
SEPTEMBER

TACOMA WATER

2017

**FINANCIAL
REPORT**



Public Utility Board

MONIQUE TRUDNOWSKI

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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 nine months of 2017, Tacoma Water is reporting year-to-date operating income of \$14.2 million compared to \$15.7 million in 2016. Operating revenues increased \$0.4 million (0.5%) and operating expenses increased \$1.9 million (3.5%). The year to date change in net position for 2017 was \$7.8 million compared to \$5.2 million for 2016.

Revenues

Water sales revenues increased by \$0.5 million (0.8%) in the first nine 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.

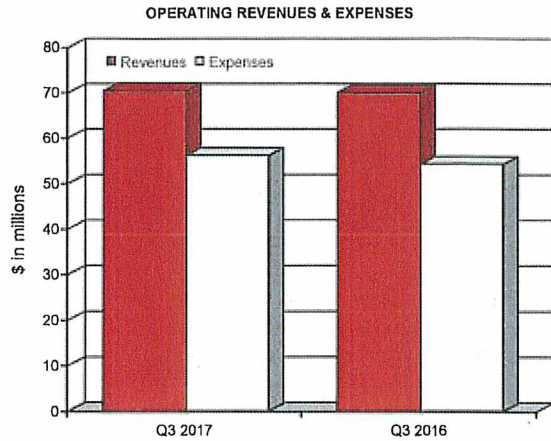
Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,829,196	\$ (814,475)	\$ 1,014,721
Commercial and Industrial	996,396	(959,899)	36,497
Special Rate	112,175	154,241	266,416
Other	174,849	(1,012,172)	(837,323)
Total	\$ 3,112,616	\$ (2,632,305)	\$ 480,311


Consumption for the first nine months of 2017 was 13,508 million gallons, compared to 14,016 million gallons for the same period in 2016. Regional Water Supply System (RWSS) partners received 4,013 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	6,219.70	6,361.44	(141.74)	(2%)
Commercial and Industrial	2,404.38	2,595.28	(190.90)	(7%)
Special Rate	4,195.65	4,041.63	154.02	4%
Other	688.39	1,017.41	(329.02)	(32%)
Total	13,508.12	14,015.76	(507.64)	(4%)

Expenses

Operating expenses were \$56.1 million for the first nine months of 2017, an increase of \$1.9 million compared to 2016. Of that, Distribution experienced an increase of \$0.8 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. Administration and General expense also saw an increase of \$0.7 million which is attributed to normal increases in salaries and benefits and approximately \$0.5 million increase in assessments.




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 - SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016

