
ANNUAL

FLEET SERVICES FUND

2013

**FINANCIAL
REPORT**



Public Utility Board

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DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES

FLEET SERVICES FUND

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FINANCIAL DATA

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MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Fleet Services Fund provides an overview of the financial activities for the years ended December 31, 2013 and 2012. The information presented here should be read in conjunction with the financial statements as a whole, including the footnotes and other supplementary information that is provided.

Overview of the Financial Statements

The City of Tacoma Finance Department and the management of Fleet Services are responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2013 and 2012, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of the Fund's assets and liabilities, with the difference between the two reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operations, investing and financing activities.

The notes to the financial statements, presented at the end of the basic financial statements, provide additional disclosures that are essential to a full understanding of data provided in the financial statements. They are an integral part of the Fund's presentation of financial position, results of operations, and changes in cash flows.

Management has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived.

Financial Statement Analysis

During 2013, Fleet Services realized net loss of \$1.1 million compared to net loss of \$1.3 million recorded in 2012. Operating revenues increased \$24,000 in 2013. Operating expenses decreased \$170,000 (2.5%). The overall result is a net increase in operating income of \$193,000 from a year earlier.

In 2012, the Fund reported net loss of \$1.3 million compared to net income of \$1.2 million a year earlier. Operating revenues decreased by \$2.0 million (30.6%) in 2012. Operating expenses increased \$98,000 (1.5%), resulting in a net decrease in operating income of \$2.1 million from a year earlier.

Selected Financial Information

(in thousands)

Category	2011	2012	2013
Operating Revenues	\$6,682	\$4,640	\$4,664
Operating Expenses	<u>6,567</u>	<u>6,664</u>	<u>6,495</u>
Operating Income (Loss)	115	(2,024)	(1,831)
Other Income	789	387	65
Transfers In	<u>251</u>	<u>370</u>	<u>645</u>
Change in Net Position	<u>\$(1,155)</u>	<u>\$(1,267)</u>	<u>\$(1,121)</u>
Current Assets	\$24,425	\$26,873	\$22,007
Capital Assets (Net)	<u>19,632</u>	<u>20,044</u>	<u>20,270</u>
Total Assets	<u>44,057</u>	<u>46,917</u>	<u>42,277</u>
Total Liabilities	<u>432</u>	<u>4,559</u>	<u>1,039</u>
Net Investment in Capital Assets	19,632	20,044	20,270
Restricted	24,299	24,648	25,294
Unrestricted	<u>(306)</u>	<u>(2,334)</u>	<u>(4,326)</u>
Total Net Position	<u>\$43,625</u>	<u>\$42,358</u>	<u>\$41,238</u>

Revenues

Fleet Services operating revenue is comprised of five categories: Maintenance, Capital Recovery, Administrative Overhead, Fuel and Fuel Loading and Pool Car Rentals. Operating revenues were \$4.7, \$4.6 and \$6.7 million in 2013, 2012 and 2011 respectively.

Maintenance revenues are mainly related to staff labor and were \$2.1, \$2.3, and \$2.5 million in 2013, 2012, and 2011 respectively.

Capital recovery revenues are collected on each vehicle and piece of equipment based on anticipated equipment replacement needs for each business unit. Capital recovery revenues were \$1.4, \$1.5, and \$3.4 million in 2013, 2012, and 2011 respectively. Capital recovery revenue decreased \$125,000 in 2013 compared to 2012, which had decreased \$1.9 million compared to 2011. Departments deferred their replacement vehicle and equipment contributions causing the decreased revenue in 2013 and 2012.

Administrative Overhead revenue is the fee charged for each vehicle that is in service. The number of vehicles in service varies from month to month and the rate can vary based on type of vehicle. Administrative Overhead revenue was \$1.0 million, \$634,000 and \$638,000 in 2013, 2012, and 2011 respectively. The increase of \$393,000 is primarily due to an increase in overhead rates.

Fuel and fuel loading revenues are affected by year to year changes in vehicle usage and fluctuations in fuel prices. Fuel related revenues were \$89,000, \$94,000, and \$93,000 for 2013, 2012, and 2011 respectively.

Pool car revenues are based on usage and were \$74,000, \$82,000 and \$68,000 for 2013, 2012 and 2011 respectively.

Expenses

Fleet Services operating expense is comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet services expenses were \$6.5, \$6.7 and \$6.6 million in 2013, 2012 and 2011 respectively.

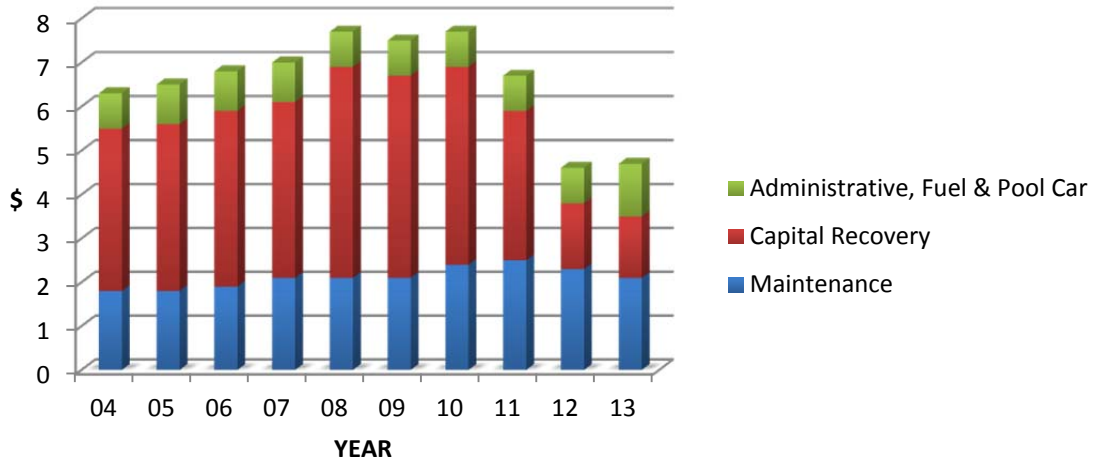
Repairs and service expense relates to shop operations which provide preventive and corrective maintenance and repairs to vehicles and pieces of equipment for Tacoma Public Utilities and other service groups. Repair and service expenses were \$2.3, \$2.5 and \$2.5 million in 2013, 2012 and 2011 respectively.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$327,000, \$268,000 and \$274,000 in 2013, 2012 and 2011 respectively.

