administration of the System*
The City of Tacoma participates in the LEOFF system administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No 27.*

2. *Plan description*:
LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement

officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to age 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-Vested	3,927
Total	26,965

3. *Funding Policy*

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

	LEOFF Plan 1	LEOFF Plan 2	
Employer*	0.16%	5.24%	**
Employee	0.00%	8.46%	
State	N/A	3.38%	

* The employer rates include the employer administrative expense fee currently set at .16%.

** The employee rate for ports and universities is 8.99%.

Both the City of Tacoma and the employees made the required contributions. The City of Tacoma required contributions for the years ended December 31 were as follows:

	(expressed in millions)		
	LEOFF Plan 1	LEOFF Plan 2	Total
2009	n/a	n/a	$ 3.80
2008	n/a	n/a	$ 3.80
2007	n/a	n/a	$ 3.10

C. Police and Firefighter's Relief and Pension Funds

1. *Plan description*:
The Police Relief and Pension Fund (PRP) and the Fire Relief and Pension Fund (FRP) are single-employer, defined benefit pension funds established and administered by the City in accordance with the requirements of the RCW. Since the effective date of the LEOFF on March 1, 1970, no payroll deductions for active employees have been taken under these pension plans.

These plans also provide post-employment healthcare benefits to members of the plans and certain excess pension benefits to LEOFF members hired prior to October 1, 1977.

No new employees have been covered by either of these plans since March 1, 1970. Pension obligations for all firefighters and law enforcement officers retired since March 1, 1970, whether hired before or since that same date, have been assumed by the State of Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), with the exception of certain minimal benefits in excess of the LEOFF benefits. There are 0 active Police Officer and 2 active Firefighters with prior rights covered under these plans as of December 31, 2009. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 193 for the PRP and 239 for the FRP as of December 31, 2009. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

A member of the FRP is eligible for retirement after completion of service for a period of five years or more and attainment of age 50. A member is eligible for disability benefits if disabled for a minimum of six months. An individual becomes vested after five years of service. A member of the PRP is eligible for benefits after completing 25 years of service. An individual becomes vested after five years of service. Since there have been no new employees covered under these systems since 1970, all employees are fully vested.

The PRP and FRP make three types of payments: (1) pensions to eligible members retired prior to March 1, 1970, (2) amounts to certain eligible members retired after that date if the amount received from LEOFF does not equal or exceed the amount entitled from the appropriate prior pension fund, and (3) medical services for both active and retired firefighters and law enforcement officers, excluding those hired since October 1, 1977. The medical services are an obligation that may be paid directly from the City's General Fund if so desired. The

Notes to the Financial Statements
For the Year Ended December 31, 2009

pension benefits are tied to the current pay rates for the rank the members held at retirement and/or the cost of living index. Benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and 41.26.

Benefits are calculated based on length of service (a percentage for each year of service) and on the final average salary (calculated over the last two years of credited service). There were no changes in benefit provisions in the current year.

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.

Post-retirement medical benefits are available to firefighters and law enforcement officers hired before October 1, 1977 only. For retirees before June 8, 1961, only medical expenses that are directly related to their disability retirement are eligible for payment. Those who retired or will retire after June 8, 1961, have medical insurance paid by the City through the City's normal medical insurance carrier. The City will also pay any expense in excess of those covered by the medical insurance carrier. All benefits are funded on a pay-as-you-go basis. At December 31, 2009, there were 224 retired law enforcement officers and 281 retired firefighters who are eligible for medical coverage (this does not include active employees).

The post retirement medical benefits are accounted for in the PRP and FRP trust fund financial statements. Since these benefits are paid on a pay-as-you-go basis - the beginning fund balance is zero; contributions of $2.9 million and $3.6 million were made for PRP officers and FRP officers, respectively, which equaled benefits paid; and the ending fund balance is zero.

2. *Basis of Accounting*:
The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are due and the City has made a formal commitment to provide the contributions. Expenses are recorded when the liabilities are recognized when due and payable in accordance with terms of the plan.

3. *Investments*:
Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair market value.

4. ***Contributions required and contributions made***:
The PRP is funded entirely from a biennially budgeted contribution from the City's General Fund. Funding of these benefits is required by RCW. The General Fund is responsible for ensuring that the fund has adequate cash to pay its obligations each year. Total contributions to the PRP were $5.7 million in 2009.

The FRP is funded from two sources: (1) 22-1/2 cents per $1,000 of assessed valuation has been earmarked from property taxes as authorized by R.C.W. 41.16.060, and 25% of the tax on fire insurance premiums collected by the State is earmarked by State law for distribution to cities for this purpose. This amount was $5.0 million in 2009; and (2) the balance of $1.8 million is made up of a biennially budgeted contribution from the City's General Fund. Funding of these benefits is required by RCW. Total contributions to the FRP were $6.7 million in 2009. There have been no required employee contributions to the police and firefighter's relief and pension plans since March 1, 1970.

An actuarial valuation of these funds will no longer be performed on these plans because all monies in the "prior' system funds were transferred to the State of Washington on March 1, 1970. No new employees have been covered by either of these plans since March 1, 1970. These plans are funded on a "pay-as-you-go" basis using a cash flow projection performed by Milliman rather than an actuarial funding plan to liquidate liabilities which is not considered material. The City uses this cash projection to budget annual amounts to transfer to these funds for benefits. Actual expenditures may be greater or less than the budgeted amounts. Monies are transferred as needed.

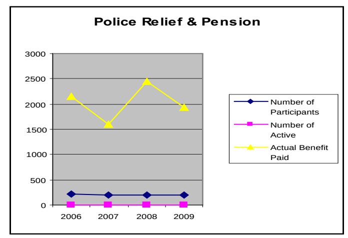
Notes to the Financial Statements
For the Year Ended December 31, 2009

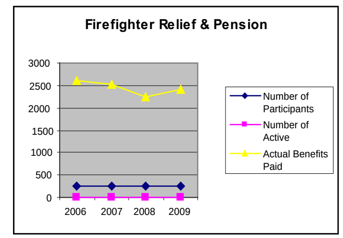
The number of participants and actual benefits paid (in thousands) has been fairly constant over the years:

Year End	Police Relief & Pension Number of Participants	Active	Actual Benefits Paid	Year End	Firefighter's Relief & Pension Number of Participants	Active	Actual Benefits Paid
12/31/2006	215	0	2,146	12/31/2006	261	2	2,603
12/31/2007	205	0	1,596	12/31/2007	249	2	2,529
12/31/2008	200	0	2,453	12/31/2008	244	2	2,243
12/31/2009	193	0	1.944	12/31/2009	239	2	2,411

The financial statements of the PRP and FRP are included in the City's annual financial report in the Combining Fiduciary statement section. A separate audit report is not issued for these pension plans. Further detailed information regarding these pension plans may be obtained by writing to the City of Tacoma - Fire and Police Pension, 747 Market Street, Room 1520, Tacoma, WA 98402-3773.

(Tables amounts for Actual Benefits Paid expressed in thousands)





D. Other Post Employment Benefits (OPEB) Than Pensions

1. *Plan description:*
The City contributes to two single-employer defined benefit plans: Tacoma Employees' Retirement System Fund (TERS) and Law Enforcement Officers' and Firefighters' Retirement System Plan 2 (LEOFF Plan 2), one agent multi-employer plan: Law Enforcement Officers' and Firefighters' Retirement System Plan 1 (LEOFF Plan 1) and the Railroad Retirement System which is an independent agency in the executive branch of the U.S. Government which administers the Railroad Retirement Act. The benefits under the Railroad Retirement Act are not payments under a 'pension plan' but rather are grants under a Federal statute. Railroad benefit amounts are divided into a social security level benefit, staff-type benefits based on a railroad services, and in some instances a dual benefit component. Each plan provides medical benefits to eligible retired city employees and beneficiaries.

