

Management's Discussion and Analysis For the Year Ended December 31, 2021

As management of the City of Tacoma, we offer readers of the City of Tacoma's financial statements this narrative overview and analysis of the financial activities of the City of Tacoma for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page 1-1 to 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows of resources by \$3.2 billion. Of this amount, \$344.5 million is reported as unrestricted net position, representing amounts which are available to meet the City's on-going obligations to citizens and creditors.
- The City's overall net position increased by \$179.5 million in 2021. Governmental activities increased the City's net position by \$116.1 million and business-type activities increased the net position by \$63.4 million.
- Tacoma Power's net Position for 2021 was \$876.0 million which was a decrease of \$1.0 million from 2020.
- Tacoma Water's net position for 2021 was \$652.6 million which was an increase of \$16.5 million from 2020.
- Tacoma Wastewater's net position for 2021 was \$502.8 million which was an increase of \$12.7 million from 2020.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Tacoma's finances, and are similar to private sector financial statements. The statements also include the discretely presented component units: Tacoma Community Redevelopment Authority (TCRA) and the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPD). Previous statements presented Foss Waterway Development Authority as a discreet component unit. That arrangement dissolved as of 12/31/2020. For more information regarding the change, please refer to Note 13.

The Statement of Net Position includes information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources of the City of Tacoma's general government as well as its business-type activities. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases and decreases

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in net position may serve as a useful indicator of whether the financial position of the City of Tacoma is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, transportation, economic environment, social services, and culture and recreation. Governmental activities are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover most if not all of their costs through user fees and charges for services. The government-wide financial statements can be found on pages 3-2 to 3-5 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-25 to 3-89 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain **Required Supplementary Information** (RSI) concerning the City of Tacoma's budget. Required supplementary information can be found on pages 4-1 to 4-8 of this report. The **Combining Statements** referred to earlier in connection with Non-Major governmental funds, Non-Major enterprise funds, and internal service funds can be found on pages 5-1 to 5-91 of this report. The **Statistical Section** provides financial trends, revenue and debt capacity, and demographic and economic information about the City's operations. The Statistical Section can be found on pages 6-1 to 6-34.

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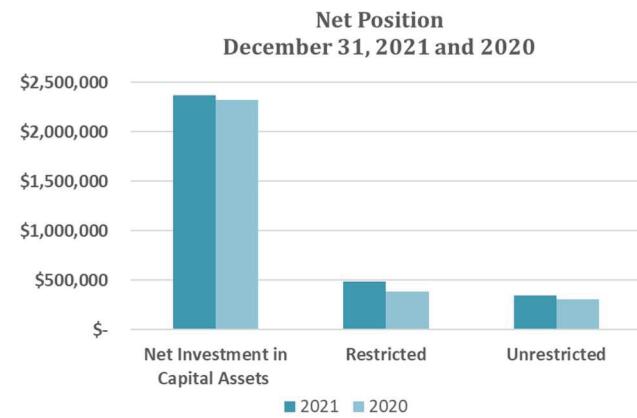
Government-wide Financial Analysis

Statement of Net Position

The following table is a condensed Statement of Net Position for the City of Tacoma for December 31, 2021, which compares the current year to the prior year.

STATEMENT OF NET POSITION (in thousands \$)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2021	2020	2021	2020	2021	2020	
Current and other assets	\$ 658,702	\$ 498,032	\$ 1,028,890	\$ 1,026,902	\$ 1,687,592	\$ 1,524,934	
Capital assets, net of accumulated depreciation	791,611	775,474	3,012,277	2,936,249	3,803,888	3,711,723	
Total assets	1,450,313	1,273,506	4,041,167	3,963,151	5,491,480	5,236,657	
Deferred Outflows of Resources	83,351	54,794	80,346	49,361	163,697	104,155	
Long-term liabilities	465,379	433,711	1,497,199	1,450,943	1,962,578	1,884,654	
Other liabilities	62,375	69,602	147,361	134,084	209,736	203,686	
Total liabilities	527,754	503,313	1,644,560	1,585,027	2,172,314	2,088,340	
Deferred Inflows of Resources	139,073	74,305	146,980	160,901	286,053	235,206	
Net position							
Net investment in capital assets	646,034	620,972	1,722,339	1,700,269	2,368,373	2,321,241	
Restricted	325,466	213,926	156,412	171,938	481,378	385,864	
Unrestricted	(104,663)	(84,216)	451,222	394,377	346,559	310,161	
Total net position	\$ 866,837	\$ 750,682	\$ 2,329,973	\$ 2,266,584	\$ 3,196,810	\$ 3,017,266	

