
SEPTEMBER

TACOMA WATER

2018

**FINANCIAL
REPORT**



Public Utility Board

WOODROW JONES
Chair

KAREN LARKIN
Vice-Chair

BRYAN FLINT
Secretary

MARK PATTERSON
Member

CHRISTINE COOLEY
Member

JACKIE FLOWERS
Director of Utilities

SCOTT DEWHIRST
Water Superintendent

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Financial Statements

Summary

As of September 2018, Tacoma Water is reporting year-to-date operating income of \$18.0 million compared to \$14.2 million in 2017. Operating revenues increased \$6.3 million (9.0%) and operating expenses increased \$2.5 million (4.4%). The year-to-date change in net position for 2018 was \$15.8 million; for 2017 it was \$7.8 million.

Revenues

Water sales revenues increased by \$5.7 million (9.7%) as of the third quarter of 2018 compared to the same period in 2017. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of September 2018.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,572,378	\$ 1,956,837	\$ 3,529,215
Commercial and Industrial	452,717	1,110,416	1,563,133
Special Rate	288,644	140,509	429,153
Other	361,923	(144,707)	217,216
Total	\$ 2,675,662	\$ 3,063,055	\$ 5,738,717

Consumption as of September 2018 was 14,103 million gallons compared to 13,508 million gallons for the same period in 2017. Regional Water Supply System (RWSS) partners received 3,422 million gallons. The following table summarizes water consumption by customer class year-to-date.

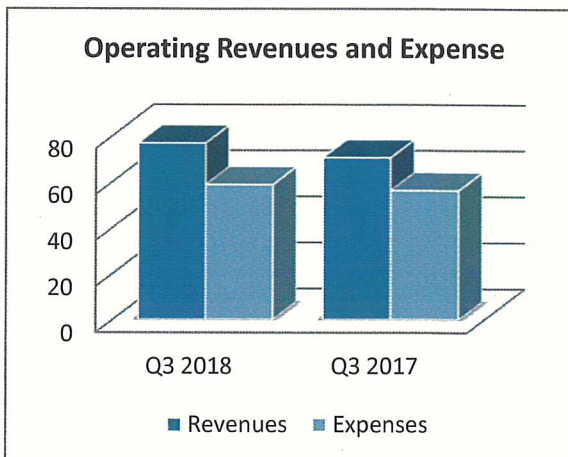
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2018	2017		
Residential and Domestic	6,534.56	6,219.70	314.86	5%
Commercial and Industrial	2,605.05	2,404.38	200.67	8%
Special Rate	4,318.41	4,195.65	122.76	3%
Other	644.61	688.39	(43.78)	(6%)
Total	14,102.63	13,508.12	594.51	4%

Expenses

Operating expenses were \$58.6 million as of the third quarter of 2018, an increase of \$2.5 million compared to 2017. Depreciation expense represents \$1.9 million of the total increase year-to-date which is due to the capitalization of \$26.7 million in depreciable assets in 2017.

Non-Operating Revenues and Expenses

Miscellaneous revenue includes proceeds received from sales of assets, timber, surplus scrap and miscellaneous non-operating sales. As of September 2018, Tacoma Water is reporting a decrease of \$1.0 million compared to last year primarily because there have been no sales of assets. For the same reporting period in 2017, Miscellaneous revenue included proceeds for sales of land for approximately \$857,000 and \$150,000 in miscellaneous non-operating sales.



Capital Contributions

Capital Contributions come in two forms: cash and donated assets. As the distribution division continues to meet the developer demand for construction, Tacoma Water is experiencing increases in both cash and donated assets compared to the same period last year, \$2.3 million and \$1.6 million respectively. Also of note, as new projects are begun, Tacoma Water receives payment in advance to begin the work. These advance payments are held as deposits until such time as the work is completed. As of September 2018, Customer Advances for Construction increased by \$1.6 million compared to the same period in 2017.

Proceeds Held from Sale of Land

In December 2017, Tacoma Water entered into an agreement to sell approximately 106 acres of land located east of the McMillin Reservoirs to Pierce County Department of Parks and Recreation for a negotiated price of \$2.8 million which was received in 2018. Certain hazardous materials were found during an environmental assessment of the subject property and remediation is ongoing. The sale proceeds are held in a liability account until the remediation work is complete. These proceeds are presented in the Other Current Liabilities portion of the Statements of Net Position.



