

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

**Moody's Rating: A1
S&P's Rating: AA
Fitch's Rating: AA-
See "RATINGS"**

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



CITY OF TACOMA, WASHINGTON
\$21,095,000
SOLID WASTE REVENUE BONDS, 2015
(GREEN BONDS)

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Solid Waste Revenue Bonds, 2015 (Green Bonds) (the "Bonds"), will be issued as fully registered bonds in the name of Cede & Co., as Registered Owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their interest in the Bonds. See "THE BONDS."

The Bonds bear interest payable semiannually on each June 1 and December 1 to maturity, beginning June 1, 2015. The principal of and interest on the Bonds are payable by the fiscal agency of the state of Washington (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 DTC participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under Appendix E—"Book-Entry System."

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

The Bonds are being issued to provide the funds necessary (a) to finance a portion of the costs of the City's capital improvement program for its solid waste system (the "System"), (b) to make a deposit to the debt service reserve fund, and (c) to pay costs of issuance of the Bonds. See "USE OF PROCEEDS."

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

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

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

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

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

The Bonds are offered by the Underwriters when, as and if issued, subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. A form of the opinion of Bond Counsel is attached hereto as Appendix B. Certain matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. It is anticipated that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about March 18, 2015.

J.P. Morgan

Siebert Brandford Shank & Co., LLC

Dated: February 11, 2015

CITY OF TACOMA, WASHINGTON

\$21,095,000

SOLID WASTE REVENUE BONDS, 2015

(GREEN BONDS)

MATURITY SCHEDULE

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP⁽²⁾ Nos.
2017	\$ 1,960,000	5.00%	0.81%	111.177	87354VAA8
2018	2,060,000	5.00	1.10	114.111	87354VAB6
2019	2,160,000	5.00	1.33	116.674	87354VAC4
2020	2,270,000	2.00	1.58	102.280	87354VAD2
2021	2,315,000	4.00	1.84	113.560	87354VAE0
2022	2,410,000	5.00	2.10	120.522	87354VAF7
2023	2,530,000	4.00	2.33	113.083	87354VAG5
2024	2,630,000	5.00	2.50	121.417	87354VAH3
2025	2,760,000	5.00	2.64	120.983 ⁽¹⁾	87354VAJ9

⁽¹⁾ Priced to the par call date of June 1, 2025.

⁽²⁾ CUSIP is a registered trademark of the American Bankers Association. These CUSIP numbers were provided by CUSIP Global Services and are not intended to create a database and do not serve in any way as a substitute for the CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. The City takes no responsibility for the accuracy of such CUSIP numbers.

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

MAYOR AND TACOMA CITY COUNCIL

Elected Officials

Name	Position	Term Expires
Marilyn Strickland	Mayor	December 31, 2017
David Boe	Deputy Mayor	December 31, 2015
Victoria Woodards	Councilmember	December 31, 2017
Lauren Walker	Councilmember	December 31, 2015
Anders Ibsen	Councilmember	December 31, 2015
Robert Thoms	Councilmember	December 31, 2017
Marty Campbell	Councilmember	December 31, 2017
Joe Lonergan	Councilmember	December 31, 2017
Ryan Mello	Councilmember	December 31, 2015

City Officials

T.C. Broadnax	City Manager
Andrew Cherullo	Finance Director
Teresa Sedmak	City Treasurer
Elizabeth A. Pauli	City Attorney
Doris Sorum	City Clerk

City Environmental Services Department

Michael P. Slevin III, P.E.	Environmental Services Director
John O'Loughlin, P.E.	Environmental Services Assistant Director

Bond and Disclosure Counsel

Pacifica Law Group LLP
Seattle, Washington

Financial Advisor

Piper Jaffray & Co.
Seattle, Washington

* The City's website is not part of this Official Statement, and investors should not rely on information presented in the City's website in determining whether to purchase the Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website by reference.

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

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

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

Certain statements contained in this Official Statement reflect not historical facts but are forecasts and “forward-looking statements.” The forecasts, projections, and estimates are based upon expectations and assumptions that existed at the time such forecasts, projections, and estimates were prepared. No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Such risks and uncertainties include, among others, general economic conditions, change in political conditions, weather conditions, social and economic conditions, regulatory initiatives, and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the City. All estimates, projections, forecasts, assumptions and other forward-looking statements speak only as of the date they were prepared and are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The City specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement.

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

The Underwriters have provided the following three sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON \$21,095,000 SOLID WASTE REVENUE BONDS, 2015 (GREEN BONDS)

INTRODUCTION

The City of Tacoma, Washington (the “City”), a municipal corporation duly organized and existing under the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of its Solid Waste Revenue Bonds, 2015 (Green Bonds) (the “Bonds”).

The Bonds are to be issued pursuant to Ordinance No. 28279, adopted by the City Council (the “Council”) on January 13, 2015 (the “Bond Ordinance”), and under and in accordance with the City Charter and the laws and provisions of the State, including chapters 39.46 and 35.92 of the Revised Code of Washington (“RCW”). Capitalized terms not otherwise defined herein shall have the meanings set forth in Appendix A—“FORM OF THE BOND ORDINANCE.”

This Official Statement provides information concerning the City, the Bonds and the City’s solid waste system for the collection and disposal of garbage and recycling (the “System”). The Bonds are secured by a pledge of Gross Revenues after payment of the Cost of Maintenance and Operation (as further defined herein, the “Net Revenues”). The Bonds are issued with a lien on Net Revenues on a parity with the following System obligations:

- Solid Waste Utility Revenue Bonds, 2006 Series A (the “2006 A Bonds”) currently outstanding in the aggregate principal amount of \$28,455,000,
- Solid Waste Utility Revenue Refunding Bonds, 2006 Series B (the “2006 B Bonds,” and together with the 2006 A Bonds, the “2006 Bonds”) currently outstanding in the aggregate principal amount of \$21,975,000, and
- Solid Waste Utility Revenue Refunding Bonds, 2008 (the “2008 Bonds”) currently outstanding in the aggregate principal amount of \$7,635,000.

The 2006 Bonds and the 2008 Bonds are referred to herein as the “Outstanding Parity Bonds.” See “DEBT INFORMATION” herein. The City has reserved the right in the Bond Ordinance to issue additional bonds (“Future Parity Bonds”) and other obligations on a parity of lien on Net Revenues with the Outstanding Parity Bonds and the Bonds upon satisfaction of certain conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Future Parity Bonds.” The Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are collectively referred to herein as the “Parity Bonds.”

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

THE BONDS

General

The Bonds will be dated their date of delivery and will be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof within a maturity. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement and will bear interest from their date, payable on June 1, 2015 and semiannually thereafter on December 1 and June 1 of each year, at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

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

Bond Registrar

The City has adopted the system of registration for the Bonds approved, from time to time, by the State Finance Committee (the “Committee”). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies for bonds issued within the State. The State’s fiscal agent, currently U.S. Bank National Association (the “Bond Registrar”), will authenticate the Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the Bonds, recording the purchase and registration, exchange or transfer, and payment of Bonds and performing the other respective obligations of the paying agent and registrar. No resignation or removal of the Bond Registrar shall become effective until a successor has been appointed and has accepted the duties of Bond Registrar.

To pay the principal of and interest on the Bonds when due, the City will remit money from the City’s Solid Waste Revenue Bond Fund (the “Bond Fund”) to the Bond Registrar. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Fund” herein. The Bond Registrar is obligated to remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds as described in Appendix E—“BOOK-ENTRY SYSTEM.” In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

Redemption

Optional Redemption. The Bonds maturing in years December 1, 2017 through 2024, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on December 1, 2025 are subject to redemption at the option of the City, in whole or in part (and if in part, with maturities to be selected by the City) on any date on or after June 1, 2025 at a price equal to 100 percent of the principal amount to be redeemed, without premium, plus accrued interest, if any, to the date fixed for redemption.

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

Notice of Redemption. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter

(if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner as provided in the Bond Ordinance. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as provided in the Bond Ordinance. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

Open Market Purchase

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

Defeasance

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

As currently defined in chapter 39.53 RCW, the term "Government Obligations" means (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 to the extent insured or guaranteed as permitted under any other provision of State law.

USE OF PROCEEDS

Purpose

The proceeds from the sale of the Bonds will be used (a) to finance certain capital improvements to the System, including the acquisition of diesel hybrids and/or compressed natural gas (“CNG”) collection-vehicles, the acquisition of diesel semi-tractor transfer vehicles with improved engine and emission standards, the construction of related fueling and parking stations, the installation and construction of CNG compressors and a natural gas line, and improvements to the Recycling Center and Household Hazardous Waste building, (b) to fund the debt service reserve fund, and (c) to pay costs of issuance of the Bonds.

The acquisition of such vehicles and the construction of related facilities is part of a strategic effort by the City in support of cleaner air and cost reductions for fuel and maintenance. Converting the System’s collection fleet to CNG and diesel hybrid vehicles and upgrading the transfer vehicles to Tier 4 engines is intended to reduce emissions of carbon dioxide and particulate matter. The Recycling Center and Household Hazardous Waste building improvements are intended to support the continued sustainable waste management operations conducted by the City to divert waste from landfills.

The City is issuing the Bonds as “Green Bonds” due to the intended use of the proceeds. The designation of the Bonds as Green Bonds is intended to allow investors the opportunity to invest directly in bonds which finance environmentally beneficial projects. The term “Green Bonds” is not defined in the Bond Ordinance, and its use in this Official Statement is for identification purposes only and is not intended to provide or imply that the holders of the Bonds are entitled to any additional terms or security in addition to those provided in the Bond Ordinance.

Use of the proceeds of the Bonds will be tracked by the City. The City will post updates regarding the use of proceeds of the Bonds with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, currently located at www.emma.msrb.org (which is not incorporated into this Official Statement by reference), annually and will post a final list of projects funded once all proceeds of the Bonds have been spent. A form of report is provided in Appendix F attached hereto. The City currently expects the projects to be completed in early 2018. Pending final disbursement, the net proceeds of the Bonds will be invested in permitted investments in accordance with the City’s Investment Policy. See “THE CITY OF TACOMA—Investment Practices.” Once all proceeds of the Bonds have been spent, no further updates will be provided.

Sources and Uses of Funds

The table below sets forth the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Principal Amount of the Bonds	\$ 21,095,000
Original Issue Premium	3,203,562
Total Sources:	\$ 24,298,562
Uses of Funds	
Construction Fund Deposit	\$ 22,000,000
Reserve Fund Deposit	2,109,500
Costs of Issuance ⁽¹⁾	189,062
Total Uses:	\$ 24,298,562

⁽¹⁾ Includes legal fees, rating agency fees, printing costs, Financial Advisor fees, Underwriters’ discount, additional proceeds, and other costs associated with the issuance of the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues

The City has pledged as security for the payment of the principal of and interest and premium, if any, on all Parity Bonds, including the Bonds, Gross Revenues of the System. The lien the Gross Revenues is prior and superior to all other charges of any kind and nature whatsoever, except for the payment of Costs of Maintenance and Operation.

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

“Net Revenues” are defined in the Bond Ordinance to mean the Gross Revenues less the Costs of Maintenance and Operation, excluding from the computations of the Gross Revenues any proceeds derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the System or gains or losses resulting from the early extinguishment of debt.

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

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

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

Flow of Funds

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

First, to pay the Costs of Maintenance and Operation;

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

- (a) into the Debt Service Account to pay the interest due on any Parity Bonds for which money shall not have been provided by income from the investment of money in the Bond Fund;
- (b) to make all payments required to be made into the Debt Service Account to pay the principal of any Parity Bonds due at maturity for which money shall not have been provided by income from the investment of money in the Bond Fund, and to make all payments heretofore or hereafter required to be made into the Debt Service Account under any schedule for the amortization of Term Bonds;
- (c) to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance with respect to the Reserve Fund, and *after the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, into any other reserve fund created in the future for the payment of debt service on Parity Bonds, provided that if there is not sufficient money to make all payments under reimbursement agreements the payments will be made on a pro-rata basis; and
- (d) to make all payments required to be made into the Reserve Fund, and *after the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, into any other reserve fund created in the future for the payment of debt service on Parity Bonds;

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

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

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

Bond Fund

The City has previously created the Bond Fund for the sole purpose of paying and securing the payment of Parity Bonds. The Bond Fund contains the Debt Service Account and the Reserve Fund. At the option of the City, separate funds and accounts may be created in the Bond Fund for the purpose of paying or securing the payment of principal, premium, if any, and interest on any series of Parity Bonds.

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

Reserve Fund. The Reserve Fund has been established in the Bond Fund to serve as a common reserve securing the repayment of the Outstanding Parity Bonds, the Bonds, and any Future Parity Bonds secured by the Reserve Fund (the "Covered Bonds"). *After the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, the City may create separate reserve funds and establish separate Reserve Fund Requirements, if any, to secure the payment of the principal of and interest on Parity Bonds. The City has covenanted in the Bond Ordinance that, at the time of issuance of the Bonds, the amount on deposit in the Reserve Fund, which may include cash, insurance or letters or credit, as further described below, will satisfy the Reserve Fund Requirement for the Parity Bonds.

“Reserve Fund Requirement” is defined in the Bond Ordinance as the dollar amount to be calculated with respect to all Covered Bonds and, *after the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, separately with respect to other Parity Bonds.

(a) With respect to Covered Bonds, the Reserve Fund Requirement means as of any date an amount equal to the lesser of (1) the Maximum Annual Debt Service for Covered Bonds then outstanding, (2) 125% of average Annual Debt Service for Covered Bonds then outstanding, or (3) 10% of the initial face amount of the Covered Bonds then outstanding; provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds shall not be greater than the maximum dollar amount permitted by the Code to be allocated to a reserve fund from tax-exempt bond proceeds without requiring a balance to be invested at a restricted yield (the “Maximum Reserve Requirement”). If the dollar amount required to be contributed at the time of issuance of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement, then the amount required to be contributed shall be equal to the Maximum Reserve Requirement.

(b) *After the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, with respect to other series of Parity Bonds, the Reserve Fund Requirement shall be equal to the amount, if any, specified in the ordinance authorizing the issuance of such Parity Bonds.

“Annual Debt Service” includes the interest, principal and any Sinking Fund Requirements due on all Parity Bonds in a calendar year, calculated as provided in the Bond Ordinance.

The cash balance in the Reserve Fund as of January 1, 2015 was \$6,375,500. The City will deposit a portion of the proceeds of the Bonds into the Reserve Fund in the amount necessary, together with the funds on deposit therein, to satisfy the Reserve Fund Requirement on the date of issuance of the Bonds (\$8,485,000). See “USE OF PROCEEDS.”

The City has further covenanted that if it issues any Future Parity Bonds that are Covered Bonds it will deposit proceeds from the Future Parity Bonds or approximately equal monthly payments will be made into the Reserve Fund out of the Solid Waste Operating Fund so that within 36 months or less from the date of the issuance of such Future Parity Bonds the total amount of such payments, together with amounts already in the Reserve Fund, will be at least equal to the Reserve Fund Requirement; provided, *after the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, the City may deposit proceeds from the Future Parity Bonds or approximately equal monthly payments will be made into the Reserve Fund out of the Solid Waste Operating Fund so that within five years or less from the date of the issuance of such Future Parity Bonds the total amount of such payments, together with amounts already in the Reserve Fund, will be at least equal to the Reserve Fund Requirement.

The City may elect to fund part or all of the Reserve Fund Requirement through the use of a Qualified Letter of Credit or Qualified Insurance. In the event of any cancellation, the Reserve Fund is to be funded as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

The Reserve Fund Requirement may be recalculated from time to time. The investments in the Reserve Fund are to be valued on each December 31 and may be valued on any other date. The valuation is to be at the market value of the obligations in such fund including accrued interest; provided that investments which mature within one year shall be valued at their maturity value.

Whenever there is a sufficient amount in the Debt Service Account and the Reserve Fund to pay the principal (or Sinking Fund Requirements) of, premium if any, and interest on all Covered Bonds then outstanding, the money in the Reserve Fund may be used to pay these amounts. When Covered Bonds are refunded in whole or in part, money may be withdrawn from the Reserve Fund to pay or provide for the payment of refunded Covered Bonds; provided that immediately after such withdrawal there shall remain in or be credited to the Reserve Fund money and Permitted Investments in an amount equal to the Reserve Fund Requirement or so much thereof as is then required to be maintained.

In the event of a deficiency in the Debt Service Account to meet maturing installments of either interest on or principal of or Sinking Fund Requirements on any Covered Bonds, the deficiency is to be made up from the Reserve Fund by the withdrawal of money therefrom and by the sale or redemption of obligations held in the Reserve Fund,

if necessary, in such amounts as will provide cash in the Reserve Fund sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit or Qualified Insurance in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. The City covenants that any deficiency created in the Reserve Fund by reason of any withdrawal therefrom for payment into the Debt Service Account shall be made up from money in the Solid Waste Operating Fund first available after providing for the required payments into the Debt Service Account and after providing for any required payments pursuant to a reimbursement obligation; *provided, that once the 2006 Bonds are no longer outstanding*, any such deficiency shall be made up within twelve months of such deficiency.

Amounts pledged to be paid into the Debt Service Account and the Reserve Fund from the Solid Waste Operating Fund are a prior lien and charge upon the Gross Revenues superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation. The City has reserved the right to issue Future Parity Bonds with a lien on Gross Revenues on a parity with the lien of the Parity Bonds. See "Future Parity Bonds" below. In addition, if the City elects to meet the requirements with respect to the Reserve Fund as to any issue of Parity Bonds through the use of a Qualified Letter of Credit or Qualified Insurance, then the City's reimbursement obligation with respect thereto, if any, may rank on a parity of lien with the Parity Bonds. See "Reimbursement Obligations" below.

At the option of the City, money in the Bond Fund may be invested and reinvested as permitted by law. All interest earned and income derived by virtue of investments of money in the Debt Service Account or the Reserve Fund may remain in the Bond Fund or be deposited into the Solid Waste Operating Fund and all such investment income may be used to meet the required deposits into any account in the Bond Fund.

If necessary, money in each of the subaccounts established in the Bond Ordinance may be used to pay Rebate Amounts to the extent that the Rebate Amounts are directly attributable to earnings on such subaccount.

Rate Stabilization Fund

A special fund of the City designated the "Rate Stabilization Fund" (the "Rate Stabilization Fund") has been established in the Solid Waste Operating Fund. In accordance with the priorities set forth above under "Flow of Funds," the City may from time to time deposit Net Revenues into the Rate Stabilization Fund and may from time to time withdraw amounts therefrom to enhance rate stability or for other lawful purposes of the City related to the System. As of December 1, 2014, the balance in the Rate Stabilization Fund was \$6,000,000. See "Rate Covenant."

Future Parity Bonds

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

- (1) At the time of the issuance of any Future Parity Bonds there is no deficiency in the Bond Fund.
- (2) The principal of and interest on any Future Parity Bonds shall be payable out of the Bond Fund and the requirements for Sinking Fund Requirements and Reserve Fund payments (with respect to Covered Bonds) of the Bond Ordinance shall be met.
- (3) Prior to the delivery of any Future Parity Bonds, the City shall have on file in the office of the City Clerk either:
 - (a) a certificate of the Finance Director of the City stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the delivery of the bonds then proposed to

be issued, as determined from the financial statements of the System, were not less than 1.25 times Maximum Annual Debt Service for any year on all outstanding Parity Bonds and the bonds proposed to be issued, provided that in the event that any adjustment in the rates, fees and charges collected by the City for the services of the System shall have been adopted by the City Council at any time on or prior to the date of delivery of the bonds then proposed to be issued, the Finance Director shall reflect in his or her certificate the Net Revenues he or she estimates would have been collected in such 12 month period if such new rates, fees and charges had been in effect for the entire 12 month period, or

(b) a certificate of an Engineer or a Certified Public Accountant (“Accountant”) showing that the “Adjusted Net Revenues” (as described below) for each calendar year during the life of the bonds proposed to be issued will equal not less than 1.25 times Maximum Annual Debt Service for any year on all outstanding Parity Bonds and the bonds proposed to be issued.

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

(1) the additional Net Revenues which would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 24 month period, had been in force during the full 24 month period;

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

(3) the additional Net Revenues estimated by such Engineer or Accountant to be received as a result of any additions and improvements to and extensions of any facilities of the System which are (a) under construction at the time of such certificate or (b) will be constructed or acquired from the proceeds of the Future Parity Bonds to be issued.

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

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

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

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

Junior Lien Obligations. Nothing in the Bond Ordinance prevents the City from issuing revenue bonds or other obligations with a lien upon the Gross Revenues junior to lien of the outstanding Parity Bonds.

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

Rate Covenant

The City has covenanted in the Bond Ordinance to establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System and all commodities sold, furnished or supplied by the System, and shall adjust such rates and charges from time to time so that:

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

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

Solely for purposes of calculating the Rate Covenant, there shall be added to Gross Revenues in any calendar year any amount withdrawn from the Rate Stabilization Fund in such calendar year and deposited in the Solid Waste Operating Fund, and there shall be subtracted from Gross Revenues in any calendar year any amount withdrawn from the Solid Waste Operating Fund and deposited in the Rate Stabilization Fund. *After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased*, credits to or from the Rate Stabilization Fund that occur within 90 days after the end of a Fiscal Year may be treated as occurring within such Fiscal Year.

After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, for purposes satisfying the Rate Covenant, Annual Debt Service for any Fiscal Year or calendar year shall exclude Debt Service Offsets that have been received or are expected to be received in such Fiscal Year or calendar year.

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

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

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

Additional Covenants

The City has covenanted in the Bond Ordinance to maintain the properties of the System in good repair, working order, and condition; to sell or otherwise dispose of the System in its entirety only if provision is made for the payment, redemption or retirement of all Parity Bonds then outstanding, and in part only upon satisfaction of certain conditions; to not to furnish any service of the System free of charge in an aggregate amount per year exceeding 1/10 of 1% of annual Gross Revenues; to keep proper books of account of the System; and to satisfy certain other covenants for the benefit of the owners of the Bonds. See Appendix A—"FORM OF THE BOND ORDINANCE" for a complete description of these and other covenants agreed to by the City for the benefit of the owners of the Bonds.

Parity Payment Agreements

The City has reserved the right in the Bond Ordinance to enter into written agreements from time to time with a qualified counterparty for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes (a "Payment Agreement"). A payment ("Payment") under a Payment Agreement may be on parity with

the Parity Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds described in the Bond Ordinance, taking into consideration regularly scheduled Payments and receipts (if any) under the Payment Agreement. The City does not currently have any Payment Agreements outstanding. See Appendix A—“FORM OF THE BOND ORDINANCE” for a description of the conditions that must be satisfied prior to the execution of a Parity Payment Agreement and other related provisions.

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

Reimbursement Obligations

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

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

Additional Terms of the Bond Ordinance

The Bond Ordinance defines certain Events of Default with respect to the Bonds, including but not limited to, failure to make bond payments punctually and failure to observe or perform any of the covenants included in the Bond Ordinance. The Bond Ordinance provides for the opportunity to cure certain defaults and the appointment of a trustee to take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the owners of Parity Bonds. The Bond Ordinance also sets forth provisions related to amending the Bond Ordinance, with and without the consent of owners of Parity Bonds. See Appendix A—“FORM OF THE BOND ORDINANCE” for provisions related to Events of Default, remedies, amendments, and other terms of the Bonds, including certain springing provisions that will take effect after the Outstanding Parity Bonds are no longer outstanding.

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DEBT INFORMATION

Description of Outstanding Parity Bonds

Following the issuance of the Bonds, the City will have the following Parity Bonds outstanding. The City does not currently have any junior lien bonds of the System outstanding.

Series	Dated Date	Maturity Date (December 1)	Authorizing Ordinance	Original Principal Amount	Outstanding Principal Amount
2006 A	07/12/2006	2026	27489 ⁽¹⁾	\$ 29,385,000	\$ 28,455,000
2006 B	09/26/2006	2021	27489 ⁽¹⁾	22,315,000	21,975,000
2008	09/05/2008	2017	27736	12,055,000	7,635,000
The Bonds	03/18/2015	2025	28279	21,095,000	21,095,000
Total				\$ 84,850,000	\$ 79,160,000

⁽¹⁾ As amended by Ordinance No. 27492 and by Substitute Ordinance No. 27523.

Schedule of Parity Bond Debt Service

The following table shows the scheduled debt service for the Outstanding Parity Bonds and the Bonds.

SCHEDULE OF PARITY BOND DEBT SERVICE

Year ⁽²⁾	Outstanding Parity Bonds ⁽¹⁾		The Bonds		Total ⁽³⁾
	Principal	Interest	Principal	Interest	
2015	\$ 4,585,000	\$ 2,950,881	\$ —	\$ 659,346	\$ 8,195,227
2016	4,830,000	2,707,306	—	938,200	8,475,506
2017	5,090,000	2,449,938	1,960,000	938,200	10,438,138
2018	5,565,000	2,178,000	2,060,000	840,200	10,643,200
2019	5,850,000	1,899,750	2,160,000	737,200	10,646,950
2020	6,170,000	1,607,250	2,270,000	629,200	10,676,450
2021	6,480,000	1,298,750	2,315,000	583,800	10,677,550
2022	3,525,000	974,750	2,410,000	491,200	7,400,950
2023	3,705,000	798,500	2,530,000	370,700	7,404,200
2024	3,890,000	613,250	2,630,000	269,500	7,402,750
2025	4,085,000	418,750	2,760,000	138,000	7,401,750
2026	4,290,000	214,500	—	—	4,504,500
Total⁽³⁾	\$ 58,065,000	\$ 18,111,625	\$ 21,095,000	\$ 6,595,546	\$ 103,867,171

⁽¹⁾ Includes the 2006 Bonds and the 2008 Bonds.

⁽²⁾ Based on Fiscal Years ending December 31.

⁽³⁾ Totals may not foot due to rounding.

Debt Payment Record

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

Future Financing

The City expects to issue Future Parity Bonds in 2016 to refund all or a portion of the 2006 Bonds maturing on or after December 1, 2017 in order to modify the debt service schedules for and otherwise restructure such bonds. The issuance of such Future Parity Bonds is subject to Council approval. The City does not expect to issue other bonds secured by Net Revenues in the next 12 months.

THE SYSTEM

General Information

The System has provided mandatory solid waste collection and disposal services for City residents and commercial and industrial entities since 1929. In 1990, the City expanded its program to include curbside pickup of residential and commercial recyclables and residential yard and garden waste. The current System serves the entire area within the City limits, with a 2014 population of approximately 200,900 persons and an area of 62.6 square miles.

The System is managed by Solid Waste Management, which is administered within the City's Environmental Services Department (the "Department"). Solid Waste Management is presented as an enterprise fund within the Department under the provisions of the City Charter and is included in the City's Comprehensive Annual Financial Report. The Department is responsible for the planning, design, construction, operation, and maintenance of the facilities comprising the System and the City's wastewater and surface water management utilities. For management and employee information for the City and the Department, see "THE CITY OF TACOMA."

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

The Solid Waste Ordinance—Flow Control

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

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

Collection

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

carbon dioxide emissions from the City's vehicle collection fleet). While residential revenues are anticipated to continue to decrease, commercial, disposal and sales of recyclables are planned to increase.

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

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

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

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

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

Transfer Center and Disposal

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

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

The Tacoma Recovery & Transfer Center is regulated by the Tacoma Pierce County Health Department ("TPCHD"), and is currently being operated by the City under a permit issued by TPCHD. The existing permit will expire on March 24, 2015, with annual permit renewals. The permit allows the City to operate the transfer station and household and hazardous waste collection and recycling facilities and maintain the Tacoma Landfill, within the existing footprint on the property. The TPCHD has not issued any violations of this permit. The System is also subject to several other permits, including an Industrial General Stormwater Permit ("NPDES"), Puget Sound Clean Air Agency permits for the landfill flares, and Mobile Fueling permits.

Tacoma Landfill. Of the Tacoma Landfill's 235 acres, approximately 100 acres have not been used for waste disposal and it is not the City's intention to do so. Another 110 acres have been capped in accordance with a consent decree negotiated between the City and the U.S. Environmental Protection Agency ("EPA") and Washington State Department of Ecology as described below (the "Consent Decree") (*United States et al v. City of*

Tacoma, US District Court Cause No. C-89C583T). The last operating cell of the Tacoma Landfill, comprising approximately 25 acres, was constructed to meet then-current regulations for new landfills. Filling of this cell was completed in 2012 and the Landfill was completely capped and closed in 2013.