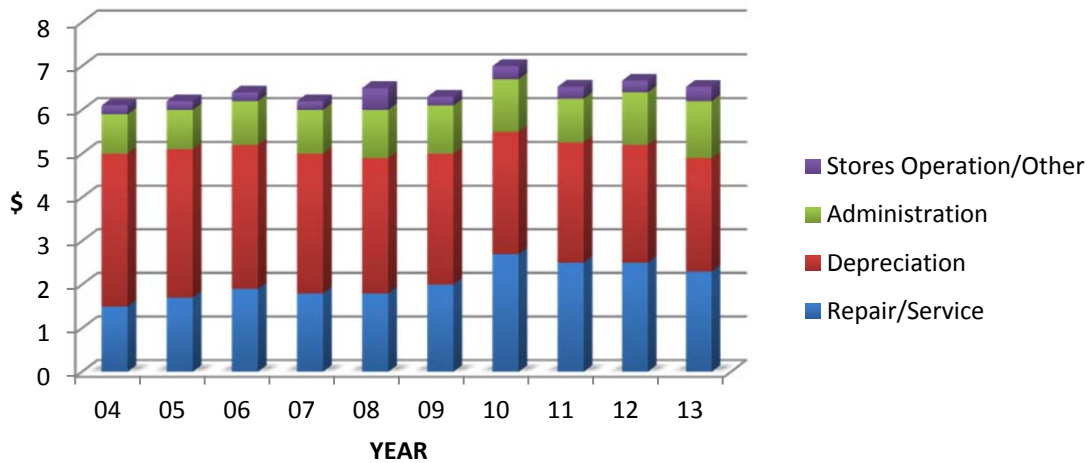
Administration expenses were \$1.3, \$1.2 and \$1.0 million in 2013, 2012 and 2011 respectively. The increase of \$95,000 is mainly due to an increase in assessments for the SAP Work Management System module.

Depreciation expense was \$2.6, \$2.7 and \$2.8 million in 2013, 2012 and 2011 respectively. Fluctuations in depreciation expense are the result of timing in equipment retirements, capitalization of replacements and changes in fleet size.

OPERATING REVENUES (in millions)

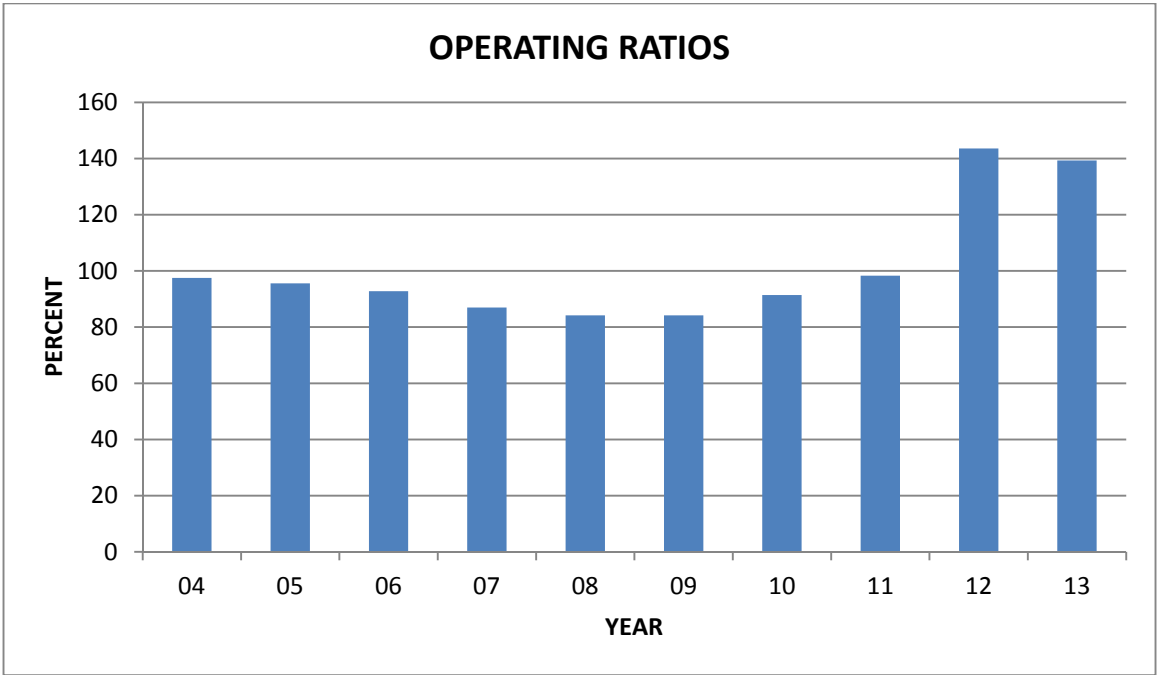


OPERATING EXPENSES (in millions)



Operating Ratio

The Fund's operating ratios, a common measure of efficiency and defined as operating expenses as a percentage of revenue, for 2013, 2012, and 2011 are 139.3%, 143.6%, and 98.3%. The Fund needs to maintain a low operating ratio in order to generate the funds necessary for its extensive capital outlay program. The graph shows how that percentage has fluctuated over the years.