ASSETS AND DEFERRED OUTFLOWS	<u>2017</u>	<u>2016</u>
UTILITY PLANT		
Water Plant in Service	\$1,080,019,078	\$1,063,865,947
Less Depreciation and Amortization	<u>(232,875,128)</u>	<u>(212,086,790)</u>
Total	847,143,950	851,779,157
Construction Work in Progress	27,198,009	26,412,676
Net Utility Plant	<u>874,341,959</u>	<u>878,191,833</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	18,908,913	25,693,957
2013 Construction Fund	15,598,588	18,085,853
Regional Water Supply System Operating Fund	1,088,817	777,484
Provision for Debt Payment	15,415,210	15,238,366
Customer Water Main Deposits	3,266,385	3,193,001
Water Supply Forum Fund	376,405	268,631
Special Bond Reserves	22,102,985	22,099,846
Water Customer Contribution Fund	(122,156)	(313,104)
Water Capital Reserves	29,714,971	26,836,381
Water System Development Charge	<u>61,413,787</u>	<u>57,816,982</u>
Total Restricted Assets	167,763,905	169,697,397
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	57,512,384	53,713,363
Customers' Deposits	321,358	326,939
Receivables:		
Customers	6,554,275	5,715,465
Accrued Unbilled Revenues	4,797,144	4,935,000
Others	1,002,586	793,839
BABs Interest Subsidies	1,280,256	1,191,920
Provision for Uncollectible Accounts	(522,737)	(378,501)
Materials and Supplies	2,223,254	2,415,101
Prepayments	<u>956,171</u>	<u>765,325</u>
Total Current Assets	<u>74,124,691</u>	<u>69,478,451</u>
TOTAL ASSETS	<u>1,116,723,518</u>	<u>1,117,860,644</u>
OTHER ASSETS		
Regulatory Assets - Public Fire Protection Fees	730,106	1,557,678
Regulatory Assets - Surcharges	1,480,242	1,597,354
Net Pension Asset	-	881,279
Total Other Assets	<u>2,210,348</u>	<u>4,036,311</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,418,079	1,699,401
Deferred Outflows for Pensions	<u>8,994,103</u>	<u>2,092,307</u>
Total Deferred Outflows	10,412,182	3,791,708
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,129,346,048</u>	<u>\$1,125,688,663</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	<u>2017</u>	<u>2016</u>
NET POSITION		
Net Investment in Capital Assets	\$438,061,159	\$437,302,854
Restricted for:		
Water Capital Reserves	24,126,573	20,768,978
Water System Development Charge	25,838,340	22,241,535
Debt Service Funds	8,058,361	7,369,440
Pension Asset	-	881,279
Unrestricted	<u>61,417,551</u>	<u>59,178,872</u>
TOTAL NET POSITION	557,501,984	547,742,958
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	<u>60,165,000</u>	<u>60,910,000</u>
Total Outstanding Revenue Bonds	372,400,000	378,625,000
Plus: Unamortized Bond Premium	<u>12,450,222</u>	<u>14,052,882</u>
Net Outstanding Revenue Bonds	384,850,222	392,677,882
PWTF Pre-Construction Loans	640,609	800,783
PWTF Construction Loans	19,370,627	21,907,224
State Drinking Water Loans	<u>69,844,047</u>	<u>74,075,293</u>
Total Long-Term Debt	474,705,505	489,461,182
CURRENT LIABILITIES		
Salaries and Wages Payable	787,491	768,026
Purchases and Contracts Payable	1,049,863	925,101
Interest Expense Accrued	7,356,849	7,868,926
Taxes Accrued	1,720,467	1,625,034
Customers' and Contractors' Deposits	353,923	354,846
Current Portion of Long-Term Debt	13,334,372	12,556,011
Other Current Liabilities	1,353,044	1,326,510
Current Accrued Compensated Absences	<u>269,819</u>	<u>260,047</u>
Total Current Liabilities	26,225,828	25,684,501
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,762,451	6,943,806
Customer Advances for Construction	5,581,471	4,812,291
Unearned Revenue	7,631,757	8,098,020
Other Long-Term Liabilities	4,623,705	4,099,679
Pension Liability	7,788,151	-
Long-Term Accrued Compensated Absences	<u>2,428,375</u>	<u>2,340,426</u>
Total Long-Term Liabilities	<u>34,815,910</u>	<u>26,294,222</u>
TOTAL LIABILITIES	535,747,243	541,439,905
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	<u>521,374</u>	<u>930,353</u>
Total Deferred Inflows	36,096,821	36,505,800
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	<u>\$1,129,346,048</u>	<u>\$1,125,688,663</u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

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

	<u>SEPTEMBER</u> 2017	<u>SEPTEMBER</u> 2016
OPERATING REVENUES		
Sales of Water	\$7,956,282	\$7,437,644
Other Operating Revenues	812,975	807,606
Contract Resource Obligation Revenue	381,024	374,078
Total Operating Revenues	<u>9,150,281</u>	<u>8,619,328</u>
OPERATING EXPENSES		
Production Expense:		
Source of Supply	575,752	587,684
Water Treatment	543,482	498,974
Total Production Expense	<u>1,119,234</u>	<u>1,086,658</u>
Power Pumping Expense	63,330	68,246
Transmission and Storage Expense	175,423	235,579
Distribution Expense	925,585	973,961
Customer Accounting and Consumer Service ...	384,789	348,034
Taxes	554,288	519,379
Depreciation	2,003,895	1,995,330
Administrative and General	923,686	757,617
Total Operating Expenses	<u>6,150,230</u>	<u>5,984,804</u>
OPERATING INCOME (LOSS)	3,000,051	2,634,524
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	222,524	176,232
Miscellaneous	181,609	166,432
Interest on Long-Term Debt	(1,349,301)	(2,334,884)
Interest on Long-Term Debt BABs Sub	(320,064)	(297,980)
Amortization Of Debt Premium	111,548	105,802
Interest Charged to Construction	47,988	45,272
Total Non-Operating Revenues (Expenses)	<u>(1,105,696)</u>	<u>(2,139,126)</u>
Net Income (Loss) Before Capital Contributions and Transfers	1,894,355	495,398
Capital Contributions:		
Cash	477,511	304,497
Donated Fixed Assets	1,754,730	-
Federal BABs Subsidies	320,064	297,980
Transfers:		
City Gross Earnings Tax	<u>(697,154)</u>	<u>(647,630)</u>
CHANGE IN NET POSITION	<u>\$3,749,506</u>	<u>\$450,245</u>
NET POSITION - JANUARY 1		
TOTAL NET POSITION - SEPTEMBER 30		

