



**City of Tacoma**  
Finance Department

June 17, 2011

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Tacoma:

The comprehensive annual financial report of the City of Tacoma, Washington (the City), for the year ended December 31, 2010, is hereby submitted in accordance with City Charter and state statutes. Both the City Charter and state statutes require that the City issue annually a report on its financial position and activity. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management based upon a comprehensive framework of internal control that it has established to provide assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

Generally Accepted Accounting Principles (GAAP) in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

The City is required to undergo an independent, annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this independent, single audit, including a schedule of expenditures of federal awards, the State Auditor's Office reports on the internal control structure and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, if any, are included in a separately issued report.

## **CITY OF TACOMA PROFILE**

The City was incorporated on January 7, 1884. The City Charter, under which it is now governed, was adopted in 1952. The City operates under a council-manager form of government. The City Council is comprised of nine members: a Mayor, five district representatives and three at-large representatives. The City Council appoints a City Manager to carry out Council policies and administer the day-to-day operations of the City. Various departments provide a full range of services including police and fire protection, electrical generation and distribution, water distribution, wastewater and surface water services, solid waste services and many others.

The name Tacoma stems from the Indian name for Mt. Rainier, "Tacobet," which means Mother of the Waters. "City of Destiny" became Tacoma's moniker when it was designated as the Northern Pacific Railroad's western terminus for its transcontinental railroad in 1873.

Tacoma is located in Pierce County in Washington State on the Puget Sound. Its boundaries encompass approximately 47.8 square miles of land and 11.4 miles of waterfront. Lying between sea level and 440 feet above sea level, Tacoma averages 37 inches of rainfall each year with an average low temperature in January of 35.9 degrees Fahrenheit and an average high temperature in August of 75.6 degrees Fahrenheit. The 2010 population was 198,397, an increase of 2.5% since the 2000 census count of 193,556.

The Tacoma Community Redevelopment Authority, the Foss Waterway Development Authority, and the Greater Tacoma Regional Convention Center Public Facilities District are included as component units and are discretely presented within the City's annual financial statements.

The Tacoma City Council adopts a biennial budget for all governmental funds types, except capital projects, grants, and debt service funds which are adopted for the life of the project, grant or debt issue.

The biennial budget process begins in June of even numbered years using the City Council's long-term strategic plan, goals, and priorities as a starting point. Revenue forecasts are prepared and city departments begin budget preparation. After a period of review and update, a preliminary budget is presented to the City Council. By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium.

All budgets are controlled at the fund level, and the legal level of budgetary control is at the fund level.

## **FACTORS AFFECTING THE CITY'S FINANCIAL CONDITION**

### **Economic Overview**

Pierce County enjoys a diverse economy influenced by its ideal location in the central Puget Sound region. Important industry sectors include the military, healthcare, manufacturing (aerospace, plastics, machinery, food products, and electronics) and wholesale distribution.

Tacoma shares in this good fortune in that it has one of the few ports on the West Coast with a large inventory of waterfront land available for development. Created by Pierce County citizens in 1918, the Port of Tacoma (Port) has 2,400 acres that are used for shipping terminal activity and warehouse, distributing, and manufacturing. The Port is a leading North American seaport, handling more than \$25 billion in annual trade in 2009. The Port is the seventh largest container port in North America and is considered an "economic engine" for the region.

Government is the largest regional employment sector with the area's major U.S. Military installations (Joint Base Lewis-McChord and Madigan Army Medical Center) heavily contributing to the workforce. Other large government employers include local public schools, Washington State, Pierce County, and higher education institutions.

Another large regional employment sector is the healthcare industry. Two of the largest employers in the Tacoma area are Franciscan Health System and the Multicare Health System. Multicare Health System, which operates Tacoma General, Allenmore and Mary Bridge Children's Hospitals, is the county's largest private employer.

Although the diversity of the region's economic base has served it well in the past and is expected to help it recover from the effects of the current recession, the Puget Sound area is not immune from the impacts being felt by the rest of the nation. Taxable retail sales, as measured by sales tax receipts, are up 4.9% for the first

four months of 2011 compared to the same period in 2010. The average year-to-date unemployment rate for the Tacoma metropolitan area was 10.7% as of March 2011 compared to 11.2% and 9.9% for March 2010 and 2009, respectively.

