
JUNE

TACOMA WATER

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI

Chair

WOODROW JONES

Vice-Chair

KAREN LARKIN

Secretary

BRYAN FLINT

Member

MARK PATTERSON

Member

WILLIAM A. GAINES
Director of Utilities/CEO

Chris McMeen
Heather Pennington
Acting Water Division Superintendents

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES
CITY OF TACOMA

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Financial Statements

Summary

For the first six months of 2017, Tacoma Water is reporting year-to-date operating income of \$4.3 million compared to \$7.0 million in 2016. Operating revenues decreased \$1.5 million (3.4%) and operating expenses increased \$1.2 million (3.3%). The year to date change in net position for 2017 was (\$0.6) million compared to \$1.2 million for 2016.

Revenues

Water sales revenues decreased by \$1.2 million (3.3%) in the first six months of 2017 compared to the same period in 2016. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class.

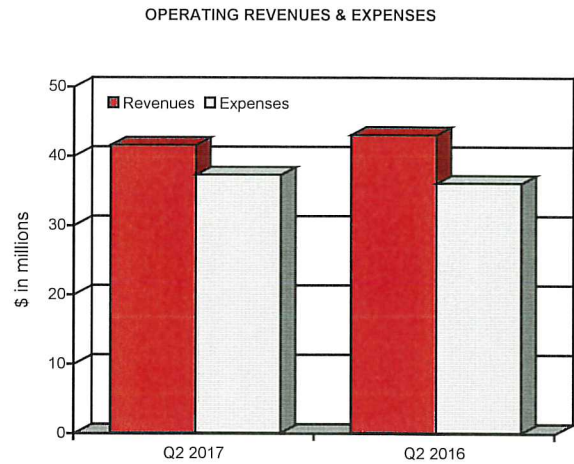
Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,770,689	\$ (1,969,616)	\$ (198,927)
Commercial and Industrial	827,282	(1,282,239)	(454,957)
Special Rate	36,192	115,928	152,120
Other	84,178	(751,722)	(667,544)
Total	\$ 2,718,341	\$ (3,887,649)	\$ (1,169,308)

Consumption for the first six months of 2017 was 7,478 million gallons, compared to 8,182 million gallons for the same period in 2016. Regional Water Supply System (RWSS) partners received 2,047 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2017	2016		
Residential and Domestic	3,230.66	3,536.31	(305.65)	(9%)
Commercial and Industrial	1,190.09	1,423.13	(233.04)	(16%)
Special Rate	2,707.35	2,607.10	100.25	4%
Other	349.82	615.69	(265.87)	(43%)
Total	7,477.92	8,182.23	(704.31)	(9%)

Expenses

Operating expenses were \$37.2 million for the first six months of 2017, an increase of \$1.2 million compared to 2016. Of that, Distribution experienced an increase of \$0.7 million. This increase is due in large part to cash pay outs for retirements of \$0.2 million as well as an increase of \$0.2 million in health benefits costs. Fleet replacement contributions for the Distribution group have also increased by \$0.3 million due to anticipated equipment purchases in the near term.