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 statues 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 statues assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provision are state statute by the State of Washington through the Department of Retirement Systems, per RCW 41.26. For the Railroad Retirement System, these are administered by Federal statue under the Railroad Retirement Act (45 U.S.C. 23l et seq.) and authority resides by these Federal statutory provisions. Each plan issues an available financial report that includes financial information for that plan except LEOFF Plan 2 which is presented on the Combining Statements. Those reports may be obtained by writing at the following addresses:

Notes to the Financial Statements
For the Year Ended December 31, 2009

TERS
Tacoma Employees' Retirement System
3628 South 35th St, Ground Floor
Tacoma, WA 98402

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

LEOFF Plan 2
City of Tacoma
747 Market Street, Room 1520
Tacoma, WA 98402

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

2. Funding Policy and Annual OPEB Cost:

The City is financing the plans on a pay-as-you-go basis. The railroad retirement benefits are paid from the Railroad Retirement Account, maintained by the Department of the Treasury of the U.S. and is financed through taxes levied upon railroad employees and employers by the Railroad Retirement Tax Act (26 U.S.C. 3201 et seq.), which is administered by the Internal Revenue Service.

The Present Value of Benefits (PVB) is the present value of projected benefits discounted at the valuation interest rate. The valuation interest rate used is 4.00% based upon the expected return for the short-term fixed income securities. This rate is used, as the required contributions net of benefits paid, are not prefunded.

The Normal Cost is that portion of the City provided benefit attributable to employee service in the current year. The Actuarial Accrued Liability (AAL) is the portion of the present value of benefits attributed to past service only. The Annual Required Contribution (ARC) is the amount the City would be required to report as an expense for the year. The ARC is equal to the Normal Cost plus an amount to amortize the unfunded Actuarial Accrued Liability (AAL). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Each year the ARC, less current year benefit payments, will accumulate as a liability, Net OPEB Obligation, on the balance sheet.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Annual Required Contribution		TERS		LEOFF Plan 1		LEOFF Plan 2		Rail
Normal Cost at Year-end	$	3,143,372	$	1,209,812	$	1,174,715	$	87,726
Amortization of UAAL		1,255,737		9,403,586		445,296		41,734
Annual Required Contribution (ARC)	$	4,399,109	$	10,613,398	$	1,620,011	$	129,460
Net OPEB Obligation								
Annual Required Contribution (ARC)	$	4,399,109	$	10,613,398	$	1,620,011	$	129,460
Interest on prior year Net OPEB obligation		188,286		97,500		136,903		(5,478)
Less Adjustments to ARC		162,721		140,655		118,314		(4,734)
Annual OPEB Cost	$	4,424,674	$	10,570,243	$	1,638,600	$	128,716
Contributions made		1,206,564		6,948,217		108,929		56,078
Increase in Net OPEB Obligation	$	3,218,110	$	3,622,026	$	1,529,671	$	72,638
Net OPEB Obligation - Beginning of Year	$	4,707,159	$	2,437,492	$	3,422,577	$	(136,951)
Net OPEB Obligation - End of Year	$	7,925,269	$	6,059,518	$	4,952,248	$	(64,313)

The following table shows the City's GASB 45 liability broken down by the total value of the benefits provided, the member premiums and the City-paid benefits.

Value of Subsidy at 4% Interest Rate

		Total Value of Benefits		Member Paid Benefits		City-Paid Benefits
Present Value of Benefits	$	381,316,670	$	1,151,489	$	266,167,781
Actuarial Accrued Liability (AAL)	$	256,534,861	$	513,668	$	205,168,072
Normal Cost	$	10,222,755	$	46,071	$	5,615,626
Annual Benefit Payments	$	10,601,879	$	22,821	$	8,319,788

The City's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and each of the two preceding years for each of the plans were as follows:

TERS

Year Ended		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
12/31/2007	$	4,122,522	39.5%	$	2,495,369
12/31/2008	$	4,081,060	45.8%	$	4,707,159
12/31/2009	$	4,424,674	27.3%	$	7,925,279

Notes to the Financial Statements
For the Year Ended December 31, 2009

LEOFF Plan 1

Year Ended		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
12/31/2007	$	8,216,207	81.9%	$	1,489,304
12/31/2008	$	8,191,462	88.4%	$	2,437,492
12/31/2009	$	10,570,243	65.7%	$	6,059,518

LEOFF Plan 2

Year Ended		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
12/31/2007	$	1,757,576	0.8%	$	1,743,924
12/31/2008	$	1,728,600	2.9%	$	3,422,577
12/31/2009	$	1,638,600	6.6%	$	4,952,248

Rail

Year Ended		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
12/31/2007	$	63,033	254.1%	$	(97,122)
12/31/2008	$	64,647	161.6%	$	(136,951)
12/31/2009	$	128,716	43.6%	$	(64,313)

3. Funding Status and Funding Process:
The funded status of the plans as of December 31, 2009, were as follows:

		TERS		LEOFF 1		LEOFF 2		Rail
Annual City Benefit Payments	$	1,206,564	$	6,948,217	$	108,929	$	56,078
Discount Rate		4.00%		4.00%		4.00%		4.00%
Present Value of Benefits	$	75,198,619	$	158,024,350	$	30,381,171	$	2,563,641
Acutuarial Accrued Liability Assets	$	34,928,649	$	156,692,548	$	12,386,026	$	1,160,849
Plan Assets	$	-	$	-	$	-	$	-
Unfunded Actuarial Liability (UAAL)	$	34,928,649	$	156,692,548	$	12,386,026	$	1,160,849
Funded Ratio		0.0%		0.0%		0.0%		0.0%
Covered Payroll	$	1,206,564	$	6,948,217	$	108,929	$	56,078
UAAL as a % of covered payroll		2895%		2255%		11371%		2070%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as results are compared to previous expectations and new estimates are made

Notes to the Financial Statements
For the Year Ended December 31, 2009

about the future. The required schedule of funding progress presented as required supplementary information provides the first year OPEB information and future years will show whether the actuarial value of plan assets is changed over time (based on how OPEB is funded) relative to the actuarial accrued liability for benefits.

The City uses the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in the setting non-Medicare retiree rates. To account for the fact that per member health costs vary depending on age and number of dependents, the consulting actuary (Milliman) calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members and based on relative cost factors by age and gender. The relative age/gender cost factors were developed from Milliman's Health Cost Guidelines database. Based on the 2009 premium rates and relative age cost factors assumptions, Milliman developed the following age adjusted monthly PMPM health costs for 2009.

Cost Per Member Per Month By Age

		Regence Preferred		Regence Selections		Group Health
Male Retirees						
Age 50	$	726.84	$	829.03	$	706.13
Age 55		851.03		970.69		826.79
Age 60		1,033.93		1,179.31		1,004.48
Age 64		1,276.53		1,456.01		1,240.16
Male Spouses						
Age 50		515.79		588.32		501.10
Age 55		689.99		787.00		670.33
Age 60		908.59		1,036.33		882.70
Age 64		1,129.67		1,288.50		1,097.49
Female Retirees						
Age 50		801.95		914.70		779.10
Age 55		878.02		1,001.47		853.01
Age 60		1,007.44		1,149.09		978.74
Age 64		1,193.59		1,361.41		1,159.58
Female Spouses						
Age 50		573.31		653.92		556.98
Age 55		688.74		785.58		669.12
Age 60		829.95		946.64		806.30
Age 64		986.23		1,124.89		958.13

Notes to the Financial Statements
For the Year Ended December 31, 2009

4. Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	TERS/LEOFF Plan 2/Rail	LEOFF Plan 1
Valuation Date	January 1, 2009	January 1, 2009
Census Date	January 1, 2009	January 1, 2009
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level percentage of expected payroll	Level dollar amount
Remaining Amortization Period	28 year, closed	28 year, closed
Demographic Assumptions	Demographic assumptions regarding retirement, disability, and turnover are based upon pension valutations for the various pension plans.	
Actuarial Assumptions:		
Discount Rate	4%	4%
Health Cost Trend	Starting with 2009, 8.7% in the first year, 7.9% in the second, 7% in the third and grading down to an ultimate of 5.3% in 2059.	
Projected Payrol Increases	4.25%	4.25%

Note 6 Deferred compensation

The City offers its employees a deferred compensation plan through a third party created in accordance with Internal Revenue Code Section 457. The plan, available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable emergency, but the plan does offer a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions. The 2009 contribution limits are $16,500 for regular deferral, $33,000 for pre-retirement and $22,000 for age 50 provision deferrals. The City has agreed through contract negotiation with the Police union and the Fire union to match contributions made by all Police Officers and Fire Officers up to a maximum of $192 per pay period.

