

SOLID WASTE MANAGEMENT

2023

ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended **December 31, 2023**
Prepared by the Finance Department

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**City of Tacoma, Washington
Environmental Services Department
Solid Waste Management**

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Financial Data

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Tacoma, Environmental Services Department, Solid Waste Management (the Division), which comprise the statements of net position as of and for the years ended December 31, 2023 and 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Proportionate Share of the Collective OPEB Liability Last 10 Years (the required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the table of contents. The other information comprises the supplemental information (unaudited) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tacoma, Environmental Services Department, Solid Waste's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Tacoma, Washington
May 29, 2024

Management Discussion and Analysis

City of Tacoma, Washington
Department of Public Utilities
Solid Waste Management
Management's Discussion and Analysis

Introduction

The following management discussion and analysis of City of Tacoma Solid Waste Management Division's financial performance provides an overview of the financial activities for the years ended December 31, 2023, 2022, and 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the financial activities, and identify changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and the accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2023 and 2022, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of City of Tacoma's Solid Waste's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of the Division's presentation of financial position, results of operations and changes in cash flows.

Financial Highlights

- Total net position increased by \$15.2 million to \$103.9 million in 2023 compared to an increase of \$14.4 million to \$88.7 million in 2022 and an increase of \$12.2 million to \$74.3 million in 2021.
- Operating revenues were \$92.2 million in 2023, \$87.3 million in 2022 and \$83.4 million in 2021.
- Cash and equity in pooled investments was \$94.2 million at December 31, 2023 compared to \$82.8 million in 2022 and \$57.2 million in 2021.

Financial Analysis – Condensed Statements of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following condensed statements of net position provides a comparison of net position for the last three years.

	December 31,		
	2023	2022	2021
Current, restricted, and other assets	\$ 102,052,398	\$ 98,166,168	\$ 66,749,999
Net capital assets	88,834,443	90,062,726	90,162,057
Total assets	190,886,841	188,228,894	156,912,056
Deferred outflows of resources	10,216,998	5,343,384	6,261,867
Total assets and deferred outflows of resources	<u>\$ 201,103,839</u>	<u>\$ 193,572,278</u>	<u>\$ 163,173,923</u>
Long-term liabilities	\$ 79,683,491	\$ 77,903,354	\$ 73,304,960
Other liabilities	9,542,121	10,029,911	7,304,701
Total liabilities	89,225,612	87,933,265	80,609,661
Deferred inflows of resources	7,963,367	16,906,455	8,266,505
Total liabilities and deferred inflows of resources	<u>97,188,979</u>	<u>104,839,720</u>	<u>88,876,166</u>
Net position:			
Net investment in capital assets	42,438,148	43,660,731	43,605,562
Restricted	2,109,500	10,434,798	2,109,500
Unrestricted	59,367,212	34,637,029	28,582,695
Total net position	<u>103,914,860</u>	<u>88,732,558</u>	<u>74,297,757</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 201,103,839</u>	<u>\$ 193,572,278</u>	<u>\$ 163,173,923</u>

The assets and deferred outflows of the Solid Waste Management Division exceeded liabilities and deferred inflows by \$103.9 million in 2023, compared to \$88.7 million in 2022, and \$74.3 million in 2021. The Division's net position increased by \$15.2 million in 2023 compared to an increase of \$14.4 million in 2022 and an increase of \$12.2 million in 2021. However, the largest component of net position reflects the Division's net investment in capital assets (e.g., land, buildings, machinery and equipment). The net investment in capital assets component of net position was \$42.4 million in 2023, \$43.7 million in 2022, and \$43.6 million in 2021. The Division uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Division's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The restricted portion of the Division's net position is \$2.1 million for 2023, compared to \$10.4 million in 2022, and \$2.1 million in 2021, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$59.4 million for 2023, \$34.6 million for 2022, and \$28.6 million for 2021 is unrestricted.

Current, restricted, and other assets was \$102.1 million, \$98.2 million, and \$66.7 million as of December 31, 2023, 2022, and 2021, respectively. The increase in 2023 was \$3.9 million, compared to the increase of \$31.4 million in 2022. The increase in 2023 was primarily due to increases of \$11.4 million in cash and equity pooled investments, \$0.6 million in accounts receivable, and \$0.2 million in unbilled revenue. These increases were off-set with \$8.3 million decrease in net pension asset. The increase in 2022 was primarily due to \$25.6 million increase in cash and equity pooled investments primarily from the issuance of Revenue bonds as discussed in Debt Administration section and \$8.3 million increase in net pension asset. These increases were off-set with the decreases of \$1.2 million in accounts receivable and \$1.3 million in accrued unbilled revenue.

Long-term liabilities was \$79.7 million, \$77.9 million, and \$73.3 million as of December 31, 2023 , 2022, and 2021, respectively. The increase in 2023 was \$1.8 million, compared to the increase of \$4.6 million in 2022. The increase in 2023 was mainly due to \$7.5 million increase in net pension liability which was off-set with the decreases of \$4.6 million in long-term debt and \$633,000 in accrued landfill post closure care cost and \$515,000 in net OPEB liability. In 2022, the increase was mainly due to \$10.0 million increase in long-term debt from the 2022 Revenue bonds issuance which was off-set with the decreases of \$4.0 million in net pension liability and \$1.2 million in long-term accrued landfill post closure care cost

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

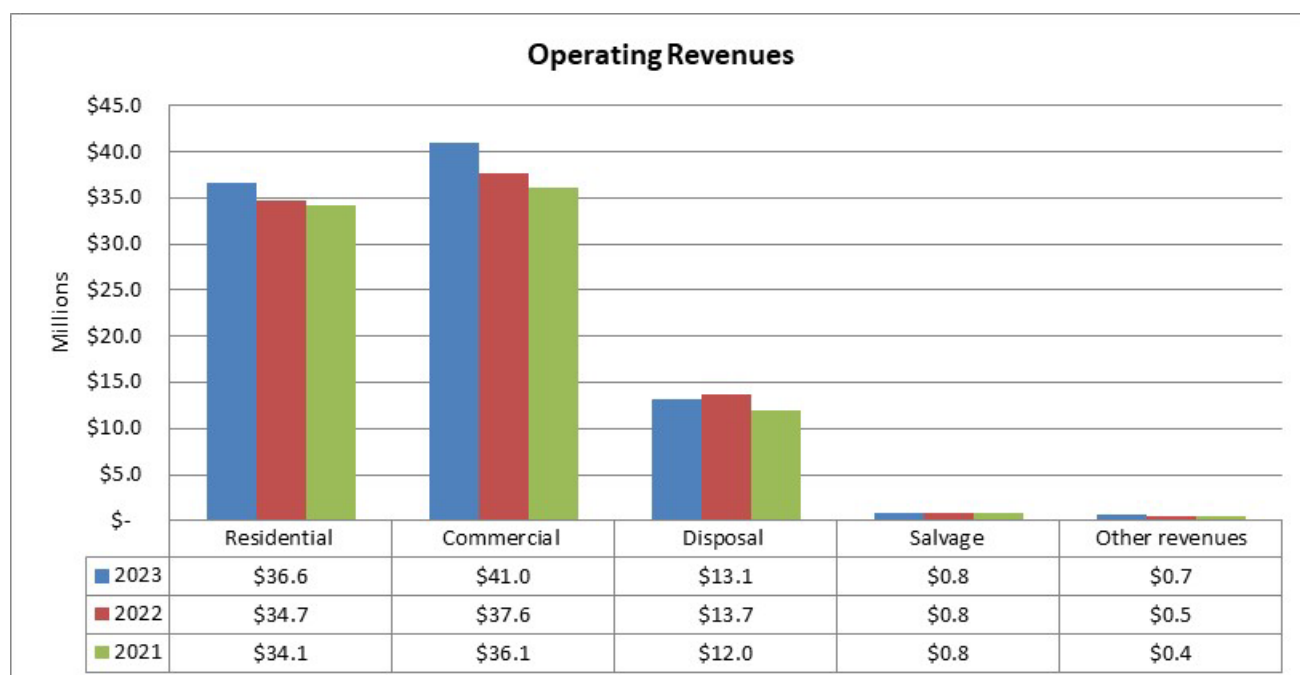
Year Ended December 31,

	2023	2022	2021
Operating revenues	\$ 92,219,648	\$ 87,347,622	\$ 83,368,170
Operating expenses	72,259,103	63,504,430	63,296,141
Net operating income	19,960,545	23,843,192	20,072,029
Nonoperating revenues (expenses)	2,184,305	(4,968,522)	(1,492,198)
Net income before transfers	22,144,850	18,874,670	18,579,831
Capital contributions and Transfers	(6,962,548)	(4,439,869)	(6,350,220)
Increase in net position	15,182,302	14,434,801	12,229,611
Net position - beginning of year	88,732,558	74,297,757	62,068,146
Net position - ending	\$ 103,914,860	\$ 88,732,558	\$ 74,297,757

