

**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
\$15,025,000
SOLID WASTE REVENUE REFUNDING BONDS, 2016B

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Solid Waste Revenue Refunding Bonds, 2016B (the "Bonds"), will be issued as fully registered bonds in the name of Cede & Co., as Registered Owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their interest in the Bonds. See "THE BONDS."

The Bonds bear interest payable semiannually on each December 1 and June 1 to maturity or prior redemption, beginning December 1, 2016. The principal of and interest on the Bonds are payable by the fiscal agent of the state of Washington (the "Bond Registrar"), currently U.S. Bank National Association. For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to DTC participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under Appendix F—"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 to refund on a current basis a portion of the City's outstanding Solid Waste Utility Revenue Refunding Bonds, 2006 Series B, and 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 City's solid waste system (the "System") after payment of the Costs of Maintenance and Operation (as further defined herein, the "Net Revenues"). The lien of the Bonds on Net Revenues is equal to the lien securing the Outstanding Parity Bonds (as defined herein) and superior to any other liens and charges of any kind. The City has reserved the right to issue additional bonds and other obligations on a parity of lien with the Bonds and the Outstanding Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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

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

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

The Bonds are offered by the Underwriter when, as and if issued, subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. A form of the proposed opinion of Bond Counsel is attached hereto as Appendix B. Certain matters will be passed upon for the Underwriter by its 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 ("FAST") on or about September 7, 2016. See "DELAYED DELIVERY OF THE BONDS" for a discussion regarding the delayed delivery of the Bonds, certain conditions to the obligation of the Underwriter to purchase the Bonds and certain risks to Registered Owners of the Bonds resulting from the delayed delivery thereof.

J.P.Morgan

CITY OF TACOMA, WASHINGTON

\$15,025,000
SOLID WASTE REVENUE REFUNDING BONDS, 2016B

MATURITY SCHEDULE

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP⁽¹⁾ Nos.
2026	\$ 2,635,000	5.00%	2.39%	122.542 ⁽²⁾	87354VAR1
2027	2,770,000	5.00	2.51	121.380 ⁽²⁾	87354VAS9
2028	2,905,000	5.00	2.57	120.804 ⁽²⁾	87354VAT7
2029	3,050,000	5.00	2.62	120.326 ⁽²⁾	87354VAU4
2030	3,205,000	5.00	2.65	120.041 ⁽²⁾	87354VAV2
2031	460,000	5.00	2.70	119.567 ⁽²⁾	87354VAW0

⁽¹⁾ 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.

⁽²⁾ Priced to the par call date of June 1, 2026.

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
Ryan Mello	Deputy Mayor	December 31, 2019
Victoria Woodards	Councilmember	December 31, 2017
Keith Blocker	Councilmember	December 31, 2019
Anders Ibsen	Councilmember	December 31, 2019
Robert Thoms	Councilmember	December 31, 2017
Marty Campbell	Councilmember	December 31, 2017
Joe Lonergan	Councilmember	December 31, 2017
Connor McCarthy	Councilmember	December 31, 2019

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

Bond Registrar

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

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

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter 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 Underwriter. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

\$15,025,000

SOLID WASTE REVENUE REFUNDING BONDS, 2016B

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 Refunding Bonds, 2016B (the “Bonds”).

The Bonds are to be issued pursuant to Ordinance No. 28356, passed by the City Council (the “Council”) on April 26, 2016 (the “Bond Ordinance”), and under and in accordance with the City Charter and the laws and provisions of the State, including chapters 39.46, 35.92 and 39.53 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.”

The City sold its Solid Waste Revenue Refunding Bonds, 2016A (the “2016A Bonds”) pursuant to the Bond Ordinance in the aggregate principal amount of \$23,200,000 on May 4, 2016, with an expected delivery date of on or about June 15, 2016. The 2016A Bonds are being issued to provide the funds necessary to advance refund and defease a portion of the City’s outstanding Solid Waste Utility Revenue Bonds, 2006 Series A, and to pay costs of issuance of the 2016A Bonds. The 2016A Bonds are not offered pursuant to this Official Statement.

The Bonds will not be delivered until on or about September 7, 2016 (the “Date of Delivery”). The delay in the issuance and delivery of the Bonds may have significant consequences to the purchasers of the Bonds. The market value of the Bonds on the Date of Delivery is likely to be greater or less than the respective initial offering prices thereof, and the difference may be substantial. Several factors may adversely affect the market price of the Bonds, including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, threatened or adopted changes in federal tax laws affecting the relative benefits of owning tax-exempt securities instead of other types of investments, such as fully taxable obligations, or adverse development with respect to the City or with respect to the security for the Bonds. See “DELAYED DELIVERY OF THE BONDS.”

This Official Statement provides information concerning the City, the Bonds, the 2016A 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 Costs of Maintenance and Operation (as further defined herein, the “Net Revenues”). The Bonds are issued with a lien on Net Revenues on a parity with the following System obligations (the “Outstanding Parity Bonds”):

- Solid Waste Utility Revenue Bonds, 2006 Series A (the “2006A Bonds”) currently outstanding in the aggregate principal amount of \$27,960,000, of which \$515,000 will remain outstanding after the issuance of the 2016A Bonds and the refunding of a portion of the 2006A Bonds;
- Solid Waste Utility Revenue Refunding Bonds, 2006 Series B (the “2006B Bonds,” and together with the 2006A Bonds, the “2006 Bonds”) currently outstanding in the aggregate principal amount of \$20,290,000, of which \$1,770,000 will remain outstanding after the issuance of the Bonds and the refunding of a portion of the 2006B Bonds;
- Solid Waste Utility Revenue Refunding Bonds, 2008 (the “2008 Bonds”) currently outstanding in the aggregate principal amount of \$5,230,000; and

- Solid Waste Revenue Bonds, 2015 (Green Bonds) (the “2015 Bonds”) currently outstanding in the aggregate principal amount of \$21,095,000.

After the issuance of the Bonds and the 2016A Bonds and the refunding of a portion of the 2006 Bonds, the City expects that the Outstanding Parity Bonds will include the remaining 2006 Bonds, the 2008 Bonds, the 2015 Bonds and the 2016A 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, the 2016A Bonds, and any Future Parity Bonds are collectively referred to herein as the “Parity Bonds.”

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

THE BONDS

General

The Bonds will be dated their date of delivery and will be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof within a maturity. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement and will bear interest from their date, payable on December 1, 2016 and semiannually thereafter on June 1 and December 1 of each year until maturity or prior redemption, at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

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

Bond Registrar

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

To pay the principal of and interest on the Bonds when due, the City will remit money from the City’s Solid Waste Revenue Bond Fund (the “Bond Fund”) to the Bond Registrar. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Fund” herein. The Bond Registrar is obligated to remit such payments only to DTC, which, in turn, is obligated to remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds as described in Appendix F—“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 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, 2026 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 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 at any time to purchase any of the Bonds from amounts available for such purpose.

Defeasance

In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable "Government Obligations," as defined 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 Bonds are being issued to provide the funds necessary to refund on a current basis a portion of the City's outstanding 2006B Bonds to modify the debt service schedule and restructure the 2006B Bonds, and to pay costs of issuance of the Bonds.

The 2016A Bonds are being issued to provide the funds necessary to advance refund and defease a portion of the City's outstanding 2006A Bonds to modify the debt service schedule and restructure the 2006A Bonds, and to pay costs of issuance of the 2016A Bonds. The 2016A Bonds are not offered pursuant to this Official Statement.

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Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of the Bonds	\$ 15,025,000
Original Issue Premium	3,142,829
Reserve Fund Contribution	945,608
Total Sources:	\$ 19,113,437
Uses of Funds	
Escrow Deposit	\$ 18,983,000
Costs of Issuance ⁽¹⁾	130,437
Total Uses:	\$ 19,113,437

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

Refunding Plan

The City will use a portion of the proceeds of the 2016A Bonds to advance refund and defease all of the following callable maturities of the 2006A Bonds (as identified below, the "2006A Refunded Bonds").

2006A Refunded Bonds

Maturity Years (December 1)	Principal Amounts	Interest Rates	Call Date (100% of Par)	CUSIP Numbers
2017	\$ 540,000	4.50%	12/01/2016	87354NCY2
2018	3,615,000	5.00	12/01/2016	87354NCZ9
2019	3,795,000	5.00	12/01/2016	87354NDA3
2022	3,525,000	5.00	12/01/2016	87354NDB1
2023	3,705,000	5.00	12/01/2016	87354NDC9
2024	3,890,000	5.00	12/01/2016	87354NDD7
2025	4,085,000	5.00	12/01/2016	87354NDE5
2026	4,290,000	5.00	12/01/2016	87354NDF2

The City will use a portion of the proceeds of the Bonds to refund on a current basis all of the following callable maturities of the 2006B Bonds (as identified below, the "2006B Refunded Bonds" and together with the 2006A Refunded Bonds, the "Refunded Bonds").

2006B Refunded Bonds

Maturity Years (December 1)	Principal Amounts	Interest Rates	Call Date (100% of Par)	CUSIP Numbers
2017	\$ 1,865,000	5.00%	12/01/2016	87354NDM7
2018	1,950,000	5.00	12/01/2016	87354NDN5
2019	2,055,000	5.00	12/01/2016	87354NDP0
2020	6,170,000	5.00	12/01/2016	87354NDQ8
2021	6,480,000	5.00	12/01/2016	87354NDR6

A portion of the proceeds of the Bonds will be escrowed to the redemption date for the Refunded Bonds on December 1, 2016, at which time the Refunded Bonds will be redeemed at a price of par plus accrued interest to the redemption date.

From a portion of the proceeds of the Bonds and the 2016A Bonds, the City will purchase certain direct non-callable United States Government Obligations (“Acquired Obligations”). These Acquired Obligations will be deposited in the custody of U.S. Bank National Association, Seattle, Washington (the “Escrow Agent”). The maturing principal of the Acquired Obligations purchased with proceeds of the 2016A Bonds, interest earned thereon, and necessary cash balance, if any, will provide payment of interest and principal on the 2006A Refunded Bonds when due up and including the redemption date, and on such date the redemption price of the 2006A Refunded Bonds. The Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the 2006A Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the City and the Escrow Agent. Likewise, the maturing principal of the Acquired Obligations purchased with proceeds of the Bonds, interest earned thereon, and necessary cash balance, if any, will provide payment of interest and principal on the 2006B Refunded Bonds when due up and including the redemption date, and on such date the redemption price of the 2006B Refunded Bonds. The Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the 2006B Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the City and the Escrow Agent.

Verification of Mathematical Calculations

Causey Demgen & Moore P.C. will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Acquired Obligations, to be placed together with other escrowed money in the escrow account to pay when due, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds. The verification will also confirm the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” as defined by Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”).

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues

The City has pledged the Gross Revenues, after payment of the Costs of Maintenance and Operation, to the payment of the Parity Bonds. The amounts pledged to be paid into the Bond Fund are a prior lien and charge upon Gross Revenues superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation and except that the amounts so pledged are of equal lien to the charges made to pay and secure the payment of the principal of and interest on any Future Parity Bonds and certain reimbursement obligations of the City with respect to the Reserve Fund.

State law provides that the owner of a bond, such as the Bonds, the payment of which is pledged from a special fund has a claim only against that fund and proportionate amounts of revenue pledged to that fund. Under State law, any bond owner may bring 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 Gross Revenues less the Costs of Maintenance and Operation, excluding from the computation of Gross Revenues any proceeds derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the System or gains or losses resulting from the early extinguishment of debt.

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

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

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

Flow of Funds

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

First, to pay the Costs of Maintenance and Operation;

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

- (a) into the Debt Service Account to pay the interest due on any Parity Bonds for which money shall not have been provided by income from the investment of money in the Bond Fund;
- (b) to make all payments required to be made into the Debt Service Account to pay the principal of any Parity Bonds due at maturity for which money shall not have been provided by income from the investment of money in the Bond Fund, and to make all payments heretofore or hereafter required to be made into the Debt Service Account under any schedule for the amortization of Term Bonds;
- (c) to make all payments required to be made pursuant to a reimbursement obligation in connection with a Qualified Letter of Credit or Qualified Insurance with respect to the Reserve Fund, and *after the 2006 Bonds and the 2008 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 to secure the payment of any Covered Bonds, and *after the 2006 Bonds and the 2008 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. The Debt Service Account has been created in the Bond Fund for the purpose of paying the interest on, principal of or Sinking Fund Requirement for any Parity Bonds. As long as any Parity Bonds remain outstanding, the City is obligated to set aside and pay from the Solid Waste Operating Fund into the Debt Service Account those amounts necessary, with such other funds as are then on hand and available in the Debt Service Account, to pay the interest on, the principal of and the Sinking Fund Requirements for all outstanding Parity Bonds when due, at maturity or by mandatory redemption.

Reserve Fund. The Reserve Fund has been established in the Bond Fund to serve as a common reserve securing the repayment of (a) the Outstanding Parity Bonds, (b) *so long as the 2006 Bonds and the 2008 Bonds remain outstanding*, the Bonds, (c) *after all of the 2006 Bonds and 2008 Bonds are fully redeemed, refunded or defeased*, the Bonds, unless and until the City determines pursuant to the Bond Ordinance that the Bonds are no longer to be Covered Bonds secured by the Reserve Fund, and (d) those Future Parity Bonds designated in the Parity Bond Ordinance authorizing their issuance as Covered Bonds secured by the Reserve Fund (the "Covered Bonds"). *After the 2006 Bonds and the 2008 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 other Parity Bonds.

The Bonds shall initially be issued as Covered Bonds and the payment of the principal of and interest on the Bonds shall initially be secured by the Reserve Fund. ***After the 2006 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, the City, in its sole discretion, may create a separate reserve fund and establish a separate Reserve Fund Requirement, if any, to secure the payment of the principal of and interest on the Bonds. If the City determines to create a separate reserve fund and establish a Reserve Fund Requirement for the Bonds, from such date the Bonds will no longer be Covered Bonds and the payment of the principal of and interest on the Bonds will no longer be secured by the Reserve Fund. The new Reserve Fund Requirement for the Bonds shall be equal to the amount, if any and which may be zero, specified in a certificate of the City Finance Director, Treasurer and Environmental Services Director.*** The City has agreed in the Bond Ordinance to provide notice of any such separate reserve fund and corresponding Reserve Fund Requirement for the Bonds in the same manner as a listed event notice that would be required upon the occurrence of a material "release, substitution, or sale of property securing repayment of the Bonds" as provided under "CONTINUING DISCLOSURE UNDERTAKING."

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 2006 Bonds and the 2008 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 2006 Bonds and the 2008 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 either the Parity Bond Ordinance authorizing the issuance of such Parity Bonds or in a certificate of the Finance Director, Treasurer, and Environmental Services Director; provided, however, such Reserve Fund Requirement shall not exceed the Maximum Reserve Requirement.

“Annual Debt Service” means the amount required in any calendar year to be paid for the principal of and interest on all Parity Bonds that are Serial Bonds then outstanding together with the amount required in such calendar year to make the annual required payments into any Sinking Fund Account heretofore or hereafter created to amortize Term Bonds, excluding interest to be paid from the proceeds of the sale of Parity Bonds, calculated as provided in the Bond Ordinance.

The cash balance in the Reserve Fund as of March 1, 2016 was \$8,889,912. The City expects that the current balance of cash and investments will be sufficient to satisfy the Reserve Fund Requirement on the date of issuance of the Bonds (\$6,134,888). Any excess funds on deposit in the Reserve Fund on the date of issuance of the Bonds will be contributed to the refunding of the 2006B Refunded Bonds. See “USE OF PROCEEDS—Sources and Uses of Funds.”

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 2006 Bonds and the 2008 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 March 1, 2016, 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 2006 Bonds and the 2008 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 2006 Bonds and the 2008 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 2006 Bonds and the 2008 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 made on parity

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

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

Reimbursement Obligations

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

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

Additional Terms of the Bond Ordinance; Springing Amendments

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.

The Bond Ordinance also includes including certain springing provisions that will take effect after the 2006 Bonds and the 2008 Bonds are no longer outstanding. The outstanding 2006 Bonds and 2008 Bonds have final maturity dates of December 1, 2016 and December 1, 2017, respectively. The City retains the right at any time to defease and/or redeem the outstanding 2006 Bonds and 2008 Bonds. As a result, the springing amendments contained in the Bond Ordinance may become effective while the Bonds are outstanding. By purchase of the Bonds, the owners of the Bonds shall be deemed to have consented to these springing amendments.

DEBT INFORMATION

Description of Outstanding Parity Bonds

Following the issuance of the Bonds and the 2016A Bonds and the refunding of the Refunded Bonds, the City expects to have the following Parity Bonds outstanding.

Series	Dated Date	Maturity Date (December 1)	Authorizing Ordinance	Original Principal Amount	Outstanding Principal Amount
2006A ⁽¹⁾	07/12/2006	2016	27489 ⁽²⁾	\$ 29,385,000	\$ 515,000
2006B ⁽¹⁾	09/26/2006	2016	27489 ⁽²⁾	22,315,000	1,770,000
2008	09/05/2008	2017	27736	12,055,000	5,230,000
2015 Bonds	03/18/2015	2025	28279	21,095,000	21,095,000
2016A Bonds	06/15/2016	2036	28356	23,200,000	23,200,000
The Bonds	09/07/2016	2036	28356	15,025,000	15,025,000
Total				\$ 123,075,000	\$ 66,835,000

⁽¹⁾ After the refunding of the Refunded Bonds, the December 1, 2016 maturity will remain outstanding.

⁽²⁾ As amended by Ordinance No. 27492 and by Substitute Ordinance No. 27523.

⁽³⁾ The City sold the 2016A Bonds pursuant to the Bond Ordinance in the aggregate principal amount of \$23,200,000 on May 4, 2016, with an expected delivery date of on or about June 15, 2016. The 2016A Bonds are being issued to provide the funds necessary to refund all of the 2006A Refunded Bonds. See “USE OF PROCEEDS—Refunding Plan.” The 2016A Bonds are not offered pursuant to this Official Statement.

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Schedule of Parity Bond Debt Service

The following table shows the scheduled debt service for the Outstanding Parity Bonds, the 2016A Bonds, and the Bonds, excluding all of the Refunded Bonds. Amounts in the following table have been rounded to the nearest dollar.

SCHEDULE OF PARITY BOND DEBT SERVICE

Year ⁽³⁾	Outstanding Parity Bonds ⁽¹⁾		2016A Bonds ⁽²⁾		The Bonds		Total ⁽⁴⁾
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 4,830,000	\$ 2,497,731	—	\$ 493,712	—	\$ 175,292	\$ 7,996,735
2017	4,645,000	1,092,588	—	1,070,700	—	751,250	7,559,538
2018	2,060,000	840,200	—	1,070,700	—	751,250	4,722,150
2019	2,160,000	737,200	—	1,070,700	—	751,250	4,719,150
2020	2,270,000	629,200	—	1,070,700	—	751,250	4,721,150
2021	2,315,000	583,800	—	1,070,700	—	751,250	4,720,750
2022	2,410,000	491,200	—	1,070,700	—	751,250	4,723,150
2023	2,530,000	370,700	—	1,070,700	—	751,250	4,722,650
2024	2,630,000	269,500	—	1,070,700	—	751,250	4,721,450
2025	2,760,000	138,000	—	1,070,700	—	751,250	4,719,950
2026	—	—	—	1,070,700	\$ 2,635,000	751,250	4,456,950
2027	—	—	—	1,070,700	2,770,000	619,500	4,460,200
2028	—	—	—	1,070,700	2,905,000	481,000	4,456,700
2029	—	—	—	1,070,700	3,050,000	335,750	4,456,450
2030	—	—	—	1,070,700	3,205,000	183,250	4,458,950
2031	—	—	\$ 2,905,000	1,070,700	460,000	23,000	4,458,700
2032	—	—	3,675,000	925,450	—	—	4,600,450
2033	—	—	3,855,000	741,700	—	—	4,596,700
2034	—	—	4,050,000	548,950	—	—	4,598,950
2035	—	—	4,250,000	346,450	—	—	4,596,450
2036	—	—	4,465,000	133,950	—	—	4,598,950
Total⁽³⁾	\$28,610,000	\$7,650,119	\$23,200,000	\$19,250,712	\$ 15,025,000	\$ 9,330,292	\$103,066,122

(1) Includes the remaining 2006 Bonds, the 2008 Bonds, and the 2015 Bonds. Excludes the Refunded Bonds.

(2) The City sold the 2016A Bonds pursuant to the Bond Ordinance in the aggregate principal amount of \$23,200,000 on May 4, 2016, with an expected delivery date of on or about June 15, 2016. The 2016A Bonds are being issued to provide the funds necessary to refund all of the 2006A Refunded Bonds. See "USE OF PROCEEDS—Refunding Plan." The 2016A Bonds are not offered pursuant to this Official Statement.

(3) Based on Fiscal Years ending December 31.

(4) Totals may not foot due to rounding.

Subordinate Lien Obligations

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

Debt Payment Record

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

Future Financing

Other than the Bonds and the 2016A Bonds, the City has no authorized but unissued bonds secured by Net Revenues outstanding. The City does not expect to issue bonds secured by Net Revenues in the next 12 months.

THE SYSTEM

General Information

The System has provided mandatory solid waste collection and disposal services for City residents and commercial and industrial entities since 1929. In 1990, the City expanded the System to include curbside pickup of residential and commercial recyclables and residential yard and garden waste. The current System serves the entire area within the City limits, with a 2015 population of approximately 202,300 persons and an area of approximately 62 square miles within the City limits, including approximately 12 miles of saltwater areas.

The System is managed by the Solid Waste Management division of the City's Environmental Services Department (the "Department"). Solid Waste Management is presented as an enterprise fund within the Department under the provisions of the City Charter and is included in the City's 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 consists of curbside pickup and disposal of waste. Minimum residential and commercial service is mandatory. Residential customers may transport additional waste directly to the City's transfer station and pay for disposal of that waste. The System also provides collection and disposal services for commercial customers. Some of these commercial customers have been issued special permits to self-haul their own solid waste, which must be disposed of at City facilities.

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% reduction in carbon dioxide emissions from the City's vehicle collection fleet).

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

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

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

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

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

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, 2017, with annual permit renewals. The permit allows the City to operate the transfer station, household hazardous waste collection and recycling facilities and maintain the Tacoma Landfill, all within the existing footprint on the property. The TPCHD has not issued any violations of this permit. The System is also subject to several other permits, including an Industrial General Stormwater Permit, Puget Sound Clean Air Agency permits for landfill flares, and Mobile Fueling permits.

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

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

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

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

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

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

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 \$18,851,206 as landfill closure and post-closure liability as of December 31, 2015, based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$25,720,100 at December 31, 2014, based on 100% of capacity. The present value of future post closure costs decreased by \$5,936,544 in 2015 primarily due to incurring a one-time cost in 2015 rather than annual cover maintenance as was previously projected. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations. 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 and Appendix D for more information regarding the Tacoma Landfill.

Long-Haul System. The City uses its own employees and vehicles to transport garbage to the 304th Street Landfill (the "LRI Landfill") located in Pierce County, Washington, 26 miles south of the Tacoma Recovery & Transfer Center. The LRI Landfill is owned by Pierce County Recycling, Composting and Disposal, LLC (d/b/a Land Recovery Inc.) ("LRI"), which is owned by Waste Connections, Inc. The City's disposal contract with LRI runs through February 4, 2020, and may be extended 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 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. 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 2015, the average rate per ton was estimated to be \$31.84.

Recycling Contract. In 2004, the City entered into a ten-year contract with JMK Fibers LLC (“JMK”), which is now owned by Waste Management, Inc., to sort and market recycled material for the City. The contract was extended in 2014 for an additional two-year term and is currently under negotiation to extend for an additional three to five years. 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 Waste Management’s sale of recyclables. Estimated average gross sales revenue was \$38.49 per ton in 2014 and \$10.86 per ton in 2015. 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, and the average cost per ton to process in 2015 was \$25.53. Historically, market values of recyclables have varied widely and the System has been and is expected to continue to be able to cope with the fluctuations in revenues.

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, has been further extended until 2020 and is eligible for another extension of five years. 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. In lieu of a revenue percentage, the City opted to receive finished compost product at no charge. The contractual arrangement allows the City to receive 5,000 cubic yards of compost per year, at a value of over \$50,000. The City anticipates selling the compost to the public as part of the line of Tagro products.

Waste Disposal History

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

	DISPOSAL VOLUME BY WEIGHT (TONS)				
	2011	2012	2013	2014	2015⁽¹⁾
Solid Waste	161,460	156,613	156,358	161,909	169,351
Recycling	24,941	25,752	26,091	28,002	28,251
Yard Waste	28,236	35,667	33,253	32,703	31,053
Total	214,637	218,032	215,702	222,614	228,655

⁽¹⁾ Estimated.

Source: City of Tacoma Environmental Services Department

Municipal solid waste for the year 2015 was disposed of as follows:

	DISPOSAL METHODS (000's)	
	Tonnage	Percent of Total
Hauled to Landfills	169,351	74%
Recycling and Composting	59,304	26
Total	228,655	100%

Source: City of Tacoma Environmental Services Department

Rates and Charges and Billing

Rates charged by the System are not subject to control by any federal or State agency. The establishment of rates for collection and disposal services (using City-owned and City-operated vehicles) is within the exclusive jurisdiction of the Council, subject to a requirement of State law that fair and nondiscriminatory rates must be fixed to produce revenue adequate to pay for operation and maintenance and to meet all debt service requirements payable from such revenue. Rate ordinances must be approved by a minimum of five affirmative votes of the nine-member Council.

Since 1994, the Department has increased public participation in the rate setting process through the group known as the Environmental Services Commission (“ESC”). The ESC provides the City Manager and Council with a full description of issues, concerns and perspectives associated with proposed rate increases from the customers’ viewpoint. The ESC consists of 13 voting representatives of industry groups, large industrial customers, other local government customers, and residential customers. In addition to the 13 voting members, the ESC includes two non-voting members representing the State Department of Ecology and the Tacoma Pierce County Health Department. 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 as well as disposal and tipping fees for self-haul customers sufficient to operate and maintain the System and meet all of its payment obligations. Residential curbside customers are charged a fixed rate determined by the size of the garbage container. Recycling and food/yard waste services are included in the monthly fee. Commercial customers are also charged a fixed rate determined by the size of the garbage container, and pay an additional fee for recycling, yard waste and food waste collection. Commercial customers include multi-family residences larger than duplexes, commercial establishments and industrial customers.

The City 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 for each of the years 2017 through 2020 are projected but have not been adopted by the Council. Rates for 2017 and 2018 will be determined during the City’s 2016 biennial budget process. See “Historical and Projected Rate Adjustments” below.

Collection and Disposal Services. The 2016 monthly rates for collection and disposal services are shown in the following table.

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

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

⁽¹⁾ Monthly rates shown include utility taxes. Rates became effective January 1, 2016.

⁽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⁾**

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

⁽¹⁾ Rates shown include utility taxes. Rates became effective January 1, 2016.

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

Source: City of Tacoma Environmental Services Department

Historical and Projected Rate Adjustments. The following table shows the revenue rate increases from average rate adjustments across customer classes as adopted by the Council for the years 2010 through 2016 and as projected 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.

