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*MARCH*

*TACOMA WATER*

2016

**FINANCIAL  
REPORT**





# Public Utility Board

BRYAN FLINT

Chair

MARK PATTERSON

Vice-Chair

MONIQUE TRUDNOWSKI

Secretary

WOODROW JONES

Member

KAREN LARKIN

Member

WILLIAM A. GAINES  
Director of Utilities/CEO

LINDA MCCREA  
Superintendent

ANDREW CHERULLO  
Finance Director

DEPARTMENT OF PUBLIC UTILITIES  
CITY OF TACOMA



# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of the Financial Statements

### Summary

For the first quarter of 2016, Tacoma Water is reporting year-to-date operating income of \$2.4 million compared to \$2.6 million in 2015. Operating revenues increased \$2.6 million (14.5%) and operating expenses increased \$2.8 million (18.8%). The year to date change in net position for 2016 was (\$0.4) million compared to (\$0.1) million in 2015.

### Revenues

Water sales revenues increased by \$2.1 million (14.2%) in the first quarter of 2016 compared to the same period in 2015. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class for the first three months of 2016.

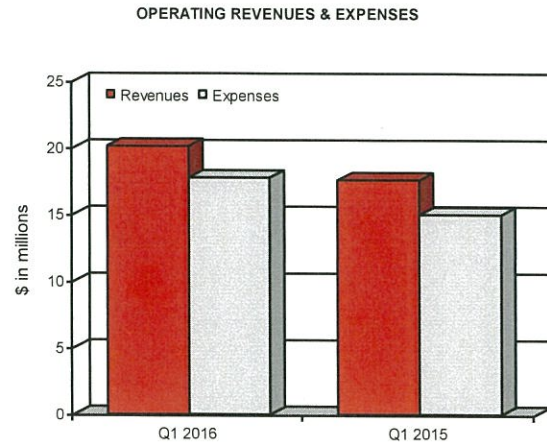
<b>Customer Class</b>	<b>Changes Related to:</b>		<b>YTD Increase (Decrease)</b>
	<b>Rate</b>	<b>Volume</b>	
Residential and Domestic	\$ 572,838	\$ 650,905	\$ 1,223,743
Commercial and Industrial	205,798	369,340	575,138
Special Rate	124,098	(137,167)	(13,069)
Other	(44,636)	321,193	276,557
<b>Total</b>	<b>\$ 858,098</b>	<b>\$ 1,204,271</b>	<b>\$ 2,062,369</b>

Consumption for the first three months of 2016 was 3,812 million gallons, compared to 3,673 million gallons for the same period in 2015. Regional Water Supply System (RWSS) partners received 882 million gallons. The following table summarizes water consumption by customer class year-to-date.

<b>Customer Class</b>	<b>Millions of Gallons</b>		<b>YTD Increase (Decrease)</b>	<b>%</b>
	<b>2016</b>	<b>2015</b>		
Residential and Domestic	1,572.39	1,469.82	102.57	7%
Commercial and Industrial	639.45	572.71	66.74	12%
Special Rate	1,267.97	1,407.67	(139.70)	(10%)
Other	332.00	222.31	109.69	49%
<b>Total</b>	<b>3,811.81</b>	<b>3,672.51</b>	<b>139.30</b>	<b>4%</b>

**Expenses**

Operating expenses were \$17.8 million for the first three months of 2016, an increase of \$2.8 million compared to 2015. Depreciation expense increased by \$1.7 million (39.3%) due to an increase in depreciable assets of \$192.3 million during 2015. Water Treatment experienced an increase of \$0.5 million which can be attributed to the Green River Filtration Facility coming online. The increase in operating expense is also due in part to a shift in focus from capital related projects to operations and maintenance. This shift contributed to increases of \$0.2 million in Distribution and \$0.3 million in Administrative and General.