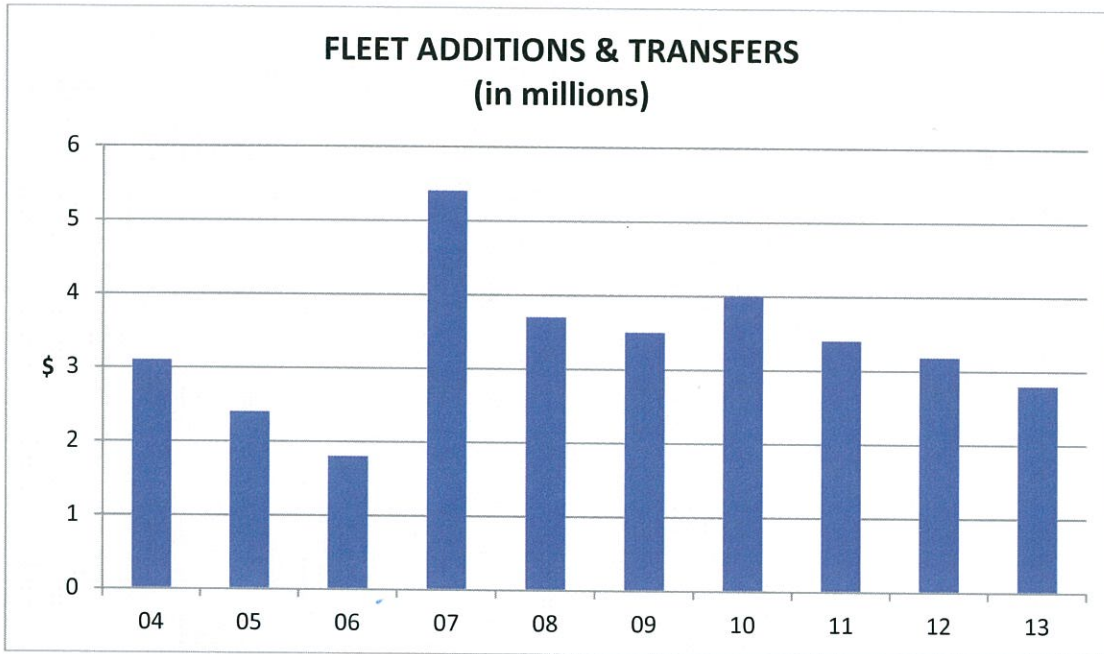
Non-Operating Revenues (Expenses)

Interest income decreased \$193,000 from \$93,000 in 2012 to (\$100,000) in 2013 due to less interest earned on the revenue pool and a (\$154,000) GASB 31 mark to market adjustment. Interest income in 2012 decreased \$268,000 compared to 2011 due to less interest earned on the revenue pool and a (\$13,000) GASB 31 mark to market adjustment.

It is the practice of Fleet Services to arrange for public auction sale of vehicles and equipment that are declared surplus by the assigned sections. Twenty-five vehicles and pieces of equipment were retired in 2013 for a net gain of \$165,000, a decrease of \$81,000 compared to 2012. Fleet Services reported a net gain of \$246,000 in 2012, a decrease of \$5,000 compared to 2011.

Fixed Asset Additions

Purchases of fleet vehicles and equipment in 2013 were \$2.8 million with forty vehicles and pieces of equipment placed into service compared with \$3.2 million in 2012 with forty-two vehicles and pieces of equipment placed into service.



Summary

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Fleet Services fund's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sr. Financial Manager of the Utilities Accounting Division, 3628 South 35th Street, Tacoma, Washington, 98409.

William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

FINANCIAL DATA

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND DECEMBER 31, 2012

	2013	2012
ASSETS		
FIXED		
Office Furniture and Equipment	\$540,905	\$540,905
Stores and Shop Equipment	679,246	593,733
Transportation Equipment	35,503,130	33,115,254
Power-Operated Equipment	19,558,201	19,418,084
Accumulated Depreciation	(37,182,528)	(35,412,942)
Total Fixed Assets	19,098,954	18,255,034
Construction Work in Progress	1,171,100	1,788,875
Net Fixed Assets	20,270,054	20,043,909
CURRENT		
Current Fund Cash & Equity in Pooled Investments	21,331,688	23,559,996
Accounts Receivable	-	8,325
Interdivision Receivable	363,173	2,683,460
Materials and Supplies	312,207	621,381
Total Current Assets	22,007,068	26,873,162
TOTAL ASSETS	\$42,277,122	\$46,917,071

The accompanying notes are an intergral part of these financial statements.

	<u>2013</u>	<u>2012</u>
NET POSITION AND LIABILITIES		
NET POSITION		
Net Investment in Capital Assets	\$20,270,054	\$20,043,909
Restricted for:		
Tacoma Power	17,709,833	17,181,221
Tacoma Water	6,908,667	6,824,584
Tacoma Rail	675,243	642,836
Unrestricted	<u>(4,326,093)</u>	<u>(2,334,341)</u>
TOTAL NET POSITION	41,237,704	42,358,209
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	290,460	1,284,204
Wages Payable	121,953	98,505
Interdivision Payable	447,184	3,023,353
Others	109	684
Total Current Liabilities	<u>859,706</u>	<u>4,406,746</u>
LONG-TERM LIABILITIES		
Employee Vacation and Sick Leave Accrual	<u>179,712</u>	<u>152,116</u>
Total Long-term Liabilities	179,712	152,116
TOTAL LIABILITIES	<u>1,039,418</u>	<u>4,558,862</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$42,277,122</u></u>	<u><u>\$46,917,071</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2013 AND DECEMBER 31, 2012

	DECEMBER 2013	DECEMBER 2012
OPERATING REVENUE		
Maintenance Revenue	\$170,245	\$170,125
Capital Recovery	(252,131)	(247,482)
Administrative Overhead	89,466	51,635
Fuel and Fuel Loading	6,688	8,656
Pool Car Rental	6,111	43,969
Total Operating Revenue	20,379	26,903
OPERATING EXPENSES		
Repairs and Servicing		
Shop Operations	217,235	205,264
Outside Services	650	174
Total Repairs and Servicing	217,885	205,438
Stores Operations	64,531	23,955
Administration	136,588	259,692
Depreciation	207,354	220,261
Total Operating Expenses	626,358	709,346
OPERATING INCOME	(605,979)	(682,443)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	4,287	160,103
Gain (Loss) on Disposition of Equipment	(375)	177,637
Sale of Scrap	-	1,255
Total Non-Operating Revenues (Expenses)	3,912	338,995
Capital Contributions - Grants	-	8,924
Total Capital Contributions	-	8,924
Net Loss Before Transfers	(602,067)	(334,524)
Transfers In	503,590	227,920
CHANGE IN NET POSITION	(\$98,477)	(\$106,604)
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - DECEMBER 31		

The accompanying notes are an integral part of these financial statements.