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

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

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

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

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

The City reported \$25,691,232 as landfill closure and post-closure liability as of December 31, 2013 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$27,935,614 at December 31, 2012 based on 100% of capacity. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs. See Note 9 in the City’s financial statements attached hereto in Appendix C for more information regarding the Tacoma Landfill.

Long-Haul System. The City uses its own employees and vehicles to transport garbage to the 304th Street Landfill (the “LRI Landfill”), located in Pierce County, Washington, 26 miles south of the Tacoma Recovery & Transfer Center. The LRI Landfill is owned by Land Recovery Inc. (“LRI”), which is owned by Waste Connections. The City’s disposal contract with LRI runs through February 4, 2020, and may be extended on the same terms and conditions upon mutual agreement. The terms of the contract provide for the City to dispose of a portion or all of the municipal solid waste that the City collects. Recycling and composting waste are not covered by the contract. The LRI Landfill is permitted by the Pierce County Department of Public Health to receive up to 32.9 million cubic yards (with approximately 19.8 million cubic yards remaining as of December 2013) assuming that LRI acquires the rights to relocate an adjoining road and expand the landfill on its fully permitted footprint. If LRI does not acquire the rights, the permitted capacity is 28.1 million cubic yards (leaving approximately 15 million cubic yards of capacity remaining as of December 2013). The LRI Landfill is expected to have fill capacity to 2051 or 2038, respectively, assuming achieving a certain level of waste diversion.

Disposal rates are subject to adjustment annually, based on 85 percent of the Seattle-Tacoma-Bremerton Consumer Price Index. The rate per ton is also periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. In 2014, the average rate per ton was estimated to be \$31.74.

Recycling Contract. In 2004, the City entered into a ten-year contract with JMK Fibers LLC (“JMK”) to sort and market recycled material for the City. The contract was extended in 2014 for an additional two year term. The current contract is reviewed annually and can be extended for an additional five-year period by mutual agreement of both parties. According to the terms of the contract, the City pays the costs for sorting the recycled material, and receives any revenue above sorting costs from JMK’s sale of recyclables. Estimated average gross sales revenue was \$38.49 per ton in 2014. The cost for processing commingled recyclables in 2014 was \$23.65 per ton until July 31, 2014. On August 1, 2014, the rate for processing increased to \$24.15 per ton.

Yard Waste Disposal Contract. In 2004, the City also entered into a ten-year contract with Pierce County Recycling, Composting and Disposal LLC (“PCRCD”) to accept organic material collected by the City curbside or delivered to the Tacoma Landfill for processing into compost. The contract was extended in 2014 on a short-term basis to May 31, 2015 to allow PCRCD to finalize a property acquisition that is intended to enhance its waste disposal capacity. The current contract is reviewed annually and can be extended for two additional five-year period by mutual agreement of both parties. The City and PCRCD are currently negotiating a long term extension to this contract to lock in pricing and capacity. PCRCD charges a base rate per ton for the organic waste it receives from the City, which is adjusted annually based on the Seattle-Tacoma-Bremerton Consumer Price Index. The City receives 50 percent of gross revenues from compost sales that exceed \$10 per cubic yard. Revenue received by the City under this contract generally ranges from \$10,000 to \$15,000 per year.

Waste Disposal History

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

DISPOSAL VOLUME BY WEIGHT (TONS)							
	<u>2008</u>	<u>2009</u>	<u>2010⁽¹⁾</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽²⁾</u>
Solid Waste	182,559	166,718	160,205	161,460	156,613	156,358	164,256
Recycling	24,201	20,049	27,940	24,941	25,752	26,091	27,064
Yard Waste	29,061	31,117	33,775	28,236	35,667	33,253	31,538
Total	<u>235,821</u>	<u>217,884</u>	<u>221,920</u>	<u>214,637</u>	<u>218,032</u>	<u>215,702</u>	<u>222,858</u>

⁽¹⁾ 2010 tonnages are estimates due to data loss during implementation of a new scale system.

⁽²⁾ Estimated.

Source: City of Tacoma Environmental Services Department

Municipal solid waste for the year 2014 was disposed of as follows:

DISPOSAL METHODS (000's)		
	<u>Tonnage</u>	<u>Percent of Total</u>
Hauled to Landfills	164	74%
Recycling and Composting	59	26
Total	<u>223</u>	<u>100%</u>

Source: City of Tacoma Environmental Services Department

Rates and Charges and Billing

The establishment of rates for collection and disposal services (using City-owned and City-operated vehicles) is within the exclusive jurisdiction of the Council, subject to a requirement of State law that fair and nondiscriminatory rates must be fixed to produce revenue adequate to pay for operation and maintenance and to meet all debt service requirements payable from such revenue. Rate ordinances must be approved by a minimum of five affirmative votes of the nine-member Council.

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

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

Rates and Charges

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

The City completed a rate model update in 2014 for the 2015 through 2020 planning period, and the City’s current rate ordinance includes adopted rate increases for each of the years 2015 and 2016 as recommended. Increases of for each of the years 2017 through 2020 are projected but not adopted by the Council. An update will be developed in 2016 for years 2017 through 2022. See “Historical and Projected Rate Adjustments” below.

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Collection and Disposal Services. The 2015 and 2016 monthly rates for collection and disposal services, as adopted by the Council, are shown in the following table.

**COLLECTION AND DISPOSAL SERVICES
MONTHLY RATES AND CHARGES⁽¹⁾**

	<u>2015</u>	<u>2016</u>
Residential Collection Services⁽²⁾		
30 Gallon Container	\$ 19.30	\$ 20.38
45 Gallon Container	28.95	30.57
60 Gallon Container	38.59	40.75
90 Gallon Container	57.90	61.14
60 x 2 Gallon Containers	77.18	81.50
60 + 90 Gallon Containers	96.49	101.89
90 x 2 Gallon Containers	115.80	122.28
Commercial Collection Services		
Barrel Containers		
20 Gallon Container	\$ 27.17	\$ 27.49
30 Gallon Container	36.21	36.47
60 Gallon Container	52.28	54.45
90 Gallon Container	70.13	73.90
300 Gallon Container ⁽³⁾	169.60	169.60
Front Load Containers ⁽³⁾		
One Cubic Yard	\$ 170.64	\$ 172.50
Two Cubic Yards	226.70	226.70
Three Cubic Yards	290.45	290.45
Four Cubic Yards	354.85	354.85
Six Cubic Yards	483.45	483.45
Eight Cubic Yards	610.25	610.25
Drop-Box Containers ⁽³⁾		
15 Cubic Yards	\$ 541.75	\$ 541.75
20 Cubic Yards	634.05	634.05
25 Cubic Yards	723.50	723.50
30 Cubic Yards	816.55	816.55
40 Cubic Yards	995.10	995.10
Recycling ⁽⁴⁾		
Mixed ⁽⁵⁾		
Bi-Weekly	\$ 5.00	\$ 5.00
Weekly	10.00	10.00
Two per week	20.00	20.00
Glass		
Bi-Weekly	\$ 25.00	\$ 25.00
Weekly	45.00	45.00
Two per week	90.00	90.00
Cardboard - Corrugated		
Bi-Weekly	\$ 20.00	\$ 20.00
Weekly	40.00	40.00
Two per week	80.00	80.00

⁽¹⁾ Monthly rates shown include utility taxes. Rates become effective January 1 of each year.

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

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

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

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

Source: City of Tacoma Environmental Services Department

Tacoma Recovery & Transfer Center. Tipping fees at the Tacoma Recovery & Transfer Center vary, depending on the weight of the load and whether the customer is a residential customer, commercial customer, or non-resident customer. The following table shows the current tipping fees collected by the City. Additional fees apply for the disposal of certain appliances, asbestos, car seats, furniture, and tires and for items that require special handling.

**COLLECTION AND DISPOSAL SERVICES
MONTHLY RATES AND CHARGES⁽¹⁾**

	2015		2016	
	Rate Per 100 Pounds	Minimum Charge	Rate Per 100 Pounds	Minimum Charge
Garbage Disposal				
City of Tacoma Resident	\$ 6.50	\$ 15.00 ⁽²⁾	\$ 6.50	\$ 20.00 ⁽²⁾
Non-City of Tacoma Resident	7.50	15.00	7.50	20.00
Commercial	6.50	15.00	6.50	20.00
Yard Waste				
City of Tacoma Resident	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Non-City of Tacoma Resident	7.50	15.00	7.50	20.00
Commercial	6.50	15.00	6.50	20.00

⁽¹⁾ Rates shown include utility taxes. Rates become effective January 1 of each year.

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

Source: *City of Tacoma Environmental Services Department*

Historical and Projected Rate Adjustments. The following table shows the revenue rate increases from average rate adjustments across customer classes as adopted by Council for the years 2010 through 2016 and as planned but not adopted for the years 2017 through 2020. The City did not adjust rates in 2013 or 2014 due to the implementation of every-other week residential collection service.

HISTORIC AND PROJECTED AVERAGE REVENUE RATE ADJUSTMENTS

Year	Percentage Change in Revenues
2010	5.0%
2011	2.8
2012	2.8
2013	0.0
2014	0.0
2015	3.8
2016	3.8
2017*	4.0
2018*	4.0
2019*	3.0
2020*	3.0

* Projected; not approved by City Council.

Source: *City of Tacoma Environmental Services Department*

Comparative Rates

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

COMPARISON OF MONTHLY RESIDENTIAL COLLECTION/DISPOSAL CHARGES (as of January 1, 2015)

City	Provider	30-Gallon ⁽¹⁾	60-Gallon ⁽¹⁾
Seattle ⁽²⁾⁽³⁾	Contract	\$ 43.40	\$ 76.25
Olympia ⁽³⁾	City	39.61	59.67
Tacoma	City	38.59	77.18
Vancouver ⁽³⁾	Contract	38.17	54.39
Portland	Contract	35.90	47.75
Spokane ⁽³⁾	City	29.82	42.19
Bellevue	Contract	21.10	28.05

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

⁽²⁾ Seattle rates effective April 1, 2015.

⁽³⁾ Yard waste fees added where not already included.

Source: *City of Tacoma Environmental Services Department*

Commercial. The table below shows the monthly charges for comparable weekly service for the one and four cubic yard fork boxes, which were two of the largest individual revenue generators for the System in 2014.

COMPARISON OF COMMERCIAL NON COMPACTED FRONT LOAD CHARGES MONTHLY RATE (WEEKLY PICKUP) (as of January 1, 2015)

City	Provider	One Cubic Yard	Four Cubic Yards
Seattle ⁽¹⁾	Contract	\$ 184.89	\$ 533.67
Tacoma	City	165.79⁽²⁾	344.25⁽²⁾
Bellevue	Contract	111.36	518.58
Vancouver	Contract	110.77	276.93
Olympia	City	108.24	316.28
Spokane	City	81.87	327.47

⁽¹⁾ Seattle rates effective April 1, 2015.

⁽²⁾ Rates do not reflect rental charges.

Source: *City of Tacoma Environmental Services Department*

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

**COMPARISON OF COMMERCIAL DISPOSAL TIPPING FEES
(as of January 1, 2015)**

<u>Jurisdiction/Hauler</u>	<u>Per Ton</u>
City of Seattle	\$ 145.00
Pierce County	139.38
Tacoma	130.00
King County	129.40
Thurston County	119.00
Snohomish County	105.00

Source: City of Tacoma Environmental Services Department

Historical Number of Customers

The System's historical number of customers by type of service is shown below:

HISTORICAL NUMBER OF CUSTOMERS BY CUSTOMER CLASS

<u>Customer Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	53,723	53,777	53,648	53,650	53,819
Commercial	4,826	4,860	4,803	4,867	4,823
Total Customers	58,549	58,637	58,451	58,517	58,642

Source: City of Tacoma Environmental Services Department

The System's ten largest customers for 2013 are shown in the following table.

TOP TEN CUSTOMERS - 2013

<u>Customer Name</u>	<u>Amount</u>	<u>Percent of 2013 Gross Revenues⁽¹⁾</u>
Multicare Health Systems	\$ 506,212	0.90%
Salishan, Five LLC	379,704	0.68
Tacoma School District	376,895	0.67
St Joseph Medical Center	343,600	0.61
Simpson Tacoma Kraft Co LLC	286,303	0.51
Tacoma Goodwill Industries	279,316	0.50
Puyallup Tribal	225,058	0.40
Fred Meyer Stores Inc.	213,068	0.38
Tacoma Mall Partner	207,211	0.37
Oscar T. Hokold	206,287	0.37
Total Revenue	\$ 3,023,654	5.40%

⁽¹⁾ Based on 2013 Gross Revenues in the amount of \$56,022,042.

Source: City of Tacoma Environmental Services Department

Capital Improvement Program

The table below identifies capital expenditures in the CIP anticipated to be made by the System from 2015 through 2019. The source of funding is expected to be proceeds of the Bonds, available Net Revenues, and other available sources.

CAPITAL IMPROVEMENT PROGRAM (\$000s)⁽¹⁾						
Item:	2015	2016	2017	2018	2019	Total
Environmental remediation	\$ 860	\$ 215	\$ 192	\$ 260	\$ 208	\$ 1,735
Equipment	8,314	8,314	3,068	3,190	1,755	24,641
Containers	1,388	1,388	1,444	1,501	1,561	7,282
Facilities	2,472	2,360	2,309	620	926	8,687
Special projects	232	232	120	124	129	837
Capitalized labor, interest and other ⁽²⁾	638	627	728	629	409	3,031
Total	\$ 13,904	\$ 13,136	\$ 7,861	\$ 6,324	\$ 4,988	\$ 46,213
Funding:						
The Bonds	\$ 11,000	\$ 8,000	\$ 3,000	—	—	\$ 22,000
Operating Revenues	2,904	5,136	4,861	\$ 6,324	\$ 4,988	24,213
Total	\$ 13,904	\$ 13,136	\$ 7,861	\$ 6,324	\$ 4,988	\$ 46,213

⁽¹⁾ Assumes inflation rate of 4% for each of the years 2017 through 2019. Base year is 2016. Totals may not foot due to rounding.

⁽²⁾ Includes project labor and interest and overhead allocated to capital projects from operating activities.

Source: City of Tacoma Environmental Services Department

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HISTORICAL FINANCIAL RESULTS

Historical Operating Statements

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

HISTORICAL BALANCE SHEET (\$000's)⁽¹⁾

	2009	2010	2011	2012	2013
Current Assets	\$ 76,989	\$ 70,942	\$ 43,999	\$ 43,228	\$ 32,485
Cash	6,348	6,576	6,185	6,231	6,348
Customer accounts receivable	238	13	117	26	107
Due from other funds	62	20	143	143	0
Due from other governments	83,637	77,551	50,444	49,628	38,940
Total Current Assets					
Capital Assets					
Assets in service	133,002	143,433	181,074	182,067	190,418
Construction work in progress	4,582	12,064	1,611	243	1,302
Allowance for depreciation	(82,604)	(88,993)	(93,613)	(98,044)	(103,586)
Total Capital Assets	54,980	66,504	89,072	84,266	88,134
Other Noncurrent Assets					
Other	0	687	687	687	687
Total Assets	138,617	144,742	140,203	134,581	127,761
Deferred Outflows of Resources					
Unamortized bond refunding costs	1,630	1,269	855	541	293
Total Assets and Deferred Outflows of Resources	140,247	146,011	141,058	135,122	128,054
Current Liabilities					
Accounts payable	2,147	2,064	3,252	1,844	1,655
Accrued wages, severance, and compensated absences payable	542	635	742	658	759
Accrued taxes payable	566	662	680	614	612
Due other funds	935	965	723	685	722
Deferred revenue	171	194	187	212	160
Current portion of long-term debt	3,323	3,511	2,154	2,388	2,828
Current portion of capital lease ⁽²⁾	0	134	139	144	151
Environment liabilities	0	939	334	0	186
Total Current Liabilities	7,684	9,104	8,211	6,545	7,073
Liabilities payable from Restricted Assets					
Deposits payable	56	69	54	62	70
Bond interest payable	338	321	284	272	260
Current portion of long-term debt	302	319	196	217	257
Accrued landfill closure costs	0	3,365	2,457	3,000	0
Total Liabilities Payable from Restricted Assets	696	4,074	2,991	3,551	587
Noncurrent Liabilities:					
Revenue bonds payable	74,410	70,580	63,755	61,150	58,065
Unamortized premium	2,845	2,465	2,058	1,710	1,366
Unamortized discount	(1,661)	(1,285)	(5)	0	0
Capital lease obligation ⁽²⁾	0	7,295	7,156	7,012	6,861
Accrued landfill closure and post closure costs	40,786	28,003	26,955	24,936	25,505
Compensated absences	1,144	1,154	1,088	1,032	1,109
Net OPEB obligation	528	707	910	1,101	1,418
Total Noncurrent Liabilities	118,052	108,919	101,917	96,941	94,324
Total Liabilities	126,432	122,097	113,119	107,037	101,984
Deferred Inflows of Resources					
Rate Stabilization	4,650	4,650	4,650	4,650	6,000
Net Position					
Net investment in capital assets	22,598	21,553	28,152	22,666	28,488
Restricted for bond reserves	1,206	1,419	1,850	1,624	1,728
Unrestricted	(14,639)	(3,708)	(6,713)	(855)	(10,146)
Total Net Position	9,165	19,264	23,289	23,435	20,070
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 140,247	\$ 146,011	\$ 141,058	\$ 135,122	\$ 128,054

Footnotes to table are on the following page.

(1) Based on audited financial statements. Data for years 2009 through 2012 has been restated to reflect implementation of GASB 65. Figures in table have been rounded.

(2) In 2009, the City approved a project lease agreement with TES Properties and issuance by TES Properties of \$37,840,000 aggregate principal amount of its Lease Revenue Bonds, 2009 to finance the costs of designing and constructing an office and laboratory building for occupancy by the City's Environmental Services Department and other tenants. Monthly lease payments are an obligation of the City's sewer utility and are not a debt of the System. However, for accounting purposes, the City allocates a portion of the lease obligation proportionally to the System and the sewer utility on a pro-rata basis. As of December 31, 2014, the allocation was adjusted to approximately 84.5% to the sewer utility, and 15.5% to the System. Prior to December 31, 2014, the allocation was approximately 80% to the sewer utility, and 20% to the System. These allocations may be further adjusted from time to time. The amounts shown reflect the System's pro-rata share of the lease obligation. See Note 5 to the financial statements attached hereto in Appendix C.

Source: City of Tacoma Finance Department

HISTORICAL OPERATING RESULTS (\$000s)⁽¹⁾

	2009	2010	2011	2012	2013
Operating Revenues					
Residential service	\$ 24,598	\$ 25,965	\$ 26,209	\$ 26,948	\$ 25,601
Commercial service ⁽²⁾	23,627	23,001	23,121	23,047	22,936
Disposal only ⁽³⁾	4,812	4,693	4,662	4,564	5,149
Tacoma Cares/NCE	954	516	475	489	539
Other	467	315	410	402	311
Total Revenues from rates	54,458	54,490	54,877	55,450	54,536
Revenue from recycling and salvage	679	1,544	2,225	1,358	1,486
Total Operating Revenues	55,137	56,034	57,102	56,808	56,022⁽⁴⁾
Operating Expenses⁽⁵⁾					
Commercial Collection	2,926	3,284	3,743	3,961	4,262
Onsite Operations	14,837	14,432	11,566	14,041	15,861
Residential Collection	8,197	9,413	10,711	11,100	12,092
Resource Recovery	974	707	415	243	0
Support Services	5,617	6,452	4,641	6,335	6,003
Tacoma Cares/Nuisance Code	3,023	2,910	2,521	2,451	2,172
Other	3,372	3,742	3,719	3,864	3,697
Total Operating Expenses	38,943	40,940	37,316	41,995	44,087
Net Operating Revenue	16,194	15,094	19,786	14,813	11,935
Non-operating revenues ⁽⁶⁾	2,212	1,481	2,069	1,166	495
Non-operating expense ⁽⁷⁾	(59)	(65)	(133)	(91)	(105)
Revenue Available for Debt Service	\$ 18,347	\$ 16,510	\$ 21,722	\$ 15,888	\$ 12,325
Parity Bond Debt Service	\$ 7,685	\$ 7,684	\$ 7,687	\$ 5,753	\$ 5,867
Parity Bond Debt Service Coverage Ratio					
After Rate Stabilization Transfer	2.39	2.15	2.83	2.76	2.10 ⁽⁴⁾
Before Rate Stabilization Transfer	—	—	—	—	2.33

(1) Based on audited financial statements. Figures in table have been rounded.

(2) Includes revenues from drop-boxes. Drop-boxes are not included in the table entitled "Historical Number of Customers by Customer Class." System statistics classify drop-boxes as a "pick-up."

(3) Includes tipping fees from commercial self-haul and a portion of the tipping fees from residential customers.

(4) Total operating revenues for 2013 have been reduced on a pro-rata basis to reflect a transfer of \$1,350,000 to the Rate Stabilization Fund.

(5) Operating expenses exclude depreciation and landfill closure and post closure costs.

(6) Non-operating revenue excludes gain or loss on the sale of property, capital related grant income, insurance recoveries, and contributions.

(7) Non-operating expense excludes interest expense and transfers (including gross earnings taxes).

Source: City of Tacoma Finance Department

Management Discussion of Results

The 2013 audited financial report reflects the change in accounting and restatement of prior years to expense the bond issuance costs and report the “deferred inflows of resources” and the “deferred outflows of resources” balance sheet captions. Operating cash decreased by less than \$6 million, of which \$1,350,000 was a transfer to the Rate Stabilization Fund. Principal payments of \$2.6 million reduced outstanding 2006 and 2008 Bonds to \$61.2 million and interest payments were made as scheduled. The Tacoma Landfill closure was completed and the environmental liability of \$26 million represents the present value of ongoing monitoring and maintenance for the next 30 years to be expensed as operating expense each year. The decrease in unrestricted net position is related to the environmental liability.

Revenues remained at prior years’ levels due to the management decision to not increase rates while residential every-other-week (“EOW”) garbage collection was implemented. Operating expenses increased 3% in part due to the EOW implementation costs. Survey results of the change to EOW resulted in 70% favorable, 25% neutral and 5% negative ratings based on 3,000 responses. Preliminary 2014 results are very consistent and no transactions are expected to materially impact results.

CERTAIN FACTORS AFFECTING THE MUNICIPAL SOLID WASTE MANAGEMENT SYSTEM

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

General

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

Environmental Regulation

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

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

Operating Results

A number of factors could impact the results of operations of the System in the future, including a decrease in the number of customers of the System, changes in regional and local economic conditions, regulatory and permit requirements, changes in population, increase in Costs of Maintenance and Operation, increases in recycling and

composting, and changes in general market conditions. There can be no assurance that the System will be able to maintain the current number of existing users if there are changes in the residential and/or commercial population of the service area.

Furthermore, waste prevention, recycling, and composting, all methods of waste reduction, are employed in a variety of ways in the City to reduce environmental burdens, create jobs, save money, and meet waste reduction goals. Although waste prevention measures have a number of positive results, such measures can have a negative impact on the Gross Revenues.

Legal Decisions Regarding Solid Waste Flow Control

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

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

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

Other U.S. Courts of Appeals have held that flow control ordinances do not violate the Commerce Clause where (i) the process used by the local government to select specific service providers or facilities is non-discriminatory; (ii) the requirement that waste be disposed of at a particular in-state facility includes an exception for waste destined for out-of-state disposal; (iii) the governmental entity acts as a market participant, rather than market regulator, in providing collection or disposal services; (iv) the burdens imposed on interstate commerce by the flow control measure are insubstantial and not excessive in relation to the local benefit; or (v) the governmental entity owns the disposal facility. See *e.g.* *SSC Corp. v. Town of Smithtown*, 66 F.3d 502 (2d Cir. 1995), *cert. denied*, 516 U.S. 1112 (1996); *USA Recycling v. Town of Babylon*, 66 F.3d 1272 (2d Cir. 1995), *cert. denied*, 517 U.S. 1135 (1996); *On the Green Apartments v. City of Tacoma*, 241 F.3d 1235 (9th Cir. 2001).

In *United Haulers Association, Inc. v. Oneida-Herkimer Solid Waste Management Authority*, 550 U.S. 330 (2007) (“*United Haulers*”), the U.S. Supreme Court limited the holding in *Carbone* by ruling that flow control ordinances that require delivery of all solid waste to a publicly owned and operated local facility and that treated all in-state and out-of-state private haulers the same do not discriminate against interstate commerce for purposes of the Commerce Clause. In *United Haulers*, the flow control ordinances of two counties required that all waste generated within the counties be delivered to one of five publicly owned facilities. The Court explicitly distinguished the facts in *United Haulers* from the facts in *Carbone*, which required private haulers to deliver waste to a facility run by a private contractor under an agreement with the municipality. By adopting the public/private distinction, the Court resolved a split between the Second Circuit Court and other Circuit Courts that had refused to adopt such distinction. See *National Solid Waste Management Assn. v. Daviess County, Kentucky*, 434 F.3d 898 (6th Cir. 2006) (rehearing denied), *vacated*, 550 U.S. 931 (2007). Recently, the Southern District of New York revisited the question of whether the ruling in *United Haulers* requires a facility to be both publicly owned and publicly operated in order to qualify as a “public” facility, and concluded that public ownership is sufficient to qualify for the treatment as a public facility under the public/private analysis in *United Haulers. C & A Carbone, Inc. v. County of Rockland*, No. 08-cv-6459-ER, 2014 WL 1202699, at *7-8 (S.D.N.Y. Mar. 24, 2014).

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

THE CITY OF TACOMA

The City was incorporated in 1884 and utilizes the Council-Manager form of government, which is administered by a City Council under the Constitution and laws of the State and the City Charter. The Council is composed of a Mayor and eight Council members, five of whom are elected from districts that have been apportioned according to population. The three remaining positions are “at-large” positions, nominated and elected City-wide. The Council member positions are for four-years with overlapping terms to allow for the election of 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 10 consecutive years as a member of the Council, Mayor, or combination thereof.

City Officials

Current members of the City Council are listed in the following table.

Elected Officials		
Name	Position	Term Expires
Marilyn Strickland	Mayor	December 31, 2017
David Boe	Deputy Mayor	December 31, 2015
Victoria Woodards	Councilmember	December 31, 2017
Lauren Walker	Councilmember	December 31, 2015
Anders Ibsen	Councilmember	December 31, 2015
Robert Thoms	Councilmember	December 31, 2017
Marty Campbell	Councilmember	December 31, 2017
Joe Lonergan	Councilmember	December 31, 2017
Ryan Mello	Councilmember	December 31, 2015

Administration

The City Manager appoints a Finance Director who supervises the financial and purchasing functions of the City, including the City’s accounting system. The Finance Director is responsible for preparing the Comprehensive Annual Financial Report in accordance with generally accepted accounting principles and the instructions of the State Auditor’s Office. The Finance Director is responsible for the payment of principal and interest on all bonds issued by the City. The City Manager also appoints a Budget Director of the Office of Management and Budget who, under the Finance Director, is responsible for the preparation and monitoring of the biennial budget, which

provides for the servicing of debt and provides for anticipated revenues to meet the estimated costs of expenditures. The budget is presented to the 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 Finance Director. The Government Performance and Finance Committee, composed of the Mayor and three council members, is responsible for the financial management and policies of the City.

T.C. Broadnax, City Manager. T.C. Broadnax began serving as City Manager of the City on February 13, 2012, with more than 19 years of local government management experience. Prior to joining the City, Mr. Broadnax served as Assistant City Manager of the City of San Antonio, Texas for five years. Prior to his San Antonio experience, he was Assistant City Manager in Pompano Beach, Florida for ten years. Additionally, while in Pompano Beach, Mr. Broadnax was responsible for the oversight of the City's housing and community revitalization agency. As City Manager, Mr. Broadnax is the Chief Executive Officer for the City government.

Andrew ("Andy") Cherullo, Finance Director. Andrew Cherullo joined the City in February 2013. Prior to joining the City, he most recently served as the Chief Financial Officer for the Washington State Health Care Authority. Prior to that, Mr. Cherullo served as the Chief Financial Officer for the Massachusetts School Building Authority. He started his career in public finance at the Massachusetts House Ways and Means Committee, where within four years became the Budget Director. As Finance Director for the City, Mr. Cherullo serves as the Chief Financial Officer for the City Manager and the City Council. He is responsible for overseeing the City's financial affairs, including accounting, debt and investment management, procurement and purchasing, and financial reporting. Mr. Cherullo has Bachelor's degrees in Economics and Political Science from the University of Montana and a Master's degree in Economics from Tufts University.