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3.2 billion on December 31, 2021. The City's investment in capital assets less any outstanding debt used to acquire those assets, known as the Net Investment in Capital Assets is 74.1% of the total net position. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Unrestricted net position is 10.8% of the total net position, these are funds readily available for meeting the City's ongoing obligations such as road maintenance, employee salaries and other general government services. The remaining 15.1% of net position is restricted for other



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purposes such as debt redemption and new capital construction. Governmental activities represent 27.1% of total net position and business-type activities represent 72.9% of total net position.

Changes in Net Position

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

CHANGES IN NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 30,532	\$ 47,245	\$ 869,904	\$ 830,832	\$ 900,436	\$ 878,077
Operating grants and contributions	72,676	47,185	-	-	72,676	47,185
Capital grants and contributions	24,603	10,775	35,331	38,277	59,934	49,052
General revenues						
Property taxes	81,783	81,388	-	-	81,783	81,388
Retail Sales & Use Tax	106,635	77,718	-	-	106,635	77,718
Business	46,381	52,042	-	-	46,381	52,042
Excise taxes	23,340	14,747	-	-	23,340	14,747
Investment earnings	(988)	4,992	(3,885)	18,509	(4,873)	23,501
Miscellaneous revenue	2,353	498	3,101	4,836	5,454	5,334
Total revenues	387,315	336,590	904,451	892,454	1,291,766	1,229,044
Expenses:						
General government	44,056	28,171	-	-	44,056	28,171
Public safety	160,016	188,563	-	-	160,016	188,563
Transportation	47,414	75,468	-	-	47,414	75,468
Nature and Economic Environment	29,618	28,745	-	-	29,618	28,745
Social Service	14,368	6,818	-	-	14,368	6,818
Culture and recreation	20,417	19,276	-	-	20,417	19,276
Debt Service			-	-	-	-
Interest on long-term debt	9,531	7,719	-	-	9,531	7,719
Solid Waste	-	-	64,787	63,262	64,787	63,262
Waste Water	-	-	102,481	108,263	102,481	108,263
Water	-	-	103,268	107,093	103,268	107,093
Power	-	-	441,413	435,080	441,413	435,080
Nonmajor Business-Type Activities	-	-	75,496	76,545	75,496	76,545
Total expenses	325,419	354,760	787,445	790,243	1,112,864	1,145,003
Change in net position before transfers	61,896	(18,170)	117,006	102,211	178,902	84,041
Transfers	53,569	46,703	(53,569)	(46,703)	-	-
Change in net position	115,465	28,533	63,437	55,508	178,902	84,041
Net Position, January 1, as Previously Reported	750,682	723,316	2,266,584	2,211,246	3,017,266	2,934,562
Prior Period Adjustment	690	(1,167)	(48)	(170)	642	(1,337)
Net Position, January 1, as Restated	751,372	722,149	2,266,536	2,211,076	3,017,908	2,933,225
Net position, December 31	\$ 866,837	\$ 750,682	\$ 2,329,973	\$ 2,266,584	\$ 3,196,810	\$ 3,017,266

Governmental Activities net position increased by \$116.2 million which was a 15.5% increase from 2020. In 2021, revenues increased approximately \$50.7 million from 2020, and expenditures also decreased by

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\$29.3 million from 2020. Some key revenue and expenditure highlights of governmental activities for 2021 are as follows:

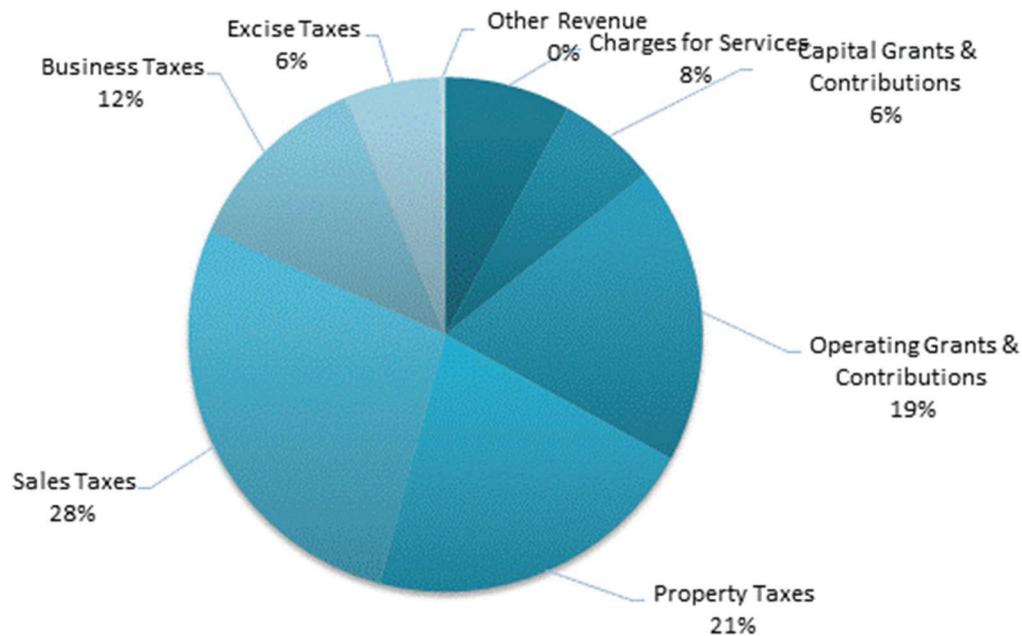
- Operating grants and contributions increased by \$25.5 million, which was 54.0% increase from 2020. The majority of this increase was due to \$30.5 million in America Rescue Plan Act Funding that the City received. The City Council used these dollars to address emergency issues and restore services lost during the pandemic.
- Capital grants and contributions increased \$13.8 million a 128.3% increase from 2020. This increase is attributable to more transportation work performed in 2021 compared to 2020 and increase in social services allocated to emergency shelter funds from the American Rescue Plan grant
- Charges for services decreased by \$16.7 million, which was 35.4% decrease from 2020.
 - General government decreased \$5.9 million primarily due to a decrease in business licenses, non-business licenses, and cable TV Franchise Fees.
 - Public Safety decreased \$6.0 million, and Culture and Recreation decreased \$2.8 million.
 - Natural and Economic Environment decreased by \$0.5 million, Social Services decreased \$0.3 million, and Transportation decreased \$1.3 million.
- Overall general tax revenues increased by \$32.4 million which is a 14.3% increase from 2020.
 - Retail & use tax revenue increased by \$28.9 million or 37.2%
 - Excise taxes revenues increased by \$8.6 million which or 58.3%.
 - Business tax revenues decreased by \$5.7 million or 10.9%
- Governmental activities expenditures decreased by \$29.3 million which was a 8.3% decrease. The most significant portion of the decrease in expenditures can be attributed to transportation activities decrease of \$28.1 million (37.2 %) and public safety decrease of \$28.5 million (15.1%). These decreases are offset by general government activities increase of \$15.9 million (56.4%), social service increase of \$7.6 million (110.7%), culture and creation increase of \$1.1 million (5.9%), and nature and economic environment increase of \$0.8 million (3.0%). Interest expense on long term debt decreased by \$1.8 million (23.5%).

There are two charts depicted below for governmental activities. The first chart provides a summary of the governmental revenue sources by activity while the second shows the relationship of the revenues to expenses for the varying activities of the City.

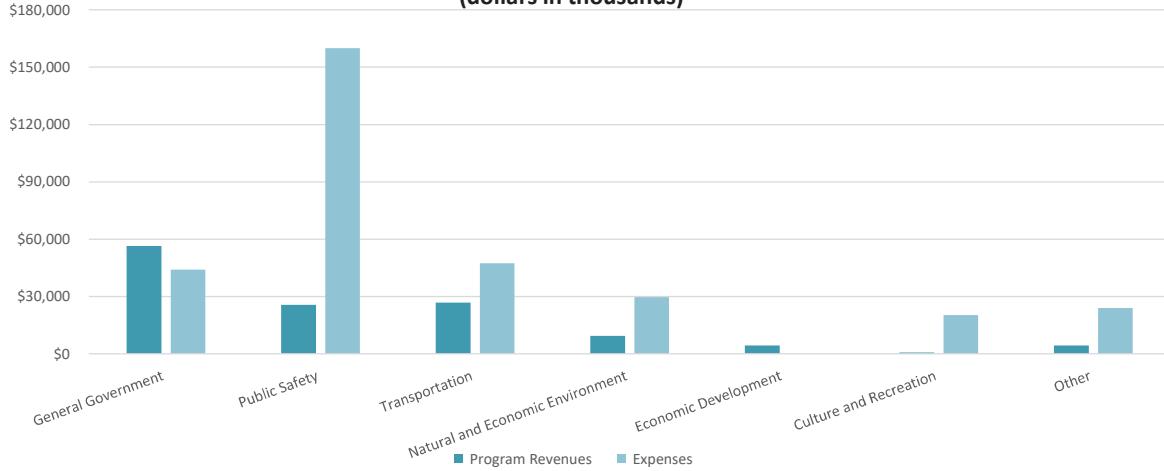
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Revenue by Source - Governmental Activities