<u>YEAR TO DATE</u>	<u>YEAR TO DATE</u>		
<u>DECEMBER</u>	<u>DECEMBER</u>	<u>2013/2012</u>	<u>PERCENT</u>
<u>2013</u>	<u>2012</u>	<u>VARIANCE</u>	<u>CHANGE</u>
\$2,101,367	\$2,333,084	(\$231,717)	-9.9%
1,372,888	1,497,410	(124,522)	-8.3%
1,026,674	633,565	393,109	62.0%
89,186	93,830	(4,644)	-4.9%
73,772	82,423	(8,651)	-10.5%
<u>4,663,887</u>	<u>4,640,312</u>	<u>23,575</u>	<u>0.5%</u>
2,248,249	2,443,809	(195,560)	-8.0%
26,052	7,774	18,278	235.1%
<u>2,274,301</u>	<u>2,451,583</u>	<u>(177,282)</u>	<u>-7.2%</u>
326,773	267,989	58,784	21.9%
1,323,636	1,228,920	94,716	7.7%
<u>2,570,362</u>	<u>2,716,103</u>	<u>(145,741)</u>	<u>-5.4%</u>
6,495,072	6,664,595	(169,523)	-2.5%
(1,831,185)	(2,024,283)	193,098	-9.5%
(99,756)	92,913	(192,669)	-207.4%
165,174	246,037	(80,863)	-32.9%
160	1,255	(1,095)	-87.3%
<u>65,578</u>	<u>340,205</u>	<u>(274,627)</u>	<u>-80.7%</u>
-	46,877	(46,877)	-100.0%
-	46,877	(46,877)	-100.0%
(1,765,607)	(1,637,201)	(128,406)	7.8%
645,102	370,066	275,036	74.3%
(1,120,505)	(1,267,135)	\$146,630	-11.6%
42,358,209	43,625,344		
<u>\$41,237,704</u>	<u>\$42,358,209</u>		

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENT OF NET POSITION
DECEMBER 31, 2013

Invested in Capital Assets:		
Balance January 1, 2013	\$20,043,909	
Capital Additions	1,995,731	
Depreciation	<u>(1,769,586)</u>	
 Total Invested in Capital Assets		 \$20,270,054
 Restricted Net Position:		
Balance January 1, 2013	24,648,641	
Net Additions through December 31, 2013	<u>645,102</u>	
 Total Restricted Net Position December 31, 2013		 25,293,743
 Unrestricted Net Position:		
Balance January 1, 2013	(2,334,341)	
Net Reductions through December 31, 2013	<u>(1,991,752)</u>	
 Total Unrestricted Net Position December 31, 2013 ..		 <u>(4,326,093)</u>
 TOTAL NET POSITION DECEMBER 31, 2013		 <u><u>\$41,237,704</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

EQUITY DISTRIBUTION AS OF DECEMBER 31, 2013

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2013	\$29,791,517	\$11,491,837	\$1,074,855	\$42,358,209
Contributions During Year	528,611	84,083	32,407	645,102
Equity Contrib. at Dec 31, 2013 ...	30,320,128	11,575,920	1,107,262	43,003,311
Current Year Operations:				
Total Operating Revenue *	3,288,344	1,255,456	120,087	4,663,887
Less: Repairs & Servicing Expense *	1,603,530	612,212	58,559	2,274,301
Administration Expense ** ...	1,244,077	352,823	53,509	1,650,409
Depreciation Expense	2,029,087	483,192	58,083	2,570,362
Total Expenses	4,876,694	1,448,227	170,151	6,495,072
Net Operating Revenue	(1,588,350)	(192,771)	(50,064)	(1,831,185)
Add: Other Income ***	45,858	18,067	1,653	65,578
Net Operating Results	(1,542,492)	(174,704)	(48,411)	(1,765,607)
Total Equity	<u>\$28,777,636</u>	<u>\$11,401,216</u>	<u>\$1,058,851</u>	<u>\$41,237,704</u>

* Allocated to each division based on total receipts from the divisions.

** Allocated to each division based on vehicle count.

*** Allocated to each division based on total equity in the Fund.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	DECEMBER 31, 2013	DECEMBER 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$6,992,499	\$2,092,659
Cash Paid to Suppliers	(4,408,853)	2,923,673
Cash Paid to Employees	(2,726,127)	(2,841,753)
Net Cash Provided by (Used in) Operating Activities	(142,481)	2,174,579
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Non-Capital Contributions.....	-	20,717
Net Cash Provided by Non-Capital Financing Activities	-	20,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, Net	(1,997,155)	(2,718,793)
Disposition of Equipment/Scrap.....	165,334	247,292
Net Cash Used in Financing Activities	(1,831,821)	(2,471,501)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	(254,006)	79,676
Net Cash Used in Investing Activities	(254,006)	79,676
Net Decrease in Cash and Equity in Pooled Investments	(2,228,308)	(196,529)
Cash and Equity in Pooled Investments at January 1	23,559,996	23,756,525
Cash and Equity in Pooled Investments at December 31	\$21,331,688	\$23,559,996

The accompanying notes are in integral part of these financial statements.

	YEAR TO DATE	
	DECEMBER 31, 2013	DECEMBER 31, 2012
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss	(\$1,831,185)	(\$2,024,283)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,570,362	2,716,103
Accounts Receivable	8,325	51,430
Receivables from Affiliates	2,320,287	(2,599,083)
Materials and Supplies	309,174	(96,801)
Taxes and Other Payables	(994,319)	1,220,073
Payables to Affiliates	(2,576,169)	2,896,326
Salaries, Fringe Benefits and Compensated Absences Payable	51,044	10,814
Total Adjustments	1,688,704	4,198,862
Net Cash Provided by (Used in) Operating Activities	(\$142,481)	\$2,174,579

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fleet Services Fund was established in 1984 by City of Tacoma Ordinance No. 23295. On January 1, 1985, most vehicles owned by the Tacoma Power, Tacoma Water and Tacoma Rail were transferred to this Fund. The purpose of the Fund is to provide for scheduled maintenance, repair, and replacement of Department vehicles.