Note 7 Interfund activity

Interfund activity is composed of three types of transactions. 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. Advances to and from other funds are loans between funds for capital or cash flow purposes. Due to and due from other funds represent internal charges for services except for billings for utility services which are considered "external" in nature. 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.

Notes to the Financial Statements
For the Year Ended December 31, 2009

The composition of interfund balances (amounts expressed in thousands) at December 31, 2009 is as follows:

	Due To								
Due From	General Fund	Sewer Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	Pension and Trust Funds	Total
General Fund	$ -	$ 720	$ 132	$ 467	$ 2,517	$ 368	$ 756	$ 24	$ 4,984
Sewer Fund	$ 901	$ -	$ -	$ 562	$ 784	$ 115	$ 51	$ -	$ 2,413
Water Fund	$ 250	$ -	$ -	$ 940	$ 536	$ 14	$ 14	$ -	$ 1,754
Power Fund	$ 863	$ 306	$ 528	$ -	$ 1,874	$ 100	$ 207	$ -	$ 3,878
Internal Service Funds	$ 2,502	$ 677	$ 520	$ 1,791	$ 902	$ 584	$ 853	$ 29	$ 7,858
Non-major Governmental Funds	$ 643	$ 79	$ 8	$ 62	$ 440	$ 91	$ 5	$ -	$ 1,328
Non-major Enterprise Funds	$ 1,370	$ -	$ -	$ 377	$ 982	$ 5	$ 85	$ -	$ 2,819
Pension and Trust Funds	$ 46	$ -	$ -	$ 2	$ 29	$ -	$ -	$ -	$ 77
Total	$ 6,575	$ 1,782	$ 1,188	$ 4,201	$ 8,064	$ 1,277	$ 1,971	$ 53	$ 25,111

Interfund balances result when transactions are recorded in the accounting system and payments are made between funds after December 31, 2009.

	Advances Owed To			
Advance Owed From	General Fund	Non-major Governmental	Internal Service Funds	Total
Non-major Governmental	$ 4,421	$ 1,730	$ -	$ 6,151
Non-major Enterprise	7,100	2,912	1,916	$ 11,928
Interal Service Funds	1,728	1,242	-	$ 2,970
Total	$ 13,249	$ 5,884	$ 1,916	$ 21,049

The below information provides detail of the interfund payable transactions:

The amount of $4,421,000 due to the General Fund from Non-Major Governmental funds is for various Local Improvement Development projects, and for additional funding to complete the new Tacoma police headquarters and four new police substations.

The amount of $7,100,000 due to the General Fund from Non-Major Enterprise funds resulted from the installation of a new septic system at Tacoma Narrows Airport and to purchase Sunriver Asset Management, LLC, buildings and the leasehold on the buildings. The balance of these loans should be paid in 2010. In 2007, financing was needed for the Mountain Division Rail to provide interim financing for cash flow deficits.

The amount of $1,728,000 due to the General Fund from Internal Service funds resulted from loans to pay for the cost of rehabilitation and acquisition of the Tacoma Municipal Building and to finance the acquisition of business systems improvements.

The amount of $1,730,000 due to Non-Major Governmental funds from Non-Major Governmental funds resulted from loans to pay for condemnation and acquisition of certain blighted property and for asbestos removal,

Notes to the Financial Statements
For the Year Ended December 31, 2009

demolition, and site cleanup of said City-owned parcels. Additionally, funds were used in the refit and renovation of the Tacoma Fire Department fireboat Commencement.
The amount of $2,912,000 due to Non-Major Governmental funds from Non-Major Enterprise funds was for various capital improvement projects at the Tacoma Dome.

The amount of $1,242,000 due to Non-Major Governmental funds from Internal Service Funds resulted from financing the acquisition of business system improvements.

The amount of $1,916,000 due to Internal Service funds from Non-Major Enterprise funds was due to improvements to the Pantages Theater, and to finance capital projects for Tacoma Rail.

(amounts expressed in thousands)	Transfer In							
Transfer Out	General Fund	Sewer Fund	Water Fund	Power Fund	Internal Service Funds	Non-major Governmental Funds	Non-major Enterprise Funds	Total
General Fund					$ 44	$ 5,015	$ 700	$ 5,759
Sewer Fund	$ 6,039	$ -	$ -	$ -	$ 225	$ -	$ -	$ 6,264
Water Fund	$ 4,998	$ -	$ -	$ -	$ 187	$ -	$ -	$ 5,185
Power Fund	$ 21,838	$ -	$ -	$ -	$ 147	$ -	$ -	$ 21,985
Internal Service Funds	$ 5,181	$ -	$ -	$ -	$ 1,000	$ 1,500	$ -	$ 7,681
Non-major Governmental Funds	$ 3,325	$ -	$ -	$ -	$ 630	$ 2,934	$ 3,964	$ 10,853
Non-major Enterprise Funds	$ 5,652	$ -	$ -	$ -	$ 142	$ 154	$ -	$ 5,948
Total	$ 47,033	$ -	$ -	$ -	$ 2,375	$ 9,603	$ 4,664	$ 63,675

$6,039,000 was transferred from Sewer Fund to the General Fund to record the transfer of 2009 billed and unbilled gross earnings tax.

$4,998,000 was transferred from Water Fund to the General Fund to record the transfer of 2009 billed and unbilled gross earnings tax.

$21,838,00 was transferred from Power Fund to the General Fund to record the transfer of 2009 billed and unbilled gross earnings tax.

$5,181,000 was transferred from Internal Service funds to the General Fund to refund contributions to the unemployment compensation fund and as a part of the mid-biennium budget adjustment.

$3,325,000 was transferred from Non-Major Governmental funds to the General Fund to support fire department operations, and as a part of the mid-biennium budget adjustment.

$5,652,000 was transferred from Non-Major Enterprise funds to the General Fund to record the transfer from Solid Waste and Tacoma Rail of 2009 billed and unbilled gross earnings tax.

$44,000 was transferred from the General Fund to Internal Service Funds to record donated vehicles for the Equipment Rental Fund.

$225,000 was transferred from the Sewer Fund to Internal Service Funds to record donated vehicles for the Equipment Rental Fund.

$187,000 was transferred from the Water Fund to Internal Service funds to record the 2009 Fleet Services contribution.

Notes to the Financial Statements
For the Year Ended December 31, 2009

$146,000 was transferred from the Power Fund to Internal Service funds to record the 2009 Fleet Services contribution.

$1,000,000 was transferred from Internal Service Funds to Internal Service Funds to record a distribution of surplus reserve from the Unemployment Compensation Fund.

$630,000 was transferred from Non-Major Governmental to Internal Services funds for facilities fire maintenance and to record donated vehicles for the Equipment Rental fund.

$142,000 was transferred from Non-Major Enterprise funds to Internal Service funds to record donated vehicles for the Equipment Rental Fund.

$5,015,000 was transferred from the General fund to Non-Major Governmental funds to transfer property tax revenue for debt service payments, and to fund a housing program.

$2,935,000 was transferred from Non-Major Governmental funds to Non-Major Governmental funds to transfer funds for debt service payments, and to transfer reimbursements for various projects.

$1,500,000 was transferred from Internal Service Funds to Non-Major Governmental funds to record a distribution of surplus reserve from the Unemployment Compensation Fund.

$154,000 was transferred from Non-Major Enterprise funds to Non-Major Governmental funds to transfer funds for debt service payments, and for Cheney Stadium improvements.

$700,000 was transferred from the General fund to Non-Major Enterprise funds assist the theaters (BCPA) throughout the year and to support operations.

$3,964,000 was transferred from Non-Major Governmental funds to Non-Major Enterprise funds to transfer funds for debt service payments, and to transfer funds for Mountain Rail and Theater fund projects.