HISTORICAL AND PROJECTED AVERAGE RATE ADJUSTMENTS

Year	Average Rate Increase
2010	5.0%
2011	2.8
2012	2.8
2013	0.0
2014	0.0
2015	3.8
2016	3.8
2017*	3.0 - 5.0
2018*	3.0 - 5.0
2019*	2.0 - 4.0
2020*	2.0 - 4.0

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

Source: City of Tacoma Environmental Services Department

Comparative Rates

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

**COMPARISON OF MONTHLY RESIDENTIAL COLLECTION/DISPOSAL CHARGES
(WEEKLY SERVICE)
(as of January 1, 2016)**

<u>City</u>	<u>Provider</u>	<u>30-Gallon⁽¹⁾</u>	<u>60-Gallon⁽¹⁾</u>
Tacoma	City	\$40.75	\$81.50
Seattle ⁽²⁾	Contract	55.70	89.70
Olympia ⁽²⁾	City	42.40	63.56
Spokane ⁽²⁾	City	31.58	44.68
Vancouver ⁽²⁾	Contract	38.48	52.46
Bellevue	Contract	21.28	28.27

⁽¹⁾ Collection schedule is normalized to weekly services.

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

Source: *City of Tacoma Environmental Services Department*

Commercial. The table below shows the monthly charges for comparable weekly service for the four and eight cubic yard fork boxes, which were two of the largest individual revenue generators for the System in 2015.

**COMPARISON OF COMMERCIAL NON COMPACTED FRONT LOAD CHARGES
MONTHLY RATE (WEEKLY PICKUP)
(as of January 1, 2016)**

<u>City</u>	<u>Provider</u>	<u>Four Cubic Yard</u>	<u>Eight Cubic Yards</u>
Tacoma	City	\$354.85	\$610.25
Seattle	Contract	576.84	1,057.47
Vancouver	Contract	282.22	507.99
Bellevue	Contract	264.48	414.77
Olympia ⁽¹⁾	City	340.77	n/a

⁽¹⁾ Does not offer a choice of an eight cubic yard container. The largest container available is six cubic yards.

Source: *City of Tacoma Environmental Services Department*

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Tipping Fees. The tipping fee for solid waste disposed at the Tacoma Recovery & Transfer Center is \$6.50 per 100 pounds, equivalent to \$130 per ton, which is comparable to nearby jurisdictions cited in the table below. Residential customers are charged a minimum fee of \$20, which covers the first 400 pounds.

**COMPARISON OF DISPOSAL TIPPING FEES
(as of January 1, 2016)**

<u>Jurisdiction/Hauler</u>	<u>Per Ton</u>
Tacoma	\$130.00
Pierce County	144.97
City of Seattle	145.00
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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Residential	53,648	53,650	53,819	54,462	54,767
Commercial	4,803	4,867	4,823	4,846	5,495
Total Customers	58,451	58,517	58,642	59,308	60,262

⁽¹⁾ Increase in commercial customers in 2015 resulted from a variety of factors, including reclassifying approximately 400 residents of the Tacoma Housing Authority from residential to commercial.

Source: City of Tacoma Environmental Services Department

The System’s ten largest customers for 2015 are shown in the following table.

TOP TEN CUSTOMERS - 2015

<u>Customer Name</u>	<u>Amount</u>	<u>Percent of 2015 Gross Revenues⁽¹⁾</u>
Multicare Health Systems	\$ 552,455	0.94%
St. Joseph Medical	484,951	0.83
The City	464,959	0.79
Puyallup Tribe	408,361	0.70
Goodwill	398,235	0.68
Tacoma School District	397,092	0.68
Tacoma Housing Authority-Salishan	322,692	0.55
Westridges Apts	293,034	0.50
Westrock	232,765	0.40
Fred Meyer Stores	222,619	0.38
Total Revenue	\$ 3,777,163	6.43%

⁽¹⁾ Based on audited 2015 Gross Revenues in the amount of \$58,737,840. The System’s ten largest customers for 2014 accounted for approximately 6.2% of audited 2014 Gross Revenues in the amount of \$56,751,038. See “HISTORICAL FINANCIAL RESULTS.”

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 2016 through 2020. The source of funding is expected to be available Net Revenues, proceeds of the 2015 Bonds, and other available sources.

CAPITAL IMPROVEMENT PROGRAM (\$000s)						
Item: ⁽¹⁾	2016	2017	2018	2019	2020	Total
Environmental remediation	\$ 1,543	\$ 224	\$ 200	\$ 208	\$ 281	\$ 2,455
Equipment	9,251	3,068	3,190	1,755	1,825	19,089
Containers	2,056	1,444	1,501	1,561	1,624	8,187
Facilities	2,828	1,643	3,096	1,111	304	8,982
Special projects	425	120	124	129	135	933
Capitalized labor, interest and other ⁽²⁾	747	556	452	225	511	2,492
Total	\$ 16,849	\$ 7,054	\$ 8,564	\$ 4,990	\$ 4,680	\$ 42,137
Funding:						
Parity Bonds ⁽³⁾	\$ 14,369	\$ 1,150	—	—	—	\$ 15,519
Operating Revenues	2,481	5,904	\$ 8,564	\$ 4,990	\$ 4,680	26,619
Total	\$ 16,849	\$ 7,054	\$ 8,564	\$ 4,990	\$ 4,680	\$ 42,137

(1) Capital costs are derived from projected annual needs in current dollars, and are inflated by 4% per year for each of the years 2017 through 2020. Totals may not foot due to rounding.

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

(3) Capital improvements in 2016 and 2017 will be financed with proceeds of the 2015 Bonds.

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⁾

	2011	2012	2013	2014	2015
Current Assets	\$ 43,999	\$ 43,228	\$ 32,485	\$ 33,583	\$ 49,925
Cash	6,185	6,231	6,348	5,972	5,760
Customer accounts receivable	117	26	107	498	139
Due from other funds	143	143	0	0	131
Due from other governments	50,444	49,628	38,940	40,053	55,955
Total Current Assets					
Capital Assets					
Assets in service	181,074	182,067	190,418	190,802	197,322
Construction work in progress	1,611	243	1,302	550	419
Allowance for depreciation	(93,613)	(98,044)	(103,586)	(109,272)	(112,595)
Total Capital Assets	89,072	84,266	88,134	82,080	85,146
Other Noncurrent Assets					
Other	687	687	687	687	1,217
Total Assets	140,203	134,581	127,761	122,820	142,318
Deferred Outflows of Resources					
Unamortized bond refunding costs	855	541	293	218	143
Pension ⁽²⁾	0	0	0	0	1,257
Total Deferred Outflows of Resources	855	541	293	218	1,400
Total Assets and Deferred Outflows of Resources	\$ 141,058	\$ 135,122	\$ 128,054	\$ 123,038	\$ 143,718
Current Liabilities					
Accounts payable	\$ 3,252	\$ 1,844	\$ 1,655	\$ 1,241	\$ 2,211
Accrued wages, severance, and compensated absences payable	742	658	759	796	320
Accrued taxes payable	680	614	612	665	587
Due other funds	723	685	722	1,168	647
Unearned revenue	187	212	160	166	26
Current portion of long-term debt	2,154	2,388	2,828	4,203	4,428
Current portion of capital lease ⁽²⁾	139	144	151	121	126
Environment liabilities	334	0	186	907	605
Total Current Liabilities	8,211	6,545	7,073	9,267	8,950
Liabilities payable from Restricted Assets					
Deposits payable	54	62	70	91	93
Bond interest payable	284	272	260	246	304
Current portion of long-term debt	196	217	257	382	402
Accrued landfill closure costs	2,457	3,000	0	0	0
Total Liabilities Payable from Restricted Assets	2,991	3,551	587	719	799
Noncurrent Liabilities:					
Revenue bonds payable	63,755	61,150	58,065	53,480	69,745
Unamortized premium	2,058	1,710	1,366	1,058	3,555
Unamortized discount	(5)	0	0	0	0
Capital lease obligation ⁽³⁾	7,156	7,012	6,861	5,196	5,070
Accrued landfill closure and post closure costs	26,955	24,936	25,505	24,813	18,246
Compensated absences	1,088	1,032	1,109	1,061	994
Net OPEB obligation	910	1,101	1,418	1,707	1,922
Total Noncurrent Liabilities	101,917	96,941	94,324	87,315	99,532
Total Liabilities	113,119	107,037	101,984	97,301	109,281
Deferred Inflows of Resources					
Rate Stabilization	4,650	4,650	6,000	6,000	6,000
Pension ⁽²⁾	0	0	0	0	559
Total Deferred Inflows of Resources	4,650	4,650	6,000	6,000	6,559
Net Position					
Net investment in capital assets	28,152	22,666	28,488	27,571	29,325
Restricted for bond reserves and net pension asset	1,850	1,624	1,728	6,780	7,310
Unrestricted	(6,713)	(855)	(10,146)	(14,614)	(8,757)
Total Net Position	23,289	23,435	20,070	19,737	27,878
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 141,058	\$ 135,122	\$ 128,054	\$ 123,038	\$ 143,718

Footnotes to table are on the following page.

- (1) Information for years 2011 through 2015, inclusive, is based on audited financial statements. Data for years 2011 and 2012 has been restated to reflect implementation of Governmental Accounting Standards Board (“GASB”) 65. Figures in table have been rounded.
- (2) Information for 2015 reflects implementation of GASB 68. See “Management Discussion of Results” below, “THE CITY OF TACOMA—Pension,” and Appendix D for additional information on GASB 68.
- (3) 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 (the “TES Bonds”) 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 and Appendix D. The City will issue sewer revenue refunding bonds (the “2016 Sewer Bonds”) on or around June 15, 2016 to refund the TES Bonds for debt service savings. The City expects to continue this allocation for payment of debt service due on the 2016 Sewer Bonds.

Source: *City of Tacoma Environmental Services Department*

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

	2011	2012	2013	2014	2015
Operating Revenues					
Residential service	\$ 26,115	\$ 26,871	\$ 25,498	\$ 24,792	\$ 25,223
Commercial service	23,121	23,047	22,936	24,027	25,307
Disposal only	4,662	4,564	5,149	6,002	7,254
Total revenues from rates	53,898	54,482	53,583	54,821	57,784
Revenue from recycling and salvage	2,225	1,358	1,486	1,057	466
Other	885	891	850	873	488
Total Operating Revenues⁽²⁾	57,008	56,731	55,919	56,751	58,738
Operating Expenses⁽³⁾					
Commercial Collection	3,743	3,961	4,262	4,241	4,136
Onsite Operations	9,429	12,076	7,109	7,750	7,585
Residential Collection	10,711	11,100	12,092	9,231	8,786
Resource Recovery	415	243			
Support Services	8,352	8,931	9,688	10,276	10,474
Other collection services	4,667	5,684	10,936	11,894	12,636
Total Operating Expenses	37,317	41,995	44,087	43,392	43,617
Net Operating Revenue	19,691	14,736	11,832	13,359	15,121
Non-operating revenues ⁽⁴⁾	2,069	1,152	495	967	756
Non-operating expense ⁽⁵⁾	(43)	0	(2)	0	0
Revenue Available for Debt Service	\$ 21,717	\$ 15,888	\$ 12,325	\$ 14,326	\$ 15,877
Parity Bond Debt Service	\$ 7,687	\$ 5,753	\$ 5,867	\$ 6,204	\$ 8,195
Parity Bond Debt Service Coverage Ratio					
After Rate Stabilization	2.83	2.76	2.10	2.31	1.94
Before Rate Stabilization	—	—	2.33	—	—

- (1) Information for years 2011 through 2015, inclusive, is based on audited financial statements. Figures in table have been rounded.
- (2) Operating revenues for 2013 were reduced by \$1,350,000 due to the transfer to the Rate Stabilization Fund. Revenues were reduced by service on a pro-rata basis.
- (3) Operating expenses exclude depreciation and Tacoma Landfill closure and post closure costs. See “THE SYSTEM—Transfer Center and Disposal—Tacoma Landfill.”
- (4) Non-operating revenues exclude gain or loss on the sale of property, capital related grant income, insurance recoveries and contributions.
- (5) Non-operating expenses exclude interest expense and transfers (including gross earnings taxes).

Source: *City of Tacoma Environmental Services Department*

Management Discussion of Results

The two most significant financial events in 2015 were the implementation of Governmental Accounting Standards Board (“GASB”) 68 “Accounting and Financial Reporting for Pensions” and the issuance of the 2015 Bonds. As a result of implementing GASB 68, the 2015 beginning net position has been adjusted to conform to the new reporting and accounting requirements. Specifically, deferred outflows increased \$1.2 million and a pension related deferred inflow was recorded in the amount of \$559,000. See “THE CITY OF TACOMA—Pension” and Appendix D for additional information.

Cash increased by approximately \$16,342,000 due primarily to the issuance of the 2015 Bonds to fund approximately \$22,000,000 in capital projects in support of environmental sustainability. Outstanding Parity Bonds of the City totaled \$74,575,000 at year-end 2015, an increase of \$16,510,000 from the prior year-end.

Operating revenues for 2015 increased by approximately \$1,987,000, or 3.5% over 2014, due to a 3.8% average rate revenue increase effective January 1, 2015, resulting in a 1.7% increase in residential collection and a 5.3% increase in commercial collection. Disposal revenues increased by approximately \$1,252,000 due to increases in transfer station tipping fees while salvage and other revenues decreased \$977,000 due to decreases in market values and demand for recyclables. A 3.8% increase in average rate revenues was approved by the Council and went into effect January 1, 2016.

Operating expenses included in the Rate Covenant calculation exclude depreciation expense of \$6,604,000 and a reduction in the environmental liability for the Tacoma Landfill post closure costs of \$5,937,000. Costs related to collection activities decreased 2% for commercial and 5% for residential due to lower fuel and staffing costs.

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 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
Ryan Mello	Deputy Mayor	December 31, 2019
Victoria Woodards	Councilmember	December 31, 2017
Keith Blocker	Councilmember	December 31, 2019
Anders Ibsen	Councilmember	December 31, 2019
Robert Thoms	Councilmember	December 31, 2017
Marty Campbell	Councilmember	December 31, 2017
Joe Lonergan	Councilmember	December 31, 2017
Connor McCarthy	Councilmember	December 31, 2019

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 he 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, 2014 and 2015, the financial statements of the System, included in Appendix C and Appendix D hereto, were audited by Moss Adams LLP. Neither the Office of the State Auditor nor Moss Adams LLP has reviewed or participated in the preparation of this Official Statement.

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. Additional information is available on the TERS website at www.cityoftacoma.org/retirement (which website is not incorporated herein by this reference).

TERS is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City, with the exception of police officers, firefighters and Tacoma Rail employees who are covered by other

retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in TERS when these agencies were still City departments, are also members. The Board of Administration (the "Board") 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 consists of nine members, including the City Mayor, who serves as chair, Finance Director, City Manager (or designee), Public Utilities Director (or designee), three employees, one retiree and one City resident (not employed by the City) elected by the other eight members. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of TERS. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of TERS. As of December 31, 2014, there were 2,167 retirees and beneficiaries currently receiving benefits, 627 vested terminated members entitled to future benefits and 2,884 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 and Appendix D.

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

<u>Year</u>	<u>City-Wide Contribution</u>
2013	\$ 21,188,984
2014	22,149,246
2015	22,746,593 ⁽¹⁾

⁽¹⁾ Unaudited.

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:

<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

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The most recent actuarial valuation of TERS was completed as of January 1, 2015 by Milliman. Assumptions include investment earnings of 7.25%, wage growth of 4.00% and price inflation of 3.00%. The January 1, 2015 actuarial funded ratio, which represents the ratio of the Actuarial Value of Assets (“AVA”) to the Actuarial Accrued Liability (“AAL”), is 95.5%, up from 92.6% from the 2014 valuation. This is based on the AVA as of December 31, 2014, which uses smoothing on gains and losses over four years. The TERS Board of Administration has ratified the valuation including the actuarial assumptions. The amortization period of the unfunded AAL (“UAAL”) is 52.3 years due to the fact that the portion of the contribution rate for UAAL amortization is only 1.16%. The combined employer/employee contribution rate would need to be increased from 20.00% of pay to 20.41% of pay to reduce the UAAL amortization period to 30 years.

The following table provides historical funding information for TERS, and is based on the most recent actuarial valuation performed, dated January 1, 2015. The next actuarial valuation of TERS, completed as of January 1, 2016, is expected to be available in May or June of 2016.

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)
1/1/2013	\$ 1,187	\$ 1,307	\$ 120	90.9%	\$ 211	56.7%
1/1/2014	1,297	1,400	103	92.6	214	48.2
1/1/2015	1,403	1,468	66	95.5	221	29.6

See Note 7 to the financial statements attached as Appendix C and Appendix D.

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.

GASB 68 and 71. Effective for the Fiscal Year 2015 reporting, the City implemented new accounting standards issued by GASB - GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. In addition, prior to implementing GASB 68, employers participating in a cost-sharing plan recognized annual pension expense essentially equal to their contractually required contribution to the plan. Upon adoption of GASB 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology. GASB 71 amends GASB 68 regarding the deferred outflows of resources for governments whose current year pension contributions are reported subsequent to the measurement date. As of December 31, 2015, the System’s proportionate share of the collective net pension liability was 5.5%.

The collective financial impact resulting from the implementation of GASB 68 and 71 is the restatement of 2015 beginning balances by \$651,000 for the System’s portion of the net pension liability incurred in prior years. See Note 7 in the financial statements attached as Appendix D for further details.

Other Post-Employment Benefits

In addition to pensions, many state and local governmental employers provide other post-employment benefits (“OPEB”) as part of total compensation to attract and retain the services of qualified employees. OPEB includes post-employment health care as well as other forms of post-employment benefits that are provided separately from pension plan benefits. GASB issued a standard concerning Accounting and Financial Reporting by Employers for

Post-Employment Benefits Other than Pensions. The standard provides for the measurement, recognition and display of OPEB expenses/expenditures, related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports. 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 3.75% interest rate for 2013, 2014 and 2015.

OTHER POST EMPLOYMENT BENEFITS

Year Ended	Annual OPEB Cost		Benefits Paid		Net OPEB Obligation	
	City	System	City	System	City	System
12/31/2013	\$ 19,528,767	\$ 362,340	\$ 9,887,334	\$ 44,615	\$ 56,110,801	\$ 1,418,399
12/31/2014	19,319,944	358,807	9,292,539	69,961	66,138,206	1,707,245
12/31/2015	15,954,387	230,924	8,963,091	16,109	73,129,502	1,922,060

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

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, 2015 and 2014 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 December 31, 2015, the par value of the City's investments totaled \$746.026 million. The portfolio was distributed in various types of investment instruments in the following percentages:

Government Agencies	58.96%
U.S. Treasuries	11.54
State Local Government Investment Pool	8.75
Bank Interest-Bearing Accounts	6.54
Municipal Securities	14.21
	<hr/>
	100.00%

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. The System participates in the City's self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the System and not from the Fund. The System is required to make payments to the Fund to cover claims incurred by the System and administrative expenses of the Fund. The Division's premium payments totaled \$201,815 for 2015 and \$346,748 for 2014.

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 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 costs for these policies were \$14,285 in 2015 and \$14,419 in 2014.

Labor Relations

The System has approximately 177 employees, including temporary personnel. 162 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.

Bargaining Unit	Number of Employees	Contract Expiration Date
International Federation of Professional and Technical Engineers (Local 17)	14	12/31/2018
International Association of Machinist and Aerospace Workers (Local 160) (General)	3	12/31/2016
Teamsters (Local 117) (General)	49	12/31/2018
Teamsters (Local 313) (Refuse)	72	12/31/2017
International Brotherhood of Electrical Workers (“IBEW”) Local 483 (Customer and Field Services)	9	12/31/2018
IBEW 483 (Clerical)	6	12/31/2015 ⁽¹⁾
IBEW 483 (Supervisors)	1	12/31/2016
IBEW 483 (Water Pollution)	8	12/31/2017

⁽¹⁾ Under negotiation.

Source: City of Tacoma Environmental Services Department

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

General. In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals 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 proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix B.

The Code contains a number of requirements that apply to the Bonds, and the City has made certain representations and has covenanted to comply with each such requirement. Bond Counsel's opinion assumes the accuracy of the representations made by the City and is subject to the condition that the City comply with the above-referenced covenants. If the City fails to comply with such covenants or if the City's representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

Under the Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such Bonds.

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or

result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

CONTINUING DISCLOSURE UNDERTAKING

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 2016 for the fiscal year ended December 31, 2015):

- (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 2010 and 2011 in connection with its Consolidated Local Improvement District ("CLID") No. 60 Bonds. The City filed the missing information in February 2013. The City failed to file information regarding the balance in the supplemental reserve fund for its CLID No. 65 Bonds as of December 31, 2014. The City filed the information in March 2016. The City failed to file certain lodging tax information for 2010. The City filed the missing information in September 2012. In connection with the City's Regional Water Supply System bonds, the operating data for the year ended December 31, 2014 was filed five days after the deadline. Further, 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. Except as described herein, the City believes it has complied 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 "A-," 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.

No assurance can be given that the ratings for the Bonds on the Date of Delivery will not be different than such ratings. A rating downgrade does not terminate the Purchase Agreement (as defined under "DELAYED DELIVERY OF THE BONDS") or release the Underwriter from its obligation to purchase the Bonds. See "DELAYED DELIVERY OF THE BONDS" herein for a discussion regarding the termination of the Purchase Agreement and ratings risk resulting from the delayed delivery thereof.

UNDERWRITING

The Bonds are being purchased by J.P. Morgan Securities LLC (the "Underwriter") at a price of \$18,118,263.46, and will be reoffered at a price of \$18,167,829.15. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth in this Official Statement, and such initial offering prices and yields may be changed from time to time, by the Underwriter. After the initial public offering, the public offering prices and yields may be varied from time to time.

The Underwriter 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 the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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.

For a discussion of the delayed delivery of the Bonds, as it pertains to the approving legal opinion to be delivered by Bond Counsel, see “DELAYED DELIVERY OF THE BONDS” herein. There can be no assurance that the facts and circumstances on the Date of Delivery will not differ from those currently expected, or that the provisions of federal income tax law and applicable regulations, State law and other relevant law will not change prior to the Date of Delivery and as a consequence, such opinion may not be rendered, preventing the issuance and delivery of the Bonds.

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

DELAYED DELIVERY OF THE BONDS

The City expects to enter into a delayed delivery bond purchase agreement, dated May 19, 2016 for the Bonds with the Underwriter (the “Purchase Agreement”). Subject to the terms of the Purchase Agreement, the City expects to issue and deliver the Bonds on or about September 7, 2016 (the “Date of Delivery”).

The obligation of the Underwriter to purchase the Bonds from the City is subject to the satisfaction of certain conditions, as outlined in the Purchase Agreement, on the preliminary closing date (June 15, 2016) (the “Closing Date”) and on the Date of Delivery. The conditions to be satisfied on the Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and settlement dates.

Because of the longer period between the sale and settlement of the Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond sales that do not involve a delayed delivery, and those additional rights and conditions are summarized below. All the conditions and termination rights with respect to the sale and settlement of the Bonds are set forth in the Purchase Agreement.

The following is a description of certain provisions of the Purchase Agreement. The following description is not to be considered a full statement of the terms of the Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the City and the Underwriter.

BY PLACING AN ORDER WITH THE UNDERWRITER FOR THE PURCHASE OF THE BONDS, EACH INVESTOR ACKNOWLEDGES AND AGREES THAT THE BONDS ARE BEING SOLD ON A “DELAYED DELIVERY” BASIS THAT THE INVESTOR IS OBLIGATED TO ACCEPT DELIVERY AND PAY FOR THE BONDS ON THE DATE OF DELIVERY SUBJECT TO THE CONDITIONS IN THE PURCHASE AGREEMENT, AND THAT EACH INVESTOR WILL SIGN, AND DELIVER TO THE UNDERWRITER, A DELAYED DELIVERY CONTRACT (IN THE FORM ATTACHED AS APPENDIX G) AS A CONDITION TO ANY BONDS BEING ALLOCATED TO SUCH INVESTOR.

Date of Delivery

The issuance of the Bonds and the Underwriter's obligation under the Purchase Agreement to purchase, accept delivery of and pay for the Bonds on the Date of Delivery are conditioned upon the performance by the City of its obligations thereunder, including, without limitation, the delivery of an opinion of Bond Counsel dated the Date of Delivery, substantially in the form and to the effect as set forth in Appendix B to this Official Statement. The issuance of the Bonds is further contingent upon the delivery of certain certificates and the satisfaction of other conditions as of the Date of Delivery. At any time subsequent to the Closing Date and on or prior to the Date of Delivery, the Underwriter has the right to terminate its obligations under the Purchase Agreement, by notifying the City of its election to do so, if:

- (a) any Change in Law shall have occurred (defined below);
- (b) this Official Statement, as amended (if applicable), between the date of this Official Statement to and including the date that is 30 days after the Closing Date, or the updated Official Statement (the "Updated Official Statement"), as amended (if applicable), between the date of delivery of the Updated Official Statement to and including the Date of Delivery, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, requiring the preparation and publication of a supplement or amendment to this Official Statement or Updated Official Statement (whether or not the Official Statement or Updated Official Statement is actually prepared and delivered);
- (c) Bond Counsel does not deliver an opinion on the Date of Delivery either (i) substantially in the form and to the effect set forth in Appendix B to this Official Statement or (ii) which states that, notwithstanding a Change in Law that prevents Bond Counsel from issuing an opinion substantially in the form and to the effect set forth in Appendix B to this Official Statement, the interest on the Bonds is excluded 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;
- (d) an Event of Default has occurred and is continuing, technical or otherwise, on the Date of Delivery under the Bond Ordinance;
- (e) any rating of the Bonds by a national rating agency rating the Bonds has been withdrawn or suspended;
- (f) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Date of Delivery, including the Securities Act, the Exchange Act and the Trust Indenture Act; or
- (g) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds or any comparable securities of the City are not exempt from the registration, qualification or other requirements of the Securities Act or the Trust Indenture Act or otherwise, or would be in violation of any provision of the federal securities laws.

During the period between the date of this Official Statement and the Date of Delivery (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in a material respect. The City has agreed in the Purchase Agreement to deliver an updated Official Statement not more than 25 days nor less than 10 days prior to the Date of Delivery.

On the Date of Delivery, the City will cause to be paid to the Underwriter underwriting compensation for the Bonds as described in the Purchase Agreement; provided, however, that no such payment will be due if the delivery of the Bonds is not completed because (i) the Purchase Agreement is terminated by the Underwriter pursuant to items (a) through (g) above or (ii) the Underwriter defaults in the payment of the purchase price of the Bonds in accordance with the terms of the Purchase Agreement.

If, on the Date of Delivery, the City is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds as set forth in the Purchase Agreement or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by items (a) through (g) above, the Purchase Agreement will terminate and neither the Underwriter nor the City will be under any further obligation under the Purchase Agreement.

A “Change in Law” means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the Date of Delivery), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Date of Delivery) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, as to the Underwriter, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from purchasing the Bonds as provided in the Purchase Agreement or selling the Bonds or beneficial ownership interests therein to the public or, as to the City, would make the issuance, sale or delivery of the Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, law, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Purchase Agreement.

If the Change in Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the City may, nonetheless, be able to satisfy the requirements for the delivery of the Bonds. In such event, the Underwriter would be obligated to purchase the Bonds from the City and the purchasers would be required to accept delivery of the purchased Bonds from the Underwriter.

The Underwriter has advised the City that the Bonds will be sold only to purchasers who execute a Delayed Delivery Contract in substantially the form attached hereto as Appendix G (the “Delayed Delivery Contract”). The form of Delayed Delivery Contract is attached as Appendix G at the request and for the convenience of the Underwriter. The City will not be a party to the Delayed Delivery Contracts, and the City is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract.

The Underwriter may not refuse to purchase the Bonds from the City except as expressly described above, and the purchasers may not refuse to purchase the Bonds from the Underwriter except as expressly described in the Delayed Delivery Contract.

THE UNDERWRITER (AND, IN TURN, THE PURCHASERS OF THE BONDS FROM THE UNDERWRITER) MAY NOT REFUSE TO PURCHASE THE BONDS BY REASON OF “GENERAL MARKET OR CREDIT CHANGES” INCLUDING, BUT NOT LIMITED TO (A) CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE BONDS OR (B) CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE CITY PRIOR TO THE SETTLEMENT DATE.