YEAR TO DATE		2017 OVER (UNDER)	PERCENT CHANGE
SEPTEMBER 30 2017	SEPTEMBER 30 2016	2016	
\$ 59,235,935	\$ 58,755,624	\$480,311	0.8%
7,625,925	7,480,603	145,322	1.9%
3,421,459	3,682,772	(261,313)	-7.1%
<u>70,283,319</u>	<u>69,918,999</u>	<u>364,320</u>	0.5%
5,292,304	5,255,690	36,614	0.7%
4,892,115	4,680,961	211,154	4.5%
<u>10,184,419</u>	<u>9,936,651</u>	<u>247,768</u>	2.5%
409,743	512,903	(103,160)	-20.1%
1,832,040	2,170,434	(338,394)	-15.6%
10,396,142	9,604,594	791,548	8.2%
3,691,362	3,381,324	310,038	9.2%
3,563,832	3,491,144	72,688	2.1%
18,030,725	17,882,133	148,592	0.8%
7,975,091	7,229,002	746,089	10.3%
<u>56,083,354</u>	<u>54,208,185</u>	<u>1,875,169</u>	3.5%
14,199,965	15,710,814	(1,510,849)	-9.6%
2,467,848	1,957,527	510,321	26.1%
1,218,407	146,380	1,072,027	732.4%
(12,264,024)	(13,042,218)	778,194	-6.0%
(2,770,153)	(2,683,418)	(86,735)	3.2%
1,003,932	952,219	51,713	5.4%
371,400	362,287	9,113	2.5%
<u>(9,972,590)</u>	<u>(12,307,223)</u>	<u>2,334,633</u>	-19.0%
4,227,375	3,403,591	823,784	24.2%
4,288,706	3,391,318	897,388	26.5%
1,869,582	770,235	1,099,347	142.7%
2,770,153	2,683,418	86,735	3.2%
<u>(5,306,058)</u>	<u>(5,007,427)</u>	<u>(298,631)</u>	6.0%
7,849,758	5,241,135	2,608,623	49.8%
549,652,226	542,501,823	7,150,403	
<u>\$557,501,984</u>	<u>\$547,742,958</u>	<u>\$9,759,026</u>	1.8%

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

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

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

	<u>SEPTEMBER 2017</u>	<u>SEPTEMBER 2016</u>
SALES OF WATER		
Residential and Domestic	\$5,015,880	\$4,723,391
Commercial and Industrial	1,968,551	1,721,215
Special Rate	566,486	513,860
Sales to Other Utilities	<u>405,365</u>	<u>479,178</u>
Total	<u><u>\$7,956,282</u></u>	<u><u>\$7,437,644</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	82,079	84,717
Commercial and Industrial	6,086	6,161
Sales to Other Utilities	<u>17</u>	<u>18</u>
Total	<u><u>88,182</u></u>	<u><u>90,896</u></u>

YEAR TO DATE		2017 OVER (UNDER) 2016	PERCENT CHANGE
SEPTEMBER 30 2017	SEPTEMBER 30 2016		
\$39,162,878	\$38,148,157	\$1,014,721	2.7%
13,156,597	13,120,100	36,497	0.3%
4,630,425	4,364,009	266,416	6.1%
<u>2,286,035</u>	<u>3,123,358</u>	<u>(837,323)</u>	-26.8%
<u>\$59,235,935</u>	<u>\$58,755,624</u>	<u>\$480,311</u>	0.8%
850,547	839,640	10,907	1.3%
58,834	56,295	2,539	4.5%
<u>153</u>	<u>153</u>	<u>-</u>	0.0%
<u>909,534</u>	<u>896,088</u>	<u>13,446</u>	1.5%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

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

	MILLION GALLONS, TOTAL			
	SEPTEMBER 2017	SEPTEMBER 2016	YEAR TO DATE	
			SEPTEMBER 30 2017	SEPTEMBER 30 2016
WATER BILLED				
Residential and Domestic	917.57	865.29	6,219.70	6,361.44
Commercial and Industrial	417.89	390.66	2,404.38	2,595.28
Special Rate	510.25	478.45	4,195.65	4,041.63
Sales to Other Utilities	107.39	139.19	688.39	1,017.41
	1,953.10	1,873.59	13,508.12	14,015.76

