



*Fleet Services Division
Financial Report
December 2013*

**City of Tacoma
Fleet Services
Administrative Division
Public Works Department
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Notification

These financial statements are unaudited reports prepared primarily for the use of management. Immaterial differences may occur due to rounding.

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Management's Discussion and Analysis

City of Tacoma
Public Works Department
Fleet Services Division
Management's Discussion and Analysis
December 31, 2013

Financial Highlights

Fleet Services' assets exceeded liabilities by \$24.0 million at December 31, 2013, and \$24.1 million at December 31, 2012.

The Fund incurred a loss before contributions and transfers of \$1.5 million in 2013, compared to a loss of \$1.7 million in 2012.

As of January 1st, 2013, the Division added a new Capital Outlay General Fund for the general fund departments, such as Fire, Police and Streets and Grounds. This is separate from the other Capital Outlay Non-General Fund created for the Environmental Services Utilities.

Since vehicle replacement or lease revenue has been partially suspended by the general fund departments, the majority of their vehicle purchases are being funded by the Limited Tax General Obligation (LTGO) Fund.

Financial Analysis – Condensed Consolidated Comparative Statements of Net Position

	<u>2013</u>	<u>December 31, 2012</u>	<u>Increase (Decrease)</u>
Current assets	\$ 5,971,781	\$ 5,355,481	\$ 616,300
Operating Fund capital assets	2,517,154	2,640,224	(123,070)
Capital assets leased to others	17,069,445	16,617,575	451,870
Total assets	<u>\$ 25,558,380</u>	<u>\$ 24,613,280</u>	<u>\$ 945,100</u>
Current liabilities	\$ 1,333,821	\$ 300,471	\$ 1,033,350
Noncurrent liabilities	227,764	203,366	24,398
Total liabilities	<u>1,561,585</u>	<u>503,837</u>	<u>1,057,748</u>
Invested in capital assets	19,586,599	19,257,799	328,800
Unrestricted assets	4,410,196	4,851,644	(441,448)
Total net position	<u>23,996,795</u>	<u>24,109,443</u>	<u>(112,648)</u>
Total liabilities and net position	<u>\$ 25,558,380</u>	<u>\$ 24,613,280</u>	<u>\$ 945,100</u>

The current ratio for the Operating Fund is 4.9 in 2013 and 5.3 in 2012. A current ratio is a measure of liquidity; a ratio of 2.0 or higher is considered financially strong.

Current assets

Current assets increased \$616,000 (11.5%) from December 31, 2012 to December 31, 2013. Operating cash increased \$485,000 to a balance of \$1.6 million.

Cash in the Capital Outlay Non-General Fund remained constant at \$3.7 million. Cash in the Capital Outlay General Fund increased to a balance of \$137,600 due mostly to receipts from the sale of vehicles.

Liabilities

Current liabilities increased \$1.0 million mostly due to an increase of \$980,000 in accounts payable. Fire equipment worth of \$913,000 was received in November 2013 but paid in 2014.

Noncurrent liabilities increased \$24,000 due to the increase in long-term compensated absences.

Capital assets leased to others

Capital assets leased to others increased \$452,000 to \$17.1 million. Equipment increased \$1.6 million due to purchases of vehicles for \$3.4 million net of sales, trades and transfers to other departments of \$1.8 million.

The purchases are listed below:

- 1 Rosenbauer pumper for \$697,000
- 1 road street sweeper for \$299,000
- 5 trucks for \$407,000
- 1 Freightliner Versalift for \$221,000
- 1 Leeboy track paver for \$119,000
- 2 crack sealant melter for \$113,000
- 1 Darley pumper for \$541,000
- 2 Box vans for \$103,000
- Other vehicle purchases for \$900,000

Purchased equipment not yet in service increased \$13,000 compared to last year. It is not unusual for purchased equipment not yet in service to fluctuate due to the difference in timing of the purchases and when the vehicles go into service.