William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director

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 - MARCH 31, 2016 AND MARCH 31, 2015

<b>ASSETS AND DEFERRED INFLOWS</b>	<u>2016</u>	<u>2015</u>
<b>UTILITY PLANT</b>		
Water Plant in Service .....	\$1,058,338,589	\$1,042,073,583
Less Depreciation and Amortization .....	<u>(200,287,408)</u>	<u>(184,534,169)</u>
Total .....	858,051,181	857,539,414
Construction Work in Progress .....	<u>24,298,479</u>	<u>20,383,617</u>
Net Utility Plant .....	<u>882,349,660</u>	<u>877,923,031</u>
<b>NON-UTILITY PROPERTY</b> .....	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund .....	9,166,021	4,408,966
2010 RWSS Construction Fund .....	29,433	56,889
2013 Construction Fund .....	21,545,931	29,836,149
Regional Water Supply System Operating Fund .....	(336,344)	(1,214,545)
Provision for Debt Payment .....	9,766,546	9,784,337
Customer Water Main Deposits .....	3,133,814	3,059,525
Water Supply Forum Fund.....	313,640	369,568
Special Bond Reserves .....	22,098,582	22,095,828
Water Customer Contribution Fund .....	(408,599)	(189,981)
Water Capital Reserves .....	27,814,153	25,258,278
Water System Development Charge .....	<u>56,568,521</u>	<u>54,092,754</u>
Total Restricted Assets .....	149,691,698	147,557,768
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	51,316,239	44,512,642
Customers' Deposits .....	338,948	279,412
Receivables:		
Customers .....	4,127,290	3,356,262
Accrued Unbilled Revenues .....	4,935,000	4,616,056
Others .....	902,889	712,404
BABs Interest Subsidies .....	1,193,198	1,280,256
Provision for Uncollectible Accounts .....	(363,551)	(241,717)
Materials and Supplies .....	2,465,564	2,524,457
Prepayments .....	<u>809,275</u>	<u>643,257</u>
Total Current Assets .....	<u>65,724,852</u>	<u>57,683,029</u>
<b>TOTAL ASSETS</b> .....	<u>1,098,259,173</u>	<u>1,083,656,791</u>
<b>OTHER ASSETS</b>		
Regulatory Assets - Public Fire Protection Fees .....	1,935,608	2,751,709
Regulatory Assets - Surcharges .....	1,655,435	804,711
Net Pension Asset .....	<u>881,279</u>	<u>-</u>
Total Other Assets .....	4,472,322	3,556,420
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds .....	1,840,062	1,531,350
Deferred Outflows for Pensions .....	<u>2,092,307</u>	<u>-</u>
Total Deferred Outflows .....	3,932,369	1,531,350
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> .....	<u>\$1,106,663,864</u>	<u>\$1,088,744,561</u>

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



<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	2016	2015
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$441,889,409	\$435,375,741
Restricted for:		
Water Capital Reserves .....	21,746,750	18,711,869
Water System Development Charge .....	20,993,075	18,517,308
Debt Service Funds .....	3,077,866	2,951,349
Pension Asset .....	881,279	-
Unrestricted .....	53,485,036	41,051,149
TOTAL NET POSITION .....	542,073,415	516,607,416
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding .....	5,000	25,070,000
2009 Water Revenue Bonds .....	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding .....	26,395,000	26,950,000
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 .....	16,645,000	-
2015 Water Refunding Bonds, Series B .....	1,785,000	-
2010 RWSS Revenue Bonds, Series A .....	2,525,000	2,800,000
2010 RWSS Revenue Bonds, Series B .....	44,245,000	44,245,000
2013 RWSS Refunding Bonds .....	60,910,000	61,580,000
Total Outstanding Revenue Bonds .....	378,625,000	386,760,000
Plus: Unamortized Bond Premium .....	14,828,356	13,896,469
Net Outstanding Revenue Bonds .....	393,453,356	400,656,469
PWTF Pre-Construction Loans .....	960,956	1,121,130
PWTF Construction Loans .....	24,443,821	26,980,418
State Drinking Water Loans .....	59,154,872	54,448,644
Total Long-Term Debt .....	478,013,005	483,206,661
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	743,067	568,489
Purchases and Contracts Payable .....	930,398	3,252,320
Interest Expense Accrued .....	6,688,680	6,832,988
Taxes Accrued .....	1,160,590	1,273,420
Customers' and Contractors' Deposits .....	346,814	286,165
Current Portion of Long-Term Debt .....	10,676,432	10,633,079
Other Current Liabilities .....	3,979,530	3,901,500
Current Accrued Compensated Absences .....	260,047	255,611
Total Current Liabilities .....	24,785,558	27,003,572
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements .....	6,943,806	7,129,695
Customer Advances for Construction .....	4,183,199	4,493,198
Unearned Revenue .....	7,653,820	8,435,984
Other Long-Term Liabilities .....	4,164,835	3,992,091
Long-Term Accrued Compensated Absences .....	2,340,426	2,300,497
Total Long-Term Liabilities .....	25,286,086	26,351,465
TOTAL LIABILITIES .....	528,084,649	536,561,698
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization .....	35,575,447	35,575,447
Deferred Inflows for Pensions .....	930,353	-
Total Deferred Inflows .....	36,505,800	35,575,447
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,106,663,864	\$1,088,744,561