Jackie Flowers
Director of Utilities



Andrew Cherullo
Finance Director

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, WATER DIVISION
Doing Business As

TACOMA WATER

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Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF NET POSITION - SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

ASSETS AND DEFERRED OUTFLOWS	<u>2018</u>	<u>2017</u>
UTILITY PLANT		
Water Plant in Service	\$1,108,858,287	\$1,080,019,078
Less Depreciation and Amortization	(256,358,226)	(232,875,128)
Total	<u>852,500,061</u>	<u>847,143,950</u>
Construction Work in Progress	18,456,737	27,198,009
Net Utility Plant	<u>870,956,798</u>	<u>874,341,959</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	10,992,189	18,908,913
2013 Construction Fund	16,282,669	15,598,588
Regional Water Supply System Operating Fund	1,178,828	1,088,817
Provision for Debt Payment	15,467,833	15,415,210
Customer Water Main Deposits	3,339,186	3,266,385
Water Supply Forum Fund	320,027	376,405
Special Bond Reserves	22,107,391	22,102,985
Water Customer Contribution Fund	659,506	(122,156)
Water Capital Reserves	36,218,870	29,714,971
Water System Development Charge	66,231,053	61,413,787
Total Restricted Assets	<u>172,797,552</u>	<u>167,763,905</u>
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	62,288,886	57,512,384
Customers' Deposits	314,052	321,358
Receivables:		
Customers	6,730,741	6,554,275
Accrued Unbilled Revenues	5,457,221	4,797,144
Others	1,085,849	1,002,586
BABs Interest Subsidies	1,280,256	1,280,256
Provision for Uncollectible Accounts	(256,917)	(522,737)
Materials and Supplies	2,438,166	2,223,254
Prepayments	1,098,834	956,171
Total Current Assets	<u>80,437,088</u>	<u>74,124,691</u>
TOTAL ASSETS	<u><u>1,124,684,401</u></u>	<u><u>1,116,723,518</u></u>
OTHER ASSETS		
Regulatory Assets - Public Fire Protection Fees	-	730,106
Regulatory Assets - Surcharges	556,589	1,480,242
Total Other Assets	<u>556,589</u>	<u>2,210,348</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,222,995	1,418,079
Deferred Outflows for Pensions	8,671,039	8,994,103
Total Deferred Outflows	<u>9,894,034</u>	<u>10,412,182</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$1,135,135,024</u></u>	<u><u>\$1,129,346,048</u></u>

These statements should be read in conjunction with the Notes to Financial statements contained in the 2017 Annual Report.