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

Tadd Wille, Budget Director, Office of Management and Budget. Tadd Wille was appointed Budget Director for the Office of Management and Budget in September 2012. Before working at the City, Mr. Wille served as an Assistant Director and Grants Administrator for the City of San Antonio, Office of Management and Budget. Mr. Wille earned both his Bachelor's degree in History and his Master's Degree in Public Administration from Brigham Young University.

Management

The City Manager appoints the Director of the Department who is responsible for the System and the wastewater and surface water utilities.

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

John F. O'Loughlin, P.E., Environmental Services Assistant Director, has worked in the wastewater, surface water and solid waste fields in a multitude of positions for the past 25 years. Mr. O'Loughlin holds a Bachelor's Degree in

Chemistry and a Master's Degree in Business Administration - both from the University of Washington. He is a Licensed Professional Engineer in the State.

Financial Policies

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

Over the past five years, the System has informally adopted certain goals as a guide to financial management and rate setting. These goals include rate setting for two-year periods, rates based on cost of service within a customer class (except for the residential class), restrictions on the term of debt, a minimum of 20 percent of capital financed with current revenues, Parity Bond coverage of at least 170 percent, and a minimum of 60 days of operating cash. Rates for the residential class are volume based to create an incentive to recycle.

Budgetary Policies

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

Auditing

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

The State Auditor is required to examine the affairs of cities at least once every two years. As discussed below, the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the finance department of the City.

The accounting and reporting policies of the System conform to generally accepted accounting principles for municipal governments. The System's financial statements are audited annually by the Office of the State Auditor and by Moss Adams LLP, an independent firm of certified public accountants. For the Fiscal Years ended December 31, 2013 and 2012, the financial statements of the System, included in Appendix C hereto, were audited by Moss Adams LLP. Since the date of its report, Moss Adams LLP has not provided any services or performed any procedures on the financial statements of the System for the Fiscal Years ended December 31, 2013 and 2012. Neither the Office of the State Auditor nor Moss Adams LLP has reviewed or participated in the preparation of this Official Statement.

Pension

Employees of the System are covered by the Tacoma Employees' Retirement System ("TERS"), an actuarially funded system administered by the City. The following information is provided on a City-wide basis.

TERS is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by other retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of Pierce Transit and the Law Enforcement Support Agency who established membership in TERS when these

agencies were still City departments, are also members. The Board of Administration of TERS administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma Municipal Code. The Board of Administration consists of nine members, including the City Mayor, City Administrator, Finance Director, designee of the Director of Utilities, three employees and one retiree. As of December 31, 2013, there were 2,119 retirees and beneficiaries currently receiving benefits, 434 vested terminated members entitled to future benefits and 2,881 active members in TERS.

The System is current in all payments to TERS. Further details about the plan are included in Note 7 to the financial statements attached as Appendix C.

The following table shows the historical City-wide contributions to TERS for the years ended December 31:

Year	City-Wide Contribution
2011	\$ 20,850,233
2012	20,919,787
2013	21,188,984

Covered employees are required by Chapter 1.30 of the Tacoma Municipal Code to contribute a percentage of their gross wages to TERS, and the employer contributes an additional percentage. The contribution rates for the System are provided in the following table:

Applicable Period	Employer Rate	Member Rate	Total Rate
1/1/2001 to 02/01/2009	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	8.74	19.00
1/1/2012 onward	10.80	9.20	20.00

The most recent actuarial valuation of TERS was completed as of January 1, 2013 by Milliman. Assumptions include investment earnings of 7.5%, wage growth of 4.00% and price inflation of 3.00%. Since the January 1, 2013 valuation, the Funding Ratio increased from 90.1% to 90.9% using the Actuarial Value of Assets. The TERS Board of Administration has ratified the valuation including the actuarial assumptions. The following provides historical funding information for TERS. This information is based on the most recent actuarial valuation performed, dated January 1, 2013.

TERS Valuations (\$ in millions)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)=(b)-(a)	Funded Ratio (d)=(a)/(b)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (f)=(c)/(e)
1/1/2011	\$ 1,075	\$ 1,133	\$ 58	94.9%	\$ 220	26.5%
1/1/2012	1,068	1,186	117	90.1	219	53.4
1/1/2013	1,187	1,307	120	90.9	211	56.7

Actuarial methods and assumptions used by the Board of Administration of TERS are included in Note 7 to the financial statements attached as Appendix C.

In addition to TERS, City employees participate in the federal social security program. The City withholds the employee contribution from the City employee's wages.

Other Post-Employment Benefits

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

The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of active employees and retirees rather than based on the claims experience of retirees only. This difference is a benefit to the retirees, since health claims costs generally increase with age. Generally accepted accounting principles require that the portion of age-adjusted expected retiree health claims costs that exceed the premium charged to retirees be recognized as a liability for accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and are subject to continual revision as results are compared to past expectation and new estimates are made about the future. The City funds its OPEB obligation on a pay as you go basis.

The following table shows the annual OPEB cost and net OPEB obligation for three years for the System and the City. This table is based upon a 4.00% interest rate for 2011 and 2012 and 3.75% for 2013.

OTHER POST EMPLOYMENT BENEFITS

Year Ended	Annual OPEB Cost		Benefits Paid		Net OPEB Obligation	
	City	System	City	System	City	System
12/31/2011	\$ 19,596,420	\$ 351,196	\$ 9,569,648	\$ 145,196	\$ 36,393,620	\$ 911,469
12/31/2012	19,469,178	350,345	9,393,431	161,140	46,469,368	1,100,674
12/31/2013	19,528,767	362,340	9,887,334	44,615	56,110,801	1,418,399

For additional information regarding the City’s post-employment benefits, see Note 8 to the financial statements attached as Appendix C.

Taxation

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

Investment Practices

The City’s Investment Committee is composed of the Mayor, the Finance Director and the City Treasurer. The City Treasurer invests City funds. The System’s fund cash balances are a “deposit” with the City Treasurer’s Tacoma Investment Pool (“TIP”) for the purpose of maximizing interest earnings through pooled investment activities. Cash and securities in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

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

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in chapter 39.58 RCW), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issue by any State or Local Government with an A or better rating , Bankers’ Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (“LGIP”). Daily liquidity requirement to meet the City’s daily obligations is maintained by investing a portion of the City’s Investment Pool in the LGIP.

The System’s investments in that portion of the TIP held in qualified public depositories at December 31, 2013 and 2012 is entirely covered by the Federal Deposit Insurance Corporation (“FDIC”) and the Washington State Public Deposit Protection Commission (“PDPC”).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City’s 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.

As of September 30, 2014, the par value of the City’s investments totaled \$909.159 million. The portfolio was distributed in various types of investment instruments in the following percentages:

Government Agencies	63.17%
U.S. Treasuries	9.47
State Local Government Pool	6.61
Bank Interest-Bearing Accounts	0.79
Bankers Acceptance	0.00
Flexible Repurchase Agreements	0.96
Municipal Securities	19.00

Insurance

Historically the System’s risk exposure includes but is not limited to recontamination, wind damage, and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

The City has established a Self-Insurance Fund (the “Fund”) to insure the System and other divisions within the City for certain losses arising from personal and property damage claims by third parties. Environmental and tax claims generally are paid for out of available Gross Revenues and not from the Fund. The System is required to make payments to the Fund to cover claims incurred by the System and administrative expenses of the Fund.

The System’s premium payments totaled \$346,748 for each of the years 2013 and 2012. As risk of loss transfers to the Self-Insurance Fund, the System only recognizes expense for premium payments. Additionally, the City maintains an excess general liability policy with limits of \$15 million, subject to a self-insured retention of \$3 million and a \$30 million dollar aggregate. The City has an excess policy to cover extraordinary workers’ compensation claims with statutory limits and with a \$1 million self-insured retention plus a \$250,000 of total loss each 12 month policy period. The City has a property insurance policy with a limit of \$500 million replacement cost (\$50,000 deductible per occurrence). The City carries property coverage with a maximum single occurrence limit of \$500,000,000 with a sublimit of \$150,000 deductible per occurrence, with exceptions. This policy renews July 1st of each year. The System’s cost for these policies was \$14,295 in 2013 and \$12,492 in 2012.

The System participates in the City’s self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the System and not from the Fund.

Labor Relations

The System has approximately 190 employees, including temporary personnel. 161 of these employees are represented by one of the labor organizations representing City employees. The City negotiates with those labor organizations through its management negotiating team.

The City enters into a collective bargaining agreement with the Joint Labor Committee concerning negotiable issues, including vacations, sick leave, holidays, life insurance, longevity, medical insurance and other health benefits. Matters that are specific to a particular union, such as wages and other working conditions, are subject to a separate collective bargaining agreement individually negotiated with the unions.

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

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

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

<u>Bargaining Unit</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
International Federation of Professional and Technical Engineers (Local 17)	13	12/31/2014 ⁽¹⁾
International Association of Machinist and Aerospace Workers (Local 160) (General)	2	12/31/2016
Teamsters Local 117 (General)	46	12/31/2014 ⁽¹⁾
Teamsters (Local 313) (Refuse)	76	12/31/2017
International Brotherhood of Electrical Workers (“IBEW”) Local 483 (Customer and Field Services)	9	12/31/2014 ⁽¹⁾
IBEW 483 (Clerical)	5	12/31/2014 ⁽¹⁾
IBEW 483 (Supervisors)	2	12/31/2014 ⁽¹⁾
IBEW 483 (Water Pollution)	8	12/31/2014 ⁽¹⁾

⁽¹⁾ Under negotiation.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and require the Legislature to refer legislation to the voters through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Under the City Charter, Tacoma voters may initiate local legislation and City Charter amendments, and modify existing legislation, through powers of initiative and referendum. Under Washington law, the Bond Ordinance may not be a proper subject for a referendum petition. Nonetheless, the referendum period will have expired and the Bond Ordinance will become effective on or before the date of issuance and delivery of the Bonds. As of the date of this Official Statement, no referendum petition has been filed.

In recent years there has been an increase in the number of initiatives and referenda filed in Washington, including state initiatives targeting property taxes imposed by local jurisdictions. The City cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, and whether such initiatives will be approved by the voters and, if challenged, upheld by the courts.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 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 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed with proceeds of the 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 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs.

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 Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 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.

Prospective purchasers of the Bonds should be aware that ownership of the 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 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the 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 Bonds. Owners of the Bonds are advised that, if the IRS does audit the 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 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 Bonds until the audit is concluded, regardless of the ultimate outcome.

Not Bank Qualified

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

Proposed Tax Legislation; Miscellaneous

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. For example, proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Premium

An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on that Bond. A purchaser of a Bond must amortize any premium over that Bond’s term using constant yield principles, based on the Bond’s yield to maturity. As premium is amortized, the purchaser’s basis in the 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 Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of 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 Bonds.

CONTINUING DISCLOSURE 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 owners and 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 2015 for the fiscal year ended December 31, 2014):

- (1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System prepared in accordance with Generally Accepted Accounting Principles prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);
- (2) Principal amount of outstanding Parity Bonds;
- (3) Debt service coverage for outstanding Parity Bonds;
- (4) Total number of residential and commercial customers;
- (5) Aggregate percent of total revenues received from the System’s ten largest customers;
- (6) Tonnage and percentage for each disposal method;
- (7) Rates for the System substantially as provided in the rate ordinance approved by the Council; and

(8) Gross Revenues by service.

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

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

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

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

- principal and interest payment delinquencies;
- non-payment related defaults, if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- modifications to the rights of Bondholders, if material;
- optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds, if material;
- rating changes;
- bankruptcy, insolvency, receivership or similar event of the City;
- the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure, without any intent to modify the undertaking as set forth above, the City advises that no credit enhancement, credit or liquidity facilities, or property secure payment of the Bonds.

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 into this Official Statement by reference). All notices, financial information and operating data required by the 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 the undertaking must be accompanied by identifying information as prescribed by the MSRB.

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

Termination/Modification. The City's obligations to provide annual financial information and notices of listed events will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of the City's undertaking will be null and void if the City (i) 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 (ii) notifies the MSRB of such opinion and the cancellation of the undertaking.

Notwithstanding any other provision of the undertaking, the City may amend the undertaking with an approving opinion of nationally recognized bond counsel and 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 listed event, as described above, and (ii) the annual report for the year in which the change is made will 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 Under This Section. A Bond Owner's or Beneficial Owner's right to enforce the provisions of the City's undertaking described in this section will be limited to a right to obtain specific enforcement of the City's obligations, and any failure by the City to comply with the provisions of the undertaking will not be an Event of Default with respect to the Bonds. For purposes of this section, "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.

Other Ongoing Disclosure Undertakings of the City. The City has previously entered into continuing disclosure undertakings under the Rule (the "Prior Undertakings"). The City failed to file information regarding assessments levied, collected and uncollected for the years 2007 through 2011 in connection with its Consolidated Local Improvement District No. 60 Bonds. The City filed the missing information in February 2013. The City failed to file certain lodging tax information for years 2009 and 2010. The City filed the missing information in September 2012. Instead of submitting a filing for both downgrades of FSA by Fitch in 2009, the City made a single filing in November 2009 reflecting the second downgrade in October of 2009. The City has provided notice of certain underlying rating changes either through separate notice filings or in its financial statements, some of which may have been done after the deadlines provided for in the Prior Undertakings. The City currently believes it is in compliance with its Prior Undertakings for the previous five years in all material respects.

RATINGS

As noted on the cover page of this Official Statement, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "A1," "AA" and "AA-," respectively, to the Bonds. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds. The City does not have any obligation to take any action, other than file a listed event notification, if the ratings on the Bonds are changed, suspended or withdrawn.

UNDERWRITING

The Bonds are being purchased by J.P. Morgan Securities LLC ("JPMS") and Siebert Brandford Shank & Co., LLC (together, the "Underwriters") at a price of \$24,246,189, and will be reoffered at a price of \$24,298,562. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth in this Official Statement, and such initial offering prices and yields may be changed from time to time, by the Underwriters. After the initial public offering, the public offering prices and yields may be varied from time to time.

JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Bonds, has entered into a separate agreement with Credit Suisse Securities USA LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC.

FINANCIAL ADVISOR

The City has retained Piper Jaffray & Co., Seattle, Washington, as financial advisor (the “Financial Advisor”). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. While under contract to the City, the Financial Advisor may not participate in the underwriting of any City debt.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. A copy of the form of opinion of Bond Counsel is attached hereto as Appendix B. Pacifica Law Group LLP is also serving as Disclosure Counsel to the City in connection with the issuance of the Bonds.

Certain legal matters will be passed on for the Underwriters by Foster Pepper, PLLC, Seattle, Washington, Counsel to the Underwriters. Any opinion of such firm will be addressed solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors.

LITIGATION

No Litigation Concerning the Bonds

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

Other Litigation

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

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Underwriters, Underwriters’ Counsel, the Financial Advisor, and Bond Counsel are contingent upon the issuance and sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Financial Advisor in transactions unrelated to the issuance of the Bonds. Foster Pepper PLLC is serving as counsel

to the Underwriters and from time to time serves as counsel to the City and as counsel to the Financial Advisor on matters unrelated to the issuance of the Bonds.

LIMITATIONS ON REMEDIES

Any remedies available to the owners of the Bonds upon the occurrence of an Event of Default under the Bond Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. A copy of the forms of legal opinions of Bond Counsel are set forth in Appendix B.

No Acceleration

Neither a Bond owner nor any Bond owners' trustee has the right under the Bond Ordinance to accelerate the payment of debt service on the Bonds upon the occurrence of an Event of Default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Parity Bonds, the bond owners or the Bond owners' trustee would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between owners of earlier and later maturing Parity Bonds.

Bankruptcy

Under current Washington law, local governments, such as the City, may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). A creditor cannot bring an involuntarily bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code. Taxing districts in the State are expressly authorized to carry out a plan of readjustment if approved by the appropriate court. Should the City become a debtor in a federal bankruptcy proceeding, the owners of the Bonds would continue to have a statutory lien on Net Revenues after the commencement of the bankruptcy case so long as the Net Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents, such as the Bond Ordinance. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the Bond Ordinance may not be applicable. If Net Revenues do not constitute "special revenues," there could be delays or reductions in payments by the City with respect to the Bonds.

Furthermore, if the City were to become a debtor in a federal bankruptcy case, the parties (including the Bond Registrar and the holders of the Bonds) may be prohibited from taking any action to collect any amount from the City, to enforce any obligations of the City, or to exercise any remedies unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Bond Registrar from making payments to the holders of the Bonds from funds in the Bond Registrar's possession. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and/or reductions in payments could result.

OFFICIAL STATEMENT

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

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

THE CITY OF TACOMA, WASHINGTON

By: /s/ Andrew Cherullo
 Finance Director

APPENDIX A
FORM OF THE BOND ORDINANCE
(attached)

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ORDINANCE NO. 28279

1 AN ORDINANCE of the City of Tacoma, Washington, providing for the issuance
 2 and sale of one or more series of solid waste revenue and refunding bonds
 3 of the City in the aggregate principal amount of not to exceed \$75,000,000
 4 to refund certain outstanding solid waste revenue bonds, to finance the
 5 acquisition, construction, and installation of additions and improvements to
 6 and equipment for the solid waste system, to fund the debt service reserve
 7 fund, and to pay costs of issuing the bonds; providing the form and terms of
 8 the bonds; and delegating the authority to approve the final terms of the
 9 bonds.

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

13 WHEREAS the City has issued and has outstanding the following solid
 14 waste revenue bonds:

15 Designation	16 Authorizing Documents	17 Date of Ordinance	18 Principal Amount Outstanding as of December 1, 2014
19 Solid Waste Utility Revenue Bonds, 2006 Series A (the "2006A Bonds")	20 Ordinance No. 27489, as amended by Ordinance No. 27492, and Substitute Resolution No. 36905	21 5/16/2006, 6/13/2006, and 6/27/2006, respectively	22 \$ 28,455,000
23 Solid Waste Utility Revenue Refunding Bonds, 2006 Series B (the "2006B Bonds")	24 Ordinance No. 27489, as amended by Ordinance No. 27492 and by Substitute Ordinance No. 27523	25 5/16/2006, 6/13/2006, and 9/12/2006, respectively	26 21,975,000
27 Solid Waste Utility Revenue Refunding Bonds, 2008 (the "2008 Bonds")	28 Ordinance No. 27736 and Substitute Resolution No. 37575	29 8/5/2008 and 8/19/2008, respectively	30 7,635,000



1 (The outstanding solid waste revenue bonds identified above are referred to as the
 2 "Outstanding Parity Bonds" and the authorizing documents identified above are
 3 referred to as the "Outstanding Parity Bond Ordinances"), and

4 WHEREAS the Outstanding Parity Bond Ordinances provide that additional
 5 solid waste revenue bonds may be issued with a lien on the operating revenue of
 6 the System on a parity with the lien of the Outstanding Parity Bonds if certain
 7 conditions are met, and

8 WHEREAS the ordinances authorizing the issuance of the 2006A Bonds
 9 and the 2006B Bonds (together, the "2006 Bonds") provide that the 2006 Bonds
 10 may be defeased and/or refunded prior to their stated maturities at the option of
 11 the City on or after December 1, 2016, at a price of par plus accrued interest to
 12 their date of redemption, and

13 WHEREAS, after due consideration, it appears to the City Council (the
 14 "Council") that defeasing and refunding all or a portion of the 2006 Bonds (the
 15 "Refunding Candidates") to modify the debt service schedule and otherwise
 16 restructure the 2006 Bonds is in the best interest of the City, and

17 WHEREAS the City has adopted a capital improvement program for the
 18 System which includes certain additions and improvements to and the equipping of
 19 the System as described therein (the "Projects"), and

20 WHEREAS the Projects include the acquisition and construction of
 21 improvements that are intended to have environmental benefits, such as the
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1 acquisition of diesel and/or compressed natural gas hybrids and hydraulic
 2 transmission collection vehicles and the construction of related facilities, and
 3 WHEREAS the Council deems it in the best interest of the City to issue one
 4 or more series of solid waste revenue and refunding bonds in the aggregate
 5 principal amount of not to exceed \$75,000,000 (the "Bonds") to redeem and
 6 defease all or a portion of the Refunding Candidates, to finance and/or reimburse a
 7 portion of the costs of the Projects, to fund the debt service reserve fund, and to
 8 pay costs of issuing the Bonds, and

9 WHEREAS the Council wishes to delegate authority to the City Finance
 10 Director and Treasurer, or their designee (each, a "Designated Representative") for
 11 a limited time, to select the Refunding Candidates to be refunded, if any, and to
 12 approve the interest rates, maturity dates, redemption terms, principal maturities
 13 and other terms for the Bonds within the parameters set by this ordinance, and

14 WHEREAS the Bonds shall be sold by negotiated sale as set forth herein;

15 Now, Therefore,

16 BE IT ORDAINED BY THE CITY OF TACOMA:
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* This Table of Contents is provided for convenience only and is not a part of this ordinance.



1 Section 1. Definitions and Interpretation of Terms.

2 (a) Definitions. As used in this ordinance, the following words shall

3 have the following meanings:

4 "Accreted Value" means, with respect to any Capital Appreciation Bond, as

5 of the time of calculation, the sum of the amount representing the initial principal

6 amount of such bond plus interest accrued, compounded thereon as of the most

7 recent compounding date. With respect to any particular Payment Date, the

8 Accreted Value is the amount set forth on the Accreted Value Table included as

9 part of the form of Capital Appreciation Bond. In the event the Accreted Value of

10 any Capital Appreciation Bond is required to be determined as of a date other than

11 the Payment Date, the Accreted Value shall be determined by adding to the

12 Accreted Value for the next preceding Payment Date the product obtained by

13 multiplying (a) the difference between the Accreted Value for the next Payment

14 Date and the Accreted Value for the next preceding Payment Date, by (b) the ratio

15 obtained by dividing by 180 the number of days elapsed since the next preceding

16 Payment Date (calculated on the basis of a 360-day year of twelve 30-day

17 months).

18 "Accreted Value Table" means the Accreted Value Table printed on the

19 Capital Appreciation Bonds reflecting the Accreted Value of such Capital

20 Appreciation Bonds as of any Payment Date.

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1 "Acquired Obligations" means noncallable direct obligations of, or

2 obligations the principal of and interest on which are unconditionally guaranteed

3 by, the United States Government.

4 "Adjusted Net Revenues" has the meaning set forth in Section 16 of this

5 ordinance.

6 "Annual Debt Service" means the amount required in any calendar year to

7 be paid for the principal of and interest on all Parity Bonds that are Serial Bonds

8 then outstanding together with the amount required in such calendar year to make

9 the annual required payments into any Sinking Fund Account heretofore or

10 hereafter created to amortize Term Bonds, excluding interest to be paid from the

11 proceeds of the sale of Parity Bonds.

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14 In the case of Variable Interest Rate Bonds, for the purpose of calculating

15 Annual Debt Service for purposes of the Future Parity Bond tests outlined in

16 Section 16 and the Reserve Fund Requirement, the interest rate thereon shall be

17 calculated on the assumption that such bonds will bear interest during such period

18 at a rate equal to the lesser of (a) the Maximum Interest Rate or (b) the rate most

19 recently reported by The Bond Buyer as the Bond Buyer Municipal Bond Index for

20 long-term revenue bonds; provided, that if on such date of calculation the interest

21 rate on such bonds shall then be fixed for a specified period, including, pursuant to

22 a Payment Agreement as provided in Section 15, the interest rate used for such

23 specified period for the purpose of the foregoing calculation shall be such actual

24 interest rate. *After all of the Outstanding Parity Bonds are fully redeemed,*

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1 *refunded or defeased, this paragraph shall read as follows:* In the case of Variable
 2 Interest Rate Bonds, for the purpose of calculating Annual Debt Service for
 3 purposes of the Future Parity Bond tests outlined in Section 16 and the Reserve
 4 Fund Requirement, the interest rate thereon shall be equal to the higher of (i) the
 5 average of the SIFMA Municipal Swap Index over the 60-month period
 6 immediately preceding the date of computation, or (ii) the average of the SIFMA
 7 Municipal Swap Index over the 12-month period immediately preceding the date of
 8 computation, in each case as determined within ten days prior to the date of
 9 computation, with the principal thereof amortized to provide for essentially level
 10 annual debt service of principal and interest over such period; provided, that if on
 11 such date of calculation the interest rate on any Variable Interest Rate Bonds shall
 12 then be fixed for a specified period, including pursuant to a Payment Agreement,
 13 the interest rate used for such specified period shall be such fixed interest rate.

14 For purposes of computing Annual Debt Service on any Parity Bonds which
 15 constitute Balloon Indebtedness, it shall be assumed that the principal of such
 16 Balloon Indebtedness, together with interest thereon at the rate applicable to such
 17 Balloon Indebtedness, shall be amortized in equal annual installments over a term
 18 equal to the lesser of (a) 25 years or (b) the average weighted useful life
 19 (expressed in years and rounded to the next highest integer) of the properties and
 20 assets constituting the project (if any) financed out of the proceeds of such Balloon
 21 Indebtedness.
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1 *After all of the Outstanding Parity Bonds are fully redeemed, refunded or*
 2 *defeased, for purposes of satisfying the coverage test pursuant to Section 14 or*
 3 *the requirements for the issuance of Future Parity Bonds pursuant to Section 16,*
 4 *Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt*
 5 *Service Offsets received or expected to be received in such Fiscal Year or*
 6 *calendar year.*

7 "Balloon Indebtedness" means any series of Parity Bonds more than
 8 25 percent of the principal of which, in accordance with the terms of such Parity
 9 Bonds, is due and payable in any one Fiscal Year either by reason of the stated
 10 maturity date of such Parity Bonds or pursuant to a Sinking Fund Requirement;
 11 provided that with respect to any Parity Bonds issued as Term Bonds, such Bonds
 12 shall only be treated as Balloon Indebtedness if more than 25 percent of the
 13 principal thereof is due in any one Fiscal Year pursuant to the applicable Sinking
 14 Fund Requirement or upon the stated maturity date thereof (assuming that the only
 15 principal due on the stated maturity date thereof will be the principal remaining
 16 outstanding after all redemptions have been made pursuant to the applicable
 17 Sinking Fund Requirement).

18 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by
 19 the City, of nationally recognized standing in matters pertaining to the tax-exempt
 20 nature of interest on bonds issued by states and their political subdivisions.

21 "Bond Fund" means the Solid Waste Revenue Bond Fund created by the
 22 City for the purpose of paying and securing the payment of Parity Bonds.
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A-5

1 "Bond Purchase Contract" means the contract for the purchase of the Bonds
2 between the Underwriter and the City, executed pursuant to Section 17.

3 "Bond Register" means the registration books maintained by the Bond
4 Registrar for purposes of identifying ownership of the Bonds or the nominee of
5 each owner, and such other information as the Bond Registrar shall determine.

6 "Bond Registrar" means, initially, the fiscal agency of the state of
7 Washington, for the purposes of registering and authenticating the Bonds,
8 maintaining the Bond Register, effecting transfer of ownership of the Bonds and
9 paying interest on and principal of the Bonds.

10 "Bond Year" means each one-year period that ends on the date selected by
11 the City. The first and last Bond Years may be short periods. If no date is selected
12 by the City before the earlier of the final maturity date of the Tax-Exempt Bonds or
13 the date that is five years after the date of issuance of the Tax-Exempt Bonds,
14 Bond Years end on each anniversary of the date of issue and on the final maturity
15 date of such Tax-Exempt Bonds.

16 "Bonds" mean the not to exceed \$75,000,000 aggregate principal amount of
17 solid waste revenue and refunding bonds of the City authorized to be issued in one
18 or more series pursuant to the terms of this ordinance.

19 "Call Date" means the date(s) set forth in the Escrow Deposit Agreement for
20 the refunding of the Refunded Bonds.

21 "Capital Appreciation Bonds" mean Parity Bonds, the interest on which
22 accrues and compounds, payable at maturity or earlier redemption.



1 "Certified Public Accountant" means an independent licensed certified public
2 accountant (or firm of certified public accountants) selected by the City.

3 "City" means the City of Tacoma, Washington, a municipal corporation duly
4 organized and existing under and by virtue of the laws of the State.

5 "City Clerk" means the duly appointed and acting City Clerk of the City or
6 the successor to the duties of that office.

7 "City Manager" means the duly appointed and acting City Manager of the
8 City or the successor to the duties of that office.

9 "Closing" means the date of delivery of the Bonds to the Underwriter.

10 "Code" means the Internal Revenue Code of 1986, as amended, and shall
11 include all applicable regulations and rulings relating thereto.

12 "Commission" means the Securities and Exchange Commission.

13 "Construction Fund" means the 2015 Solid Waste Bond Construction Fund
14 created pursuant to Section 9 of this ordinance.