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MARCH 31, 2016 AND MARCH 31, 2015

	MARCH 2016	MARCH 2015
<b>OPERATING REVENUES</b>		
Sales of Water .....	\$6,156,775	\$4,917,876
Other Operating Revenues .....	652,023	673,092
Contract Resource Obligation Revenue .....	369,026	401,361
Total Operating Revenues .....	7,177,824	5,992,329
<b>OPERATING EXPENSES</b>		
Production Expense		
Source of Supply .....	668,806	607,612
Water Treatment .....	583,258	346,865
Total Production Expense .....	1,252,064	954,477
Power Pumping Expense .....	48,455	33,229
Transmission and Storage Expense .....	359,343	269,654
Distribution Expense .....	1,209,329	1,050,727
Customer Accounting and Consumer Service ...	436,195	364,722
Taxes .....	484,907	393,384
Depreciation .....	1,983,666	1,424,079
Administrative and General .....	884,862	678,470
Total Operating Expenses .....	6,658,821	5,168,742
<b>OPERATING INCOME (LOSS)</b> .....	519,003	823,587
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	161,519	136,844
Miscellaneous .....	(10,649)	(12,574)
Interest on Long-Term Debt .....	(1,337,715)	(1,352,682)
Interest on Long-Term Debt BABs Sub .....	(298,299)	(320,064)
Amortization Of Debt Premium .....	105,802	92,947
Interest Charged to Construction.....	39,151	27,772
Total Non-Operating Revenues (Expenses)	(1,340,191)	(1,427,757)
Net Income (Loss) Before Capital Contributions and Transfers .....	(821,188)	(604,170)
Capital Contributions		
Cash .....	460,349	352,818
Federal BAB Subsidies .....	298,299	320,064
Transfers Out		
City Gross Earnings Tax .....	(617,044)	(446,712)
CHANGE IN NET POSITION .....	(\$679,584)	(\$378,000)
NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - MARCH 31 .....		

YEAR TO DATE		2016	
MARCH 31	MARCH 31	OVER	PERCENT
2016	2015	(UNDER)	CHANGE
		2015	
\$ 16,592,225	\$ 14,529,856	\$2,062,369	14.2%
2,633,669	2,043,098	590,571	28.9%
971,876	1,073,394	(101,518)	-9.5%
<u>20,197,770</u>	<u>17,646,348</u>	<u>2,551,422</u>	14.5%
1,738,393	1,690,602	47,791	2.8%
1,543,848	999,505	544,343	54.5%
<u>3,282,241</u>	<u>2,690,107</u>	<u>592,134</u>	22.0%
190,050	122,362	67,688	55.3%
842,474	837,013	5,461	0.7%
3,210,632	3,011,346	199,286	6.6%
1,204,068	1,078,189	125,879	11.7%
689,294	874,684	(185,390)	-21.2%
5,949,875	4,271,476	1,678,399	39.3%
2,469,719	2,135,797	333,922	15.6%
<u>17,838,353</u>	<u>15,020,974</u>	<u>2,817,379</u>	18.8%
2,359,417	2,625,374	(265,957)	-10.1%
1,006,849	278,170	728,679	262.0%
15,324	4,116	11,208	272.3%
(4,012,965)	(4,072,857)	59,892	-1.5%
(894,897)	(960,192)	65,295	-6.8%
317,406	278,842	38,564	13.8%
105,184	1,326,938	(1,221,754)	-92.1%
<u>(3,463,099)</u>	<u>(3,144,983)</u>	<u>(318,116)</u>	10.1%
(1,103,682)	(519,609)	(584,073)	112.4%
1,281,905	771,593	510,312	66.1%
894,897	960,192	(65,295)	-6.8%
<u>(1,501,528)</u>	<u>(1,278,005)</u>	<u>(223,523)</u>	17.5%
(428,408)	(65,829)	(362,579)	-550.8%
<u>542,501,823</u>	<u>516,673,245</u>	<u>25,828,578</u>	
<u>\$542,073,415</u>	<u>\$516,607,416</u>	<u>\$25,465,999</u>	