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	<u>2018</u>	<u>2017</u>
NET POSITION		
Net Investment in Capital Assets	\$442,130,860	\$438,061,159
Restricted for:		
Water Capital Reserves	31,109,478	24,126,573
Water System Development Charge	30,655,606	25,838,340
Debt Service Funds	8,240,348	8,058,361
Unrestricted	<u>60,417,780</u>	<u>61,417,551</u>
TOTAL NET POSITION	572,554,072	557,501,984
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	21,890,000	25,825,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	12,340,000	13,800,000
2010 RWSS Revenue Bonds, Series A	1,955,000	2,245,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	<u>59,400,000</u>	<u>60,165,000</u>
Total Outstanding Revenue Bonds	365,950,000	372,400,000
Plus: Unamortized Bond Premium	<u>10,906,412</u>	<u>12,450,222</u>
Net Outstanding Revenue Bonds	376,856,412	384,850,222
PWTF Pre-Construction Loans	480,435	640,609
PWTF Construction Loans	16,834,030	19,370,627
State Drinking Water Loans	<u>65,612,800</u>	<u>69,844,047</u>
Total Long-Term Debt	459,783,677	474,705,505
CURRENT LIABILITIES		
Salaries and Wages Payable	836,288	787,491
Purchases and Contracts Payable	1,175,460	1,049,863
Interest Expense Accrued	7,227,485	7,356,849
Taxes Accrued	1,825,627	1,720,467
Customers' and Contractors' Deposits	350,664	353,923
Current Portion of Long-Term Debt	13,554,949	13,334,372
Other Current Liabilities	4,155,198	1,353,044
Current Accrued Compensated Absences	<u>229,834</u>	<u>269,819</u>
Total Current Liabilities	29,355,505	26,225,828
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,585,519	6,762,451
Customer Advances for Construction	7,206,455	5,581,471
Unearned Revenue	7,430,131	7,631,757
Other Long-Term Liabilities	4,513,451	4,623,705
Pension Liability	8,278,522	7,788,151
Long-Term Accrued Compensated Absences	<u>2,068,503</u>	<u>2,428,375</u>
Total Long-Term Liabilities	<u>36,082,581</u>	<u>34,815,910</u>
TOTAL LIABILITIES	<u>525,221,763</u>	<u>535,747,243</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	<u>1,783,742</u>	<u>521,374</u>
Total Deferred Inflows	37,359,189	36,096,821
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	<u>\$1,135,135,024</u>	<u>\$1,129,346,048</u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
OPERATING REVENUES		
Sales of Water	\$7,973,520	\$7,956,282
Other Operating Revenues	822,808	812,975
Contract Resource Obligation Revenue	334,236	381,024
Total Operating Revenues	9,130,564	9,150,281
OPERATING EXPENSES		
Production Expense:		
Source of Supply	597,817	575,752
Water Treatment	476,247	543,482
Total Production Expense	1,074,064	1,119,234
Power Pumping Expense	67,109	63,330
Transmission and Storage Expense	210,401	175,423
Distribution Expense	977,706	925,585
Customer Accounting and Consumer Service ...	391,245	384,789
Taxes	562,904	554,288
Depreciation	2,067,352	2,003,895
Administrative and General	825,498	923,686
Total Operating Expenses	6,176,279	6,150,230
OPERATING INCOME (LOSS)	2,954,285	3,000,051
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	348,325	222,524
Miscellaneous	206,040	181,609
Interest on Long-Term Debt	(1,326,606)	(1,349,301)
Interest on Long-Term Debt BABs Sub	(320,064)	(320,064)
Amortization Of Debt Premium	110,934	111,548
Interest Charged to Construction	70,403	47,988
Total Non-Operating Revenues (Expenses)	(910,968)	(1,105,696)
Net Income (Loss) Before Capital Contributions and Transfers	2,043,317	1,894,355
Capital Contributions:		
Cash	658,591	477,511
Donated Fixed Assets	422,287	1,754,730
Federal BABs Subsidies	320,064	320,064
Transfers:		
City Gross Earnings Tax	(709,349)	(697,154)
Transfer from (to) Other Funds	-	-
CHANGE IN NET POSITION	\$2,734,910	\$3,749,506
NET POSITION - JANUARY 1		
TOTAL NET POSITION - SEPTEMBER 30		

YEAR TO DATE		2018 OVER (UNDER)	PERCENT CHANGE
SEPTEMBER 30 2018	SEPTEMBER 30 2017	2017	
\$ 64,974,652	\$ 59,235,935	\$5,738,717	9.7%
8,371,353	7,625,925	745,428	9.8%
3,240,939	3,421,459	(180,520)	-5.3%
<u>76,586,944</u>	<u>70,283,319</u>	<u>6,303,625</u>	9.0%
5,582,980	5,292,304	290,676	5.5%
<u>5,061,582</u>	<u>4,892,115</u>	<u>169,467</u>	3.5%
10,644,562	10,184,419	460,143	4.5%
437,993	409,743	28,250	6.9%
1,724,400	1,832,040	(107,640)	-5.9%
9,934,769	10,396,142	(461,373)	-4.4%
3,842,717	3,691,362	151,355	4.1%
3,900,939	3,563,832	337,107	9.5%
19,945,705	18,030,725	1,914,980	10.6%
8,132,369	7,975,091	157,278	2.0%
<u>58,563,454</u>	<u>56,083,354</u>	<u>2,480,100</u>	4.4%
18,023,490	14,199,965	3,823,525	26.9%
4,015,258	2,467,848	1,547,410	62.7%
254,527	1,218,407	(963,880)	-79.1%
(12,053,858)	(12,264,024)	210,166	-1.7%
(2,774,954)	(2,770,153)	(4,801)	0.2%
998,404	1,003,932	(5,528)	-0.6%
358,141	371,400	(13,259)	-3.6%
<u>(9,202,482)</u>	<u>(9,972,590)</u>	<u>770,108</u>	-7.7%
8,821,008	4,227,375	4,593,633	108.7%
6,563,890	4,288,706	2,275,184	53.1%
3,425,970	1,869,582	1,556,388	83.2%
2,774,954	2,770,153	4,801	0.2%
(5,779,543)	(5,306,058)	(473,485)	8.9%
<u>31,158</u>	<u>-</u>	<u>31,158</u>	NA
15,837,437	7,849,758	7,987,679	101.8%
556,716,635	549,652,226	7,064,409	
<u>\$572,554,072</u>	<u>\$557,501,984</u>	<u>\$15,052,088</u>	2.7%