15 "Costs of Maintenance and Operation" means all necessary expenses of
16 operating the System, current maintenance expenses, expenses of reasonable
17 upkeep and repairs, insurance and administrative expenses, reasonable pro rata
18 charges for services provided to the System by City departments and payments
19 pursuant to leases for landfill capacity and hauling disposal, but excludes
20 depreciation, payments for debt service or into reserve accounts or funds, costs of
21 capital additions to or replacements of the System, money necessary to pay
22 extraordinary legal claims and judgments against the System, amortized payments



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1 to the City's self-insurance fund with respect to extraordinary claims and
2 judgments, municipal taxes and payments to the City in lieu of taxes, any Rebate
3 Amount, and closure and post-closure costs associated with the System's landfill.

4 "Council" means the Council of the City as the same shall be duly and
5 regularly constituted from time to time.

6 "Covered Bonds" mean the Outstanding Parity Bonds, the Bonds and those
7 Future Parity Bonds designated in the Parity Bond Ordinance authorizing their
8 issuance as Covered Bonds secured by the Reserve Fund.

9 "Current Interest Bonds" means Parity Bonds, the interest on which is paid
10 periodically.

11 "Debt Service Account" means the account of that name created in the
12 Bond Fund.

13 "Debt Service Offset" means receipts of the City that are not included in
14 Gross Revenues and that are legally available to pay debt service on Parity Bonds,
15 including without limitation federal interest subsidy payments, designated as such
16 by the City.

17 "Designated Representative" means the City Finance Director and
18 Treasurer, or his or her designee. The signature of one Designated Representative
19 shall be sufficient to bind the City.

20 "DTC" means The Depository Trust Company, New York, New York.

21 "Engineer" means an independent licensed professional engineer (or firm of
22 licensed professional engineers) selected by the City and experienced and



1 knowledgeable in the operation of solid waste utilities of comparable size and
2 character to the System.

3 "Escrow Deposit Agreement" means the Escrow Deposit Agreement
4 between the City and the Refunding Trustee to be dated as of the date of Closing.

5 "Event of Default" has the meaning set forth in Section 19 of this ordinance.

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

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

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

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

18 "Government Obligations" mean those obligations now or hereafter defined
19 as such in chapter 39.53 RCW.

20 "Gross Revenues" mean (a) revenues received for the use of the System or
21 from services rendered by the System, (b) the proceeds received by the City from
22 the sale or other disposition of any of the properties of the System, (c) investment



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1 income earned on money held in any fund or account of the City in connection with
 2 the ownership and operation of the System, including any bond redemption funds,
 3 and (d) federal or state reimbursement of operating expenses to the extent that
 4 such expenses are included as Costs of Maintenance and Operation, but excluding
 5 (i) insurance proceeds, (ii) investment income irrevocably pledged to the payment
 6 of any solid waste revenue bonds of the City refunded or defeased pursuant to a
 7 plan of refunding heretofore or hereafter adopted by the City, (iii) investment
 8 income earned on money in any rebate fund, and (iv) grants, gifts or donations.

9 "Letter of Representations" means the blanket issuer letter of
 10 representations from the City to DTC.
 11

12 "Maximum Annual Debt Service" means at the time of calculation, the
 13 maximum amount of Annual Debt Service that will mature or come due in the
 14 current Fiscal Year or any future Fiscal Year on the Parity Bonds.
 15

16 "Maximum Interest Rate" means, with respect to any particular Variable
 17 Interest Rate Bond, a numerical rate of interest, which shall be set forth in any
 18 Parity Bond Ordinance authorizing such Bond, which shall be the maximum rate of
 19 interest such Bond may at any time bear.
 20

21 "Maximum Reserve Requirement" means the maximum dollar amount
 22 permitted by the Code to be allocated to a reserve fund from tax-exempt bond
 23 proceeds without requiring a balance to be invested at a restricted yield.
 24

25 "Moody's" means Moody's Investors Service, Inc. or its comparable
 26 recognized business successor.



1 "MSRB" means the Municipal Securities Rulemaking Board or any
 2 successor to its functions.

3 "Net Proceeds," when used with reference to any Tax-Exempt Bonds,
 4 means the principal amount of such Tax-Exempt Bonds, plus accrued interest and
 5 original issue premium, if any, and less original issue discount, if any.
 6

7 "Net Revenues" means Gross Revenues less the Costs of Maintenance and
 8 Operation, excluding from the computation of Gross Revenues any proceeds
 9 derived from the sale or other disposition, not in the ordinary course of business, of
 10 properties, rights or facilities of the System or gains or losses resulting from the
 11 early extinguishment of debt.
 12

13 "Outstanding Parity Bond Ordinances" mean the ordinances and resolutions
 14 authorizing the issuance of the Outstanding Parity Bonds as described in the
 15 recitals to this ordinance.
 16

17 "Outstanding Parity Bonds" means the outstanding 2006 Bonds and
 18 2008 Bonds.

19 "Parity Bond Ordinances" mean the Outstanding Parity Bond Ordinances,
 20 this ordinance, and any ordinance hereafter passed for the purpose of authorizing
 21 Future Parity Bonds.
 22

23 "Parity Bonds" mean the Outstanding Parity Bonds, the Bonds and any
 24 Future Parity Bonds.

25 "Payment Date" means the dates on which principal and/or interest on the
 26 Parity Bonds is due and payable.



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1 "Permitted Investments" means any investments that are now or may
2 hereafter be permitted to the City by the laws of the State.

3 "Private Person" means any natural person engaged in a trade or business
4 or any trust, estate, partnership, association, company, or corporation.

5 "Private Person Use" means the use of property in a trade or business by a
6 Private Person if such use is other than as a member of the general public. Private
7 Person Use includes ownership of the property by the Private Person as well as
8 other arrangements that transfer to the Private Person the actual or beneficial use
9 of the property (such as a lease, management or incentive payment contract or
10 other special arrangement) in such a manner as to set the Private Person apart
11 from the general public. Use of property as a member of the general public
12 includes attendance by the Private Person at municipal meetings or business
13 rental of property to the Private Person on a short-term basis in accordance with
14 regulations under the Code if the rental paid by such Private Person is the same as
15 the rental paid by any Private Person who desires to rent the property. Use of
16 property by nonprofit community groups or community recreational groups is not
17 treated as Private Person Use if such use is incidental to the governmental uses of
18 property, the property is made available for such use by all such community groups
19 on an equal basis and such community groups are charged only a *de minimis* fee
20 to cover custodial expenses.

21 "Projects" mean the acquisition, construction, and installation of additions
22 and improvements to and equipment for the System as described in the capital



1 improvement program for the System approved by the City, as such program may
2 be amended from time to time, as further described in Section 3 of this ordinance.

3 "Qualified Insurance" means any municipal bond insurance policy or surety
4 bond issued by any insurance company licensed to conduct an insurance business
5 in any state of the United States (or by a service corporation acting on behalf of
6 one or more such insurance companies), which insurance company or companies,
7 as of the time of issuance of such policy or surety bond, are currently rated in one
8 of the two highest rating categories by Moody's and S&P; *provided, after all of the*
9 *Outstanding Parity Bonds are fully redeemed, refunded or defeased, this definition*
10 *shall be amended to read as follows:* "Qualified Insurance" means any non-
11 cancellable municipal bond insurance policy or surety bond issued by any
12 insurance company licensed to conduct an insurance business in any state of the
13 United States (or by a service corporation acting on behalf of one or more such
14 insurance companies), which insurance company or companies, as of the time of
15 issuance of such policy or surety bond, are currently rated in one of the two highest
16 rating categories by Moody's, S&P or Fitch, or any other rating agency then
17 maintaining a rating on the Bonds.

18 "Qualified Letter of Credit" means any letter of credit issued by a financial
19 institution for the account of the City on behalf of the owners of the Bonds, which
20 institution maintains an office, agency or branch in the United States and as of the
21 time of issuance of such letter of credit is currently rated in one of the two highest
22 rating categories by Moody's and S&P; *provided, after all of the Outstanding Parity*



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1 *Bonds are fully redeemed, refunded or defeased, this definition shall be amended*
2 *to read as follows:* "Qualified Letter of Credit" means any irrevocable letter of
3 credit issued by a financial institution for the account of the City on behalf of the
4 owners of one or more series of Parity Bonds, which institution maintains an office,
5 agency or branch in the United States and as of the time of issuance of such letter
6 of credit is currently rated in one of the two highest rating categories by Moody's,
7 S&P or Fitch, or any other rating agency then maintaining a rating on the Bonds.
8 "Rate Stabilization Fund" means the fund of that name in the Solid Waste
9 Operating Fund.
10 "Rebate Amount" means the amount, if any, determined to be payable with
11 respect to the Bonds by the City to the United States of America in accordance
12 with Section 148(f) of the Code.
13 "Refunded Bonds" mean all or a portion of the Refunding Candidates
14 designated by the Designated Representative for defeasance and/or refunding
15 pursuant to Section 9 and Section 17 of this ordinance.
16 "Refunding Account" means the account by that name established pursuant
17 to Section 9 of this ordinance.
18 "Refunding Candidates" means any or all of the 2006 Bonds.
19 "Refunding Trustee" means U.S. Bank National Association.
20 "Registered Owner" means the person named as the registered owner of a
21 Bond in the Bond Register. For so long as the Bonds are held in book-entry only
22 form, DTC or its nominee shall be deemed to be the sole Registered Owner.
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1 "Reserve Fund" means the Reserve Fund created in the Bond Fund.
2 "Reserve Fund Requirement" is the dollar amount to be calculated with
3 respect to all Covered Bonds and, *after the Outstanding Parity Bonds are fully*
4 *redeemed, refunded or defeased*, separately with respect to other Parity Bonds.
5 (a) With respect to Covered Bonds, the Reserve Fund Requirement
6 means as of any date an amount equal to the lesser of (1) the Maximum Annual
7 Debt Service for Covered Bonds then outstanding, (2) 125 percent of average
8 Annual Debt Service for Covered Bonds then outstanding, or (3) 10 percent of the
9 initial face amount of the Covered Bonds then outstanding; provided, however, that
10 the dollar amount required to be contributed, if any, as a result of the issuance of a
11 series of Future Parity Bonds shall not be greater than the Maximum Reserve
12 Requirement. If the dollar amount required to be contributed at the time of
13 issuance of a series of Future Parity Bonds exceeds the Maximum Reserve
14 Requirement, then the amount required to be contributed shall be equal to the
15 Maximum Reserve Requirement.
16 (b) *After the Outstanding Parity Bonds are fully redeemed, refunded or*
17 *defeased*, with respect to other series of Parity Bonds, the Reserve Fund
18 Requirement shall be equal to the amount, if any, specified in the Parity Bond
19 Ordinance authorizing the issuance of such Parity Bonds.
20 "Rule" means the Commission's Rule 15c2-12 under the Securities and
21 Exchange Act of 1934, as the same may be amended from time to time.
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1 "S&P" means Standard & Poor's Ratings Services, or its comparable
2 recognized business successor.

3 "Serial Bonds" means Parity Bonds other than Term Bonds.

4 "Sinking Fund Requirement" means, for any year, the principal amount of
5 Term Bonds required to be purchased, redeemed or paid in such year pursuant to
6 the mandatory amortization provisions of the ordinance or resolution of the City
7 authorizing the issuance of such Term Bonds.
8

9 "Solid Waste Operating Fund" means the Solid Waste Operating Fund
10 maintained by the City.

11 "State" means the state of Washington.

12 "System" means the garbage and refuse collection and disposal system of
13 the City as defined in Section 1 of Ordinance No. 21312, as the same has
14 heretofore been added to, improved and extended and as the same will be added
15 to, improved and extended for so long as any of the Parity Bonds are outstanding.
16

17 "Taxable Bonds" means any Bonds determined to be issued on a taxable
18 basis pursuant to Section 17.

19 "Tax-Exempt Bonds" mean any Bonds determined to be issued on a tax-
20 exempt basis under the Code pursuant to Section 17.
21

22 "Term Bond Maturity Year" means any year in which any Parity Bonds that
23 are Term Bonds mature.
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25 "Term Bonds" means Parity Bonds designated by the City as term bonds.
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1 "Treasurer" means the duly appointed and acting Treasurer of the City or
2 the successor to the duties of that office.

3 "2006 Bond Ordinances" mean, collectively, the ordinances and resolution
4 authorizing the issuance of the 2006 Bonds as described in the recitals of this
5 ordinance.
6

7 "2006 Bonds" mean the 2006A Bonds and the 2006B Bonds.

8 "2006A Bonds" mean the City of Tacoma, Washington Solid Waste Utility
9 Revenue Bonds, 2006 Series A, issued pursuant to Ordinance No. 27489, as
10 amended by Ordinance No. 27492 and by Substitute Resolution No. 36905.
11

12 "2006B Bonds" mean the City of Tacoma, Washington Solid Waste Utility
13 Revenue Refunding Bonds, 2006 Series B, issued pursuant to Ordinance
14 No. 27489, as amended by Ordinance No. 27492 and by Substitute Ordinance
15 No. 27523.
16

17 "2008 Bonds" mean the City of Tacoma, Washington Solid Waste Utility
18 Revenue Refunding Bonds, 2008, issued pursuant to Ordinance No. 27736 and
19 Substitute Resolution No. 37575.

20 "Underwriter" means, collectively, the initial purchaser or purchasers of the
21 Bonds, as selected by the Designated Representative.
22

23 "Variable Interest Rate" means a variable interest rate or rates to be borne
24 by a series of Parity Bonds or any one or more maturities within a series of Parity
25 Bonds. The method of computing such variable interest rate shall be specified in
26 the bond ordinance authorizing such series of Parity Bonds. Such variable interest



1 rate shall be subject to a Maximum Interest Rate and there may be an initial rate
 2 specified, in each case as provided in such bond ordinance, or a stated interest
 3 rate that may be changed from time to time as provided in the bond ordinance
 4 authorizing such Parity Bonds. Such bond ordinance shall also specify either
 5 (a) the particular period or periods of time or manner of determining such period or
 6 periods of time for which each value of such variable interest rate shall remain in
 7 effect or (b) the time or times upon which any change in such variable interest rate
 8 shall become effective.

10 "Variable Interest Rate Bonds" for any period of time means Parity Bonds
 11 that during such period bear a Variable Interest Rate, provided that Parity Bonds
 12 the interest rate on which shall have been fixed for the remainder of the term
 13 thereof shall no longer be Variable Interest Rate Bonds.

15 (b) Interpretation. In this ordinance, unless the context otherwise
 16 requires:

18 (1) The terms "hereby," "hereof," "hereto," "herein," "hereunder"
 19 and any similar terms, as used in this ordinance, refer to this ordinance as a whole
 20 and not to any particular article, section, subdivision or clause hereof, and the term
 21 "hereafter" shall mean after, and the term "heretofore" shall mean before, the date
 22 of this ordinance;

24 (2) Words of the masculine gender shall mean and include
 25 correlative words of the feminine and neuter genders and words importing the
 26 singular number shall mean and include the plural number and vice versa;



1 (3) Words importing persons shall include firms, associations,
 2 partnerships (including limited partnerships), trusts, corporations and other legal
 3 entities, including public bodies, as well as natural persons;

4 (4) Any headings preceding the text of the several articles and
 5 sections of this ordinance, and any table of contents or marginal notes appended
 6 to copies hereof, shall be solely for convenience of reference and shall not
 7 constitute a part of this ordinance, nor shall they affect its meaning, construction or
 8 effect; and

10 (5) All references herein to "articles," "sections" and other
 11 subdivisions or clauses are to the corresponding articles, sections, subdivisions or
 12 clauses hereof.

14 Section 2. Compliance with Parity Conditions. In accordance with the
 15 Outstanding Parity Bond Ordinances, which permit the issuance of additional
 16 Parity Bonds upon compliance with the conditions set forth therein, the City hereby
 17 finds and determines, as follows:

19 (a) The Bonds are being issued for lawful purposes of the City related to
 20 the System.

21 (b) There is not now and at the time of Closing of the Bonds there shall
 22 not be any deficiency in the Bond Fund.

24 (c) The Bonds shall be issued as Covered Bonds, and this ordinance
 25 provides for payments into the Reserve Fund of amounts and at the times required
 26 by the Outstanding Parity Bond Ordinances.



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1 (d) At the time of issuance of the Bonds, the City shall have on file a
2 certificate satisfying the parity requirements of the Outstanding Parity Bond
3 Ordinances.

4 The applicable conditions of the Outstanding Parity Bond Ordinances
5 having been or to be complied with in connection with the issuance of the Bonds,
6 the pledge contained herein of Net Revenues to pay and secure the payment of
7 the Bonds shall constitute a lien and charge upon such Net Revenues equal in
8 rank with the lien and charge upon the Net Revenues to pay and secure the
9 payment of the Outstanding Parity Bonds.

10 Section 3. Adoption of Plan of Additions. The City specifies, adopts and
11 orders the carrying out of improvements to the System, including, but not limited to,
12 the acquisition, construction, and installation of additions and improvements to and
13 equipment for the System, including the acquisition and construction of
14 improvements that are intended to have environmental benefits, such as the
15 acquisition of diesel and/or compressed natural gas hybrids and hydraulic
16 transmission collection vehicles and the construction of related facilities, as
17 specified in the capital improvement program for the System approved by the City,
18 as it may be amended from time to time (together, the "Projects"). The City
19 Council may modify the details of the Projects where, in its judgment, it appears
20 advisable if such modifications do not substantially alter the purposes of that
21 system or plan. The estimated cost of carrying out the Projects, including the costs
22 of issuance and sale of the Bonds, is expected to be at least \$25,000,000, which
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1 cost shall be paid from the proceeds of the Bonds and from other money available
2 to the City for such purpose.

3 Section 4. Authorization and Description of Bonds. For the purposes of
4 defeasing and refunding the Refunded Bonds, financing and/or reimbursing costs
5 of the Projects, funding the Reserve Fund, and paying costs of issuance of the
6 Bonds, the City is hereby authorized to issue and sell one or more series of solid
7 waste revenue and refunding bonds in the aggregate principal amount of not to
8 exceed \$75,000,000 (the "Bonds").

9 The Bonds shall be designated as the "City of Tacoma, Washington, Solid
10 Waste Revenue [and] [Refunding] Bonds, 2015[]" with additional series
11 designation or other designation as set forth in the Bond Purchase Contract and
12 approved by the Designated Representative.

13 The Bonds of each series shall be dated as of their date of initial delivery,
14 shall be fully registered as to both principal and interest, shall be in the
15 denomination of \$5,000 each or any integral multiple thereof within a series and
16 maturity, shall be numbered separately in the manner and with any additional
17 designation as the Bond Registrar deems necessary for purposes of identification
18 and control, and shall bear interest payable on the dates set forth in the Bond
19 Purchase Contract. The Bonds shall bear interest at the rates set forth in the Bond
20 Purchase Contract; and shall mature on the dates and in the principal amounts set
21 forth in the Bond Purchase Contract and as approved by a Designated
22 Representative pursuant to Section 17.
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A-13

1 The Bonds shall be special obligations of the City payable only from the
2 Bond Fund and shall be payable and secured as provided herein. The Bonds shall
3 not be general obligations of the City, the State or any political subdivision thereof.

4 Section 5. Registration, Exchange and Payments.

5 (a) Bond Registrar/Bond Register. The City hereby specifies and adopts
6 the system of registration approved by the Washington State Finance Committee
7 from time to time through the appointment of state fiscal agencies. The City shall
8 cause a Bond Register to be maintained by the Bond Registrar. So long as any
9 Bonds remain outstanding, the Bond Registrar shall make all necessary provisions
10 to permit the exchange or registration or transfer of Bonds at its principal corporate
11 trust office. The Bond Registrar may be removed at any time at the option of the
12 Finance Director upon prior notice to the Bond Registrar and a successor Bond
13 Registrar appointed by the Finance Director. No resignation or removal of the
14 Bond Registrar shall be effective until a successor shall have been appointed and
15 until the successor Bond Registrar shall have accepted the duties of the Bond
16 Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to
17 authenticate and deliver Bonds transferred or exchanged in accordance with the
18 provisions of such Bonds and this ordinance and to carry out all of the Bond
19 Registrar's powers and duties under this ordinance. The Bond Registrar shall be
20 responsible for its representations contained in the Certificate of Authentication of
21 the Bonds.
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1 (b) Registered Ownership. The City and the Bond Registrar, each in its
2 discretion, may deem and treat the Registered Owner of each Bond as the
3 absolute owner thereof for all purposes (except as provided in Section 21 of this
4 ordinance), and neither the City nor the Bond Registrar shall be affected by any
5 notice to the contrary. Payment of any such Bond shall be made only as described
6 in Section 5(h), but such Bond may be transferred as herein provided. All such
7 payments made as described in Section 5(h) shall be valid and shall satisfy and
8 discharge the liability of the City upon such Bond to the extent of the amount or
9 amounts so paid.

10 (c) DTC Acceptance/Letters of Representations. The Bonds initially
11 shall be held in fully immobilized form by DTC acting as depository. To induce
12 DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and
13 delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor
14 the Bond Registrar will have any responsibility or obligation to DTC participants or
15 the persons for whom they act as nominees (or any successor depository) with
16 respect to the Bonds in respect of the accuracy of any records maintained by DTC
17 (or any successor depository) or any DTC participant, the payment by DTC (or any
18 successor depository) or any DTC participant of any amount in respect of the
19 principal of or interest on Bonds, any notice which is permitted or required to be
20 given to Registered Owners under this ordinance (except such notices as shall be
21 required to be given by the City to the Bond Registrar or to DTC (or any successor
22 depository)), or any consent given or other action taken by DTC (or any successor
23 depository)).
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A-14

1 depository) as the Registered Owner. For so long as any Bonds are held in fully
 2 immobilized form by a depository, DTC or its successor depository shall be
 3 deemed to be the Registered Owner for all purposes hereunder, and all references
 4 herein to the Registered Owners shall mean DTC (or any successor depository) or
 5 its nominee and shall not mean the owners of any beneficial interest in such
 6 Bonds.

8 (d) Use of Depository.

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

21 (2) Upon the resignation of DTC or its successor (or any substitute
 22 depository or its successor) from its functions as depository or a determination by
 23 the Finance Director to discontinue the system of book entry transfers through DTC
 24 or its successor (or any substitute depository or its successor), the Finance Director
 25 may hereafter appoint a substitute depository. Any such substitute depository shall
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1 be qualified under any applicable laws to provide the services proposed to be
 2 provided by it.

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

11 (4) In the event that (A) DTC or its successor (or substitute
 12 depository or its successor) resigns from its functions as depository and no
 13 substitute depository can be obtained, or (B) the Finance Director determines that
 14 it is in the best interest of the beneficial owners of the Bonds that such owners be
 15 able to obtain physical Bond certificates, the ownership of such Bonds may then be
 16 transferred to any person or entity as herein provided, and such Bonds shall no
 17 longer be held by a depository. The Finance Director shall deliver a written
 18 request to the Bond Registrar, together with a supply of physical Bonds, to issue
 19 Bonds as herein provided in any authorized denomination. Upon receipt by the
 20 Bond Registrar of all then outstanding Bonds of a series together with a written
 21 request on behalf of the Finance Director to the Bond Registrar, new Bonds shall
 22 be issued in the appropriate denominations and registered in the names of such
 23 persons as are requested in such written request.
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1 (e) Registration of Transfer of Ownership or Exchange; Change in
 2 Denominations. The transfer of any Bond may be registered and Bonds may be
 3 exchanged, but no transfer of any such Bond shall be valid unless it is surrendered
 4 to the Bond Registrar with the assignment form appearing on such Bond duly
 5 executed by the Registered Owner or such Registered Owner's duly authorized
 6 agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the
 7 Bond Registrar shall cancel the surrendered Bond and shall authenticate and
 8 deliver, without charge to the Registered Owner or transferee therefor, a new Bond
 9 (or Bonds at the option of the new Registered Owner) of the same date, maturity
 10 and interest rate and for the same aggregate principal amount in any authorized
 11 denomination, naming as Registered Owner the person or persons listed as the
 12 assignee on the assignment form appearing on the surrendered Bond, in exchange
 13 for such surrendered and canceled Bond. Any Bond may be surrendered to the
 14 Bond Registrar and exchanged, without charge, for an equal aggregate principal
 15 amount of Bonds of the same date, maturity and interest rate, in any authorized
 16 denomination. The Bond Registrar shall not be obligated to register the transfer or
 17 to exchange any Bond during the 15 days preceding any principal payment date
 18 any such Bond is to be redeemed.

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



1 any other capacity with respect to, any committee formed to protect the right of the
 2 Registered Owners of Bonds.

3 (g) Registration Covenant. The City covenants that, until all Bonds have
 4 been surrendered and canceled, it will maintain a system for recording the
 5 ownership of each Bond that complies with the provisions of Section 149 of the
 6 Code.

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



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

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

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

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

15 (c) Selection of Bonds for Redemption. For as long as the Bonds are
 16 held in book-entry only form, the selection of particular Bonds within a series and
 17 maturity to be redeemed shall be made in accordance with the operational
 18 arrangements then in effect at DTC. If the Bonds are no longer held in
 19 uncertificated form, the selection of such Bonds to be redeemed and the surrender
 20 and reissuance thereof, as applicable, shall be made as provided in the following
 21 provisions of this subsection (c). If the City redeems at any one time fewer than all
 22 of the Bonds having the same series and maturity date, the particular Bonds or
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1 portions of Bonds of such series and maturity to be redeemed shall be selected by
 2 lot (or in such manner determined by the Bond Registrar) in increments of \$5,000.

3 In the case of a Bond of a denomination greater than \$5,000, the City and the
 4 Bond Registrar shall treat each Bond as representing such number of separate
 5 Bonds each of the denomination of \$5,000 as is obtained by dividing the actual
 6 principal amount of Bonds by \$5,000. In the event that only a portion of the
 7 principal sum of a Bond is redeemed, upon surrender of such Bond at the principal
 8 office of the Bond Registrar there shall be issued to the Registered Owner, without
 9 charge therefor, for the then unredeemed balance of the principal sum thereof, at
 10 the option of the Registered Owner, a Bond or Bonds of like maturity and interest
 11 rate in any of the denominations herein authorized.

12 (d) Notice of Redemption.

13 (1) Official Notice. For so long as the Bonds are held in
 14 uncertificated form, notice of redemption (which notice may be conditional) shall be
 15 given in accordance with the operational arrangements of DTC as then in effect,
 16 and neither the City nor the Bond Registrar will provide any notice of redemption to
 17 any Beneficial Owners. Thereafter (if the Bonds are no longer held in
 18 uncertificated form), notice of redemption shall be given in the manner hereinafter
 19 provided. Unless waived by any owner of Bonds to be redeemed, official notice of
 20 any such redemption (which redemption may be conditioned by the Bond Registrar
 21 on the receipt of sufficient funds for redemption or otherwise) shall be given by the
 22 Bond Registrar on behalf of the City by mailing a copy of an official redemption
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1 notice by first-class mail at least 20 days and not more than 60 days prior to the
2 date fixed for redemption to the Registered Owner of the Bond or Bonds to be
3 redeemed at the address shown on the Bond Register or at such other address as
4 is furnished in writing by such Registered Owner to the Bond Registrar.

5 All official notices of redemption shall be dated and shall state:

- 6 (A) the redemption date,
- 7 (B) the redemption price,
- 8 (C) if fewer than all outstanding Bonds are to be redeemed,

9 the identification by maturity (and, in the case of partial redemption, the respective
10 principal amounts) of the Bonds to be redeemed,

11 (D) that unless conditional notice of redemption has been
12 given and such conditions have not been satisfied or waived or such notice has
13 been rescinded, on the redemption date the redemption price will become due and
14 payable upon each such Bond or portion thereof called for redemption, and if the
15 Bond Registrar then holds sufficient funds to pay such Bonds at the redemption
16 price, interest thereon shall cease to accrue from and after said date,

- 17 (E) any conditions to redemption, and
- 18 (F) the place where such Bonds are to be surrendered for
19 payment of the redemption price, which place of payment shall be the principal
20 office of the Bond Registrar.

21 On or prior to any redemption date, unless any condition to such redemption
22 has not been satisfied or waived or notice of such redemption has been rescinded,
23



1 the City shall deposit with the Bond Registrar an amount of money sufficient to pay
2 the redemption price of all the Bonds or portions of Bonds which are to be
3 redeemed on that date. The City retains the right to rescind any redemption notice
4 and the related optional redemption of Bonds by giving notice of rescission to the
5 affected registered owners at any time on or prior to the scheduled redemption
6 date. Any notice of optional redemption that is so rescinded shall be of no effect,
7 and the Bonds for which the notice of optional redemption has been rescinded
8 shall remain outstanding.

