

---

*JUNE*

*TACOMA RAIL*

2016

**FINANCIAL  
REPORT**





# Public Utility Board

MARK PATTERSON  
Chair

MONIQUE TRUDNOWSKI  
Vice-Chair

WOODROW JONES  
Secretary

BRYAN FLINT  
Member

KAREN LARKIN  
Member

WILLIAM A. GAINES  
Director of Utilities/CEO

DALE KING  
Rail Superintendent

ANDREW CHERULLO  
Finance Director

DEPARTMENT OF PUBLIC UTILITIES  
CITY OF TACOMA



## MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2016 year to date net operating income of \$1.9 million compared to \$1.5 million in 2015. Operating revenues increased \$1.1 million (8.0 %), and operating expenses increased \$685,000 (5.3%) year to date in 2016 compared to 2015.

Operating revenues were \$15.4 million at the end of second quarter 2016, compared to \$14.3 million in 2015. Total switching revenues increased \$1.2 million primarily due to increases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues			
	2016	2015	Var	%Chg	2016	2015	Var	%Chg
Intermodal Line Hauls	50,093	32,531	17,562	54.0%	\$ 6,064	\$ 5,312	\$ 752	14.2%
Commercial Line Hauls	15,288	14,484	804	5.6%	6,468	5,915	553	9.3%
Capital Div. Line Hauls	349	841	(492)	-58.5%	196	363	(167)	-46.0%
Miscellaneous Switches	1,339	1,380	(41)	-3.0%	779	706	73	10.3%
Total Line Hauls	67,069	49,236	17,833	36.2%	\$ 13,507	\$ 12,296	\$ 1,211	9.8%

Demurrage and other operating revenues decreased \$74,000 primarily due to lower than average railcar dwell.

Total operating expenses were \$13.5 million year to date in 2016, compared to \$12.8 million in 2015.

Salaries and wages were \$239,000 lower due to less overtime, unfilled open positions and the expiration of the lease agreement to provide rail service to the Belmore, Olympia and Quadlok lines.

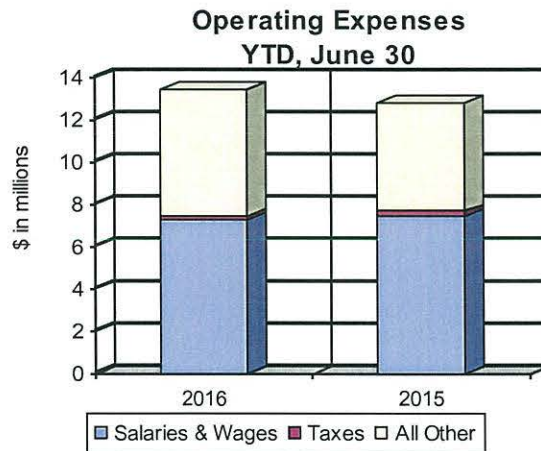
Supplies and expenses increased \$783,000 primarily due to an increase in volume incentive, with fuel and car hire as main contributors.

Depreciation increased \$127,000 due to an increase in depreciable assets of \$4.9 million compared to the same period in 2015.

Tacoma Rail's working capital ratios year to date of 2016 and 2015 were 3.8 and 4.3, respectively.



William A. Gaines  
Director of Utilities/CEO




Andrew Cherullo  
Finance Director



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

# TACOMA RAIL

## TABLE OF CONTENTS

*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.*

STATEMENTS OF NET POSITION .....	2 - 3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	4 - 5
SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES .....	6 - 7
STATEMENTS OF CASH FLOWS .....	8 - 9
SUPPLEMENTAL DATA .....	11 - 15

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF NET POSITION

ASSETS	JUNE 30,	
	2016	2015
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$41,312,989	\$36,238,166
Less Accumulated Depreciation .....	(18,111,658)	(16,763,896)
Total .....	23,201,331	19,474,270
Construction Work in Progress .....	1,757,519	3,371,591
Net Capital Assets .....	24,958,850	22,845,861
<b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	65,104	65,104
Total Special Funds .....	65,104	65,104
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	11,985,210	9,955,045
Customer Accounts Receivable .....	2,982,171	2,614,324
Prepayments .....	1,668,306	1,765,281
Materials and Supplies Inventory.....	985,726	908,738
Total Current Assets .....	17,621,413	15,243,388
<b>TOTAL ASSETS</b> .....	<b>\$42,645,367</b>	<b>\$38,154,353</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2015 Annual Report.*