Additional Risks Related to the Delayed Delivery Period

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriter to terminate the Purchase Agreement

unless the change reflects an event described above in items (a) through (g) under “Date of Delivery,” or release the purchasers of their obligation to purchase the Bonds except as expressly described in the Delayed Delivery Contract. In addition to the risks set forth above, purchasers of the Bonds are subject to certain additional risks, some of which are described below.

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 that should be considered, 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 which will become material in the future.

Opinion of Bond Counsel: Tax Law Risk. Subject to the additional conditions of settlement described under “Date of Delivery” above, the Purchase Agreement obligates the City to deliver and the Underwriter to acquire the Bonds if the City delivers an opinion of Bond Counsel with respect to the Bonds substantially in the form and to the effect as set forth in Appendix B. During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the Bonds for purposes of federal income taxation payable on “state or local bonds,” the City might be able to satisfy the requirements for the delivery of the Bonds. In such event, the purchasers would be required to accept delivery of the Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Ratings Risk. Ratings have been assigned to the Bonds as described under “RATINGS.” No assurances can be given that the ratings assigned to the Bonds on the Date of Delivery will not be different from those currently assigned to the Bonds. Issuance of the Bonds and the Underwriter’s obligations under the Purchase Agreement are not conditioned upon the assignment of any particular ratings for the Bonds or the maintenance of the initial ratings of the Bonds.

Market Value Risk. The market value of the Bonds as of the Date of Delivery may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Bonds, the financial condition and operations of the City, and federal income tax and other laws. The market value of the Bonds as of the Date of Delivery could therefore be higher or lower than the price to be paid by the initial purchasers of the Bonds and that difference could be substantial. NEITHER THE CITY NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE BONDS AS OF THE DATE OF DELIVERY. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the Bonds as of the Date of Delivery or thereafter or not have a materially adverse impact on any secondary market for the Bonds.

Termination of Purchase Agreement. The Underwriter may terminate the Purchase Agreement by notification to the City on or prior to the Date of Delivery if any of the events described above in items (a) through (g) under “Date of Delivery” occurs.

Secondary Market Risk. The Underwriter is not obligated to make a secondary market in the Bonds, and no assurances can be given that a secondary market will exist for the Bonds during the Delayed Delivery Period. Purchasers of the Bonds should assume that the Bonds will be illiquid throughout the Delayed Delivery Period.

LITIGATION

No Litigation Concerning the Bonds

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

Other Litigation

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

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

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter, Underwriter’s 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 and as counsel to the Underwriter on matters unrelated to the issuance of the Bonds. Foster Pepper PLLC is serving as counsel to the Underwriter 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 form of legal opinion of Bond Counsel is set forth in Appendix B.

No Acceleration

Neither a Bond owner nor any Bond owners’ trustee has the right under the Bond Ordinance to accelerate the payment of debt service on the Bonds upon the occurrence of an Event of Default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal 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 involuntary 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 (excluding certain information regarding DTC, provided under the heading “UNDERWRITING,” and contained in Appendix G), as of its date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

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

THE CITY OF TACOMA, WASHINGTON

By: _____ /s/Andrew Cherullo
Finance Director

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APPENDIX A
FORM OF THE BOND ORDINANCE
(attached)

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ORDINANCE NO. 28356

1 AN ORDINANCE of the City of Tacoma, Washington, providing for the issuance
2 and sale of two series of solid waste revenue refunding bonds of the City in
3 the aggregate principal amount of not to exceed \$55,000,000 to refund and
4 defease certain outstanding solid waste revenue bonds of the City, and to
5 pay costs of issuing the bonds; providing the form and terms of the bonds;
6 and delegating the authority to approve the final terms of the bonds.

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

10 WHEREAS the City has issued and has outstanding the following solid
11 waste revenue bonds:

12 Designation	13 Authorizing Documents	14 Date of Ordinance	15 Principal Amount Outstanding as of March 1, 2016
16 Solid Waste Utility Revenue Bonds, 2006 Series A (the "2006A Bonds")	17 Ordinance No. 27489, as amended by Ordinance No. 27492, and Substitute Resolution No. 36905	18 5/16/2006, 6/13/2006, and 6/27/2006, respectively	19 \$ 27,960,000
20 Solid Waste Utility Revenue Refunding Bonds, 2006 Series B (the "2006B Bonds")	21 Ordinance No. 27489, as amended by Ordinance No. 27492 and by Substitute Ordinance No. 27523	22 5/16/2006, 6/13/2006, and 9/12/2006, respectively	23 20,290,000
24 Solid Waste Utility Revenue Refunding Bonds, 2008 (the "2008 Bonds")	25 Ordinance No. 27736 and Substitute Resolution No. 37575	26 8/5/2008 and 8/19/2008, respectively	5,230,000
Solid Waste Revenue Bonds, 2015 (Green Bonds)	Ordinance No. 28279	1/13/2015	21,095,000

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1 (The outstanding solid waste revenue bonds identified above are referred to as
2 the "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 Net Revenues (as defined
6 herein) on a parity with the lien of the Outstanding Parity Bonds if certain conditions
7 are met, and

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

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

17 WHEREAS the Council deems it in the best interest of the City to issue two
18 series of solid waste revenue refunding bonds in the aggregate principal amount of
19 not to exceed \$55,000,000 (the "Bonds") to redeem and defease all or a portion of
20 the Refunding Candidates, and to pay costs of issuing the Bonds, and

21 WHEREAS the Council wishes to delegate authority to the City Finance
22 Director and Treasurer, or their designee (each, a "Designated Representative") for
23 a limited time, to select the Refunding Candidates to be refunded, if any, and to



1 approve the interest rates, maturity dates, redemption terms, principal maturities
 2 and other terms for each series of Bonds within the parameters set by this
 3 ordinance, and

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

5 Now, Therefore,

6 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 have the
 3 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 months).

17 "Accreted Value Table" means the Accreted Value Table printed on the
 18 Capital Appreciation Bonds reflecting the Accreted Value of such Capital
 19 Appreciation Bonds as of any Payment Date.

20 "Acquired Obligations" means noncallable direct obligations of, or obligations
 21 the principal of and interest on which are unconditionally guaranteed by, the United
 22 States Government, but only to the extent that the same are acquired at Fair Market
 23 Value.

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1 "Adjusted Net Revenues" has the meaning set forth in Section 15 of this
 2 ordinance.

3 "Annual Debt Service" means the amount required in any calendar year to be
 4 paid for the principal of and interest on all Parity Bonds that are Serial Bonds then
 5 outstanding together with the amount required in such calendar year to make the
 6 annual required payments into any Sinking Fund Account heretofore or hereafter
 7 created to amortize Term Bonds, excluding interest to be paid from the proceeds of
 8 the sale of Parity Bonds.

9 In the case of Variable Interest Rate Bonds, for the purpose of calculating
 10 Annual Debt Service for purposes of the Future Parity Bond tests outlined in
 11 Section 15 and the Reserve Fund Requirement, the interest rate thereon shall be
 12 calculated on the assumption that such bonds will bear interest during such period
 13 at a rate equal to the lesser of (a) the Maximum Interest Rate or (b) the rate most
 14 recently reported by The Bond Buyer as the Bond Buyer Municipal Bond Index for
 15 long-term revenue bonds; provided, that if on such date of calculation the interest
 16 rate on such bonds shall then be fixed for a specified period, including, pursuant to
 17 a Payment Agreement as provided in Section 14, the interest rate used for such
 18 specified period for the purpose of the foregoing calculation shall be such actual
 19 interest rate. After all of the 2006 Bonds and 2008 Bonds are fully redeemed,
 20 refunded or defeased, this paragraph shall read as follows: In the case of Variable
 21 Interest Rate Bonds, for the purpose of calculating Annual Debt Service for
 22 purposes of the Future Parity Bond tests outlined in Section 15 and the Reserve
 23 Fund Requirement, the interest rate thereon shall be equal to the higher of (i) the
 24
 25
 26



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1 average of the SIFMA Municipal Swap Index over the 60-month period immediately
 2 preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap
 3 Index over the 12-month period immediately preceding the date of computation, in
 4 each case as determined within ten days prior to the date of computation, with the
 5 principal thereof amortized to provide for essentially level annual debt service of
 6 principal and interest over such period; provided, that if on such date of calculation
 7 the interest rate on any Variable Interest Rate Bonds shall then be fixed for a
 8 specified period, including pursuant to a Payment Agreement, the interest rate used
 9 for such specified period shall be such fixed interest rate.

10
 11 For purposes of computing Annual Debt Service on any Parity Bonds which
 12 constitute Balloon Indebtedness, it shall be assumed that the principal of such
 13 Balloon Indebtedness, together with interest thereon at the rate applicable to such
 14 Balloon Indebtedness, shall be amortized in equal annual installments over a term
 15 equal to the lesser of (a) 25 years or (b) the average weighted useful life
 16 (expressed in years and rounded to the next highest integer) of the properties and
 17 assets constituting the project (if any) financed out of the proceeds of such Balloon
 18 Indebtedness.

19
 20 After all of the 2006 Bonds and 2008 Bonds are fully redeemed, refunded or
 21 defeased, for purposes of satisfying the coverage test pursuant to Section 13 or the
 22 requirements for the issuance of Future Parity Bonds pursuant to Section 15,
 23 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt
 24 Service Offsets received or expected to be received in such Fiscal Year or calendar
 25 year.
 26



1 "Balloon Indebtedness" means any series of Parity Bonds more than
 2 25 percent of the principal of which, in accordance with the terms of such Parity
 3 Bonds, is due and payable in any one Fiscal Year either by reason of the stated
 4 maturity date of such Parity Bonds or pursuant to a Sinking Fund Requirement;
 5 provided that with respect to any Parity Bonds issued as Term Bonds, such Bonds
 6 shall only be treated as Balloon Indebtedness if more than 25 percent of the
 7 principal thereof is due in any one Fiscal Year pursuant to the applicable Sinking
 8 Fund Requirement or upon the stated maturity date thereof (assuming that the only
 9 principal due on the stated maturity date thereof will be the principal remaining
 10 outstanding after all redemptions have been made pursuant to the applicable
 11 Sinking Fund Requirement).

12
 13 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by
 14 the City, of nationally recognized standing in matters pertaining to the tax-exempt
 15 nature of interest on bonds issued by states and their political subdivisions.

16
 17 "Bond Fund" means the Solid Waste Revenue Bond Fund created by the
 18 City for the purpose of paying and securing the payment of Parity Bonds.

19
 20 "Bond Purchase Contract" means one or more contracts for the purchase of
 21 the Bonds between the Underwriter and the City, executed pursuant to Section 16.

22
 23 "Bond Register" means the registration books maintained by the Bond
 24 Registrar for purposes of identifying ownership of the Bonds or the nominee of each
 25 owner, and such other information as the Bond Registrar shall determine.

26
 "Bond Registrar" means, initially, the fiscal agent of the state of Washington,
 for the purposes of registering and authenticating the Bonds, maintaining the Bond



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1 Register, effecting transfer of ownership of the Bonds and paying interest on and
2 principal of the Bonds.

3 "Bonds" mean the 2016A Bonds and the 2016B Bonds.

4 "Call Date" means the dates specified in the Escrow Deposit Agreement for
5 the refunding of each series of the Refunded Bonds.

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

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

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

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

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

16 "Closing" means the applicable dates of delivery of the 2016A Bonds and the
17 2016B Bonds to the Underwriter.

18 "Code" means the Internal Revenue Code of 1986 as in effect on the date of
19 issuance of the Bonds or (except as otherwise referenced herein) as it may be
20 amended to apply to obligations issued on the date of issuance of the Bonds,
21 together with applicable proposed, temporary and final regulations promulgated,
22 and applicable official public guidance published, under the Code.

23 "Commission" means the Securities and Exchange Commission.



1 "Costs of Maintenance and Operation" means all necessary expenses of
2 operating the System, current maintenance expenses, expenses of reasonable
3 upkeep and repairs, insurance and administrative expenses, reasonable pro rata
4 charges for services provided to the System by City departments and payments
5 pursuant to leases for landfill capacity and hauling disposal, but excludes
6 depreciation, payments for debt service or into reserve accounts or funds, costs of
7 capital additions to or replacements of the System, money necessary to pay
8 extraordinary legal claims and judgments against the System, amortized payments
9 to the City's self-insurance fund with respect to extraordinary claims and judgments,
10 municipal taxes and payments to the City in lieu of taxes, any Rebate Amount, and
11 closure and post-closure costs associated with the System's landfill.

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

14 "Covered Bonds" mean (a) the Outstanding Parity Bonds, (b) so long as the
15 2006 Bonds and the 2008 Bonds remain outstanding, the Bonds, (c) after all of the
16 2006 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, the Bonds,
17 unless and until the City determines pursuant to Section 10(b) of this ordinance that
18 the Bonds are no longer to be Covered Bonds secured by the Reserve Fund, and
19 (d) those Future Parity Bonds designated in the Parity Bond Ordinance authorizing
20 their issuance as Covered Bonds secured by the Reserve Fund.

21 "Current Interest Bonds" means Parity Bonds, the interest on which is paid
22 periodically.



1 "Debt Service Account" means the account of that name created in the Bond
 2 Fund.

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

7
 8 "Designated Representative" means the City Finance Director and Treasurer,
 9 or his or her designee. The signature of one Designated Representative shall be
 10 sufficient to bind the City.

11
 12 "DTC" means The Depository Trust Company, New York, New York.

13 "Engineer" means an independent licensed professional engineer (or firm of
 14 licensed professional engineers) selected by the City and experienced and
 15 knowledgeable in the operation of solid waste utilities of comparable size and
 16 character to the System.

17
 18 "Environmental Services Director" means the duly appointed and acting
 19 Environmental Services Director of the City or the successor to the duties of that
 20 office.

21 "Escrow Agent" means U.S. Bank National Association.

22 "Escrow Deposit Agreement" means one or more Escrow Deposit
 23 Agreements between the City and the Escrow Agent to be dated as of the date of
 24 Closing for a series of Bonds.

25
 26 "Event of Default" has the meaning set forth in Section 18 of this ordinance.



1 "Fair Market Value" means the price at which a willing buyer would purchase
 2 the investment from a willing seller in a bona fide, arm's length transaction
 3 (determined as of the date the contract to purchase or sell the investment becomes
 4 binding) if the investment is traded on an established securities market (within the
 5 meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value"
 6 means the acquisition price in a bona fide arm's length transaction (as referenced
 7 above) if (i) the investment is a certificate of deposit that is acquired in accordance
 8 with applicable regulations under the Code, (ii) the investment is an agreement with
 9 specifically negotiated withdrawal or reinvestment provisions and a specifically
 10 negotiated interest rate (for example, a guaranteed investment contract, a forward
 11 supply contract or other investment agreement) that is acquired in accordance with
 12 applicable regulations under the Code, (iii) the investment is a United States
 13 Treasury Security – State and Local Government Series that is acquired in
 14 accordance with applicable regulations of the United States Bureau of Public Debt,
 15 or (iv) any commingled investment fund in which the City and related parties do not
 16 own more than a 10 percent beneficial interest therein if the return paid by the fund
 17 is without regard to the source of the investment. To the extent required by the
 18 applicable regulations under the Code, the term "investment" will include a hedge.

19
 20 "Federal Tax Certificate" means as applicable, the certificate executed by the
 21 Finance Director setting forth the requirements of the Code for maintaining the tax
 22 exemption of interest on a series of Bonds to be dated as of the date of Closing for
 23 a series of Bonds, and attachments thereto.



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

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

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

8 "Future Parity Bonds" means any revenue bonds of the City issued after the
 9 date of issuance of the Bonds having a charge or lien upon the Net Revenues for
 10 payment of the principal thereof and interest thereon equal in priority to the charge
 11 or lien upon the Net Revenues for the payment of the principal of and interest on
 12 the Outstanding Parity Bonds and the Bonds.

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

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

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

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

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

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

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

17 "MSRB" means the Municipal Securities Rulemaking Board or any successor
 18 to its functions.

19 "Net Revenues" means Gross Revenues less the Costs of Maintenance and
 20 Operation, excluding from the computation of Gross Revenues any proceeds
 21 derived from the sale or other disposition, not in the ordinary course of business, of
 22 properties, rights or facilities of the System or gains or losses resulting from the
 23 early extinguishment of debt.
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A-8

1 "Outstanding Parity Bond Ordinances" mean the ordinances and resolutions
2 authorizing the issuance of the Outstanding Parity Bonds as described in the
3 recitals to this ordinance.

4 "Outstanding Parity Bonds" means, as of the date of this ordinance, the
5 2006 Bonds, the 2008 Bonds, and the 2015 Bonds as identified in the recitals to
6 this ordinance. After the Closing of each series of Bonds and the refunding of the
7 Refunded Bonds, the Outstanding Parity Bonds will include the then-outstanding
8 2006 Bonds, if any, the 2008 Bonds, and the 2015 Bonds.

9 "Parity Bond Ordinances" mean the Outstanding Parity Bond Ordinances,
10 this ordinance, and any ordinance hereafter passed for the purpose of authorizing
11 Future Parity Bonds.

12 "Parity Bonds" mean the Outstanding Parity Bonds, the Bonds and any
13 Future Parity Bonds.

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

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

18 "Qualified Insurance" means any municipal bond insurance policy or surety
19 bond issued by any insurance company licensed to conduct an insurance business
20 in any state of the United States (or by a service corporation acting on behalf of one
21 or more such insurance companies), which insurance company or companies, as of
22 the time of issuance of such policy or surety bond, are currently rated in one of the
23 two highest rating categories by Moody's and S&P; provided, after all of the 2006
24 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, this definition
25 shall be amended to read as follows: "Qualified Insurance" means any
26 non-cancellable municipal bond insurance policy or surety bond issued by any
insurance company licensed to conduct an insurance business in any state of the
United States (or by a service corporation acting on behalf of one or more such
insurance companies), which insurance company or companies, as of the time of
issuance of such policy or surety bond, are currently rated in one of the two highest
rating categories by Moody's, S&P or Fitch, or any other rating agency then
maintaining a rating on the Bonds.



1 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, this definition
2 shall be amended to read as follows: "Qualified Insurance" means any
3 non-cancellable municipal bond insurance policy or surety bond issued by any
4 insurance company licensed to conduct an insurance business in any state of the
5 United States (or by a service corporation acting on behalf of one or more such
6 insurance companies), which insurance company or companies, as of the time of
7 issuance of such policy or surety bond, are currently rated in one of the two highest
8 rating categories by Moody's, S&P or Fitch, or any other rating agency then
9 maintaining a rating on the Bonds.

10 "Qualified Letter of Credit" means any letter of credit issued by a financial
11 institution for the account of the City on behalf of the owners of the Bonds, which
12 institution maintains an office, agency or branch in the United States and as of the
13 time of issuance of such letter of credit is currently rated in one of the two highest
14 rating categories by Moody's and S&P; provided, after all of the 2006 Bonds and
15 2008 Bonds are fully redeemed, refunded or defeased, this definition shall be
16 amended to read as follows: "Qualified Letter of Credit" means any irrevocable letter
17 of credit issued by a financial institution for the account of the City on behalf of the
18 owners of one or more series of Parity Bonds, which institution maintains an office,
19 agency or branch in the United States and as of the time of issuance of such letter of
20 credit is currently rated in one of the two highest rating categories by Moody's, S&P
21 or Fitch, or any other rating agency then maintaining a rating on the Bonds.

22 "Rate Stabilization Fund" means the fund of that name in the Solid Waste
23 Operating Fund.



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1 "Rebate Amount" means the amount, if any, determined to be payable with
2 respect to the Bonds by the City to the United States of America in accordance with
3 Section 148(f) of the Code.

4 "Refunded Bonds" means the 2006A Refunded Bonds and the
5 2006B Refunded Bonds.

6 "Refunding Account" means the account by that name established pursuant
7 to Section 9 of this ordinance.

8 "Refunding Candidates" means the 2006A Refunding Candidates and the
9 2006B Refunding Candidates.

10 "Registered Owner" means the person named as the registered owner of a
11 Bond in the Bond Register. For so long as the Bonds are held in book-entry only
12 form, DTC or its nominee shall be deemed to be the sole Registered Owner.

13 "Reserve Fund" means the Reserve Fund created in the Bond Fund.

14 "Reserve Fund Requirement" is the dollar amount to be calculated with
15 respect to all Covered Bonds and, after the 2006 Bonds and 2008 Bonds are fully
16 redeemed, refunded or defeased, separately with respect to other Parity Bonds.

17 (a) With respect to Covered Bonds, the Reserve Fund Requirement
18 means as of any date an amount equal to the lesser of (1) the Maximum Annual
19 Debt Service for Covered Bonds then outstanding, (2) 125 percent of average
20 Annual Debt Service for Covered Bonds then outstanding, or (3) 10 percent of the
21 initial face amount of the Covered Bonds then outstanding; provided, however, that
22 the dollar amount required to be contributed, if any, as a result of the issuance of a
23 series of Future Parity Bonds shall not be greater than the Maximum Reserve
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1 Requirement. If the dollar amount required to be contributed at the time of issuance
2 of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement,
3 then the amount required to be contributed shall be equal to the Maximum Reserve
4 Requirement.

5 (b) After the 2006 Bonds and 2008 Bonds are fully redeemed,
6 refunded or defeased, with respect to other series of Parity Bonds, the Reserve
7 Fund Requirement shall be equal to the amount, if any, specified in either the Parity
8 Bond Ordinance authorizing the issuance of such Parity Bonds or in a certificate of
9 the Finance Director, Treasurer, and Environmental Services Director; provided,
10 however, such Reserve Fund Requirement shall not exceed the Maximum Reserve
11 Requirement.
12

13 "Rule" means the Commission's Rule 15c2-12 under the Securities and
14 Exchange Act of 1934, as the same may be amended from time to time.

15 "S&P" means Standard & Poor's Ratings Services, or its comparable
16 recognized business successor.

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

18 "Sinking Fund Requirement" means, for any year, the principal amount of
19 Term Bonds required to be purchased, redeemed or paid in such year pursuant to
20 the mandatory amortization provisions of the ordinance or resolution of the City
21 authorizing the issuance of such Term Bonds.
22

23 "Solid Waste Operating Fund" means the Solid Waste Operating Fund
24 maintained by the City.

25 "State" means the state of Washington.
26



A-10

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

5 "Term Bond Maturity Year" means any year in which any Parity Bonds that
6 are Term Bonds mature.

7 "Term Bonds" means Parity Bonds designated by the City as term bonds.

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

10 "2006 Bond Ordinances" mean, collectively, the ordinances and resolution
11 authorizing the issuance of the 2006 Bonds as described in the recitals of this
12 ordinance.

13 "2006 Bonds" mean the 2006A Bonds and the 2006B Bonds.

14 "2006A Bonds" mean the City of Tacoma, Washington Solid Waste Utility
15 Revenue Bonds, 2006 Series A, issued pursuant to Ordinance No. 27489, as
16 amended by Ordinance No. 27492 and by Substitute Resolution No. 36905.

17 "2006A Refunded Bonds" mean all or a portion of the 2006A Refunding
18 Candidates designated by the Designated Representative for defeasance and/or
19 refunding pursuant to Section 8 and Section 16 of this ordinance.

20 "2006A Refunding Candidates" means any or all of the 2006A Bonds.

21 "2006B Bonds" mean the City of Tacoma, Washington Solid Waste Utility
22 Revenue Refunding Bonds, 2006 Series B, issued pursuant to Ordinance
23



1 No. 27489, as amended by Ordinance No. 27492 and by Substitute Ordinance
2 No. 27523.

3 "2006B Refunded Bonds" mean all or a portion of the 2006B Refunding
4 Candidates designated by the Designated Representative for defeasance and/or
5 refunding pursuant to Section 8 and Section 16 of this ordinance.

6 "2006B Refunding Candidates" means any or all of the 2006B Bonds.

7 "2008 Bonds" mean the City of Tacoma, Washington Solid Waste Utility
8 Revenue Refunding Bonds, 2008, issued pursuant to Ordinance No. 27736 and
9 Substitute Resolution No. 37575.

10 "2015 Bonds" means the outstanding Solid Waste Bonds, 2015 (Green
11 Bonds) issued pursuant to Ordinance No. 28279.

12 "2016A Bonds" mean the City of Tacoma, Washington, Solid Waste
13 Revenue Refunding Bonds, 2016A, authorized to be issued pursuant to this
14 ordinance for the purpose set forth in Section 3 of this ordinance.

15 "2016B Bonds" mean the City of Tacoma, Washington, Solid Waste
16 Revenue Refunding Bonds, 2016B, authorized to be issued pursuant to this
17 ordinance for the purpose set forth in Section 3 of this ordinance.

18 "Underwriter" means, collectively, the initial purchaser or purchasers of the
19 Bonds, as selected by the Designated Representative.

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

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

23 (2) Words of the masculine gender shall mean and include correlative
 24 words of the feminine and neuter genders and words importing the singular number
 25 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 to
 6 copies hereof, shall be solely for convenience of reference and shall not constitute
 7 a part of this ordinance, nor shall they affect its meaning, construction or effect; and

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

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

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

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

22 (c) The Bonds shall initially be issued as Covered Bonds, and this ordinance
 23 provides for payments, if necessary, into the Reserve Fund of amounts and at the
 24 times required 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 having
5 been or to be complied with in connection with the issuance of the Bonds, the
6 pledge contained herein of Net Revenues of the System to pay and secure the
7 payment of the Bonds shall constitute a lien and charge upon such Net Revenues
8 equal in rank with the lien and charge upon the Net Revenues to pay and secure
9 the payment of the Outstanding Parity Bonds.
10

11 Section 3. Authorization and Description of Bonds.

12 (a) 2016A Bonds. For the purposes of defeasing and refunding the 2006A
13 Refunded Bonds and paying costs of issuance of the 2016A Bonds, the City is
14 hereby authorized to issue and sell solid waste revenue refunding bonds
15 (the "2016A Bonds").
16

17 The 2016A Bonds shall be designated as the "City of Tacoma, Washington,
18 Solid Waste Revenue Refunding Bonds, 2016A" with additional series designation
19 or other designation as set forth in the Bond Purchase Contract and approved by
20 the Designated Representative.
21

22 The 2016A Bonds shall be dated as of their date of initial delivery, shall be
23 fully registered as to both principal and interest, shall be in the denomination of
24 \$5,000 each or any integral multiple thereof within a maturity, shall be numbered
25 separately in the manner and with any additional designation as the Bond Registrar
26 deems necessary for purposes of identification and control, and shall bear interest



1 payable on the dates set forth in the Bond Purchase Contract. The 2016A Bonds
2 shall bear interest at the rates set forth in the Bond Purchase Contract; and shall
3 mature on the dates and in the principal amounts set forth in the Bond Purchase
4 Contract and as approved by a Designated Representative pursuant to Section 16.

5 (b) 2016B Bonds. For the purposes of defeasing and refunding the 2006B
6 Refunded Bonds and paying costs of issuance of the 2016B Bonds, the City is
7 hereby authorized to issue and sell solid waste revenue refunding bonds
8 (the "2016B Bonds").
9

10 The 2016B Bonds shall be designated as the "City of Tacoma, Washington,
11 Solid Waste Revenue Refunding Bonds, 2016B" with additional series designation
12 or other designation as set forth in the Bond Purchase Contract and approved by
13 the Designated Representative.
14

15 The 2016B Bonds shall be dated as of their date of initial delivery, shall be
16 fully registered as to both principal and interest, shall be in the denomination of
17 \$5,000 each or any integral multiple thereof within a maturity, shall be numbered
18 separately in the manner and with any additional designation as the Bond Registrar
19 deems necessary for purposes of identification and control, and shall bear interest
20 payable on the dates set forth in the Bond Purchase Contract. The 2016B Bonds
21 shall bear interest at the rates set forth in the Bond Purchase Contract; and shall
22 mature on the dates and in the principal amounts set forth in the Bond Purchase
23 Contract and as approved by a Designated Representative pursuant to Section 16.
24

25 (c) Limited Obligations. The Bonds shall be special obligations of the City
26 payable only from the Bond Fund and shall be payable and secured as provided



1 herein. The Bonds shall not be general obligations of the City, the State or any
 2 political subdivision thereof.