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



Business-Type Activities net position increased by \$63.4 million which was a 2.8% increase with an ending net position of \$2.3 billion. The major enterprise funds are the Solid Waste, Wastewater, Water and Power funds.

- Charges for Services increased by \$39.1 million or a 4.7% in 2021. The largest portion of this increase is from non-major business-type activities accounting for \$14.2 million due to an increase of live events at Tacoma Venues and Events compared to 2020. Tacoma Dome also received \$10.0

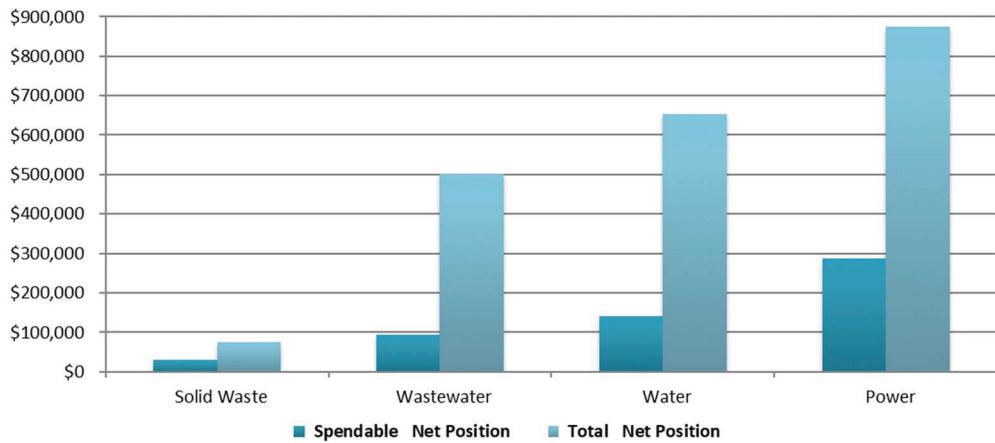
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million Shuttered Venue Operators Grant program which is designed to provide emergency assistance for eligible venues affected by the pandemic. Power increased \$8.3 million, solid waste revenues increased \$7.9 million, water increased \$6.8 million, and wastewater increased \$1.9 million.

- Capital grants and contributions decreased \$2.9 million. The largest portion of this decrease was due to \$15.2 million decreased in Power. Water decreased \$7.8 million. Wastewater increased \$1.6 million, and Nonmajor Business-Type Activities increased \$18.5 millions
- Investment Earnings decreased a \$22.4 million to \$(3.9) million in 2021. The Annual GASB 31 mark to market value adjustment accounted for \$10.7 million of the decrease. Interest earnings were \$11.7 million lower due to lower interest rates than 2020.
- The business-type activities expenses overall decreased by 0.4% in 2021 to \$787.3 million. Power expenses increased by \$6.3 million (1.4 %), wastewater expenses decreased by \$5.8 million (5.4 %), and water expenses decreased by \$3.9 million (3.6 %). Solid waste expenses increased in 2021 by \$1.5 million (2.4 %). Non major business-types activities expenses decreased \$1.1 million (1.4%).