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

MILLION GALLONS, AVERAGE DAILY

<u>SEPTEMBER</u> <u>2017</u>	<u>SEPTEMBER</u> <u>2016</u>
30.59	28.84
13.93	13.02
17.01	15.95
<u>3.58</u>	<u>4.64</u>
<u><u>65.11</u></u>	<u><u>62.45</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30 2017	SEPTEMBER 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$70,758,908	\$71,094,832
Cash Paid to Suppliers	(16,863,716)	(14,810,542)
Cash Paid to Employees	(19,037,079)	(18,694,372)
Taxes Paid	(3,335,841)	(3,729,762)
Net Cash From Operating Activities	31,522,272	33,860,156
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(5,306,058)	(5,007,427)
Net Cash From Non-Capital Financing Activities	(5,306,058)	(5,007,427)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(10,584,052)	(10,220,337)
Proceeds from State Drinking Water Loan	-	16,800,000
Debt Issuance Costs	-	13,680
Principal Payments on Long-Term Debt	(2,696,772)	(2,696,772)
Principal Payments on Muckleshoot LT Liability ...	(185,889)	(190,536)
Interest Paid	(9,575,622)	(9,638,544)
BABs Federal Interest Subsidies	1,787,877	1,789,798
Contributions in Aid of Construction	4,288,706	3,391,318
System Development Charges & Other LT Liabilities.	1,064,849	458,174
Net Cash From Capital and Related Financing Activities	(15,900,903)	(293,219)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	2,467,848	1,957,527
Other Net Non-Op Revenues and Expenses	1,218,407	132,701
Net Cash From Investing Activities	3,686,255	2,090,228
Net Change in Cash and Equity in Pooled Investments	14,001,566	30,649,738
Cash & Equity in Pooled Investments at January 1 ...	211,596,081	193,087,961
Cash & Equity in Pooled Investments at September 30	\$225,597,647	\$223,737,699

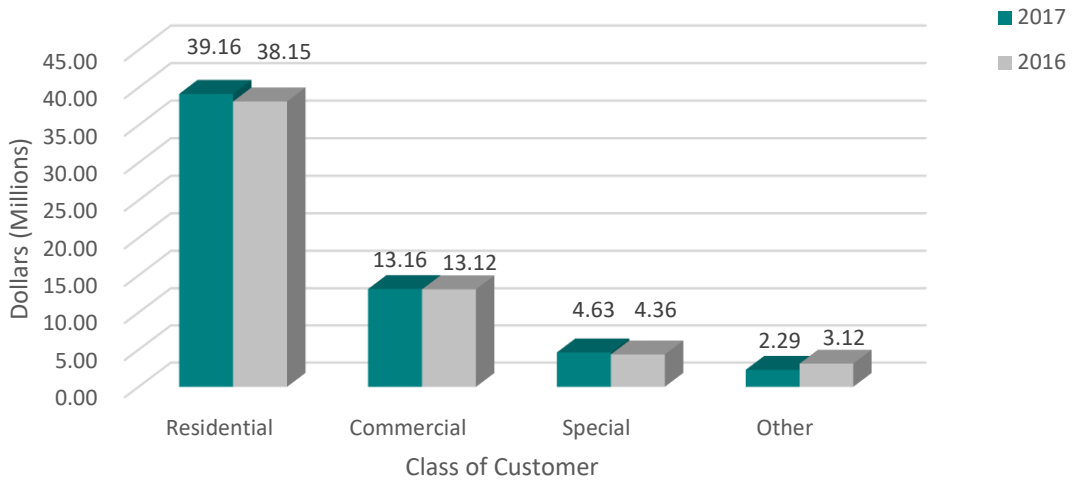
These statements should be read in conjunction with the Notes to Financial statements contained in the 2016 Annual Report.

	YEAR TO DATE	
	SEPTEMBER 30 2017	SEPTEMBER 30 2016
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$14,199,965	\$15,710,814
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	18,030,725	17,882,133
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	(1,537,783)	(809,619)
Interfund Receivables	107,970	686,030
Regulatory Asset-Public Fire Protection Fees	566,895	566,895
Regulatory Asset-Surcharges.....	89,235	85,994
Materials and Supplies	118,294	71,974
Prepayments	161,891	205,006
Unearned Revenues	1,353,044	1,326,510
Accrued Taxes	227,991	(238,618)
Salaries, Wages and Fringe Benefits Payable	376,663	443,745
Customers' Deposits	4,198	6,053
Accrued Expenses and Contracts Payable	(497,927)	(493,769)
Interfund Payables	(1,678,889)	(1,582,992)
Total Adjustments	17,322,307	18,149,342
Net Cash From Operating Activities	<u>\$31,522,272</u>	<u>\$33,860,156</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$167,763,905	\$169,697,397
Cash and Equity in Pooled Investments in Operating Funds	57,833,742	54,040,302
Cash and Equity in Pooled Investments at September 30	<u>\$225,597,647</u>	<u>\$223,737,699</u>