Accumulated depreciation on capital assets leased to others increased from \$29.1 million to \$30.2 million, a net change of \$1.1 million.

Financial Analysis – Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year-to-Date December		Increase (Decrease)
	2013	2012	
Operating revenue	\$ 8,774,557	\$ 8,971,617	\$ (197,060)
Operating expense	10,522,601	10,850,211	(327,610)
Operating income (loss)	(1,748,044)	(1,878,594)	130,550
Nonoperating revenues (expenses)	275,979	152,449	123,530
Income (loss) before contributions and transfers	(1,472,065)	(1,726,145)	254,080
Contribution for purchase of capital assets	900,335	1,927,700	(1,027,365)
Contribution from (to) other funds	(7,708)	60,810	(68,518)
Transfers from (to) other funds - cash	10,681	-	10,681
Transfers from (to) other funds - vehicles	456,109	-	456,109
Change in net position	(112,648)	262,365	(375,013)
Total net position - beginning	24,109,443	23,847,078	262,365
Total net position - ending	\$ 23,996,795	\$ 24,109,443	\$ (112,648)

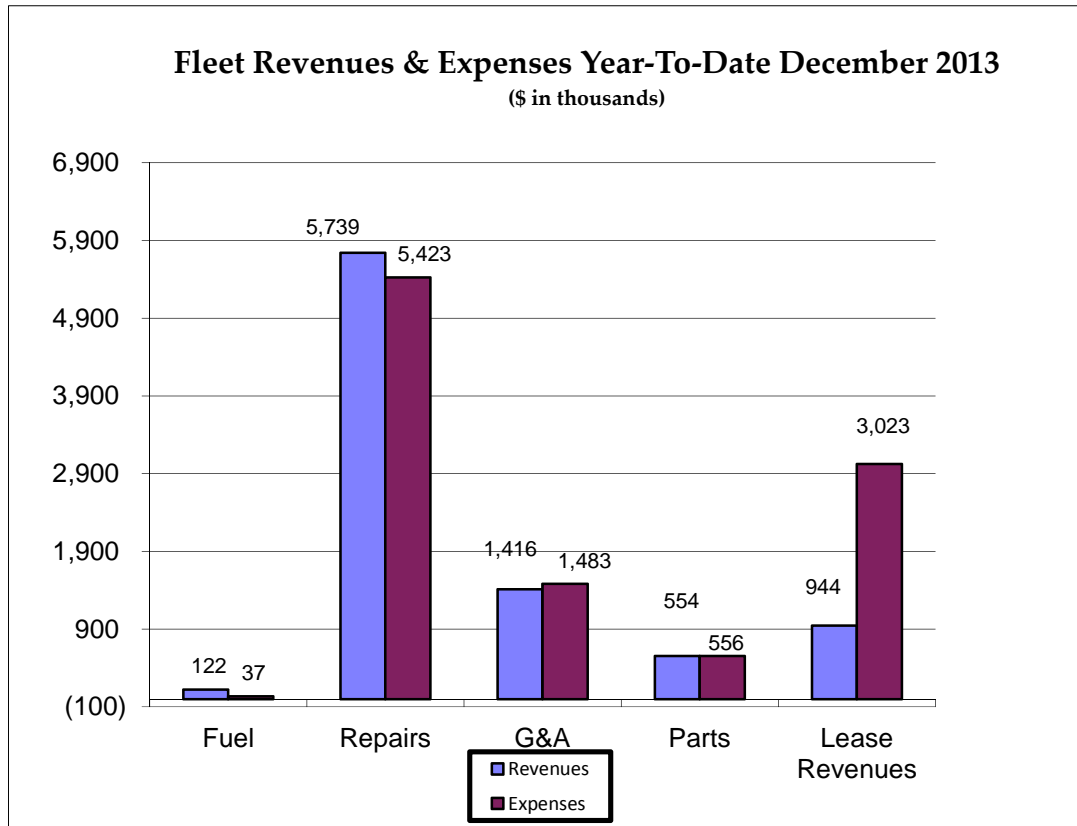
Operating activities

For the year ended December 31, 2013, operating revenues decreased \$197,000 and operating expenses decreased \$328,000.