3 Section 4. Registration, Exchange and Payments.

4 (a) Bond Registrar/Bond Register. The City hereby specifies and adopts the
 5 system of registration approved by the Washington State Finance Committee from
 6 time to time through the appointment of a state fiscal agent. The City shall cause a
 7 Bond Register to be maintained by the Bond Registrar. So long as any Bonds
 8 remain outstanding, the Bond Registrar shall make all necessary provisions to
 9 permit the exchange or registration or transfer of Bonds at its designated office.
 10 The Bond Registrar may be removed at any time at the option of the Finance
 11 Director upon prior notice to the Bond Registrar and a successor Bond Registrar
 12 appointed by the Finance Director. No resignation or removal of the Bond Registrar
 13 shall be effective until a successor shall have been appointed and until the
 14 successor Bond Registrar shall have accepted the duties of the Bond Registrar
 15 hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate
 16 and deliver Bonds transferred or exchanged in accordance with the provisions of
 17 such Bonds and this ordinance and to carry out all of the Bond Registrar's powers
 18 and duties under this ordinance. The Bond Registrar shall be responsible for its
 19 representations contained in the Certificate of Authentication of the Bonds.

20 (b) Registered Ownership. The City and the Bond Registrar, each in its
 21 discretion, may deem and treat the Registered Owner of each Bond as the absolute
 22 owner thereof for all purposes (except as provided in Section 21 of this ordinance),
 23 and neither the City nor the Bond Registrar shall be affected by any notice to the
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1 contrary. Payment of any such Bond shall be made only as described in
 2 Section 5(g), but such Bond may be transferred as herein provided. All such
 3 payments made as described in Section 5(g) shall be valid and shall satisfy and
 4 discharge the liability of the City upon such Bond to the extent of the amount or
 5 amounts so paid.

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

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

13
14 (2) Upon the resignation of DTC or its successor (or any substitute
15 depository or its successor) from its functions as depository or a determination by
16 the Finance Director to discontinue the system of book entry transfers through DTC
17 or its successor (or any substitute depository or its successor), the Finance Director
18 may hereafter appoint a substitute depository. Any such substitute depository shall
19 be qualified under any applicable laws to provide the services proposed to be
20 provided by it.
21

22 (3) In the case of any transfer pursuant to clause (A) or (B) of
23 subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding
24 Bonds of a series, together with a written request on behalf of the Finance Director,
25 issue a single new Bond for each series and maturity then outstanding, registered
26



1 in the name of such successor or such substitute depository, or their nominees, as
2 the case may be, all as specified in such written request of the Finance Director.

3 (4) In the event that (A) DTC or its successor (or substitute depository
4 or its successor) resigns from its functions as depository and no substitute
5 depository can be obtained, or (B) the Finance Director determines that it is in the
6 best interest of the beneficial owners of the Bonds that such owners be able to
7 obtain physical Bond certificates, the ownership of such Bonds may then be
8 transferred to any person or entity as herein provided, and such Bonds shall no
9 longer be held by a depository. The Finance Director shall deliver a written request
10 to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as
11 herein provided in any authorized denomination. Upon receipt by the Bond
12 Registrar of all then outstanding Bonds of a series together with a written request
13 on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued
14 in the appropriate denominations and registered in the names of such persons as
15 are requested in such written request.
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18 (e) Registration of Transfer of Ownership or Exchange; Change in
19 Denominations. The transfer of any Bond may be registered and Bonds may be
20 exchanged, but no transfer of any such Bond shall be valid unless it is surrendered
21 to the Bond Registrar with the assignment form appearing on such Bond duly
22 executed by the Registered Owner or such Registered Owner's duly authorized
23 agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the
24 Bond Registrar shall cancel the surrendered Bond and shall authenticate and
25 deliver, without charge to the Registered Owner or transferee therefor, a new Bond
26



1 (or Bonds at the option of the new Registered Owner) of the same series, date,
 2 maturity and interest rate and for the same aggregate principal amount in any
 3 authorized denomination, naming as Registered Owner the person or persons listed
 4 as the assignee on the assignment form appearing on the surrendered Bond, in
 5 exchange for such surrendered and canceled Bond. Any Bond may be surrendered
 6 to the Bond Registrar and exchanged, without charge, for an equal aggregate
 7 principal amount of Bonds of the same series, date, maturity and interest rate, in
 8 any authorized denomination. The Bond Registrar shall not be obligated to register
 9 the transfer or to exchange any Bond during the 15 days preceding any principal
 10 payment date any such Bond is to be redeemed.

11
 12
 13 (f) Bond Registrar's Ownership of Bonds. The Bond Registrar may become
 14 the Registered Owner of any Bond with the same rights it would have if it were not
 15 the Bond Registrar, and to the extent permitted by law, may act as depository for
 16 and permit any of its officers or directors to act as a member of, or in any other
 17 capacity with respect to, any committee formed to protect the right of the Registered
 18 Owners of Bonds.

19
 20 (g) Place and Medium of Payment. Both principal of and interest on the
 21 Bonds shall be payable in lawful money of the United States of America. Interest
 22 on the Bonds shall be calculated on the basis of a year of 360 days and twelve
 23 30-day months. For so long as all Bonds are held by a depository, payments of
 24 principal and interest thereon shall be made as provided in accordance with the
 25 operational arrangements of DTC referred to in the Letter of Representations. In
 26 the event that the Bonds are no longer held by a depository, interest on the Bonds



1 shall be paid by check or draft mailed to the Registered Owners at the addresses
 2 for such Registered Owners appearing on the Bond Register on the 15th day of the
 3 month preceding the interest payment date, or upon the written request of a
 4 Registered Owner of more than \$1,000,000 of Bonds (received by the Bond
 5 Registrar at least 15 days prior to the applicable payment date), such payment shall
 6 be made by the Bond Registrar by wire transfer to the account within the United
 7 States designated by the Registered Owner. Principal of the Bonds shall be
 8 payable upon presentation and surrender of such Bonds by the Registered Owners
 9 at the designated office of the Bond Registrar.

10
 11
 12 If any Bond shall be duly presented for payment and funds have not been
 13 duly provided by the City on such applicable date, then interest shall continue to
 14 accrue thereafter on the unpaid principal thereof at the rate stated on such Bond
 15 until it is paid.

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

17 (a) Mandatory Redemption of Term Bonds and Optional Redemption, if any.
 18 The Bonds of each series shall be subject to mandatory redemption to the extent, if
 19 any, set forth in the Bond Purchase Contract approved by the Designated
 20 Representative pursuant to Section 16. The Bonds of each series shall be subject
 21 to optional redemption on the dates, at the prices and under the terms set forth in
 22 the Bond Purchase Contract approved by the Designated Representative pursuant
 23 to Section 16.

24
 25 (b) Purchase of Bonds. The City hereby reserves the right at any time to
 26 purchase any of the Bonds from amounts available for such purchase.



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1 (c) Selection of Bonds for Redemption. For as long as the Bonds are held in
 2 book-entry only form, the selection of particular Bonds within a series and maturity
 3 to be redeemed shall be made in accordance with the operational arrangements
 4 then in effect at DTC. If the Bonds are no longer held in uncertificated form, the
 5 selection of such Bonds to be redeemed and the surrender and reissuance thereof,
 6 as applicable, shall be made as provided in the following provisions of this
 7 subsection (c). If the City redeems at any one time fewer than all of the Bonds of a
 8 series having the same maturity date, the particular Bonds or portions of Bonds of
 9 such maturity to be redeemed shall be selected by lot (or in such manner
 10 determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond
 11 of a denomination greater than \$5,000, the City and the Bond Registrar shall treat
 12 each Bond as representing such number of separate Bonds each of the
 13 denomination of \$5,000 as is obtained by dividing the actual principal amount of
 14 Bonds by \$5,000. In the event that only a portion of the principal sum of a Bond is
 15 redeemed, upon surrender of such Bond at the designated office of the Bond
 16 Registrar there shall be issued to the Registered Owner, without charge therefor,
 17 for the then unredeemed balance of the principal sum thereof, at the option of the
 18 Registered Owner, a Bond or Bonds of like series, maturity and interest rate in any
 19 of the denominations herein authorized.

20 (d) Notice of Redemption.

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

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

- 13 (A) the redemption date,
- 14 (B) the redemption price,
- 15 (C) if fewer than all outstanding Bonds are to be redeemed,
- 16 the identification by maturity (and, in the case of partial redemption, the respective
 17 principal amounts) of the Bonds to be redeemed,
- 18 (D) that unless conditional notice of redemption has been
 19 given and such conditions have not been satisfied or waived or such notice has
 20 been rescinded, on the redemption date the redemption price will become due and
 21 payable upon each such Bond or portion thereof called for redemption, and if the
 22 Bond Registrar then holds sufficient funds to pay such Bonds at the redemption
 23 price, interest thereon shall cease to accrue from and after said date,
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1 (E) any conditions to redemption, and
 2 (F) the place where such Bonds are to be surrendered for
 3 payment of the redemption price, which place of payment shall be the designated
 4 office of the Bond Registrar.

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

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

4 (3) Additional Notice. In addition to the foregoing notice, further
 5 notice shall be given by the City as set out below, but no defect in said further
 6 notice nor any failure to give all or any portion of such further notice shall in any
 7 manner defeat the effectiveness of a call for redemption if notice thereof is given as
 8 above prescribed. Each further notice of redemption given hereunder shall contain
 9 the information required above for an official notice of redemption plus (A) the
 10 CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as
 11 originally issued; (C) the rate of interest borne by each Bond being redeemed;
 12 (D) the maturity date of each Bond being redeemed; and (E) any other descriptive
 13 information needed to identify accurately the Bonds being redeemed. Each further
 14 notice of redemption may be sent at least 20 days before the redemption date to
 15 each party entitled to receive notice pursuant to Section 21 and with such additional
 16 information as the City shall deem appropriate, but such mailings shall not be a
 17 condition precedent to the redemption of such Bonds.

18 (4) Amendment of Notice Provisions. The foregoing notice provisions
 19 of this Section 5, including, but not limited to, the information to be included in
 20 redemption notices and the persons designated to receive notices, may be
 21 amended by additions, deletions and changes in order to maintain compliance with
 22 duly promulgated regulations and recommendations regarding notices of
 23 redemption of municipal securities.
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1 Section 6. Form of Bonds and Certificate of Authentication. The Bonds of
 2 each series shall be in substantially the form set forth in Exhibit A, which is
 3 incorporated herein by this reference, with appropriate or necessary insertions,
 4 depending upon the omissions and variations as permitted or required hereby.

5 Section 7. Execution of Bonds. The Bonds shall be executed on behalf of
 6 the City with the manual or facsimile signatures of the Mayor and City Clerk of the
 7 City and the seal of the City shall be impressed, imprinted or otherwise
 8 reproduced thereon.

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

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

3 Section 8. Application of Bond Proceeds; Refunding Plan. For the purpose
 4 of modifying debt service and restructuring the 2006 Bonds, the City proposes to
 5 defease and/or refund all or a portion of the 2006 Bonds as set forth herein. If the
 6 Designated Representative determines that it is in the best interest of the City to
 7 proceed with the refunding authorized herein, the Designated Representative shall
 8 designate all or a portion of each series of the Refunding Candidates as Refunded
 9 Bonds and such designation shall be set forth in the Bond Purchase Contract. A
 10 portion of the proceeds of each series of Bonds shall be deposited with the Escrow
 11 Agent pursuant to the Escrow Deposit Agreement to be used immediately upon
 12 receipt thereof to defease the 2006A Refunded Bonds and the 2006B Refunded
 13 Bonds, as applicable, as authorized by the 2006 Bond Ordinances and to pay costs
 14 of issuance of each series of Bonds.

15 The net proceeds of each series of Bonds deposited with the Escrow Agent
 16 shall be used to defease the applicable Refunded Bonds and discharge the
 17 obligations thereon by the purchase of certain Acquired Obligations bearing such
 18 interest and maturing as to principal and interest in such amounts and at such times
 19 which, together with any necessary beginning cash balance, will provide for the
 20 payment of:

- 21 (a) interest on each series of Refunded Bonds as such becomes due on and
- 22 prior to the applicable Call Date; and
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1 (b) the redemption price (100 percent of the principal amount) of each series
2 of Refunded Bonds on the applicable Call Date.

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

6 A beginning cash balance, if any, and the Acquired Obligations shall be
7 deposited irrevocably with the Escrow Agent in an amount sufficient to defease the
8 applicable series of Refunded Bonds. In order to carry out the purposes of this
9 Section 8, the Finance Director is authorized and directed to execute and deliver to
10 the Escrow Agent, one or more Escrow Deposit Agreements.

11 The City hereby sets aside sufficient funds out of the purchase of Acquired
12 Obligations from proceeds of the Bonds to make the payments described above.

13 The City hereby calls the Refunded Bonds for redemption on their Call Date
14 in accordance with the provisions of the 2006 Bond Ordinances authorizing the
15 redemption and retirement of the 2006 Bonds prior to their fixed maturities.

16 Said defeasance and call for redemption of the Refunded Bonds shall be
17 irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations
18 to the Escrow Agent.

19 The Escrow Agent is hereby authorized and directed to provide for the giving
20 of notices of the defeasance and/or redemption of each series of the Refunded
21 Bonds in accordance with the applicable provisions of the 2006 Bond Ordinances.
22 The costs of publication of such notices shall be an expense of the City.



1 The Escrow Agent is hereby authorized and directed to pay to the Finance
2 Director, or, at the direction of the Finance Director, to the paying agent for the
3 Refunded Bonds, sums sufficient to pay, when due, the payments specified in this
4 Section 8. All such sums shall be paid from the moneys and Acquired Obligations
5 deposited with the Escrow Agent, and the income therefrom and proceeds thereof.
6 All such sums so paid to or to the order of the Finance Director shall be credited to
7 the Refunding Account. All moneys and Acquired Obligations deposited with the
8 Escrow Agent and any income therefrom shall be held, invested (but only at the
9 direction of the Finance Director) and applied in accordance with the provisions of
10 this ordinance, the Escrow Deposit Agreement, and with the laws of the State for
11 the benefit of the City and owners of the Refunded Bonds.

12 The City will take such actions as are found necessary to see that all
13 necessary and proper fees, compensation and expenses of the Escrow Agent for
14 the Refunded Bonds shall be paid when due.

15 A portion of the proceeds of the Bonds may also be used, if necessary, to
16 satisfy the Reserve Fund Requirement at the time of issuance of the Bonds as set
17 forth in Section 10(b) of this ordinance.

18 Section 9. Solid Waste Operating Fund; Pledge of Revenues. A special
19 fund of the City has been created and designated the "Solid Waste Operating
20 Fund". The City covenants and agrees that so long as any of the Parity Bonds are
21 outstanding, it will pay or cause to be paid into the Solid Waste Operating Fund all
22 Gross Revenues, except income from the investment of money in any construction
23 funds and any rebate fund, as collected and the Solid Waste Operating Fund shall



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1 be held separate and apart from all other funds and accounts of the City. The
2 money in the Solid Waste Operating Fund shall be used only for the following
3 purposes and in the following order of priority:

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

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

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

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

15 (c) to make all payments required to be made pursuant to a
16 reimbursement obligation in connection with a Qualified Letter of Credit or Qualified
17 Insurance with respect to the Reserve Fund, and after the 2006 Bonds and 2008
18 Bonds are fully redeemed, refunded or defeased, into any other reserve fund
19 created in the future for the payment of debt service on Parity Bonds, provided that
20 if there is not sufficient money to make all payments under reimbursement
21 agreements the payments will be made on a pro rata basis;

22 (d) to make all payments required to be made into the Reserve Fund
23 to secure the payment of any Covered Bonds, and after the 2006 Bonds and 2008
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1 Bonds are fully redeemed, refunded or defeased, into any other reserve fund
2 created in the future for the payment of debt service on Parity Bonds;

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

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

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

17 The City hereby pledges Gross Revenues, after payment of the Costs of
18 Maintenance and Operation, to the payment of the Parity Bonds.

19 Section 10. Bond Fund. There has been created the "Tacoma Solid Waste
20 Revenue Bond Fund" (the "Bond Fund") for the sole purpose of paying and
21 securing the payment of Parity Bonds. The Bond Fund contains the Debt Service
22 Account and the Reserve Fund. At the option of the City, separate funds and
23 accounts may be created in the Bond Fund for the purpose of paying or securing
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1 the payment of principal, premium, if any, and interest on any series of Parity
2 Bonds.

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

16 (b) A Reserve Fund has been created in the Bond Fund for the purpose of
17 securing the payment of the principal of and interest on the Covered Bonds. After
18 the 2006 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, the
19 City may create separate reserve funds and establish separate Reserve Fund
20 Requirements, if any, to secure the payment of the principal of and interest on other
21 Parity Bonds.

22 The Bonds shall initially be issued as Covered Bonds and the payment of the
23 principal of and interest on the Bonds shall initially be secured by the Reserve
24



1 Fund. After the 2006 Bonds and 2008 Bonds are fully redeemed, refunded or
2 defeased, the City, in its sole discretion, may create a separate reserve fund and
3 establish a separate Reserve Fund Requirement, if any, to secure the payment of
4 the principal of and interest on the Bonds. If the City determines to create a
5 separate reserve fund and establish a Reserve Fund Requirement for the Bonds,
6 from such date the Bonds will no longer be Covered Bonds and the payment of the
7 principal of and interest on the Bonds will no longer be secured by the Reserve
8 Fund. The new Reserve Fund Requirement for the Bonds shall be equal to the
9 amount, if any, specified in a certificate of the Finance Director, Treasurer and
10 Environmental Services Director, a form of which is attached hereto as Exhibit B.
11 The City shall provide notice of any such separate reserve fund and corresponding
12 Reserve Fund Requirement for the Bonds in the same manner as a listed event
13 notice that would be required upon the occurrence of a material "release,
14 substitution, or sale of property securing repayment of the Bonds" in accordance
15 with Section 21(c) of this ordinance.

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

21 The City further covenants that in the event it issues any Future Parity Bonds
22 that are Covered Bonds it will provide in each Parity Bond Ordinance authorizing
23 the issuance of the same that it will deposit proceeds from the Future Parity Bonds
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1 or approximately equal monthly payments will be made into the Reserve Fund out
 2 of the Solid Waste Operating Fund so that within 36 months or less from the date of
 3 the issuance of such Future Parity Bonds the total amount of such payments, with
 4 the amount already in the Reserve Fund, will be at least equal to the Reserve Fund
 5 Requirement; provided, after the 2006 Bonds and 2008 Bonds are fully redeemed,
 6 refunded or defeased, this covenant shall read as follows: The City further
 7 covenants that in the event it issues any Future Parity Bonds that are Covered
 8 Bonds it will provide in each Parity Bond Ordinance authorizing the issuance of the
 9 same that it will deposit proceeds from the Future Parity Bonds or approximately
 10 equal monthly payments will be made into the Reserve Fund out of the Solid Waste
 11 Operating Fund so that within five years or less from the date of the issuance of
 12 such Future Parity Bonds the total amount of such payments, with the amount
 13 already in the Reserve Fund, will be at least equal to the Reserve Fund
 14 Requirement.

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 18 The City may elect to fund part or all the Reserve Fund with respect to the
 19 Bonds and any Future Parity Bonds that are Covered Bonds through the use of a
 20 Qualified Letter of Credit or Qualified Insurance. In making the payments and
 21 credits to the Reserve Fund required by this Section 10(b), to the extent that the
 22 City has obtained Qualified Insurance or a Qualified Letter of Credit for specific
 23 amounts required pursuant to this section, such amounts so covered by Qualified
 24 Insurance or a Qualified Letter of Credit shall be credited against the amounts
 25 required to be maintained in the Reserve Fund by this Section 10(b) to the extent
 26 that such payments and credits to be made are insured by an insurance company



1 or guaranteed by a letter of credit from a financial institution. In the event of any
 2 cancellation, the Reserve Fund shall be funded in accordance with the first three
 3 paragraphs of this Section 10(b), as if the Covered Bonds that remain outstanding
 4 had been issued on the date of such notice of cancellation.

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

22 (c) Said amounts so pledged to be paid into the Debt Service Account and
23 the Reserve Fund from the Solid Waste Operating Fund are hereby declared to be



1 a prior lien and charge upon Gross Revenues superior to all other charges of any
2 kind or nature whatsoever except the Costs of Maintenance and Operation of the
3 System and except that the amounts so pledged are of equal lien to the charges
4 upon such Revenue which may hereafter be made to pay and secure the payment
5 of the principal of and interest on any Future Parity Bonds, and, provided further, if
6 the City elects to meet the requirements of this Section 10(b) with respect to the
7 Reserve Fund as to any issue of Parity Bonds through the use of a Qualified Letter
8 of Credit or Qualified Insurance, then the City's reimbursement obligation with
9 respect thereto, if any, may rank on a parity of lien with the Parity Bonds.

10 (d) Money held in all of the accounts in the Bond Fund shall, to the fullest
11 extent practicable and reasonable, be invested and reinvested at the direction of
12 the Treasurer of the City solely in, and obligations deposited in such accounts shall
13 consist of, Permitted Investments which shall mature on or prior to the respective
14 dates when the money held for the credit of such accounts will be required for the
15 purposes intended, but only to the extent that the same are acquired, valued and
16 disposed of at Fair Market Value. Money in the Reserve Fund not required for
17 immediate disbursement for the purposes for which such fund is created shall, to
18 the fullest extent practicable and reasonable, be invested and reinvested at the
19 direction of the City solely in, and obligations deposited in the Reserve Fund shall
20 consist of, Permitted Investments maturing prior to the final maturity date of the
21 Parity Bonds then outstanding. All interest earned and income derived by virtue of
22 investments of money in the Debt Service Account or the Reserve Fund may
23 remain in the Bond Fund or be deposited into the Solid Waste Operating Fund and



1 all such investment income may be used to meet the required deposits into any
 2 account in the Bond Fund.

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

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

11 Section 11. Rate Stabilization Fund. A special fund of the City designated
 12 the "Rate Stabilization Fund" has been established in the Solid Waste Operating
 13 Fund. In accordance with the priorities set forth in this ordinance, the City may from
 14 time to time deposit Net Revenues into the Rate Stabilization Fund and may from
 15 time to time withdraw amounts therefrom to enhance rate stability or for other lawful
 16 purposes of the City related to the System.

17 Section 12. Defeasance. In the event that the City, to effect the payment,
 18 retirement or redemption of any Bond, sets aside in the Bond Fund or in another
 19 special account, cash or noncallable Government Obligations, or any combination
 20 of cash and/or noncallable Government Obligations, in amounts and maturities
 21 which, together with the known earned income therefrom, are sufficient to redeem
 22 or pay and retire such Bond in accordance with its terms and to pay when due the
 23 interest and redemption premium, if any, thereon, and such cash and/or noncallable
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1 Government Obligations are irrevocably set aside and pledged for such purpose,
 2 then no further payments need be made into the Bond Fund for the payment of the
 3 principal of and interest on such Bond. The owner of a Bond so provided for shall
 4 cease to be entitled to any lien, benefit or security of this ordinance except the right
 5 to receive payment of principal, premium, if any, and interest from the Bond Fund or
 6 such special account, and such Bond shall be deemed to be not outstanding under
 7 this ordinance.

8 The City shall give written notice of defeasance in accordance with
 9 Section 21.

10 Section 13. Covenants. The City hereby covenants and agrees with the
 11 owners of the Bonds for as long as any of the same remain outstanding as follows:

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

16 (1) Gross Revenues will at all times be sufficient (A) to pay all costs
 17 of and charges and expenses in connection with the proper operation and
 18 maintenance of the System, (B) to pay the principal of, interest on and any Sinking
 19 Fund Requirements for the outstanding Parity Bonds, as and when the same shall
 20 become due and payable, (C) to make when due all payments which the City is
 21 obligated to make into the Reserve Fund, (D) to make all other payments which the
 22 City is obligated to make pursuant to this ordinance or any Parity Bond Ordinance
 23 and (E) to pay all taxes, assessments or other governmental charges lawfully
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1 imposed on the System or the revenue therefrom or payments in lieu thereof and
2 any and all other amounts which the City may now and hereafter become obligated
3 to pay from Gross Revenues by law or contract; and

4 (2) the Net Revenues in each calendar year will equal at least
5 1.25 times the Annual Debt Service for such calendar year.

6 Solely for purposes of calculating the coverage requirement set forth above,
7 there shall be added to Gross Revenues in any calendar year any amount
8 withdrawn from the Rate Stabilization Fund in such calendar year and deposited in
9 the Solid Waste Operating Fund, and there shall be subtracted from Gross
10 Revenues in any calendar year any amount withdrawn from the Solid Waste
11 Operating Fund and deposited in the Rate Stabilization Fund. After all of the 2006
12 Bonds and 2008 Bonds are fully redeemed, refunded or defeased, credits to or from
13 the Rate Stabilization Fund that occur within 90 days after the end of a Fiscal Year
14 may be treated as occurring within such Fiscal Year.

15 The calculation of the coverage requirement set forth above, and in
16 Section 15, and the City's compliance therewith, may be made solely with reference
17 to this ordinance without regard to future changes in generally accepted accounting
18 principles. If the City has changed one or more of the accounting principles used in
19 the preparation of its financial statements, because of a change in generally
20 accepted accounting principles or otherwise, then an event of default relating to this
21 coverage requirement shall not be considered an event of default if the coverage
22 requirement ratio would have been complied with had the City continued to use
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1 those accounting principles employed at the date of the most recent audited
2 financial statements prior to the date of this ordinance.

3 (b) Maintenance and Operations Standards. The City will at all times keep
4 and maintain the System in good repair, working order and condition and will at all
5 times operate the System and the business in connection therewith in an efficient
6 manner and at a reasonable cost.

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

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

6 (e) Books and Accounts – Operating Statement. The City will keep and
7 maintain proper books and accounts with respect to the operations, income and
8 expenditures of the System that are in accordance with proper and legal accounting
9 procedures. All expenses incurred in the maintenance of such books and accounts
10 and the preparation of such statement may be regarded and paid as an expense of
11 operation of the System.

12 (f) Tax Covenants. The City will take all actions necessary to assure the
13 exclusion of interest on the Bonds from the gross income of the owners of the
14 Bonds to the same extent as such interest is permitted to be excluded from gross
15 income under the Code as in effect on the date of issuance of the Bonds, including
16 but not limited to the following:

17 (1) Private Activity Bond Limitation. The City will assure that the
18 proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private
19 business tests of Section 141(b) of the Code or the private loan financing test of
20 Section 141(c) of the Code.

21 (2) Limitations on Disposition of Project. The City will not sell or
22 otherwise transfer or dispose of (i) any personal property components of the
23 projects refinanced with proceeds of the Bonds (the "Projects") other than in the
24



1 ordinary course of an established government program under Treasury Regulation
2 1.141-2(d)(4) or (ii) any real property components of the Projects, unless it has
3 received an opinion of Bond Counsel to the effect that such disposition will not
4 adversely affect the treatment of interest on the Bonds as excludable from gross
5 income for federal income tax purposes.