Operating revenues

Overall operating revenues increased \$4.9 million or 6% in 2023 compared to an increase of \$4.0 million or 5% in 2022 and an increase of \$7.8 million or 10% in 2021.

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



The Division had a 4.0% and 2.0% rate increase to residential customers effective January 1, 2023 and 2022, respectively. The rates increase for commercial customers were 5.0% and 3% on average effective January 1, 2023 and 2022, respectively.

Revenues from residential customers increased \$1.9 million in 2023 and \$600,000 in 2022. Residential collection revenues increased in 2023 due to rate increases.

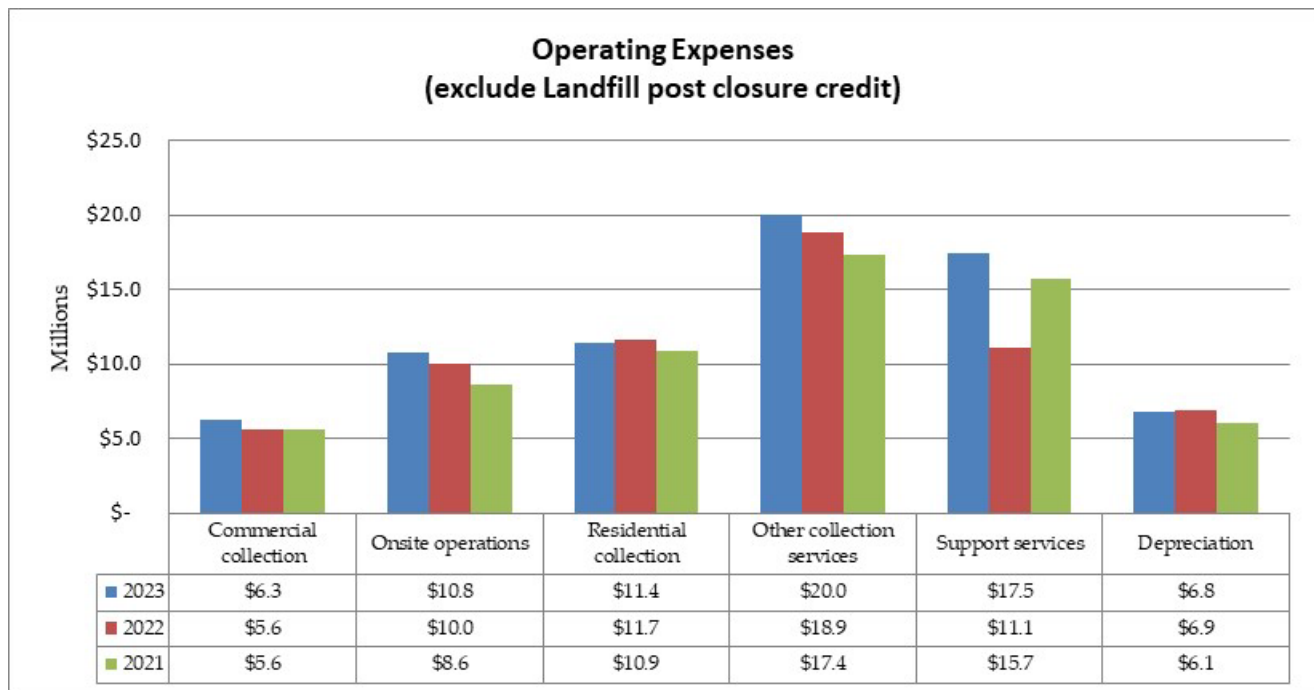
Revenue from commercial customers increased \$3.5 million due to commercial rates increased and number of commercial customers in 2023. The volume increased due to construction activity and additional commercial housing within the service areas resulted in an increase for commercial collection revenue. In 2022, revenue from commercial customers increased \$1.5 million due to increase in number of commercial customers and commercial recycling rates.

Disposal revenues decreased \$644,000 in 2023, compared to an increase of \$1.8 million in 2022 due to decreased Customer self-haul trips to the landfill and tonnage volume in 2023.

Operating expenses

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

Total operating costs increased \$8.8 million in 2023, compared to increases of \$208,000 in 2022 and increases of \$2.3 million in 2021.



2023 Activity

Operating expenses were \$72.3 million in 2023, an increase of \$8.8 million from prior year. Significant changes in operating costs include the following:

- Commercial collection expense increased \$736,000 primarily due to \$135,000 increase in salaries and benefits, \$395,000 increase in fleet expenses for providing services in the commercial recycle and Drop-off-Box (box size and frequent pick-up requested by customer), \$79,000 increase in gas and garbage expenses, and other increases from the rest for supplies, repair, and external contract services.
- Onsite operations expense increased \$781,000 primarily due to increases of \$255,000 mostly in operating supplies, repair & maintenance materials and lab services, \$245,000 in services such as professional services and external contract services for public receiving building demo and Tacoma landfill decommissioning gas wells, and \$247,000 in software, licenses & permits, and rentals.
- Residential collection expense decreased \$337,000 mainly due to decreases of \$525,000 in external contract services for residential recycling cost, and \$178,000 in fleet expenses including fuel and maintenance for collection vehicles. These decreases were offset with the increases of \$284,000 in salaries and benefits and \$62,000 in operating supplies.
- Other collection services expenses increased \$1.2 million, which includes the Tacoma Cares, Nuisance Code Enforcement Abatement, Off-site Transport. The increase is primarily due to increases of \$750,000 for external contract services from Waste Connections, Pierce County Recycling Composting and Disposal (PCRCDD), \$244,000 in fleet support services, and \$284,000 in salaries and benefits.
- Support services expenses increased \$6.4 million primarily due to increases of \$4.2 million in pension expense, \$757,000 in bad debt expense, \$204,000 in professional services, \$156,000 in public liability insurance, \$129,000 in credit card bank fees, and \$1.2 million increase for overhead and assessments.
- Landfill post closure credit of \$536,000 reflects a decrease in the total landfill post closure liability in 2023 compared to a decrease of \$647,000 in 2022 due to the annual evaluation forecast for the next 20 years of the remaining liability.

2022 Activity

Operating expenses were \$63.5 million in 2022, an increase of \$208,000 from prior year. Significant changes in operating costs include the following:

- Onsite operations expense increased \$1.4 million primarily due to increases of \$643,000 in external contract services for public receiving building demo and Tacoma landfill decommissioning gas wells, \$272,000 in salaries and benefits, \$273,000 in fleet expenses, and \$89,000 in repair and maintenance services.
- Residential collection expense increased \$816,000 due mainly to increases of \$256,000 in salaries and benefits, \$263,000 in external contract services for residential recycling cost, and \$200,000 in fleet expenses included fuel and maintenance for collection vehicles, and \$108,000 in providing garbage services for sponsorship events.
- Other collection services expenses increased \$1.5 million, which includes the Tacoma Cares, Nuisance Code Enforcement Abatement, Off-site Transport. The increase is primarily due to increases of \$1.4 million for external contract services from Waste Connections, and Pierce County Recycling Composting and Disposal (PCRCDD), \$205,000 in fleet support services, \$174,000 for special license fee for vehicles powered by special fuel. These increases were off-set with a decrease of \$297,000 in salaries and benefits.
- Support services expenses decreased \$4.6 million primarily due to decreases of \$2.4 million pension expense, \$3.1 million in bad debt and business tax expenses due to a decrease in customer aging account receivable, and \$192,000 in professional and printing services. These decreases were offset with \$290,000 increase in salaries and benefits, and \$561,000 increase for assessments.