Services and repairs revenue and full service maintenance revenue decreased a combined \$630,000 (10%) due to a reduction of several automotive technicians. This decrease was offset by an increase in administrative revenue of \$349,000 (33%) and lease revenue of \$53,000.

Shop operation expenses decreased \$710,000 (12%) and general and administrative expenses increased \$398,000 (37%).

The following graph shows a sizeable disparity between lease revenues of \$944,000 and vehicle depreciation expenses of \$3.0 million. This is due to the elimination of Fire, Police and Streets and Grounds vehicle replacement fees which contribute a large part of the lease revenues.



Non-operating revenues (expenses)

Non-operating revenues increased \$124,000 (81%) for the year 2013 compared to 2012. This is mostly due to the increase of \$186,000 in proceeds from sales of vehicles and the decrease of \$63,000 in interest earned from pooled investments.

Contributions and transfers

Contributions from the LTGO Fund for the purchase of vehicles and equipment decreased \$1.0 million to \$900,000.

In March 2013, Public Works made a cash transfer of \$9,000 and in April 2013 Wastewater made a transfer of \$2,000 to reimburse Fleet for the purchase of its vehicles.

In September 2013, Fleet contributed \$8,000 to the Information Technology Fund for purchase of new radio communications equipment.

As of December 31, 2013, vehicles and equipment transfers to Fleet totaled \$456,000. Fleet donated \$85,000 in October 2013 to Streets and Grounds and Fire Department transferred \$541,000 to Fleet in December 2013.

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Financial Statements

**City of Tacoma
Public Works Department
Fleet Services Division
Statements of Net Position (Unaudited)**

	December 31,		Increase
	2013	2012	(Decrease)
ASSETS			
Current assets :			
Cash and equity in pooled investments:			
Operating Fund	\$ 1,583,347	\$ 1,098,042	\$ 485,305
Capital Outlay Non-General Fund	3,738,002	3,737,171	831
Capital Outlay General Fund	137,600	-	137,600
Total cash and equity in pooled investments	<u>5,458,949</u>	<u>4,835,213</u>	<u>623,736</u>
Accounts receivable	61,300	57,342	3,958
Due from other funds	17,059	39,591	(22,532)
Inventories	409,283	399,744	9,539
Prepaid items	25,190	23,591	1,599
Total current assets	<u>5,971,781</u>	<u>5,355,481</u>	<u>616,300</u>
Noncurrent assets:			
Operating Fund capital assets:			
Buildings	3,471,693	3,471,693	-
Equipment	381,526	368,385	13,141
Less accumulated depreciation	<u>(1,336,065)</u>	<u>(1,199,854)</u>	<u>(136,211)</u>
Assets in service, net	<u>2,517,154</u>	<u>2,640,224</u>	<u>(123,070)</u>
Total Operating Fund capital assets	<u>2,517,154</u>	<u>2,640,224</u>	<u>(123,070)</u>
Capital assets leased to others:			
Equipment	44,757,237	43,188,272	1,568,965
EV charging stations	118,756	118,756	-
Purchased equipment not yet in service	2,410,639	2,397,402	13,237
Less accumulated depreciation	<u>(30,217,187)</u>	<u>(29,086,855)</u>	<u>(1,130,332)</u>
Total capital assets leased to others	<u>17,069,445</u>	<u>16,617,575</u>	<u>451,870</u>
Total noncurrent assets	<u>19,586,599</u>	<u>19,257,799</u>	<u>328,800</u>
Total assets	<u>\$ 25,558,380</u>	<u>\$ 24,613,280</u>	<u>\$ 945,100</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,070,484	\$ 90,154	\$ 980,330
Accrued wages and benefits payable	146,326	118,117	28,209
Compensated absences	25,307	22,596	2,711
Accrued taxes payable	3,109	3,562	(453)
Due to other funds	88,595	66,042	22,553
Total current liabilities	<u>1,333,821</u>	<u>300,471</u>	<u>1,033,350</u>
Noncurrent liabilities:			
Compensated absences	227,764	203,366	24,398
Total noncurrent liabilities	<u>227,764</u>	<u>203,366</u>	<u>24,398</u>
Total liabilities	<u>1,561,585</u>	<u>503,837</u>	<u>1,057,748</u>
NET POSITION			
Invested in capital assets	19,586,599	19,257,799	328,800
Unrestricted	4,410,196	4,851,644	(441,448)
Total net position	<u>23,996,795</u>	<u>24,109,443</u>	<u>(112,648)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,558,380</u>	<u>\$ 24,613,280</u>	<u>\$ 945,100</u>