6 (3) Federal Guarantee Prohibition. The City will not take any action
7 or permit or suffer any action to be taken if the result of such action would be to
8 cause any of the Bonds to be "federally guaranteed" within the meaning of
9 Section 149(b) of the Code.

10 (4) Rebate Requirement. The City will take any and all actions
11 necessary to assure compliance with Section 148(f) of the Code, relating to the
12 rebate of excess investment earnings, if any, to the federal government, to the
13 extent that such section is applicable to the Bonds.

14 (5) No Arbitrage. The City will not take, or permit or suffer to be taken
15 by the Escrow Agent or otherwise, any action with respect to the proceeds of the
16 Bonds which, if such action had been reasonably expected to have been taken, or
17 had been deliberately and intentionally taken, on the date of issuance of the Bonds
18 would have caused the Bonds to be "arbitrage bonds" within the meaning of
19 Section 148 of the Code.

20 (6) Registration Covenant. The City will maintain a system for
21 recording the ownership of each Bond that complies with the provisions of
22 Section 149 of the Code until all Bonds have been surrendered and canceled.
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1 (7) Record Retention. The City will retain its records of all accounting
 2 and monitoring it carries out with respect to the Bonds for at least three years after
 3 the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are
 4 redeemed and refunded, the City will retain its records of accounting and monitoring
 5 at least three years after the earlier of the maturity or redemption of the obligations
 6 that refunded the Bonds.

8 (8) Compliance with Federal Tax Certificate. The City will comply
 9 with the provisions of the Federal Tax Certificate with respect to the Bonds, which
 10 are incorporated herein as if fully set forth herein. The covenants of this Section will
 11 survive payment in full or defeasance of the Bonds.

13 (g) Junior Lien Bonds. In the event the City issues revenue bonds or other
 14 revenue obligations having a lien upon the Gross Revenues junior and inferior to
 15 the lien on the Parity Bonds ("Junior Lien Bonds"), the City covenants that a default
 16 on such Junior Lien Bonds will not constitute a default on the Parity Bonds and that
 17 the City will not permit, to the extent legally practicable, an acceleration of such
 18 Junior Lien Bonds in the event of a default on such bonds.

20 Section 14. Parity Derivative Products. For purposes of this Section 14, the
 21 following words shall have the following definitions:

22 (a) "Payment" means any payment (designated as such by an ordinance or
 23 resolution) required to be made by or on behalf of the City under a Payment
 24 Agreement and which is determined according to a formula set forth in the Payment
 25 Agreement.
 26



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

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

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

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

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

25 (g) "Qualified Counterparty" means a party (other than the City or a party
 26 related to the City) who is the other party to a Payment Agreement that has or
 whose obligations are unconditionally guaranteed by a party that has at least an



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1 investment grade rating from a rating agency (who, if the City's Parity Bonds are
2 rated by Moody's, must have a rating of at least "A") and who is otherwise qualified
3 to act as the other party to a Payment Agreement under any applicable laws of the
4 State.

5 A Payment made under a Payment Agreement may be on a parity with the
6 Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds
7 described in Section 15, taking into consideration regularly scheduled Payments
8 and Receipts (if any) under the Payment Agreement. The following shall be
9 conditions precedent to the use of any Payment Agreement on a parity with the
10 Bonds:
11

12 (1) The City shall obtain an opinion of Bond Counsel on the due
13 authorization and execution of such Payment Agreement, the validity and
14 enforceability thereof and opining that the action proposed to be taken is authorized
15 or permitted by this ordinance or the applicable provisions of any supplemental
16 ordinance and will not adversely affect the excludability for federal income tax
17 purposes of the interest on any outstanding Parity Bonds.
18

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

21 (A) set forth the manner in which the Payments and Receipts
22 are to be calculated and a schedule of Payment Dates;
23

24 (B) establish general provisions for the rights of parties to
25 Payment Agreements; and
26



1 (C) set forth such other matters as the City deems necessary
2 or desirable in connection with the management of Payment Agreements as are not
3 clearly inconsistent with the provisions of this ordinance.
4

5 The Payment Agreement may obligate the City to pay, on one or more
6 scheduled and specified Payment Dates, the Payments in exchange for the Payor's
7 obligation to pay or to cause to be paid to the City, on scheduled and specified
8 Payment Dates, the Receipts. The City may also enter into Payment Agreements
9 that are not reciprocated by the other party to the agreement.
10

11 If the City enters into a Parity Payment Agreement, Payments shall be made
12 from the Debt Service Account in the Bond Fund and Annual Debt Service shall
13 include any regularly scheduled City Payments adjusted by any regularly scheduled
14 Receipts during a Fiscal Year. Receipts shall be paid directly into the Bond Fund.
15 Obligations to make unscheduled payments, such as termination payments, may
16 not be entered into on a parity with the Parity Bonds.
17

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

20 Furthermore, nothing in this section shall preclude the City from entering into
21 obligations on a parity with the Bonds in connection with the use of Payment
22 Agreements or similar instruments if the City obtains an opinion of Bond Counsel
23 that the obligations of the City thereunder are consistent with this ordinance.
24

25 Section 15. Future Parity Bonds. The City reserves the right to issue Future
26 Parity Bonds for the purposes of (a) providing funds to acquire, construct,
reconstruct, install, or replace any equipment, facilities, additions, or other capital



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1 improvements to the System for which it is authorized by law to issue revenue
 2 bonds; (b) any lawful purpose of the System, including the payment of a judgment
 3 or settlement of a claim; or (c) refunding at or prior to their maturity, any revenue
 4 bond anticipation notes or outstanding revenue bonds or other obligations payable
 5 out of Gross Revenues. The City may pledge that payments will be made out of
 6 money in the Solid Waste Operating Fund into the Bond Fund and the funds and
 7 accounts therein to pay and secure the payment of the principal of and interest on
 8 such Future Parity Bonds on a parity with the payments required herein to be made
 9 out of such money into such fund and accounts to pay and secure the payment of
 10 the principal of and interest on any Parity Bonds then outstanding, upon compliance
 11 with the following conditions:

12 (a) At the time of the issuance of any Future Parity Bonds there is no
 13 deficiency in the Bond Fund.

14 (b) The principal of and interest on any Future Parity Bonds shall be payable
 15 out of the Bond Fund and the requirements for Sinking Fund Requirements and
 16 Reserve Fund payments (with respect to Covered Bonds) in Section 10 shall be
 17 met.

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

20 (1) A certificate of the Finance Director of the City stating that Net
 21 Revenues in any 12 consecutive months out of the most recent 24 months
 22 preceding the delivery of the bonds then proposed to be issued, as determined from
 23 the financial statements of the System, were not less than 1.25 times Maximum
 24



1 Annual Debt Service for any year on all outstanding Parity Bonds and the bonds
 2 proposed to be issued, provided that in the event that any adjustment in the rates,
 3 fees and charges collected by the City for the services of the System shall have
 4 been adopted by the City Council at any time on or prior to the date of delivery of
 5 the bonds then proposed to be issued, the Finance Director shall reflect in his or
 6 her certificate the Net Revenues he or she estimates would have been collected in
 7 such 12-month period if such new rates, fees and charges had been in effect for the
 8 entire 12-month period, or

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

14 The Adjusted Net Revenues shall be the Net Revenues for a period of any
 15 12 consecutive months out of the 24 months immediately preceding the date of
 16 delivery of such proposed Future Parity Bonds as adjusted by such Engineer or
 17 Certified Public Accountant to take into consideration changes in Net Revenues
 18 estimated to occur under the following conditions for each year after such delivery
 19 for so long as any Parity Bonds, including the Future Parity Bonds proposed to be
 20 issued, shall be outstanding:

21 (i) the additional Net Revenues which would have been
 22 received if any change in rates and charges adopted prior to the date of such
 23



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1 certificate and subsequent to the beginning of such 24 month period, had been in
 2 force during the full 24 month period;

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

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

12 Such Engineer or Certified Public Accountant may rely upon, and such
 13 certificate shall have attached thereto, financial statements of the System, certified
 14 by the City Finance Director, showing income and expenses for the period upon
 15 which the same is based. The certificate of such Engineer or Certified Public
 16 Accountant shall be conclusive and the only evidence required to show compliance
 17 with the provisions and requirements of this subsection.

18 (d) Refunding Bonds. Notwithstanding the foregoing requirement, if Future
 19 Parity Bonds are to be issued for the purpose of refunding at or prior to their
 20 maturity any part or all of the then outstanding Parity Bonds and the issuance of
 21 such refunding Future Parity Bonds will result in a debt service savings and does
 22 not require an increase of more than \$5,000 in any fiscal or calendar year for
 23 principal of and interest on such refunding Future Parity Bonds over and above the
 24
 25
 26



1 amount required in such year for the principal of and interest on the bonds being
 2 refunded thereby, it is not necessary to obtain a certificate of the Finance Director
 3 or an Engineer or Certified Public Accountant prior to issuing such bonds.

4 (e) Junior Lien Bonds. Subject to Section 13(g) of this ordinance, nothing
 5 herein contained shall prevent the City from issuing revenue bonds or other
 6 obligations which are a charge upon Gross Revenues junior or inferior to the
 7 payments required by this ordinance to be made out of such Revenue into the Bond
 8 Fund and accounts therein to pay and secure the payment of any outstanding
 9 Parity Bonds.

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

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

2 (a) Bond Sale. The Bonds shall be sold by negotiated sale to the
3 Underwriter selected by the Designated Representative pursuant to the terms of
4 this ordinance and the Bond Purchase Contract. The Designated Representative is
5 hereby authorized to select the Underwriter that submits the proposal that is in the
6 best interest of the City.
7

8 The Council has determined that it would be in the best interest of the City to
9 delegate to the Designated Representative for a limited time the authority to select
10 the Underwriter, approve the selection of Refunded Bonds (if any), and approve the
11 final interest rates, maturity dates, aggregate principal amounts, principal amounts
12 of each maturity, and redemption rights for each series of Bonds.

13 Subject to the terms and conditions set forth in this Section 16, the
14 Designated Representative is hereby authorized to enter into the Bond Purchase
15 Contract with the Underwriter to issue and sell the Bonds upon his or her approval
16 of the final interest rates, maturity dates, aggregate principal amounts, principal
17 maturities, and redemption rights set forth therein for each series of Bonds in
18 accordance with the authority granted by this section so long as:
19

20 (1) the aggregate principal amount of the Bonds does not exceed
21 \$55,000,000,
22

23 (2) the final maturity date for the 2016A Bonds is no later than
24 December 1, 2036,
25

26 (3) the final maturity date for the 2016B Bonds is no later than
December 1, 2036;



1 (4) the Bonds are sold (in the aggregate) at a price not less than
2 97 percent and not greater than 130 percent,
3

4 (5) the true interest cost for the Bonds (in the aggregate) does not
5 exceed 5 percent, and
6

7 (6) the Bonds conform to all other terms of this ordinance.

8 Subject to the terms and conditions set forth in this section, the Designated
9 Representative is hereby authorized to execute one or more Bond Purchase
10 Contracts to be dated the date of sale of a series of Bonds. The signature of one
11 Designated Representative shall be sufficient to bind the City.

12 Following the execution of the Bond Purchase Contract, the Designated
13 Representative shall provide a report to the City Council describing the final terms
14 of the Bonds approved pursuant to the authority delegated in this section. The
15 authority granted to the Designated Representative by this Section 16 shall expire
16 120 days after the effective date of this ordinance. If a Bond Purchase Contract for
17 the Bonds has not been executed within 120 days after the effective date of this
18 ordinance, the authorization for the issuance of the Bonds shall be rescinded and
19 the Bonds shall not be issued nor their sale approved unless such Bonds shall have
20 been reauthorized by ordinance of the City Council. The ordinance reauthorizing
21 the issuance and sale of such Bonds may be in the form of a new ordinance
22 repealing this ordinance in whole or in part or may be in the form of an amendatory
23 ordinance approving a bond purchase contract or establishing terms and conditions
24 for the authority delegated under this Section 16.
25
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1 (b) Delivery of Bonds; Documentation. Upon the passage and approval of
 2 this ordinance, the proper officials of the City, including the Finance Director,
 3 Treasurer, and City Manager, are authorized and directed to undertake all action
 4 necessary for the prompt execution and delivery of the Bonds to the Underwriter
 5 and further to execute all closing certificates and documents required to effect the
 6 closing and delivery of the Bonds in accordance with the terms of this ordinance
 7 and the Bond Purchase Contract.

8
 9 Section 17. Approval of Official Statement. The Finance Director is hereby
 10 authorized to approve and to deem final the preliminary Official Statement relating
 11 to the Bonds for the purposes of the Rule. The Finance Director is further
 12 authorized to approve for purposes of the Rule, on behalf of the City, the final
 13 Official Statement relating to the issuance and sale of the Bonds and the
 14 distribution of the final Official Statement pursuant thereto with such changes, if
 15 any, as may be deemed by him or her to be appropriate.

16
 17 Section 18. Defaults and Remedies. The following constitute "Events of
 18 Default" under this ordinance:

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

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

24 (c) If the City shall default in the observance and performance of any other
 25 of the covenants, conditions and agreements on the part of the City contained in
 26



1 this ordinance or any covenants, conditions or agreements on the part of the City
 2 contained in any other Parity Bond Ordinance and such default or defaults shall
 3 have continued for a period of 90 days after the City shall have received from the
 4 owners of not less than 20 percent in principal amount of the Parity Bonds
 5 outstanding a written notice specifying and demanding the cure of such default.

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

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

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

16
 17 So long as such Event of Default shall not have been remedied, a
 18 bondowners' trustee may be appointed by the registered owners of 25 percent in
 19 principal amount of the Parity Bonds.

20 The bondowners' trustee may upon the happening of an Event of Default,
 21 and during the continuance thereof, take such steps and institute such suits, actions
 22 or other proceedings in its own name, or as trustee, all as it may deem appropriate
 23 for the protection and enforcement of the rights of bondowners to collect any
 24 amounts due and owing the City, or to obtain other appropriate relief, and may
 25 enforce the specific performance of any covenant, agreement or condition
 26



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1 contained in this ordinance or in any of the Parity Bonds. The registered owners of
2 the Parity Bonds, by taking and holding the same, shall be deemed irrevocably to
3 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 19. Supplemental Ordinances.

15 (a) The Council from time to time and at any time may adopt an ordinance
16 or ordinances supplemental to this ordinance, which supplemental ordinance or
17 ordinances thereafter shall become a part of this ordinance, for any one or more or
18 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
contained in this ordinance or any ordinance authorizing future Parity Bonds in



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

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

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

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

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

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

3 Section 20. Bond Insurance. The Designated Representative is hereby
4 further authorized to solicit proposals from municipal bond insurance companies for
5 the issuance of a bond insurance policy. In the event that the Designated
6 Representative receives multiple proposals in response to a solicitation, the
7 Designated Representative may select the proposal having the lowest cost and
8 resulting in an overall lower interest cost with respect to the Bonds to be insured.
9 The Designated Representative may execute a commitment received from the
10 insurer selected by the Designated Representative. The Council further authorizes
11 all proper officers, agents, attorneys and employees of the City to cooperate with
12 the insurer in preparing such additional agreements, certificates, and other
13 documentation on behalf of the City as shall be necessary or advisable in providing
14 for the bond insurance policy.

15 Section 21. Ongoing Disclosure.

16 (a) Contract/Undertaking. This section constitutes the City's written
17 undertaking for the benefit of the owners, including beneficial owners, of the Bonds
18 as required by Section (b)(5) of the Rule.

19 (b) Financial Statements/Operating Data. The City agrees to provide or
20 cause to be provided to the MSRB the following annual financial information and
21 operating data for the prior fiscal year (commencing in 2016 for the fiscal year
22 ended December 31, 2015):
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1 (1) Annual financial statements, which statements may or may not be
2 audited, showing ending fund balances for the System prepared in accordance with
3 Generally Accepted Accounting Principles prescribed by the Washington State
4 Auditor pursuant to RCW 43.09.200 (or any successor statute);

5 (2) Principal amount of outstanding Parity Bonds;
6 (3) Debt service coverage for outstanding Parity Bonds;
7 (4) Total number of residential and commercial customers;
8 (5) Aggregate percent of total revenue received from the System's
9 ten largest customers;

10 (6) Tonnage and percentage for each disposal method;
11 (7) Rates for the System substantially as provided in the rate
12 ordinance approved by the Council; and
13

14 (8) Gross Revenues by service.

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

17 The information and data described above shall be provided on or before the
18 last day of the ninth month after the end of the City's fiscal year. The City's current
19 fiscal year ends December 31. The City may adjust such fiscal year by providing
20 written notice of the change of fiscal year to the MSRB. In lieu of providing such
21 annual financial information and operating data, the City may cross-reference to
22 other documents available to the public on the MSRB's internet website or filed with
23 the Commission.
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1 If not provided as part of the annual financial information discussed above,
 2 the City shall provide the City's audited annual financial statement prepared in
 3 accordance with Generally Accepted Accounting Principles prescribed by the
 4 Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)
 5 when and if available to the MSRB.
 6

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

- 11 • Principal and interest payment delinquencies;
- 12 • Non-payment related defaults, if material;
- 13 • Unscheduled draws on debt service reserves reflecting financial
 14 difficulties;
- 15 • Unscheduled draws on credit enhancements reflecting financial
 16 difficulties;
- 17 • Substitution of credit or liquidity providers, or their failure to perform;
- 18 • Adverse tax opinions, the issuance by the Internal Revenue Service of
 19 proposed or final determinations of taxability, Notices of Proposed Issue
 20 (IRS Form 5701-TEB) or other material notices or determinations with
 21 respect to the tax status of the Bonds, or other material events affecting
 22 the tax status of the Bonds;
- 23 • Modifications to the rights of Bondholders, if material;
- 24 • Optional, contingent or unscheduled Bond calls other than scheduled
 25 sinking fund redemptions for which notice is given pursuant to
 26 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,



1 other than in the ordinary course of business, the entry into a definitive
 2 agreement to undertake such an action or the termination of a definitive
 3 agreement relating to any such actions, other than pursuant to its terms,
 4 if material; and
 5 • Appointment of a successor or additional trustee or the change of name
 6 of a trustee, if material.

7 (d) Format for Filings with the MSRB. All notices, financial information and
 8 operating data required by this undertaking to be provided to the MSRB must be in
 9 an electronic format as prescribed by the MSRB. All documents provided to the
 10 MSRB pursuant to this undertaking must be accompanied by identifying information
 11 as prescribed by the MSRB.

12 (e) Notification Upon Failure to Provide Financial Data. The City agrees to
 13 provide or cause to be provided, in a timely manner, to the MSRB notice of its
 14 failure to provide the annual financial information described in subsection (b) above
 15 on or prior to the date set forth in subsection (b) above.

16 (f) Termination/Modification. The City's obligations to provide annual
 17 financial information and notices of certain listed events shall terminate upon the
 18 legal defeasance, prior redemption or payment in full of all of the Bonds. Any
 19 provision of this section shall be null and void if the City (i) obtains an opinion of
 20 Bond Counsel to the effect that the portion of the Rule that requires that provision is
 21 invalid, has been repealed retroactively or otherwise does not apply to the Bonds
 22 and (ii) notifies the MSRB of such opinion and the cancellation of this section.

23 The City may amend this section with an opinion of Bond Counsel in
 24 accordance with the Rule. In the event of any amendment of this section, the City
 25 shall describe such amendment in the next annual report, and shall include a
 26



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

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

18 Section 22. Lost or Destroyed Bonds. In case any Bonds shall be lost,
 19 stolen or destroyed, the Bond Registrar may authenticate and deliver a new
 20 Bond(s) of like series, amount, date, tenor, and effect to the owner thereof upon the
 21 owner paying the expenses and charges of the City in connection therewith and
 22 upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that
 23 such Bond(s) were actually lost, stolen or destroyed and of ownership thereof, and
 24 upon furnishing the City with indemnity satisfactory to both.
 25
 26



1 Section 23. Severability. If any one or more of the covenants or
 2 agreements provided in this ordinance to be performed on the part of the City shall
 3 be declared by any court of competent jurisdiction to be contrary to law, then such
 4 covenant or covenants, agreement or agreements, shall be null and void and shall
 5 be deemed separable from the remaining covenants and agreements of this
 6 ordinance and shall in no way affect the validity of the other provisions of this
 7 ordinance or of the Bonds.
 8

9 Section 24. Effective Date. This ordinance shall take effect and be in force
 10 10 days after its passage, approval and publication as required by law.
 11

12 Passed: _____
 13

14 _____
 15 Mayor

16 Attest:
 17 _____
 18 City Clerk

19 Approved as to form and legality:
 20 Pacifica Law Group LLP
 21 Bond Counsel to the City of Tacoma
 22

23 By _____
 24
 25
 26



EXHIBIT "A"

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON
CITY OF TACOMA
SOLID WASTE REVENUE REFUNDING BOND, 2016[A/B]

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

The City of Tacoma, Washington, a municipal corporation of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest from _____, 2016, or the most recent date to which interest has been paid or duly provided for, until payment of this bond at the Interest Rate set forth above, payable on _____, 20____, and semiannually thereafter on the first days of each succeeding June and December. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest, date of maturity and rights of redemption, in the aggregate principal amount of \$_____, and is issued pursuant to Ordinance No. _____ passed by the Council on April 26, 2016 (the "Bond Ordinance") to provide the funds necessary to defease and refund certain outstanding solid waste revenue bonds of the City 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 also issuing its Solid Waste Revenue Refunding Bonds, 2016[A/B] pursuant to the Bond Ordinance to provide the funds necessary to defease and/or refund certain outstanding solid waste revenue bonds of the City and to pay costs of issuance for such bonds.

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



The bonds of this issue are payable solely from the special fund of the City known as the "Solid Waste Bond Fund" (the "Bond Fund"). The City has irrevocably obligated and bound itself to pay into the Bond Fund out of Gross 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.

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

To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Solid Waste Operating Fund out of Gross Revenues into the Bond Fund shall be a lien and charge thereon equal in rank to the lien and charge upon such Revenue of the amounts required to pay and secure 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.

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The City has not designated the bonds of this issue as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

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

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

This bond shall not be valid or become obligatory for any purpose or be 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.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington and the charter and ordinances of the City to exist and to have happened, been done and performed 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



1 does not violate any constitutional, statutory or other limitation upon the amount of
2 bonded indebtedness that the City may incur.

3 IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused this
4 bond to be signed with the manual or facsimile signature of the Mayor and attested
5 by the manual or facsimile signature of the City Clerk, and the seal of the City to be
6 impressed or a facsimile thereof to be imprinted hereon, as of this ____ day of
7 _____, 2016.

8 [SEAL]

9 CITY OF TACOMA, WASHINGTON

10 By /s/ manual or facsimile
11 Mayor

12 ATTEST:

13 /s/ manual or facsimile
14 City Clerk

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

17 CERTIFICATE OF AUTHENTICATION

18 This bond is one of the bonds described in the within-mentioned Bond Ordinance
19 and is one of the Solid Waste Revenue Refunding Bonds, 2016[A/B] of the City of
20 Tacoma, Washington, dated _____, 2016.

21 WASHINGTON STATE FISCAL AGENT, as Bond
22 Registrar

23 By _____
24
25
26



EXHIBIT "B"

FORM OF NOTICE OF SEPARATE RESERVE FUND*

CITY OF TACOMA, WASHINGTON
SOLID WASTE REVENUE REFUNDING BONDS, 2016A
(date of issuance _____, 2016)
SOLID WASTE REVENUE REFUNDING BONDS, 2016B
(date of issuance _____, 2016)

CUSIP No.: _____

NOTICE IS HEREBY GIVEN that the City of Tacoma, Washington (the
"City"), pursuant to Section 10(b) of Ordinance No. ____ adopted by the City Council
on April 26, 2016 (the "Bond Ordinance"), has established a separate reserve fund
("Reserve Fund") and a new reserve fund requirement (the "Reserve Fund
Requirement") for the above-referenced bonds (the "Bonds"). As of _____,
20__, the Bonds shall no longer be considered "Covered Bonds" as defined in the
Bond Ordinance, and principal of and interest on the Bonds shall be secured by the
separate Reserve Fund.

The Reserve Fund Requirement for the Bonds as of _____, 20__
shall be _____.

[details of separate Reserve Fund to be added, if needed]

This notice is being given to provide interested parties information regarding
the source of security and payment for the Bonds. No further notice or updates will
be provided unless the City determines to revise the Reserve Fund Requirement at
a later date.

Dated: _____, 20__.

Finance Director, City of Tacoma

Treasurer, City of Tacoma

Environmental Services Director, City of
Tacoma

* The City shall provide notice of any such separate Reserve Fund and corresponding Reserve Fund Requirement for the Bonds in the same manner as a listed event notice that would be required upon the occurrence of a material "release, substitution, or sale of property securing repayment of the Bonds" in accordance with Section 21(c) of the Bond Ordinance.



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 "Ordinance") is a
5 true and correct copy of an Ordinance of the Council, as finally passed at a regular
6 meeting of the Council held on the 26th day of April, 2016, and duly recorded in my
7 office.
8

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

18 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the
19 official seal of the City as of this 26th day of April, 2016.
20

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

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APPENDIX B
FORM OF BOND COUNSEL OPINION

September 7, 2016

City of Tacoma, Washington
Tacoma, Washington

J.P. Morgan Securities LLC
Seattle, Washington

Re: City of Tacoma, Washington
Solid Waste Revenue Refunding Bonds, 2016B — \$15,025,000

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 Refunding Bonds, 2016B, in the principal amount of \$15,025,000 (the “Bonds”) issued pursuant to Ordinance No. 28356 of the City (the “Bond Ordinance”), to refund on a current basis certain outstanding solid waste revenue bonds of the City 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. The City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

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 Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

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

Very truly yours,
PACIFICA LAW GROUP LLP

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM
AS OF DECEMBER 31, 2014**

(attached)

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*Solid Waste Management
2014 Financial Report*

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Independent Auditor's Report

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Environmental Services, Solid Waste Management (the Division), which comprise the statements of net position as of December 31, 2014 and 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

REPORT OF INDEPENDENT AUDITORS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2014 and 2013, 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.

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The statistical data presented on pages 42 through 44 is not a required part of the financial statements, but is supplemental information presented for the purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



Tacoma, Washington

May 19, 2015

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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, 2014 and 2013

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, 2014 and 2013. 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 2014 by \$333,000 compared to the decrease of \$3.4 million in 2013 and the increase of \$146,000 in 2012.
- Operating revenues were \$56.8 million in 2014, \$56.0 million in 2013 and \$56.8 million in 2012.
- Total net position was \$19.7 million at December 31, 2014 compared to \$20.1 million and \$23.4 million at year-end 2013 and 2012, respectively.
- Cash and equity in pooled investments was \$33.6 million at December 31, 2014 compared to \$32.5 million in 2013 and \$43.2 million in 2012.

Financial Analysis – Condensed Statements of Net Position

	December 31,		
	2014	2013	2012 (as restated)
Current, restricted, and other assets	\$ 40,740,273	\$ 39,627,660	\$ 50,314,720
Capital assets	82,080,043	88,133,756	84,265,678
Deferred outflows	218,093	292,866	540,562
Total assets and deferred outflows	<u>\$ 123,038,409</u>	<u>\$ 128,054,282</u>	<u>\$ 135,120,960</u>
Current liabilities and liabilities payable from restricted assets	\$ 9,985,441	\$ 7,660,075	\$ 10,096,242
Noncurrent liabilities	87,315,785	94,323,854	96,939,996
Deferred inflows	6,000,000	6,000,000	4,650,000
Total liabilities and deferred inflows	<u>103,301,226</u>	<u>107,983,929</u>	<u>111,686,238</u>
Invested in capital assets	27,570,909	28,487,502	22,665,937
Restricted for bond reserves	6,780,399	1,728,015	1,623,541
Unrestricted	(14,614,125)	(10,145,164)	(854,756)
Total net position	<u>19,737,183</u>	<u>20,070,353</u>	<u>23,434,722</u>
Total liabilities, deferred inflows and net position	<u>\$ 123,038,409</u>	<u>\$ 128,054,282</u>	<u>\$ 135,120,960</u>

Current, restricted and other assets

Current, restricted and other assets increased \$1.1 million in 2014 compared to a decrease of \$10.7 million in 2013. The increase in 2014 was due to increases of \$5.2 million in bond reserve and debt service accounts, and decreases of \$4.1 million in cash and equity in pooled investments. There was a decrease of \$377,000 of net customer account receivable and an increase of \$390,000 in due from other funds. 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.