- Landfill post closure credit of \$647,000 reflects a decrease in the total landfill post closure liability in 2022 compared to a decrease of \$922,000 in 2021 due to the annual evaluation forecast for the next 21 years of the remaining liability.

Nonoperating revenues (expenses)

Interest income earned \$2.6 million in 2023 compared to \$994,000 in 2022. The increase of \$1.6 million is due to higher cash balance and higher interest rate in City pooled investments in 2023. An increase in unrealized gain on fair value investment of \$3.7 million due to higher market value of investments as of December 31, 2023. There was a \$291,000 operating grant from Department of Ecology for recycling operation in 2023 compared to \$252,000 in 2022. Interest paid was \$2.8 million, a decrease of \$128,000 in 2023. Other revenue/(expenses) decreased by \$1.6 million mainly due to \$306,000 expenses to assist overdue utility accounts receivable in 2023 compared to \$1.9 million in 2022. The Division received \$306,000 in federal funds passing through from Neighborhood and Community Services (NCS) as part of the Coronavirus State and Local Fiscal Recovery Fund deferral appropriation programs. This funding was applied to overdue utility accounts receivable for customers impacted by COVID-19.

In 2022, Investment loss increased \$946,000 in 2022 compared to a loss of \$338,000 in 2021 mainly due to an unrealized loss of \$2.3 million in change in fair value of investments. Interest paid was \$2.9 million, an increase of \$511,000 in 2022 mainly due to \$148,000 of issuance cost and additional interest expenses for 2022 Revenue Bond issuance compared to a decrease of \$50,000 in 2021. Other revenue/(expenses) increased by \$1.6 million mainly due to \$1.9 million expenses to assist overdue utility accounts receivable. The Division received a combined total of \$1.9 million federal funds passing through from Neighborhood and Community Services (NCS) as part of Emergency Rental Assistance, Tenant Utility Assistance, and the Coronavirus State and Local Fiscal Recovery Fund deferral appropriation programs. These funds were applied to overdue utility customer account receivables impacted by COVID-19.

Capital contributions and Transfers

In 2023, Solid Waste transferred \$7.4 million to general fund for gross earning tax compared to \$7.2 million in 2022. Transfers from other funds decreased \$1.8 million primarily due to the federal funds from NCS as discussed in the Nonoperating revenue (expenses) section.

In 2022, Solid Waste received a \$543,000 grant for collection truck vehicles. Solid Waste transferred \$7.2 million to general fund for gross earning tax in 2022 compared to \$6.6 million in 2021. Transfers – from/(to) other funds increased \$1.9 million due to the federal funds from NCS as discussed in the Nonoperating revenue (expenses) section.

Capital assets, net

At the end of 2023, the Division's total capital assets, net of accumulated depreciation were \$88.8 million compared to \$90.1 million in 2022 and \$90.2 million in 2021. See Note 4 in the financial statements for detailed activity in capital assets.

2023 Activity

Balances in 2023 decreased \$1.3 million and the significant changes are:

- Landfill infrastructure which includes improvements other than buildings increased \$290,000 primarily due to improvement on Fleet shop and protected structures.

- The Division implemented GASB Statement No. 96, *Subscription-based information technology arrangements (SBITAs)*, effective January 1, 2022. The implementation required the recognition of a right-to-use of another entity's information technology software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transactions. Right to use subscription assets were recorded in the net amount of \$42,000 as of December 31, 2023. In 2022 the Division did not have any SBITAs. Further information can be found in Note 4 and Note 5.
- Machinery and equipment increased a net of \$2.5 million. Significant changes include:
 - An increase of \$1.6 million for vehicles (purchases of \$3.2 million less disposals of \$1.6 million)
 - An increase of \$609,000 for variety of garbage and recycle containers (purchases of \$1.1 million less disposals of \$519,000)
- Accumulated depreciation increased \$4.7 million for the year 2023 (\$6.8 million current year depreciation and \$2.0 million due to disposal of assets).
- The construction in progress balance increased by \$544,000 from 2022 primarily due to ongoing projects and capital purchases that were not ready in service.

2022 Activity

Balances in 2022 decreased \$99,000 and the significant changes are:

- Landfill infrastructure which includes improvements other than buildings increased \$927,000 primarily due to the remaining work for the compressed natural gas (CNG) equipment station upgrade.
- Machinery and equipment increased a net of \$1.1 million. Significant changes include:
 - An increase of \$1.1 million for vehicles (purchases of \$2.9 million less disposals of \$1.8 million)
 - An increase of \$471,000 for variety of garbage and recycle containers (purchases of \$1.4 million less disposals of \$942,000)
 - A disposal of \$567,000 of heavy equipment due to aging and no longer in operation.
- Accumulated depreciation increased \$3.5 million for the year 2022 (\$6.9 million current year depreciation and \$3.4 million due to disposal of assets).
- The construction in progress balance increased by \$1.3 million from 2021 primarily due to ongoing projects and capital purchases that were not ready in service.

Debt Administration

At December 31, 2023, the Division had \$60.6 million, net of premium, in outstanding revenue bonds of which \$3.8 million is due within one year. This compares to \$65.1 million in 2022 and \$53.8 million in 2021.

The bonds have underlying ratings of A1 by Moody's Investors Service, AA by Standard & Poor's, and AA- by Fitch, Inc. Additional information on the Division's long-term debt can be found in Note 6 of the financial statements.

Debt Service Coverage

Solid Waste Management is required by its bond covenants to maintain a debt service coverage ratio of 1.25. The debt service coverage ratio is 4.73 at the end of 2023. This compares to 5.10 in 2022 and 5.37 in 2021.

Economic Factors Affecting Next Year

On January 1, 2024, rate increases for Solid Waste Management of approximately 4% for residential and commercial services went into effect. The rate increases are expected to bring an additional \$3.1 million in operating revenues for 2024. The rate increases remain competitive with surrounding jurisdictions.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray the City of Tacoma Solid Waste Management's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information. The financial statements have been independently audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and accurate, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

Solid Waste Management financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

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Financial Statements

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

	December 31,	
ASSETS	2023	2022
Current assets:		
Cash and equity in pooled investments	\$ 84,647,562	\$ 68,858,293
Accounts receivable, net	4,460,836	3,840,839
Accrued unbilled revenue	3,370,583	3,164,883
Restricted cash and equity in pooled investments:		
Debt service funds	539,329	539,387
Customer deposits	80,144	56,264
Construction funds	6,844,444	11,271,704
Total restricted cash and equity in pooled investments	7,463,917	11,867,355
Total current assets	99,942,898	87,731,370
Noncurrent assets:		
Restricted cash and equity in pooled investments:		
Bond reserves	2,109,500	2,109,500
Capital assets:		
Land	3,242,201	3,242,201
Buildings	61,843,727	61,843,727
Landfill infrastructure	82,214,055	81,923,887
Machinery and equipment	61,230,603	58,701,646
Computer software	5,369,143	5,297,223
Less: accumulated depreciation	(127,182,931)	(122,477,388)
Right to use subscriptions assets	43,309	-
Less: accumulated amortization	(1,444)	-
Construction in progress	2,075,780	1,531,430
Total capital assets, net	88,834,443	90,062,726
Net pension asset	-	8,325,298
Total noncurrent assets	88,834,443	98,388,024
Total assets	190,886,841	188,228,894
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - other post employment benefits	601,047	765,523
Deferred outflows - pensions	9,615,951	4,577,861
Total deferred outflows of resources	10,216,998	5,343,384
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 201,103,839</u>	<u>\$ 193,572,278</u>