Basis of Financial Statements. The Fleet Service Fund is an Internal Service Fund of the City of Tacoma used for the operation of the Department of Public Utilities consolidated fleet management program with responsibilities for all vehicle administration under a fleet manager.

The Fund accounts for its financial operation by using a self-balancing set of accounts established primarily for handling transactions of a nature peculiar to Fleet Service operations. A description of the Fund's principal accounting policies follows.

Fixed Assets. Fixed assets are stated at cost and are depreciated primarily using a straight-line method over the estimated useful life of the asset.

Inventory. The inventory is valued on the moving average cost method.

Revenues. Revenues are based on services rendered through the end of the year.

Cash and Equity in Pooled Investments and Investments. The Fund's cash balances are a deposit with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Assets. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Fund, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP). Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the WA State LGIP and/or a Municipal Investor interest bearing demand deposit account maintained with U.S. Bank.

The Fund's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2013 and 2012 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

FLEET SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
(continued)

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations.

NOTE 2 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)

Employees of the Division are covered by the Tacoma Employees' Retirement System (the System), an actuarially funded system operated by the City. The following information is provided on a city-wide basis.

This note emphasizes the employer disclosures and detailed information presented in an independent CAFR issued by the Retirement System. Further detailed information regarding these disclosures can be found in that report which may be obtained by writing to Tacoma Employees' Retirement System, 3628 South 35th Street, Tacoma, Washington 98409.

PLAN DESCRIPTION - The System is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by state or federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of the Pierce Transit and the Law Enforcement Support Agency who established membership in the System when these agencies were still City of Tacoma departments, are also members. It is administered in accordance with RCW Chapter 41.28 and Chapter 1.30 of the Tacoma Municipal Code. There are 2,119 retirees and beneficiaries currently receiving benefits, 434 vested terminated members entitled to future benefits and 2,881 active members of the Tacoma Employees' Retirement System, as of December 31, 2013.

BASIS OF ACCOUNTING - The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefit payments and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

METHOD USED TO VALUE INVESTMENTS - Equity securities, fixed income securities, real estate and short-term investments are all reported at fair market value. Fair market value was determined by our custodian bank utilizing standard industry practices. Private equity investments are reported by the managers subject to their fair value policies. No investment in any one corporation or organization exceeded five percent of net assets available for benefits.

INVESTMENTS AND CONTRACTS - The System has no securities of the employer and related parties included in the plan assets. The System has not made any loans to the employer in the form of notes, bonds, or other instruments.

BENEFITS - There are two formulas that are used for calculating retirement benefits. The benefit will be determined on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is determined based on the member's age and years of service. Several options are available for the retiree to provide for their beneficiaries. The System also provides death and disability retirement.

FLEET SERVICES FUND
 NOTES TO FINANCIAL STATEMENTS
 (continued)

CONTRIBUTIONS - Covered employees are required by Chapter 1.30 of the Tacoma City Code to contribute a percentage of their gross wages to the System, and the employer contributes an additional percentage.

The contribution rates are provided in the following table:

<u>Applicable Period</u>	<u>Employer Rate</u>	<u>Member Rate</u>	<u>Total Rate</u>
1/1/2001 to 2/1/2009	7.56%	6.44%	14.00%
2/2/2009 to 12/31/2009	8.64	7.36	16.00
1/1/2001 to 12/31/2010	9.72	8.28	18.00
1/1/2001 to 12/31/2011	10.26	8.74	19.00
1/1/2012 Forward	10.80	9.20	20.00

FUNDING STATUS AND PROGRESS - Historical trend information about TERS is presented herewith as supplementary information. This information is based on the most recent actuarial valuation performed, dated January 1, 2013, and is intended to help assess TERS funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress (\$ in millions):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (c)=(b)-(a)</u>	<u>Funded Ratio (d)=(a)/(b)</u>	<u>Covered Payroll (e)</u>	<u>UAAL as of Percentage Of Covered Payroll (f)=(c)/(e)</u>
1/1/2011	\$ 1,074.8	\$ 1,132.9	\$ 58.1	94.9%	\$ 219.6	26.5%
1/1/2012	1,068.3	1,185.5	117.2	90.1%	219.4	53.4%
1/1/2013	1,187.1	1,306.6	119.5	90.9%	210.6	56.7%

ACTUARIAL METHODS AND SIGNIFICANT ACTUARIAL ASSUMPTIONS

Valuation Date:	January 1, 2013
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of the System's Projected Payroll
Amortization Period:	30 years, Open, unless fixed rate amortizes less than 30 years
Asset Valuation Method:	Assets are valued at market value, with a four-year smoothing of all market value gains and losses.
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	4.00%
Includes Inflation at	3.00%
Post-Retirement Benefit Increases	2.125%

FLEET SERVICES FUND
NOTES TO FINANCIAL STATEMENTS
(continued)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Dollars in millions :

Year Ending December 31,	Covered Employee Payroll ⁽¹⁾	Actual Employer Contributions	Actual Employer Contribution Rate ⁽²⁾	Annual Required Contribution (ARC) ⁽²⁾	Percentage of ARC Contributed
2011	\$ 219.4	\$ 22.5	10.26%	7.79%	132%
2012	210.6	22.7	10.80%	10.80%	100%
2013	213.8	23.1	10.80%	11.06%	98%

(1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll.

(2) The actual and required employer contributions are expressed as a percentage of payroll.

SCHEDULE OF PARTICIPATING EMPLOYERS

Employer	Active Members as of 12/31/2013	Amount for CY 2013	Payroll
City of Tacoma	2,613	\$ 21,188,984	\$ 196,194,296
Sound 911	4	33,297	308,306
Pierce Transit	7	42,492	393,444
Tacoma Pierce County Health Department	257	1,820,344	16,855,037
	<u>2,881</u>	<u>\$ 23,085,117</u>	<u>\$ 213,751,083</u>

NOTE 3 FLEET SERVICES REFUND. Fleet Services' management makes an annual assessment of the capital replacement reserve balance for appropriate funding levels. It is the Fund's policy to maintain the Fund's maximum balance at a level that will provide adequate purchasing power for two budget cycles and to return any excess funds to customers based on their scheduled monthly payments. The solvency of the Replacement Fund also allowed Fleet Services to return a portion of the interest earned on fund investments for the year to their customers. In 2013 and 2012, Fleet Services returned 75% of the interest earned on the capital replacement reserve to the appropriate users. The amounts refunded in 2013 and 2012 were \$163,483 and \$282,933 respectively.