NET POSITION AND LIABILITIES	JUNE 30, 2016	JUNE 30, 2015
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$18,241,862	\$17,041,387
Restricted for:		
Debt Service .....		
Unrestricted .....	10,187,103	7,990,988
TOTAL NET POSITION .....	<u>28,428,965</u>	<u>25,032,375</u>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	255,008	312,763
State Loans.....	5,651,589	4,966,695
Total Long-Term Liabilities .....	<u>5,906,597</u>	<u>5,279,458</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	489,097	664,512
Customer Deposits .....	-	42,350
Wages Payable .....	538,022	507,941
Unemployment and other Tax Payables .....	237,800	206,544
Volume Incentive Payable .....	2,500,001	1,500,000
Current Portion of Long Term Debt .....	810,391	525,015
Interest Payable .....	2,562	5,823
Current Portion of Compensated Absences .....	113,117	101,373
Total Current Liabilities .....	<u>4,690,990</u>	<u>3,553,558</u>
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	724,403	706,832
Long Term Portion of Compensated Absences .....	1,018,056	912,353
Other Long-Term Liabilities .....	1,876,356	2,669,777
Total Long-Term Liabilities .....	<u>3,618,815</u>	<u>4,288,962</u>
TOTAL LIABILITIES .....	<u>14,216,402</u>	<u>13,121,978</u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u>\$42,645,367</u></u>	<u><u>\$38,154,353</u></u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>JUNE</u> 2016	<u>JUNE</u> 2015
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,143,595	\$1,849,030
Demurrage and Other Operating Revenues .....	<u>291,464</u>	<u>123,500</u>
Total Operating Revenues .....	2,435,059	1,972,530
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	76,321	88,411
Supplies and Expense .....	135,117	98,640
Mechanical .....		
Salaries and Wages .....	166,654	173,086
Supplies and Expense .....	192,774	165,873
Operations .....		
Salaries and Wages .....	736,522	819,095
Supplies and Expense .....	113,828	173,433
Administration .....		
Salaries and Wages .....	186,550	180,801
Supplies and Expense .....	510,062	273,586
Taxes - State .....	32,183	29,764
Depreciation .....	<u>122,602</u>	<u>101,740</u>
Total Operating Expenses .....	2,272,613	2,104,429
Net Operating Income .....	162,446	(131,899)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	8,612	6,806
Miscellaneous .....	124,167	80,766
Interest Expense .....	<u>2,540</u>	<u>(1,941)</u>
Total Non-Operating Revenues .....	135,319	85,631
Contributions - Grants .....	-	-
Total Contributions .....	-	-
Transfers		
City of Tacoma Gross Earnings Tax .....	(190,513)	(158,563)
<b>CHANGE IN NET POSITION</b> .....	<u>\$107,252</u>	<u>(\$204,831)</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - JUNE 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the June 2016 Financial Report.*