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

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

	December 31,	
	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,230,720	\$ 3,726,164
Accrued wages payable and compensated absences	741,099	803,041
Accrued taxes payable	419,603	398,021
Unearned revenue	350,695	386,057
Customer deposits	79,647	61,732
Accrued landfill postclosure care costs	493,510	499,593
Current OPEB liability	73,922	144,013
Current pension withdrawal liability	35,112	43,890
Current subscription liability	7,886	-
Current portion of long-term debt	3,497,083	3,373,334
Total current liabilities	<u>8,929,277</u>	<u>9,435,845</u>
Current payable from restricted assets:		
Deposits payable	73,515	54,679
Accrued revenue bond interest payable	221,412	232,721
Current portion of long-term debt	317,917	306,666
Total liabilities payable from restricted assets	<u>612,844</u>	<u>594,066</u>
Noncurrent liabilities:		
Long-term debt - revenue bonds, net	56,831,957	61,399,958
Long-term accrued landfill postclosure care costs	11,000,906	11,634,239
Long-term accrued compensated absences	1,447,531	1,392,668
Net pension liability	7,450,022	-
Pension withdrawal liability	350,324	385,437
Long-term subscription liability	27,000	-
OPEB liability	2,575,751	3,091,052
Total noncurrent liabilities	<u>79,683,491</u>	<u>77,903,354</u>
Total liabilities	<u>89,225,612</u>	<u>87,933,265</u>
DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	7,000,000	7,000,000
Deferred inflows - OPEB	718,183	290,734
Deferred inflows - pensions	176,371	9,523,314
Deferred inflows - gain on refunding bonds	68,813	92,407
Total deferred inflows of resources	<u>7,963,367</u>	<u>16,906,455</u>
NET POSITION		
Net investment in capital assets	42,438,148	43,660,731
Restricted for:		
Debt service	2,109,500	2,109,500
Net pension asset	-	8,325,298
Unrestricted	59,367,212	34,637,029
Total net position	<u>103,914,860</u>	<u>88,732,558</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 201,103,839</u></u>	<u><u>\$ 193,572,278</u></u>

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

	Year-to-Date December 31,	
	2023	2022
OPERATING REVENUES		
Residential collection	\$ 36,586,707	\$ 34,706,967
Commercial collection	41,036,691	37,586,187
Disposal revenues	13,097,161	13,740,725
Salvage revenues	776,890	803,658
Other operating revenues	722,199	510,085
Total operating revenues	92,219,648	87,347,622
OPERATING EXPENSES		
Commercial collection	6,342,498	5,606,674
Onsite operations	10,766,078	9,985,443
Residential collection	11,387,047	11,724,236
Other collection services	20,010,322	18,855,188
Support services	17,535,006	11,127,309
Depreciation and amortization	6,754,010	6,852,445
Landfill post closure credit	(535,858)	(646,865)
Total operating expenses	72,259,103	63,504,430
Net operating income	19,960,545	23,843,192
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,605,846	993,681
Unrealized net gain (loss) on fair value investment	1,416,857	(2,277,457)
Operating grants	291,229	251,784
Interest expenses and other related costs	(2,781,341)	(2,909,723)
Other rental revenues	25,798	4,596
Amortization of premium and refunding gain	776,594	793,294
Other expenses	(297,789)	(1,857,397)
Gain on sale/disposal of capital assets	147,111	32,700
Total nonoperating revenue (expenses)	2,184,305	(4,968,522)
Net income before transfers	22,144,850	18,874,670
Capital Grants	-	542,684
Transfers - to other funds	-	(5,744)
Transfers - from other funds	396,291	2,193,786
Transfers - gross earnings taxes	(7,358,839)	(7,170,595)
CHANGE IN NET POSITION	15,182,302	14,434,801
NET POSITION - JANUARY 1	88,732,558	74,297,757
NET POSITION - DECEMBER 31	<u>\$ 103,914,860</u>	<u>\$ 88,732,558</u>

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

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

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 91,121,993	\$ 90,491,938
Payments to suppliers	(38,514,291)	(34,173,487)
Payments to employees	(24,952,626)	(24,356,235)
Payment for taxes	(1,521,286)	(1,561,961)
Payments for other nonoperating expenses	(278,667)	(1,854,480)
Net cash from operating activities	25,855,123	28,545,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gross earnings taxes paid	(7,358,839)	(7,170,595)
Interest paid on noncapital debt	(331,917)	(331,917)
Operating grants received	291,229	902,621
Contributions and transfers	398,301	2,188,042
Net cash from noncapital financing activities	(7,001,226)	(4,411,849)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(5,550,126)	(6,757,664)
Principal payments on subscription	(8,500)	-
Proceeds from the issuance of revenue bonds	-	13,190,000
Bond premium Issuance costs	-	(2,537,847)
Principal payments on revenue bonds	(3,680,000)	(3,140,000)
Interest expenses and other related costs	(2,464,673)	1,966,331
Proceeds from sale of capital assets	203,850	37,250
Insurance recoveries	8,680	1,680
Net cash from capital and related financing activities	(11,490,769)	2,759,750
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Investment income (loss) ^a	4,022,703	(1,283,776)
Net cash from investing activities	4,022,703	(1,283,776)
NET INCREASE/DECREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	11,385,831	25,609,900
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING	82,835,148	57,225,248
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING	<u>\$ 94,220,979</u>	<u>\$ 82,835,148</u>

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long term-term investments. Information on the increases and decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

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

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

	Year Ended December 31,	
	2023	2022
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
TO BALANCE SHEETS:		
Operating funds	\$ 84,647,562	\$ 68,858,293
Restricted funds	9,573,417	13,976,855
	<u>\$ 94,220,979</u>	<u>\$ 82,835,148</u>
RECONCILIATION OF NET OPERATING INCOME TO		
NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	<u>\$ 19,960,545</u>	<u>\$ 23,843,192</u>
Adjustments to reconcile net operating income to net cash		
from operating activities:		
Depreciation expense	6,752,566	6,852,445
Subscription amortization expense	1,444	-
Pension expenses (credits)	1,390,287	(2,826,798)
Expense capital project costs	2,470	-
Net OPEB expense	6,533	119,767
Other nonoperating expenses	(278,667)	(1,854,480)
Cash from changes in operating		
assets and liabilities:		
Accounts receivable, net of allowance	(619,998)	1,072,975
Accrued unbilled revenue	(205,700)	1,337,900
Accounts payable	(486,943)	1,324,841
Accrued wages and compensated absences payable	(61,942)	(16,109)
Accrued taxes payable	21,581	(33,859)
Unearned revenue	(35,362)	94,019
Customer deposits payable	36,752	26,041
Pension withdrawal liability	(43,890)	(26,334)
Accrued landfill postclosure care costs	(6,083)	(132,473)
Long-term accrued compensated absences	54,863	11,656
Long-term accrued landfill postclosure care costs	(633,333)	(1,247,008)
Total adjustments	<u>5,894,578</u>	<u>4,702,583</u>
NET CASH FROM OPERATING		
ACTIVITIES	<u>\$ 25,855,123</u>	<u>\$ 28,545,775</u>
Noncash Investing, Capital, and Financing activities		
Unrealized Net Gain (Loss) on Fair Value Investment	\$1,416,857	(\$2,277,457)

City of Tacoma, Washington
Department of Public Utilities
Solid Waste Management
Notes to Financial Statements
Years Ended December 31, 2023 and 2022

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) Annual Comprehensive Financial Report.