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

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS  
MARCH 31, 2016 AND MARCH 31, 2015

	<u>MARCH</u> <u>2016</u>	<u>MARCH</u> <u>2015</u>
<b>SALES OF WATER</b>		
Residential and Domestic .....	\$4,051,659	\$3,117,841
Commercial and Industrial .....	1,230,673	1,034,702
Special Rate .....	474,044	441,700
Municipal .....	40,949	28,668
Other Public Buildings and Grounds .....	95,952	82,469
Sales to Other Utilities .....	<u>263,498</u>	<u>212,496</u>
Total .....	<u><u>\$6,156,775</u></u>	<u><u>\$4,917,876</u></u>

**BILLINGS (NUMBER OF MONTHS BILLED)**

Residential and Domestic .....	106,582	92,085
Commercial and Industrial .....	7,657	6,783
Sales to Other Utilities .....	<u>17</u>	<u>18</u>
Total .....	<u><u>114,256</u></u>	<u><u>98,886</u></u>

YEAR TO DATE		2016 OVER (UNDER) 2015	PERCENT CHANGE
MARCH 2016	MARCH 2015		
\$10,541,651	\$9,319,098	\$1,222,553	13.1%
3,364,597	2,831,095	533,502	18.8%
1,369,035	1,382,104	(13,069)	-0.9%
100,895	96,178	4,717	4.9%
288,499	250,390	38,109	15.2%
927,548	650,991	276,557	42.5%
<u>\$16,592,225</u>	<u>\$14,529,856</u>	<u>\$2,062,369</u>	14.2%
280,685	273,554	7,131	2.6%
19,852	19,023	829	4.4%
51	54	(3)	-5.6%
<u>300,588</u>	<u>292,631</u>	<u>7,957</u>	2.7%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF WATER BILLED  
MARCH 31, 2016 AND MARCH 31, 2015

WATER BILLED	MILLION GALLONS, TOTAL			
	MARCH	MARCH	YEAR TO DATE	
	2016	2015	MARCH 2016	MARCH 2015
Residential and Domestic .....	567.09	476.05	1,572.39	1,469.82
Commercial and Industrial .....	225.26	200.02	639.45	572.71
Special Rate .....	434.97	458.82	1,267.97	1,407.67
Sales to Other Utilities .....	91.57	72.36	332.00	222.31
	1,318.89	1,207.25	3,811.81	3,672.51