William A. Gaines
Director of Utilities/CEO

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 - JUNE 30, 2017 AND JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS	<u>2017</u>	<u>2016</u>
UTILITY PLANT		
Water Plant in Service	\$1,075,495,771	\$1,060,046,652
Less Depreciation and Amortization	<u>(227,024,227)</u>	<u>(206,179,583)</u>
Total	848,471,544	853,867,069
Construction Work in Progress	<u>26,298,348</u>	<u>25,641,016</u>
Net Utility Plant	<u>874,769,892</u>	<u>879,508,085</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	20,924,248	25,646,367
2010 RWSS Construction Fund	-	4,918
2013 Construction Fund	15,840,357	20,123,075
Regional Water Supply System Operating Fund	1,032,025	814,930
Provision for Debt Payment	10,801,509	8,472,598
Customer Water Main Deposits	3,231,459	3,156,610
Water Supply Forum Fund	422,933	286,483
Special Bond Reserves	22,102,107	22,099,266
Water Customer Contribution Fund	11,660	(14,850)
Water Capital Reserves	29,794,504	27,669,310
Water System Development Charge	<u>60,495,971</u>	<u>57,287,412</u>
Total Restricted Assets	164,656,773	165,546,119
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	52,078,227	51,790,050
Customers' Deposits	325,958	332,220
Receivables:		
Customers	4,909,806	5,090,588
Accrued Unbilled Revenues	4,797,144	4,935,000
Others	715,806	605,900
BABs Interest Subsidies	320,064	320,064
Provision for Uncollectible Accounts	(470,632)	(370,878)
Materials and Supplies	2,329,966	2,542,940
Prepayments	<u>905,654</u>	<u>700,131</u>
Total Current Assets	<u>65,911,993</u>	<u>65,946,015</u>
TOTAL ASSETS	<u>1,105,831,621</u>	<u>1,111,493,182</u>
OTHER ASSETS		
Regulatory Assets - Public Fire Protection Fees	919,071	1,746,643
Regulatory Assets - Surcharges	1,508,069	1,625,237
Net Pension Asset	-	881,279
Total Other Assets	<u>2,427,140</u>	<u>4,253,159</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,488,410	1,769,731
Deferred Outflows for Pensions	<u>8,994,103</u>	<u>2,092,307</u>
Total Deferred Outflows	10,482,513	3,862,038
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,118,741,274</u>	<u>\$1,119,608,379</u>

These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$438,269,459	\$438,154,455 *
Restricted for:		
Water Capital Reserves	24,206,106	21,601,907
Water System Development Charge	24,920,525	21,711,966
Debt Service Funds	8,366,980	6,411,926
Pension Asset	-	881,279
Unrestricted	53,262,421	54,966,314
TOTAL NET POSITION	549,025,491	543,727,847
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	25,825,000	26,395,000
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	13,800,000	16,645,000
2015 Water Refunding Bonds, Series B	-	1,785,000
2010 RWSS Revenue Bonds, Series A	2,245,000	2,525,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	60,165,000	60,910,000
Total Outstanding Revenue Bonds	372,400,000	378,625,000
Plus: Unamortized Bond Premium	12,855,197	14,440,619
Net Outstanding Revenue Bonds	385,255,197	393,065,619
PWTF Pre-Construction Loans	800,783	960,956
PWTF Construction Loans	21,351,668	23,888,265
State Drinking Water Loans	69,844,047	75,893,293
Total Long-Term Debt	477,251,695	493,808,133
CURRENT LIABILITIES		
Salaries and Wages Payable	380,595	1,047,442
Purchases and Contracts Payable	777,600	917,242
Interest Expense Accrued	2,434,529	2,060,672
Taxes Accrued	1,616,326	1,655,522
Customers' and Contractors' Deposits	502,995	351,124
Current Portion of Long-Term Debt	13,334,372	10,738,011
Other Current Liabilities	2,706,083	2,653,020
Current Accrued Compensated Absences	269,819	260,047
Total Current Liabilities	22,022,319	19,683,080
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,762,451	6,943,806
Customer Advances for Construction	5,233,207	4,660,008
Unearned Revenue	7,589,557	7,846,920
Other Long-Term Liabilities	4,543,207	4,092,359
Pension Liability	7,788,151	-
Long-Term Accrued Compensated Absences	2,428,375	2,340,426
Total Long-Term Liabilities	34,344,948	25,883,519
TOTAL LIABILITIES	533,618,962	539,374,732
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	521,374	930,353
Total Deferred Inflows	36,096,821	36,505,800
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,118,741,274	\$1,119,608,379