The Division provides mandatory solid waste collection and disposal services for residents and commercial and industrial entities since 1929. In 1990, the City expanded the Solid Waste Management system to include curbside pickup of residential yard and garden waste. The Division serves the entire area within the City limits, with a 2023 estimated population of 221,776 persons and an area of approximately 62 square miles, including approximately 12 miles of saltwater areas.

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 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.

Accounting Changes – Effective for the fiscal year 2023, the Division implemented the following new accounting and reporting standards issued by the GASB:

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

GASB Statement No. 96 – *Subscription-based information technology arrangements (SBITAs)*. The objective of this statement is to better meet the information needs of financial statement users by establishing a definition for SBITAs and prescribing accounting and financial reporting for SBITAs by governments. Prior to the issuance of GASB Statement No. 96, there was no accounting or financial reporting guidance specifically for SBITAs. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities. The Division implemented the provisions of GASB Statement No. 96 effective January 1, 2022, and there was no impact on the financial results for the year ended December 31, 2022.

GASB Statement No. 99 – *Omnibus 2022*. This statement is to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for the fiscal year ended December 31, 2023 address the following topics:

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

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

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. Pooled investments are reported on the Statement of Net Position as Cash and equity in pooled investments. 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 cash equivalents and the equity in pooled investments is considered cash for cash flow reporting purposes.

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 of the Revised Code of Washington (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 City's Investment Pool in the LGIP.

The Division's equity in that portion of the TIP held in qualified public depositories at December 31, 2023 and 2022 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

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. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasurer's LGIP is authorized by RCW 43.250. The LGIP is operated like a 2A7 fund and is collateralized by short-term legal investments.

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 as of December 31, 2023 and 2022.

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. Allowance for Uncollectible Accounts was \$3,931,598 and \$4,448,661 as of December 31, 2023 and 2022, respectively.

Interfund and intergovernmental transactions - Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

Restricted assets - In accordance with bond covenants, 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 premiums and gain/loss on refunding - Bond premiums are amortized over the life of the bonds using the straight line or the weighted average of the bonds outstanding, are recorded as offset to long-term debt, and are presented in the statement of net position. Gains or losses on bond refunding represent the difference between reacquisition price and the carrying value of the old debt and are amortized on a straight-line basis over the applicable bond period, and are presented as deferred inflows/outflows in the statement of net position.

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 operation. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

Capital assets, depreciation and amortization - 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 replacements, 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 and amortization 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:

Buildings and Improvements	20 – 50 years
Resource Recovery Facility	5 – 50 years
Vehicles	5 – 10 years
Containers and Equipment	5 – 10 years
Other Assets	3 – 10 years
Right to Use	depends on the life of the lease or subscription

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 impairment - 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. There was no impairment existed in 2023 or 2022.

Capital contributions - In accordance with GASB No. 33 *Accounting and Financial Reporting for Non-exchange Transactions*, capital grants and capital contributions are recorded as capital contributions.

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%. Vacation pay and PTO are recorded as a liability and expense in the year earned. 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. Sick leave pay is recorded as a liability and an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

Deferred Outflows of Resources - Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of balances related to pensions and other postemployment benefits other than pensions.

Deferred Inflows of Resources - Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of balances related to rate stabilization, pensions, other postemployment benefits other than pensions, and gains on refunding of bonds.

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 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, and 4) 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.

Taxes - The City charges the Division a gross earnings tax at the rate of 8.0%, which was reported as a transfer. The Division also pays business and occupation taxes to the State, 1.5% on service revenues and 0.47% on retail 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 and deferred outflows and liabilities and deferred inflows 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 outstanding balances of any bonds, loans or other borrowings, less outstanding construction funds, which 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 components are those that are not "net investment in capital assets" or "restricted".

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

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

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 post-closure care 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, 2023, the landfill is at 100% of capacity, closed, and capped and 20 years remaining for post closure monitoring.

Environmental Remediation Costs - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation, or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

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, right to use subscription assets, accrued compensated absences, depreciation, Other Post Employment Benefits (OPEB Liability), pension withdrawal liability, self-insurance liabilities, subscription liabilities, accrued landfill post closure care costs, net pension liability 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.

NOTE 3 INVESTMENTS MEASURED AT FAIR VALUE

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

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

The fair value evaluations of City's investments in TIP are provided by Interactive Data.

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

Notes to Financial Statements (continued)

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

	As of			
Debt Securities:	12/31/2023	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 643,384,888	\$ -	\$ 643,384,888	\$ -
Supranational Securities	32,104,066	-	32,104,066	-
Municipal Bonds	22,877,649	-	22,877,649	-
Agency Securities	673,735,766	-	673,735,766	-
Corporate Securities	77,539,604	-	77,539,604	-
Total	<u>\$ 1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,449,641,972</u>	<u>\$ -</u>

	As of			
Debt Securities:	12/31/2022	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 683,653,733	\$ -	\$ 683,653,733	\$ -
Supranational Securities	19,561,285	-	19,561,285	-
Municipal Bonds	20,114,218	-	20,114,218	-
Agency Securities	555,411,908	-	555,411,908	-
Corporate Securities	61,142,820	-	61,142,820	-
Total	<u>\$ 1,339,883,963</u>	<u>\$ -</u>	<u>\$ 1,339,883,963</u>	<u>\$ -</u>

The Division's share of the City's investments shown in the table above is 5.95% and 5.68% as of December 31, 2023 and 2022, respectively.

NOTE 4 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2023 and 2022 follows:

	2022	Additions	Retirements	Transfers & Adjustments	2023
Capital assets, not being depreciated/amortized:					
Land	\$ 3,242,201	\$ -	\$ -	\$ -	\$ 3,242,201
Construction in progress	1,531,430	5,539,157		(4,994,807)	2,075,780
Total capital assets, not being depreciated/ amortized	4,773,631	5,539,157	-	(4,994,807)	5,317,981
Capital assets, being depreciated/amortized:					
Buildings	61,843,727	-	-	-	61,843,727
Landfill infrastructure	81,923,887	-	-	290,168	82,214,055
Machinery and equipment	58,701,646	-	(2,103,762)	4,632,719	61,230,603
Computer software	5,297,223	-	-	71,920	5,369,143
Right to use subscription assets	-	43,309	-	-	43,309
Total capital assets, being depreciated/amortized	207,766,483	43,309	(2,103,762)	4,994,807	210,700,837
Less					
Accumulated depreciation	(122,477,388)	(6,752,566)	2,047,023	-	(127,182,931)
Accumulated amortization	-	(1,444)	-	-	(1,444)
Total accumulated depreciation/amortization	(122,477,388)	(6,754,010)	2,047,023	-	(127,184,375)
Total capital assets, being depreciated/amortized, net	85,289,095	(6,710,701)	(56,739)	4,994,807	83,516,462
Total capital assets, net	<u>\$ 90,062,726</u>	<u>\$ (1,171,544)</u>	<u>\$ (56,739)</u>	<u>\$ -</u>	<u>\$ 88,834,443</u>

Notes to Financial Statements (continued)

	2021	Additions	Retirements	Transfers & Adjustments	2022
Capital assets, not being depreciated:					
Land	\$ 3,241,083	\$ -	\$ -	\$ 1,118	\$ 3,242,201
Construction in progress	189,351	6,757,664	-	(5,415,585)	1,531,430
Total capital assets, not being depreciated	3,430,434	6,757,664	-	(5,414,467)	4,773,631
Capital assets, being depreciated:					
Buildings	61,767,413	-	-	76,314	61,843,727
Landfill infrastructure	80,996,630	-	-	927,257	81,923,887
Machinery and equipment	57,637,564	-	(3,318,449)	4,382,531	58,701,646
Computer software	5,268,858	-	-	28,365	5,297,223
Total capital assets, being depreciated	205,670,465	-	(3,318,449)	5,414,467	207,766,483
Less: accumulated depreciation	(118,938,842)	(6,852,445)	3,313,899	-	(122,477,388)
Total capital assets, being depreciated, net	86,731,623	(6,852,445)	(4,550)	5,414,467	85,289,095
Total capital assets, net	\$ 90,162,057	\$ (94,781)	\$ (4,550)	\$ -	\$ 90,062,726

NOTE 5 SUBSCRIPTION LIABILITY

The Division entered into a subscription agreement for five (5) years started on November 1, 2023 and will end on October 31, 2028. A principal of \$8,500 was paid during the year and there was no principal payment in 2022.