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

MILLION GALLONS, AVERAGE DAILY

<u>MARCH</u> <u>2016</u>	<u>MARCH</u> <u>2015</u>
18.29	15.36
7.27	6.45
14.03	14.80
<u>2.95</u>	<u>2.33</u>
<u><u>42.54</u></u>	<u><u>38.94</u></u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$25,046,755	\$22,575,252
Cash Paid to Suppliers .....	(5,904,854)	(5,817,399)
Cash Paid to Employees .....	(6,078,411)	(6,394,779)
Taxes Paid .....	(1,392,356)	(1,006,598)
Net Cash From		
Operating Activities .....	11,671,134	9,356,476
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax .....	(1,501,528)	(1,278,005)
Net Cash From Non-Capital		
Financing Activities .....	(1,501,528)	(1,278,005)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, net.....	(3,473,244)	(8,784,212)
Debt Issuance Costs .....	2,672	-
Principal Payments on Muckleshoot LT Liability ...	(190,536)	(195,300)
Interest Paid .....	(1,016)	(675)
Contribution in Aid of Construction .....	1,281,905	771,593
System Development Charges & Other LT Liabilities.	(549,961)	(10,583)
Net Cash From Capital and		
Related Financing Activities .....	(2,930,180)	(8,219,177)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments .....	1,006,849	278,170
Other Net Non-Op Revenues and Expenses .....	12,649	4,116
Net Cash From Investing Activities .....	1,019,498	282,286
Net Change in Cash and Equity in		
Pooled Investments .....	8,258,924	141,580
Cash & Equity in Pooled Investments at January 1 ...	193,087,961	192,208,242
Cash & Equity in Pooled Investments at March 31 ....	\$201,346,885	\$192,349,822