These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
SALES OF WATER		
Residential and Domestic	\$5,039,548	\$5,015,880
Commercial and Industrial	1,943,760	1,968,551
Special Rate	639,424	566,486
Sales to Other Utilities	350,788	405,365
Total	\$7,973,520	\$7,956,282

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	83,010	82,079
Commercial and Industrial	5,933	6,086
Sales to Other Utilities	15	17
Total	88,958	88,182

YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
SEPTEMBER 30, 2018	SEPTEMBER 30, 2017		
\$42,692,093	\$39,162,878	\$3,529,215	9.0%
14,719,730	13,156,597	1,563,133	11.9%
5,059,578	4,630,425	429,153	9.3%
<u>2,503,251</u>	<u>2,286,035</u>	<u>217,216</u>	9.5%
<u>\$64,974,652</u>	<u>\$59,235,935</u>	<u>\$5,738,717</u>	9.7%
865,130	850,547	14,583	1.7%
59,876	58,834	1,042	1.8%
<u>135</u>	<u>153</u>	<u>(18)</u>	-11.8%
<u>925,141</u>	<u>909,534</u>	<u>15,607</u>	1.7%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	MILLION GALLONS, TOTAL			
	SEPTEMBER 2018	SEPTEMBER 2017	YEAR TO DATE	
			SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
WATER BILLED				
Residential and Domestic	857.58	917.57	6,534.56	6,219.70
Commercial and Industrial	381.04	417.89	2,605.05	2,404.38
Special Rate	526.86	510.25	4,318.41	4,195.65
Sales to Other Utilities	90.91	107.39	644.61	688.39
	1,856.39	1,953.10	14,102.63	13,508.12

NOTE: For conversion purposes, there are approximately 748 gallons in every 100 cubic feet of water.

MILLION GALLONS, AVERAGE DAILY

<u>SEPTEMBER</u> <u>2018</u>	<u>SEPTEMBER</u> <u>2017</u>
28.59	30.59
12.70	13.93
17.56	17.01
<u>3.03</u>	<u>3.58</u>
<u><u>61.88</u></u>	<u><u>65.11</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$76,967,245	\$70,758,908
Cash Paid to Suppliers	(16,702,622)	(16,863,716)
Cash Paid to Employees	(18,789,201)	(19,037,079)
Taxes Paid	(3,631,650)	(3,335,841)
Net Cash From Operating Activities	37,843,772	31,522,272
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	31,158	-
Transfer Out for Gross Earnings Tax	(5,779,543)	(5,306,058)
Net Cash From Non-Capital Financing Activities	(5,748,385)	(5,306,058)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(13,599,619)	(10,584,052)
Principal Payments on Long-Term Debt	(2,696,772)	(2,696,772)
Principal Payments on Muckleshoot LT Liability ...	(181,355)	(185,889)
Interest Paid	(9,461,214)	(9,575,622)
BABs Federal Interest Subsidies	1,793,638	1,787,877
Contributions in Aid of Construction	6,563,890	4,288,706
Proceeds Held from Sale of Land	2,775,100	-
System Development Charges & Other LT Liabilities.	802,731	1,064,849
Net Cash From Capital and Related Financing Activities	(14,003,601)	(15,900,903)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	4,015,258	2,467,848
Other Net Non-Op Revenues and Expenses	254,528	1,218,407
Net Cash From Investing Activities	4,269,786	3,686,255
Net Change in Cash and Equity in Pooled Investments	22,361,572	14,001,566
Cash & Equity in Pooled Investments at January 1 ...	213,038,918	211,596,081
Cash & Equity in Pooled Investments at September 30	\$235,400,490	\$225,597,647