YEAR TO DATE			
<u>JUNE 30,</u> <u>2016</u>	<u>JUNE 30,</u> <u>2015</u>	<u>2016/2015</u> <u>VARIANCE</u>	<u>PERCENT</u> <u>CHANGE</u>
13,507,085	\$12,296,885	\$1,210,200	9.8%
<u>1,898,125</u>	<u>1,971,876</u>	<u>(73,751)</u>	-3.7%
15,405,210	14,268,761	1,136,449	8.0%
506,484	556,719	(50,235)	-9.0%
<u>938,613</u>	<u>605,878</u>	<u>332,735</u>	<u>54.9%</u>
1,002,179	1,019,871	(17,692)	-1.7%
<u>1,279,344</u>	<u>1,448,959</u>	<u>(169,615)</u>	<u>-11.7%</u>
4,576,858	4,788,504	(211,646)	-4.4%
<u>647,002</u>	<u>647,005</u>	<u>(3)</u>	<u>0.0%</u>
1,154,439	1,113,528	40,911	3.7%
2,439,854	1,819,657	620,197	34.1%
215,565	201,979	13,586	6.7%
<u>737,322</u>	<u>610,441</u>	<u>126,881</u>	<u>20.8%</u>
13,497,660	12,812,541	685,119	5.3%
1,907,550	1,456,220	451,330	31.0%
66,645	33,828	32,817	97.0%
683,985	465,897	218,088	46.8%
<u>(5,956)</u>	<u>(12,434)</u>	<u>6,478</u>	<u>-52.1%</u>
744,674	487,290	257,384	52.8%
-	34,670	(34,670)	-100.0%
-	34,670	(34,670)	-100.0%
(1,264,920)	(1,175,995)	(88,925)	7.6%
1,387,304	802,185	\$585,119	72.9%
<u>27,041,661</u>	<u>24,230,190</u>		
<u>\$28,428,965</u>	<u>\$25,032,375</u>		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES

	<u>June 2016</u>	<u>June 2015</u>
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$1,005,120	\$1,066,136
LINE HAULS--COMMERCIAL .....	984,040	653,884
LINE HAULS--CAPITAL DIVISION .....	23,813	62,077
MISCELLANEOUS SWITCHES .....	<u>130,622</u>	<u>66,933</u>
TOTAL SWITCHING REVENUES .....	<u><u>\$2,143,595</u></u>	<u><u>\$1,849,030</u></u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	19,622	6,601
LINE HAULS--COMMERCIAL .....	2,610	1,971
LINE HAULS--CAPITAL DIVISION .....	57	143
MISCELLANEOUS SWITCHES .....	<u>101</u>	<u>199</u>
TOTAL CARS SWITCHED .....	<u><u>22,390</u></u>	<u><u>8,914</u></u>

YEAR TO DATE			
June 30, 2016	June 30, 2015	2016/2015 VARIANCE	PERCENT CHANGE
\$6,064,111	\$5,312,355	\$751,756	14.2%
6,467,945	5,915,349	552,596	9.3%
195,943	363,337	(167,394)	-46.1%
779,085	705,844	73,242	10.4%
<u>\$13,507,085</u>	<u>\$12,296,885</u>	<u>\$1,210,200</u>	<u>9.8%</u>
50,093	32,531	17,562	54.0%
15,288	14,484	804	5.6%
349	841	(492)	-58.5%
1,339	1,380	(41)	-3.0%
<u>67,069</u>	<u>49,236</u>	<u>17,833</u>	<u>36.2%</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	JUNE 30, 2016	JUNE 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$15,269,705	\$14,697,888
Cash Paid to Suppliers .....	(4,045,161)	(4,818,697)
Cash Paid to Employees .....	(6,829,161)	(7,406,373)
Taxes Paid .....	(251,229)	(276,870)
Net Cash Provided by Operating Activities .....	4,144,154	2,195,948
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(1,264,919)	(1,175,995)
Net Cash Used in Non-Capital Financing Activities .....	(1,264,919)	(1,175,995)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(947,783)	(2,196,364)
Principal Payments on Long-Term Debt .....	(438,608)	(344,002)
Interest Paid .....	(7,608)	(14,000)
Proceeds from Capital Contributions .....	-	34,670
Proceeds from Long-Term Debt .....	653,602	1,112,669
Gain from Disposition of Property .....	-	(201,129)
Proceeds from Other Non-Operating Revenues .....	683,985	465,897
Net Cash Used in Capital and Related Financing Activities .....	(56,412)	(1,142,259)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	66,645	33,827
Net Cash Provided by Investing Activities .....	66,645	33,827
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	2,889,468	(88,479)
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	<b>9,160,846</b>	<b>10,108,628</b>
<b>Cash &amp; Equity in Pooled Investments at June 30</b>	<b>\$12,050,314</b>	<b>\$10,020,149</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2015 Annual Report.*