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

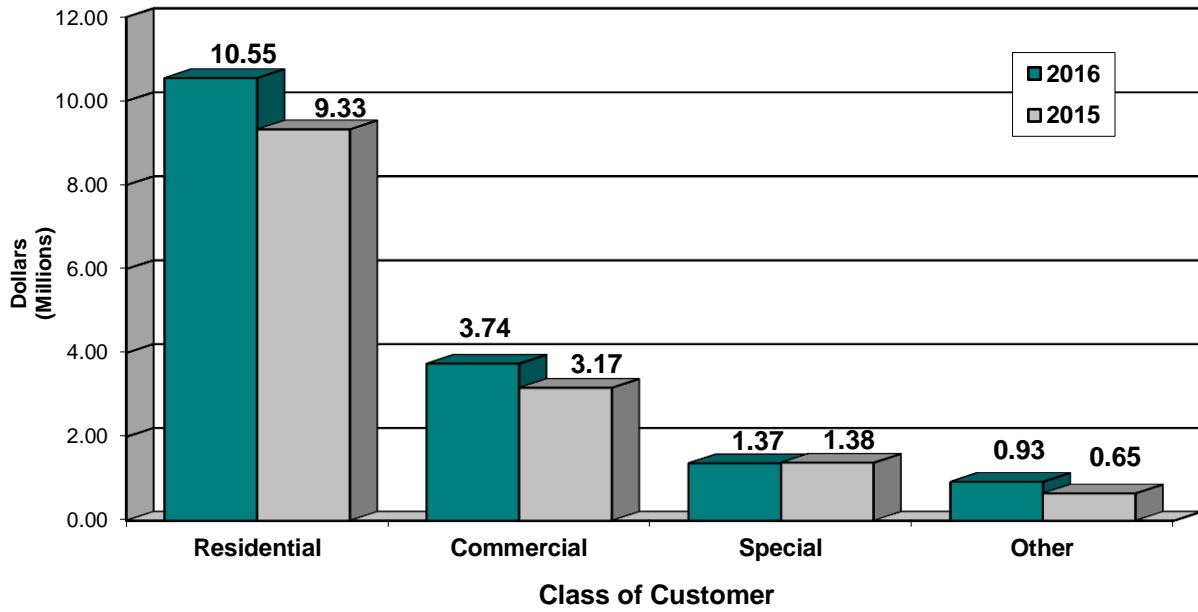


	YEAR TO DATE	
	2016	2015
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>		
Net Operating Income .....	\$2,359,417	\$2,625,374
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	5,949,875	4,271,476
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue .....	654,556	805,784
Interfund Receivables .....	686,030	292,294
Regulatory Asset-Public Fire Protection Fees ....	188,965	188,965
Regulatory Asset-Surcharges.....	27,913	23,823
Materials and Supplies .....	21,511	(122,934)
Prepayments .....	161,056	63,307
Unearned Revenues .....	3,979,530	3,901,500
Accrued Taxes .....	(703,062)	(131,914)
Salaries, Wages and Fringe Benefits Payable .....	418,786	(468,935)
Customers' Deposits .....	(1,979)	10,574
Accrued Expenses and Contracts Payable .....	(488,472)	(763,639)
Interfund Payables .....	(1,582,992)	(1,339,199)
Total Adjustments .....	9,311,717	6,731,102
Net Cash From Operating Activities	<u>\$11,671,134</u>	<u>\$9,356,476</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	\$149,691,698	\$147,557,768
Cash and Equity in Pooled Investments in Operating Funds .....	<u>51,655,187</u>	<u>44,792,054</u>
Cash and Equity in Pooled Investments at March 31 .....	<u>\$201,346,885</u>	<u>\$192,349,822</u>

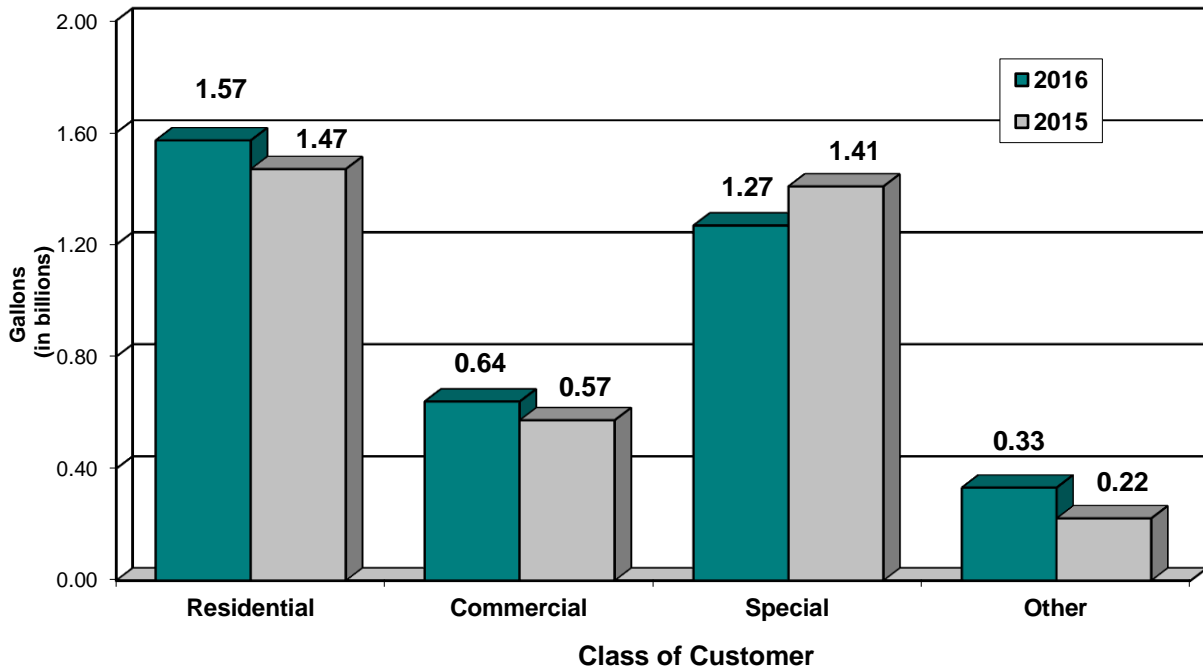
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# Supplemental Data