The City used its average incremental borrowing rate of 2.671% as of December 31, 2023 in calculation of net present value of subscription liability, as the interest rate is not stated in the agreement.

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

	Subscription Liability
Beginning balance, January 1, 2023	\$ -
Additions	(43,386)
Reductions	8,500
Ending Balance, December 31, 2023	<u>\$ (34,886)</u>

Current subscription liability as of December 31, 2023 is \$7,886 including \$77 interest accrual and there was no current subscription liability as of December 31, 2022.

Interest expense on subscription activity of \$77 was recorded in 2023 under Other Non-operating Revenue, Net and there was no interest expense on subscription activity in 2022.

Future annual subscription liability as of December 31, 2023 is as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 7,809	\$ 941	\$ 8,750
2025	8,270	730	9,000
2026	8,994	506	9,500
2027	9,736	264	10,000
Total	<u>\$ 34,809</u>	<u>\$ 2,441</u>	<u>\$ 37,250</u>

NOTE 6 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2023 and 2022, follows:

	2022	Additions	Reductions	2023	Due within One Year
Revenue bonds	\$ 58,605,000	\$ -	\$ (3,680,000)	\$ 54,925,000	\$ 3,815,000
Plus: Unamortized premium	6,474,958	-	(753,001)	5,721,957	-
Total long-term debt	<u>\$ 65,079,958</u>	<u>\$ -</u>	<u>\$ (4,433,001)</u>	<u>\$ 60,646,957</u>	<u>\$ 3,815,000</u>

	2021	Additions	Reductions	2022	Due within One Year
Revenue bonds	\$ 48,555,000	\$ 13,190,000	\$ (3,140,000)	\$ 58,605,000	\$ 3,680,000
Plus: Unamortized premium	5,278,328	1,966,331	(769,701)	6,474,958	-
Total long-term debt	<u>\$ 53,833,328</u>	<u>\$ 15,156,331</u>	<u>\$ (3,909,701)</u>	<u>\$ 65,079,958</u>	<u>\$ 3,680,000</u>

As of December 31, 2023, annual debt service requirements to maturity are as follows:

	Principal	Interest	Service
2024	\$ 3,815,000	\$ 2,656,950	\$ 6,471,950
2025	4,005,000	2,466,200	6,471,200
2026	3,940,000	2,265,950	6,205,950
2027	4,140,000	2,068,950	6,208,950
2028	4,345,000	1,861,950	6,206,950
2029-2033	21,915,000	5,905,500	27,820,500
2034-2036	12,765,000	1,029,350	13,794,350
	<u>\$ 54,925,000</u>	<u>\$ 18,254,850</u>	<u>\$ 73,179,850</u>

The Division's long-term debt at December 31, 2023, and 2022 consists of the following payable from revenues of the Division.

	2023	2022
2015 Revenue Bonds, with an interest rate from 2.0% to 5.0% due in yearly installments of \$1,960,000 to \$2,760,000 from 2017 through 2025. Original par value \$21,095,000. Bonds issued as "green bonds" to fund certain capital improvements in support of environmental sustainability, fund a bond reserve, and pay the costs of issuance. Callable on June 1, 2025.	\$ 5,390,000	\$ 7,920,000
2016 Series A Refunding Bonds, with interest rates ranging from 3.0% to 5.0%. Principal payments range between \$2,905,000 to \$4,465,000 between 2031 and 2036. Original par value value \$23,200,000. Purpose was to refund a portion of the 2006 Series A Bonds and to pay cost of issuance.	23,200,000	23,200,000
2016 Series B Refunding Bonds, with interest rates at 5.0%. Principal payments range between \$460,000 to \$3,205,000 between 2026 and 2031. Original par value value \$15,025,000. Purpose was to refund a portion of the 2006 Series B Bonds and to pay cost of issuance.	15,025,000	15,025,000
2022 Revenue Bonds, with interest rates from 3.0% to 5.0%. Principal payments range between \$730,000 to \$1,665,000 between 2022 and 2031. Original par value value \$13,190,000. Purpose was to fund capital improvements in support of enviromental sustainability, and to pay cost of issuance.	11,310,000	12,460,000
Total revenue bonds outstanding	54,925,000	58,605,000
Less:		
Current portion	(3,497,083)	(3,373,334)
Current portion payable from restricted assets	(317,917)	(306,666)
Plus: Unamortized premium	5,721,957	6,474,958
Total long-term debt - Revenue Bonds	<u>\$ 56,831,957</u>	<u>\$ 61,399,958</u>

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 fiscal year-end December 31, 2023 and 2022, the Division did not have any outstanding defeased debt.

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 2023 or 2022.

NOTE 7 SELF-INSURANCE FUND

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 \$220,116 for 2023 and \$63,929 for 2022. The Division only recognizes expense for premium payments because the risk of loss transfers to the Fund.

The City purchased a Fiduciary Liability policy with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a \$5.0 million limit and \$200,000 deductible for employee dishonesty and for fraudulent or dishonest act by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.25 million per occurrence. Coverage also has a Cybersecurity policy with a limit of \$2.0 million and a deductible of \$250,000. An Excess Cyber policy is maintained with a limit of \$2.0 million in excess of the primary policy.

General Government maintains Property insurance policy that covers its buildings and contents within the buildings and motor vehicles on insured premises with a limit of \$500.0 million per occurrence. A deductible of \$150,000 per occurrence applies to the building and contents except a deductible of \$250,000 for water damage claims. For loss due to earthquake, a limit of \$10.0 million applies with a deductible of 5% of the value of the property that is damaged subject to a \$250,000 minimum. For loss due to flood, a \$500,000 deductible applies for property in Flood Zones A & V, while a \$150,000 deductible applies to property in all other Flood Zones. Excess liability policies provide coverage for Wrongful Acts, General liability, and Automobile liability with a limit of \$20.0 million each occurrence and \$20.0 million aggregate with a \$5.0 million retention for claims other than those related to law enforcement. Law enforcement liability is maintained with a limit of \$10.0 million per occurrence and a \$10.0 million aggregate with a \$5.0 million retention. The coverage also provides Aviation Liability - Unmanned Aircraft liability for drones with a limit of \$1.0 million.

The Division's cost for these policies was \$27,435 in 2023 and \$19,721 in 2022.

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

(Amounts expressed in thousands)

	Self Insurance Fund			Worker Compensation Fund			TPU Self Insurance Fund		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance 01/01	\$ 33,626	\$ 35,525	\$ 33,131	\$ 2,602	\$ 3,487	\$ 4,158	\$ 2,872	\$ 3,070	3,099
New Claims	11,788	138	84	3,302	2,212	1,295	2,560	1,179	1,140
Adjustments to Claims	45	2,012	7,137	3,223	1,371	2,431	(880)	(666)	(648)
Claims Payment	(5,941)	(4,049)	(4,827)	(6,189)	(4,468)	(4,397)	(272)	(711)	(521)
Balance 12/31	\$ 39,518	\$ 33,626	\$ 35,525	\$ 2,938	\$ 2,602	\$ 3,487	\$ 4,280	\$ 2,872	\$ 3,070

NOTE 8 WESTERN METAL INDUSTRY PENSION FUND

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

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

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

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

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

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

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

There were no contribution rates applicable for 2023 and 2022. There were no contributions paid by the City in 2023 and 2022.