* The Net Investment in Capital Assets includes \$16.8 million in 2010 Construction Bond Funds for 2016.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	JUNE 2017	JUNE 2016
OPERATING REVENUES		
Sales of Water	\$7,104,251	\$7,549,551
Other Operating Revenues	897,169	905,956
Contract Resource Obligation Revenue	338,035	366,321
Total Operating Revenues	8,339,455	8,821,828
OPERATING EXPENSES		
Production Expense:		
Source of Supply	682,300	568,037
Water Treatment	678,124	604,147
Total Production Expense	1,360,424	1,172,184
Power Pumping Expense	53,286	65,837
Transmission and Storage Expense	244,491	190,374
Distribution Expense	1,262,545	977,801
Customer Accounting and Consumer Service ...	411,795	357,755
Taxes	519,404	537,433
Depreciation	2,000,312	1,987,126
Administrative and General	898,442	857,917
Total Operating Expenses	6,750,699	6,146,427
OPERATING INCOME (LOSS)	1,588,756	2,675,401
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	202,096	163,191
Miscellaneous	(1,011)	(9,380)
Interest on Long-Term Debt	(1,369,247)	(1,318,828)
Interest on Long-Term Debt BABs Sub	(302,973)	(320,067)
Amortization Of Debt Premium	111,548	105,802
Interest Charged to Construction	45,338	43,036
Total Non-Operating Revenues (Expenses)	(1,314,249)	(1,336,246)
Net Income (Loss) Before Capital Contributions and Transfers	274,507	1,339,155
Capital Contributions:		
Cash	344,186	262,124
Donated Fixed Assets	-	-
Federal BABs Subsidies	320,064	320,067
Transfers:		
City Gross Earnings Tax	(617,115)	(632,103)
CHANGE IN NET POSITION	\$321,642	\$1,289,243
NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

YEAR TO DATE		2017 OVER (UNDER)	PERCENT CHANGE
JUNE 30 2017	JUNE 30 2016	2016	
\$ 34,077,600	\$ 35,246,908	(\$1,169,308)	-3.3%
5,188,858	5,129,975	58,883	1.1%
2,242,370	2,608,009	(365,639)	-14.0%
<u>41,508,828</u>	<u>42,984,892</u>	<u>(1,476,064)</u>	<u>-3.4%</u>
3,540,201	3,498,478	41,723	1.2%
3,146,498	2,976,492	170,006	5.7%
<u>6,686,699</u>	<u>6,474,970</u>	<u>211,729</u>	<u>3.3%</u>
284,825	351,805	(66,980)	-19.0%
1,254,653	1,577,880	(323,227)	-20.5%
7,092,194	6,362,816	729,378	11.5%
2,468,430	2,293,098	175,332	7.6%
2,151,214	2,176,928	(25,714)	-1.2%
12,026,601	11,916,605	109,996	0.9%
5,244,637	4,859,654	384,983	7.9%
<u>37,209,253</u>	<u>36,013,756</u>	<u>1,195,497</u>	<u>3.3%</u>
4,299,575	6,971,136	(2,671,561)	-38.3%
1,819,135	1,480,162	338,973	22.9%
869,318	6,395	862,923	13493.7%
(8,232,908)	(8,007,181)	(225,727)	2.8%
(1,792,870)	(1,811,562)	18,692	-1.0%
669,288	634,812	34,476	5.4%
225,636	231,987	(6,351)	-2.7%
<u>(6,442,401)</u>	<u>(7,465,387)</u>	<u>1,022,986</u>	<u>-13.7%</u>
(2,142,826)	(494,251)	(1,648,575)	333.6%
2,735,211	2,506,130	229,081	9.1%
105,308	386,241	(280,933)	-72.7%
1,809,961	1,811,562	(1,601)	-0.1%
<u>(3,134,389)</u>	<u>(2,983,658)</u>	<u>(150,731)</u>	<u>5.1%</u>
(626,735)	1,226,024	(1,852,759)	-151.1%
549,652,226	542,501,823	7,150,403	
<u>\$549,025,491</u>	<u>\$543,727,847</u>	<u>\$5,297,644</u>	<u>1.0%</u>

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
JUNE 30, 2017 AND JUNE 30, 2016