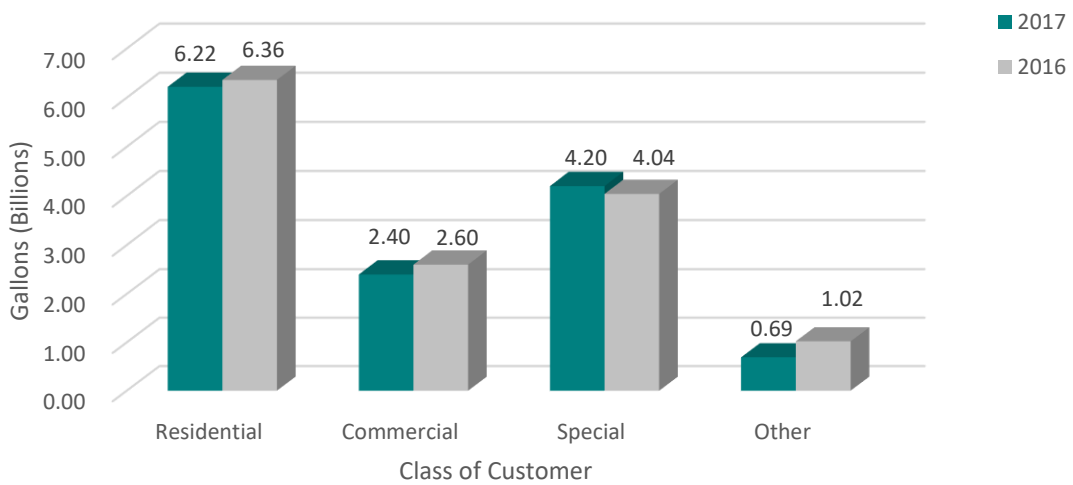
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Supplemental Data

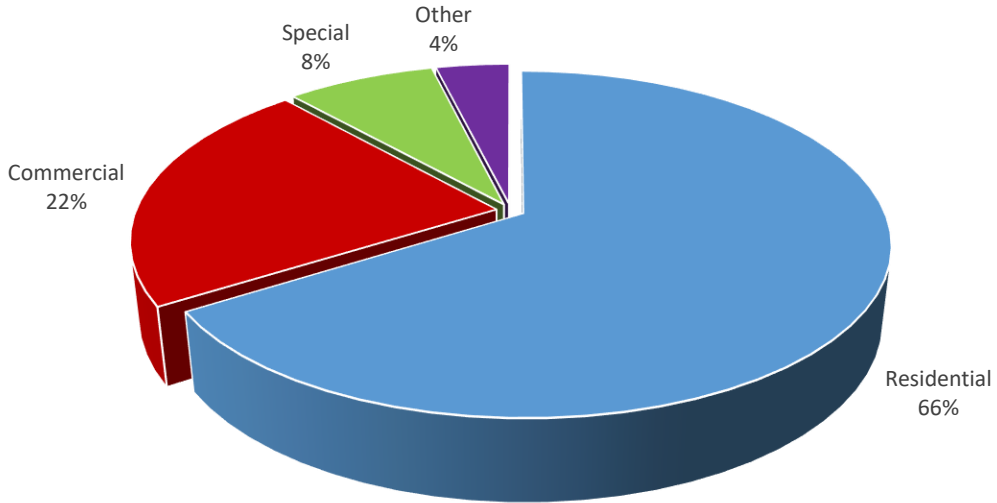
WATER SALES Year to Date - September 2017 & 2016