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

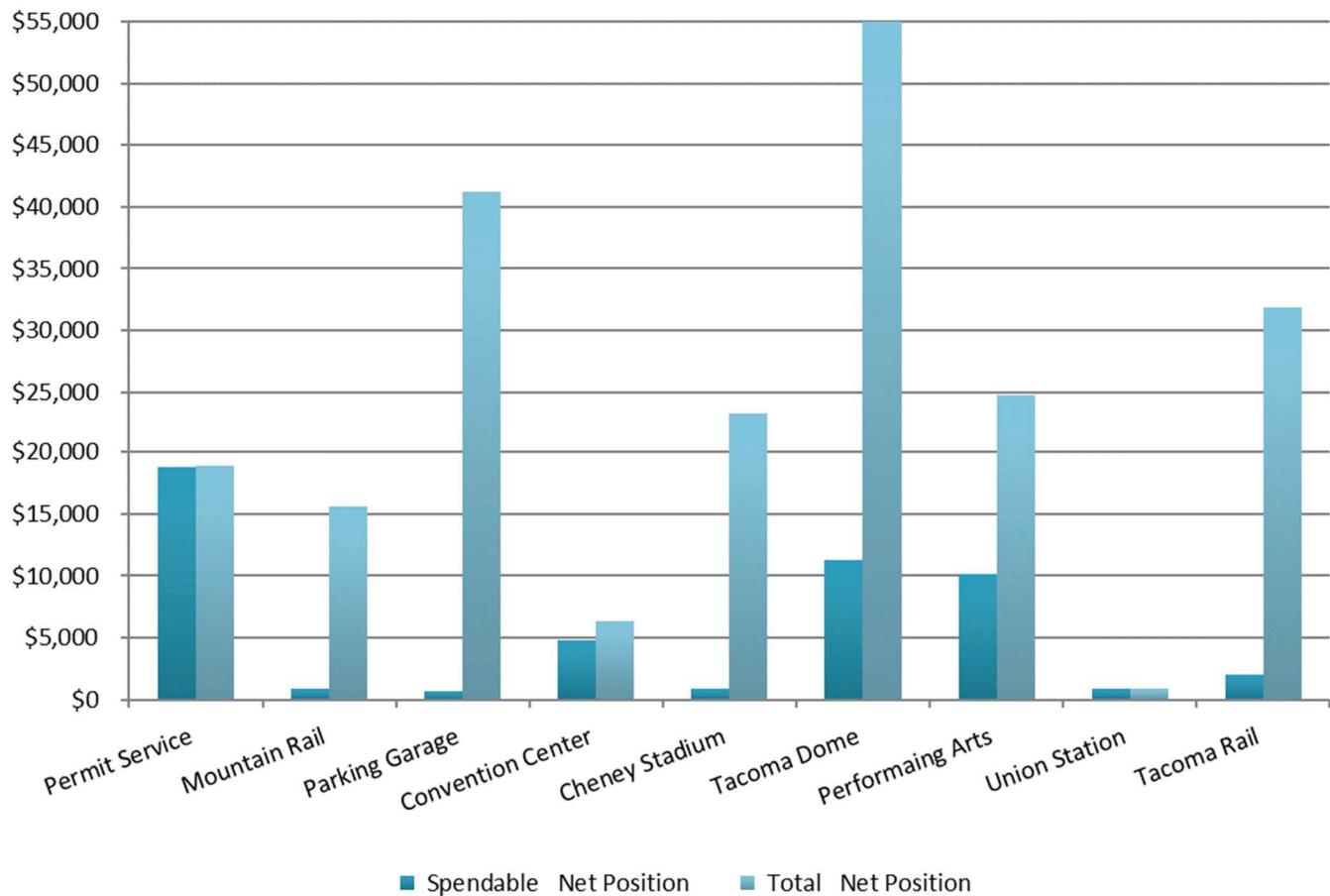
**Comparison of Spendable Net Position to Total Net Position -
Utility Funds**



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

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



Financial Analysis of the City's Fund Statements

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

Governmental Fund Statements

Fund balance for the City's General Fund was \$105.3 million, an increase of \$12.5 million or 13.4% higher than 2020. Overall general fund revenues increased \$7.2 million or a 3.4% increase in 2021. Retail Sales & Use tax increased \$20.8 million with the City council's passage of Substitute Ordinance No. 28747 on March 30, 2021, a sales tax increase of 1/10th of 1 percent in support of affordable housing went into effect July 1st, 2021. In addition, with higher inflation and higher cost of products subject to retail sales tax increase. Property tax increased \$2.0 million due to the increase in the assessed value of property. Charges for Service increased \$6.8 million. Business tax decreased \$5.5 million. Licenses and permit decreased \$4.9 million. Intergovernmental revenue decreased \$8.9 million. Investment earnings decreased \$1.5 million. And other categories contributed a decreased of 1.6 million.

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Fund balance for the Transportation Capital and Engineering fund is \$6.9 million, a decrease of \$1.0 million from 2020. This decrease is due to an overall \$7.3 million increase in expenditures, offset by an increase in transportation revenues of \$6.4 million which was driven by increased intergovernmental revenues.

Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, was \$220.7 million, an increase of \$58.0 million. Overall other governmental funds revenue increased by \$45.4 million, with intergovernmental revenues being the largest contributors due to \$30.5 million received from American Rescue Plan Act. An expenditure increase of \$20.5 million from 2020 was primarily due to an increase in principal payments of \$16.6 million in debt service attributable to city refunding of 2009B Bonds, 2009C Bonds, 2010A Bonds, 2010B Bonds, and 2010E Bonds.

Fund Balances

On December 31, 2021, the City's governmental funds reported combined ending fund balances of \$332.9 million. Of this amount, \$8.1 million is nonspendable, either due to its form or legal constraints. \$148.4 million is restricted for specific programs by external constraints. \$41.3 million is committed for specific purposes as approved by City Council. \$33.8 million is assigned to specific purposes by management and the remaining \$101.2 million is unassigned.

Proprietary Fund Statements

Total net position for enterprise funds for 2021 was \$2.3 billion an increase of \$49.8 million from 2020. Power, Water, Solid Waste and Wastewater utilities make up the majority of the proprietary funds and activity in these utilities contributed \$40.5 million for the change in the net position, and non-major enterprise funds contributed \$9.3 million.

The Power fund net position for 2021 was \$876 million this is a \$1.0 million decrease in net position or 0.1% from 2020. Operating Revenues totaled \$470.3 million in 2021, an increase of \$9.3 million or 2.0%. Sales of Electric energy increased by \$17.7 million primarily due to an increase in revenues from residential, commercial, general, and industrial customers of \$11.4 million. A 1.5% rate increase effective April 1, 2021 attributed to \$8.0 million of the increase. Click! Network Operating Revenue decreased \$6.2 million since Rainier Connect entered into an indefeasible right of use agreement and took operational control of the Click! Commercial Network on April 1, 2020. Other operating Revenues decreased \$2.2 million. Total operating expenses increased \$19.3 million or 4.7% compared to 2020. Salaries, Wages, and Pension expense attributed to \$4.9 million of the increase. Administrative and general expense increased \$8.6 million or 14.4%. Bad debt expense increased \$5.0 million in relation to aging account receivable. Assessments and internal allocations increased \$3.4 million primarily due to an increase in Technology projects. Self-insurance expense increased \$1.2 million. Telecommunications expense decreased \$4.2 million or 81.7% for the same reason as stated in the decrease of Click! Network Operating revenue. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

The Water fund had a net position of \$652.6 million in 2021, increased \$16.5 million or 2.6% from 2020. Tacoma Water's operating revenues were \$111.4 million in 2021, an increase of \$6.9 million or 6.6% compared to 2020. Sale of water is increased in 2021 by a net of \$6.3 million of which \$0.8 million is due to an average service rate increase of 1.5% effective January 1, 2021 and \$5.5 million is due to an increase in consumption. In addition, other operating revenues increased by \$0.2 million and an increase in contract resource obligations revenues of \$0.4 million from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for O&M related expenses. Operating expenses increased \$6.7 million or 8.0%.

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Salaries and Wages increased \$2.3 million. Depreciation increased by \$2.0 million primarily due to the transfer of Fleet division assets to Water in 2020. Assessments from internal service funds increased by \$0.9 million compared to 2020. Bad debt expense increased \$0.8 million due to an increase in aging accounts receivable. An increase of \$0.6 million is attributed to general increased on electricity, insurance, rent, and credit card fees.

The Wastewater fund net position was \$502.8 million in 2021 which increased by \$12.7 million or 2.6% from 2020. Operating revenues were \$123.2 million in 2021 compared to \$119.0 million in 2020. Approved average rate increases for Wastewater were 1.5% for 2021. The average rate increases for Surface Water were 1.5% for 2021 and the rate increases went into effect January 1st of each year. Wastewater residential revenues increased \$2.9 million or 5% in 2021. Wastewater commercial and public authority (PA) revenues decreased \$0.5 million or 2% in 2021 compared to 2020. Operating expenses were \$95.9 million in 2021, an increase of \$2.2 million. Labor expense including all payroll associate costs increased \$1.0 million mainly due to the increase in Western Metal Pension withdrawal expenses of \$0.8 million. Bad debts increased \$1.2 million due to an increase in aging account receivable.