	<u>JUNE 2017</u>	<u>JUNE 2016</u>
SALES OF WATER		
Residential and Domestic	\$4,812,752	\$5,026,742
Commercial and Industrial	1,532,493	1,718,690
Special Rate	554,372	484,690
Sales to Other Utilities	<u>204,634</u>	<u>319,429</u>
Total	<u><u>\$7,104,251</u></u>	<u><u>\$7,549,551</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	107,464	104,766
Commercial and Industrial	7,254	5,855
Sales to Other Utilities	<u>17</u>	<u>17</u>
Total	<u><u>114,735</u></u>	<u><u>110,638</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
JUNE 30 2017	JUNE 30 2016		
\$22,664,868	\$22,863,795	(\$198,927)	-0.9%
7,365,428	7,820,385	(454,957)	-5.8%
2,974,579	2,822,459	152,120	5.4%
1,072,725	1,740,269	(667,544)	-38.4%
<u>\$34,077,600</u>	<u>\$35,246,908</u>	<u>(\$1,169,308)</u>	-3.3%
576,544	567,335	9,209	1.6%
39,545	38,289	1,256	3.3%
<u>102</u>	<u>102</u>	<u>-</u>	0.0%
<u>616,191</u>	<u>605,726</u>	<u>10,465</u>	1.7%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
JUNE 30, 2017 AND JUNE 30, 2016

	MILLION GALLONS, TOTAL			
	JUNE 2017	JUNE 2016	YEAR TO DATE	
			JUNE 30 2017	JUNE 30 2016
WATER BILLED				
Residential and Domestic	724.79	898.67	3,230.66	3,536.31
Commercial and Industrial	263.15	396.33	1,190.09	1,423.13
Special Rate	499.34	446.71	2,707.35	2,607.10
Sales to Other Utilities	63.06	108.60	349.82	615.69
	1,550.34	1,850.31	7,477.92	8,182.23

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

MILLION GALLONS, AVERAGE DAILY

<u>JUNE</u> <u>2017</u>	<u>JUNE</u> <u>2016</u>
24.16	29.96
8.77	13.21
16.64	14.89
<u>2.10</u>	<u>3.62</u>
<u><u>51.67</u></u>	<u><u>61.68</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	JUNE 30 2017	JUNE 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$45,148,880	\$46,071,858
Cash Paid to Suppliers	(12,035,162)	(10,405,886)
Cash Paid to Employees	(13,143,628)	(11,975,431)
Taxes Paid	(2,027,364)	(2,385,058)
Net Cash From Operating Activities	17,942,726	21,305,483
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(3,134,389)	(2,983,658)
Net Cash From Non-Capital Financing Activities	(3,134,389)	(2,983,658)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(6,917,899)	(6,085,355)
Proceeds from State Drinking Water Loan	-	16,800,000
Debt Issuance Costs	-	13,680
Principal Payments on Long-Term Debt	(555,556)	(555,556)
Principal Payments on Muckleshoot LT Liability ...	(185,889)	(190,536)
Interest Paid	(9,489,543)	(9,539,905)
BABs Federal Interest Subsidies	1,787,877	1,789,799
Contributions in Aid of Construction	2,735,211	2,506,130
System Development Charges & Other LT Liabilities.	593,886	47,470
Net Cash From Capital and Related Financing Activities	(12,031,913)	4,785,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	1,819,135	1,480,162
Other Net Non-Op Revenues and Expenses	869,318	(7,286)
Net Cash From Investing Activities	2,688,453	1,472,876
Net Change in Cash and Equity in Pooled Investments	5,464,877	24,580,428
Cash & Equity in Pooled Investments at January 1 ...	211,596,081	193,087,961
Cash & Equity in Pooled Investments at June 30	<u>\$217,060,958</u>	<u>\$217,668,389</u>