Note 8 Other information

A. Accounting changes

Two internal service funds, the Fleet Services fund (# 5050) and the Self Insurance fund (#4800), in previous years, were eliminated to Governmental Activities in the Government-wide Statements. It was determined that both of these funds were supported by the enterprise funds and would more appropriately be eliminated in the Business-type Activities column. This change was made in 2009 and a prior period adjustment was recorded in the Government-wide statements. This is further disclosed in Note 8 (c) below.

There were four new funds created in 2009:

- Human Resources (Fund 1500) - The HUB/LEAP accounting was previously accounted for in one fund (#1236). These activities were split into two separate funds.
- City Manager (Fund 1600) – This fund was created to account for ARRA funds.
- 2009 LTGO Bonds (Fund 3218) - The 2009 LTGO Bond was created to account for construction costs related to the bond issue.

B. Risk management
The City is self-insured for general 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's benefits is based on an average of 2-months claims from the reporting year. The General IBNR liabilities are calculated by a periodic actuarial study. The handling and paying of all general liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the TPU Self Insurance Claim Fund. Monies are appropriated from various cost centers based on prior claims history and paid to these funds.

Notes to the Financial Statements
For the Year Ended December 31, 2009

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with the Revised Code of Washington in RCW 35.21.085 (2). The City carries a supplemental general liability policy with a $20 million limit and a $3 million deductible, renewable on August 13 of each year. As of August 2009, the policy has a $15 million limit with a $3 million self-insured retention. This policy is provided to supplement the City's current self-insurance risk for settlements in excess of $3 million. The City also has a policy to cover extraordinary worker's compensation claims with a liability limit of $25 million with a $1 million retention. This policy renews January 1st of each year.

The City carries property coverage with a maximum single occurrence limit of $500,000,000 with $100,000 deductible per occurrence, with exceptions. Earthquake coverage has a 5% or $250,000, whichever is greater per building deductible. This policy renews July 1st of each year.

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Rail became a participant in 1985. Total assets in this fund are $4.6 million. Settlement payments were within amounts available for coverage for the last three years—2009, 2008 and 2007.

Changes in estimated claims settlements liability for the past two years were as follows:
(amounts expressed in thousands)

	Self Insurance Fund		Worker Compensation Fund		TPU Self Insurance Fund	
	2009	2008	2009	2008	2009	2008
Balance 01/01/09	$ 43,667	$ 44,843	$ 2,979	$ 3,025	$ 1,576	$ 1,899
New Claims	4,761	1,820	2,368	2,127	224	655
Adjustments to Claims	(77)	2,297	2,533	2,294	(179)	(566)
Claims Payment	(920)	(5,293)	(4,598)	(4,467)	(258)	(412)
Balance 12/31/09	$ 47,431	$ 43,667	$ 3,282	$ 2,979	$ 1,363	$ 1,576

Notes to the Financial Statements
For the Year Ended December 31, 2009

C. Prior Period Adjustments
Prior year adjustments are used for the correction of an error or the implementation of a new authoritative standard.

Subsequent to the issuance of the December 31, 2008 financial statements, prior period adjustments were made.

(amounts expressed in thousands)

Enterprise Funds

Fund Name	Amount	Description
Baseball Park #4170	$ (274)	To correct prior period expense reimbursement.
Tacoma Dome #4180	$ 14	To correct prior year admissions taxes, and to correct prior year expenses recorded as capital.
Total	$ (260)	

Internal Service Funds

Fund Name	Amount	Description
Information Services	$ 156	To correct prior year capital lease payments.
Self Insurance Claims	$ 2,910	To correct prior period recording of revenue and expense.
Total	$ 3,066	

Government-wide Statements

Activity	Amount	Description
Governmental	$ (37,373)	To transfer the net assets of the Tacoma Public Utilities Fleet Fund, and the Tacoma Public Utilities Self Insurance Claims fund to business type activities. To record capital assets placed in service in a prior period, and to correct a prior period recording of long term debt.
Business	$ 41,884	To record the transfer of the net assets of the Tacoma Public Utilities Fleet Fund, and the Tacoma Public Utilities Self Insurance Claims fund from governmental activites.
Total	$ 4,511	

Notes to the Financial Statements
For the Year Ended December 31, 2009

D. Segment Information

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

(amounts expressed in thousands)

CONDENSED STATEMENT OF NET ASSETS

	Convention Center & Bicentennial Pavillion Fund	Solid Waste Fund	Tacoma Rail	Total
Assets:				
Current assets	$ 1,830	$ 33,563	$ 8,463	$ 43,856
Due from other funds	90	1,479	266	1,835
Restricted assets	-	49,837	406	50,243
Capital assets	75,856	54,979	10,394	141,229
Other non-current assets	889	709	7	1,605
Total assets	$ 78,665	$ 140,567	$ 19,536	$ 238,768
Liabilities:				
Current liabilities	2,335	11,272	1,864	15,471
Due to other funds	87	2,176	316	2,579
Current liabilities payable from restricted assets	-	696	-	696
Non-current liabilities	73,040	118,178	3,665	194,883
Total liabilities	$ 75,462	$ 132,322	$ 5,845	$ 213,629
Net assets;				
Investment in capital assets, net of related debt	$ 1,072	$ 21,677	$ 7,166	$ 29,915
Restricted	-	1,206	406	1,612
Unrestricted	2,131	(14,638)	6,119	(6,388)
Total Net Assets	$ 3,203	$ 8,245	$ 13,691	$ 25,139

Notes to the Financial Statements
For the Year Ended December 31, 2009

EXPENSES, AND CHANGES IN NET ASSETS

	Convention Center & Bicentennial Pavillion Fund	Solid Waste Fund	Tacoma Rail	Total
Operating revenues	$ 2,196	$ 55,137	$ 14,578	$ 71,911
Depreciation expense	(2,196)	(6,550)	(578)	(9,324)
Other operating expenses	(4,525)	(39,897)	(13,561)	(57,983)
Operating income	$ (4,525)	$ 8,690	$ 439	$ 4,604
Nonoperating revenues (expenses)				
Interest revenue	89	2,071	142	2,302
Interest expense	(3,602)	(4,368)	(133)	(8,103)
Other nonoperating revenues(expenses)	1,796	7	786	2,589
Capital contributions	-	-	837	837
Transfers	3,137	(4,550)	(1,244)	(2,657)
Change in net assets	$ (3,105)	$ 1,850	$ 827	$ (428)
Beginning net assets	$ 6,308	$ 6,395	$ 12,864	$ 25,567
Prior period adjustments				-
Ending net assets	$ 3,203	$ 8,245	$ 13,691	$ 25,139

CONDENSED STATEMENT OF CASH FLOWS

	Convention Center & Bicentennial Pavillion Fund	Solid Waste Fund	Tacoma Rail	Total
Net cash provided (used) by:	$ (2,408)	$ 15,692	$ 775	$ 14,059
Operating activities		-	-	-
Noncaptial financing activities	4,936	(4,050)	(1,244)	(358)
Captial and related financing activities	(5,824)	(12,154)	(222)	(18,200)
Investing activities	89	2,068	143	2,300
Net increase (decrease)	(3,207)	1,556	(548)	(2,199)
Beginning cash and cash equivalents	4,674	75,434	6,165	86,273
Ending cash and cash equivalents	$ 1,467	$ 76,990	$ 5,617	$ 84,074

Notes to the Financial Statements
For the Year Ended December 31, 2009

E. The Performing Arts Center

As a result of subsequent transactions, the City entered into an Operating Agreement for possession and use of the building for a term of 35 years with two automatic renewal options of 10 years and 20 years. The future minimum annual lease payments paid by the Performing Arts Center Fund calculated at an implicit interest rate of 8 percent are as follows (amounts expressed in thousands):

2009	$ 358
2010	346
2011	321
2012	297
2013	275
2014-2018	1,097
2019-2023	533
2024-2028	319

In addition, the future annual minimum sublease payments received by the Performing Arts Center Fund calculated at an implicit interest rate of 8 percent are as follows (amounts expressed in thousands):

2009	$ 319
2010	311
2011	288
2012	266
2013	247
2014-2018	985
2019-2023	244
2024-2028	79

F. Tax expense – Utility Funds
The taxes expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Surface Water, Waste Water, and Solid Waste and a 6.0% 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, 6%; Cable TV, 8.0%; Electricity, 6%; Solid Waste Collection, 8% and Telephone, 6.0%.