	YEAR TO DATE	
	JUNE 30, 2016	JUNE 30, 2015
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income .....	\$1,907,550	\$1,456,220
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation .....	737,322	610,441
Cash provided from changes in operating		
assets and liabilities:		
Accounts Receivable .....	(142,656)	329,434
Interfund Receivable .....	53,051	103,243
Materials and Supplies Inventory .....	(48,265)	(23,338)
Prepayments .....	249,427	223,030
Accounts Payable .....	(47,730)	(579,937)
Customer Deposits .....	(45,900)	(3,550)
Unemployment and other Tax Payables .....	(35,664)	(74,891)
Wages Payable .....	407,426	62,200
Volume Incentive Payable .....	1,291,666	583,334
Interfund Payable .....	(185,446)	(500,287)
Other Long-Term Liabilities & OJI Reserve.....	3,373	10,049
Total Adjustments .....	<u>2,236,604</u>	<u>739,728</u>
Net Cash Provided by Operating		
Activities .....	<u>\$4,144,154</u>	<u>\$2,195,948</u>
Reconciliation of Cash and Equity in Pooled		
Investments to Balance Sheet:		
Cash and Equity in Pooled Investments		
in Special Funds .....	\$65,104	\$65,104
Cash and Equity in Pooled Investments		
in Operating Funds .....	<u>11,985,210</u>	<u>9,955,045</u>
Cash and Equity in Pooled Investments		
at June 30 .....	<u>\$12,050,314</u>	<u>\$10,020,149</u>

