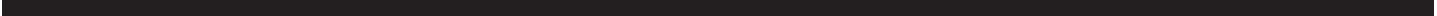

SEPTEMBER

TACOMA RAIL

2018

**FINANCIAL
REPORT**



Public Utility Board

WOODROW JONES
Chair

KAREN LARKIN
Vice-Chair

BRYAN FLINT
Secretary

MARK PATTERSON
Member

CHRISTINE COOLEY
Member

JACKIE FLOWERS
Director of Utilities

DALE KING
Rail Superintendent

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2018 year to date net operating income of \$3.8 million compared to \$2.7 million in 2017. Operating revenues increased \$1.4 million (5.8%), and operating expenses increased \$260,000 (1.3%) year to date in 2018 compared to 2017.

Operating revenues were \$24.7 million at the end of third quarter 2018, compared to \$23.3 million in 2017. Total switching revenues increased \$466,000 primarily due to increases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues (in thousands)			
	2018	2017	Var	%Chg	2018	2017	Var	%Chg
Intermodal Line Hauls	48,462	47,979	483	1.0%	\$ 8,215	\$ 8,277	(62)	-0.7%
Commercial Line Hauls	20,948	21,413	(465)	-2.2%	10,585	9,721	864	8.9%
Capital Div. Line Hauls	580	521	59	11.3%	321	217	104	47.9%
Miscellaneous Switches	10,071	12,070	(1,999)	-16.6%	1,689	2,129	(440)	-20.7%
Total Line Hauls	80,061	81,983	(1,922)	-2.3%	\$ 20,810	\$ 20,344	\$ 466	2.3%

Demurrage and other operating revenues increased \$884,000 primarily due to increased railcar dwell and locomotive services.

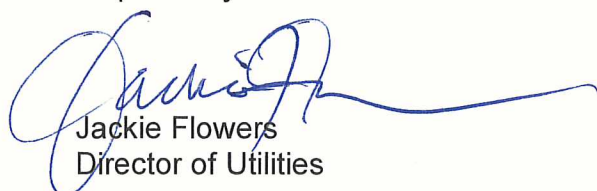
Total operating expenses were \$20.9 million year to date in 2018, compared to \$20.7 million in 2017.

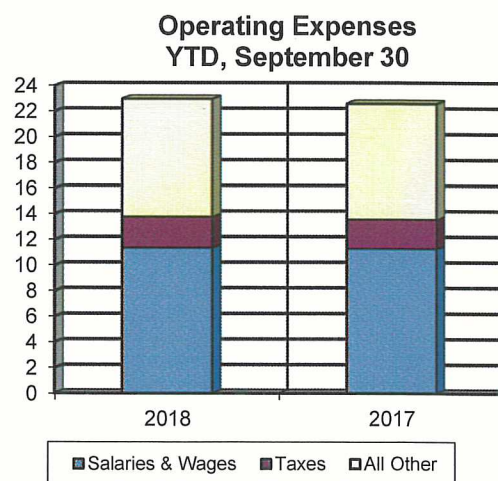
Salaries and wages were \$80,000 higher primarily due to cost of living adjustments and increased overtime.

Supplies and expenses increased \$87,000 primarily due to an increase in intermodal volume incentives.

Depreciation increased \$76,000 due to an increase in depreciable assets of \$488,000 compared to the same period in 2017.

Tacoma Rail's working capital ratios year to date of 2018 and 2017 were 7.4 and 7.1, respectively.


Jackie Flowers
Director of Utilities




Andrew Cherullo
Finance Director

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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	1 - 2
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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF NET POSITION

ASSETS	SEPTEMBER 30,	
	2018	2017
CAPITAL ASSETS		
Road and Equipment Property	\$46,585,757	\$44,810,611
Less Accumulated Depreciation	(21,361,620)	(20,074,389)
Total	25,224,137	24,736,222
Construction Work in Progress	574,060	2,964,151
Net Capital Assets	25,798,197	27,700,373
CURRENT ASSETS		
Cash & Equity in Pooled Investments	12,055,684	9,207,753
Customer Accounts Receivable	3,375,667	2,667,960
Prepayments	340,816	1,467,109
Materials and Supplies Inventory.....	1,244,098	1,078,375
Total Current Assets	17,016,265	14,421,197
TOTAL ASSETS	\$42,814,462	\$42,121,570

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.