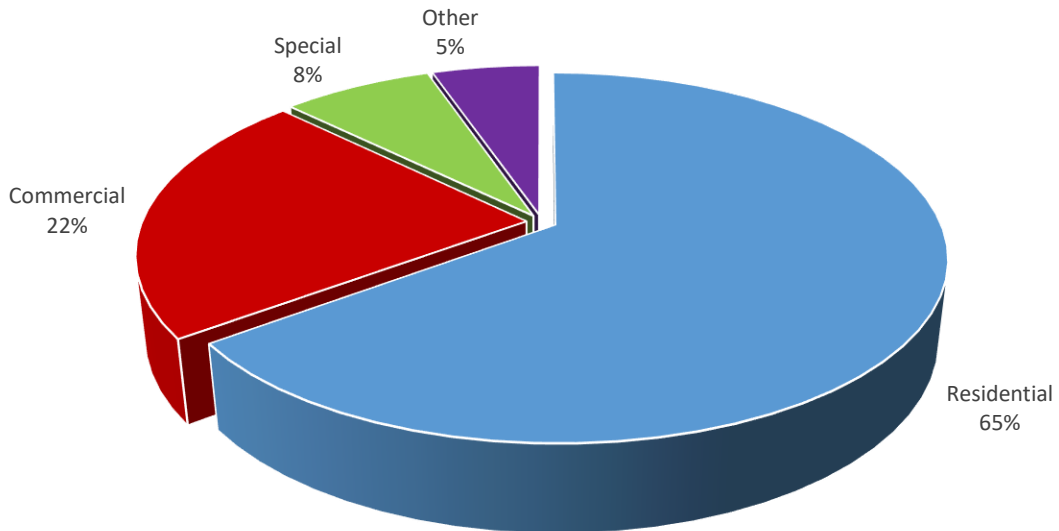
WATER CONSUMPTION Year to Date - September 2017 & 2016



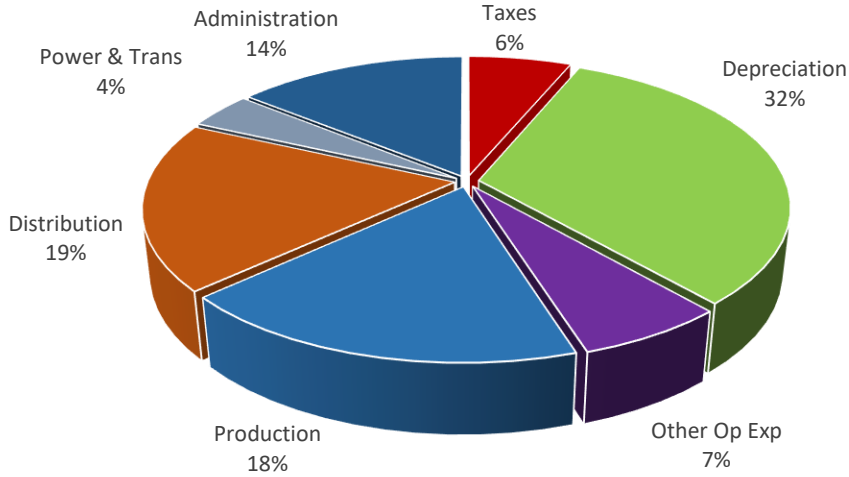
WATER SALES
Year to Date - September 2017
(\$59,235,935)



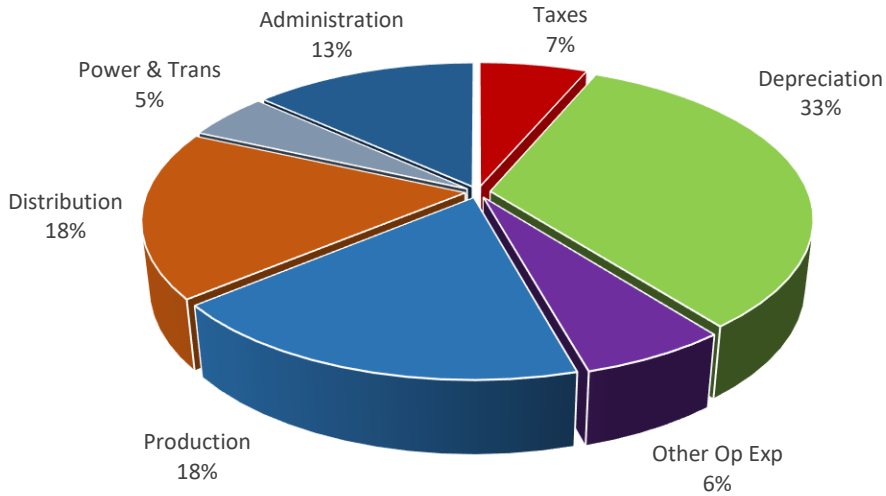
WATER SALES
Year to Date - September 2016
(\$58,755,624)



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



TOTAL OPERATING EXPENSES
 Year to Date - September 2016
 (\$54,208,185)





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.