---

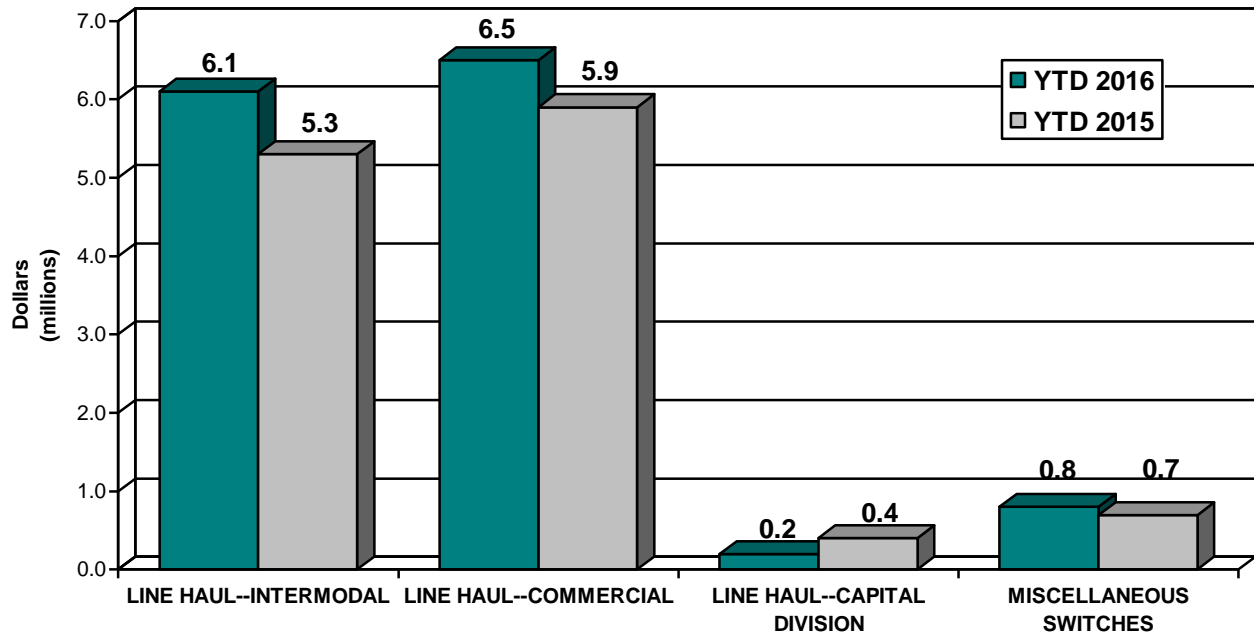
---

*This page has been left blank intentionally.*

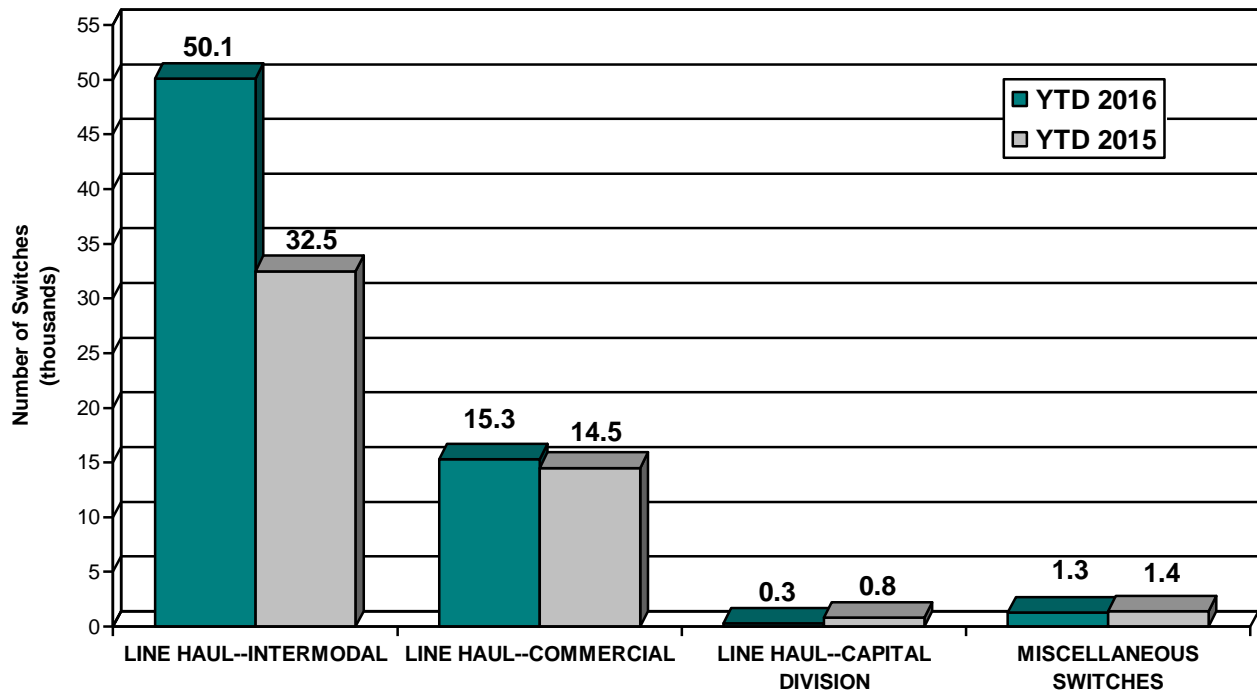


# Supplemental Data

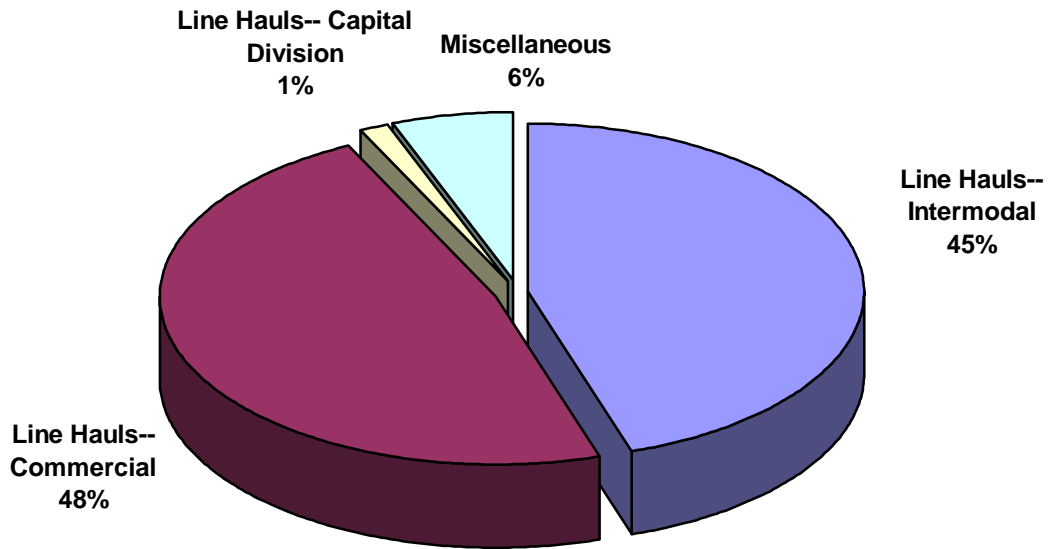
**SWITCHING REVENUES**  
Year to Date - June 2016 & 2015