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STATISTICAL DATA

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

TEN-YEAR FINANCIAL REVIEW

STATEMENTS OF NET POSITION	2004	2005	2006	2007
ASSETS				
Fixed - Net	\$17,669,199	\$16,560,346	\$15,026,707	\$17,162,675
Current	16,332,680	17,817,969	20,585,239	20,805,271
TOTAL ASSETS	34,001,879	34,378,315	35,611,946	37,967,946
LIABILITIES				
Current	1,070,185	655,569	528,266	1,049,064
NET POSITION	32,931,694	33,722,746	35,083,680	36,918,882
TOTAL LIABILITIES AND NET POSITION	\$34,001,879	\$34,378,315	\$35,611,946	\$37,967,946
 STATEMENTS OF INCOME				
OPERATING REVENUES				
Maintenance Revenue	\$1,753,175	\$1,755,173	\$1,913,593	\$2,110,494
Capital Recovery	3,709,522	3,820,736	3,974,155	4,048,384
Pool Car Rental	67,074	47,586	67,295	69,371
Administrative and Fuel	743,301	853,431	854,802	868,384
Total Operating Revenues	6,273,072	6,476,926	6,809,845	7,096,633
OPERATING EXPENSES				
Repairs and Servicing	1,499,328	1,732,938	1,880,979	1,781,438
Stores Operations	231,506	195,254	176,562	165,065
Administration	862,827	895,638	952,489	997,401
Depreciation	3,520,908	3,366,900	3,309,694	3,230,966
Total Operating Expenses	6,114,569	6,190,730	6,319,724	6,174,870
OPERATING INCOME (LOSS)	158,503	286,196	490,121	921,763
NON-OPERATING INCOME (EXPENSE)				
Interest Income	(6,838)	(70,738)	334,788	420,599
Net Other Income (Expense)	66,379	65,961	86,438	63,918
Total Non-Operating				
Income (Expense)	59,541	(4,777)	421,226	484,517
Net Income (Loss) Before				
Contributions & Transfers ...	218,044	281,419	911,347	1,406,280
Total Capital Contributions	-	-	-	-
Transfers In *	1,176,085	509,633	458,891	428,922
NET INCOME (LOSS)	\$1,394,129	\$791,052	\$1,370,238	\$1,835,202

2008	2009	2010	2011	2012	2013
\$17,666,394	\$18,100,171	\$19,164,435	\$19,631,756	\$20,043,909	\$20,270,054
23,370,520	23,665,442	26,034,139	24,425,237	26,873,162	22,007,068
41,036,914	41,765,613	45,198,574	44,056,993	46,917,071	42,277,122
1,802,197	753,706	2,728,220	431,649	4,558,862	1,039,418
39,234,717	41,011,907	42,470,354	43,625,344	42,358,209	41,237,704
\$41,036,914	\$41,765,613	\$45,198,574	\$44,056,993	\$46,917,071	\$42,277,122
\$2,128,335	\$2,096,838	\$2,369,705	\$2,499,589	\$2,333,084	\$2,101,367
4,831,680	4,568,298	4,462,261	3,382,819	1,497,410	1,372,888
98,226	93,436	86,625	68,411	82,423	73,772
756,571	723,748	731,116	730,871	727,395	1,115,860
7,814,812	7,482,320	7,649,707	6,681,690	4,640,312	4,663,887
1,793,119	2,004,911	2,713,546	2,488,151	2,451,583	2,274,301
546,055	202,206	257,075	274,399	267,989	326,773
1,143,615	1,092,601	1,181,369	1,047,029	1,228,920	1,323,636
3,100,034	2,999,842	2,838,774	2,756,785	2,716,103	2,570,362
6,582,823	6,299,560	6,990,764	6,566,364	6,664,595	6,495,072
1,231,989	1,182,760	658,943	115,326	(2,024,283)	(1,831,185)
222,535	148,018	(5,943)	360,639	92,913	(99,756)
14,828	112,895	230,375	253,627	247,292	165,334
237,363	260,913	224,432	614,266	340,205	65,578
1,469,352	1,443,673	883,375	729,592	(1,684,078)	(1,765,607)
-	-	4,000	174,815	46,877	-
846,483	333,517	571,072	250,583	370,066	645,102
\$2,315,835	\$1,777,190	\$1,458,447	\$1,154,990	(\$1,267,135)	(\$1,120,505)

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

FLEET PLANT IN SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2013

FIXED ASSET ACCOUNTS

	Book Cost 1/1/13	Additions 2013
Office Furniture and Equipment	\$540,905	\$ -
Stores and Shop Equipment	679,246	-
Transportation Equipment	33,029,741	1,831,150
Power-Operated Equipment	19,418,084	189,941
Construction Work in Progress.....	1,788,875	787,894
TOTAL FIXED ASSETS	\$55,456,851	\$2,808,985

ACCUMULATED DEPRECIATION ACCOUNTS

	Depreciation Rate %	Accumulated Depreciation 1/1/13
Office Furniture and Equipment	Various	\$540,905
Stores and Shop Equipment	Various	515,270
Transportation Equipment	Various	19,428,802
Power-Operated Equipment	Various	14,927,965
TOTAL ACCUMULATED DEPRECIATION		\$35,412,942

<u>Retirements 2013</u>	<u>Transfers & Adjustments</u>	<u>Book Cost 12/31/13</u>
\$ -	\$ -	\$540,905
-	-	679,246
(763,431)	1,405,669	35,503,129
(60,296)	10,473	19,558,202
<u>-</u>	<u>(1,405,669)</u>	<u>1,171,100</u>
<u><u>(\$823,727)</u></u>	<u><u>\$10,473</u></u>	<u><u>\$57,452,582</u></u>