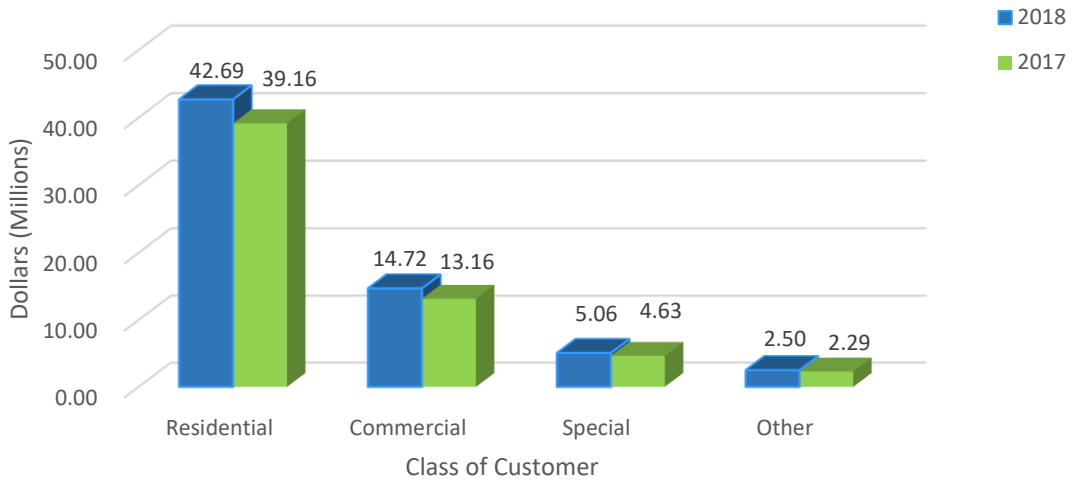
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	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$18,023,490	\$14,199,965
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	19,945,705	18,030,725
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	(2,247,373)	(1,537,783)
Interfund Receivables	69,262	107,970
Regulatory Asset-Public Fire Protection Fees	456,635	566,895
Regulatory Asset-Surcharges.....	797,206	89,235
Materials and Supplies	(34,861)	118,294
Prepayments	140,842	161,891
Unearned Revenues	1,380,098	1,353,044
Accrued Taxes	269,289	227,991
Salaries, Wages and Fringe Benefits Payable	340,347	376,663
Customers' Deposits	(6,265)	4,198
Accrued Expenses and Contracts Payable	(193,774)	(497,927)
Interfund Payables	(1,096,829)	(1,678,889)
Total Adjustments	19,820,282	17,322,307
Net Cash From Operating Activities	<u>\$37,843,772</u>	<u>\$31,522,272</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$172,797,552	\$167,763,905
Cash and Equity in Pooled Investments in Operating Funds	62,602,938	57,833,742
Cash and Equity in Pooled Investments at September 30	<u>\$235,400,490</u>	<u>\$225,597,647</u>
Non-cash Investing, Capital, and Financing Activities:		
Donated Assets	\$ 3,425,970	\$ 1,869,582