9 (2) Effect of Notice; Bonds Due. If an unconditional notice of
10 redemption has been given and not rescinded, or if the conditions set forth in a
11 conditional notice of redemption have been satisfied or waived, the Bonds or
12 portions of Bonds to be redeemed shall, on the redemption date, become due and
13 payable at the redemption price therein specified, and, if the Bond Registrar then
14 holds sufficient funds to pay such Bonds at the redemption price, then from and
15 after such date such Bonds or portions of Bonds shall cease to bear interest.

16 Upon surrender of such Bonds for redemption in accordance with said notice, such
17 Bonds shall be paid by the Bond Registrar at the redemption price. Installments of
18 interest due on or prior to the redemption date shall be payable as herein provided
19 for payment of interest. All Bonds which have been redeemed shall be canceled
20 by the Bond Registrar and shall not be reissued.

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

9 Each further notice of redemption may be sent at least 20 days before the
 10 redemption date to each party entitled to receive notice pursuant to Section 21 and
 11 with such additional information as the City shall deem appropriate, but such
 12 mailings shall not be a condition precedent to the redemption of such Bonds.

13 (4) Amendment of Notice Provisions. The foregoing notice provisions of
 14 this Section 6, including, but not limited to, the information to be included in
 15 redemption notices and the persons designated to receive notices, may be
 16 amended by additions, deletions and changes in order to maintain compliance with
 17 duly promulgated regulations and recommendations regarding notices of
 18 redemption of municipal securities.

19 Section 7. Form of Bonds and Certificate of Authentication. The Bonds
 20 shall be in substantially the following form with appropriate or necessary insertions,
 21 depending upon the omissions and variations as permitted or required hereby:
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1 UNITED STATES OF AMERICA

2 No. _____ \$ _____

3 STATE OF WASHINGTON
 4 CITY OF TACOMA
 5 SOLID WASTE REVENUE [AND] [REFUNDING] BOND, 2015[_____]

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

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

23 This bond is one of an authorized issue of bonds of like date and tenor,
 24 except as to number, amount, rate of interest, date of maturity and rights of
 25 redemption, in the aggregate principal amount of \$_____, and is issued
 26 pursuant to Ordinance No. _____ passed by the Council on _____, 2015
 (the "Bond Ordinance") to provide the funds necessary to defease and refund
 certain outstanding solid waste revenue bonds of the City, to finance and/or
 reimburse costs related to the acquisition, construction, and installation of additions
 and improvements to and equipment for the solid waste system (the "System"), to
 fund the debt service reserve fund, and to pay costs of issuance of the bonds.
 Capitalized terms used in this bond and not otherwise defined shall have the
 meanings given them in the Bond Ordinance. Simultaneously with the issuance of
 this bond, the City is issuing its _____ pursuant to the terms of the
 Bond Ordinance.

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



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1 The bonds of this issue are payable solely from the special fund of the City
 2 known as the "Solid Waste Bond Fund" (the "Bond Fund"). The City has
 3 irrevocably obligated and bound itself to pay into the Bond Fund out of Gross
 4 Revenues or from such other money as may be provided for such purpose certain
 amounts necessary to pay and secure the payment of the principal and interest on
 such bonds.

5 The City has pledged to set aside from the Solid Waste Operating Fund out
 6 of Gross Revenues and to pay into the Bond Fund the various amounts required
 7 by the Bond Ordinance to be paid into and maintained in such Fund within the
 times provided by the Bond Ordinance.

8 To the extent more particularly provided by the Bond Ordinance, the
 9 amounts so pledged to be paid from the Solid Waste Operating Fund out of Gross
 10 Revenues into the Bond Fund shall be a lien and charge thereon equal in rank to
 11 the lien and charge upon such Revenue of the amounts required to pay and secure
 12 the payment of the Outstanding Parity Bonds and any revenue bonds hereafter
 issued on a parity with the bonds of this issue and superior to all other liens and
 charges of any kind or nature, except the Costs of Maintenance and Operation of
 the System.

13 The City hereby irrevocably covenants and agrees with the registered owner
 14 of this bond that it will keep and perform all the covenants of this bond and of the
 15 Bond Ordinance to be by it kept and performed. Reference is hereby made to the
 Bond Ordinance for a complete statement of such covenants.

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

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

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

26 IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused this
 bond to be signed with the manual or facsimile signature of the Mayor and attested



1 by the manual or facsimile signature of the City Clerk, and the seal of the City to be
 2 impressed or a facsimile thereof to be imprinted hereon, as of this ____ day of
 _____, 2015.

[SEAL]

CITY OF TACOMA, WASHINGTON

By /s/ manual or facsimile
 Mayor

ATTEST:

 /s/ manual or facsimile
 City Clerk

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

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance
 and is one of the Solid Waste Revenue [and] [Refunding] Bonds, 2015[] of the
 City of Tacoma, Washington, dated _____, 2015.

WASHINGTON STATE FISCAL AGENCY, as
 Bond Registrar

By _____

Section 8. Execution of Bonds. The Bonds shall be executed on behalf of
 the City with the manual or facsimile signatures of the Mayor and City Clerk of the
 City and the seal of the City shall be impressed, imprinted or otherwise reproduced
 thereon.



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

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

20 Section 9. Application of Bond Proceeds; Refunding Plan.

21 (a) Construction Fund. There is hereby created and established a
 22 separate fund to be known as the "2015 Solid Waste Bond Construction Fund" (the
 23 "Construction Fund"). A portion of the proceeds of the Bonds shall be deposited
 24 into the Construction Fund for application to the payment of the costs of the
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1 Projects and to pay costs of issuance for the Bonds (if not provided for under
 2 subsection (b) below) as set forth in the closing memorandum for the Bonds.

3 Except as provided by the Code, the income from the investment of Bond
 4 proceeds in the Construction Fund shall be deposited in the Construction Fund and
 5 applied to the payment of the costs of the Projects.

7 Except as provided by the Code, if any money allocable to the Bond
 8 proceeds remains in the Construction Fund after payment of all the costs of the
 9 Projects or after termination of the Projects by the City, such money shall be
 10 transferred to the Bond Fund and applied after consultation with Bond Counsel to
 11 the payment of the principal of or interest on the Bonds.

13 Pending application as described in this Section 9 and subject to the
 14 requirements of the Code, money allocable to the Bond proceeds in the
 15 Construction Fund may be temporarily invested in Permitted Investments.

17 (b) Refunding Plan. For the purpose of modifying debt service and
 18 restructuring the 2006 Bonds, the City proposes to defease and/or refund the
 19 Refunded Bonds as set forth herein. If the Designated Representative determines
 20 that it is in the best interest of the City to proceed with the refunding authorized
 21 herein, the Designated Representative shall designate all or a portion of each
 22 series of the Refunding Candidates as Refunded Bonds and such designation shall
 23 be set forth in the Bond Purchase Contract.

25 A portion of the proceeds of the Bonds shall be deposited with the
 26 Refunding Trustee pursuant to the Escrow Deposit Agreement to be used



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1 immediately upon receipt thereof to defease the Refunded Bonds as authorized by
2 the applicable 2006 Bond Ordinances and to pay costs of issuance of the Bonds.

3 The net proceeds deposited with the Refunding Trustee shall be used to defease
4 the Refunded Bonds and discharge the obligations thereon by the purchase of
5 certain Acquired Obligations bearing such interest and maturing as to principal and
6 interest in such amounts and at such times which, together with any necessary
7 beginning cash balance, will provide for the payment of:
8

9 (1) interest on each series of Refunded Bonds as such becomes
10 due on and prior to the Call Date; and

11 (2) the redemption price (100 percent of the principal amount) of
12 each series of Refunded Bonds on the Call Date.

13 Such Acquired Obligations shall be purchased at a yield not greater than the
14 yield permitted by the Code and regulations relating to acquired obligations in
15 connection with refunding bond issues.

16 A beginning cash balance, if any, and the Acquired Obligations shall be
17 deposited irrevocably with the Refunding Trustee in an amount sufficient to
18 defease the Refunded Bonds. In order to carry out the purposes of this Section 9,
19 the Finance Director is authorized and directed to execute and deliver to the
20 Refunding Trustee, an Escrow Deposit Agreement.

21 The City hereby sets aside sufficient funds out of the purchase of Acquired
22 Obligations from proceeds of the Bonds to make the payments described above.
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1 The City hereby calls the Refunded Bonds for redemption on their respective
2 Call Date in accordance with the provisions of the 2006 Bond Ordinances
3 authorizing the redemption and retirement of the applicable 2006 Bonds prior to
4 their fixed maturities.

5 Said defeasance and call for redemption of the Refunded Bonds shall be
6 irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations
7 to the Refunding Trustee.
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9 The Refunding Trustee is hereby authorized and directed to provide for the
10 giving of notices of the defeasance and/or redemption of the Refunded Bonds in
11 accordance with the applicable provisions of the 2006 Bond Ordinances. The
12 costs of publication of such notices shall be an expense of the City.

13 The Refunding Trustee is hereby authorized and directed to pay to the
14 Finance Director, or, at the direction of the Finance Director, to the paying agent
15 for the Refunded Bonds, sums sufficient to pay, when due, the payments specified
16 in this Section 9. All such sums shall be paid from the moneys and Acquired
17 Obligations deposited with the Refunding Trustee, and the income therefrom and
18 proceeds thereof. All such sums so paid to or to the order of the Finance Director
19 shall be credited to the Refunding Account. All moneys and Acquired Obligations
20 deposited with the Refunding Trustee and any income therefrom shall be held,
21 invested (but only at the direction of the Finance Director) and applied in
22 accordance with the provisions of this ordinance and with the laws of the State for
23 the benefit of the City and owners of the Refunded Bonds.
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1 The City will take such actions as are found necessary to see that all
2 necessary and proper fees, compensation and expenses of the Refunding Trustee
3 for the Refunded Bonds shall be paid when due.

4 Section 10. Solid Waste Operating Fund; Pledge of Revenues. A special
5 fund of the City has been created and designated the "Solid Waste Operating
6 Fund". The City covenants and agrees that so long as any of the Parity Bonds are
7 outstanding, it will pay or cause to be paid into the Solid Waste Operating Fund all
8 Gross Revenues, except income from the investment of money in any construction
9 funds and any rebate fund, as collected and the Solid Waste Operating Fund shall
10 be held separate and apart from all other funds and accounts of the City. The
11 money in the Solid Waste Operating Fund shall be used only for the following
12 purposes and in the following order of priority:

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

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

18 (a) into the Debt Service Account to pay the interest due on any
19 Parity Bonds for which money shall not have been provided by income from the
20 investment of money in the Bond Fund;

21 (b) to make all payments required to be made into the Debt
22 Service Account to pay the principal of any Parity Bonds due at maturity for which
23 money shall not have been provided by income from the investment of money in
24 the Bond Fund, and to make all payments heretofore or hereafter required to be
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1 made into the Debt Service Account under any schedule for the amortization of
2 Term Bonds;

3 (c) to make all payments required to be made pursuant to a
4 reimbursement obligation in connection with a Qualified Letter of Credit or
5 Qualified Insurance with respect to the Reserve Fund, *and after the Outstanding*
6 *Parity Bonds are fully redeemed, refunded or defeased*, into any other reserve fund
7 created in the future for the payment of debt service on Parity Bonds, provided that
8 if there is not sufficient money to make all payments under reimbursement
9 agreements the payments will be made on a pro rata basis;

10 (d) to make all payments required to be made into the Reserve
11 Fund to secure the payment of any Covered Bonds, *and after the Outstanding*
12 *Parity Bonds are fully redeemed, refunded or defeased*, into any other reserve fund
13 created in the future for the payment of debt service on Parity Bonds;

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

21 Fourth, to pay municipal taxes and payments to the City in lieu of taxes; and
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1 Fifth, to retire by redemption or purchase in the open market any
 2 outstanding solid waste revenue bonds, notes or revenue warrants of the City or to
 3 make necessary additions, improvements, extraordinary repairs, extensions and
 4 replacements of the System, to make payments into the Rate Stabilization Fund, or
 5 any other lawful City purposes, including the payment of legal claims and
 6 judgments against the System.

8 The City hereby pledges Gross Revenues, after payment of the Costs of
 9 Maintenance and Operation, to the repayment of the Parity Bonds.

10 Section 11. Bond Fund. There has been created the "Tacoma Solid Waste
 11 Revenue Bond Fund" (the "Bond Fund") for the sole purpose of paying and
 12 securing the payment of Parity Bonds. The Bond Fund contains the Debt Service
 13 Account and the Reserve Fund. At the option of the City, separate funds and
 14 accounts may be created in the Bond Fund for the purpose of paying or securing
 15 the payment of principal, premium, if any, and interest on any series of Parity
 16 Bonds.

17 (a) A Debt Service Account has been created in the Bond Fund for the
 18 purpose of paying the interest on any Parity Bonds and the principal or Sinking
 19 Fund Requirement for and premium, if any, on any Parity Bonds. As long as any
 20 Parity Bonds remain outstanding, the City hereby irrevocably obligates and binds
 21 itself to set aside and pay from the Solid Waste Operating Fund into the Debt
 22 Service Account those amounts necessary, with such other funds as are then on
 23 hand and available in the Debt Service Account, to pay the interest on all
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1 outstanding Parity Bonds, the principal of all outstanding Parity Bonds and the
 2 Sinking Fund Requirements as such interest, principal and Sinking Fund
 3 Requirements, respectively, become due and payable at maturity or by mandatory
 4 redemption. Payments on account of the Parity Bonds shall be made on or before
 5 the day on which an installment of interest, principal or Sinking Fund Requirement
 6 becomes due.

8 (b) A Reserve Fund has been created in the Bond Fund for the purpose
 9 of securing the payment of the principal of and interest on the Covered Bonds.
 10 *After the Outstanding Parity Bonds are fully redeemed, refunded or defeased, the*
 11 *City may create separate reserve funds and establish separate Reserve Fund*
 12 *Requirements, if any, to secure the payment of the principal of and interest on*
 13 *Parity Bonds.*

15 The City hereby covenants that at the time of the issuance of the Bonds it
 16 will deposit a portion of the proceeds of the Bonds, acquire Qualified Insurance or
 17 Qualified Letter of Credit, or use other available funds to satisfy the Reserve Fund
 18 Requirement for the Bonds and the Outstanding Parity Bonds as of the date of
 19 Closing.

21 The City further covenants that in the event it issues any Future Parity
 22 Bonds that are Covered Bonds it will provide in each Parity Bond Ordinance
 23 authorizing the issuance of the same that it will deposit proceeds from the Future
 24 Parity Bonds or approximately equal monthly payments will be made into the
 25 Reserve Fund out of the Solid Waste Operating Fund so that within 36 months or
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1 less from the date of the issuance of such Future Parity Bonds the total amount of
 2 such payments, with the amount already in the Reserve Fund, will be at least equal
 3 to the Reserve Fund Requirement; provided, *after the Outstanding Parity Bonds*
 4 *are fully redeemed, refunded or defeased, this covenant shall read as follows:* The
 5 City further covenants that in the event it issues any Future Parity Bonds that are
 6 Covered Bonds it will provide in each Parity Bond Ordinance authorizing the
 7 issuance of the same that it will deposit proceeds from the Future Parity Bonds or
 8 approximately equal monthly payments will be made into the Reserve Fund out of
 9 the Solid Waste Operating Fund so that within five years or less from the date of
 10 the issuance of such Future Parity Bonds the total amount of such payments, with
 11 the amount already in the Reserve Fund, will be at least equal to the Reserve Fund
 12 Requirement.

13
 14 The City may elect to fund part or all the Reserve Fund with respect to the
 15 Bonds and any Future Parity Bonds that are Covered Bonds through the use of a
 16 Qualified Letter of Credit or Qualified Insurance. In making the payments and
 17 credits to the Reserve Fund required by this Section 11(b), to the extent that the
 18 City has obtained Qualified Insurance or a Qualified Letter of Credit for specific
 19 amounts required pursuant to this section, such amounts so covered by Qualified
 20 Insurance or a Qualified Letter of Credit shall be credited against the amounts
 21 required to be maintained in the Reserve Fund by Section 11(b) to the extent that
 22 such payments and credits to be made are insured by an insurance company or
 23 guaranteed by a letter of credit from a financial institution. In the event of any
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1 cancellation, the Reserve Fund shall be funded in accordance with the first three
 2 paragraphs of this Section 11(b), as if the Covered Bonds that remain outstanding
 3 had been issued on the date of such notice of cancellation.

4 The City further covenants that when the deposits required by this
 5 Section 11(b) have been made into the Reserve Fund, it will at all times maintain
 6 therein an amount at least equal to such maximum amount as the same may be
 7 recalculated and determined from time to time. The investments in the Reserve
 8 Fund shall be valued on each December 31 and may be valued on any other date.
 9 Such valuation shall be at the market value of the obligations in such fund
 10 including accrued interest; provided that investments which mature within one year
 11 shall be valued at their maturity value. Whenever there is a sufficient amount in
 12 the Debt Service Account and the Reserve Fund to pay the principal of, premium, if
 13 any, and interest on all Covered Bonds then outstanding, the money in the
 14 Reserve Fund may be used to pay such principal, premium, if any, or Sinking Fund
 15 Requirements or interest. Money in the Reserve Fund may be withdrawn to
 16 redeem and retire outstanding Covered Bonds, and to pay the interest due to such
 17 date of redemption and premium, if any, or Sinking Fund Requirements on such
 18 outstanding Covered Bonds, so long as the money remaining on deposit in the
 19 Reserve Fund is at least equal to the Reserve Fund Requirement. When a series
 20 of Covered Bonds is refunded in whole or in part, money may be withdrawn from
 21 the Reserve Fund to pay or provide for the payment of refunded Covered Bonds;
 22 provided that immediately after such withdrawal there shall remain in or be credited
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1 to the Reserve Fund money and Permitted Investments in an amount equal to the
2 Reserve Fund Requirement or so much thereof as is then required to be
3 maintained.

4 In the event there shall be a deficiency in the Debt Service Account to meet
5 maturing installments of either interest on or principal of or Sinking Fund
6 Requirements on any Covered Bonds, such deficiency shall be made up from the
7 Reserve Fund by the withdrawal of money therefrom and by the sale or redemption
8 of obligations held in the Reserve Fund, if necessary, in such amounts as will
9 provide cash in the Reserve Fund sufficient to make up any such deficiency, and if
10 a deficiency still exists immediately prior to an interest payment date and after the
11 withdrawal of cash, the City shall then draw from any Qualified Letter of Credit or
12 Qualified Insurance in sufficient amount to make up the deficiency. Such draw
13 shall be made at such times and under such conditions as the agreement for such
14 Qualified Letter of Credit or such Qualified Insurance shall provide. The City
15 covenants that any deficiency created in the Reserve Fund by reason of any
16 withdrawal therefrom for payment into the Debt Service Account shall be made up
17 from money in the Solid Waste Operating Fund first available after providing for the
18 required payments into the Debt Service Account and after providing for any
19 required payments pursuant to a reimbursement obligation; *provided, that once the*
20 *2006 Bonds are no longer outstanding, any such deficiency shall be made up*
21 *within 12 months of such deficiency.*
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1 (c) Said amounts so pledged to be paid into the Debt Service Account
2 and the Reserve Fund from the Solid Waste Operating Fund are hereby declared
3 to be a prior lien and charge upon Gross Revenues superior to all other charges of
4 any kind or nature whatsoever except the Costs of Maintenance and Operation of
5 the System and except that the amounts so pledged are of equal lien to the
6 charges upon such Revenue which may hereafter be made to pay and secure the
7 payment of the principal of and interest on any Future Parity Bonds, and, provided
8 further, if the City elects to meet the requirements of Section 11(b) with respect to
9 the Reserve Fund as to any issue of Parity Bonds through the use of a Qualified
10 Letter of Credit or Qualified Insurance, then the City's reimbursement obligation
11 with respect thereto, if any, may rank on a parity of lien with the Parity Bonds.
12
13

14 (d) Money held in all of the accounts in the Bond Fund shall, to the fullest
15 extent practicable and reasonable, be invested and reinvested at the direction of
16 the Treasurer of the City solely in, and obligations deposited in such accounts shall
17 consist of, Permitted Investments which shall mature on or prior to the respective
18 dates when the money held for the credit of such accounts will be required for the
19 purposes intended. Money in the Reserve Fund not required for immediate
20 disbursement for the purposes for which such fund is created shall, to the fullest
21 extent practicable and reasonable, be invested and reinvested at the direction of
22 the City solely in, and obligations deposited in the Reserve Fund shall consist of,
23 Permitted Investments maturing prior to the final maturity date of the Parity Bonds
24 then outstanding. All interest earned and income derived by virtue of investments
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1 of money in the Debt Service Account or the Reserve Fund may remain in the
2 Bond Fund or be deposited into the Solid Waste Operating Fund and all such
3 investment income may be used to meet the required deposits into any account in
4 the Bond Fund.

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

10 (f) Money in the Bond Fund may be used, if necessary, to pay Rebate
11 Amounts to the extent that such Rebate Amounts are directly attributable to
12 earnings on such subaccount.

13 Section 12. Rate Stabilization Fund. A special fund of the City designated
14 the "Rate Stabilization Fund" has been established in the Solid Waste Operating
15 Fund. In accordance with the priorities set forth in this ordinance, the City may
16 from time to time deposit Net Revenues into the Rate Stabilization Fund and may
17 from time to time withdraw amounts therefrom to enhance rate stability or for other
18 lawful purposes of the City related to the System.

19 Section 13. Defeasance. In the event that the City, to effect the payment,
20 retirement or redemption of any Bond, sets aside in the Bond Fund or in another
21 special account, cash or noncallable Government Obligations, or any combination
22 of cash and/or noncallable Government Obligations, in amounts and maturities



1 which, together with the known earned income therefrom, are sufficient to redeem
2 or pay and retire such Bond in accordance with its terms and to pay when due the
3 interest and redemption premium, if any, thereon, and such cash and/or
4 noncallable Government Obligations are irrevocably set aside and pledged for
5 such purpose, then no further payments need be made into the Bond Fund for the
6 payment of the principal of and interest on such Bond. The owner of a Bond so
7 provided for shall cease to be entitled to any lien, benefit or security of this
8 ordinance except the right to receive payment of principal, premium, if any, and
9 interest from the Bond Fund or such special account, and such Bond shall be
10 deemed to be not outstanding under this ordinance.

11 The City shall give written notice of defeasance to the registered owners of
12 all Bonds so provided for within 20 days of the defeasance and to each party
13 entitled to receive notice in accordance with Section 21.

14 Section 14. Covenants. The City hereby covenants and agrees with the
15 owners of the Bonds for as long as any of the same remain outstanding as follows:

16 (a) Establishment and Collection of Rates and Charges. The City shall
17 establish, maintain and collect lawful rates and charges for the use of the services
18 and facilities of the System and all commodities sold, furnished or supplied by the
19 System, and shall adjust such rates and charges from time to time so that:

20 (1) Gross Revenues will at all times be sufficient (A) to pay all
21 costs of and charges and expenses in connection with the proper operation and
22 maintenance of the System, (B) to pay the principal of, interest on and any Sinking



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1 Fund Requirements for the outstanding Parity Bonds, as and when the same shall
 2 become due and payable, (C) to make when due all payments which the City is
 3 obligated to make into the Reserve Fund, (D) to make all other payments which the
 4 City is obligated to make pursuant to this ordinance or any Parity Bond Ordinance
 5 and (E) to pay all taxes, assessments or other governmental charges lawfully
 6 imposed on the System or the revenue therefrom or payments in lieu thereof and
 7 any and all other amounts which the City may now and hereafter become obligated
 8 to pay from Gross Revenues by law or contract; and

9
 10 (2) the Net Revenues in each calendar year will equal at least
 11 1.25 times the Annual Debt Service for such calendar year.

12
 13 Solely for purposes of calculating the coverage requirement set forth above,
 14 there shall be added to Gross Revenues in any calendar year any amount
 15 withdrawn from the Rate Stabilization Fund in such calendar year and deposited in
 16 the Solid Waste Operating Fund, and there shall be subtracted from Gross
 17 Revenues in any calendar year any amount withdrawn from the Solid Waste
 18 Operating Fund and deposited in the Rate Stabilization Fund. *After all of the*
 19 *Outstanding Parity Bonds are fully redeemed, refunded or defeased, credits to or*
 20 *from the Rate Stabilization Fund that occur within 90 days after the end of a Fiscal*
 21 *Year may be treated as occurring within such Fiscal Year.*

22
 23 The calculation of the coverage requirement set forth above, and in
 24 Section 16, and the City's compliance therewith, may be made solely with
 25 reference to this ordinance without regard to future changes in generally accepted
 26



1 accounting principles. If the City has changed one or more of the accounting
 2 principles used in the preparation of its financial statements, because of a change
 3 in generally accepted accounting principles or otherwise, then an event of default
 4 relating to this coverage requirement shall not be considered an event of default if
 5 the coverage requirement ratio would have been complied with had the City
 6 continued to use those accounting principles employed at the date of the most
 7 recent audited financial statements prior to the date of this ordinance.

8
 9 (b) Maintenance and Operations Standards. The City will at all times
 10 keep and maintain the System in good repair, working order and condition and will
 11 at all times operate the System and the business in connection therewith in an
 12 efficient manner and at a reasonable cost.

13
 14 (c) Sale or Disposition of System. The City will not sell or otherwise
 15 dispose of the System in its entirety unless simultaneously with such sale or
 16 disposition provision is made for payment into the Bond Fund of cash or
 17 Government Obligations sufficient to pay the principal of and interest on all then
 18 outstanding Parity Bonds in accordance with the terms thereof. The City will not
 19 sell or otherwise dispose of any part of the useful operating properties of the
 20 System in excess of 5 percent of the book value of the System (original acquisition
 21 cost of the System less accumulated depreciation) unless (1) there has been filed
 22 with the City Clerk a certificate of an Engineer stating that such disposition will not
 23 impair the ability of the City to comply with the rate covenants previously set forth
 24 under this section or (2) the proceeds from such disposition are used to acquire
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1 new useful operating properties of the System or to retire System debt. No sale,
 2 lease, mortgage or other disposal of any part of the System valued in excess of
 3 10 percent of the book value of the System shall be made if, in the opinion of an
 4 Engineer, taking into consideration the use of such proceeds to acquire new
 5 property or retire debt and based on financial statements of the System for the
 6 most recent Fiscal Year available, such sale, mortgage, lease or other disposal
 7 would prevent the City from meeting the requirements hereunder and with respect
 8 to any other obligations of the System.

9
 10 (d) No Free Service. The City will not furnish any service of the System
 11 free of charge in an aggregate amount per year exceeding 1/10 of 1 percent of
 12 annual Gross Revenues.

13
 14 (e) Books and Accounts – Operating Statement. The City will keep and
 15 maintain proper books and accounts with respect to the operations, income and
 16 expenditures of the System that are in accordance with proper and legal
 17 accounting procedures. All expenses incurred in the maintenance of such books
 18 and accounts and the preparation of such statement may be regarded and paid as
 19 an expense of operation of the System.

20
 21 (f) Tax Covenants. The City covenants that it will not take or permit to
 22 be taken on its behalf any action that would adversely affect the exemption from
 23 federal income taxation of the interest on the Tax-Exempt Bonds and will take or
 24 require to be taken such acts as may reasonably be within its ability and as may
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1 from time to time be required under applicable law to continue the exemption from
 2 federal income taxation of the interest on the Tax-Exempt Bonds.

3 (1) Arbitrage Covenant. Without limiting the generality of the
 4 foregoing, the City covenants that it will not take any action or fail to take any
 5 action with respect to the proceeds of sale of the Tax-Exempt Bonds or any other
 6 funds of the City which may be deemed to be proceeds of the Tax-Exempt Bonds
 7 pursuant to Section 148 of the Code and the regulations promulgated thereunder
 8 which, if such use had been reasonably expected on the dates of delivery of the
 9 Tax-Exempt Bonds to the initial purchasers thereof, would have caused the Tax-
 10 Exempt Bonds to be treated as "arbitrage bonds" within the meaning of such term
 11 as used in Section 148 of the Code. The City will comply with the requirements of
 12 Section 148 of the Code and the applicable regulations thereunder throughout the
 13 term of the Tax-Exempt Bonds.