NET POSITION AND LIABILITIES	<u>SEPTEMBER 30,</u> 2018	<u>SEPTEMBER 30,</u> 2017
NET POSITION		
Net Investment in Capital Assets.....	\$20,446,766	\$21,528,694
Unrestricted	<u>10,510,258</u>	<u>9,167,629</u>
TOTAL NET POSITION	30,957,024	30,696,323
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
State Loans.....	<u>4,531,182</u>	<u>5,351,430</u>
Total Long-Term Liabilities	4,531,182	5,351,430
CURRENT LIABILITIES		
Accounts Payable	527,060	453,982
Wages Payable	427,546	393,006
Unemployment and other Tax Payables	331,936	249,489
Volume Incentive Payable	83,334	-
Current Portion of Long Term Debt	820,250	820,250
Current Portion of Compensated Absences	<u>112,418</u>	<u>111,516</u>
Total Current Liabilities	2,302,544	2,028,243
LONG-TERM LIABILITIES		
On the Job Injury Reserve	814,545	801,007
Long Term Portion of Compensated Absences	1,011,762	1,003,644
Other Long-Term Liabilities	<u>3,197,405</u>	<u>2,240,923</u>
Total Long-Term Liabilities	5,023,712	4,045,574
TOTAL LIABILITIES	<u>11,857,438</u>	<u>11,425,247</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$42,814,462</u></u>	<u><u>\$42,121,570</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	SEPTEMBER <u>2018</u>	SEPTEMBER <u>2017</u>
OPERATING REVENUES		
Switching Revenues	\$2,339,626	\$1,969,289
Demurrage and Other Operating Revenues	<u>584,182</u>	<u>264,014</u>
Total Operating Revenues	2,923,808	2,233,303
OPERATING EXPENSES		
Maintenance of Way and Structures		
Salaries and Wages	69,604	49,069
Supplies and Expense	124,540	134,103
Mechanical		
Salaries and Wages	167,867	150,304
Supplies and Expense	304,670	252,426
Operations		
Salaries and Wages	786,453	711,148
Supplies and Expense	137,686	123,953
Administration		
Salaries and Wages	177,831	184,649
Supplies and Expense	287,476	260,935
Taxes - State	40,131	31,687
Depreciation	<u>144,789</u>	<u>136,277</u>
Total Operating Expenses	2,241,047	2,034,551
Net Operating Income	682,761	198,752
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	15,809	8,025
Miscellaneous	82,535	74,731
Interest Expense	<u>-</u>	<u>-</u>
Total Non-Operating Revenues	98,344	82,756
Contributions - Grants	-	-
Contributions - Others	<u>-</u>	<u>-</u>
Total Contributions	-	-
Transfers		
City of Tacoma Gross Earnings Tax	(241,802)	(185,285)
CHANGE IN NET POSITION	<u>\$539,303</u>	<u>\$96,223</u>
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - SEPTEMBER 30		

These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.

YEAR TO DATE			
SEPTEMBER 30, 2018	SEPTEMBER 30, 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$20,810,468	\$20,344,121	\$466,347	2.3%
3,874,274	2,990,287	883,987	29.6%
<u>24,684,742</u>	<u>23,334,408</u>	<u>1,350,334</u>	5.8%
673,941	690,647	(16,706)	-2.4%
1,084,352	962,966	121,386	12.6%
1,469,949	1,457,044	12,905	0.9%
2,897,989	2,332,339	565,650	24.3%
7,313,911	7,386,388	(72,477)	-1.0%
1,122,109	1,222,180	(100,071)	-8.2%
1,930,981	1,774,759	156,222	8.8%
2,790,910	3,291,105	(500,195)	-15.2%
346,075	329,023	17,052	5.2%
1,303,097	1,227,096	76,001	6.2%
<u>20,933,314</u>	<u>20,673,547</u>	<u>259,767</u>	1.3%
3,751,428	2,660,861	1,090,567	41.0%
161,720	96,631	65,089	67.4%
812,643	806,317	6,326	0.8%
-	(6)	6	-100.0%
<u>974,363</u>	<u>902,942</u>	<u>71,421</u>	7.9%
112,306	-	112,306	100.0%
-	36,254	(36,254)	-100.0%
<u>112,306</u>	<u>36,254</u>	<u>76,052</u>	209.8%
(2,048,448)	(1,937,632)	110,816	5.7%
2,789,649	1,662,425	\$1,127,224	67.8%
<u>28,167,375</u>	<u>29,033,898</u>		
<u>\$30,957,024</u>	<u>\$30,696,323</u>		

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>September 2018</u>	<u>September 2017</u>
SWITCHING REVENUES		
LINE HAULS--INTERMODAL	\$999,169	\$743,976
LINE HAULS--COMMERCIAL	1,180,386	985,450
LINE HAULS--CAPITAL DIVISION	35,418	24,207
MISCELLANEOUS SWITCHES	<u>124,653</u>	<u>215,656</u>
TOTAL SWITCHING REVENUES	<u><u>\$2,339,626</u></u>	<u><u>\$1,969,289</u></u>
 SWITCHING ACTIVITIES (CARS)		
LINE HAULS--INTERMODAL	5,882	4,033
LINE HAULS--COMMERCIAL	2,336	2,164
LINE HAULS--CAPITAL DIVISION	62	58
MISCELLANEOUS SWITCHES	<u>728</u>	<u>1,443</u>
TOTAL CARS SWITCHED	<u><u>9,008</u></u>	<u><u>7,698</u></u>