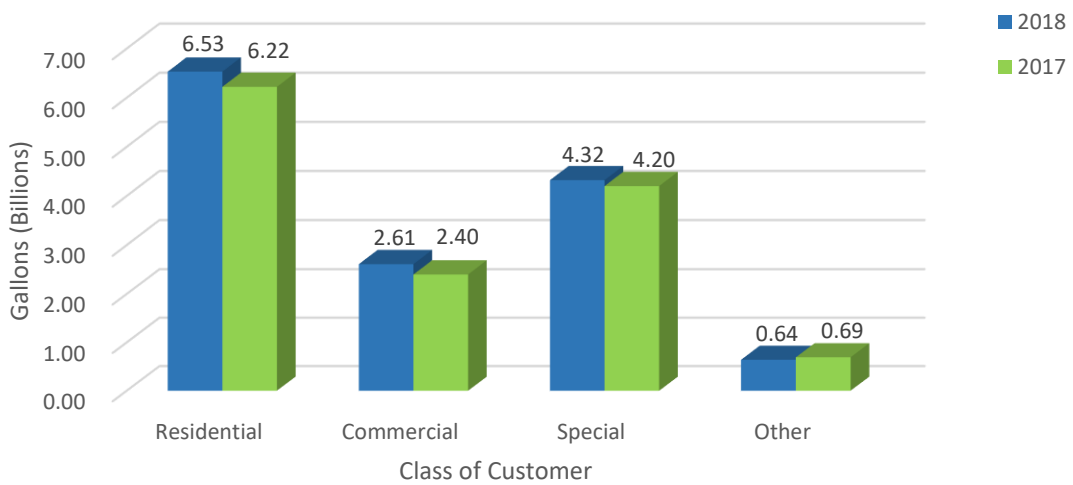
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Supplemental Data

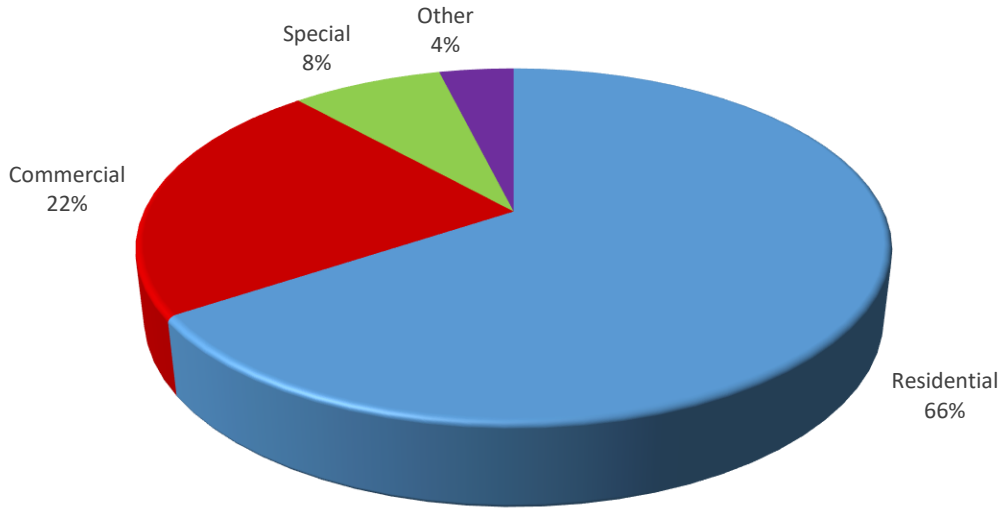
WATER SALES Year to Date - September 2018 & 2017



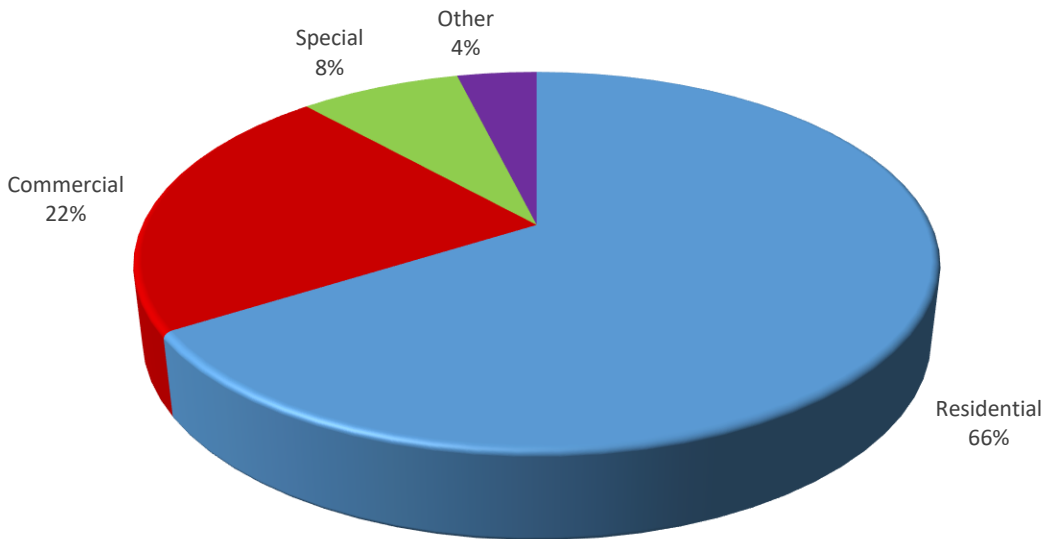
WATER CONSUMPTION Year to Date - September 2018 & 2017