G. Results of operations of joint ventures

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

The City participates in two joint ventures with Pierce County: the Law Enforcement Support Agency (LESA) and the Tacoma-Pierce County Health Department. The City and Pierce County are jointly responsible for approving the organizations budgets, financing their deficits, receiving entitlement to their surpluses, and funding their operations (approximately 50% each). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Cheney Stadium was previously reported in results of operations of joint ventures. In 2009, the City of Tacoma became the sole owner of Cheney Stadium. Prior to this, the City and Pierce County each had a fifty percent interest in the stadium's capital assets and were jointly responsible for financing deficits.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Summary financial information on the joint ventures is listed below for the year of the last audited financials. These figures reflect the information as prepared and submitted to the City by the various entities. The City is the fiscal agent for LESA.

Joint Venture
(amounts expressed in thousands)

	LESA	HEALTH DEPARTMENT
Balance Sheet Date	12/31/2009	12/31/2008
Total Assets	$ 4,287	$ 11,553
Total Liabilities	1,659	4,873
Total Net Assets	2,628	6,680
Non-current Liabilities	1,564	307
Captial Assets (net of accumulated depreciation)	1,254	2,115
Total Revenues	19,975	32,212
Total Expenditures/Expenses	1,246	32,347
Other Non-operating Revenues/Expendutures	-	126
Transfers	-	-
Net Increase/(Decrease) in Net Assets	799	(8,560)
City Contribution	-	1,364

Additional information about each entity can be obtained from separately published financial statements by each entity by contacting the City of Tacoma, 747 Market Street, Room 132, Tacoma, WA 98402-3773

Note 9 Claims and Judgments

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 8 B for risk management information.

The City has entered into interlocal agreements with the Pierce County Health Department and the Law Enforcement Support Agency. If, in fact, any of these entities were to suffer a catastrophic disaster and their self insurance funds and resources were to be depleted, the City and other participating jurisdictions would be required to stand behind and make good the excess liability.

Under state law, the City is required to pay for unemployment and industrial insurance and medical aid. The City has chosen to self-insure rather than remit its payments to the state pool. See Note 8 B for risk management information.

B. Construction Commitments
The City has various construction projects as of December 31, 2009. The projects include street and capital project constructions for improvements of existing streets and brides or new bridges. At year-end the City's major commitments with the contractors are as follows: (amounts expressed in thousands)

Project	Bid Proposal	Spent-to-date	Remaining Commitment
1) Sector 4 Tacoma Police Substation	1,456	1,317	139
2) Cured In Place Pipe Rehabilitation	1,752	1,567	185
3) South Tacoma Way from Pine to South 38th Street	1,731	1,711	20
4) Broadw ay LID	12,286	11,740	546
5) Water Ditch Trail	727	710	17
6) Flare Station Improvements	383	288	95
7) Hylebos Bridge Rehabilitation	16,974	6,337	10,637
8) Tacoma Chinese Garden & Recon Ph II	657	615	42
9) Nisqually River Trestle Repair	2,786	2,784	2
10) Stamped Crossw alk and Sidew alk Improvements	308	268	40
11) Trestle Repairs (Puyallup River)	524	97	427
12) Sidew alk Reconstruction	170	135	35
13) East 34th Street Bridge Rehabilitation	2,593	2,067	526
14) Cityw ide 2008 Sidew alk Maintenance Program, Phase 2	327	110	217
15) Sauro Property Environmental Cleanup	1,771	1,579	192
16) 2009 Sanitary Sew er Spot Repair Project	405	326	79
17) Landfill Preload	897	428	469
18) BLID Structural Walk Replacement	1776	51	1725
	$ 47,523	$ 32,130	$ 15,393

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 costs

The Solid Waste Utility 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 with the United States Environmental Protection Agency ("EPA") and the Washington State Department of Ecology ("DOE"), reference *United States et al v. City of Tacoma,* US District Court Cause 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 action was brought under the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), and the state Model Toxics Control Act ("MTCA").

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 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 Tacoma Landfill Cleanup Consent Degree. The City also has an obligation 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. Due to the success of the City's groundwater pump and treat system, on February 11, 2010 EPA and DOE granted the City's request to shut down 14 of the Landfill's 19 groundwater extraction wells. Total cost to date amount to $52.9 million, of which $11.5 million was reimbursed through Washington State DOE grants.

On December 21, 2009, EPA and DOE conditionally approved the City's request for an extension of the Landfill closure date until 2014. One of the conditionals is for the City to begin placing a permanent cap on the Landfill's remaining open cell in 2010.

Although future closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the Solid Waste Utility began reporting a portion of these future closure and post-closure care costs as an operating expense in 1994 based on landfill capacity used as of the balance sheet date.

The $40,786,477 reported as landfill closure and post closure liability at December 31, 2009 represents an estimated closure and post-closure liability based on 97% use of total capacity of the landfill. The Solid Waste Utility will recognize an additional estimated cost of closure and post-closure care liability of $1,129,746 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2009. Actual cost may be higher or lower due to inflation, changes in technology, or changes in regulations. The City will be responsible for the costs of additional work if migration of pollutant from the site is not completely controlled by current remedial actions. The City satisfies the requirements of 40 CFR Part 258(f) - "Local government financial test." To meet previous requirements of State and Federal laws and regulations, annual contributions were made to a reserve for financing closure and post closure care. As of December 31, 2009, $2,726,829 is held for these purposes, and is reported as a restricted asset on the balance sheet.

D. Potential environmental contamination or utility claims or suits

The City is identified as a responsible party in various environmental cleanup projects under the federal superfund statute. The City is involved in several lawsuits to recover a portion of the cleanup costs from other parties and recovery from insurance policies. The City has also received grant funding to defray some of these costs. Other disclosures have been included for possible events of financial significance.

BNSF Oil Pipeline Release

The City has been named as a potentially liable responsible person ("PLP") by the Department of Ecology ("Ecology") for a contaminated site at the vicinity of East 19^{th} and East D Street near the Thea Foss Waterway. The contamination was caused when a 6-inch steel pipe used to transport oil from a storage tank to a Burlington Northern Santa Fe ("BNSF") rail yard corroded causing oil to be released to the surrounding environment. Other sources of contamination may have also contributed to the release at the site. Some of the oil migrated into the City's storm drains, which resulted in the City having to repair and replace storm drain lines and associated structures in the immediate area. In August 2008, the City signed a Consent Decree with Ecology which resolved any Model Toxics Control Act ("MTCA") liability the City may have had for contamination at the BNSF Site. By separate agreement, the City resolved its liability to BNSF by making a one time payment of $100,000. The City does not expect to incur additional MTCA cleanup costs at the BNSF Site.

BPA Ninth Circuit Appeal

Challenge by public utilities over the rate methodology used by BPA in a 2010 rate case, this action has also been combined with challenges regarding BPA's administration of the residential exchange credit settlement. Tacoma has intervened in these actions to preserve its right and be part of any settlement actions. Briefing schedule has now been continued to early 2010 with mediation schedule to occur in April 2010.

Central Treatment Plant – Digester Cleaning Claim

Northwest Cascade, the contractor hired to clean and remove solids from three digesters at the Central Treatment Plant in 2008, made a demand against the City in 2009, for additional compensation to clean the digesters. The demand was made because Northwest Cascade encountered a significantly higher volume of solids in the first two digesters than was estimated in the City's Bid Specification for the work. Further digester cleaning work was suspended pending resolution of the dispute.

A resolution was reached in February 2010, when the City agreed to reimburse Northwest Cascade for removing ninety percent of the additional volume of solids in the first two digesters. The City also agreed to increase compensation to clean the third digester to account for a higher volume of solids than was estimated in the Bid Specification for that digester.