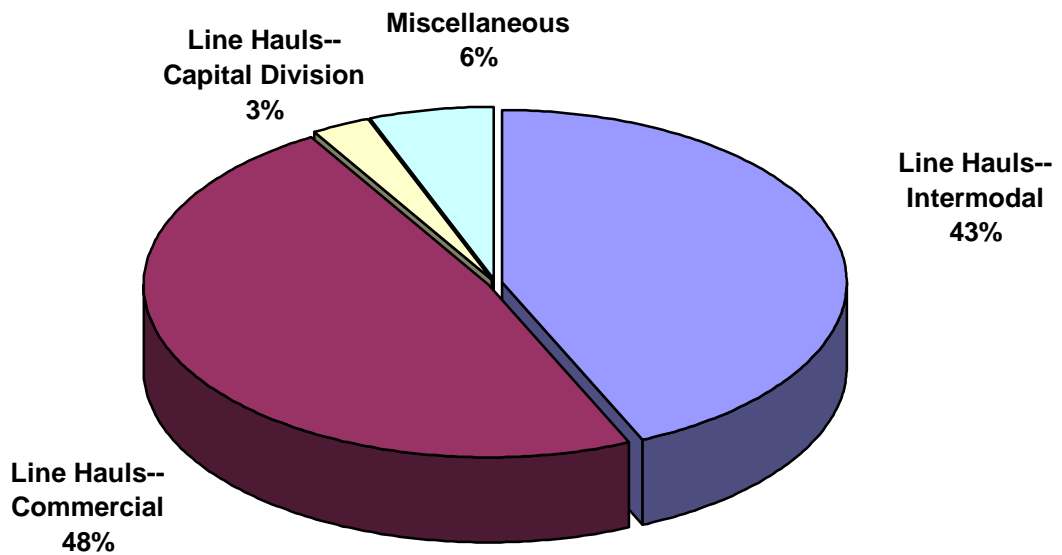
**SWITCHING ACTIVITIES**  
Year to Date - June 2016 & 2015



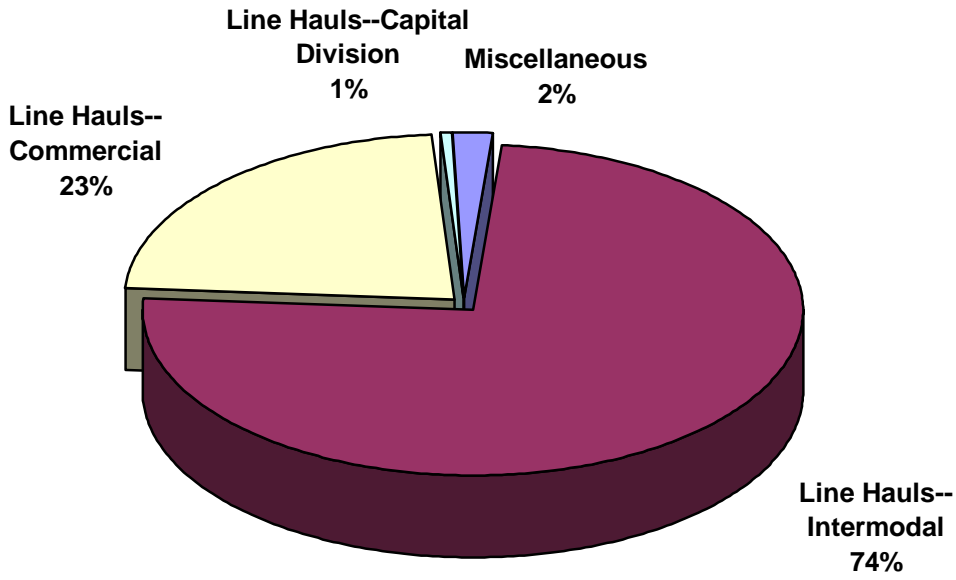
**SWITCHING REVENUES**  
Year to Date - June 2016 (\$13,507,085)