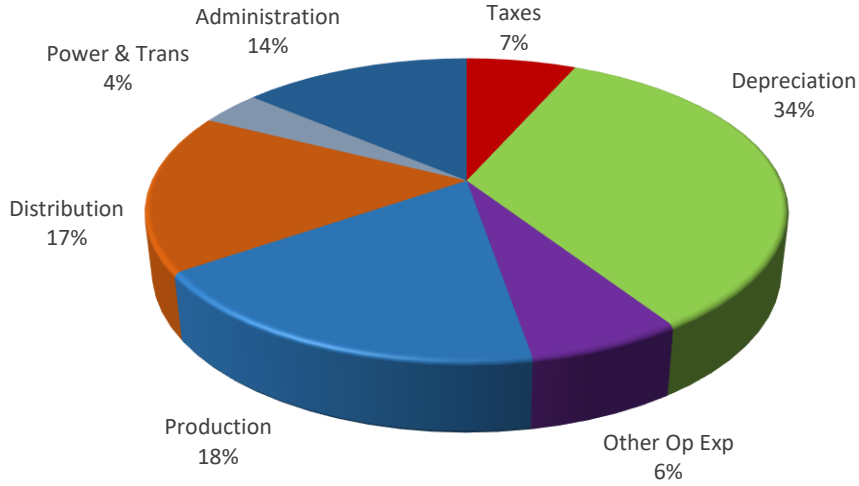
WATER SALES
Year to Date - September 2018
(\$64,974,652)



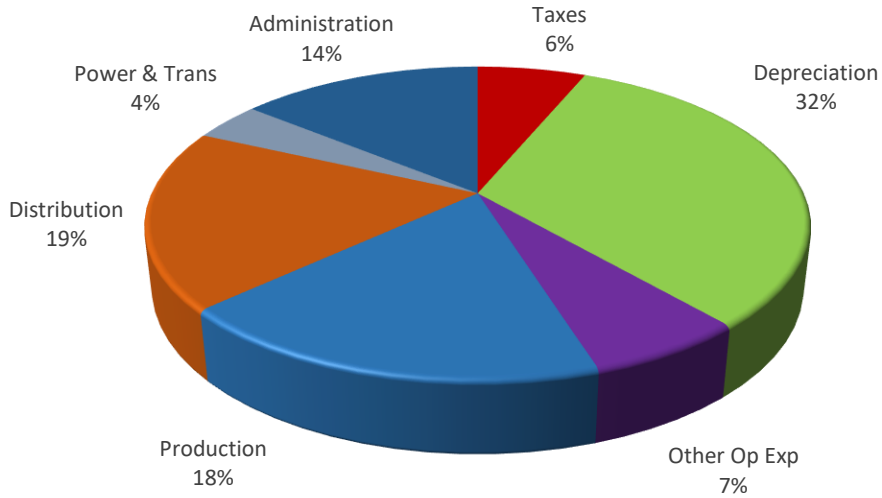
WATER SALES
Year to Date - September 2017
(\$59,235,935)



TOTAL OPERATING EXPENSES
Year to Date - September 2018
(\$58,563,454)



TOTAL OPERATING EXPENSES
Year to Date - September 2017
(\$56,083,354)





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.