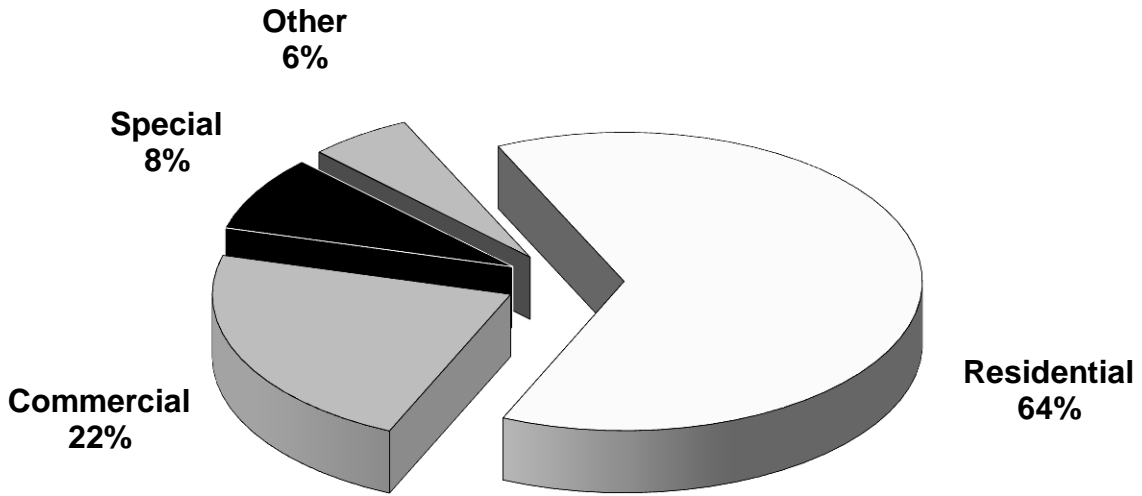
**WATER SALES**  
Year to Date - March 2016 & 2015



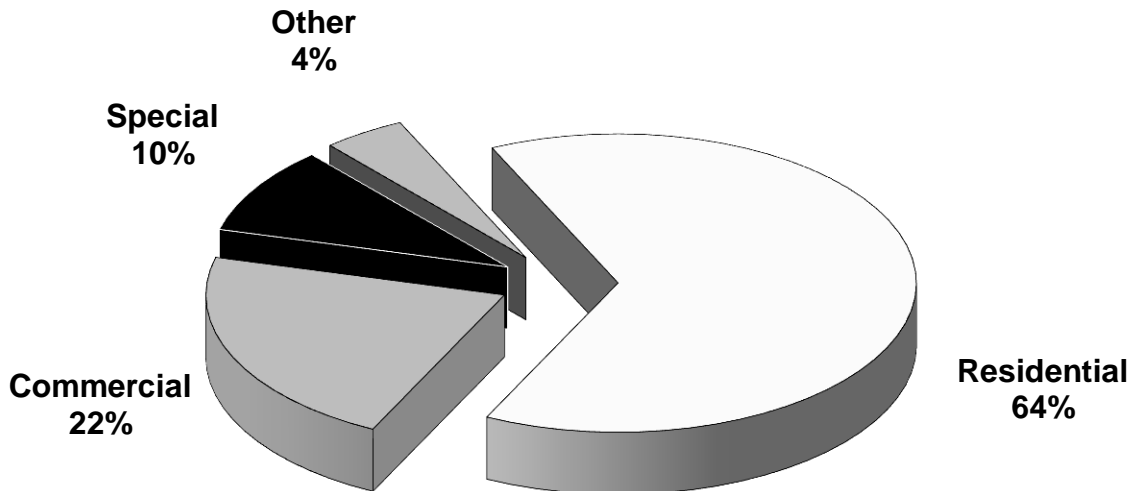
**WATER CONSUMPTION**  
Year to Date - March 2016 & 2015