These statements should be read in conjunction with the Notes to the Financial Statements contained in the City of Tacoma's appropriate Comprehensive Annual Financial Report (CAFR).

City of Tacoma
Public Works Department
Fleet Services Division
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)

	Month of December		Year-to-Date December		Increase	% CHG
	2013	2012	2013	2012	(Decrease)	
OPERATING REVENUES						
Administrative revenue	\$ 120,672	\$ 88,182	\$ 1,415,901	\$ 1,066,511	\$ 349,390	33%
Lease revenue	81,922	73,732	943,972	890,671	53,301	6%
Fuel revenue	8,930	9,392	122,066	132,319	(10,253)	(8%)
Vendor repair revenue	12,498	4,332	88,097	61,211	26,886	44%
Services and repairs revenue	317,112	288,267	3,722,573	4,277,878	(555,305)	(13%)
Parts revenue	44,903	33,792	553,850	540,354	13,496	2%
Full service maintenance revenue	160,812	166,223	1,928,098	2,002,673	(74,575)	(4%)
Total operating revenues	<u>746,849</u>	<u>663,920</u>	<u>8,774,557</u>	<u>8,971,617</u>	<u>(197,060)</u>	<u>(2%)</u>
OPERATING EXPENSES						
Depreciation	252,100	250,593	3,023,078	3,045,156	(22,078)	(1%)
Shop operation expenses	494,953	441,215	5,423,123	6,132,657	(709,534)	(12%)
Parts sales expenses	51,706	53,771	556,195	575,571	(19,376)	(3%)
Fuel sales expenses	4,835	3,493	36,727	11,609	25,118	216%
General and administration expenses	167,995	119,522	1,483,478	1,085,218	398,260	37%
Total operating expenses	<u>971,589</u>	<u>868,594</u>	<u>10,522,601</u>	<u>10,850,211</u>	<u>(327,610)</u>	<u>(3%)</u>
Operating income (loss)	<u>(224,740)</u>	<u>(204,674)</u>	<u>(1,748,044)</u>	<u>(1,878,594)</u>	<u>130,550</u>	<u>(7%)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest earned on pooled investments:						
- Operating Fund	(7,034)	3,095	3,115	15,240	(12,125)	(80%)
- Capital Outlay Funds	(21,886)	6,778	14,392	65,036	(50,644)	(78%)
Gain(loss) on disposal of capital assets	(431)	(297)	(7,257)	(1,493)	(5,764)	386%
Cash proceeds from sale of capital assets	29,300	-	257,025	70,863	186,162	263%
Miscellaneous nonoperating income (expense)	-	4,200	4,789	2,803	1,986	71%
Cash proceeds from miscellaneous sales	-	-	3,915	-	3,915	N/A
Total nonoperating revenues	<u>(51)</u>	<u>13,776</u>	<u>275,979</u>	<u>152,449</u>	<u>123,530</u>	<u>81%</u>
CHANGE IN NET POSITION						
Income (loss) before contributions/transfers	(224,791)	(190,898)	(1,472,065)	(1,726,145)	254,080	(15%)
Contribution for purchase of capital assets	50,556	182,220	900,335	1,927,700	(1,027,365)	(53%)
Contribution from (to) other funds	-	-	(7,708)	60,810	(68,518)	(113%)
Transfers from other funds - cash	-	-	10,681	-	10,681	N/A
Transfers from (to) other funds - vehicles	541,064	-	456,109	-	456,109	N/A
Change in net position	<u>\$ 366,829</u>	<u>\$ (8,678)</u>	<u>(112,648)</u>	<u>262,365</u>	<u>(375,013)</u>	<u>(143%)</u>
Total net position - beginning			<u>24,109,443</u>	<u>23,847,078</u>	<u>262,365</u>	<u>1%</u>
Total net position - ending			<u>\$ 23,996,795</u>	<u>\$ 24,109,443</u>	<u>\$ (112,648)</u>	<u>(0%)</u>