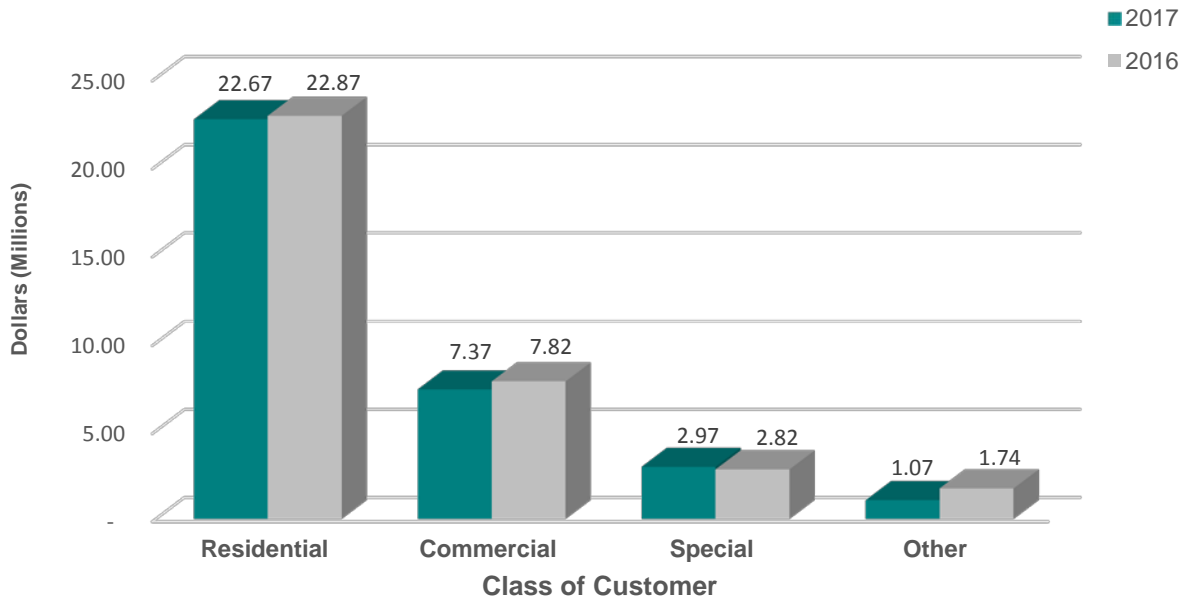
These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.

	YEAR TO DATE	
	JUNE 30	JUNE 30
	2017	2016
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$4,299,575	\$6,971,136
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	12,026,601	11,916,605
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	341,361	(4,426)
Interfund Receivables	107,970	686,030
Regulatory Asset-Public Fire Protection Fees	377,930	377,930
Regulatory Asset-Surcharges.....	61,408	58,111
Materials and Supplies	11,582	(55,865)
Prepayments	212,408	270,200
Unearned Revenues	2,706,083	2,653,020
Accrued Taxes	123,850	(208,130)
Salaries, Wages and Fringe Benefits Payable	(30,233)	723,161
Customers' Deposits	153,270	2,331
Accrued Expenses and Contracts Payable	(770,190)	(501,628)
Interfund Payables	(1,678,889)	(1,582,992)
Total Adjustments	<u>13,643,151</u>	<u>14,334,347</u>
Net Cash From Operating Activities	<u>\$17,942,726</u>	<u>\$21,305,483</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$164,656,773	\$165,546,119
Cash and Equity in Pooled Investments in Operating Funds	<u>52,404,185</u>	<u>52,122,270</u>
Cash and Equity in Pooled Investments at June 30	<u>\$217,060,958</u>	<u>\$217,668,389</u>