14 (2) Private Person Use Limitation for Tax-Exempt Bonds. The
 15 City covenants that for as long as the Tax-Exempt Bonds are outstanding, it will
 16 not permit:

17 (A) More than 10 percent of the Net Proceeds of the Tax-
 18 Exempt Bonds to be allocated to any Private Person Use; and

19 (B) More than 10 percent of the principal or interest
 20 payments on the Tax-Exempt Bonds in a Bond Year to be directly or indirectly:
 21 (1) secured by any interest in property used or to be used for any Private Person
 22 Use or secured by payments in respect of property used or to be used for any
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1 Private Person Use, or (2) derived from payments (whether or not made to the
 2 City) in respect of property, or borrowed money, used or to be used for any Private
 3 Person Use.

4 The City further covenants that, if:

5 (C) More than 5 percent of the Net Proceeds of the Tax-
 6 Exempt Bonds are allocable to any Private Person Use; and

7 (D) More than 5 percent of the principal or interest
 8 payments on the Tax-Exempt Bonds in a Bond Year are (under the terms of this
 9 ordinance or any underlying arrangement) directly or indirectly:

10 (i) secured by any interest in property used or to be
 11 used for any Private Person Use or secured by payments in respect of property
 12 used or to be used for any Private Person Use, or

13 (ii) derived from payments (whether or not made to
 14 the City) in respect of property, or borrowed money, used or to be used for any
 15 Private Person Use, then, (1) any Private Person Use of the projects described in
 16 subsection (C) hereof or Private Person Use payments described in subsection (D)
 17 hereof that is in excess of the 5 percent limitations described in such
 18 subsections (C) or (D) will be for a Private Person Use that is related to the state or
 19 local governmental use of the Projects financed and/or refinanced by the proceeds
 20 of the Tax-Exempt Bonds; and (2) any Private Person Use will not exceed the
 21 amount of Net Proceeds of the Tax-Exempt Bonds allocable to the state or local
 22 governmental use portion of the Projects to which the Private Person Use of such
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1 portion of the Projects financed and/or refinanced by the proceeds of the Tax-
 2 Exempt Bonds relate. The City further covenants that it will comply with any
 3 limitations on the use of the Projects financed and/or refinanced by the proceeds of
 4 the Tax-Exempt Bonds by other than state and local governmental users that are
 5 necessary, in the opinion of its bond counsel, to preserve the tax exemption of the
 6 interest on the Tax-Exempt Bonds.

7 (3) Modification of Tax Covenants. The covenants of this section
 8 are specified solely to assure the continued exemption from regular income
 9 taxation of the interest on the Tax-Exempt Bonds. To that end, the provisions of
 10 this section may be modified or eliminated without any requirement for formal
 11 amendment thereof upon receipt of an opinion of the City's bond counsel that such
 12 modification or elimination will not adversely affect the tax exemption of interest on
 13 any Tax-Exempt Bonds.

14 (4) The City does not designate the Tax-Exempt Bonds as
 15 "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for
 16 investment by financial institutions.

17 (g) Junior Lien Bonds. In the event the City issues revenue bonds or
 18 other revenue obligations having a lien upon the Gross Revenues junior and
 19 inferior to the lien on the Parity Bonds ("Junior Lien Bonds"), the City covenants
 20 that a default on such Junior Lien Bonds will not constitute a default on the Parity
 21 Bonds and that the City will not permit, to the extent legally practicable, an
 22 acceleration of such Junior Lien Bonds in the event of a default on such bonds.
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1 Section 15. Parity Derivative Products. For purposes of this Section 15, the
2 following words shall have the following definitions:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

17 If the City enters into a Parity Payment Agreement, Payments shall be made
18 from the Debt Service Account in the Bond Fund and Annual Debt Service shall
19 include any regularly scheduled City Payments adjusted by any regularly
20 scheduled Receipts during a Fiscal Year. Receipts shall be paid directly into the
21 Bond Fund. Obligations to make unscheduled payments, such as termination
22 payments, may not be entered into on a parity with the Parity Bonds.
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1 Nothing in this section shall preclude the City from entering into Payment
2 Agreements with a claim on Net Revenues junior to that of the Bonds.

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

7 Section 16. Future Parity Bonds. The City reserves the right to issue
8 Future Parity Bonds for the purposes of (a) providing funds to acquire, construct,
9 reconstruct, install, or replace any equipment, facilities, additions, or other capital
10 improvements to the System for which it is authorized by law to issue revenue
11 bonds; (b) any lawful purpose of the System, including the payment of a judgment
12 or settlement of a claim; or (c) refunding at or prior to their maturity, any revenue
13 bond anticipation notes or outstanding revenue bonds or other obligations payable
14 out of Gross Revenues. The City may pledge that payments will be made out of
15 money in the Solid Waste Operating Fund into the Bond Fund and the funds and
16 accounts therein to pay and secure the payment of the principal of and interest on
17 such Future Parity Bonds on a parity with the payments required herein to be
18 made out of such money into such fund and accounts to pay and secure the
19 payment of the principal of and interest on any Parity Bonds then outstanding,
20 upon compliance with the following conditions:
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25 (a) At the time of the issuance of any Future Parity Bonds there is no
26 deficiency in the Bond Fund.



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1 (b) The principal of and interest on any Future Parity Bonds shall be
 2 payable out of the Bond Fund and the requirements for Sinking Fund
 3 Requirements and Reserve Fund payments (with respect to Covered Bonds) in
 4 Section 11 shall be met.

5 (c) Prior to the delivery of any Future Parity Bonds, the City shall have
 6 on file in the office of the City Clerk either:

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

19 (2) A certificate of an Engineer or a Certified Public Accountant
 20 showing that the "Adjusted Net Revenues" (as determined as provided below) for
 21 each calendar year during the life of the bonds proposed to be issued will equal not
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1 less than 1.25 times Maximum Annual Debt Service for any year on all outstanding
 2 Parity Bonds and the bonds proposed to be issued.

3 The Adjusted Net Revenues shall be the Net Revenues for a period of any
 4 12 consecutive months out of the 24 months immediately preceding the date of
 5 delivery of such proposed Future Parity Bonds as adjusted by such Engineer or
 6 Certified Public Accountant to take into consideration changes in Net Revenues
 7 estimated to occur under the following conditions for each year after such delivery
 8 for so long as any Parity Bonds, including the Future Parity Bonds proposed to be
 9 issued, shall be outstanding:

10 (i) the additional Net Revenues which would have been
 11 received if any change in rates and charges adopted prior to the date of such
 12 certificate and subsequent to the beginning of such 24 month period, had been in
 13 force during the full 24 month period;

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

18 (iii) the additional Net Revenues estimated by such
 19 Engineer or Certified Public Accountant to be received as a result of any additions
 20 and improvements to and extensions of any facilities of the System which are
 21 (a) under construction at the time of such certificate or (b) will be constructed or
 22 acquired from the proceeds of the Future Parity Bonds to be issued.
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1 Such Engineer or Certified Public Accountant may rely upon, and such
 2 certificate shall have attached thereto, financial statements of the System, certified
 3 by the City Finance Director, showing income and expenses for the period upon
 4 which the same is based. The certificate of such Engineer or Certified Public
 5 Accountant shall be conclusive and the only evidence required to show compliance
 6 with the provisions and requirements of this subsection.

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

19 (e) Junior Lien Bonds. Nothing herein contained shall prevent the City
 20 from issuing revenue bonds or other obligations which are a charge upon Gross
 21 Revenues junior or inferior to the payments required by this ordinance to be made
 22 out of such Revenue into the Bond Fund and accounts therein to pay and secure
 23 the payment of any outstanding Parity Bonds.



1 (f) Nothing herein contained shall prevent the City from issuing revenue
 2 bonds to refund maturing Parity Bonds for the payment of which money is not
 3 otherwise available.

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

Section 17. Sale of Bonds.

16 (a) Bond Sale. The Bonds shall be sold by negotiated sale to the
 17 Underwriter selected by the Designated Representative pursuant to the terms of
 18 this ordinance and the Bond Purchase Contract. The Designated Representative
 19 is hereby authorized to select the Underwriter that submits the proposal that is in
 20 the best interest of the City.

22 Market conditions are fluctuating and, as a result, the most favorable market
 23 conditions may occur on a day other than a regular meeting date of the Council.
 24 The Council has determined that it would be in the best interest of the City to
 25 delegate to the Designated Representative for a limited time the authority to select
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1 the Underwriter, approve the selection of Refunded Bonds (if any), determine
 2 whether the Bonds shall be issued in one or more series, determine whether the
 3 Bonds (or the Bonds of a series) shall be issued as Tax-Exempt Bonds or Taxable
 4 Bonds, and approve the final interest rates, aggregate principal amount, principal
 5 amounts of each maturity, and redemption rights for the Bonds.
 6

7 The Designated Representative is further authorized to designate all or a
 8 portion of the Bonds allocated to finance Projects with environmental benefits as
 9 "green bonds," and to undertake such action, execute such certificates, and agree
 10 to such terms as necessary to accomplish such designation.
 11

12 Subject to the terms and conditions set forth in this Section 17, the
 13 Designated Representative is hereby authorized to enter into the Bond Purchase
 14 Contract with the Underwriter to issue and sell the Bonds in one or more series
 15 upon his or her approval of the final interest rates, maturity dates, aggregate
 16 principal amounts, principal maturities, and redemption rights set forth therein for
 17 the Bonds in accordance with the authority granted by this section so long as:
 18

- 19 (1) the aggregate principal amount of the Bonds does not exceed
- 20 \$75,000,000,
- 21 (2) the final maturity date for the Bonds is no later than
- 22 December 1, 2040,
- 23 (3) the Bonds are sold (in the aggregate) at a price not less than
- 24 97 percent and not greater than 130 percent,
- 25
- 26



1 (4) the true interest cost for the Bonds (in the aggregate) does not
 2 exceed 5.50 percent, and

3 (5) the Bonds conform to all other terms of this ordinance.

4 Subject to the terms and conditions set forth in this section, the Designated
 5 Representative is hereby authorized to execute the Bond Purchase Contract. The
 6 signature of one Designated Representative shall be sufficient to bind the City.
 7

8 Following the execution of the Bond Purchase Contract, the Designated
 9 Representative shall provide a report to the City Council describing the final terms
 10 of the Bonds approved pursuant to the authority delegated in this section. The
 11 authority granted to the Designated Representative by this Section 17 shall expire
 12 120 days after the effective date of this ordinance. If a Bond Purchase Contract for
 13 the Bonds has not been executed within 120 days after the effective date of this
 14 ordinance, the authorization for the issuance of the Bonds shall be rescinded and
 15 the Bonds shall not be issued nor their sale approved unless such Bonds shall
 16 have been reauthorized by ordinance of the City Council. The ordinance
 17 reauthorizing the issuance and sale of such Bonds may be in the form of a new
 18 ordinance repealing this ordinance in whole or in part or may be in the form of an
 19 amendatory ordinance approving a bond purchase contract or establishing terms
 20 and conditions for the authority delegated under this Section 17.
 21

22 (b) Delivery of Bonds; Documentation. Upon the passage and approval
 23 of this ordinance, the proper officials of the City, including the Finance Director,
 24 Treasurer, and City Manager, are authorized and directed to undertake all action
 25
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1 necessary for the prompt execution and delivery of the Bonds to the Underwriter
2 and further to execute all closing certificates and documents required to effect the
3 closing and delivery of the Bonds in accordance with the terms of this ordinance
4 and the Bond Purchase Contract.

5 Section 18. Approval of Official Statement. The Finance Director is hereby
6 authorized to ratify and to deem final the preliminary Official Statement relating to
7 the Bonds for the purposes of the Rule. The Finance Director is further authorized
8 to ratify and to approve for purposes of the Rule, on behalf of the City, the final
9 Official Statement relating to the issuance and sale of the Bonds and the
10 distribution of the final Official Statement pursuant thereto with such changes, if
11 any, as may be deemed by him or her to be appropriate.

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

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

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

19 (c) If the City shall default in the observance and performance of any
20 other of the covenants, conditions and agreements on the part of the City
21 contained in this ordinance or any covenants, conditions or agreements on the part
22 of the City contained in any ordinance of the City authorizing Future Parity Bonds
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1 and such default or defaults shall have continued for a period of 90 days after the
2 City shall have received from the owners of not less than 20 percent in principal
3 amount of the Parity Bonds outstanding a written notice specifying and demanding
4 the cure of such default.

5 The failure to collect Net Revenues in any calendar year sufficient to comply
6 with the covenant contained in Section 14(a)(2) shall not constitute an Event of
7 Default if the City, before the 100th day of the following calendar year:

8 (a) Employs an Engineer to recommend changes in the System's rates
9 which are estimated to produce Net Revenues sufficient (once the rates
10 recommended by the Engineer have been imposed by the City) to meet the
11 requirements of Section 14(a)(2); and

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

14 So long as such Event of Default shall not have been remedied, a
15 bondowners' trustee may be appointed by the Registered Owners of 25 percent in
16 principal amount of the Parity Bonds.

17 The bondowners' trustee may upon the happening of an Event of Default,
18 and during the continuance thereof, take such steps and institute such suits,
19 actions or other proceedings in its own name, or as trustee, all as it may deem
20 appropriate for the protection and enforcement of the rights of bondowners to
21 collect any amounts due and owing the City, or to obtain other appropriate relief,
22 and may enforce the specific performance of any covenant, agreement or condition
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1 contained in this ordinance or in any of the Parity Bonds. The Registered Owners
2 of the Parity Bonds, by taking and holding the same, shall be deemed irrevocably
3 to appoint the bondowners' trustee the true and lawful trustee of the respective
4 owners of said Parity Bonds.

5
6 No owner of any one or more of the Parity Bonds shall have any right to
7 institute any action, suit or proceeding at law or in equity for the enforcement of
8 same unless an Event of Default shall have happened and be continuing, and
9 unless no bondowners' trustee has been appointed. In the event no bondowners'
10 trustee has been appointed, or with the consent of the bondowners' trustee if such
11 bondowners' trustee has been appointed, a bondowner may exercise any remedy
12 given the bondowner's trustee.

13
14 Section 20. Supplemental Ordinances.

15 (a) The Council from time to time and at any time may adopt an
16 ordinance or ordinances supplemental to this ordinance which supplemental
17 ordinance or ordinances thereafter shall become a part of this ordinance, for any
18 one or more or all of the following purposes:

19
20 (1) To add to the covenants and agreements of the City in this
21 ordinance other covenants and agreements thereafter to be observed, which shall
22 not adversely affect the interests of the owners of any Parity Bonds, or to surrender
23 any right or power herein reserved to or conferred upon the City.

24
25 (2) To make such provisions for the purpose of curing any
26 ambiguities or of curing, correcting or supplementing any defective provision



1 contained in this ordinance or any ordinance authorizing future Parity Bonds in
2 regard to matters or questions arising under such ordinances as the Council may
3 deem necessary or desirable and not inconsistent with such ordinances and which
4 shall not adversely affect the interest of the owners of Parity Bonds.

5
6 Any such supplemental ordinance of the City may be adopted without the
7 consent of the Registered Owners of any Parity Bonds at any time outstanding,
8 notwithstanding any of the provisions of subsection (b) of this section.

9 (b) With the consent of the Registered Owners of not less than
10 65 percent in aggregate principal amount of the Parity Bonds at the time
11 outstanding, the Council may adopt an ordinance or ordinances supplemental
12 hereto for the purpose of adding any provisions to or changing in any manner or
13 eliminating any of the provisions of this ordinance or of any supplemental
14 ordinance; provided, however, that no such supplemental ordinance shall:

15 (1) Extend the fixed maturity of any Parity Bonds, or reduce the
16 rate of interest thereon, or extend the time of payment of interest from their due
17 date, or reduce the amount of the principal thereof, or reduce any premium
18 payable on the redemption thereof, without the consent of the Registered Owner of
19 each bond so affected; or

20 (2) Reduce the aforesaid percentage of bondowners required to
21 approve any such supplemental ordinance, without the consent of the Registered
22 Owners of all of the Parity Bonds then outstanding.



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1 It shall not be necessary for the consent of Registered Owners under this
2 subsection (b) to approve the particular form of any proposed supplemental
3 ordinance, but it shall be sufficient if such consent shall approve the substance
4 thereof.

5 Section 21. Ongoing Disclosure.

6 (a) Contract/Undertaking. This section constitutes the City's written
7 undertaking for the benefit of the owners, including Beneficial Owners, of the
8 Bonds as required by Section (b)(5) of the Rule.

9 (b) Financial Statements/Operating Data. The City agrees to provide or
10 cause to be provided to the MSRB the following annual financial information and
11 operating data for the prior fiscal year (commencing in 2015 for the fiscal year
12 ended December 31, 2014):

13 (1) Annual financial statements, which statements may or may not
14 be audited, showing ending fund balances for the System prepared in accordance
15 with Generally Accepted Accounting Principles prescribed by the Washington State
16 Auditor pursuant to RCW 43.09.200 (or any successor statute);

17 (2) Principal amount of outstanding Parity Bonds;

18 (3) Debt service coverage for outstanding Parity Bonds;

19 (4) Total number of residential and commercial customers;

20 (5) Aggregate percent of total revenue received from the System's
21 ten largest customers;

22 (6) Tonnage and percentage for each disposal method;



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

3 (8) Gross Revenues by service.

4 Items (2)-(8) shall be required only to the extent that such information is not
5 included in the annual financial statements.

6 The information and data described above shall be provided on or before
7 the last day of the ninth month after the end of the City's fiscal year. The City's
8 current fiscal year ends December 31. The City may adjust such fiscal year by
9 providing written notice of the change of fiscal year to the MSRB. In lieu of
10 providing such annual financial information and operating data, the City may
11 cross-reference to other documents available to the public on the MSRB's internet
12 website or filed with the Commission.

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

18 (c) Listed Events. The City agrees to provide or cause to be provided to
19 the MSRB, in a timely manner not in excess of ten business days after the
20 occurrence of the event, notice of the occurrence of any of the following events
21 with respect to the Bonds:

- 22 • Principal and interest payment delinquencies;



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- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34 23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of



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the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) Format for Filings with the MSRB. 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.

(e) 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 subsection (b) above on or prior to the date set forth in subsection (b) above.

(f) Termination/Modification. The City's obligations to provide annual financial information and notices of certain listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (i) obtains an opinion of 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 (ii) notifies the MSRB of such opinion and the cancellation of this section.



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1 The City may amend this section with an opinion of Bond Counsel in
 2 accordance with the Rule. In the event of any amendment of this section, the City
 3 shall describe such amendment in the next annual report, and shall include a
 4 narrative explanation of the reason for the amendment and its impact on the type
 5 (or in the case of a change of accounting principles, on the presentation) of
 6 financial information or operating data being presented by the City. In addition, if
 7 the amendment relates to the accounting principles to be followed in preparing
 8 financial statements, (A) notice of such change shall be given in the same manner
 9 as for a listed event under subsection (c), and (B) the annual report for the year in
 10 which the change is made shall present a comparison (in narrative form and also, if
 11 feasible, in quantitative form) between the financial statements as prepared on the
 12 basis of the new accounting principles and those prepared on the basis of the
 13 former accounting principles.

14 (g) Bond Owner's Remedies Under This Section. The right of any
 15 bondowner or Beneficial Owner of Bonds to enforce the provisions of this section
 16 shall be limited to a right to obtain specific enforcement of the City's obligations
 17 under this section, and any failure by the City to comply with the provisions of this
 18 undertaking shall not be an Event of Default with respect to the Bonds.

19 (h) No Default. Except as otherwise disclosed in the City's Official
 20 Statement relating to the Bonds, the City is not and has not been in default in the
 21 performance of its obligations of any prior undertaking for ongoing disclosure with
 22 respect to its obligations.
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1 Section 22. Lost or Destroyed Bonds. In case any Bonds shall be lost,
 2 stolen or destroyed, the Bond Registrar may authenticate and deliver a new
 3 Bond(s) of like series, amount, date, tenor, and effect to the owner thereof upon
 4 the owner paying the expenses and charges of the City in connection therewith
 5 and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar
 6 that such Bond(s) were actually lost, stolen or destroyed and of ownership thereof,
 7 and upon furnishing the City with indemnity satisfactory to both.

8 Section 23. Severability. If any one or more of the covenants or
 9 agreements provided in this ordinance to be performed on the part of the City shall
 10 be declared by any court of competent jurisdiction to be contrary to law, then such
 11 covenant or covenants, agreement or agreements, shall be null and void and shall
 12 be deemed separable from the remaining covenants and agreements of this
 13 ordinance and shall in no way affect the validity of the other provisions of this
 14 ordinance or of the Bonds.
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1 Section 24. Effective Date. This ordinance shall take effect and be in force
 2 10 days after its passage, approval and publication as required by law.

3
 4 Passed: _____
 5

6
 7 _____
 8 Mayor

9 Attest:

10
 11 _____
 12 City Clerk

13 Approved as to form and legality:
 14 Pacifica Law Group LLP
 15 Bond Counsel to the City of Tacoma

16 By _____
 17
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CLERK'S CERTIFICATE

1 I, the undersigned, the duly chosen, qualified City Clerk of the City of
 2 Tacoma, Washington, and keeper of the records of the Council (herein called the
 3 "Council"), DO HEREBY CERTIFY:

4 1. That the attached Ordinance No. ____ (herein called the
 5 "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally
 6 passed at a regular meeting of the Council held on the 13th day of January, 2015,
 7 and duly recorded in my office.

8 2. That said meeting was duly convened and held in all respects in
 9 accordance with law, and to the extent required by law, due and proper notice of
 10 such meeting was given; that a legal quorum was present throughout the meeting
 11 and a legally sufficient number of members of the Council voted in the proper
 12 manner for the passage of said Ordinance; that all other requirements and
 13 proceedings incident to the proper adoption of said Ordinance have been duly
 14 fulfilled, carried out and otherwise observed, and that I am authorized to execute
 15 this certificate.
 16
 17
 18

19 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the
 20 official seal of the City as of this 13th day of January, 2015.

21
 22
 23 _____
 24 City Clerk
 25 City of Tacoma, Washington
 26

APPENDIX B

FORM OF BOND COUNSEL OPINION

March 18, 2015

City of Tacoma, Washington
Tacoma, Washington

J.P. Morgan Securities LLC
Seattle, Washington

Siebert Brandford Shank & Co., LLC
Seattle, Washington

Re: City of Tacoma, Washington
Solid Waste Revenue Bonds, 2015 (Green Bonds) — \$21,095,000

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 Solid Waste Revenue Bonds, 2015 (Green Bonds), in the principal amount of \$21,095,000 (the “Bonds”) issued pursuant to Ordinance No. 28279 of the City (the “Bond Ordinance”), to finance a portion of the costs of the City’s capital improvement program for its solid waste system (the “System”), to make a deposit to the debt service reserve fund, and to pay costs of issuance of the Bonds.

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

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

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

1. The Bonds have been legally issued and constitute valid and binding special obligations of the City, both principal thereof and interest thereon payable solely out of a special fund of the City known as the “Solid Waste Revenue Bond Fund” (the “Bond Fund”), except to the extent that the enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

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

3. The City has pledged and bound itself to pay into the Solid Waste Operating Fund all of the Gross Revenues derived by the City from the operation of the System. The City has further pledged and bound itself to set aside from the money in the Solid Waste Operating Fund and to pay into the Bond Fund and the funds and accounts therein certain fixed amounts sufficient to pay the principal, premium, if any, and interest on the Bonds and all other Parity Bonds as the same become due. As security for the payment of the principal of, premium, if any, and interest

on all Parity Bonds the City has pledged Gross Revenues of the System after payment of the Costs of Maintenance and Operation (the “Net Revenues”). The pledge of Net Revenues constitutes a lien and charge on such Net Revenues superior to all other charges of any kind or nature. The City has reserved the right to issue Future Parity Bonds and other parity obligations on the terms and conditions set forth in the Bond Ordinance.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is 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 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The City has not designated the 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 Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 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.

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

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

Very truly yours,
PACIFICA LAW GROUP LLP

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM
AS OF DECEMBER 31, 2013**

(attached)

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*Solid Waste Management
2013 Financial Report*

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Independent Auditor's Report

REPORT OF INDEPENDENT AUDITORS

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

Report on Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Washington Public Works Department, Environmental Services, Solid Waste Management (the Division), which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Division adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the restatement of previously reported amounts for the year ended December 31, 2012. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 7 through 13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Tacoma, Washington

April 7, 2014

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Management's Discussion and Analysis

City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Management's Discussion and Analysis
December 31, 2013 and 2012

Introduction

The following is management's discussion and analysis (MD&A) of the financial activities of the City of Tacoma's Solid Waste Management Division (the Division) for the years ended December 31, 2013 and 2012. The MD&A is designed to focus on significant financial transactions and activities and to identify changes in financial position. This information should be read in conjunction with the financial statements which are prepared on a full accrual basis of accounting.

Financial Highlights

- Net position decreased in 2013 by \$3.4 million compared to the increases of \$146,000 in 2012 and \$5.3 million in 2011.
- Operating revenues were \$56.0 million in 2013, \$56.8 million in 2012 and \$57.1 million in 2011.
- Total net position was \$20.1 million at December 31, 2013 compared to \$23.4 million and \$23.3 million at year-end 2012 and 2011, respectively.
- Cash and equity in pooled investments was \$32.5 million at December 31, 2013 compared to \$43.2 million in 2012 and \$44.0 million in 2011.

Financial Analysis – Condensed Statements of Net Position

	<u>2013</u>	<u>December 31, 2012 (as restated)</u>	<u>2011 (as restated)</u>
Current, restricted, and other assets	\$ 39,627,660	\$ 50,314,720	\$ 51,131,113
Capital assets	88,133,756	84,265,678	89,071,847
Deferred outflows of resources	292,866	540,562	855,249
Total assets and deferred outflows of resources	<u>\$ 128,054,282</u>	<u>\$ 135,120,960</u>	<u>\$ 141,058,209</u>
Current liabilities and liabilities payable from restricted assets	\$ 7,660,075	\$ 10,096,242	\$ 11,202,083
Noncurrent liabilities	94,323,854	96,939,996	101,917,674
Deferred inflows of resources	6,000,000	4,650,000	4,650,000
Total liabilities and deferred inflows of resources	<u>107,983,929</u>	<u>111,686,238</u>	<u>117,769,757</u>
Invested in capital assets, net of related debt	28,487,502	22,665,937	28,151,680
Restricted for bond reserves	1,728,015	1,623,541	1,849,648
Unrestricted	<u>(10,145,164)</u>	<u>(854,756)</u>	<u>(6,712,876)</u>
Total net position	<u>20,070,353</u>	<u>23,434,722</u>	<u>23,288,452</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 128,054,282</u>	<u>\$ 135,120,960</u>	<u>\$ 141,058,209</u>

Current, restricted and other assets

Current, restricted and other assets decreased \$10.7 million in 2013 compared to a decrease of \$816,000 in 2012. The decrease in 2013 was due to decreases of \$5.8 million in cash and equity in pooled investments, \$3.7 million in construction funds, and \$2.8 million in the reserve for landfill closure. Rate stabilization increased \$1.4 million in 2013. The decrease in 2012 was due to an increase of \$4.8 million in cash and equity in pooled investments and a decrease of \$5.7 million in construction funds.

Deferred outflows of resources

Deferred outflows of resources is a new caption in 2013 and includes unamortized balances of bond refunding costs. The changes from year to year are due to amortizing these costs.

Current liabilities and liabilities payable from restricted assets

Total current liabilities and liabilities payable from restricted assets decreased \$2.4 million in 2013 and decreased \$1.1 million in 2012. Significant changes include:

- The current portion of landfill closure liabilities decreased \$2.8 million primarily due to project spending in 2013 and increased \$543,000 in 2012 due to changes in the current portion of project costs.
- Accounts payable decreased \$189,000 in 2013 compared to a decrease of \$1.4 million in 2012 due to year-end accruals and timing of payments.
- Current portion of long-term debt principal payments due within a year increased \$480,000 over 2012 and \$750,000 over 2011.

Noncurrent liabilities

Noncurrent liabilities consist of revenue bonds payable and related debt accounts, a capital lease obligation, noncurrent accrued landfill closure and post closure costs, noncurrent compensated absences and the other post employment benefit (OPEB) obligation. Total noncurrent liabilities decreased \$2.6 million in 2013 and \$5.0 million in 2012.

- Long-term debt decreased \$3.4 million in 2013 and \$2.9 million in 2012 primarily due to principal payments reclassified to current.
- Non-current landfill post closure liabilities increased \$570,000 in 2013 and decreased \$2.0 million in 2012 related to work on closing the City's Landfill.
- OPEB liabilities increased \$318,000 in 2013 compared to \$189,000 in 2012 due to the additional accrual recorded at year-end.