<u>Annual Accrual Cr.</u>	<u>Transfers & Adjustments</u>	<u>Accumulated Depreciation 12/31/13</u>
\$ -	\$ -	\$540,905
17,788	-	533,058
2,019,509	(749,905)	20,698,406
<u>533,065</u>	<u>(50,871)</u>	<u>15,410,159</u>
<u><u>\$2,570,362</u></u>	<u><u>(\$800,776)</u></u>	<u><u>\$37,182,528</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
FLEET SERVICES FUND

TAXES AND EMPLOYEE WELFARE CONTRIBUTIONS
FOR THE YEAR 2013

FEDERAL

Social Security (FICA)		\$137,619
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STATE OF WASHINGTON

Retail Sales Tax	326,467	
State Employment Security	1,979	
Total		328,446

TOTAL TAXES		\$466,065
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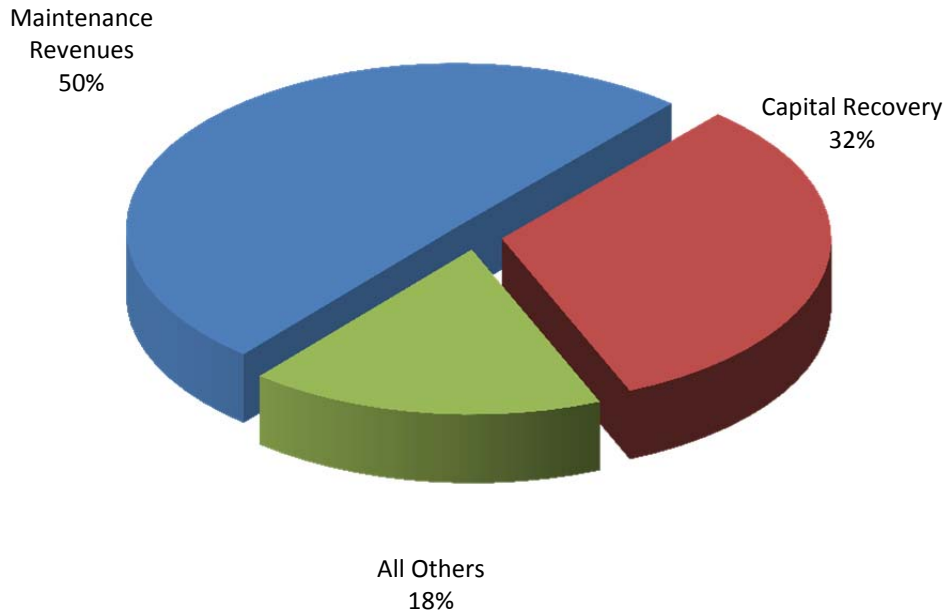
Taxes as a % of Total Revenues of \$4,663,887.....		9.99%
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EMPLOYEE WELFARE CONTRIBUTIONS

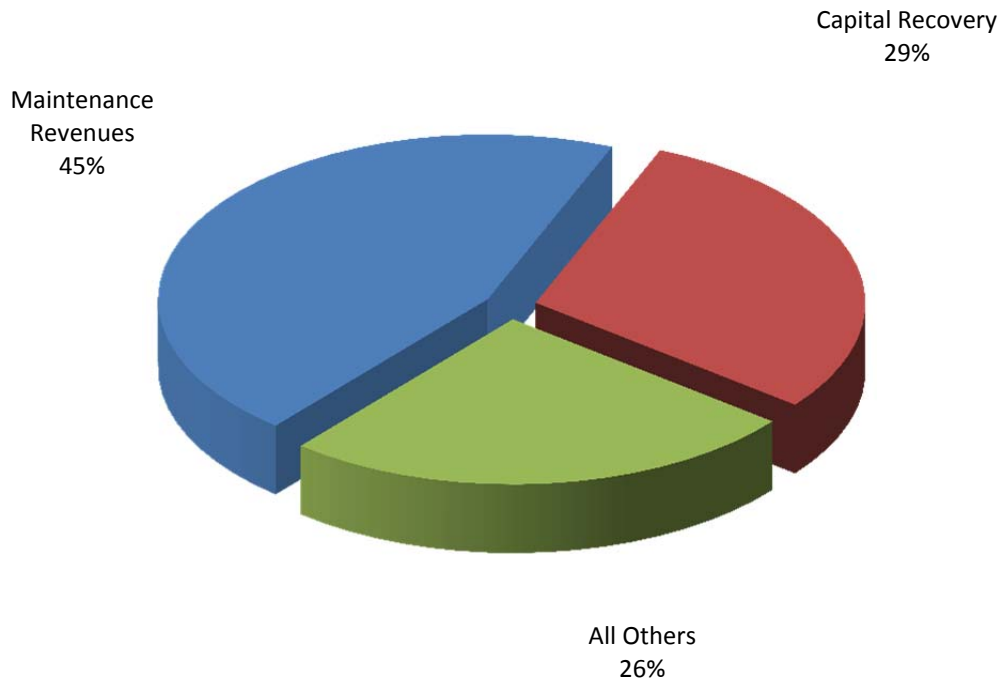
Industrial Insurance and Medical Aid	\$56,864	
City of Tacoma Pension Fund	190,661	
Washington Dental Service	40,801	
Pierce County Medical Bureau	406,132	

TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		\$694,458
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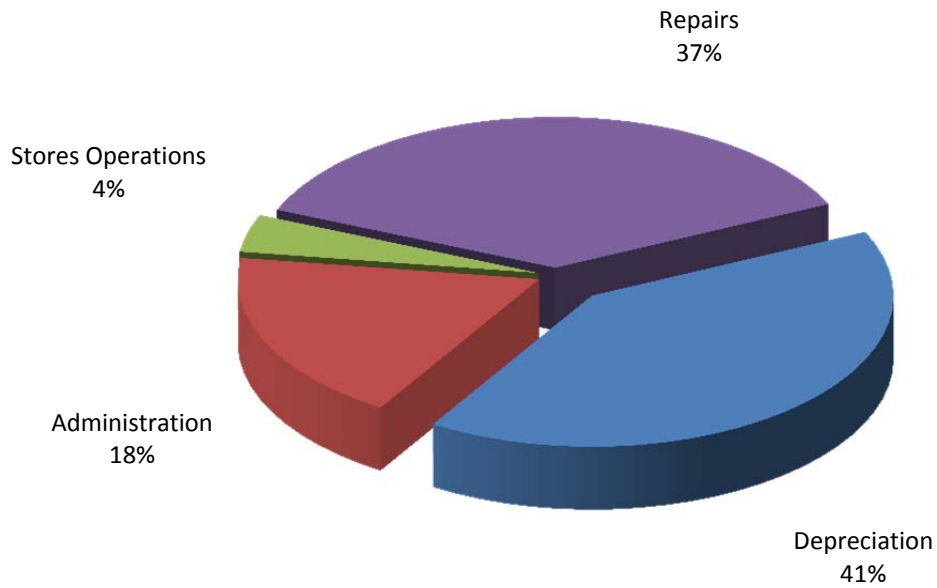
TOTAL OPERATING REVENUES
Year to Date - December 2012 (\$4,640,312)