Deferred outflows of resources

Deferred outflows of resources 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 increased \$2.3 million in 2014 and decreased \$2.4 million in 2013. Significant changes include:

- Accounts payable decreased \$414,000 in 2014 compared to a decrease of \$189,000 in 2013 due to year-end accruals and timing of payments.
- Due to other funds increased \$446,000 off-set by the increases of \$391,000 from Due from other funds in 2014.
- The current portion of landfill closure liabilities increased \$721,000 primarily due to forecast landfill closure cost in 2015 and decreased \$2.8 million in 2013 due to project spending in 2013.
- Current portion of long-term debt principal payments due within a year increased \$1.4 million over 2014 and \$480,000 over 2013.

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 \$7.0 million in 2014 and \$2.6 million in 2013.

- Long-term debt decreased \$4.9 million in 2014 and \$3.4 million in 2013 primarily due to principal payments reclassified to current.
- Capital lease obligation decreased \$1.7 million in 2014 due to the percentage split change of the Center Urban Water building effective December 31, 2014.
- Non-current landfill post closure liabilities decreased \$692,000 in 2014 and increased \$570,000 million in 2013 related to post closure monitoring the City's Landfill.
- OPEB liabilities increased \$289,000 in 2014 compared to \$318,000 in 2013 due to the additional accrual recorded at year-end.

Deferred inflows of resources

Deferred inflows of resources includes the rate stabilization credit. \$1.4 million in 2013 revenues were deferred to better match revenues with future costs. There were no additional amounts deferred in 2014.

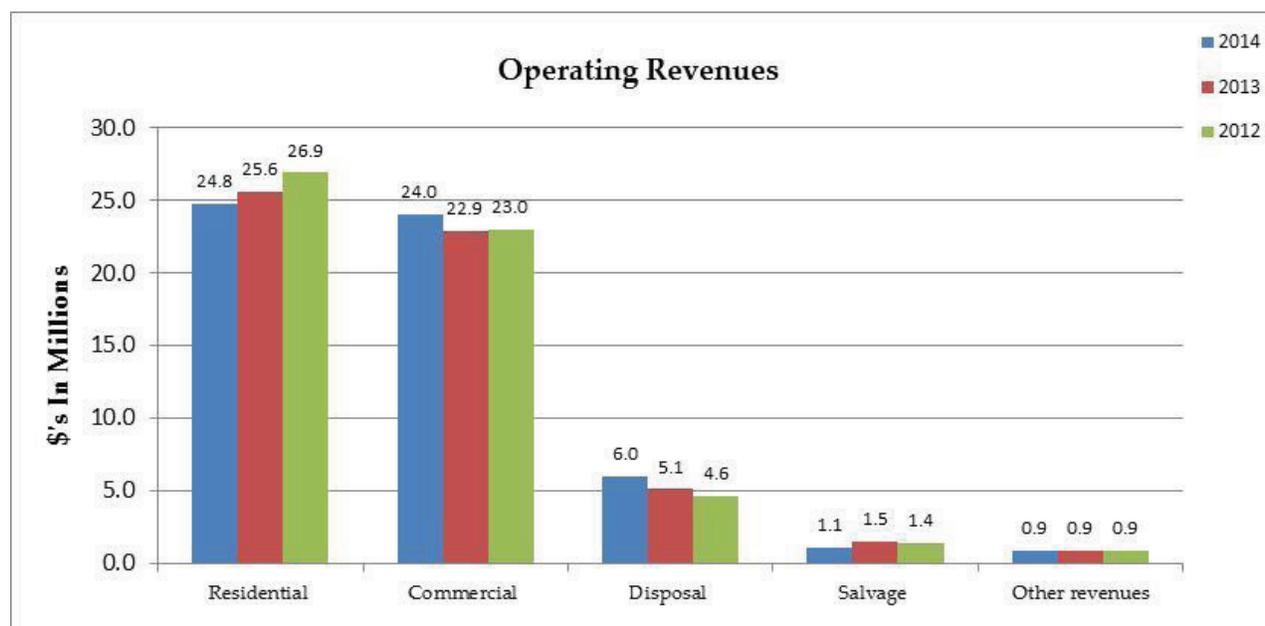
Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31,		
	2014	2013	2012 (as restated)
Operating revenues	\$ 56,751,038	\$ 56,022,042	\$ 56,807,522
Operating expenses	50,353,774	51,675,472	50,108,727
Net operating income	6,397,264	4,346,570	6,698,795
Nonoperating revenues (expenses)	(2,185,507)	(3,173,945)	(2,755,808)
Net Position before transfers	4,211,757	1,172,625	3,942,987
Contributions	-	388,505	-
Transfers	-	(289,428)	747,630
Gross earnings taxes	(4,544,927)	(4,636,071)	(4,544,348)
Change in net position	(333,170)	(3,364,369)	146,269
Total net position - beginning	20,070,353	23,434,722	23,288,453
Total net position - ending	\$ 19,737,183	\$ 20,070,353	\$ 23,434,722

Operating revenues

Overall operating revenues increased \$729,000 in 2014 compared to decreases of \$785,000 in 2013 and \$294,000 in 2012.

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



Revenues from residential collection decreased \$809,000 in 2014 and \$1.3 million in 2013. There was no revenue rate increase in 2014 and 2013. Residential collection revenues were down in 2014 due to customers downsizing their garbage containers during the first year of Every-Other-Week (EOW) collection implementation.

Revenue from commercial collection increased \$1.1 million in 2014 due to the local businesses improvement during the year.

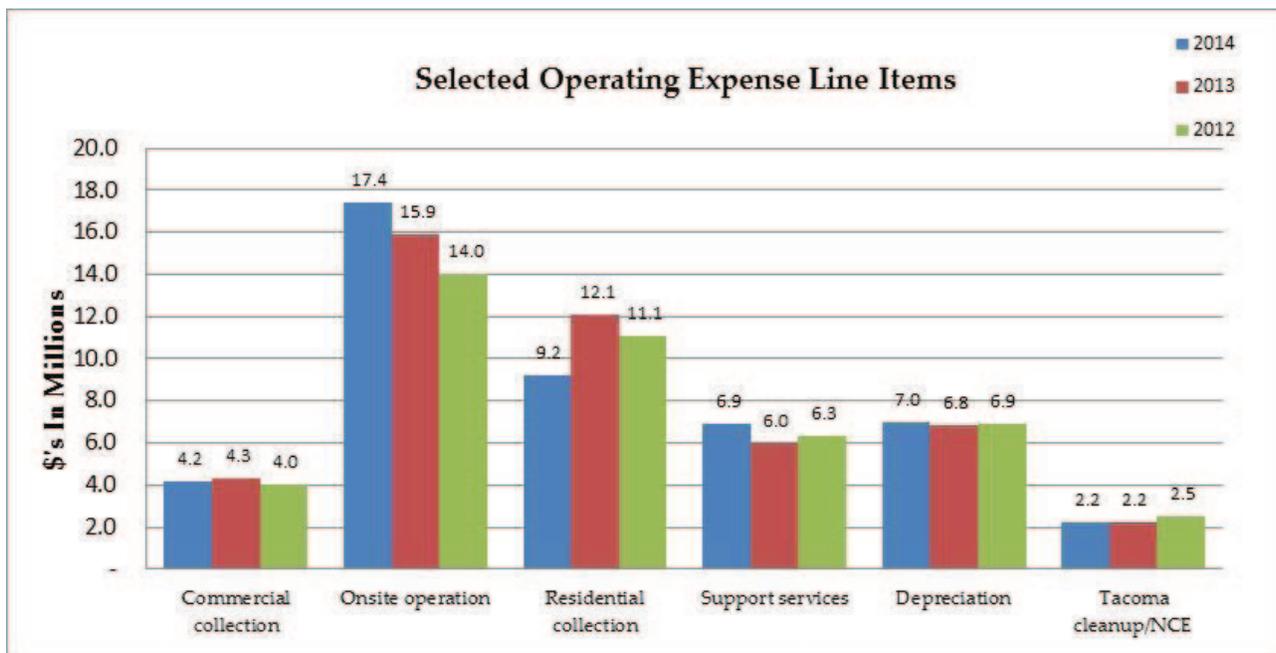
Disposal revenues increased \$853,000 due to increases in number of customer self-hauls in 2014 compared to a \$585,000 increase in the prior year.

Salvage revenues fluctuated due to changes in both the volumes and prices of salvaged materials. These revenues decreased \$429,000 in 2014. In 2013, salvage revenues increased \$128,000.

Operating expenses

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

Total operating costs decreased \$1.3 million in 2014, compared to increases of \$1.6 million in 2013 and \$4.6 million in 2012.



2014 Activity

Operating expenses were \$50.4 million in 2014, a decrease of \$1.3 million. Significant changes in operating costs include the following:

- Onsite operation expenses increased \$1.6 million which includes public receiving, the facility maintenance and off-site transfer. Costs increased \$446,000 in labor costs and \$902,000 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 decreased \$2.9 million primarily due to a decrease of \$2.2 million in labor costs for the EOW collection completed implementation, and a decrease of \$734,000 in external contract services.
- Support services expenses increased \$889,000. Significant changes included \$667,000 in assessments and the rest in business support operations.

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.

Nonoperating revenues (expenses)

Investment earnings were \$311,000 in 2014 and \$126,000 in 2013, an increase of \$185,000. This was due to an increase in the mark to market adjustment, \$302,000 in 2014 compared a decrease \$284,000 in 2013. 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 \$3.0 million, a decrease of \$180,000 in 2014 compared to 2013. Interest expense on revenue bonds decreased \$147,000 in 2013 compared to 2012.

Operating grant revenue increased \$283,000 due to the Coordinated Prevention Grant.

Contributions and Transfers

Solid Waste transferred \$4.5 million to general fund for gross earning tax in 2014 compare to \$4.6 million in 2013.

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. There were no amounts transferred in 2014.

Capital Assets

At the end of 2014, the Division's total capital assets, net of accumulated depreciation is \$82.1 million compared to \$88.1 million in 2013 and \$84.3 million in 2012. (See Note 3 for detailed activity.)

2014 Activity

Balances in 2014 decreased \$6.1 million and the significant changes are:

- Building increased \$1.5 million due to completing the Tacoma Asphalt plan.
- Landfill infrastructure increased \$348,000 due to completing the Landfill paving and the West Truck Parking project.
- Machinery and equipment decreased a net \$100,000. Significant changes include:
 - A decrease \$1.1 million for vehicles (purchases of \$171,000 less disposals of \$1.3 million)
 - An increase \$724,000 for purchased containers, and \$279,000 for heavy equipment
- Accumulated depreciation increased \$7.0 million.
- Construction in progress decreased \$752,000 due mainly to capitalization of the Tacoma Asphalt Retrofit and landfill paving projects during the year 2014.

2013 Activity

Balances 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 \$7.0 million in year 2013.
- Construction in progress increased \$1.1 million including \$554,000 for the Tacoma Asphalt Retrofit project and \$279,000 for the CNG Fueling Station.

Debt Administration

At December 31, 2014, the Division had \$59.1 million in outstanding revenue bonds of which \$4.6 million is due within one year. This compares to \$62.5 million in 2013 and \$65.5 million in 2012. The bonds have underlying ratings of A1 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 2.31 at the end of 2014. This compares to 2.10 in 2013 and 2.76 in 2012. 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**

ASSETS	December 31,	
	2014	2013
Current assets:		
Cash and equity in pooled investments:		
Operating funds	\$ 20,085,004	\$ 24,170,438
Rate stabilization Fund	6,000,000	6,000,000
Total cash and equity in pooled investments	26,085,004	30,170,438
Accounts receivable	6,517,732	7,148,779
Allowance for uncollectible accounts	(3,411,106)	(3,865,555)
Unbilled revenue	2,865,000	3,065,000
Due from other funds	498,161	107,344
Total current assets	32,554,791	36,626,006
Restricted cash and equity in pooled investments:		
Bond reserve and debt service accounts	7,408,390	2,244,981
Customer deposits	90,036	69,617
Total restricted cash and equity in pooled investments	7,498,426	2,314,598
Capital assets:		
Land	3,119,782	3,119,782
Buildings	65,424,377	63,874,457
Building - capital lease	6,024,273	7,568,000
Landfill infrastructure	65,174,135	64,826,573
Machinery and equipment	46,342,257	46,442,639
Computer software	4,717,718	4,586,208
Less accumulated depreciation	(109,272,223)	(103,585,923)
Assets in service, net of depreciation	81,530,319	86,831,736
Construction in progress	549,724	1,302,020
Total capital assets	82,080,043	88,133,756
Other noncurrent assets	687,056	687,056
Total assets	122,820,316	127,761,416
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	218,093	292,866
Total deferred outflows	218,093	292,866
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 123,038,409	\$ 128,054,282

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	2014	2013
Current liabilities:		
Accounts payable	\$ 1,240,618	\$ 1,654,651
Accrued wages payable and compensated absences	795,945	759,412
Accrued taxes payable	664,511	612,308
Due other funds	1,168,351	722,226
Unearned revenue	146,066	140,308
Customer deposits	20,182	20,003
Current portion of landfill post closure	907,000	186,000
Current portion of long-term debt	4,202,917	2,827,917
Current portion of capital lease obligation	121,287	150,500
Total current liabilities	9,266,877	7,073,325
Liabilities payable from restricted assets:		
Deposits payable	90,574	69,784
Bond interest payable	245,907	259,883
Current portion of long-term debt	382,083	257,083
Total liabilities payable from restricted assets	718,564	586,750
Noncurrent liabilities:		
Long-term debt - revenue bonds	54,537,968	59,430,635
Capital lease obligation	5,195,988	6,861,002
Accrued landfill post closure costs	24,813,100	25,505,232
Compensated absences	1,061,484	1,108,586
Net OPEB obligation	1,707,245	1,418,399
Total noncurrent liabilities	87,315,785	94,323,854
Total liabilities	97,301,226	101,983,929
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	6,000,000	6,000,000
Total deferred inflows	6,000,000	6,000,000
NET POSITION		
Net investment in capital assets	27,570,909	28,487,502
Restricted for bond reserves	6,780,399	1,728,015
Unrestricted	(14,614,125)	(10,145,164)
Total net position	19,737,183	20,070,353
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 123,038,409	\$ 128,054,282

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,	
	2014	2013
OPERATING REVENUES		
Residential collection	\$ 24,792,079	\$ 25,601,269
Commercial collection	24,026,505	22,935,600
Disposal revenues	6,001,929	5,148,569
Salvage revenue	1,057,377	1,486,264
Other operating revenue	873,148	850,340
Total operating revenues	<u>56,751,038</u>	<u>56,022,042</u>
OPERATING EXPENSES		
Commercial collection	4,240,637	4,261,735
Onsite operations	17,424,513	15,860,946
Landfill closure and post closure adjustment	(25,626)	778,301
Residential collection	9,230,844	12,092,196
Support services	6,892,288	6,002,873
Tacoma cares/NCE	2,153,114	2,172,008
Other	3,450,426	3,697,496
Depreciation	6,987,578	6,809,917
Total operating expenses	<u>50,353,774</u>	<u>51,675,472</u>
Net operating income	<u>6,397,264</u>	<u>4,346,570</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 311,292	\$ 126,491
Rental income	138,670	133,330
Operating grants	514,116	231,463
Disposal of capital assets	3,420	(86,121)
Interest paid net of capitalized interest	(3,017,370)	(3,197,619)
Interest on capital lease	(371,498)	(377,610)
Amortization of premium, discount and refunding costs	232,893	96,840
Other expense	2,970	(100,719)
Total nonoperating expenses	<u>(2,185,507)</u>	<u>(3,173,945)</u>
CHANGE IN NET POSITION		
Net income before transfers	4,211,757	1,172,625
Contributions - capital related grants	-	388,505
Transfers - gross earnings taxes	(4,544,927)	(4,636,071)
Transfers - from(to) other funds	-	(289,428)
CHANGE IN NET POSITION	<u>(333,170)</u>	<u>(3,364,369)</u>
TOTAL NET POSITION - BEGINNING	<u>20,070,353</u>	<u>23,434,722</u>
TOTAL NET POSITION - ENDING	<u>\$ 19,737,183</u>	<u>\$ 20,070,353</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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 56,821,053	\$ 56,757,522
Payments to suppliers	(23,411,224)	(26,326,757)
Payments to employees	(18,999,548)	(19,142,400)
Taxes paid	(627,202)	(930,600)
Net cash from operating activities	13,783,079	10,357,765
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earnings taxes paid	(4,539,218)	(4,623,380)
Debt service related to environmental cleanup	(439,890)	(452,194)
Operating grants received	514,116	262,125
Transfer	-	(289,428)
Net cash from noncapital financing activities	(4,464,992)	(5,102,877)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,477,083)	(10,423,011)
Principal paid on revenue bonds	(3,085,000)	(2,605,000)
Capital lease obligation	(521,998)	(522,109)
Interest expense, net of capitalized interest	(2,591,520)	(2,758,911)
Proceeds from sale of capital assets	3,420	47,400
Net cash from capital and related financing activities	(8,672,181)	(16,261,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	311,292	126,491
Rental income	138,670	133,330
Other investing proceeds	2,526	3,664
Net cash from investing activities	452,488	263,485
Net change in cash and equity in pooled investments	1,098,394	(10,743,258)
Cash and equity in pooled investments beginning	32,485,036	43,228,294
Cash and equity in pooled investments ending	\$ 33,583,430	\$ 32,485,036

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,	
	2014	2013
Reconciliation of cash and equity in pooled investments to balance sheets:		
Operating funds	\$ 26,085,004	\$ 30,170,438
Restricted funds	7,498,426	2,314,598
	\$ 33,583,430	\$ 32,485,036
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 6,397,264	\$ 4,346,570
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	6,987,578	6,809,917
Low income assistance	-	(102,810)
Change in assets, liabilities, and deferred inflows:		
Accounts receivable, net of allowance	176,596	(117,428)
Unbilled revenue	200,000	-
Due from other funds	(390,817)	(81,794)
Due from other governmental units	-	112,362
Accounts payable	(414,032)	(189,063)
Accrued wages and compensated absences	(10,569)	177,998
Accrued taxes payable	46,494	(14,127)
Deposits payable	20,968	27,868
Due other funds	446,125	37,075
Unearned revenue	5,758	(72,146)
Rate stabilization	-	1,350,000
Net OPEB obligation	288,846	317,725
Post-closure liability	28,868	(2,244,382)
Total adjustments	7,385,815	6,011,195
Net cash from operating activities	\$ 13,783,079	\$ 10,357,765

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

Notes to Financial Statements

City of Tacoma, Washington
Environmental Services
Solid Waste Management
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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 203,000 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.

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, 2014 and 2013 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:

	<u>Years</u>
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, 2014, the landfill is at 100% of capacity, closed, and capped and 29 years remaining for post closure monitoring.

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.

Solid Waste Management
Notes to Financial Statements Continued

NOTE 3 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2014 and 2013 follows:

	2013	Additions	Retirements	Transfers & Adjustments	2014
Nondepreciable:					
Land	\$ 3,119,782	\$ -	\$ -	\$ -	\$ 3,119,782
Depreciable:					
Buildings	63,874,457	995,983	-	553,937	65,424,377
Building - capital lease	7,568,000	-	-	(1,543,727) *	6,024,273
Landfill infrastructure	64,826,573	307,007	-	40,555	65,174,135
Machinery and equipment	46,442,639	950,242	(1,301,278)	250,654	46,342,257
Computer software	4,586,208	18,806	-	112,704	4,717,718
Assets in service	190,417,659	2,272,038	(1,301,278)	(585,877)	190,802,542
Accumulated depreciation	(103,585,923)	(6,987,578)	1,301,278	-	(109,272,223)
Assets in service net of depreciation	86,831,736	(4,715,540)	-	(585,877)	81,530,319
Construction in progress	1,302,020	205,554	-	(957,850)	549,724
Total capital assets	<u>\$ 88,133,756</u>	<u>\$ (4,509,987)</u>	<u>\$ -</u>	<u>\$ (1,543,727.00)</u>	<u>\$ 82,080,043</u>

*See **Note 5** for additional information

Solid Waste Management
Notes to Financial Statements Continued

	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 Assets in service	(98,044,445)	(6,809,917)	1,268,439	-	(103,585,923)
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>

NOTE 4 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2014 and 2013 follows:

	2013	Additions	Reductions	2014	Due within One Year
Revenue bonds	\$ 61,150,000	\$ -	\$ (3,085,000)	\$ 58,065,000	\$ 4,585,000
Plus: Unamortized premium	1,365,635	-	(307,668)	1,057,968	-
Total long-term debt	<u>\$ 62,515,635</u>	<u>\$ -</u>	<u>\$ (3,392,668)</u>	<u>\$ 59,122,968</u>	<u>\$ 4,585,000</u>
	2012	Additions	Reductions	2013	Due within
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>\$ -</u>	<u>\$ (2,949,534)</u>	<u>\$ 62,515,635</u>	<u>\$ 3,085,000</u>

Solid Waste Management
Notes to Financial Statements Continued

The Division's long-term debt at December 31, 2014 consists of the following payable from revenues of the Division.

	2014	2013
2006 Series A Revenue Bonds, with interest rates ranging from 4.25% to 5.0% Principal payments range between \$495,000 to \$4,290,000 between 2015 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.	\$ 28,455,000	\$ 28,930,000
2006 Series B Revenue Refunding Bonds, with an interest rate of 5.0% due in yearly installments of \$1,685,000 to \$6,480,000 from 2015 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.	21,975,000	22,315,000
2008 Revenue Refunding Bonds, with an interest rate of 5.75% due in yearly installments of \$2,405,000 to \$2,685,000 from 2015 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.	7,635,000	9,905,000
Total revenue bonds outstanding	58,065,000	61,150,000
Less:		
Current portion	(4,202,917)	(2,827,917)
Current portion payable from restricted assets	(382,083)	(257,083)
Plus: Unamortized premium	1,057,968	1,365,635
Total long-term debt - Revenue Bonds	\$ 54,537,968	\$ 59,430,635

Annual debt service requirement to maturity are as follows:

	Principal	Interest	Total Debt
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	5,850,000	1,899,750	7,749,750
2020-2024	23,770,000	5,292,500	29,062,500
2025-2026	8,375,000	633,250	9,008,250
	\$ 58,065,000	\$18,111,625	\$ 76,176,625

Solid Waste Management
Notes to Financial Statements Continued

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

Defeased and outstanding bonds constitute a contingent liability of the Division only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements and therefore are excluded from the financial statements because the likelihood of additional funding requirements is considered remote. As of December 31, 2014, 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 2014 or 2013.

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%).

Environmental service department changed the percentage split based on the floor space utilization of the Center for Urban Water building as Wastewater (40.4%), Surface Water (44.1%) and Solid Waste (15.5%) effective date December 31, 2014 which resulted in the change in the future capital lease obligation and associated capital asset of \$1.5 million.

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, 2014 total \$62,642,038. The Division's portion of the future lease payments is presented in the following table:

Year	Division
2015	\$ 404,524
2016	404,338
2017	404,741
2018	404,927
2019	404,555
2020-2024	2,022,251
2025-2029	2,023,448
2030-2034	2,022,895
2035-2038	1,607,762
	9,699,441
Interest	4,382,166
Principal	\$ 5,317,275

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 2014 and \$346,748 for 2013. 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 \$14,419 in 2014 and \$14,295 in 2013.

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 South Sound 911 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 2,166 retirees and beneficiaries currently receiving benefits, 459 vested terminated members entitled to future benefits and 2,884 active members of the Tacoma Employees' Retirement System, as of December 31, 2014.

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, 2014, 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)
1/1/2012	\$ 1,068.3	\$ 1,185.5	\$ 117.2	90.1%	\$ 219.4	53.4%
1/1/2013	\$ 1,187.1	\$ 1,306.6	\$ 119.5	90.9%	\$ 210.6	56.7%
1/1/2014	\$ 1,297.0	\$ 1,400.0	\$ 103.0	92.6%	\$ 213.8	48.2%

Both the City and employees made the required contributions. The City's required contributions for the years ended December 31 were:

2012	\$	20,919,787
2013		21,188,984
2014		22,149,246

ACTUARIAL METHODS AND SIGNIFICANT ACTUARIAL ASSUMPTIONS

Valuation Date	January 1, 2014
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	7.25%
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 2014 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 2014 is 23 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, 2014 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.

	<u>January 1, 2011</u>	<u>January 1, 2013</u>
Total membership:		
Active employees	3,675	3,335
Terminated vested employees	363	394
Retired employees & Dependents	790	846
Total	<u>4,828</u>	<u>4,575</u>
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	<u>\$ 248,571,791</u>	<u>\$ 251,839,846</u>
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.

<u>Value of Subsidy at 3.75% Interest Rate</u>	<u>Total Value of Benefits</u>	<u>Member Paid Premiums</u>	<u>City Paid Benefits</u>
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, 2014.

	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	2,104,155	53,190
Adjustments to ARC	(2,842,971)	(60,051)
Annual OPEB Cost	19,319,944	358,807
Actual benefits paid	9,292,539	69,961
Increase in Net OPEB Obligation	10,027,405	288,846
Net OPEB Obligation - beginning of year	56,110,801	1,418,399
Net OPEB Obligation - end of year	<u>\$ 66,138,206</u>	<u>\$ 1,707,245</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 2012 and 3.75% for 2013 and 2014.

Year Ended	Annual OPEB Cost		Benefits Paid		Net OPEB Obligation	
	City	Division	City	Division	City	Division
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
12/31/2014	\$ 19,319,944	\$ 358,807	\$ 9,292,539	\$ 69,961	\$ 66,138,206	\$ 1,707,245

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 23 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:23 years, closed
 Demographic Assumptions:Demographic assumptions regarding retirement, disability, and turnover are based upon pension valuations for the various pension plans.

Actuarial Assumptions:

Discount Rate3.75% 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 POST CLOSURE LIABILITIES

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

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

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

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

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 \$25,720,100 as landfill post-closure liability as of December 31, 2014 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$25,691,232 at December 31, 2013 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.

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.

NOTE 12 SUBSEQUENT EVENTS

On March 18, 2015 the Division issued 10 year 2015 Solid Waste Revenue Bonds in the amount of \$21,095,000 due in yearly installments ranging from \$1,960,000 to \$2,760,000 and interest rates ranging from 2% to 5% for a true interest cost of approximately 2.14%. The bonds maturing in the years 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, on any date on or after June 1, 2025. Proceeds were used to fund \$2.1 million in bond reserves, pay the cost of issuance, and provide \$22 million for a portion of the capital improvement plan.

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Unaudited Supplemental Information

City of Tacoma, Washington Solid Waste Utility Revenue Refunding Bonds, 2006 Series B
City of Tacoma, Washington Solid Waste Utility Revenue Bonds, Series 2006A
City of Tacoma, Washington Solid Waste Utility Revenue Refunding Bonds, 2008

The following continuing disclosure information for 2014 is provided in accordance with SEC Rule 15c2-12(b)(5)

Solid Waste Management Audited Financial Statements

Reference Financial Statements Section

Outstanding Solid Waste Bonds

Reference Note 4 in Notes to Financial Statements

Debt Service Coverage

	<u>2013</u>	<u>2014</u>
Parity Bond Debt Service Coverage Ratio		
After Rate Stabilization Transfer	2.10	2.31
Before Rate Stabilization Transfer	2.33	2.31

⁽¹⁾ 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.