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

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

As of December 31, 2023, the Division reported a liability of \$385,436 for its proportionate share of the collective total withdrawal liability of \$14,824,481 compared to \$429,327, at December 31, 2022. The current portion of the withdrawal liability is \$35,112 as of December 31, 2023 compared to \$43,890 as of December 31, 2022. At December 31, 2023 and 2022, the Division's proportion was 2.6%. There was no withdrawal expense for the year ended December 31, 2023 and 2022.

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

NOTE 9 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available ACFR 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 ACFR may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

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 RCW 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.

The breakdown of membership as of December 31, 2022 and 2021, (measurement date) is as follows:

	Measurement date as of	
	December 31,	
	2022	2021
Retirees and beneficiaries currently receiving benefits	2,765	2,695
Terminated vested and other terminated participants	918	842
Active members:		
City of Tacoma	2,877	2,790
Pierce Transit	17	12
South Sound 911	2	2
Tacoma-Pierce County Health Department	305	292
Total active members	3,201	3,096
Total membership	6,884	6,633

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

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.

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

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.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. 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, 2022
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution. The amortization method for the ADC is as follows*: <ul style="list-style-type: none"> • Level percent • Open periods • 25 year amortization period* • 3.25% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the Femal PubG-2010 Amount-Weighted Mortality Tables, sex distinct. Generational improvements with unisex projection scale based on Social Security Administration Data 1957-2017.

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

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. There have been no significant changes between the January 1, 2023, valuation date and December 31, 2022, the measurement date. Therefore, no adjustments were needed from the January 1, 2023, actuarial valuation date to the calculated liabilities as of December 31, 2022, measurement date for reporting date of December 31, 2023. There were no changes between the January 1, 2022, and January 1, 2023, valuation dates.

Target Allocations - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2022 and 2021 for reporting date December 31, 2023 and 2022, respectively.

The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated November 2022 and November 2021 for reporting date December 31, 2023, and 2022, respectively.

Asset Class	Reporting date			
	December 31, 2023		December 31, 2022	
	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	2.35%	19.5%	2.00%
US Bank/ Leveraged Loans	3.0%	3.75%	3.0%	3.14%
US Long Government Bonds	3.0%	2.38%	3.0%	2.30%
High Yield Bonds	6.0%	4.28%	6.0%	3.60%
Emerging Market Debt	5.0%	4.04%	5.0%	3.20%
Global Equity	34.5%	5.08%	34.5%	5.15%
Private Real Estate	10.0%	3.35%	10.0%	5.90%
Private Equity	10.0%	7.78%	10.0%	8.10%
Master Limited Partnerships	4.0%	5.73%	4.0%	6.60%
Timber	-	-	1.5%	3.88%
Infrastructure	5.0%	4.12%	2.0%	7.55%
Agriculture	-	-	1.5%	4.23%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.41%		1.23%
Portfolio 30 year Arithmetic Rate of Return		-		7.26%
Portfolio 30 year Geometric Rate of Return		-		6.71%
Portfolio 10 year Geometric Rate of Return		7.04%		
Portfolio Standard Deviation		11.04%		10.97%
Long-Term Expected Rate of Return, net of investment expenses		6.75%		6.75%

Sensitivity Analysis - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75%, as of December 31, 2023 and 2022, as well as what the System's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower, 5.75%, or 1 percentage point higher, 7.75%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	5.75%	6.75%	7.75%
Net pension liability (asset)	\$ 21,178,771	\$ 7,450,022	\$ (3,990,471)
	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2022	5.75%	6.75%	7.75%
Net pension liability (asset)	\$5,524,762	(\$8,325,298)	(\$19,867,147)

Notes to Financial Statements (continued)

As of December 31, 2023 and 2022, the deferred inflows and outflows of resources are as follows:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (167,944)	\$ 515,571	\$ (301,024)	\$ 674,646
Changes of assumptions	-	1,464,202	-	2,128,294
Net Difference Between Projected and Actual Earnings	-	5,798,588	(9,215,424)	-
Changes in Employer Proportion	(8,427)	23	(6,866)	39
Contributions Made Subsequent to the Measurement Date	-	1,837,567	-	1,774,882
Total	<u>\$ (176,371)</u>	<u>\$ 9,615,951</u>	<u>\$ (9,523,314)</u>	<u>\$ 4,577,861</u>

The Division reported \$1.8 million as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total pension liability in the fiscal year ending December 31, 2024.

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 five years.

Amounts will be recognized in pension expense as follows:

2024	\$ 683,363
2025	2,203,763
2026	1,409,880
2027	3,295,305
2028	9,702
	<u>\$ 7,602,013</u>

At December 31, 2023, the Division reported a pension liability of \$7,450,022 for its proportionate share of the total System, compared to a pension asset of \$8,325,298 at December 31, 2022. The proportionate share of the Solid Waste Division is 5.39% of total System's pension liability as of December 31, 2023, and 5.68% as of December 31, 2022. The proportionate share was based on the actual contributions for the years as of December 31, 2023 and 2022.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma Human Resources Department. The membership as of January 1, 2023, for non-LEOFF 1 members includes 3,819 active participants, 584 vested terminated participants, 176 retirees and surviving spouses, and 115 spouses of current retirees. The membership as of January 1, 2023, for LEOFF 1 members includes 1 active participant and 348 retirees.

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

Actuarial Assumptions and Other Inputs - The valuation date is January 1, 2022 for both non-LEOFF 1 members and LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is December 31, 2022. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2023 and 2022.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2022, , furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2022
Census Date:	January 1, 2022
Actuarial Cost Method:	Individual Entry Age Normal Cost Method
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.

Actuarial Assumptions:	
Discount Rate:	2.00% for pay-as-you-go funding
Medical Cost Trend:	2023 6.50%
	2024 6.90%
	2030 4.60%
	2040 4.30%
	2050 4.30%
	2060 4.40%
	2070 4.10%
	2080 3.90%

Note that the trend for year 2023 reflects the percent by which 2024 medical costs are expected to exceed 2023 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

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).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At December 31, 2023 the Division reported a total liability of \$2,649,673 for its proportionate share of the collective total OPEB liability of \$192.1 million compared to \$3,235,065 at December 31, 2022. At December 31, 2023 the Division reported a current liability of \$73,922 compared to \$144,013 at December 31, 2022. At December 31, 2023, the participating Division's proportion was 1.37954% as compared to 1.42250% at December 31, 2022. For the year ended December 31, 2023, the participating Division recognized an OPEB expense of \$6,533 compared to \$119,767 in 2022.

At December 31, 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (17,335)	\$ 29,395	\$ (26,384)	\$ 37,021
Changes of assumptions	(484,435)	194,681	(131,704)	282,426
Changes in Employer Proportion	(80,787)	280,872	(3,149)	371,940
Differences in Contributions	(135,626)	-	(129,497)	-
Contributions Made Subsequent to the Measurement Date	-	96,099	-	74,136
Total	\$ (718,183)	\$ 601,047	\$ (290,734)	\$ 765,523

The Division reported \$96,099 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$	(33,427)
2025		12,650
2026		3,746
2027		(25,396)
2028		(89,790)
Thereafter		(81,018)
	\$	<u>(213,235)</u>

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.75%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.75%, or one percentage point higher, 4.75%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	2.75%	3.75%	4.75%
Net OPEB liability	\$ 2,939,495	\$ 2,649,673	\$ 2,401,373

As of December 31, 2022, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 2.00%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 1.00%, or one percentage point higher, 3.00%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2022	1.00%	2.00%	3.00%
Net OPEB liability	\$ 3,647,355	\$ 3,235,065	\$ 2,889,405

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2023	5.50%	6.50%	7.50%
Net OPEB liability	\$ 2,364,653	\$ 2,649,673	\$ 2,983,566

As of December 31, 2022, the following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2022	4.50%	5.50%	6.50%
Net OPEB liability	\$ 2,874,400	\$ 3,235,065	\$ 3,661,608

NOTE 11 LANDFILL POST-CLOSURE CARE LIABILITIES

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

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

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

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

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February of 2019, the City and the TPCHD executed an agreement where in the City agreed to comply with TPCHD closure permit requirements and a new Solid Waste permit was issued by TPCHD expiring in March of 2020. This agreement was renewed in March of 2023 for a five-year term. The Solid Waste Permit issued by the TPCHD will expire in March of 2025.