Deferred inflows of resources

Deferred inflows of resources is the other new caption in 2013 and includes the rate stabilization credit. \$1.4 million in revenues were deferred to better match revenues with future costs.

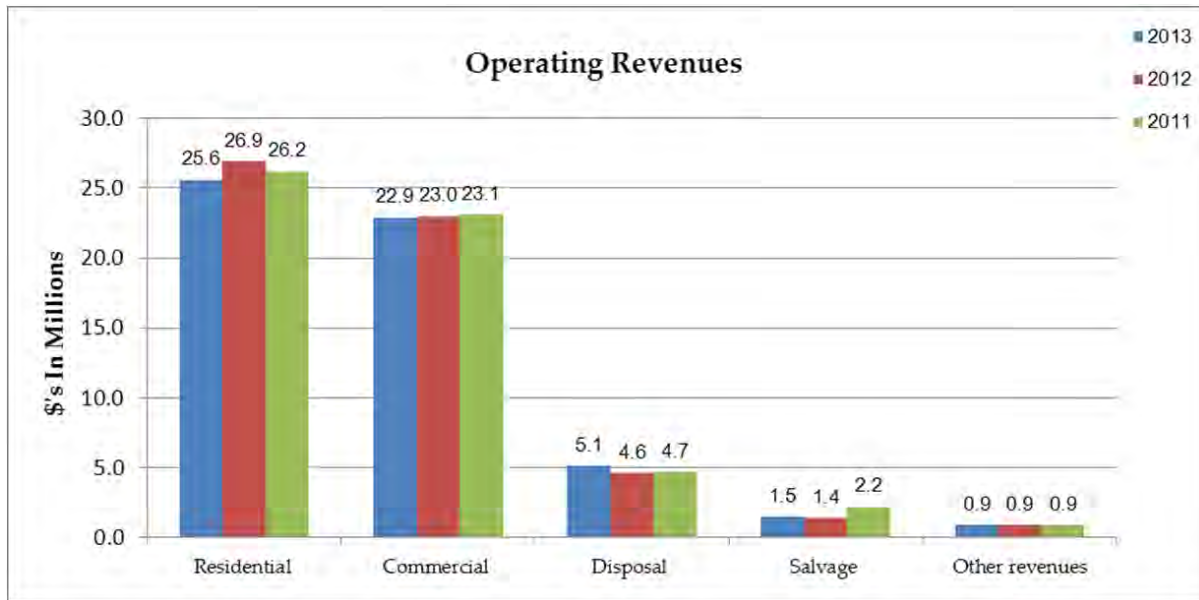
Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31,		
	2013	2012 (as restated)	2011 (as restated)
Operating revenues	\$ 56,022,042	\$ 56,807,522	\$ 57,101,949
Operating expenses	51,675,472	50,108,727	45,473,065
Net operating income	4,346,570	6,698,795	11,628,884
Nonoperating revenues (expenses)	(3,173,945)	(2,755,808)	(1,684,675)
Income before transfers	1,172,625	3,942,987	9,944,209
Contributions	388,505	-	-
Transfers	(289,428)	747,630	-
Gross earnings taxes	(4,636,071)	(4,544,348)	(4,651,212)
Change in net position	(3,364,369)	146,269	5,292,997
Net position, as originally stated	-	-	18,602,714
Effect of restatement	-	-	(607,259)
Net position - beginning as restated	23,434,722	23,288,453	17,995,455
Net position - ending	<u>\$ 20,070,353</u>	<u>\$ 23,434,722</u>	<u>\$ 23,288,452</u>

Operating revenues

Overall operating revenues decreased \$785,000 in 2013 after the transfer of \$1.4 million in revenues to the Rate Stabilization Fund compared to decreases of \$294,000 in 2012 and \$1.1 million in 2011.

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



Revenues from residential collection decreased \$1.3 million in 2013 and increased \$738,000 in 2012. There was no revenue rate increase in 2013 but an average revenue increase of 2.8% in 2012. Residential collection revenues were down in 2013 due to customers downsizing their garbage containers during the Every-Other-Week (EOW) collection implementation.

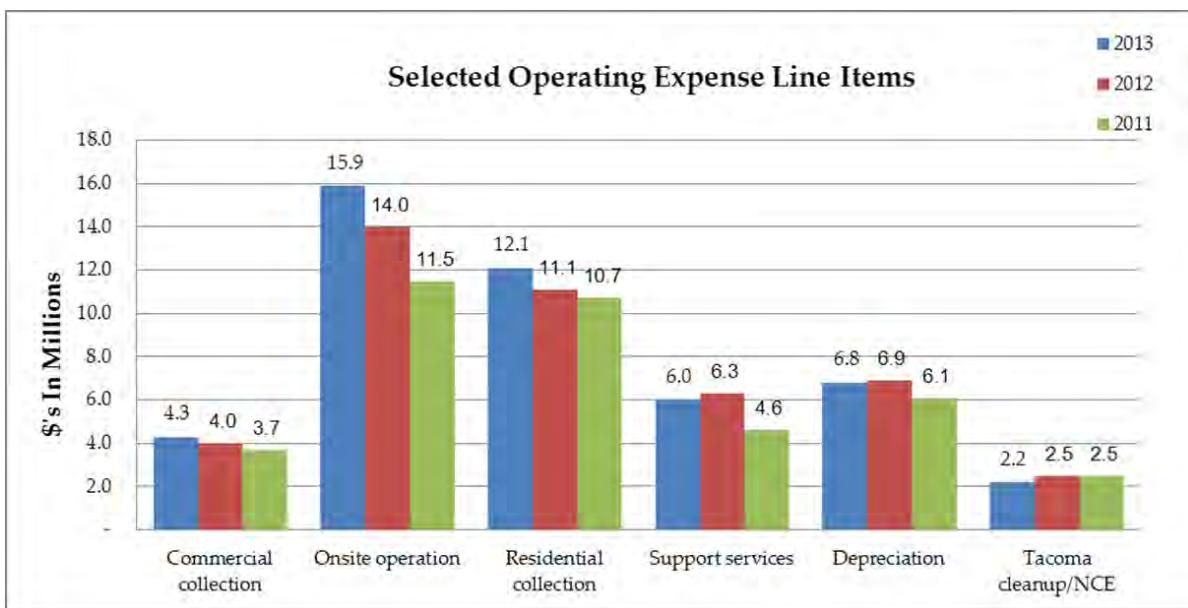
Disposal revenues increased \$585,000 due to increases in customers self-haul in 2013 compared to a \$99,000 decrease in the prior year.

Salvage revenues fluctuated due to changes in both the volumes and prices of salvaged materials. These revenues increased \$128,000 in 2013 due to increased recycling efforts and sales of recycling materials. In 2012, salvage revenues decreased \$866,000.

The Division transferred \$1.4 million in revenues to Rate Stabilization Fund. This resulted in revenue reductions of \$641,000 for residential, \$580,000 for commercial, and \$130,000 for disposal revenues in the current year.

Operating expenses

The following graph provides a three year comparison of operating expenses for the major cost center groups. The Division reorganized cost centers to better reflect the organizational structure. Total operating costs increased \$1.6 million in 2013, \$4.6 million in 2012 and \$7.1 million in 2011.



2013 Activity

Operating expenses were \$51.7 million in 2013, an increase of \$1.6 million. Significant changes in operating costs include the following:

- Commercial collection expenses, including all commercial activities such as pick-up barrel, front load, drop-of-box and recycle increased \$301,000 due to labor costs and internal fleet maintenance services.
- Onsite operation expenses increased \$1.8 million (13%) which includes public receiving, the facility maintenance and off-site transfer. Costs increased \$666,000 in labor and \$1.6 million in external contract services to transfer solid waste to the Pierce County Landfill.
- Residential collection expenses, including residential waste, comingle recycle, yard waste and call-to-haul increased \$992,000 primarily due to the increase in labor costs for the EOW collection implementation.
- Support services expenses decreased \$332,000. Significant changes included \$243,000 in labor costs and a \$41,000 decrease in assessments.

2012 Activity

Operating expenses were \$50.1 million in 2012, an increase of \$4.6 million (10%). Significant changes in operating costs include the following:

- Commercial collection expenses, including all commercial activities such as pick-up barrel, front load, drop-of-box and recycle increased \$218,000 due to labor costs.
- Onsite operation expenses increased \$2.5 million (21%) which includes public receiving, the facility maintenance and off-site transfer. Costs increased \$265,000 in labor and supply costs, \$2.1 million in external contract services to transfer solid waste to the Pierce County Landfill, and \$250,000 for fleet service and fuel costs.
- Landfill closure and post closure liability adjustments decreased \$798,000 in 2012.
- Residential collection expenses, including residential waste, comingle recycle, yard waste and call-to-haul increased \$389,000 primarily due to the increase in labor costs and supplies.
- Support services expenses increased \$1.7 million. Significant changes include \$1.6 million decrease in capitalized administration and general (A&G) costs to capital projects. Capitalized A&G costs were \$1.8 million in 2011.
- Depreciation expense increased \$755,000 due to the Landfill Administration Building and the Transfer Station Facility completed in 2011.

Nonoperating revenues (expenses)

Investment earnings were \$126,000 in 2013 and \$775,000 in 2012, a decrease of \$648,000. This was due to a decrease in the GASB 31 mark to market adjustment, \$284,000 in 2013 compared to \$22,000 in 2012, and in investment income of \$386,000. The decrease in 2013 was primarily the result of lower interest rates and decreases in the cash and equity investment pool balances from the prior year.

Interest paid net of capitalized interest on revenue bonds was \$3.2 million, a decrease of \$147,000 in 2013 compared to 2012. Interest expense on revenue bonds decreased \$130,000 in 2012 compared to 2011.

Contributions and Transfers

Solid Waste transferred \$289,000 to the General Fund for radio equipment purchases, and received a \$389,000 grant for capital projects from the Department of Ecology in 2013. In 2012 the Division received \$901,000 from the General Fund that was a refund a portion of assessments for the Radio and Third-Party Liability funds.

Capital Assets

At the end of 2013, the Division's total capital assets, net of accumulated depreciation is \$88.1 million compared to \$84.3 million in 2012 and \$89.1 million in 2011. (See Note 3 for detailed activity.)

2013 Activity

Changes in 2013 increased \$3.9 million and the significant changes are:

- Landfill infrastructure increased \$2.4 million due to completing the West Truck Parking project.
- Machinery and equipment increased a net \$5.8 million. Significant changes include:
 - \$2.7 million for vehicles (purchases of \$3.6 million less disposals of \$683,000)
 - \$2.7 million for containers (purchases of \$3.4 million less disposals of \$719,000)
- Accumulated depreciation increased \$5.5 million.
- Construction in progress increased \$1.1 million including \$554,000 for the Tacoma Asphalt Retrofit project and \$279,000 for the CNG Fueling Station.

2012 Activity

Changes in 2012 totaled a decrease of \$4.8 million and the significant items are:

- Land increased \$196,000 due to the purchase of land to be used for constructing a retaining water pond at the City's landfill.

- Construction work-in-process was capitalized to the following building assets: \$500,000 to the transfer station, \$280,000 to the landfill administrative building, and \$139,000 to the Urban Water's building. Buildings also decreased \$180,000 due to the demolition of a building on the Urban Water's property to clear the land for a parking lot.
- Landfill infrastructure additions include \$57,000 for a parking lot and completion of the Gas Extraction System project for \$378,000.

Debt Administration

At December 31, 2013, the Division had \$62.5 million in outstanding revenue bonds of which \$3.1 million is due within one year. This compares to \$65.5 million in 2012 and \$68.2 million in 2011. The bonds have underlying ratings of A2 by Moody's Investors Service, AA by Standard & Poor's, and AA- by Fitch, Inc. (See Note 4).

Debt Service Coverage

The bond coverage ratio is 2.10 at the end of 2013. This compares to 2.76 in 2012 and 2.83 in 2011. Bond coverage calculations are based on bond covenants. A bond coverage ratio of 1.25 is required by bond covenants for the Division.

Summary

This Management's Discussion and Analysis should be read in conjunction with the accompanying financial statements and notes. This report is prepared by our Financial Services Team. Moss Adams LLP independently audited the financial statements and notes. Environmental Services and Finance are jointly responsible for the information contained in this report, as well as the financial statements and notes.

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Financial Statements

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

	December 31,	
ASSETS	2013	2012 (as restated)
Current assets:		
Cash and equity in pooled investments:		
Operating funds	\$ 24,170,438	\$ 29,929,817
Rate Stabilization Fund	6,000,000	4,650,000
Total cash and equity in pooled investments	30,170,438	34,579,817
Accounts receivable	7,148,779	6,837,345
Allowance for uncollectible accounts	(3,865,555)	(3,671,549)
Unbilled revenue	3,065,000	3,065,000
Due from other funds	107,344	25,550
Due from other governmental units	-	143,024
Total current assets	36,626,006	40,979,187
Restricted cash and equity in pooled investments:		
Bond reserve and debt service accounts	2,244,981	2,112,422
Customer deposits	69,617	63,865
Construction funds	-	3,691,786
Reserve for landfill closure	-	2,780,404
Total restricted cash and equity in pooled investments	2,314,598	8,648,477
Capital assets:		
Land	3,119,782	3,104,443
Buildings	63,874,457	63,892,674
Building - capital lease	7,568,000	7,568,000
Landfill infrastructure	64,826,573	62,460,597
Machinery and equipment	46,442,639	40,672,137
Computer software	4,586,208	4,368,980
Less accumulated depreciation	(103,585,923)	(98,044,445)
Assets in service, net of depreciation	86,831,736	84,022,386
Construction in progress	1,302,020	243,292
Total capital assets	88,133,756	84,265,678
Other noncurrent assets	687,056	687,056
Total assets	127,761,416	134,580,398
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond refunding costs	292,866	540,562
Total deferred outflows of resources	292,866	540,562
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 128,054,282	\$ 135,120,960

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

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

	December 31,	
LIABILITIES	2013	2012 (as restated)
Current liabilities:		
Accounts payable	\$ 1,654,651	\$ 1,843,714
Accrued wages payable and compensated absences	759,412	657,963
Accrued taxes payable	612,308	613,743
Due other funds	722,226	685,152
Unearned revenue	140,308	212,453
Customer deposits	20,003	-
Current portion of landfill closure	186,000	-
Current portion of long-term debt	2,827,917	2,387,917
Current portion of capital lease obligation	150,500	144,499
Total current liabilities	7,073,325	6,545,441
Liabilities payable from restricted assets:		
Deposits payable	69,784	61,920
Bond interest payable	259,883	271,798
Current portion of long-term debt	257,083	217,083
Current portion of landfill closure	-	3,000,000
Total liabilities payable from restricted assets	586,750	3,550,801
Noncurrent liabilities:		
Long-term debt - revenue bonds	59,430,635	62,860,169
Capital lease obligation	6,861,002	7,011,502
Accrued landfill closure and post closure costs	25,505,232	24,935,614
Compensated absences	1,108,586	1,032,037
Net OPEB obligation	1,418,399	1,100,674
Total noncurrent liabilities	94,323,854	96,939,996
Total liabilities	101,983,929	107,036,238
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	6,000,000	4,650,000
Total deferred inflows of resources	6,000,000	4,650,000
NET POSITION		
Net investment in capital assets	28,487,502	22,665,937
Restricted for bond reserves	1,728,015	1,623,541
Unrestricted	(10,145,164)	(854,756)
Total net position	20,070,353	23,434,722
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 128,054,282	\$ 135,120,960

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

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

	Year Ended December 31,	
	2013	2012 (as restated)
OPERATING REVENUES		
Residential collection	\$ 25,601,269	\$ 26,947,597
Commercial collection	22,935,600	23,046,934
Disposal revenues	5,148,569	4,563,482
Salvage revenue	1,486,264	1,358,164
Other operating revenue	850,340	891,345
Total operating revenues	56,022,042	56,807,522
OPERATING EXPENSES		
Commercial collection	4,261,735	3,961,096
Onsite operations	15,860,946	14,040,549
Landfill closure and post closure adjustment	778,301	1,258,777
Residential collection	12,092,196	11,099,917
Resource recovery	-	243,309
Support services	6,002,873	6,334,880
Tacoma Cares/Nuisance Code Enforcement	2,172,008	2,451,490
Other	3,697,496	3,863,701
Depreciation	6,809,917	6,855,008
Total operating expenses	51,675,472	50,108,727
Net operating income	4,346,570	6,698,795

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

City of Tacoma		
Environmental Services Department		
Solid Waste Management		
Statements of Revenues, Expenses, and Changes in Net Position (Continued)		
	Year Ended December 31,	
	2013	2012 (as restated)
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 126,491	\$ 774,934
Rental income	133,330	125,341
Operating grants	231,463	251,468
Disposal of capital assets	(86,121)	(126,211)
Interest paid net of capitalized interest	(3,197,619)	(3,344,432)
Interest on capital lease	(377,610)	(388,163)
Amortization of premium, discount and refunding costs	96,840	27,640
Other expense	(100,719)	(76,385)
Total nonoperating expenses	<u>(3,173,945)</u>	<u>(2,755,808)</u>
CHANGE IN NET POSITION		
Net income before transfers	1,172,625	3,942,987
Contributions - capital related grants	388,505	-
Transfers - gross earnings taxes	(4,636,071)	(4,544,348)
Transfers - from(to) other funds	(289,428)	900,630
Transfers - fleet equipment funds	-	(153,000)
CHANGE IN NET POSITION	<u>(3,364,369)</u>	<u>146,269</u>
NET POSITION, AS ORIGINALLY STATED	-	23,778,182
EFFECT OF RESTATEMENT	-	(489,729)
NET POSITION - BEGINNING AS RESTATED	<u>23,434,722</u>	<u>23,288,453</u>
NET POSITION - ENDING	<u>\$ 20,070,353</u>	<u>\$ 23,434,722</u>

The accompanying notes are an integral part of the financial statements

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

	Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 56,757,522	\$ 56,264,028
Payments to suppliers	(26,326,757)	(27,137,059)
Payments to employees	(19,142,400)	(17,838,581)
Taxes paid	(930,600)	(1,007,521)
Net cash from operating activities	<u>10,357,765</u>	<u>10,280,867</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earnings taxes paid	(4,623,380)	(4,582,951)
Debt service related to environmental cleanup	(452,194)	(331,104)
Operating grants received	262,125	291,820
Transfer	(289,428)	900,630
Net cash from noncapital financing activities	<u>(5,102,877)</u>	<u>(3,721,605)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(10,423,011)	(2,367,800)
Principal paid on revenue bonds	(2,605,000)	(2,350,000)
Capital lease obligation	(522,109)	(527,579)
Interest expense, net of capitalized interest	(2,758,911)	(3,025,106)
Proceeds from sale of capital assets	47,400	39,750
Net cash from capital and related financing activities	<u>(16,261,631)</u>	<u>(8,230,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	126,491	774,934
Rental income	133,330	125,341
Other investing proceeds	3,664	(22)
Net cash from investing activities	<u>263,485</u>	<u>900,253</u>
Net change in cash and equity in pooled investments	<u>(10,743,258)</u>	<u>(771,220)</u>
Cash and equity in pooled investments beginning	<u>43,228,294</u>	<u>43,999,514</u>
Cash and equity in pooled investments ending	<u>\$ 32,485,036</u>	<u>\$ 43,228,294</u>

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

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

	Year Ended December 31,	
	2013	2012
Reconciliation of cash and equity in pooled investments to balance sheets:		
Operating funds	\$ 30,170,438	\$ 34,579,817
Restricted funds	2,314,598	8,648,477
	\$ 32,485,036	\$ 43,228,294
 Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 4,346,570	\$ 6,698,795
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	6,809,917	6,855,008
Low income assistance	(102,810)	(76,334)
Change in assets, liabilities, and deferred inflows of resources:		
Accounts receivable, net of allowance	(117,428)	219,617
Unbilled revenue	-	(265,000)
Due from other funds	(81,794)	91,566
Due from other governmental units	112,362	(41,362)
Accounts payable	(189,063)	(1,407,910)
Accrued wages and compensated absences	177,998	(139,493)
Current environmental liabilities	-	(334,037)
Accrued taxes payable	(14,127)	(27,387)
Deposits payable and customer deposits	27,868	(13,681)
Due other funds	37,074	(38,095)
Unearned revenue	(72,145)	46,523
Rate stabilization	1,350,000	-
Net OPEB obligation	317,725	189,205
Closure and post-closure liability	(2,244,382)	(1,476,548)
Total adjustments	6,011,195	3,582,072
Net cash from operating activities	\$ 10,357,765	\$ 10,280,867

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

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Notes to Financial Statements

City of Tacoma, Washington
Environmental Services
Solid Waste Management
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

NOTE 1 SUMMARY OF OPERATIONS

OPERATIONS OF THE SOLID WASTE MANAGEMENT DIVISION - The Solid Waste Management Division (the Division) is presented as an enterprise fund within the Environmental Services Department under the provisions of the City of Tacoma Charter and is included in the City of Tacoma's (the City) Comprehensive Annual Financial Report (CAFR).

The Division provides mandatory solid waste collection and disposal services for residential and commercial entities located within the City. The population is approximately 200,000 and covers an area of 49 square miles. Disposal methods include recycling, composting, and long-haul to an outside landfill.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective for financial statement periods beginning after December 15, 2012. This statement provides guidance for reclassifying certain items as deferred outflows of resources or deferred inflows of resources and further requires reclassification of certain items previously recorded as assets and liabilities to be presented as expenses or revenues. The Division adopted this new pronouncement in the current year and has restated amounts of effected items within the financial statements as of December 31, 2012. The specific accounts impacted by the restatement are detailed in Note 12.

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

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

Solid Waste Management Notes to Financial Statements Continued

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

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the TIP in the Washington State LGIP and/or a Municipal Investor interest bearing demand deposit account maintained with U.S. Bank.

The Division's equity in that portion of the TIP held in qualified public depositories at December 31, 2013 and 2012 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (PDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City of Tacoma Investment Policy allows for authorized investments up to 60 months to maturity. One method the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum legal requirement is AAA for bankers acceptance notes, and fixed rate callable and non-callable agency securities, and A for fixed rate non-callable municipal securities. The Bank Certificates of Deposit (CD) and Demand Deposit Accounts (DDA) are protected by the FDIC insurance up to \$250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State PDPC. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. The State Treasurers LGIP is authorized by RCW 43.250 and operates like a 2A7 fund and is collateralized by short term legal investments. Detailed disclosure information is available in the City of Tacoma's CAFR.

Concentration risk disclosure is required for all investments in a single issuer that is 5% or more of the total of the City's investments. Detailed disclosure information is available in the City of Tacoma's CAFR.

Custodial credit risk is the risk of unauthorized transactions by the custodian of investments. The City policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

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

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable are considered past due after 30 days.

Solid Waste Management Notes to Financial Statements Continued

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

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

BOND PREMIUM, DISCOUNT, AND REFUNDING COSTS - Bond premium and discount are amortized over the life of the bonds using the weighted average of the bonds outstanding. Bond refunding costs are amortized on a straight-line basis over the applicable bond period.

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

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

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

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

The estimated useful lives range as follows:

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

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

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

Solid Waste Management Notes to Financial Statements Continued

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) - AFUDC represents the cost of borrowed funds used for the construction of utility plant, net of interest earned on unspent construction funds. Capitalized AFUDC is shown as part of the cost of utility plant and as a reduction of interest income and expense.

CONTRIBUTED CAPITAL - Capital grants and contributed capital assets are recorded as capital contribution.

COMPENSATED ABSENCES - The City has two different policies for compensated absences. The City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy.

The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%. The liability and expense for accumulated unused PTO is adjusted each year based on each employee's current compensation level.

Employees in the original policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value. The accrued liability for earned vacation is computed at 100% and earned sick leave is computed at 10%, which is considered the amount vested. The liability and expense for accumulated unused vacation and sick leave is adjusted each year based on each employee's current compensation level.

Liability and expense for compensated absences are recorded including 100% of compensated time earned based on each employee's current compensation level.

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

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

The City has a parity bond ordinance that it will establish, maintain and collect rates or charges in connection with the ownership and operation of the utility to 1) pay the cost of maintenance and operation of the utility, 2) to make all payments required to be made for the parity bonds, 3) to make all payments required to be made on any other junior debt, 4) to pay municipal taxes and payments to the City in lieu of taxes, and 5) to prepay debt, invest in improvement projects to utility assets, make payments to the Solid Waste Rate Stabilization Fund, or other lawful City purposes including payment of legal claims and judgments against the utility.

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

Solid Waste Management

Notes to Financial Statements Continued

TAXES - The City charges the Division a gross earnings tax at the rate of 8.00%. The Division also pays business and occupation taxes to the State, 1.50% on service revenues and 0.47% on rental revenues. The Division is exempt from payment of federal income tax.

NET POSITION - The Statement of Net Position reports all financial and capital resources. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

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

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

Unrestricted are not "net investment in capital assets" or "restricted".

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

LANDFILL CLOSURE AND POST-CLOSURE COSTS - The Division is required to expense a portion of the estimated closure and post-closure costs in each period that the landfill accepts solid waste. The Division has been reporting a portion of these costs as a liability and as an operating expense since 1994. As of December 31, 2013, the landfill is at 100% of capacity, closed, and capped.

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

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

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

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

Solid Waste Management
Notes to Financial Statements Continued

NOTE 3 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2013 and 2012 follows:

	2012	Additions	Retirements	Transfers & Adjustments	2013
Nondepreciable:					
Land	\$ 3,104,443	\$ -	\$ -	\$ 15,339	\$ 3,119,782
Depreciable:					
Buildings	63,892,674	-	-	(18,217)	63,874,457
Building - capital lease	7,568,000	-	-	-	7,568,000
Landfill infrastructure	62,460,597	-	-	2,365,976	64,826,573
Machinery and equipment	40,672,137	-	(1,401,961)	7,172,463	46,442,639
Computer software	4,368,980	-	-	217,228	4,586,208
Assets in service	182,066,831	-	(1,401,961)	9,752,789	190,417,659
Accumulated depreciation	(98,044,445)	(6,809,917)	1,268,439	-	(103,585,923)
Assets in service net of depreciation	84,022,386	(6,809,917)	(133,522)	9,752,789	86,831,736
Construction in progress	243,292	10,811,517	-	(9,752,789)	1,302,020
Total capital assets	<u>\$ 84,265,678</u>	<u>\$ 4,001,600</u>	<u>\$ (133,522)</u>	<u>\$ -</u>	<u>\$ 88,133,756</u>

Solid Waste Management
Notes to Financial Statements Continued

	2011	Additions	Retirements	Transfers & Adjustments	2012
Nondepreciable:					
Land	\$ 2,908,178	\$ -	\$ -	\$ 196,265	\$ 3,104,443
Depreciable:					
Buildings	63,150,344	-	(180,000)	922,330	63,892,674
Building - capital lease	7,568,000	-	-	-	7,568,000
Landfill infrastructure	62,025,839	-	-	434,758	62,460,597
Machinery and equipment	41,209,519	-	(2,409,485)	1,872,103	40,672,137
Computer software	4,212,330	-	-	156,650	4,368,980
Assets in service	181,074,210	-	(2,589,485)	3,582,106	182,066,831
Accumulated depreciation	(93,612,961)	(6,855,008)	2,423,524	-	(98,044,445)
Assets in service net of depreciation	87,461,249	(6,855,008)	(165,961)	3,582,106	84,022,386
Construction in progress	1,610,598	2,214,800	-	(3,582,106)	243,292
Total capital assets	<u>\$ 89,071,847</u>	<u>\$ (4,640,208)</u>	<u>\$ (165,961)</u>	<u>\$ -</u>	<u>\$ 84,265,678</u>

NOTE 4 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2013 and 2012 follows:

	2012	Reductions	2013	Due within One Year
Revenue bonds	\$ 63,755,000	\$ (2,605,000)	\$ 61,150,000	\$ 3,085,000
Plus: Unamortized premium	1,710,169	(344,534)	1,365,635	-
Total long-term debt	<u>\$ 65,465,169</u>	<u>\$ (2,949,534)</u>	<u>\$ 62,515,635</u>	<u>\$ 3,085,000</u>
	2011	Reductions	2012	Due within One Year
Revenue bonds	\$ 66,105,000	\$ (2,350,000)	\$ 63,755,000	\$ 2,605,000
Plus: Unamortized premium	2,057,755	(347,586)	1,710,169	-
Less: Unamortized discount	(5,258)	5,258	-	-
Total long-term debt	<u>\$ 68,157,497</u>	<u>\$ (2,692,328)</u>	<u>\$ 65,465,169</u>	<u>\$ 2,605,000</u>

Solid Waste Management
Notes to Financial Statements Continued

The Division's long-term debt at December 31, 2013 consists of the following payable from revenues of the Division.