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City of Tacoma
Public Works Department
Fleet Services Division
Statements of Cash Flows (Unaudited)

	Year-to-Date December 2013	2012	Increase (Decrease)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 8,792,678	\$ 9,769,315	\$ (976,637)
Payments to suppliers	(2,243,921)	(3,395,642)	1,151,721
Payments to employees	(4,208,539)	(4,707,743)	499,204
Net cash provided (used) by operating activities	<u>2,340,218</u>	<u>1,665,930</u>	<u>674,288</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution from (to) other funds	(7,708)	60,810	(68,518)
Net cash provided (used) by noncapital and related financing activities	<u>(7,708)</u>	<u>60,810</u>	<u>(68,518)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(2,903,026)	(2,759,757)	(143,269)
Cash proceeds from sale of capital assets	257,025	70,863	186,162
Cash transferred from (to) other funds	10,681	-	10,681
Contribution in aid of capital assets	900,335	1,927,700	(1,027,365)
Net cash provided (used) by capital and related financing activities	<u>(1,734,985)</u>	<u>(761,194)</u>	<u>(973,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	17,507	80,276	(62,769)
Miscellaneous non-operating income	8,704	2,803	5,901
Net cash provided (used) by investing activities	<u>26,211</u>	<u>83,079</u>	<u>(56,868)</u>
Net increase (decrease) in cash and equity in pooled investments	623,736	1,048,625	(424,889)
Cash and equity in pooled investments - beginning	<u>4,835,213</u>	<u>3,786,588</u>	<u>1,048,625</u>
Cash and equity in pooled investments - ending	<u>\$ 5,458,949</u>	<u>\$ 4,835,213</u>	<u>\$ 623,736</u>

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**City of Tacoma
Public Works Department
Fleet Services Division
Statements of Cash Flows (Unaudited)**

	Year-to-Date December 2013	2012	Increase (Decrease)
Reconciliation of cash and equity in pooled investments to balance sheet:			
Cash and equity in pooled investments:			
Operating Fund	\$ 1,583,347	\$ 1,098,042	\$ 485,305
Capital Outlay Non-General Fund	3,738,002	3,737,171	831
Capital Outlay General Fund	137,600	-	137,600
	<u>\$ 5,458,949</u>	<u>\$ 4,835,213</u>	<u>\$ 623,736</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (expense)	<u>\$ (1,748,044)</u>	<u>\$ (1,878,594)</u>	<u>\$ 130,550</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	3,023,078	3,045,156	(22,078)
Accounts receivable	(3,958)	(2,309)	(1,649)
Prepaid expenses	(1,599)	(2,834)	1,235
Supplies inventory	(9,539)	39,626	(49,165)
Due from other funds	22,532	800,309	(777,777)
Due to other funds	22,553	(10,493)	33,046
Accounts payable	980,330	(278,677)	1,259,007
Accrued wages and compensated absences	55,318	(45,952)	101,270
Accrued taxes payable	(453)	(302)	(151)
Total adjustments	<u>4,088,262</u>	<u>3,544,524</u>	<u>543,738</u>
Net cash provided (used) by operating activities	<u>\$ 2,340,218</u>	<u>\$ 1,665,930</u>	<u>\$ 674,288</u>

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