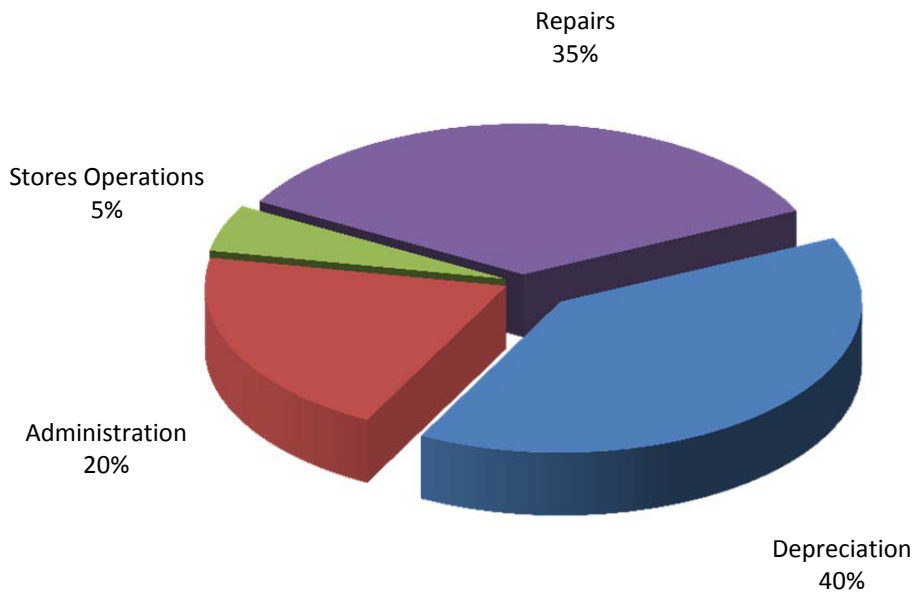
TOTAL OPERATING REVENUES
Year to Date - December 2013 (\$4,663,887)



TOTAL OPERATING EXPENSES
Year to Date - December 2012 (\$6,664,595)



TOTAL OPERATING EXPENSES
Year to Date - December 2013 (\$6,495,072)



FLEET MANAGER'S REPORT

Fleet Services completed a successful year providing vehicle and equipment maintenance and management services to our customers.

Fleet Finance

Fleet Services continues to credit customers for vehicle and equipment replacement contributions. Customers were credited three months replacement contributions. This was possible because of a decision to keep the fund's maximum balance at a level that will provide adequate purchasing power for two budget cycles and return any excess funds to customers based on their scheduled monthly payments. The three-month credits amounted to \$396,609.

The solvency of the Replacement Fund also allowed Fleet Services to return interest earned on fund investments for the year to our customers. A total of \$163,483 was credited to individual vehicle replacement funds through December 2013, with the allocation based on the amount each had paid into the fund.

After returning these funds to customers, the Fleet Fund ended the year with a \$21,331,688 cash and investment balance. This amount will allow us to continue monthly replacement payment credits in the next biennium.

Fleet Services worked with customers during the year to assure they had the vehicles and equipment needed to perform their duties. Specification and purchasing procedures were completed for 66 pieces of equipment. Fleet Services arranged for public auction sale of 22 pieces of equipment that were declared surplus by the assigned sections.

Fleet Maintenance

Fleet Services maintenance shop performed 2,410 preventive maintenance services and inspections and 4,073 corrective work orders on Public Utilities and equipment.

Fleet Services also performed state-mandated emissions testing on 336 vehicles without any failures.

Fleet Initiatives

Fleet process improvements were recommended in the Transmission and Distribution Section Assessment Study conducted by Schumaker and Company in 2011 published in 2013. As a result, a Fleet Initiative was launched in alignment with Tacoma Power's Strategic Objective [IP01] Operate More Efficiently. The improvement efforts are also in line with recommendations made as a result of a Fleet Utilization Study conducted by Mercury & Associates in 2012 that Fleet started to and will continue to implement. Fleet has met with user groups and discussed the outcomes of the studies and the effects of Fleet operating costs moving forward. A key aspect of the Fleet Initiative is the continued focus on controlling fleet growth with assets that are retained with a status of "in service no replacement" (INSNRPL). Assets that have been retained after they have been replaced continue to expand the fleet and increase operation and maintenance costs over time. This practice now has more oversight and reports are being distributed for management for review. Our goal is to dispose of Fleet assets at the end of usable life, and if growth assets are required, conduct a capital request for funding so it is properly budgeted for as opposed to retention of an asset that has exceeded its usable lifecycle. Further work with the user groups in order to disseminate the process of the lifecycle costing model is currently being worked, which has aided fleet in getting this message out.

Fleet Parts

Fleet Services parts warehouse issued \$627,467 in parts in support of the maintenance shop. Of this amount, 46% percent (\$286,409) was issued from stock and 54 percent (\$341,417) was ordered non-stock from vendors. The Fleet parts warehouse accomplished 10,315 issue transactions totaling 30,106 items.

Fleet Staff Development

Fleet Services employees received an average of 30.2 hours of technical, personal development, and safety-oriented training per person.

The Fleet Services Tool and Training Committee helped specify and obtain tools and shop equipment designed to increase productivity and safety.

Aaron Alvarado
Fleet Manager



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.