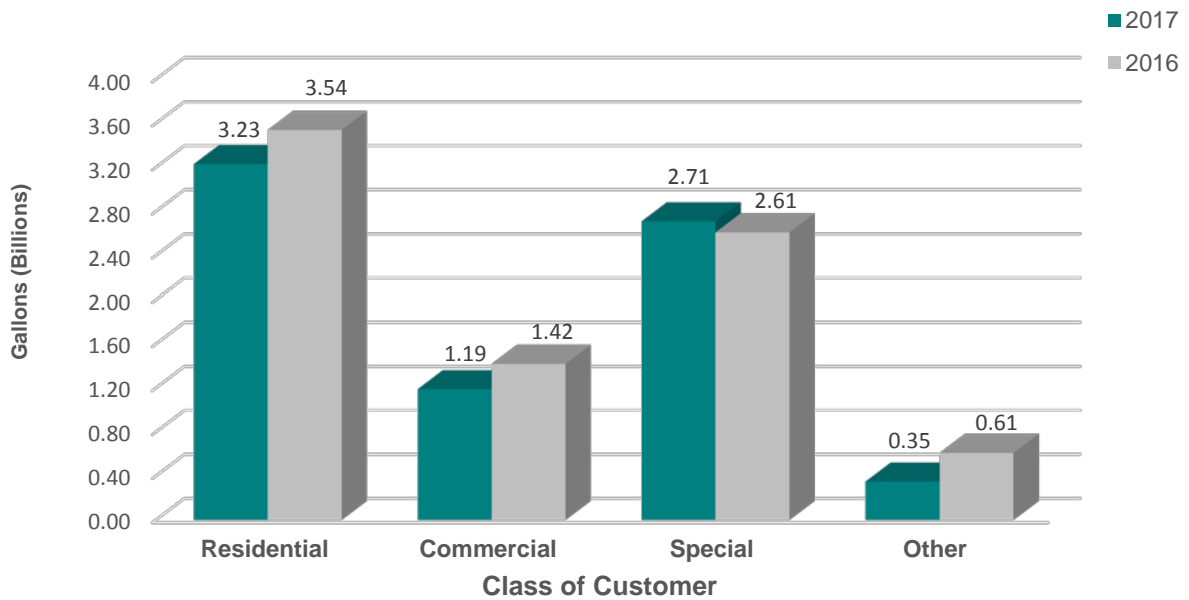
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Supplemental Data

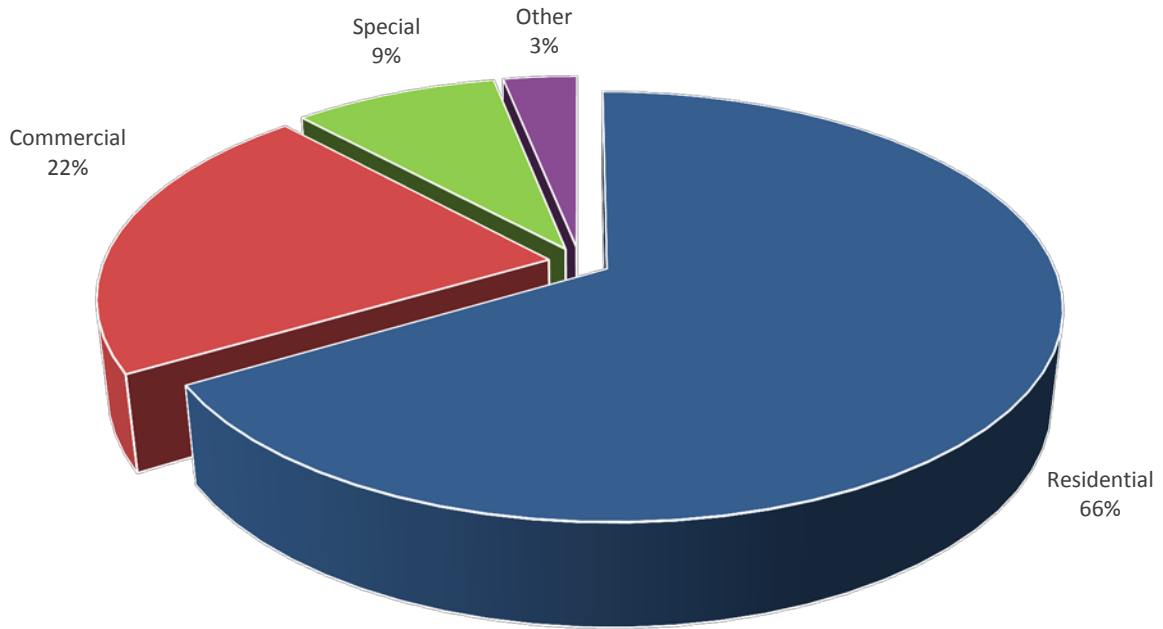
WATER SALES Year to Date - June 2017 & 2016