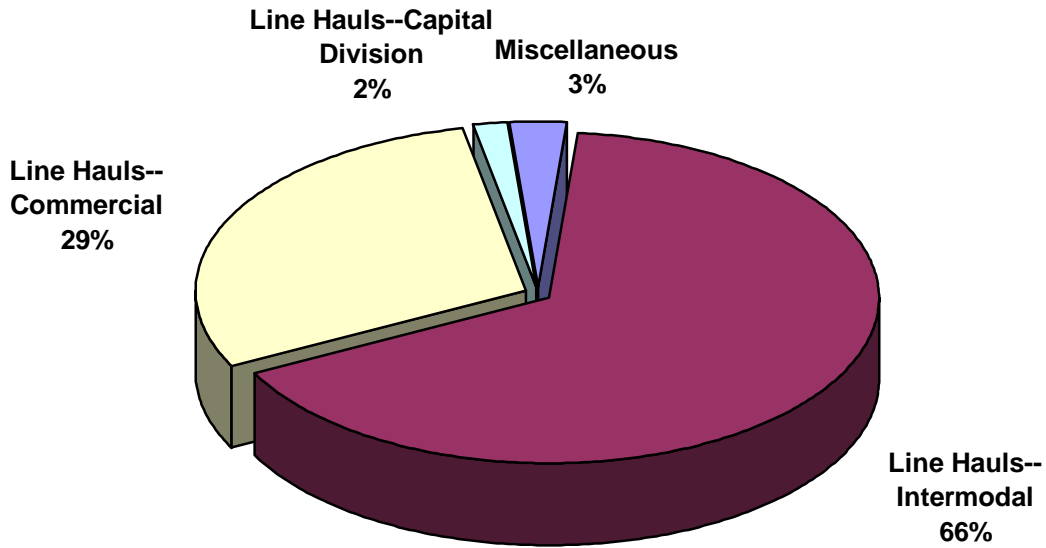
**SWITCHING REVENUES**  
Year to Date - June 2015 (\$12,296,885)