Number of Customers by Type of Service

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

<u>Customer Class</u>	<u>2013</u>	<u>2014</u>
Residential	53,819	54,462
Commercial	4,823	4,846
Total Customers	58,642	59,308

Supplemental (Unaudited)

Top Ten Customers

The System's ten largest customers for 2014 are shown in the following table.

<u>Customer Name</u>	<u>Amount</u>	<u>Percent of 2014 Gross Revenues⁽¹⁾</u>
Multicare Health Systems	\$ 538,019	0.95%
City of Tacoma	470,205	0.83
Puyallup Tribe	412,407	0.73
Tacoma School District	379,648	0.67
Salishan	351,666	0.62
St Joseph Medical Center	336,912	0.59
Tacoma Goodwill Industries	238,259	0.42
Tacoma Housing Authority	215,751	0.38
Fred Meyer	200,223	0.35
Oscar T Hokold	183,596	0.32
Tacoma Mall Partners	183,339	0.32
Total Revenue	\$ 3,510,025	6.18%

⁽¹⁾ Based on 2014 Gross Revenues for the solid waste system in the amount of \$56,751,038.

Revenues by Service

Reference Financial Statements Section

Municipal Solid Waste for the year 2014 was disposed of as follows:

	<u>2013</u>	<u>2014</u>
Solid Waste	156,358	165,000
Recycling	26,091	28,100
Yard Waste	33,253	34,000
Total	215,702	227,100

Supplemental (Unaudited)

Solid Waste Rates

	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.



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APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM
AS OF DECEMBER 31, 2015**

(attached)

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*Solid Waste Management
2015 Financial Report*

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Independent Auditor's Report

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Environmental Services, Solid Waste Management (the Division), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

REPORT OF INDEPENDENT AUDITORS (continued)

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, 2015 and 2014, 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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2015, the Division adopted requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The beginning net position has been adjusted for this change. 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 8 through 13, schedule of Division's proportionate share of net pension liability (asset), and schedule of Division's contributions on page 45 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 49 through 50 is not a required part of the financial statements, but is supplemental information presented for the purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



Tacoma, Washington
April 25, 2016

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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, 2015 and 2014

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, 2015 and 2014. 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.

As further described in Note 2, the Division implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, the 2015 beginning net position has been adjusted to conform to the new reporting and accounting requirements. The year 2014 has not been restated due to the unavailability of the historic information from the plan.

Financial Highlights

- Total net position increased by \$8.1 million to \$27.9 million in 2015 compared to a decrease of \$333,000 to \$19.7 million in 2014 and a decrease of \$3.4 million to \$20.1 million in 2013.
- Operating revenues were \$58.7 million in 2015, \$56.8 million in 2014 and \$56.0 million in 2013.
- Cash and equity in pooled investments was \$49.9 million at December 31, 2015 compared to \$33.6 million in 2014 and \$32.5 million in 2013.

Financial Analysis – Condensed Statements of Net Position

	December 31,		
	2015	2014	2013
Current, restricted, and other assets	\$ 57,171,518	\$ 40,740,273	\$ 39,627,660
Capital assets	85,146,303	82,080,043	88,133,756
Deferred outflows	1,400,309	218,093	292,866
Total assets and deferred outflows	<u>\$ 143,718,130</u>	<u>\$ 123,038,409</u>	<u>\$ 128,054,282</u>
Current liabilities and liabilities payable from restricted assets	\$ 9,749,432	\$ 9,985,441	\$ 7,660,075
Noncurrent liabilities	99,531,855	87,315,785	94,323,854
Deferred inflows	6,558,927	6,000,000	6,000,000
Total liabilities and deferred inflows	115,840,214	103,301,226	107,983,929
Net investment in capital assets	29,325,085	27,570,909	28,487,502
Restricted	7,309,857	6,780,399	1,728,015
Unrestricted	(8,757,026)	(14,614,125)	(10,145,164)
Total net position	<u>27,877,916</u>	<u>19,737,183</u>	<u>20,070,353</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 143,718,130</u>	<u>\$ 123,038,409</u>	<u>\$ 128,054,282</u>

Current, restricted and other assets

Current, restricted and other assets increased \$16.4 million in 2015 compared to an increase of \$1.1 million in 2014. The increase in 2015 was primarily due to increases of \$15.5 million in construction funds due to the new 2015 Revenue bonds issued in March 2015, and \$2.2 million in bond reserve and debt service accounts, and decreases of \$1.4 million in cash and equity in pooled investments. The increase in 2014 was due to increases of \$5.2 million in bond reserve and debt service accounts decreases of \$4.1 million in cash and equity in pooled investments and a decrease of \$377,000 in net customer account receivable and an increase of \$390,000 in due from other funds.

Deferred outflows of resources

Deferred outflows of resources include unamortized loss on bond refunding and deferred outflows related to pensions. The deferred outflows increased \$1.2 million due primarily to the implementation of GASB 68.

Current liabilities and liabilities payable from restricted assets

Total current liabilities and liabilities payable from restricted assets decreased \$236,000 in 2015 and increased \$2.3 million in 2014. Significant changes include:

- Accounts payable increased \$970,000 in 2015 compared to a decrease of \$414,000 in 2014 due to year-end accruals and timing of payments.
- Accrued wages and compensated absences decreased \$476,000 in 2015 due to a reduction of current portion of the liability for compensated absences and the timing of the 2015 payroll accrual.
- Due to other funds decreased by \$521,000 in 2015 as compared to an increase of \$446,000 in 2014 due to timing of cash transfers at year end.
- The current portion of landfill closure liabilities decreased \$302,000 in 2015 as compared to an increase of \$721,000 in 2014. The decrease in 2015 results from the annual reevaluation of the estimated total current cost of closure and postclosure care.
- The current portion of long-term debt represents principal payments due within a year, which has increased by \$225,000 in 2015 and \$1.4 million in 2014 based on debt service schedules. As outstanding principal balances are paid down and bond issues approach expiration, a greater portion of debt service payments are applied toward principal balances.

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 increased \$12.2 million in 2015 and decreases of \$7.0 million in 2014.

- Long-term debt increased \$18.8 million in 2015 due to 2015 revenue bonds issue, and decreased \$4.9 million in 2014 primarily due to principal payments.
- Noncurrent landfill post closure liabilities decreased \$6.6 million in 2015 and \$692,000 in 2014 for the post closure monitoring of the City's Landfill. The decrease in 2015 is due to the annual reevaluation of the estimated total cost of closure and postclosure care and landfill post closure expenses incurred during the year.
- OPEB liabilities increased \$215,000 in 2015 compared to \$289,000 in 2014 due to the additional accrual recorded at year-end.

Deferred inflows of resources

Deferred inflow of resources includes the rate stabilization credit and deferred inflows related to pension costs. The implementation of GASB 68 in 2015 resulted in recording a pension related deferred inflow in the amount of \$559,000.

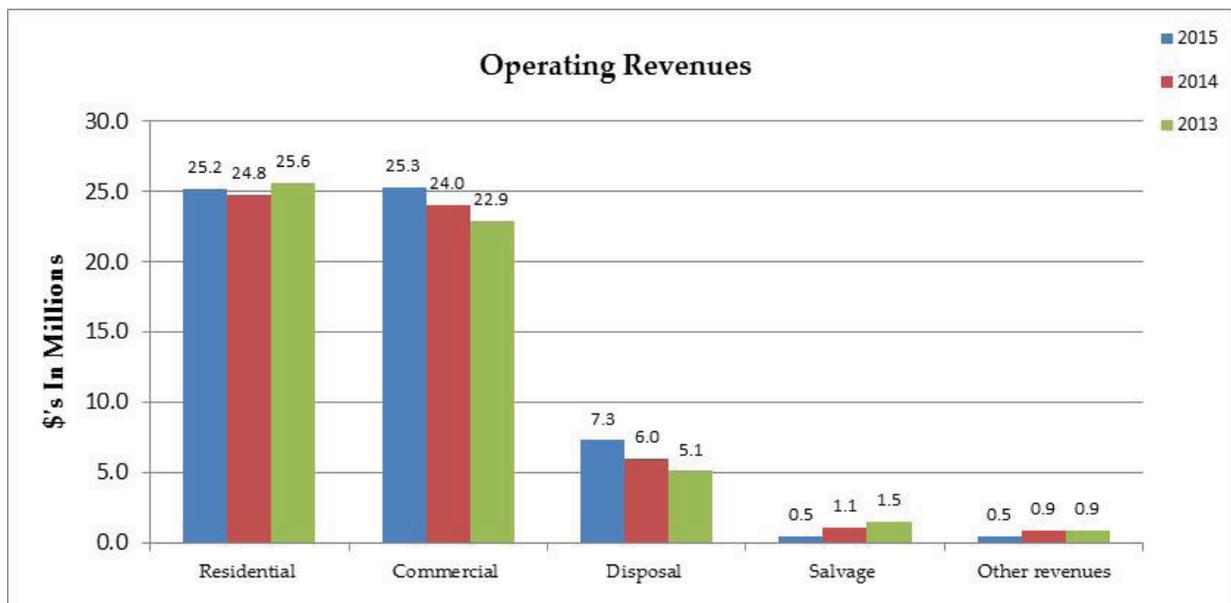
Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31,		
	2015	2014	2013
Operating revenues	\$ 58,737,840	\$ 56,751,038	\$ 56,022,042
Operating expenses	44,284,236	50,353,774	51,675,472
Net operating income	14,453,604	6,397,264	4,346,570
Nonoperating revenues (expenses)	(2,519,605)	(2,185,507)	(3,173,945)
Net Position before transfers	11,933,999	4,211,757	1,172,625
Contributions	-	-	388,505
Transfers	259,587	-	(289,428)
Gross earnings taxes	(4,703,899)	(4,544,927)	(4,636,071)
Change in net position	7,489,687	(333,170)	(3,364,369)
Net position - beginning of year	19,737,183	20,070,353	23,434,722
Accumulated adjustment for change in accounting principle	651,046	-	-
Net position - beginning of year, adjusted	20,388,229	20,070,353	23,434,722
Net position - ending	<u>\$ 27,877,916</u>	<u>\$ 19,737,183</u>	<u>\$ 20,070,353</u>

Operating revenues

Overall operating revenues increased \$2.0 million (4%) in 2015 compared to an increase of \$729,000 (1%) in 2014 and a decrease of \$785,000 in 2013.

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



There was an average 5% rate increase in 2015 compared to zero rate increase in 2014. Revenues from residential customers increased \$431,000 in 2015 and decreased \$809,000 in 2014. Residential collection revenues were down in 2014 due to customers continuing to downsize their garbage containers during the Every-Other-Week (EOW) collection implementation.

Revenue from commercial customers increased \$1.3 million in 2015 and \$1.1 million in 2014 due to the local business improvements during the year and the 2015 rate increase.

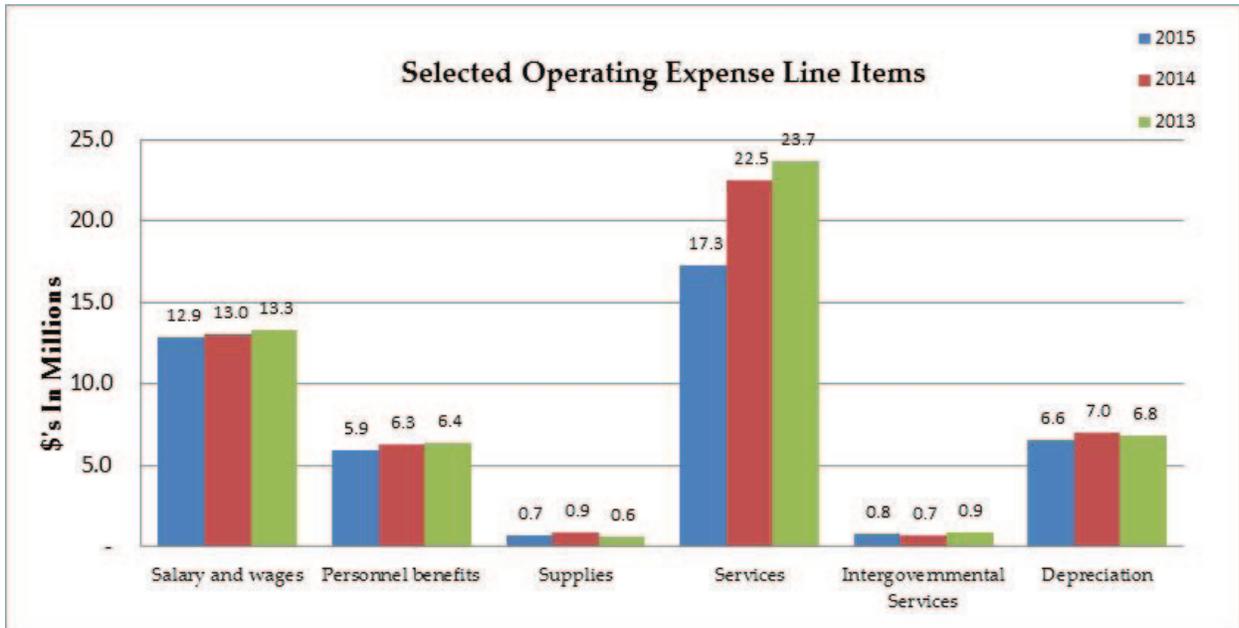
Disposal revenues increased \$1.3 million due to scale house rate increasing from \$10 to \$15 per first 100 pounds and an increase in number of customer self-hauls in 2015, which only increased only \$853,000 in the prior year.

Salvage revenues fluctuated downward due to changes in both the volumes and prices of salvaged materials. These revenues decreased \$591,000 in 2015 and \$249,000 in 2014.

Operating expenses

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

Total operating costs decreased \$6.1 million (12%) in 2015, compared to decreases of \$1.3 million in 2014 and increases of \$1.6 million in 2013.



2015 Activity

Operating expenses were \$44.3 million in 2015, a decrease of \$6.1 million from prior year. Significant changes in operating costs include the following:

- Services expenses decreased \$5.1 million. Significant changes included a decrease of \$5.9 million in the Landfill Post Closure liability due to the annual evaluation forecast for the next 28 years of the liability remaining. Other services increased \$600,000 in external services primary from Land Recovery, Inc. (LRI) contract.
- Depreciation expense decreased \$384,000 due to an adjustment in value for the capital lease building which occurred at year-end 2014.

2014 Activity

Operating expenses were \$50.4 million in 2014, a year-over-year decrease of \$1.3 million. Significant changes in operating costs include the following:

- Salary and wages decreased \$300,000 due in part from temporary unfilled positions even though personnel benefits slightly increased.
- Services expenses decreased \$1.2 million. Significant changes included a decrease in external contract services and in costs related to the Every Other Week collection implementation that ended in 2014.

Nonoperating revenues (expenses)

Interest paid net of capitalized interest on revenue bonds was \$3.8 million, an increase of \$782,000 in 2015 due to the new 2015 revenue bonds. Interest expense on revenue bonds decreased \$180,000 in 2014 compared to 2013.

Contributions and Transfers

Solid Waste transferred \$4.7 million to general fund for gross earning taxes in 2015 compared to \$4.5 million in 2014.

Solid Waste received \$260,000 from the General Fund to refund assessments related to closed internal service funds, and received a \$335,000 operating grant from the Department of Ecology in 2015.

Capital Assets

At the end of 2015, the Division's total capital assets, net of accumulated depreciation were \$85.1 million compared to \$82.1 million in 2014 and \$88.1 million in 2013. (See Note 3 for detailed activity.)

2015 Activity

Balances in 2015 increased \$3.2 million and the significant changes are:

- Landfill infrastructure increased \$1.3 million primarily due to completing the Compressed Natural Gas (CNG) Fuel Station project.
- Machinery and equipment increased a net \$5.2 million. Significant changes include:
 - An increase of \$4.8 million for vehicles (purchases of \$6.6 million less disposals of \$1.9 million)
 - An increase of \$1.0 million for purchased containers, and \$800,000 for machinery and heavy equipment
- Accumulated depreciation balance increased \$3.3 million during the year 2015.
- The construction in progress balance decreased by \$131,000 from the prior year.

2014 Activity

Balances in 2014 decreased \$6.1 million. The significant changes are:

- Buildings increased \$1.5 million due to completing the Tacoma Asphalt plant.
- Landfill infrastructure increased \$348,000 due to completing the Landfill paving and the West Truck Parking project.
- Machinery and equipment decreased a net \$100,000. Significant changes include:
 - A decrease \$1.1 million for vehicles (purchases of \$171,000 less disposals of \$1.3 million)
 - An increase \$724,000 for purchased containers, and \$279,000 for heavy equipment
- Accumulated depreciation increased \$7.0 million.
- Construction in progress decreased by an amount of \$752,000.

Debt Administration

At December 31, 2015, the Division had \$78.1 million in outstanding revenue bonds of which \$4.8 million is due within one year. This compares to \$59.1 million in 2014 and \$62.2 million in 2013. The bonds have underlying ratings of A1 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 1.94 at the end of 2015. This compares to 2.31 in 2014 and 2.10 in 2013. 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 Accounting 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	2015	2014
Current assets:		
Cash and cash equivalents	\$ 24,715,893	\$ 26,085,004
Accounts receivable	6,339,230	6,517,732
Allowance for uncollectible accounts	(3,368,937)	(3,411,106)
Unbilled revenue	2,790,000	2,865,000
Due from other funds	138,857	498,161
Grant receivable	131,101	-
Total current assets	30,746,144	32,554,791
Restricted cash and equity in pooled investments:		
Bond reserve and debt service accounts	9,596,204	7,408,390
Customer deposits	94,593	90,036
Construction funds	15,518,076	-
Total restricted cash and equity in pooled investments	25,208,873	7,498,426
Capital assets:		
Land	3,119,782	3,119,782
Buildings	65,420,534	65,424,377
Building - capital lease	6,024,273	6,024,273
Landfill infrastructure	66,449,018	65,174,135
Machinery and equipment	51,538,021	46,342,257
Computer software	4,771,064	4,717,718
Less accumulated depreciation	(112,595,020)	(109,272,223)
Assets in service, net of depreciation	84,727,672	81,530,319
Construction in progress	418,631	549,724
Total capital assets	85,146,303	82,080,043
Building lease deferred	687,056	687,056
Net pension asset	529,445	-
Other noncurrent assets	1,216,501	687,056
Total assets	142,317,821	122,820,316
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	143,318	218,093
Deferred outflows-pensions	1,256,991	-
Total deferred outflows of resources	1,400,309	218,093
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 143,718,130	\$ 123,038,409

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,	
	2015	2014
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,211,007	\$ 1,240,618
Accrued wages payable and compensated absences	319,948	795,945
Accrued taxes payable	586,573	664,511
Due to other funds	647,441	1,168,351
Unearned revenue	-	146,066
Customer deposits	26,537	20,182
Current portion of landfill closure	605,313	907,000
Current portion of long-term debt	4,427,500	4,202,917
Current portion of capital lease obligation	126,002	121,287
Total current liabilities	<u>8,950,321</u>	<u>9,266,877</u>
Liabilities payable from restricted assets:		
Deposits payable	92,819	90,574
Bond interest payable	303,792	245,907
Current portion of long-term debt	402,500	382,083
Total liabilities payable from restricted assets	<u>799,111</u>	<u>718,564</u>
Noncurrent liabilities:		
Long-term debt - revenue bonds	73,299,556	54,537,968
Capital lease obligation	5,069,986	5,195,988
Accrued landfill post closure costs	18,245,893	24,813,100
Compensated absences	994,360	1,061,484
Net OPEB obligation	1,922,060	1,707,245
Total noncurrent liabilities	<u>99,531,855</u>	<u>87,315,785</u>
Total liabilities	<u>109,281,287</u>	<u>97,301,226</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	6,000,000	6,000,000
Deferred inflows-pensions	558,927	-
Total deferred inflows of resources	<u>6,558,927</u>	<u>6,000,000</u>
NET POSITION		
Net investment in capital assets	29,325,085	27,570,909
Restricted for:		
Debt service	6,780,412	6,780,399
Net pension asset	529,445	-
Unrestricted	(8,757,026)	(14,614,125)
Total net position	<u>27,877,916</u>	<u>19,737,183</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 143,718,130</u>	<u>\$ 123,038,409</u>

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,	
	2015	2014
OPERATING REVENUES		
Residential collection	\$ 25,222,634	\$ 24,792,079
Commercial collection	25,307,392	24,026,505
Disposal revenues	7,253,808	6,001,929
Salvage revenue	466,273	1,057,377
Other operating revenue	487,733	873,148
Total operating revenues	<u>58,737,840</u>	<u>56,751,038</u>
OPERATING EXPENSES		
Salary and wages	12,897,270	13,022,719
Personnel benefits	5,925,279	6,285,868
Supplies	685,087	927,553
Services	17,312,098	22,456,360
Intergovernmental services	860,650	673,696
Depreciation	6,603,852	6,987,578
Total operating expenses	<u>44,284,236</u>	<u>50,353,774</u>
Net operating income	14,453,604	6,397,264
NONOPERATING REVENUES (EXPENSES)		
Investment income	295,231	311,292
Rental income	126,526	138,670
Operating grants	334,506	514,116
Disposal of capital assets	171,117	3,420
Interest paid net of capitalized interest	(3,799,035)	(3,017,370)
Interest on capital lease	(283,624)	(371,498)
Amortization of premium and refunding	632,199	232,893
Other expense	3,475	2,970
Total nonoperating revenue (expenses)	<u>(2,519,605)</u>	<u>(2,185,507)</u>
Net income before transfers	11,933,999	4,211,757
Transfers - gross earnings taxes	(4,703,899)	(4,544,927)
Transfers - from(to) other funds	259,587	-
CHANGE IN NET POSITION	7,489,687	(333,170)
NET POSITION, BEGINNING OF YEAR	19,737,183	-
Accumulated adjustment for change in accounting principle	651,046	-
NET POSITION - BEGINNING OF YEAR, ADJUSTED	20,388,229	20,070,353
NET POSITION - ENDING	<u>\$ 27,877,916</u>	<u>\$ 19,737,183</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,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 58,949,175	\$ 57,127,635
Receipts from interfund services provided	359,304	(390,817)
Payments to suppliers	(20,015,709)	(17,247,506)
Payments to employees	(19,150,855)	(19,030,310)
Payments for interfund services used	(5,114,821)	(6,048,721)
Payment for taxes	(876,456)	(627,202)
Net cash from operating activities	14,150,638	13,783,079
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earnings taxes paid	(4,507,124)	(4,539,218)
Debt service related to environmental cleanup	-	(439,890)
Operating grants received	203,405	514,116
Transfer	680	-
Net cash from noncapital financing activities	(4,303,039)	(4,464,992)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(9,684,995)	(933,866)
Proceeds from the issuance of revenue bonds	24,298,562	-
Principal paid on revenue bonds	(4,585,000)	(3,085,000)
Capital lease obligation	(121,287)	(1,694,227)
Interest expense, net of capitalized interest	(4,024,808)	(2,963,018)
Proceeds from sale of capital assets	186,000	3,420
Net cash from capital and related financing activities	6,068,472	(8,672,691)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	295,227	303,816
Rental income	126,526	138,670
Other investment proceeds	3,512	10,512
Net cash from investing activities	425,265	452,998
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,341,336	1,098,394
CASH & CASH EQUIVALENTS, JANUARY 1	33,583,430	32,485,036
CASH & CASH EQUIVALENTS, DECEMBER 31	\$ 49,924,766	\$ 33,583,430

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

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

	Year Ended December 31,	
	2015	2014
RECONCILIATION OF CASH & CASH EQUIVALENTS		
TO BALANCE SHEETS:		
Operating funds	\$ 24,715,893	\$ 26,085,004
Restricted funds	25,208,873	7,498,426
	\$ 49,924,766	\$ 33,583,430
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES		
Net operating income	\$ 14,453,604	\$ 6,397,264
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	6,603,852	6,987,578
Change in assets, liabilities, and deferred inflows:		
Accounts receivable, net of allowance	211,334	376,597
Due from other funds	359,304	(390,817)
Other assets	(1,786,436)	-
Deposits payable	8,600	20,968
Accounts payable	954,583	(367,538)
Accrued wages and compensated absences	(328,306)	278,276
Due to other funds	(520,910)	446,125
Unearned revenue	(146,066)	5,758
Other current liabilities	(301,687)	721,000
Post-closure liability	(5,357,234)	(692,132)
Total adjustments	(302,966)	7,385,815
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 14,150,638	\$ 13,783,079

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

Notes to Financial Statements

City of Tacoma, Washington
Environmental Services
Solid Waste Management
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

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 of the City 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.

CHANGE IN ACCOUNTING PRINCIPLE – Effective for fiscal year 2015 reporting, the Division implemented new accounting standards issued by the Governmental Accounting Standards Board (GASB). GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Prior to implementing GASB Statement No. 68, employers participating in a cost-sharing plan recognized annual pension expense essentially equal to their contractually required contribution to the plan. Upon adoption of GASB Statement No. 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology. GASB Statement No. 71 amends GASB Statement No. 68 regarding the deferred outflows of resources for governments whose current year pension contributions are reported subsequent to the measurement date. The collective financial impact resulting from the implementation of GASB Statements No. 68 and 71 is the adjustment of 2015 beginning net position balances by \$651,000 for the Division's portion of the net pension liability incurred in prior years. See Note 7 for further details.

Solid Waste Management Notes to Financial Statements

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.

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 certificate of deposit maintained with East West Bank.

The Division's equity in that portion of the TIP held in qualified public depositories at December 31, 2015 and 2014 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 uses to manage its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

Solid Waste Management Notes to Financial Statements

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.

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 AND LOSS ON REFUNDING - Bond premiums are amortized over the life of the bonds using the weighted average of the bonds outstanding. Losses on bond refunding 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.

Solid Waste Management Notes to Financial Statements

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.

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

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

The City has a parity bond ordinance that it will establish, maintain and collect rates or charges in connection with the ownership and operation of the utility to 1) pay the cost of maintenance and operation of the utility, 2) to make all payments required to be made for the parity bonds, 3) to make all payments required to be made on any other junior debt, 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.

Solid Waste Management Notes to Financial Statements

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

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

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

Unrestricted net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

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, 2015, the landfill is at 100% of capacity, closed, and capped and 28 years remaining for post closure monitoring.