	2013	2012
2006 Series A Revenue Bonds, with interest rates ranging from 4.25% to 5.0% Principal payments range between \$540,000 to \$4,290,000 between 2017 and 2026. Original par value value \$29,385,000 with a call date of December 1, 2016. Purpose was to fund a portion of the capital improvement plan and pay the costs of issuance.	\$ 28,930,000	\$ 29,385,000
2006 Series B Revenue Refunding Bonds, with an interest rate of 5.0% due in yearly installments of \$340,000 to \$6,480,000 from 2014 through 2021. Original par value \$22,315,000 with a call date of December 1, 2016. Purpose was to refund certain maturities of the outstanding 2001 Bonds and to pay the cost of issuance.	22,315,000	22,315,000
2008 Revenue Refunding Bonds, with an interest rate of 5.75% due in yearly installments of \$2,150,000 to \$2,685,000 from 2013 through 2017. Original par value \$12,055,000. Purpose was to refund a portion of the 1997 Series B Bonds and to pay the costs of issuance.	9,905,000	12,055,000
Total revenue bonds outstanding	61,150,000	63,755,000
Less:		
Current portion	(2,827,917)	(2,387,917)
Current portion payable from restricted assets	(257,083)	(217,083)
Plus: Unamortized premium	1,365,635	1,710,169
Total long-term debt - Revenue Bonds	\$ 59,430,635	\$ 62,860,169

Annual debt service requirement to maturity are as follows:

	Principal	Interest	Total Debt
2014	\$ 3,085,000	\$ 3,118,594	\$ 6,203,594
2015	4,585,000	2,950,881	7,535,881
2016	4,830,000	2,707,306	7,537,306
2017	5,090,000	2,449,938	7,539,938
2018	5,565,000	2,178,000	7,743,000
2019-2023	25,730,000	6,579,000	32,309,000
2024-2026	12,265,000	1,246,500	13,511,500
	\$ 61,150,000	\$ 21,230,219	\$ 82,380,219

Solid Waste Management

Notes to Financial Statements Continued

Moody's Investors Service, Standard & Poor's and Fitch Ratings have assigned ratings of "A2," "AA" and "AA-", respectively.

Defeased and outstanding bonds constitute a contingent liability of the Division only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements and therefore are excluded from the financial statements because the likelihood of additional funding requirements is considered remote. As of December 31, 2013, no bonds were defeased and outstanding.

The Division's revenue bonds are secured by net operating income and cash and equity in pooled investments balances in the bond construction, reserve, and debt service funds. The bonds are also subject to certain financial and non-financial covenants. Arbitrage calculations were prepared and no arbitrage was due in 2013 or 2012.

NOTE 5 CAPITAL LEASE

By Ordinance No. 27783 passed on January 20, 2009, the City approved a property agreement and project lease with TES Properties and issuance by TES Properties of \$37,840,000 aggregate principal amount of its Lease Revenue Bonds, 2009 (Bonds). TES Properties is a single purpose Washington nonprofit corporation and subordinate organization of NDC Housing and Economic Development Corporation. The Environmental Services Department determined the appropriate pro-rata share for the Environmental Services divisions to share in all revenue, costs and cash requirements based on usage of the Urban Waters building to be: Wastewater (43%), Surface Water (37%) and Solid Waste (20%).

The three divisions have included their pro-rata share of the capital lease and lease obligation for the building in their respective financial statements. The building has a useful life of 50 years and the lease agreement is for 29 years which exactly matches the debt service schedule of the Bonds. The land on which the building was constructed has been transferred to TES Properties and reclassified on the divisions' statements of net position in other noncurrent assets. All assets revert to the City at the end of the lease.

**Solid Waste Management
Notes to Financial Statements Continued**

The future payments of the lease obligation as of December 31, 2013 total \$65,251,869. The Division's portion of the future lease payments is presented in the following table:

Year	Division
2014	\$ 521,966
2015	521,966
2016	521,726
2017	522,246
2018	522,486
2019-2023	2,609,791
2024-2028	2,610,856
2029-2033	2,609,873
2034-2038	2,609,463
	13,050,373
Interest	6,038,871
Principal	\$ 7,011,502

The sub-lease agreements for the space in the Urban Waters building include agreements with two tenants: the University of Washington Tacoma (UWT) and the Puget Sound Partnership (PSP). Both are for ten year periods effective in 2010 with the possibility of five year extensions. The revenues are shared across the utilities on the same prorated basis as the building lease. The UWT agreement provides revenue of \$293,640 per year, adjusted annually for inflation, and the PSP agreement provides a total of \$1,615,000 in revenue spread over the ten year lease period.

NOTE 6 INSURANCE

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

The City of Tacoma has established a Self-insurance Fund (the Fund) to insure the Division and other divisions within the City for certain losses arising from personal and property damage claims by third parties. The Division participates in the City's self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the Division and not from the Fund. The Division is required to make payments to the Fund to cover claims incurred by the Division and administrative expenses of the Fund. The Division's premium payments totaled \$346,748 for 2013 and 2012. The Division only recognizes expense for premium payments because the risk of loss transfers to the Fund.

The City maintains an excess general liability policy with limits of \$15 million, subject to a self-insured retention of \$3 million and a \$30 million dollar aggregate. The City has an excess policy to cover extraordinary workers' compensation claims with Statutory Limits and with a \$1 million self-insured retention plus a \$250,000 of total loss each 12 month policy period. The City has a property insurance policy with a limit of \$500 million replacement cost (\$50,000 deductible per occurrence). The City carries property coverage with a maximum single occurrence limit of \$500,000,000 with a sublimit of \$150,000 deductible per occurrence, with exceptions. This policy renews July 1st of each year. The Division's cost for these policies is \$14,295 in 2013 and \$12,492 in 2012.

Solid Waste Management
Notes to Financial Statements Continued

NOTE 7 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)

Employees of the Division are covered by the Tacoma Employees' Retirement System (the System), an actuarially funded system operated by the City. The following information is provided on a city-wide basis.

This note emphasizes the employer disclosures and detailed information presented in an independent CAFR 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 South 35th Street, Tacoma, Washington 98409.

PLAN DESCRIPTION - The System is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by state or federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of the Pierce Transit and the Law Enforcement Support Agency who established membership in the System when these agencies were still City of Tacoma departments, are also members. It is administered in accordance with RCW Chapter 41.28 and Chapter 1.30 of the Tacoma Municipal Code. There are 2,119 retirees and beneficiaries currently receiving benefits, 434 vested terminated members entitled to future benefits and 2,881 active members of the Tacoma Employees' Retirement System, as of December 31, 2013.

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. Benefit payments and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

METHOD USED TO VALUE INVESTMENTS - Equity securities, fixed income securities, real estate and short-term investments are all reported at fair market value. Fair market value was determined by our custodian bank utilizing standard industry practices. Private equity investments are reported by the managers subject to their fair value policies. No investment in any one corporation or organization exceeded five percent of net assets available for benefits.

INVESTMENTS AND 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.

BENEFITS - There are two formulas that are used for calculating retirement benefits. The benefit will be determined on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is determined based on the member's age and years of service. Several options are available for the retiree to provide for their beneficiaries. The System also provides death and disability retirement.

CONTRIBUTIONS - Covered employees are required by Chapter 1.30 of the Tacoma City Code to contribute a percentage of their gross wages to the System, and the employer contributes an additional percentage.

**Solid Waste Management
Notes to Financial Statements Continued**

The contribution rates are provided in the following table:

<u>Applicable Period</u>	<u>Employer Rate</u>	<u>Member Rate</u>	<u>Total Rate</u>
1/1/2001 to 02/01/2009	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	8.74	19.00
1/1/2012 onward	10.80	9.20	20.00

FUNDING STATUS AND PROGRESS - Historical trend information about TERS is presented herewith as supplementary information. This information is based on the most recent actuarial valuation performed, dated January 1, 2013, and is intended to help assess TERS funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress (\$ in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c) = (b)-(a)	Funded Ratio (d) = (a) / (b)	Covered Payroll (e)	UAAL as of Percentage of Covered Payroll (f) = (c) / (e)
1/1/2011	\$ 1,075	\$ 1,133	\$ 58	94.9%	\$ 220	26.5%
1/1/2012	\$ 1,068	\$ 1,186	\$ 117	90.1%	\$ 219	53.4%
1/1/2013	\$ 1,187	\$ 1,307	\$ 120	90.9%	\$ 211	56.7%

Both the City and employees made the required contributions. The City's required contributions for the years ended December 31st were:

2011	\$ 20,850,233
2012	\$ 20,919,787
2013	\$ 21,188,984

ACTUARIAL METHODS AND SIGNIFICANT ACTUARIAL ASSUMPTIONS

Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of the System's Projected Payroll
Amortization Period	30 years, Open, unless fixed rate amortizes less than 30 years
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	7.50%
Projected Salary Increases	4.00%
Includes Inflation at	3.00%
Postretirement Benefit Increases	2.125%

Solid Waste Management

Notes to Financial Statements Continued

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

PLAN DESCRIPTION - The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of active employees and retirees rather than based on the claims experience of retirees only. This difference is a benefit to the retirees, since health claims costs generally increase with age. GAAP requires that the portion of age-adjusted expected retiree health claims costs that exceed the premium charged to retirees be recognized as a liability for accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and are subject to continual revision as results are compared to past expectation and new estimates are made about the future.

FUNDING POLICY - The City uses pay as you go funding; contributions to a separate trust are not required.

ANNUAL OPEB COST AND NET OPEB OBLIGATION - The Present Value of Benefits (PVB) is the present value of projected benefits discounted at the valuation interest rate (3.75%).

The Actuarial Accrued Liability (AAL) is the portion of the present value of benefits attributed to past service only. The portion attributed to future employee service is excluded.

For inactive employees, the AAL is equal to the present value of benefits. For active employees, the actuarial present value of the projected benefits of each individual is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). The portion attributed to service between entry age and the valuation date is the actuarial accrued liability.

The Normal Cost is that portion of the City provided benefit attributable to employee service in the current year.

The Annual Required Contribution (ARC) is the amount the City is required to report as an expense for the 2013 year under GASB 45. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL) on a closed basis of 30 years, beginning January 1, 2007. The amortization period for 2013 is 24 years.

The ARC represents an accounting expense, but the City is not required to contribute the ARC to a separate trust. If the City does not set aside funds equal to the ARC (less current year benefit payments) each year, then the ARC (less benefit payments) will accumulate as a non-current liability (Net OPEB Obligation) on the balance sheet. The City has a Net OPEB Obligation as of December 31, 2013 as the City has not set aside funds for OPEB.

EXCISE TAX FOR HIGH COST OR "CADILLAC" HEALTH PLANS IN 2018 AND BEYOND – An excise tax for high cost health coverage or "Cadillac" health plans was included in the Affordable Care Act (ACA) passed into law in March 2010. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. The 2018 annual thresholds for qualified retirees aged 55-64 are \$11,850 for single coverage and \$30,950 for a family plan. If, between 2010 and 2018, the cost of health care insurance rises more than 55%, the threshold for the excise tax will be adjusted.

The City believes that the current provisions of ACA should be reflected in the projection of benefits and therefore, the value of the excise tax is included in the valuation. It is assumed that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the tax.

Solid Waste Management
Notes to Financial Statements Continued

GASB Statement No. 45 indicates that the projection of benefits should include all benefits to be provided to retirees in accordance with the current “substantive” plan. The substantive plan refers to the plan terms as understood by the employer and plan members at the time of the valuation. For this reason, the City believes that the current provisions of Patient Protection and Affordable Care Act (PPACA) should be reflected in the projection of benefits and therefore, the value of the excise tax is included in this valuation. It is assumed that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the tax.

SUMMARY OF CHANGES – As of January 1, 2011 (the date of the prior valuation), the AAL was \$248,571,791. The expected value as of January 1, 2013, based on the 2011 valuation, was \$260,708,000. The total AAL of \$251,839,846 was 3% lower than expected primarily due to lower than expected medical costs partially offset by the new excise tax for “Cadillac” health plans, demographic experience and assumptions, and economic assumptions.

The following table is a summary of valuation results with a comparison to the results from the last valuation.

	January 1, 2011	January 1, 2013
Total membership:		
Active employees	3,675	3,335
Terminated vested employees	363	394
Retired employees & Dependents	790	846
Total	4,828	4,575
Annual Benefit Payments	\$ 9,569,648	\$ 9,887,335
Discount rate	4.00%	3.75%
Present Value of Benefits	\$ 319,550,419	\$ 326,742,538
Actuarial Accrued Liability	\$ 248,571,791	\$ 251,839,846
Assets	\$ -	\$ -
Unfunded Actuarial Accrued Liability	\$ 248,571,791	\$ 251,839,846
Normal Cost	\$ 5,559,351	\$ 5,484,587
Annual Required Contribution	\$ 19,734,041	\$ 20,058,760

The following table shows the total value of the benefits provided, the member paid premiums and the City paid benefits as of December 31, 2013.

Value of Subsidy at 3.75% Interest Rate	Total Value of Benefits	Member Paid Premiums	City Paid Benefits
Present Value of Benefits	\$ 488,143,650	\$ 161,401,112	\$ 326,742,538
Actuarial Accrued Liability	\$ 331,339,973	\$ 79,500,127	\$ 251,839,846
Normal Cost	\$ 11,227,919	\$ 5,743,332	\$ 5,484,587
Annual Benefit Payments	\$ 13,500,240	\$ 3,612,905	\$ 9,887,335

Solid Waste Management
Notes to Financial Statements Continued

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation for the City and for the Division as of December 31, 2013.

	City	Division
Determination of Annual Required Contribution:		
Normal Cost at Year-end	\$ 5,484,587	\$ 272,877
Amortization of UAAL	14,574,173	92,791
Annual Required Contribution	<u>\$ 20,058,760</u>	<u>\$ 365,668</u>
Determination of Net OPEB Obligation:		
Annual Required Contribution	\$ 20,058,760	\$ 365,668
Interest on prior year Net OPEB Obligation	1,742,601	41,275
Adjustments to ARC	<u>(2,272,594)</u>	<u>(44,603)</u>
Annual OPEB Cost	19,528,767	362,340
Actual benefits paid	<u>9,887,334</u>	<u>44,615</u>
Increase in Net OPEB Obligation	9,641,433	317,725
Net OPEB Obligation - beginning of year	<u>46,469,368</u>	<u>1,100,674</u>
Net OPEB Obligation - end of year	<u>\$ 56,110,801</u>	<u>\$ 1,418,399</u>

FUNDED STATUS AND FUNDING PROGRESS - The following table shows the annual OPEB cost and net OPEB obligation for three years. This table is based upon a 4.00% interest rate for 2011 and 2012 and 3.75% for 2013.

Year Ended	Annual OPEB Cost		Benefits Paid		Net OPEB Obligation	
	City	Division	City	Division	City	Division
12/31/2011	\$ 19,596,420	\$ 351,196	\$ 9,569,648	\$ 145,196	\$ 36,393,620	\$ 911,469
12/31/2012	\$ 19,469,178	\$ 350,345	\$ 9,393,431	\$ 161,140	\$ 46,469,368	\$ 1,100,674
12/31/2013	\$ 19,528,767	\$ 362,340	\$ 9,887,334	\$ 44,615	\$ 56,110,801	\$ 1,418,399

As of January 1, 2013, the most recent actuarial valuation date, the Plan was zero percent funded. Based upon a 3.75% interest rate, the actuarial accrued liability for benefits was \$251.8 million, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability of \$251.8 million.

ACTUARIAL METHODS AND ASSUMPTIONS - The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age).

The portion of the actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the UAAL. In determining the ARC, the UAAL is amortized as a level percentage of expected payrolls for non-LEOFF 1 groups. For LEOFF 1, the UAAL is amortized as a level dollar amount. The amortization period was 30 years in 2007 and is now 24 years.

Solid Waste Management
Notes to Financial Statements Continued

Actuarial Methods and Significant Actuarial Assumptions:

Valuation DateJanuary 1, 2013
 Census DateJanuary 1, 2013
 Actuarial Cost Method:Entry Age
 Amortization Method:Combination of level percentage and level dollar amount, see note above.
 Remaining Amortization Period:24 years, closed
 Demographic Assumptions:.....Demographic assumptions regarding retirement, disability, and turnover are based upon pension valuations for the various pension plans.

Actuarial Assumptions:

Discount Rate.....3.75% for pay-as-you-go funding
 Medical Cost Trend.....2013 8.9%
 2014 6.5%
 2015 5.8%
 2020 6.0%
 2030 5.9%
 2040 5.6%

The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.8% in 2083 and beyond. The first year trend reflects assumed increases based on ACA fees. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase. The trends above do not reflect increases in costs due to the excise tax.

Economic Assumptions – Discount

Rate (Liabilities).....3.75%

Demographic Assumptions.....Eligibility:

Disability – Five years of service are required for non-service connected disability.

Retirement – TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits):

- Age 55 with 10 years of service
- 20 years of service

Solid Waste Management Notes to Financial Statements Continued

NOTE 9 LANDFILL CLOSURE AND POST CLOSURE LIABILITIES

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

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

Due to the success of the City’s groundwater pump and treat system, on February 11, 2009, EPA and DOE granted the City’s request to shut down 14 of the Landfill’s 19 groundwater extraction wells.

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 conditions is for the City to fill the Landfill’s remaining open cell and place a permanent cap over it by December 2014, which the City did by late 2013. Remaining closure-related actions at the Landfill are expected to be completed in 2014.

The City’s Finance Department reports \$25,691,232 as landfill closure and post-closure liability at December 31, 2013 based on 100% use of the total capacity of the landfill. This compares to \$27,935,614 at December 31, 2012 based on 100% of capacity. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions.

To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs. The Division has determined that the City satisfies the requirements of 40 CFR Part 258 (f) "Local government financial test". Accordingly, there is no restricted cash reserve as of December 31, 2013 compared to a balance of \$2,780,404 in 2012.

Solid Waste Management Notes to Financial Statements Continued

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 11 LITIGATION AND CLAIMS

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

Solid Waste Management
Notes to Financial Statements Continued

NOTE 12 RECLASSIFICATION AND RESTATEMENT OF PRIOR YEAR

ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES – The Division restated the 2012 financial statements and reclassified certain 2012 account balances to conform to the 2013 presentation in accordance with the GASB 65 pronouncement. The Division now presents sections titled Deferred Outflows of Resources and Deferred Inflows of Resources on its Statements of Net Position with the appropriate items reported. The Division expensed bond issuance costs previously deferred and amortized. The following table shows the restatement of the prior year:

	2012 As Reported	Reclassification	Accounting Restatement	2012 As Restated
Statements of net position:				
Assets				
Other noncurrent assets	\$ 1,649,554	\$ (540,562)	\$ (421,936)	\$ 687,056
Deferred outflows of resources				
Unamortized bond refunding costs	-	540,562	-	540,562
Net position				
Net investment in capital assets	23,087,873		(421,936)	22,665,937
Current liabilities				
Rate stabilization	4,650,000	(4,650,000)	-	-
Deferred inflows of resources				
Rate stabilization	-	4,650,000	-	4,650,000
Statements of revenues, expenses, and changes in net position:				
Amortization of premium, discount, and refunding costs	(40,153)		67,793	27,640
Net position - beginning	23,778,182	-	(489,729)	23,288,453

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The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City, the county seat of Pierce County (the “County”), is located in the west-central part of Washington State near the southern tip of Puget Sound. It is the third largest city in the State with a 2010 US Census population of 198,397. The City is located 32 miles south of Seattle and 28 miles northeast of Olympia, the State capital.

Settled originally because of its natural deep harbor and its abundant natural resources of timber, fish and agriculture, the City is now a world-class port city. Various major downtown redevelopment projects have been undertaken over the last decade, and the City is experiencing a diversification of its economic base. A light rail system connects the Tacoma Dome Station with downtown businesses and passes the University of Washington’s Tacoma campus, museums, the Convention Center and retail businesses.

Following are economic indicators for the City and Pierce County.

Population. The historical population of the City and Pierce County is shown in the following table.

POPULATION CITY OF TACOMA AND PIERCE COUNTY

Year	Tacoma	Pierce County
2014	200,900	821,300
2013	200,400	814,500
2012	199,600	808,200
2011	198,900	802,150
2010	198,397	795,225

Source: Washington State Office of Financial Management estimates

Income. Historic personal income and per capita income levels for the County and the State are shown below:

Year	Pierce County		State of Washington	
	Total Personal Income (in thousands) ⁽¹⁾	Per Capita Income ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Income ⁽²⁾
2013 ⁽³⁾	\$ 36,054,002	\$ 43,982	\$ 332,654,857	\$ 47,717
2012	35,464,135	43,672	324,458,394	47,055
2011	34,038,137	42,368	303,999,485	44,565
2010	32,654,784	41,050	286,862,463	42,547
2009	32,168,659	40,388	280,943,954	42,137

⁽¹⁾ Estimates for 2010-2013 reflect county population estimates available as of March, 2014.

⁽²⁾ Estimates for 2010-2013 use state population estimates released in December, 2013.

⁽³⁾ Most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis County data as of November 20, 2014. State data as of September 30, 2014

Median Household Income. Median household income estimation is based on 1990 and 2000 Census data, and on the Census Bureau's American Community ("BEA") Surveys' estimates for 2006-2010.

Year	Pierce County	State of Washington
2013 ⁽¹⁾	\$ 59,231	\$ 58,577
2012 ⁽²⁾	57,162	56,444
2011	56,114	55,500
2010	55,531	54,888
2009	56,555	55,458

⁽¹⁾ Projected. The Revenue Forecast Council's November 2013 forecast of the state personal income is used in the projection of 2013 median household income.

⁽²⁾ Preliminary estimate. In addition to the state personal income data published by BEA, the payroll data compiled by the state Employment Security Department are used in the preliminary estimates of 2012 median household income.

Source: *Office of Financial Management, October 2014*

Taxable Retail Sales. Taxable retail sales reflect only those sales subject to retail sales tax. Historic taxable retail sales for the County and the City are shown below:

Taxable Retail Sales

	Pierce County	City of Tacoma
2014 ⁽¹⁾	\$ 6,073,097,342	\$ 2,060,135,506
2013	12,189,179,970	4,280,299,042
2012	11,080,670,832	4,046,579,862
2011	10,520,820,885	3,826,546,602
2010	10,624,267,732	3,849,214,140
2009	10,434,800,308	3,803,603,813

⁽¹⁾ Through second quarter 2014. Through second quarter in 2013, taxable retail sales for the County and City, respectively, were \$5,792,922,557 and \$2,045,000,136.

Source: *Washington State Department of Revenue, January, 2015*

Building Permits. The number and valuation of new single-family and multi-family residential building permits in the County are listed below:

Pierce County Residential Building Permits

Year	New Single Family Units		New Multi-Family Units		Total Construction Cost
	Number	Construction Cost	Number	Construction Cost	
2014 ⁽¹⁾	2,197	\$ 614,824,584	1,454	\$ 166,721,792	\$ 781,546,376
2013	2,369	636,063,255	523	53,729,873	689,793,128
2012	2,009	514,883,902	470	47,924,264	562,808,166
2011	1,494	360,963,607	1,072	119,788,982	480,752,589
2010	1,708	398,553,753	192	22,130,123	420,683,876
2009	1,243	243,510,179	804	79,995,681	323,505,860

⁽¹⁾ Through November.

Source: *U.S. Bureau of the Census, January, 2015*

Employment. Major employers located within the County include the following:

**Pierce County
2014 Major Employers**

Employer	Type of Business	Number of Employees
US Joint Base Lewis-McChord	Military	66,054
Local Public Schools	Education	13,408
Multicare Health System	Healthcare	6,904
Washington State	Government	6,455
Franciscan Health System	Healthcare	5,338
Pierce County Government	Government	2,979
Washington State Higher Education	Education	2,566
Fred Meyer Stores	Retail & Distribution	2,560
State Farm Insurance Companies	Insurance	2,206
The City	Government	2,078
Emerald Queen Casino	Gaming	2,061
The Boeing Company	Aerospace Manufacturing	1,670
US Postal Service	Government	1,464
Tacoma Public Utilities	Utility Services	1,334
Wal-Mart	Retail	1,304
Safeway Stores, Inc.	Retail	1,297
Costco	Retail	1,205
YMCA Of Tacoma-Pierce County	Fitness & Recreation	1,057
Comcast Cable*	Media	1,046
Puyallup Tribe	Government	981

* Non responsive to survey. Used 2013 figures.

Source: Tacoma News Tribune, Economic Development Board for Tacoma-Pierce County, September 2014

Employment within the County is described in the following tables.

Civilian Labor Force data is based on household surveys of residents. NAICS data are estimates based on surveys of employers and benchmarked based on covered employment as reported by all employers.

**Pierce County
Nonagricultural Wage & Salary Workers
and Labor Force and Employment Data**

	<u>Annual Average</u>				
	<u>2014⁽¹⁾</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Civilian Labor Force	384,630	379,530	385,730	384,520	390,460
Total Employment	356,690	348,940	351,480	346,830	350,570
Total Unemployment	27,940	30,590	34,250	37,690	39,890
Unemployment Rate	7.3%	8.1%	8.9%	9.8%	10.2%
NAICS INDUSTRY	<u>2014⁽¹⁾</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Nonfarm	288,900	279,300	275,200	272,300	271,000
Total Private	232,500	223,400	218,200	214,500	212,700
Goods Producing	36,000	34,800	33,700	33,000	33,800
Mining and Logging	300	300	300	300	300
Construction	18,000	17,300	16,600	16,300	17,200
Specialty Trade Contractors	11,200	10,900	10,500	10,400	10,900
Manufacturing	17,700	17,200	16,800	16,400	16,300
Service Providing	252,900	244,500	241,500	239,300	237,300
Trade, Transportation, and Utilities	60,000	57,600	56,600	54,900	53,500
Wholesale Trade	12,400	12,000	11,300	11,000	10,900
Retail Trade	34,000	32,400	32,000	31,700	31,300
Food and Beverage Stores	6,100	6,000	5,800	5,600	5,500
General Merchandise Stores	8,900	8,200	8,100	8,000	7,700
Transportation and Utilities	13,600	13,300	13,300	12,200	11,300
Information	3,000	2,900	2,700	2,800	3,000
Financial Activities	13,800	13,600	13,200	12,500	12,000
Professional and Business Services	24,200	23,800	23,400	23,700	23,500
Admin., Support, Waste Mgmt., and Remed.	15,800	14,800	14,200	14,200	13,700
Administrative and Support Services	14,400	13,400	12,900	12,800	12,300
Education and Health Services	52,400	50,400	49,500	49,100	48,900
Ambulatory Health Care Services	14,900	14,500	14,400	14,300	14,000
Hospitals	11,900	11,600	11,100	10,900	10,600
Leisure and Hospitality	29,900	27,400	26,000	25,600	25,400
Food Services and Drinking Places	23,700	21,700	20,500	20,000	19,900
Other Services	13,200	13,000	13,000	12,900	12,600
Government	56,400	55,800	56,900	57,800	58,400
Federal Government	11,300	12,300	12,800	13,200	13,200
Total State Government	11,900	10,700	10,500	10,500	11,200
State Government Educational Services	4,000	3,900	3,700	3,700	3,700
Total Local Government	33,200	32,800	33,600	34,000	34,000
Local Government Educational Services	18,400	17,700	18,100	18,400	18,300
Workers in Labor/Management Disputes	0	0	0	0	0

⁽¹⁾ Data through November.

Source: Washington State Employment Security Department, September 2014

APPENDIX E

BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for ~~[each issue of]~~ the Securities, ~~[each]~~ in the aggregate principal amount of such issue, and will be deposited with DTC. ~~[If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]~~

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

~~[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]~~

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX F

FORM OF GREEN BOND PROJECT REPORT

**CITY OF TACOMA, WASHINGTON
SOLID WASTE REVENUE BONDS, 2015
(GREEN BONDS)**

Date of Issuance: March 18, 2015
CUSIP No.: 87354V__

NOTICE IS HEREBY GIVEN that the City of Tacoma, Washington (the "City") has financed the following projects with proceeds of the above-references bonds (the "Bonds"):

Amount Financed	Project Description
\$	

This notice is being given to provide interested parties information regarding the use of proceeds of the Bonds. [Once all proceeds of the Bonds have been spent, no further updates will be provided.] [All proceeds of the Bonds have been spent. No further updates on the projects or the use of the Bonds will be provided.]

Dated: _____, 20__.

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