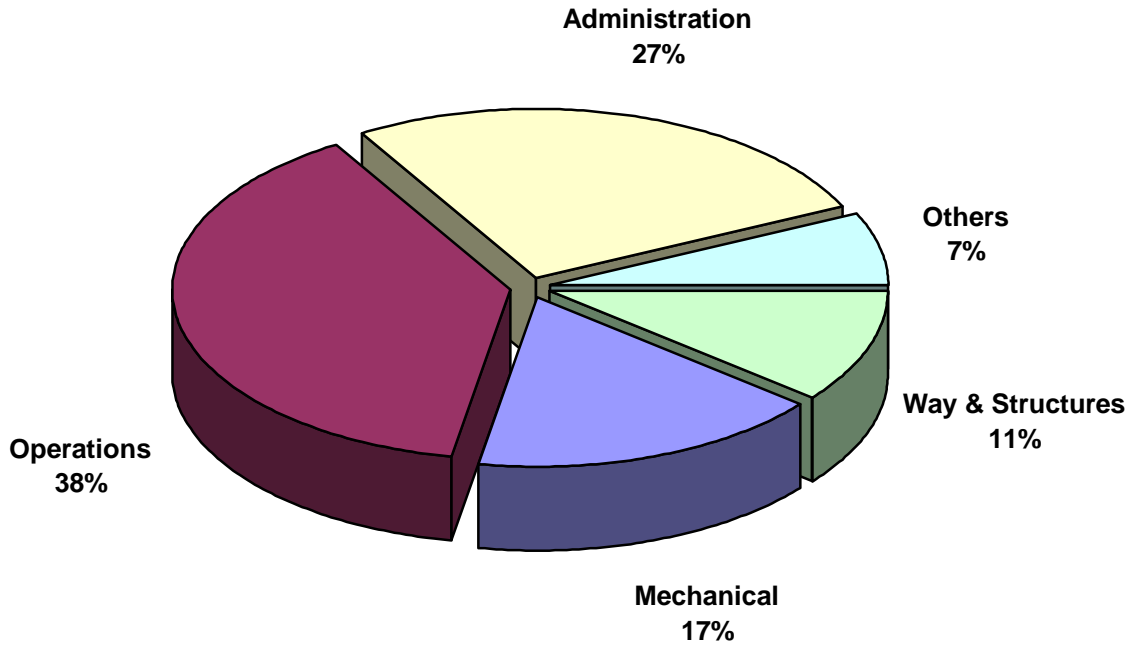
**SWITCHING ACTIVITY**  
**Year to Date - June 2016 (67,069 cars)**



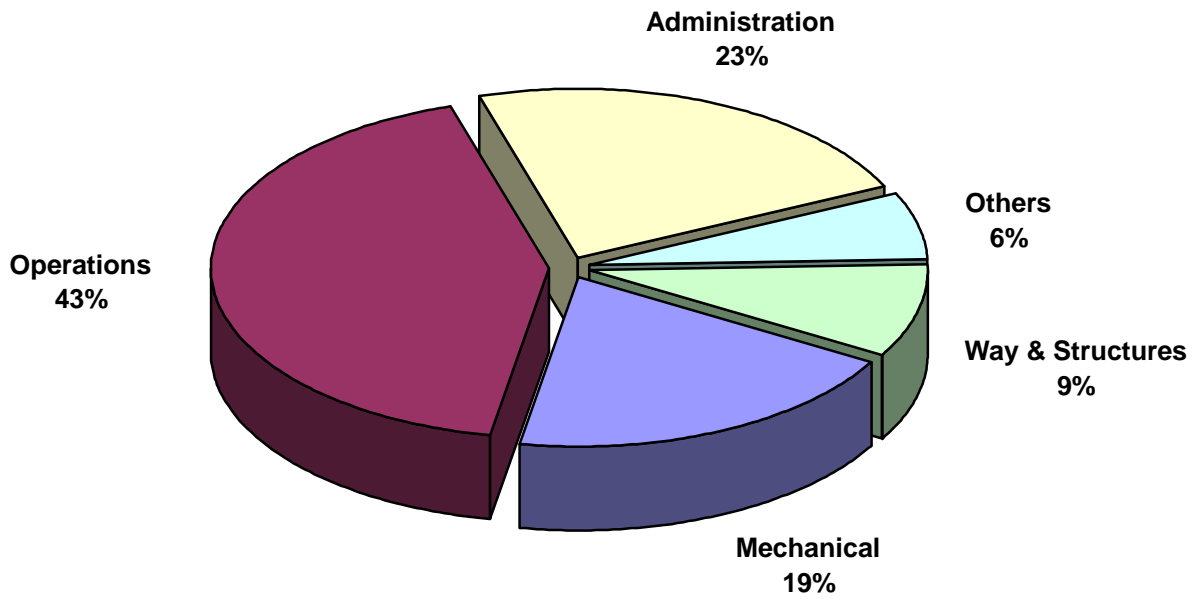
**SWITCHING ACTIVITY**  
**Year to Date - June 2015 (49,236 cars)**



**TOTAL OPERATING EXPENSES**  
Year to Date - June 2016 (\$13,497,660)



**TOTAL OPERATING EXPENSES**  
Year to Date - June 2015 (\$12,812,541)





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.