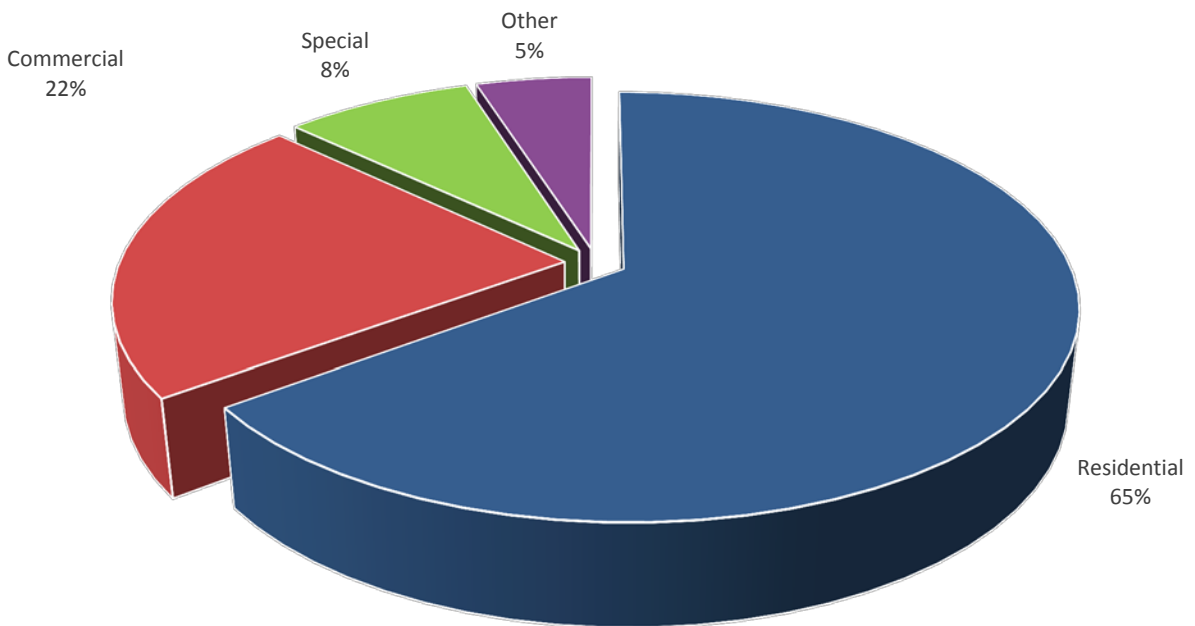
WATER CONSUMPTION Year to Date - June 2017 & 2016



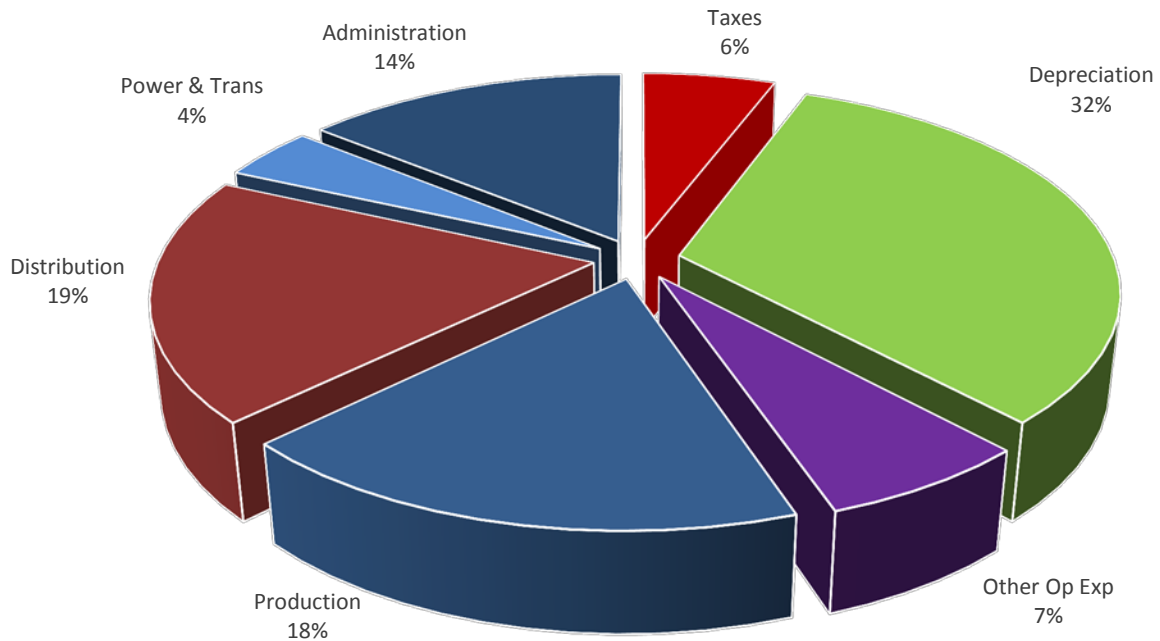
WATER SALES
Year to Date - June 2017
(\$34,077,600)