City of Federal Way, City of University Place, and Pierce County

State Supreme Court ruled that the local governments are required to pay for local fire hydrant services, not water utilities. Three local governments have failed to pay Tacoma Water for local fire hydrant services totaling $2.4 million for the 2009-2010 biennium. The City has filed declaratory judgment suit to determine who is liable for paying for such services.

City Waterway Investments Claim

On January 5, 2007, the City received a claim from City Waterway Investments, owner of the property occupied by Johnny's Dock Restaurant located on the east side of the Thea Foss Waterway, to recover damages for harm to their building they allege was caused by the City's remedial action work in the Thea Foss Waterway. City Waterway Investments is seeking $594,117 in repair costs and $4,314,117 in "shortened life of building damages." Coug,

Notes to the Financial Statements
For the Year Ended December 31, 2009

Incorporated, the operator of the restaurant, is also seeking $450,000 compensation for loss of income, an additional $1,800,000 for the loss in value to its lease characterized as "shortened life of building," and other unspecified damages. The City denied the claim. In November 2008, the City settled the claim by agreeing to make a $100,000 payment to City Waterway Investments in exchange for a full release of liability from any claims City Waterway Investments could bring against the City for damage or injury to their property, property interests or business at 1900 "D" Street arising from the City's involvement in the Thea Foss and Wheeler-Osgood Waterways Remediation project.

Coal Gasification Site
In 1993, Ecology designated the City as one of six Potentially Liable Persons ("PLP") for the release and threatened release of hazardous substances at the Coal Gasification Site. Ecology named the City a PLP because public rights-of-way traverse the Site, and because hazardous substances present at the Site migrated into the City municipal storm drain system, for eventual discharge to the Thea Foss Waterway. At this time, it is unclear whether Ecology will require the City to pay for any additional cleanup work at the site. The City spent $674,383 on the site from 1993 through 2003, the majority of which was spent in the earlier years. Ecology has indicated in the past that it has plans to initiate Consent Decree negotiations with the City and other PLP's, to address additional remedial actions that must be performed to complete the clean-up of the Coal Gasification Site. To date, Ecology has not commenced Consent Decree negotiations.

Commencement Bay Natural Resource Damage (NRD)
The City has resolved federal, state, and tribal natural resource damage claims associated with municipal stormwater discharges in Commencement Bay through a Consent Decree that became effective on December 30, 1997. The stated value of the City's settlement is approximately $7,700,000. Under the Consent Decree ("the NRDA Consent Decree"), the City agreed to undertake five restoration projects within the Commencement Bay watershed and make certain cash payments. Four projects have been completed. The City is expected to complete the fifth project in late 2009 or 2010. Ongoing monitoring and maintenance of the various projects will continue through 2013. Included in the financial statements for 2009 and 2008 are liabilities of $134,247 and $159,962, respectively. Although the City resolved its NRDA liability, the City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities will be de minimus given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources. The City's understanding is a Thea Foss Waterway NRD settlement between non-City parties and the Commencement Bay Natural Resource Trustees could be reached in 2010, at which time the amount of the City's indemnity obligation will be known.

Contractor Claim – Central Treatment Plant Upgrade
Montgomery Watson Harza ("MWH"), the City's prime contractor for the Central Treatment Plant Upgrade project, made a claim against the City in 2009 for approximately $1.7 million in additional compensation it believes is owed under their contract for construction delays, which they allege are attributable to the City.

The City expects to settle the claim in spring 2010 and the amount is not expected to significantly impact the financial statements.

Cushman Federal Energy Regulatory Commission License.
In 1974, Tacoma Power petitioned the Federal Energy Regulatory Commission (FERC) to relicense its Cushman Dam Project located on the Skokomish River near Hoodsport, Washington. The Skokomish Tribe, along with others, contested significant portions of Tacoma Power's proposal before FERC. FERC issued a license in 1998 for the Cushman Project, but the proposed conditions significantly increased the cost of operating the project.

Tacoma Power appealed the license conditions to the U.S. Court of Appeals for the D.C. Circuit. The D.C. Circuit remanded the license back to FERC for consultation under the Endangered Species Act (ESA) after several salmonid species, including Fall Chinook, Summer Chum and Bull Trout, were listed as threatened under the ESA in 1999. FERC issued a license order in June 2004 that incorporated conditions from ESA biological opinions issued by USFWS and NOAA Fisheries in March 2004. At the same time, FERC lifted a stay of interim conditions, thus requiring Tacoma Power to install a valve in Cushman No. 2, increase the amount of spill from the project to 240 cfs and construct a bridge on the Reichert ranch. On February 14, 2005, FERC denied rehearing and affirmed the License Order. Tacoma filed a petition for judicial review of the license in the D.C. Circuit and obtained a stay of the "interim conditions." The D.C. Circuit issued an opinion on August 22, 2006, remanding the license to FERC and lifting the stay on the interim conditions.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Tacoma Power, the Skokomish Tribe and the various federal and state agencies charged with giving input on the licensing articles agreed to a settlement on January 12, 2009. The settlement agreement, along with the proposed amended licensing articles, has been submitted to FERC for review and approval. A decision is expected in 2010.

Tacoma Power continues to operate the Cushman Project pursuant to the 1998 FERC license which is subject to a partial stay.

Federal Energy Regulatory Commission Refund Proceedings.
In July 2001, Tacoma Power, along with Seattle, Eugene, Northern Wasco PUD, Snohomish PUD and the Port of Seattle, sought from the Federal Energy Regulatory Commission (FERC) refunds from the sellers of power who sold power at extremely high prices during the energy crisis (October 2000 through April 2001) (the "Puget" proceeding). The Puget proceeding is a case that was bifurcated from a much larger original refund proceeding referred to as the California Refund proceeding. In the Puget proceeding, Tacoma Power is requesting between $65 and $145 million in refunds arising from power being purchased at prices that were extremely unreasonable. FERC declined to grant refunds, stating that even assuming that the prices were unjust and unreasonable, relief could not be equitably granted because not all parties were subject to FERC jurisdiction, parties relying on the spot market would be rewarded over those choosing longer term purchases, there were too many transactions to trace, and not all upstream sellers might be identified. This matter was appealed to the U.S. Court of Appeals for the Ninth Circuit. In August 2007, the Ninth Circuit issued a decision in the "Pacific Northwest Refund Proceeding" (Puget, FERC docket No. EL 01-10), granting in part the petitions for review and remanding for FERC to reconsider its 2003 order denying refunds for charges in the Pacific Northwest that allegedly exceeded just and reasonable levels. The Court found FERC failed to consider market manipulation evidence and improperly excluded potential refunds for CERS purchases in the Pacific Northwest for delivery to California. On remand, the Court required the FERC to "examine this…evidence of market manipulation in detail and account for it in any future orders regarding the award or denial of refunds in the Pacific Northwest proceeding." Further, the Court strongly urged the FERC "to consider its decision, on remand, in light of the related decisions of this court that followed FERC's final orders" in Puget. This matter is now pending at FERC.

Tacoma also intervened in three FERC investigative proceedings involving alleged tariff violations and market manipulation by El Paso, Portland General Electric and Avista, pertaining to similar issues. Tacoma entered into a multi-party settlement of this proceeding with Portland General Electric, but was not a party to a settlement with El Paso. Tacoma's appeal in the Avista matter in the Ninth Circuit Court of Appeals is stayed pending decisions in the California Refund proceeding.

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 will resolve 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 has been implementing this agreement..

Port of Tacoma Lincoln Avenue Grade Separation Project Claim
On October 2, 2009, the Port of Tacoma ("Port") presented a claim against the City for recovery of a portion of the additional environmental costs to the Port incurred to handle, remove and dispose of contaminated soil and refuse during the construction of its Lincoln Avenue Grade Separation project ("Project"). The project includes surface street and utility improvements. In its claim, the Port alleged that the additional costs it incurred was a direct result of the City's prior operation of a solid waste landfill in the area where the project site is located. The City did use a portion of the project site to dispose of municipal solid waste in the 1940's and 1950. The City settled the Port's claim in December 2009, by agreeing to pay $500,835, toward the Port's additional environmental costs for Phases 1-4 of the Project. This payment represents forty percent of the Port's additional environmental costs. The Port has one more phase to complete, which it expects to do in the spring of 2011. The City's portion is not expected to have a material financial impact.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Robison Construction Inc.
The Contractor has filed suit related to two "additional work" claims arising out of work done by its subcontractor Northwest Boring, in boring tunnels for the I-5 and Green River crossings related to Tacoma Water's Second Supply Pipeline construction project. The contractor alleges damages in the amount of $3,478,416. Tacoma Water disputes these claims, and the parties are engaging in settlement discussions.