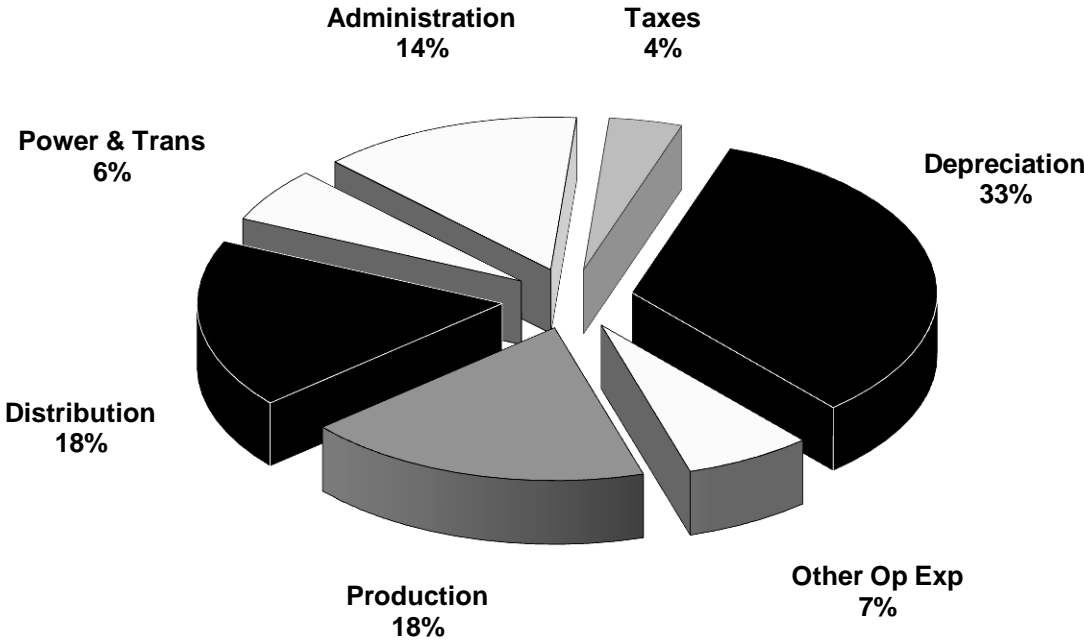
**WATER SALES**  
Year to Date - March 2016  
(\$16,592,225)



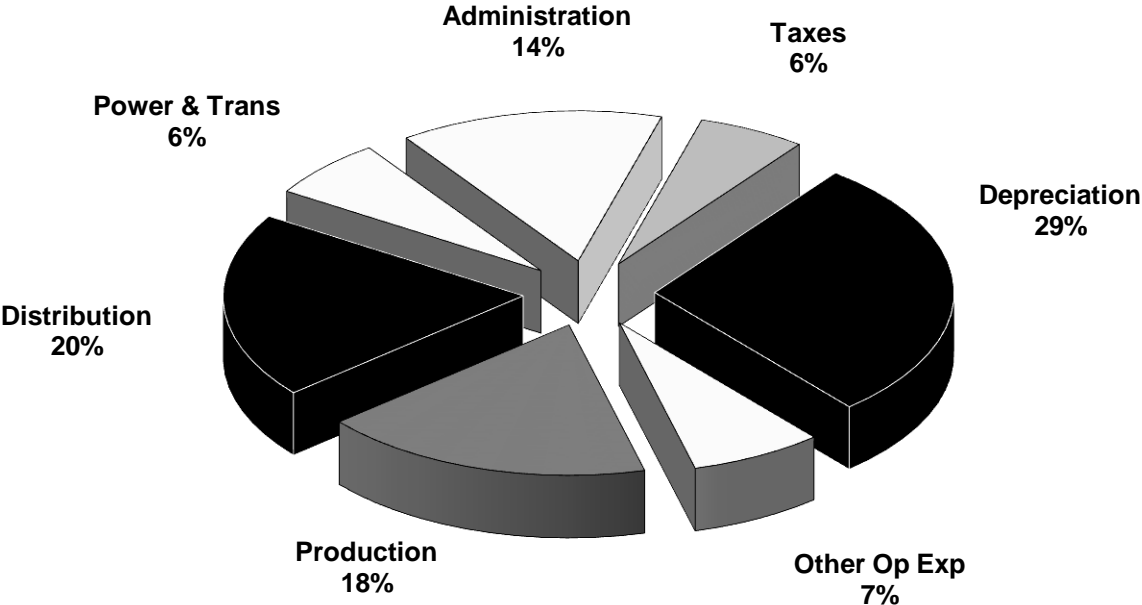
**WATER SALES**  
Year to Date - March 2015  
(\$14,529,856)



**TOTAL OPERATING EXPENSES**  
Year to Date - March 2016  
(\$17,838,353)



**TOTAL OPERATING EXPENSES**  
Year to Date - March 2015  
(\$15,020,974)





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.