The Solid Waste fund net position increased in 2021 by \$12.2 million to \$74.3 million, this was a 19.7% increase over 2020. Operating revenue increased \$7.8 million or 10%. A special recycle surcharge to residential customer increased 1.5% went into effect at the beginning of the year, residential customer revenues increased by \$1.9 million. Revenue from commercial customers increased \$3.1 million due to an economic recovery and commercial recycling rates increased in 2021. Disposal revenues increased \$2.2 million due to increased self-haul disposal fees from \$145 to \$170 per ton and minimum fee from \$20 to \$40 beginning January 2021. Salvage revenues increased \$0.5 million due to the price increased for recycle material sales in 2021. Operating expenses were \$63.3 million in 2021, an increase of \$2.3 million from 2020. There was \$6.6 million that was transferred to the general fund for gross earnings tax. Solid Waste received \$0.3 million federal funds from Neighborhood & Community Services to assist overdue utility accounts receivable.

General Fund Budgetary Highlights

The City of Tacoma budgets on a biennial basis; that is, the City Council adopts a budget that spans two years. Each budget begins on January 1 of an odd-numbered year and is concluded on December 31 of an even-numbered year. City departments, with the approval of the City Manager and City Council, will adjust their budgets at the conclusion of the odd-numbered year, if necessary, as the needs of the department and city residents shift.

Major General Fund Variances for 2021 include:

- \$8.2 million in revenues above projection. The increase revenues included higher collection than expected sales tax collections (primarily Retail, Wholesaling, Manufacturing, and Service Taxes), utility taxes, and business taxes.
- \$4.6 million in expenditure savings. The primary area of under-spending is personnel costs.

The 2021 Mid-biennial modification focused on enhancements related to Council priorities, restoring services and updating projections of revenues and expenses. Changes were focused on:

- Continued investment in Affordable Housing and homelessness and implementation of the Affordable Housing Action Strategy
- Jump starting implementation of the Climate Action Plan

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- Following through on our commitments in the Community Safety and Health
- Restoring Investments in Deferred Maintenance
- Updating Projections and supporting Transformational work

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets

The City of Tacoma's capital assets net of accumulated depreciation for its governmental and business-type activities as of December 31, 2021 is \$3.80 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, and infrastructure. The vast majority of this amount represents assets held by the City's various utilities and infrastructure.

In 2021, The Foss Waterway Development Authority (FWDA) was dissolved, and the City acquired \$25,805,510.00 in net capital assets.

Land for governmental activities increased by a net of \$3.8 million. This increase is as a result of a 7.0 million land transfer from FWDA to the city that was offset by \$2.0 million on the sale of Old City Hall, \$1.1 Million of land donated to Metro Parks, and \$0.1 million of land donated to the Tacoma Community Redevelopment Authority (TCRA). Construction in progress in governmental activities increased by \$18.4 million primarily due to a \$13.2 million increase in street capital projects, \$3.6 million in American Rescue Plan grant funds used to acquire the Comfort Inn, and a \$1.5 million increase in public safety projects.

Construction in Progress in business activities increased by \$8.4 million. Wastewater and Surface Water had an increase of \$31.9 million due to major projects such as Central Treatment Plant (CTP) Electrical Replacement, CTP Energy Management Improvement, and Jefferson and Hood St SW Interceptor. This increase is offset by a decrease in Construction in Progress as projects are put into service and transferred to capital assets. As such, Power, Wastewater, Solid Waste and other funds have caused an overall decrease of 23.5 million.

Property, plant and equipment in governmental activities increased \$31.8 million primarily due to the transfer of \$18.6 million in value of Marinas, \$7.5 million in value of Building, and \$1.9 million in value of Parks from FWDA to the City.

Property, plant and equipment in business activities increased \$157.6 million. The increase is attributable to power fund increase of \$75.1 million, Water Fund increase of \$36.3 million, Wastewater and Surface water increase of \$24.6 million, Solid Waste increase of \$13.3 million, Tacoma Rail increase of \$7.6 million, and other funds increase of \$0.7 million.

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Schedule of Capital Assets

	Governmental Activities		Business-Type Activities		Total	
					Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 39,628	\$ 35,844	\$ 165,932	\$ 164,157	\$ 205,560	\$ 200,001
Art	3,018	3,004			3,018	3,004
Construction in progress	52,199	33,841	135,213	126,845	187,412	160,686
Property, plant and equipment	322,987	291,174	4,855,858	4,698,301	5,178,845	4,989,475
Infrastructure	1,499,425	1,487,511			1,499,425	1,487,511
Less Accumulated depreciation	(1,125,646)	(1,075,900)	(2,144,726)	(2,053,054)	(3,270,372)	(3,128,954)
	\$ 791,611	\$ 775,474	\$ 3,012,277	\$ 2,936,249	\$ 3,803,888	\$ 3,711,723

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

Outstanding Debt

The City's debt on December 31, 2021 was \$2.0 billion, an increase of \$31.7 million from governmental activities and an increase of \$46.3 million from business-type activities caused the \$78.0 million increase total primary government from 2020. Approximately 76.3% of the bonded debt is related to business-type activities with repayment pledged by specific revenue sources generated by the business-type activities. Of the remaining 23.7% bonded debt, debt is either secured by voter approved special levies or general government resources.