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, accrued landfill post closure costs, net pension asset 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

NOTE 3 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2015 and 2014 follows:

	2014	Additions	Retirements	Transfers & Adjustments	2015
Nondepreciable:					
Land	\$ 3,119,782	\$ -	\$ -	\$ -	\$ 3,119,782
Depreciable:					
Buildings	65,424,377	-	(51,156)	47,313	65,420,534
Building - capital lease	6,024,273	-	-	-	6,024,273
Landfill infrastructure	65,174,135	-	-	1,274,883	66,449,018
Machinery and equipment	46,342,257	-	(3,238,655)	8,434,419	51,538,021
Computer software	4,717,718	-	-	53,346	4,771,064
Assets in service	190,802,542	-	(3,289,811)	9,809,961	197,322,692
Accumulated depreciation	(109,272,223)	(6,603,852)	3,274,928	6,127	(112,595,020)
Assets in service net of depreciation	81,530,319	(6,603,852)	(14,883)	9,816,088	84,727,672
Construction in progress	549,724	9,976,493	-	(10,107,586)	418,631
Total capital assets	<u>\$ 82,080,043</u>	<u>\$ 3,372,641</u>	<u>\$ (14,883)</u>	<u>\$ (291,498)</u>	<u>\$ 85,146,303</u>

	2013	Additions	Retirements	Transfers & Adjustments	2014
Nondepreciable:					
Land	\$ 3,119,782	\$ -	\$ -	\$ -	\$ 3,119,782
Depreciable:					
Buildings	63,874,457	-	-	1,549,920	65,424,377
Building - capital lease	7,568,000	-	-	(1,543,727) *	6,024,273
Landfill infrastructure	64,826,573	-	-	347,562	65,174,135
Machinery and equipment	46,442,639	-	(1,301,278)	1,200,896	46,342,257
Computer software	4,586,208	-	-	131,510	4,717,718
Assets in service	190,417,659	-	(1,301,278)	1,686,161	190,802,542
Accumulated depreciation	(103,585,923)	(6,987,578)	1,301,278	-	(109,272,223)
Assets in service net of depreciation	86,831,736	(6,987,578)	-	1,686,161	81,530,319
Construction in progress	1,302,020	2,477,592	-	(3,229,888)	549,724
Total capital assets	<u>\$ 88,133,756</u>	<u>\$ (4,509,986)</u>	<u>\$ -</u>	<u>\$ (1,543,727)</u>	<u>\$ 82,080,043</u>

See Note 5 for additional information.

NOTE 4 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2015 and 2014 follows:

	2014	Additions	Reductions	2015	Due within One Year
Revenue bonds	\$ 58,065,000	\$ 21,095,000	\$ (4,585,000)	\$ 74,575,000	\$ 4,830,000
Plus: Unamortized premium	1,057,968	3,203,562	(706,974)	3,554,556	-
Total long-term debt	<u>\$ 59,122,968</u>	<u>\$ 24,298,562</u>	<u>\$ (5,291,974)</u>	<u>\$ 78,129,556</u>	<u>\$ 4,830,000</u>

	2013	Additions	Reductions	2014	Due within One Year
Revenue bonds	\$ 61,150,000	\$ -	\$ (3,085,000)	\$ 58,065,000	\$ 4,585,000
Plus: Unamortized premium	1,365,635	-	(307,668)	1,057,968	-
Total long-term debt	<u>\$ 62,515,635</u>	<u>\$ -</u>	<u>\$ (3,392,668)</u>	<u>\$ 59,122,968</u>	<u>\$ 4,585,000</u>

**Solid Waste Management
Notes to Financial Statements**

The Division's long-term debt at December 31, 2015 and 2014 consists of the following payable from revenues of the Division.

	2015	2014
2006 Series A Revenue Bonds, with interest rates ranging from 4.25% to 5.0% Principal payments range between \$495,000 to \$4,290,000 between 2015 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.	\$ 27,960,000	\$ 28,455,000
2006 Series B Revenue Refunding Bonds, with an interest rate of 5.0% due in yearly installments of \$1,685,000 to \$6,480,000 from 2015 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.	20,290,000	21,975,000
2008 Revenue Refunding Bonds, with an interest rate of 5.75% due in yearly installments of \$2,405,000 to \$2,685,000 from 2015 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.	5,230,000	7,635,000
2015 Revenue Bonds, with an interest rate from 2% to 5% due in yearly installments of \$1,960,000 to \$2,760,000 from 2017 through 2025. Original par value \$21,095,000. Purpose was to fund the capital improvement plan and to pay the costs of issuance.	21,095,000	-
Total revenue bonds outstanding	74,575,000	58,065,000
Less:		
Current portion	(4,427,500)	(4,202,917)
Current portion payable from restricted assets	(402,500)	(382,083)
Plus: Unamortized premium	3,554,556	1,057,968
Total long-term debt - Revenue Bonds	\$ 73,299,556	\$ 54,537,968

Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total Debt
2016	\$ 4,830,000	\$ 3,645,506	\$ 7,535,881
2017	7,050,000	3,388,138	7,537,306
2018	7,625,000	3,018,200	7,539,938
2019	8,010,000	2,636,950	7,743,000
2020	8,440,000	2,236,450	10,676,450
2021-2025	34,330,000	5,957,200	40,287,200
2026	4,290,000	214,500	4,504,500
	\$ 74,575,000	\$ 21,096,944	\$ 85,824,275

Solid Waste Management Notes to Financial Statements

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

Defeased and outstanding bonds constitute a contingent liability of the Division only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements and therefore are excluded from the financial statements because the likelihood of additional funding requirements is considered remote. As of December 31, 2015, no bonds were defeased.

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 2015 or 2014.

NOTE 5 CAPITAL LEASE - BUILDING

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 (40.4%), Surface Water (44.1%) and Solid Waste (15.5%).

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.

The future payments of the lease obligation as of December 31, 2015 total \$60,033,026. The Division's portion of the future lease payments is presented in the following table:

Year	Division
2016	\$ 404,338
2017	404,741
2018	404,927
2019	404,555
2020	404,373
2021-2025	2,022,406
2026-2030	2,023,476
2031-2035	2,022,508
2036-2038	1,203,206
	9,294,530
Interest	4,098,542
Principal	\$ 5,195,988

Solid Waste Management Notes to Financial Statements

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 \$201,815 for 2015 and \$346,748 for 2014. 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 \$14,285 in 2015 and \$14,419 in 2014.

NOTE 7 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)

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

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

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

Solid Waste Management Notes to Financial Statements

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

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

MEMBERSHIP - Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighter, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments. The breakdown of membership as of January 1, 2015 is as follows:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated vested and other terminated participants	627
Active members:	
City of Tacoma	2,622
South Sound 911	4
Pierce Transit	6
Tacoma-Pierce County Health Department	252
Total active members	2,884
Total membership	5,678

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

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

Solid Waste Management Notes to Financial Statements

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 4154 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

CONTRIBUTIONS - The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council. Currently, the required contribution rate for employees is 9.20% of their regular gross pay; the employer contributes 10.80%, for a combined total of 20.00% which is sufficient to amortize the UAAL of the System if future experience follows all actuarial assumptions. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

SIGNIFICANT ASSUMPTIONS - The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2014
Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	<p>Funding is based on statutory contributions rate.</p> <p>This amount is compared to a 30-year amortization for the purposes of calculating the Actuarially Determined Contribution.</p> <p>The amortization method for the ADC is as follows:</p> <ul style="list-style-type: none"> · Level percent · Open periods · 30 year amortization period at 01/01/2015 · 4% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	3%
Salary Increases	4% general wage increase assumption
Investment Rate of Return	7.25%
Cost of Living Adjustment	2.13%
Retirement Age	Varies by age, gender, eligibility
Turnover	Varies by age, gender, eligibility
Mortality	RP-2000 mortality for healthy and disabled annuitants, with age adjustments

BENEFIT AND ASSUMPTION CHANGES - The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. Between January 1, 2014 and January 1, 2015 no assumptions were changed.

Solid Waste Management Notes to Financial Statements

TARGET ALLOCATION - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of June 30, 2014. The target asset allocation is based on TERS Investment Policy Statement dated February 2014.

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment grade fixed income	15.0%	2.03%
US inflation-indexed bonds	5.0	1.41
High yield bonds	9.0	4.49
Emerging market debt	5.0	5.05
Global equity	41.5	6.02
Public real estate	2.0	6.38
Private real estate	2.5	3.72
Private equity	10.0	9.02
Master limited partnerships	4.0	4.46
Timber	2.0	3.84
Infrastructure	2.0	5.88
Agriculture	2.0	4.38
Assumed inflation - mean		3.00
Assumed inflation - standard deviation		1.85
Portfolio arithmetic real mean return		5.11
Portfolio median nominal geometric return		7.21
Portfolio standard deviation		12.02
Long-term expected rate of return, net of investment expenses		7.25

SENSITIVITY ANALYSIS - The following presents the Division's proportionate share of the net pension asset of the System, calculated using the discount rate of 7.25%, as well as what the Division's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability (asset)	\$ 9,109,250	\$ (529,445)	\$ (8,641,906)

Detailed information about the pension plan's fiduciary net position is available in the separately issued TERS CAFR.

Solid Waste Management Notes to Financial Statements

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between actual and expected experience	(733,773)	-
Changes in proportionate share	-	3,357
Net differences between projected and actual earnings	174,846	-
Contributions made subsequent to the measurement date	-	1,253,634
Total	\$ (558,927)	\$ 1,256,991

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next four years. Contributions made subsequent to the measurement date will offset net pension asset in the following year.

Amounts will be recognized in pension expense as follows:

Year ended December 31	
2016	(175,046)
2017	(175,046)
2018	(175,046)
2019	(29,172)
Thereafter	-

The Division's proportionate share of the collective net pension liability is 5.5%. Each employer in TERS contributes at the same rate of payroll. The proportionate share is based on actual contributions for the year, which provides a reasonable basis for each employer's projected long-term contribution effort.

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%).

Solid Waste Management Notes to Financial Statements

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.

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 2014 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 2015 is 22 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, 2015 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 Patient Protection and 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 are \$10,200 for single coverage and \$27,500 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.

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.

GASB released two new statements for Post Employment Benefits Other than Pension Plans, or OPEB. The new GASB Statements 74 and 75 were released in June 2015 and will replace GASB 43 and 45. The statements are available via the GASB website. GASB 74 is effective for fiscal years beginning after June 15, 2016, and GASB 75 is effective for fiscal years beginning June 15, 2017. These statements will mean fundamental changes in financial reporting for OPEB.

SUMMARY OF CHANGES – As of the January 1, 2015 valuation, the total AAL of \$208,814,312 was 20% lower than expected. The City experienced a liability gain since the last valuation caused by numerous factors, including a clarification in spouse benefits, which cease once a member attains age 65. It was also caused by smaller than expected changes in medical costs, demographic experience, and a change to the assumption for future medical trends

**Solid Waste Management
Notes to Financial Statements**

The following table is a summary of valuation results with a comparison to the results from the last valuation.

	<u>January 1, 2013</u>	<u>January 1, 2015</u>
Total Membership:		
Active employees	3,335	3,404
Terminated vested employees	394	442
Retired employees and Dependents	846	744
Total	<u>4,575</u>	<u>4,590</u>
Annual City Benefit Payments	\$ 9,887,335	\$ 8,963,089
Discount rate	3.75%	3.75%
Present Value of Benefits	\$ 326,742,538	\$ 262,184,195
Actuarial Accrued Liability	\$ 251,839,846	\$ 208,814,312
Assets	-	-
Unfunded Actuarial Accrued Liability	<u>\$ 251,839,846</u>	<u>\$ 208,814,312</u>
Normal Cost (End of year)	\$ 5,484,587	\$ 3,832,131
Annual Required Contribution	\$ 20,058,760	\$ 16,966,964

The following table shows the total value of the benefits provided, the member paid premiums and the City paid benefits as of January 1, 2015.

<u>Value of Subsidy at 3.75% Interest Rate</u>	<u>Total Value of Benefits</u>	<u>Member Paid Premiums</u>	<u>City Paid Benefits</u>
Present Value of Benefits	\$ 420,832,932	\$ 158,648,737	\$ 262,184,195
Actuarial Accrued Liability	\$ 291,228,295	\$ 82,413,983	\$ 208,814,312
Normal Cost	\$ 9,501,758	\$ 5,669,627	\$ 3,832,131
Annual Benefit Payments	\$ 12,325,369	\$ 3,362,280	\$ 8,963,089

Solid Waste Management Notes to Financial Statements

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation for the City and for the Division as of January 1, 2015.

Determination of Annual Required Contribution	City	Division
Normal Cost at Year-end	\$ 3,832,131	\$ 178,359
Amortization of UAAL	13,134,833	64,200
Annual Required Contribution (ARC)	<u>\$ 16,966,964</u>	<u>\$ 242,559</u>
Determination of Net OPEB Obligation		
Annual Required Contribution (ARC)	\$ 16,966,964	\$ 242,559
Interest on prior year Net OPEB Obligation	2,480,183	64,022
Adjustments to ARC	<u>(3,492,760)</u>	<u>(75,657)</u>
Annual OPEB Cost	15,954,387	230,924
Actual benefits paid	<u>8,963,091</u>	<u>16,109</u>
Increase in Net OPEB Obligation	6,991,296	214,815
Net OPEB Obligation - beginning of year	<u>\$ 66,138,206</u>	<u>\$ 1,707,245</u>
Net OPEB Obligation - end of year	<u>\$ 73,129,502</u>	<u>\$ 1,922,060</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 3.75% interest rate.

Year Ended	Annual OPEB Cost		Benefits Paid		Net OPEB Obligation	
	City	Division	City	Division	City	Division
12/31/2013	\$ 19,528,767	\$ 362,340	\$ 9,887,334	\$ 44,615	\$ 56,110,801	\$ 1,418,399
12/31/2014	\$ 19,319,944	\$ 358,807	\$ 9,292,539	\$ 69,961	\$ 66,138,206	\$ 1,707,245
12/31/2015	\$ 15,954,387	\$ 230,924	\$ 8,963,091	\$ 16,109	\$ 73,129,502	\$ 1,922,060

As of January 1, 2015, 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 \$208,814,312, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$208,814,312.

The Division has included the liability in the other long term liabilities on the Statement of Net Position.

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 22 years.

Solid Waste Management Notes to Financial Statements

NOTE 9 LANDFILL POST CLOSURE LIABILITIES

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

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

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

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

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 \$18,851,000 as landfill post-closure liability as of December 31, 2015 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$25,720,000 at December 31, 2014 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.

Solid Waste Management Notes to Financial Statements

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.

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Required Supplementary Information

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**Solid Waste Management
Required Supplementary Information**

Schedule of the Division's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal Year Ended December 31,	
	2015	2014-2006
Division's proportion of the net pension liability (asset)	5.50%	N/A
Division's proportionate share of the net pension liability (asset)	\$ (529,445)	N/A
Division's covered-employee payroll	\$ 12,948,158	N/A
Division's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.09%	N/A
Plan fiduciary net position as a percentage of the total pension liability	100.71%	N/A

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

Schedule of Division Contributions
Last 10 Fiscal Years

	Fiscal Year Ended December 31,	
	2015	2014-2006
Contractually required contribution	\$ 1,253,635	N/A
Contributions in relation to the contractually required contribution	(1,253,635)	N/A
Contribution deficiency (excess)	\$ -	N/A
Division's covered-employee payroll	\$ 12,948,158	N/A
Contribution as a percentage of covered-employee payroll	9.68%	N/A

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Unaudited Supplemental Information

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Solid Waste Management Unaudited Supplemental Information

City of Tacoma, Washington Solid Waste Utility Revenue Refunding Bonds, 2006 Series B
City of Tacoma, Washington Solid Waste Utility Revenue Bonds, Series 2006A
City of Tacoma, Washington Solid Waste Utility Revenue Refunding Bonds, 2008

The following continuing disclosure information for 2014 is provided in accordance with SEC Rule 15c2-12(b)(5)

Solid Waste Management Audited Financial Statements

Reference Financial Statements Section

Outstanding Solid Waste Bonds

Reference Note 4 in the Notes to Financial Statements

Debt Service Coverage

	<u>2014</u>	<u>2015</u>
Parity Bond Debt Service Coverage Ratio		
After Rate Stabilization Transfer	2.31	1.94

Number of Customers by Type of Service

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

<u>Customer Class</u>	<u>2014</u>	<u>2015</u>
Residential	54,462	54,767
Commercial	4,846	5,495
Total Customers	59,308	60,262

Top Ten Customers

The System's ten largest customers for 2015 are shown in the following table.

Customer Name	<u>Amount</u>	<u>Percent of 2015 Operating Revenues (1)</u>
Multicare Health Systems	\$ 552,455	0.94%
St Joseph Medical	484,951	0.83%
City of Tacoma	464,959	0.79%
Puyallup Tribe	408,361	0.70%
Goodwill	398,235	0.68%
Tacoma School District	397,092	0.68%
Salishan	322,692	0.55%
Westridges Apts	293,034	0.50%
Westrock	232,765	0.40%
Fred Meyer Stores	222,619	0.38%
Total Revenue	<u>\$ 3,777,163</u>	6.45%

(1) Total system revenue \$58,737,840

Revenues by Service

	<u>2014</u>	<u>2015</u>
Residential Collection	\$ 24,792,079	\$ 25,222,634
Commercial Collection	24,026,505	25,307,392
Disposal Revenues	6,001,929	7,253,808
Salvage Revenue	1,057,377	466,273
Other Operating Revenue	873,148	487,733
Total Operating Revenues	<u>\$ 56,751,038</u>	<u>\$ 58,737,840</u>

Municipal Solid Waste annual tonnage for each disposal method is as follows:

	<u>2014</u>	<u>2015</u>
Solid Waste	165,000	172,000
Recycling	28,100	28,300
Yard Waste	34,000	33,000
Total	<u>227,100</u>	<u>233,300</u>

Solid Waste Rates

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

	<u>2015</u>		<u>2016</u>	
	<u>Rate Per 100 Pounds</u>	<u>Minimum Charge</u>	<u>Rate Per 100 Pounds</u>	<u>Minimum Charge</u>
Garbage Disposal				
City of Tacoma Resident ⁽¹⁾	\$ 6.50	\$ 15.00	\$ 6.50	\$ 20.00
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⁾ For City residents, the minimum charge includes the first 400 pounds.

Solid Waste Capital Expenditures of 2015 "Green" Bonds

The "green" bonds were spent on the following projects in 2015:

<u>Description</u>	<u>Amount</u>
CNG Fuel Station and Recycle Center Roof	\$ 840,485.00
Diesel Hybrid Collection Vehicles (8)	3,450,734.00
CNC Fork Box Truck	307,323.00
CNC Fork Box Truck (2)	566,721.00
Tier 4 Emissions Onsite Equipment	373,549.00
CNG Fuel Station and Food Waste Optimization	1,083,210.00
	<u>\$ 6,622,022.00</u>

APPENDIX E

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
2015	202,300	830,120
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⁾
2014	\$ 36,282,818	\$ 43,613	\$ 350,321,729	\$ 49,610
2013	34,134,693	41,617	331,031,362	47,468
2012	33,446,136	41,171	326,496,701	47,344
2011	32,121,956	39,978	305,628,042	44,800
2010	30,852,767	38,787	288,694,995	42,821

⁽¹⁾ Estimates for 2010-2014 reflect county population estimates available as of March 2015.

⁽²⁾ Estimates for 2010-2014 use state population estimates released as of December 2014.

Source: U.S. Department of Commerce, Bureau of Economic Analysis County data as of November 19, 2015. State data as of September 30, 2015

Median Household Income. Median household income estimates for the County and the State are provided in the following table:

Year	Pierce County	State of Washington
2015 ⁽¹⁾	\$ 61,485	\$ 62,108
2014 ⁽²⁾	59,998	60,153
2013	57,238	57,284
2012	57,162	56,444
2011	56,114	55,500

⁽¹⁾ Projected. The Revenue Forecast Council's November 2015 forecast of the state personal income is used in the projection of 2015 median household income.

⁽²⁾ Preliminary estimate.

Source: *Office of Financial Management, March 2016*

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
2015 ⁽¹⁾	\$ 10,201,076,723	\$ 3,415,608,845
2014	12,736,324,142	4,317,891,441
2013	12,189,183,093	4,280,299,531
2012	11,520,820,885	4,046,579,862
2011	10,624,267,732	3,826,546,602

⁽¹⁾ Through third quarter 2015. Through third quarter in 2014, taxable retail sales for the County and City, respectively, were \$9,406,090,159 and \$3,170,607,682.

Source: *Washington State Department of Revenue, March 2016*

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⁽¹⁾**

Year	New Single Family Units		New Multi-Family Units		Total Construction Cost
	Number	Construction Cost	Number	Construction Cost	
2015	2,265	\$ 659,214,682	652	\$ 75,127,456	\$ 734,342,138
2014	2,371	663,531,092	1,406	163,645,690	827,176,782
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

⁽¹⁾ Average; through March.

Source: *U.S. Bureau of the Census, April 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 table.

Civilian Labor Force data is based on household surveys of residents. NAICS data are estimates based on surveys of employers and benchmarked based on covered employment as reported by all employers.

**Pierce County
Nonagricultural Wage & Salary Workers
and Labor Force and Employment Data**

	Annual Average				
	2016 ⁽¹⁾	2015	2014	2013	2012
Civilian Labor Force	406,278	391,963	385,101	383,472	386,760
Total Employment	379,503	367,136	358,258	351,230	351,028
Total Unemployment	26,775	24,827	26,842	32,242	35,732
Unemployment Rate	6.6%	6.3%	7.0%	8.4%	9.2%
NAICS INDUSTRY	2016⁽¹⁾	2015	2014	2013	2012
Total Nonfarm	300,700	296,900	288,800	280,000	274,100
Total Private	242,700	239,400	231,900	223,900	217,200
Goods Producing	37,700	37,400	36,300	35,300	33,600
Mining and Logging	300	300	300	300	300
Construction	20,400	19,900	18,600	17,700	16,500
Specialty Trade Contractors	12,700	12,800	11,900	11,100	10,400
Manufacturing	16,900	17,200	17,300	17,200	16,700
Service Providing	263,100	259,500	252,500	244,700	240,600
Trade, Transportation, and Utilities	63,700	62,600	60,200	58,000	56,500
Wholesale Trade	13,100	13,100	12,600	12,000	11,300
Retail Trade	37,600	36,400	34,200	32,800	32,000
Food and Beverage Stores	6,000	6,000	5,700	5,900	5,800
General Merchandise Stores	8,800	8,900	8,500	8,300	8,100
Transportation and Utilities	12,900	13,200	13,500	13,200	13,200
Information	3,000	2,900	2,900	2,800	2,800
Financial Activities	14,500	13,800	13,500	13,000	12,700
Professional and Business Services	27,000	27,100	25,400	24,100	23,300
Admin., Support, Waste Mgmt., and Remed.	16,700	16,900	15,500	14,800	14,100
Administrative and Support Services	15,100	15,400	14,100	13,500	12,800
Education and Health Services	52,100	51,500	51,400	50,400	49,500
Ambulatory Health Care Services	15,200	15,200	14,700	14,500	14,400
Hospitals	11,600	11,300	11,300	11,500	11,100
Leisure and Hospitality	31,100	30,600	29,000	27,500	26,000
Food Services and Drinking Places	25,100	24,800	23,400	21,900	20,400
Other Services	13,600	13,700	13,300	12,900	13,000
Government	58,100	57,500	56,900	56,100	56,900
Federal Government	11,400	11,700	11,800	12,300	12,800
State Government	11,900	11,900	11,500	10,700	10,500
State Government Educational Services	3,800	3,800	3,900	3,900	3,700
Local Government	34,800	33,900	33,700	33,100	33,600
Local Government Educational Services	19,300	18,600	18,400	18,000	18,100
Workers in Labor/Management Disputes	0	0	0	0	0

⁽¹⁾ Average; through March.

Source: Washington State Employment Security Department, April 2016

APPENDIX F

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 G

FORM OF DELAYED DELIVERY CONTRACT

[Date]

J.P. Morgan Securities LLC

Re: \$ _____
 City of Tacoma, Washington
 Solid Waste Revenue Refunding Bonds, 2016B
 (the "Bonds")

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby agrees to purchase from J.P. Morgan Securities LLC (the "Underwriter"), as the underwriter named in the Forward Delivery Purchase Contract (defined below), when, as, and if issued and delivered to the Underwriter by the City of Tacoma, Washington (the "City"), and the Underwriter agrees to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
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of the above-referenced Bonds (the "Purchased Bonds") offered by the City under the Preliminary Official Statement relating to the Bonds dated April 27, 2016, and the Official Statement relating to the Bonds dated May 19, 2016 (the "Official Statement"), at the purchase price and with the interest rates, principal amounts, and maturity dates set forth above, and on the further terms and conditions set forth in this Delayed Delivery Contract. The Bonds are being purchased by the Underwriter pursuant to a Forward Delivery Bond Purchase Contract relating to the Bonds between the City and the Underwriter (the "Forward Delivery Purchase Contract"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Forward Delivery Purchase Contract or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "DELAYED DELIVERY OF THE BONDS" therein), has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser further acknowledges and agrees that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of the Purchased Bonds from the Underwriter on or about September 7, 2016 (the "Settlement Date") as they may be issued and delivered in accordance with the Forward Delivery Purchase Contract.

Payment for the Purchased Bonds shall be made to the Underwriter or upon its order on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriter be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the City does not for any reason issue and deliver the Purchased Bonds.

Upon Settlement (as defined in the Forward Delivery Purchase Contract), the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional. The Purchaser may terminate its obligation to purchase the Purchased Bonds in the event that between Closing (as defined in the Forward Delivery Purchase Contract) and Settlement, one or more of the following events shall have occurred after the later of Closing or the date hereof and the Purchaser has notified the Underwriter in writing as provided herein:

- (1) any Change in Law shall have occurred (defined below);
- (2) the Official Statement, as amended (if applicable), between the date of this Delayed Delivery Contract to and including the date that is 30 days after the Closing Date (as defined in the Forward Delivery Purchase Contract),

or the Updated Official Statement (as defined in the Forward Delivery Purchase Contract), as amended (if applicable), between the date of delivery of the Updated Official Statement to and including the Settlement Date, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, requiring the preparation and publication of a supplement or amendment to the Official Statement or Updated Official Statement (whether or not the Official Statement or Updated Official Statement is actually prepared and delivered);

(3) Bond Counsel does not deliver an opinion on the Settlement Date either (i) substantially in the form and to the effect set forth in Appendix B to the Official Statement or (ii) which states that, notwithstanding a Change in Law that prevents Bond Counsel from issuing an opinion substantially in the form and to the effect set forth in Appendix B to the Official Statement, the interest on the Bonds is excluded 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;

(4) an event of default has occurred and is continuing, technical or otherwise, on the Settlement Date under the Bond Ordinance; or

(5) any rating of the Bonds by a national rating agency rating the Bonds has been withdrawn or suspended.

A “Change in Law” means (i) any change in or addition to applicable federal or State law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or State agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the Settlement Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, as to the Underwriter, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriter from purchasing the Bonds as provided in the Forward Delivery Purchase Contract or selling the Bonds or beneficial ownership interests therein to the public or, as to the City, would make the issuance, sale or delivery of the Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, law, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Purchase Contract.

If the Change in Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the City may, nonetheless, be able to satisfy the requirements for the delivery of the Bonds. In such event, the Underwriter would be obligated to purchase the Bonds from the City and the Purchaser would be required to accept delivery of the Purchased Bonds from the Underwriter.

The Purchaser acknowledges and agrees that the Bonds are being sold on a “forward” or “delayed delivery” basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Bonds on the Settlement Date unless the Underwriter terminates the Forward Delivery Purchase Contract or the Purchaser terminates its obligation to purchase the Purchased Bonds as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Delayed Delivery Contract to the Underwriter before Settlement. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after Settlement. The Purchaser is not a third-party beneficiary under the Forward Delivery Purchase Contract and has no rights to enforce, or cause the Underwriter to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Bonds between Closing and Settlement or changes in the credit associated with the Bonds generally, and (b) changes in the financial condition, operations, performance, properties or prospects of the City from Closing to Settlement. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof, even if the Purchaser decides to sell Purchased Bonds following the date hereof, unless the Purchaser sells Purchased Bonds to another institution with the prior written

consent of the Underwriter and such institution provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Underwriter is entering into the Forward Delivery Purchase Contract with the City to purchase the Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Underwriter of any Delayed Delivery Contract (including this one) is in the Underwriter's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter and the Purchaser when such counterpart is so mailed or delivered by the Underwriter. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

Purchaser

Address

Telephone

By: _____

Name: _____

Title: _____

Accepted: J.P. Morgan Securities LLC

Name: _____

Title: _____

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