Skokomish Indian Tribe vs. City and U.S.
This litigation involves the Skokomish Indian Tribe's $5 billion claim against Tacoma Power, arising from damages allegedly caused by the construction and operation of the Cushman Hydroelectric Project. On January 19, 2009, the parties entered into a comprehensive settlement of all claims, which is contingent on the relicensing of the Cushman Hydroelectric project, as well as approval by the Ninth Circuit. A decision on relicensing is expected in 2010, (See Cushman Federal Energy Regulatory Commission License note.)

Thea Foss and Wheeler-Osgood Waterways
By letter dated September 29, 2006, the Environmental Protection Agency ("EPA") provided the City a Certification of Completion of Remedial Action Construction which confirms that the City completed remedial action construction in full satisfaction of the requirements of its Consent Decree. As of December 2009, the City spent $97,997,790 on study, design and cleanup of the waterways. This amount was offset by $11,860,593 in contributions from parties who resolved their liability for sediment contamination in the Thea Foss and Wheeler-Osgood Waterways by making cash contributions toward the cleanup work. Additional reimbursements received by the City include insurance cost reimbursements of $11,857,102 and MTCA grant reimbursements of $26,184,186. The remaining cost is currently estimated to be $1,807,665, and a liability for this amount is reported in the accompanying financial statements.

On February 8, 2007, EPA made formal demand for payment of $358,000 in stipulated penalties against the City. The City disputed EPA's demand. The parties resolved the dispute by entering a formal settlement in August 2008. Under the terms of the settlement, the City agreed to pay EPA $89,500, and assume stewardship and maintenance obligations at certain natural resource habitat restoration project sites within the Commencement Bay watershed.

On February 26, 2008, the City approved Resolution No. 37403 accepting $3,044,490 from the Department of Ecology (DOE) for reimbursement of environmental cleanup costs in the Thea Foss and Wheeler-Osgood Waterways and authorizing execution of a Remedial Action Grant Agreement with the DOE for this purpose.

Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 10 Contingent liabilities

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 11 Subsequent events

Property Agreement and Capital Lease Transaction – Wastewater
By Ordinance No. 27783 passed on January 20, 2009, the City approved a property agreement and project lease with "TES," a Washington nonprofit corporation and a subordinate organization of NDC Housing and Economic Development Corporation, and the issuance by TES of $37,840,000 aggregate principal amount of its Lease Revenue Bonds, 2009.

Bond proceeds will be used for design and construction of an office and laboratory building for the City's Environmental Services Division. TES executed a development agreement with Lorig Associates, L.L.C. to use Bond proceeds for construction on land the City conveyed to TES through the property agreement. The property is located on the Foss Waterway and will include a parking lot and waterfront dock.

The Wastewater fund will record a capital lease transaction and pay monthly rent to a trustee under the project lease agreement equal to the principal and interest payments on the Bonds. The City's obligation represents a lien on net revenues on parity with the Wastewater's currently outstanding and any future sewer revenue bonds.

The Wastewater fund is required to establish a reserve account for its obligation to pay monthly rent. The City expects to deposit cash in approximately five annual installments into the reserve account to satisfy this requirement.

In addition to the monthly rent, the Wastewater fund will pay the trustee an asset management fee and make a monthly capital repair reserve payment based on 1/12 of the annual capital repair requirement established for the building. For the first five years the amount is $112,000 per year with revision by mutual agreement thereafter. The trustee will provide TES with funds from the capital repair reserve for major repairs and maintenance. The Wastewater fund will also pay TES additional rent for operating costs, taxes, insurance, utilities, maintenance, and repair for the premises.

NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2009

NOTE 12
CHANGES IN LONG TERM DEBT
(all dollar values in thousands)

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-09	ISSUED 2009	REDEEMED 2009	AMOUNT O/S 12/31/09
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Unlimited General Obligation Bonds									
Genl Obl Bonds 2002	Police HQ & Substations	06/01/02	2003-2022	34,300	4.8448	27,845		1,445	26,400
Subtotal Unlimited (Voted)						**27,845**	**0**	**1,445**	**26,400**
Limited General Obligation Bonds									
Ltd. Genl Obl Bonds 1997 Ser B	Capital Improvements	08/05/97	2008-2018	16,100	5.4554	5,841		197	5,644
Ltd. Genl Obl Bonds 2001	Cap Imp & Ref '92 & '94 LT	07/15/01	2003-2014	17,390	4.4598	8,930		1,830	7,100
Ltd. Genl Obl Bonds 2004 Conv Ctr	Construction	08/05/04	2004-2034	51,900	4.8573	48,930		1,045	47,885
Ltd Genl Obli Bonds 2006A Conv Ctr	Improvements	09/10/06	2008-2036	16,475	4.4537	16,185		305	15,880
Ltd. Genl Obl Bonds 2006B	Refund 1997A LTGO	10/09/06	2004-2014	12,885	4.3942	12,885			12,885
Ltd. Genl Obl Bonds 2007 Parking Structure	Retrofit Parking Structure	12/21/07	2008-2027	9,610	5.6328	9,300		290	9,010
Ltd. Genl Obl Bonds 2009 Parking Facility	Capital Improvements	06/22/09	2010-2012	1,855	3.5500	0	1,855		1,855
Ltd. Genl Obl Bonds 2009 ECMS	Software Purchase	07/13/09	2009-2013	1,739	2.6500	0	1,739	102	1,637
Ltd. Genl Obl Bonds 2009A Cheney	Capital Improvements	12/17/09	2011-2035	15,380	5.8600	0	15,380		15,380
Ltd. Genl Obl Bonds 2009B Dock & Shalisahan	Capital Improvements	12/17/09	2035	3,320	3.5400	0	3,320		3,320
Ltd. Genl Obl Bonds 2009C Cheney	Capital Improvements	12/17/09	2034	4,975	4.8800	0	4,975		4,975
Ltd. Genl Obl Bonds 2009D Cheney	Capital Improvements	12/17/09	2010-2014	5,000	1.7400	0	5,000		5,000
Ltd. Genl Obl Bonds 2009E Multiple Projects	Capital Improvements	12/17/09	2026-2035	13,526	5.7500	0	13,526		13,526
Ltd. Genl Obl Bonds 2009F Cheney & Env Rem	Capital Improvements	12/17/09	2023-2026	6,681	7.2020	0	6,681		6,681
Subtotal Limited (Councilmanic)						**102,071**	**52,476**	**3,769**	**150,778**
Washington State Public Works Trust Fund Loan									
CTED PWTF No. 98-791-065	Capital Improvements	08/17/98	1999-2018	9,000	1.0000	5,404		541	4,863
CTED PWTF No. 04-691-068	Capital Improvements	06/02/04	2004-2024	4,500	0.5000	6,012	2,500	532	7,980
Subtotal Washington State Loan (Councilmanic)						**11,416**	**2,500**	**1,073**	**12,843**
Lease Purchases									
TAC0610-0001 Series F	Capital Improvements	12/01/01	2002-2013	436	4.9425	220		40	180
San Storage & Cisco	Equip Purchase	12/31/08	2009-2013	3401	0.0000	3,401		900	2,501
Subtotal Lease Purchase (Councilmanic)						**3,621**	**0**	**940**	**2,681**
Total General Obligation Bonds, Loans, & Notes						**144,953**	**54,976**	**7,227**	**192,702**
ENTERPRISE REVENUE BONDS, LOANS, & NOTES									
Greater Tacoma Convention Center									
Tac CC & Parking Rev Bonds, Series 2004	Construction	08/19/04	2005-2024	32,975	4.4307	28,530		1,300	27,230
Subtotal Convention Center						**28,530**	**0**	**1,300**	**27,230**