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

The City reported \$11,494,416 as landfill post-closure care liability as of December 31, 2023 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$12,133,832 at December 31, 2022 based on 100% of capacity. Actual care costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The City retains on-going post-closure care liability and will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

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

NOTE 12 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 – Cedar Grove Composting, Inc - In December 2022 the Division entered into a five (5) year agreement with Cedar Grove Composting, Inc to accept organic material collected by the City curbside or delivered to the City's landfill for processing into compost. Under the agreement, which has two 5-year renewal options, Cedar Grove will charge a rate of \$59.50 per ton for the organic waste it receives from the Division. The price may be adjusted beginning on the first anniversary of the effective date of the Contract and annually on each anniversary of the effective date thereafter (each an "Adjustment Date"), Cedar Grove will receive an adjustment to the then-current per-ton rate multiplied by one hundred percent (100%) of the Consumer Price Index Increase. "Consumer Price Index Increase" means the increase in the Consumer Price Index for All Urban Consumers (CPI-U) of the Seattle-Tacoma-Bellevue area, as computed and published by the U.S. Bureau of Labor. The Division entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost through 2032.

NOTE 13 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.

Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years*

Proportionate Share of the Net Pension Liability Last 10 Years*									
	As of Measurement Date December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	5.39%	5.68%	5.76%	5.73%	5.60%	5.70%	5.56%	5.52%	5.50%
Employer's proportion share of net pension liability (asset)	\$7,450,022	(\$8,325,298)	\$3,997,969	(\$1,065,425)	\$6,556,061	(\$2,240,216)	\$5,161,926	\$4,779,164	(\$529,445)
Employer's covered payroll	\$15,904,129	\$15,436,350	\$14,860,715	\$14,756,596	\$13,968,588	\$13,465,213	\$12,772,077	\$12,948,158	\$12,591,124
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	46.84%	-53.93%	26.90%	-7.22%	46.93%	-16.64%	40.42%	36.91%	-4.20%
Plan fiduciary net position as a percentage the total pension liability	93.02%	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Schedule of Contributions Last 10 Fiscal Years*

Schedule of Contributions Last 10 Fiscal Years*									
	Fiscal Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$1,837,567	\$1,774,882	\$1,709,737	\$1,639,697	\$1,565,610	\$1,504,807	\$1,340,723	\$1,303,538	\$1,253,635
Contributions in relation to the contractually required employer contribution	(1,837,567)	(1,774,882)	(1,709,737)	(1,639,697)	(1,565,610)	(1,504,807)	(1,340,723)	(1,303,538)	(1,253,635)
Employer contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$16,667,970	\$15,904,129	\$15,436,350	\$14,860,715	\$14,756,596	\$13,968,588	\$13,465,213	\$12,772,077	\$12,948,158
Employer contribution as a percentage of covered-employee payroll	11.02%	11.16%	11.08%	11.03%	10.61%	10.77%	9.96%	10.21%	9.68%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,						
	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	1.38%	1.42%	1.40%	1.22%	1.18%	1.18%	1.15%
Employer's proportion share of collective OPEB liability	\$2,649,673	\$3,235,065	\$3,200,855	\$2,536,608	\$2,404,966	\$2,611,190	\$2,401,762
Employer's covered-employee payroll**	\$15,904,129	\$15,436,350	\$14,860,715	\$14,756,596	\$13,968,588	\$13,465,213	\$12,773,370
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	16.66%	20.96%	21.54%	17.19%	17.22%	19.39%	18.80%

* The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2023

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

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Supplemental Information (Unaudited)

**City of Tacoma, Washington
Environmental Services Department
Solid Waste Management
Unaudited Supplemental Information**

**City of Tacoma, Washington Solid Waste Revenue Bonds, Series 2015
City of Tacoma, Washington Solid Waste Revenue Refunding Bonds, Series 2016A
City of Tacoma, Washington Solid Waste Revenue Refunding Bonds, Series 2016B
City of Tacoma, Washington Solid Waste Revenue Bonds, Series 2022**

The following continuing disclosure information for 2023 is provided in accordance with SEC Rule 15c2-12(b)(5)

Outstanding Solid Waste Bonds

Reference Note 6 in Notes to Financial Statements

Debt Service Coverage

	<u>2022</u>	<u>2023</u>
Parity Bond Debt Service Coverage Ratio	5.10	4.73
Parity Bond Debt Service Coverage Ratio Before Rate Stabilization	<u>5.10</u>	<u>4.73</u>

Number of Customers by Type of Service

The System's number of customers for 2022 and 2023 by type of service is shown below:

<u>Customer Class</u>	<u>2022</u>	<u>2023</u>
Residential	57,115	57,045
Commercial	5,408	5,469
Total Customers	<u>62,523</u>	<u>62,514</u>

Top Ten Customers

The System's ten largest customers for 2023 are shown in the following table.

<u>Customer Name</u>	<u>Amount</u>	<u>Percent of 2023 Operating Revenues ⁽¹⁾</u>
Multicare	\$ 1,300,845	1.41%
Westrock*	1,278,459	1.39%
Puyallup Tribe	841,444	0.91%
St Joseph	747,004	0.81%
City of Tacoma	632,301	0.69%
Metro Parks	625,709	0.68%
United Parcel Service	605,409	0.66%
Aladdin Camelot Apartments	571,890	0.62%
Tacoma School District	552,995	0.60%
Salishan	472,054	0.51%
Total Revenue	<u>\$ 7,628,110</u>	8.28%
⁽¹⁾ Total system revenue	\$92,219,648	

Revenues by Service

	2022	2023
Residential collection	\$ 34,706,967	\$ 36,586,707
Commercial collection	37,586,187	41,036,691
Disposal revenues	13,740,725	13,097,161
Salvage revenues	803,658	776,890
Other operating revenues	510,085	722,199
Total operating revenues	<u>\$ 87,347,622</u>	<u>\$ 92,219,648</u>

Municipal Solid Waste Disposal Volumes:

	Thousands of Tons			
	2022	2022	2023	2023
	Tonnage	Percent of Total	Tonnage	Percent of Total
Solid waste	214,037	79%	207,708	81%
Recycling	25,765	10%	24,238	9%
Yard waste	30,555	11%	26,397	10%
Total	<u>270,357</u>	<u>100%</u>	<u>258,343</u>	<u>100%</u>

Municipal Solid Waste Disposal Methods:

	Thousands of Tons			
	2022	2022	2023	2023
	Tonnage	Percent of Total	Tonnage	Percent of Total
Hauled to Landfills	214,037	79%	207,708	89%
Recycling and Composting	56,320	21%	25,318	11%
Total	<u>270,357</u>	<u>100%</u>	<u>233,026</u>	<u>100%</u>

Source: City of Tacoma Environmental Services Department

Solid Waste Rates

Rates become effective January 1 of each year and are net of refuse collection taxes. The rates in 2023 remain unchanged compared to 2022.

	2022		2023	
	Rate Per 100 Pounds	Minimum Charge	Rate Per 100 Pounds	Minimum Charge
Garbage Disposal				
City of Tacoma Resident ⁽¹⁾	\$7.25	\$20.00	\$7.25	\$20.00
Non-City of Tacoma Resident	8.5	40	8.5	40
Commercial	8.5	40	8.5	40
Yard Waste				
City of Tacoma Resident	\$0.00	\$0.00	\$0.00	\$0.00
Non-City of Tacoma Resident	8.5	40	8.5	40
Commercial	8.5	40	8.5	40

⁽¹⁾ For City residents, the minimum charge includes the first 400 pounds



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.