In 2021, the City issued \$17.3 million of General Obligation Bonds to refund 2010A, 2009B, 2009C and 2010E. Wastewater fund acquired two new State Revolving loans totaling \$2.6 million and a Water Infrastructure Finance and Innovation Act Loan of \$15.0 million for a treatment plant upgrade. Power fund issued revenue bonds of \$121.9 million for refunding of a Bank Note.

Additional information on the City of Tacoma's long-term debt can be found in Note 3-F and Note 14 of the Notes to the Financial Statements.

Management's Discussion and Analysis For the Year Ended December 31, 2021

	Schedule of Long Term Liabilities					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Bonded debt and loans	\$ 145,893	\$ 155,604	\$ 1,369,756	\$ 1,379,160	\$ 1,515,649	\$ 1,534,764
Claims and judgments	39,013	37,288	-	-	39,013	37,288
Accrued landfill liability	-	-	16,374	16,127	16,374	16,127
Net OPEB Obligation	-	-	-	-	-	-
Total OPEB Liability	192,965	177,614	36,298	30,808	229,264	208,422
Net Pension Obligation	-	-	-	-	-	-
Total Pension Liability Police and Firefighters	41,519	43,808	-	-	41,519	43,808
Pension Liability	21,490	-	47,870	-	69,360	-
Compensated absences	24,498	19,397	26,900	24,848	51,398	44,245
	\$ 465,379	\$ 433,711	\$ 1,497,199	\$ 1,450,943	\$ 1,962,578	\$ 1,884,654

The City's debt rating for 2021 is as follows:

Bond Ratings			
Bond Ratings	Moody's	S&P	Fitch
GO	Aa2	AA	AA
LTGO	Aa2	AA	AA
Solid Waste	A1	AA	AA-
Sewer	Aa2	AA+	AA+
Water	Aa2	AA+	--
RWSS	Aa2	AA+	--
Power	Aa3	AA	AA-
Convention Center Revenue	A2	A+	A+

Economic Factors

On January 1, 2022, rate increases for Solid Waste Management of approximately 2% for residential and commercial services went into effect. The rate increases are expected to bring an additional \$1.4 million in operating revenues for 2022. The rate increases remain competitive with surrounding jurisdictions.

On March 23, 2022, Sewer (Surface Water and Wastewater) issued \$89.38 million in Revenue bonds to provide funds necessary to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the utility. The proceeds are expected to be used to finance the following capital improvements to the stormwater utility: pipe replacement, main extensions, holding facility improvements for the stormwater collection system, pump station upgrades and repairs and additional projects identified through the asset management process. Also, the proceeds are expected to be used to finance the following capital improvements to the wastewater utility: large trunk replacement and improvements, bio-tower replacement and improvements, digester rehabilitation, sediment tank upgrades,

Management's Discussion and Analysis For the Year Ended December 31, 2021

upgrades to pump station facilities and additional projects identified through the asset management process. The reserve fund requirement for the bonds is zero. The bonds will be redeemed over the next 30 years.

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City expects to receive approximately \$60.9 million in ARPA assistance. The City received approximately \$30.5 million of the \$60.9 million in May of 2021, the second tranche of funds (\$30.4 million) is expected to be received in Mid-May of 2022. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

The Tacoma Streets Initiative had completed its sixth year in 2021. The initiative was made up of two voter passed propositions in November of 2015. Proposition A raised sales tax by 1/10 of 1% over ten years, while Proposition 3 authorized an additional 1.5% earning tax to natural gas, electric and phone companies, and increase in the regular property tax levy of \$.20 per \$1,000 of assessed value. Including grant and partnership funding, the program has raised approximately \$154.4 million, of the end goal of \$325 million over 10 years. Maintenance performed from the initiative has improved or maintained 248.5 blocks in 2021 through the use of either overlays, surface treatments, or other preventative maintenance to bring the total up to 2,952 blocks out of the estimated 5,614 blocks.

Requests for Information

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