### **Relevant Financial Policies**

Financial and Budget Policy Statements are presented on pages 23-28 of the 2011-12 Biennial Budget, which can be found on the City's website at [www.cityoftacoma.org](http://www.cityoftacoma.org). In accordance with the Reserve Policies, the reserve is being used to mitigate the effects of the current economic downturn.

Long-term financial planning is discussed in several of the Policy Statements, including strategic planning, debt, rate projections, and budget and contingency policies.

### **Revenue Limitation**

State law allows the City to levy a regular property tax rate of up to \$3.60 per \$1,000 of assessed property value annually. No matter what the assessed value is, however, the growth rate of property tax collections is limited to 1% per year, plus growth. In no event may the annual levy exceed the \$3.60 per \$1,000 of assessed value rate limit. During 2010, the City levied at the statutory limitation of \$2.36 per \$1,000 of assessed value.

## **MAJOR INITIATIVES**

### **Reclaiming and Redevelopment Project – Thea Foss Waterway**

More than 100 years ago the Thea Foss Waterway was a thriving economic hub, but by 1981 business had moved out and left behind primarily vacant lots. Today, the Thea Foss Waterway is a master planned waterfront community in downtown Tacoma. New development along the Foss Waterway is a careful blend of historic and contemporary elements. When full development is complete, it will include parks, a residential community, office and retail along 1.5 miles of the waterway. A public esplanade will run the full length of the project. Currently seven of the 15 development sites are constructed or planned for redevelopment.

### **Center for Urban Waters**

Construction on a new \$40 million 56,000 square foot office and laboratory building that will house the Center for Urban Waters was completed in 2010. The building houses the Environmental Sciences and research labs for both the City of Tacoma and the State of Washington, as well as an office for the Puget Sound Partnership. The design of the Center for Urban Waters facility won the "2008 Civic Design Award" presented by the American Institute of Architects (AIA) Washington and the City is pursuing LEED Platinum certification for the building.

### **Safe & Clean**

In 2008, Tacoma citizens teamed up with City staffers to explore ways to bring crime rates down while doing away with debris, junk vehicles and other nuisances. Working within existing City budgets, the partnerships reduced crime by 18 percent comparing June of 2008 to June of 2009 and removed over 500 tons of debris by mid 2009 through community clean-ups alone. The success of the program was carried forward with the introduction of 16 new specialized teams in 2009 that are focusing on bringing crimes rate down even further. Examples of current teams include: Alley Security, Graffiti Reduction Through Community Based Art, and Car Prowl Prevention.

### **Cheney Stadium**

In 2009, the City sold \$28 million in bonds to help finance improvements to Cheney Stadium, home of the Triple-A Baseball Club, the Tacoma Rainiers. Renovations to the 50-year old stadium were completed in April 2011 and included replacing the grandstand, roof and concourse. New concession stands, seats, suites and restrooms were also added and the size of the dugouts and bullpens were increased. The City and the Rainiers have entered into a long-term agreement through September 2041.

### **LeMay America's Car Museum**

The LeMay America's Car Museum began construction in June 2010 with expected completion in May 2012. The main focus of the nine-acre campus is a four-story, 165,000 sq foot museum which will include 15 galleries housing up to 500 cars, trucks and motorcycles from private owners, corporations and the LeMay collection. Besides showcasing vintage vehicles, the museum will also host vintage car events, rock concerts and drive-in movies. It is projected to attract 425,000 visitors and result in \$34 million impact for the local economy each year. The City contributed land and other consideration valued at over \$15 million towards the project, which is located at the Tacoma Dome.

### **AWARDS AND ACKNOWLEDGEMENTS**

#### **Awards**

We are pleased that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tacoma for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. This is the twenty-second year the City of Tacoma has received this award.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the new reporting standards established by GASB and the GFOA's standards of excellence. We will submit the current report to GFOA to determine its eligibility for another certificate.

#### **Acknowledgements**

Thank you for your continuing interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I also express my appreciation to the City employees for their assistance and cooperation during the year and for providing information for this report. Special appreciation is extended to the employees of the Finance Department, whose dedicated service made this report and the year a success. While a list of the staff who contributed to making this year's CAFR a success can be found on page 6-36, I would like to specifically thank Linda Parks, Mary Mansperger, Su Yi, Min Soo Chun, and Sam Bencoter for their work in bringing the final document together.

Respectfully,

ROBERT K. BILES  
Director of Finance