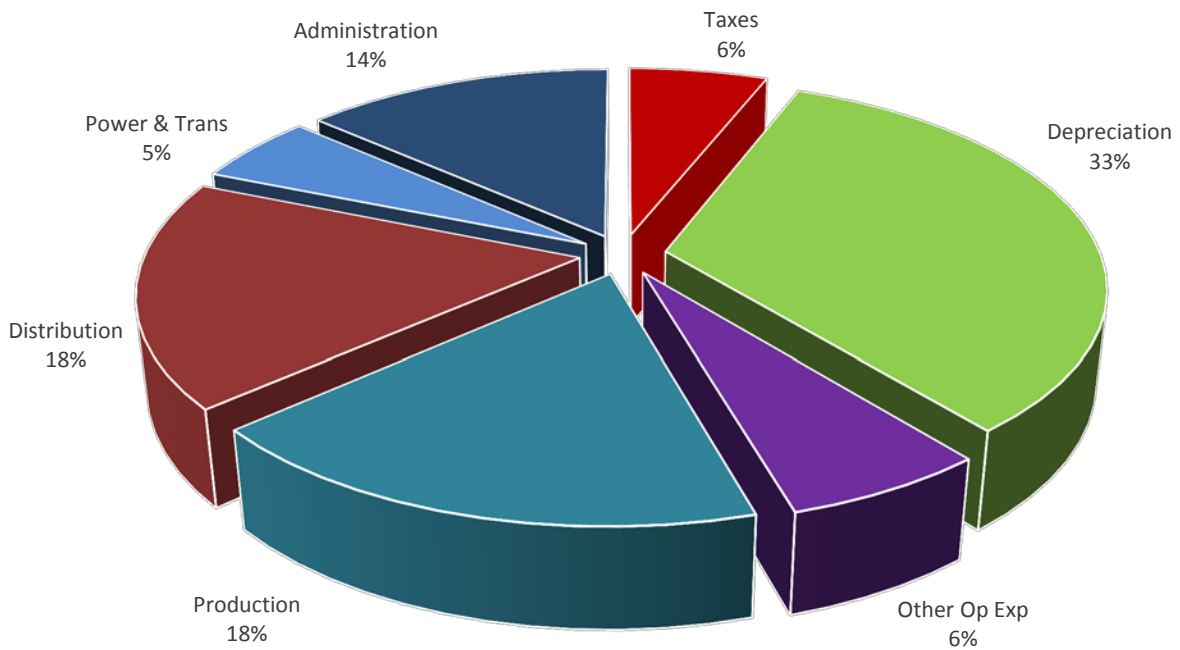
WATER SALES
Year to Date - June 2016
(\$35,246,908)



TOTAL OPERATING EXPENSES
Year to Date - June 2017
(\$37,209,253)



TOTAL OPERATING EXPENSES
Year to Date - June 2016
(\$36,013,756)





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.