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-09	ISSUED 2009	REDEEMED 2009	AMOUNT O/S 12/31/09
Sewer Utility									
Sewer Revenue/Refunding Bonds 1994	Improvements/Refunding	11/01/94	1995 - 2009	42,519	5.5660	350		350	0
Sewer Revenue Bonds 2001A	Improvements/Refunding	10/15/01	2016 - 2031	53,200	5.1269	38,035			38,035
Sewer Refunding Bonds 2002	Refunding	03/01/02	2002 - 2015	28,990	4.4240	17,965		2,220	15,745
State Revolving Fund (SRF) Loan	Treatment Plant Upgrade	09/19/03	2008 - 2027	72,000	1.5000	75,178		2,695	72,483
Sewer Rev & Ref Bonds 2006	Improvements/Refunding	06/29/06	2006 - 2036	55,000	4.8852	54,950			54,950
Subtotal Sewer						**186,478**	**0**	**5,265**	**181,213**
Solid Waste Utility									
Refuse Utility Bonds 1997 B	Refunding	04/01/97	2000-2019	60,370	5.8725	8,630		1,975	6,655
Solid Waste Rev & Ref Bonds, 2001	Additions/Refunding	10/15/01	2008-2021	32,915	5.0504	9,085		1,460	7,625
Solid Waste Revenue Bonds, 2006A	Capital Improvements	07/12/06	2013-2026	29,385		29,385			29,385
Solid Waste Rev/Ref Bonds, 2006B	Refunding	09/27/06	2014-2021	22,315		22,315			22,315
Solid Waste Rev/Ref Bonds, 2008	Refunding	09/05/08	2013-2017	12,055	3.8577	12,055			12,055
Subtotal Refuse						**81,470**	**0**	**3,435**	**78,035**
Electric System									
Electric System 1999	Capital Improvements	08/01/99	2013-2020	36,045	5.4900	13,500			13,500
Electric System 2001A	Cap Impr. & Refunding	06/15/01	2003-2021	191,510	4.7307	48,955		5,915	43,040
Electric System 2001B	Capital Improvements	10/03/01	2006-2012	101,860	4.7307	66,270		14,860	51,410
Electric System 2004A	Capital Improvements	06/08/04	2005-2017	82,655	4.6376	62,840		1,400	61,440
Electric System 2005A	Capital Improvements	10/04/05	2010-2021	93,480	4.2200	93,480			93,480
Electric System 2005B	Capital Improvements	10/04/05	2006-2021	156,425	4.2900	154,490		910	153,580
Electric System 2007	Refunding	03/13/07	2008-2015	81,130	3.7949	80,035		3,505	76,530
Subtotal Electric System						**519,570**	**0**	**26,590**	**492,980**
Water System									
Water Sys Ref. Rev Bonds 2001	Construction	12/01/01	2002-2023	32,900	4.9731	30,460		400	30,060
PW-DWSRF-00-65120-031	Construction	10/07/02	2003-2021	3,060	2.5000	2,094		161	1,933
PW -00-691-PRE-115	Construction	04/11/01	2002-2021	1,000	0.5000	684		52	632
PW-01-691-061	Construction	08/27/01	2002-2021	10,000	0.5000	6,933		533	6,400
PW -01-691-PRE-127	Construction	02/15/02	2003-2021	1,000	0.5000	704		54	650
PW-02-691-056	Construction	06/17/02	2004-2022	10,000	0.5000	7,438		532	6,906
Water Sys Rev Bonds 2002	Construction Regional Supp	12/15/02	2005-2032	86,550	4.8820	79,150		800	78,350
Water Sys Ref & Rev Bonds 2003	Construction & Refinance	09/01/03	2004-2023	51,380	4.2340	37,830		2,950	34,880
PW-04-691-PRE-101	Construction	03/19/04	2004-2024	1,000	0.5000	854		54	800
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006-2025	46,550	4.6390	42,810		1,730	41,080
PW-06-962-043	Construction	07/18/06	2007-2026	6,650	0.5000	6,300	350	350	6,300
Water Sys Rev Bonds 2009 (Taxable BABS)	Capital Improvements	11/04/09	2010-2039	76,775	3.7780	0	76,775		76,775
PC08-951-047	Construction	11/25/09	2010-2028	4,500	0.5000	0	4,500		4,500
Subtotal Water System						**215,257**	**81,625**	**7,616**	**289,266**
Tacoma Rail									
Tacoma Rail RAN 2004 (LOC - BofA)	Capital Improvements	08/01/04	2006 - 2009	2,200	6.1000	550		550	0
Rail Revenue Bond 2006 (BofA)	Capital Improvements	12/21/06	2017	2,000	5.3900	1,725		171	1,554
Subtotal Tacoma Rail						**2,275**	**0**	**721**	**1,554**

Lease Revenue									
Lease Revenue Bonds 1990	Construction	03/15/90	1992-2022	36,250	9.3476	27,455		1,080	26,375
Lease Revenue Bonds 1992	Construction	12/15/92	1993-2022	4,695	7.4769	3,425		145	3,280
Subtotal Lease Revenue						30,880	0	1,225	29,655
Conservation Revenue Bonds, guaranteed by BPA									
Conservation System 2003 Bonds	Conservation Project	06/02/03	2003-2014	17,065	4.1957	9,625		1,445	8,180
Total Conservation Bonds`						9,625	0	1,445	8,180
Total Revenue Bonds						$1,074,085	$81,625	$47,597	$1,108,113
Total General Obligation & Revenue Bonds						$1,219,038	$136,601	$54,824	$1,300,815
SPECIAL ASSESSMENT BONDS									
Local Improvement District Bonds									
District #57 Bonds	Construction	09/01/99	2011	3,157	5.6173	40		40	0
District #60 Bonds	Construction	04/01/04	2026	1,036	3.9290	335		75	260
Subtotal LID Bonds/Notes						375	0	115	260
Bond Anticipation Notes									
Revolving Line of Credit	LID Construction	06/30/00	At CLID Issue	$6mm Max	Floating	6,423	3,460		9,883
Subtotal Bond Anticipation Notes						6,423	3,460	0	9,883
Total Special Assessment Bonds						$6,798	$3,460	$115	$10,143
Total All Bonds						$1,225,836	$140,061	$54,939	$1,310,958
									$1,310,958

Notes related to debt increases:

1. Ltd. Genl Obl Bonds 2009 Parking Facility - financing for modifications to parking garage retrofit.
2. Ltd. Genl Obl Bonds 2009 ECMS - purchase of Electronic Content Management Software.
3. Ltd. Genl Obl Bonds 2009A Cheney (Taxable) - financing for upgrades/modification of Cheney Stadium.
4. Ltd. Genl Obl Bonds 2009B Dock & Shalisahan (Taxable Recovery Zone Economic Development Bonds) - financing for capital projects related to the Municipal Dock and Salishan Infrastructure.
5. Ltd. Genl Obl Bonds 2009C Cheney (Tax Exempt Recovery Zone Facility Bonds) - financing for upgrades/modification of Cheney Stadium.
6. Ltd. Genl Obl Bonds 2009D Cheney (Tax Exempt) - financing for upgrades/modification of Cheney Stadium.
7. Ltd. Genl Obl Bonds 2009E Multiple Projects (Tax Exempt)(Capital Appreciation Bonds) - financing for capital projects related to the Municipal Dock, People's Pool, Fire Station 5, Parking System, Salishan Library (Land & Infrastructure), Seaport Museum, & the City Arts Fund.
8. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed (Taxable)(Capital Appreciation Bonds) - financing for upgrades/modification of Cheney Stadium and environmental remediation associated with the Brownfield Cleanup.
9. CTED PWTF No. 04-691-068 - Final Draw on Loan Balance.
10. PW-06-962-043
11. Water Sys Rev Bonds 2009 (Taxable BABS)
12. PC08-951-047 - PWTF Loan to finance construction of Tacoma Water capital projects.
13. LID Revolving Line of Credit - Additional draws to fund ongoing LID projects.

APPENDIX C

DTC AND BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org (which are not incorporated herein by these references).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.