YEAR TO DATE			
September 30, 2018	September 30, 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$8,215,782	\$8,276,343	(\$60,561)	-0.7%
10,585,195	9,721,205	863,990	8.9%
320,743	217,445	103,298	47.5%
<u>1,688,748</u>	<u>2,129,129</u>	<u>(440,381)</u>	<u>-20.7%</u>
<u>\$20,810,468</u>	<u>\$20,344,121</u>	<u>\$466,347</u>	<u>2.3%</u>
48,462	47,979	483	1.0%
20,948	21,413	(465)	-2.2%
580	521	59	11.3%
<u>10,071</u>	<u>12,070</u>	<u>(1,999)</u>	<u>-16.6%</u>
<u>80,061</u>	<u>81,983</u>	<u>(1,922)</u>	<u>-2.3%</u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$24,689,052	\$23,799,053
Cash Paid to Suppliers	(7,829,201)	(9,464,755)
Cash Paid to Employees	(11,179,775)	(11,056,538)
Taxes Paid	(303,997)	(369,544)
Net Cash From Operating Activities	<u>5,376,079</u>	<u>2,908,216</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(2,048,448)	(1,937,631)
Net Cash From Financing Activities	<u>(2,048,448)</u>	<u>(1,937,631)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, Net	(395,583)	(710,725)
Principal Payments on Long-Term Debt	(692,296)	(756,535)
Interest Paid	-	(872)
Proceeds from Capital Contributions	112,306	36,254
Proceeds from Long-Term Debt	-	714,796
Debt Issuance Costs	-	(7,160)
Proceeds from Other Non-Operating Revenues	812,643	813,477
Net Cash Used in Capital and Related Financing Activities	<u>(162,930)</u>	<u>89,235</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	161,720	96,630
Net Cash From Investing Activities	<u>161,720</u>	<u>96,630</u>
Net Increase (Decrease) in Cash and Equity in Pooled Investments	3,326,421	1,156,450
Cash & Equity in Pooled Investments at January 1	<u>8,729,263</u>	<u>8,051,303</u>
Cash & Equity in Pooled Investments at September 30	<u><u>\$12,055,684</u></u>	<u><u>\$9,207,753</u></u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.

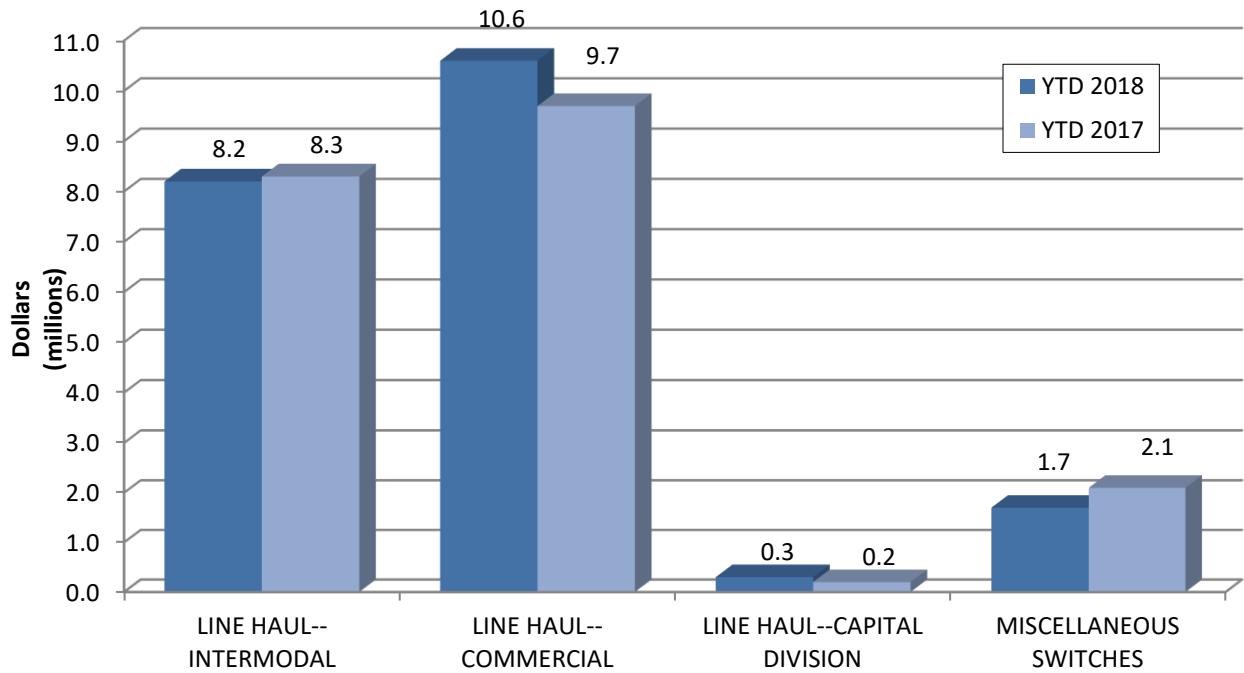
	YEAR TO DATE SEPTEMBER 30, 2018	YEAR TO DATE SEPTEMBER 30, 2017
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities:		
Operating Income	\$3,751,428	\$2,660,861
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Depreciation	1,303,097	1,227,096
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable	(153,648)	465,319
Interfund Receivable	157,958	9,827
Materials and Supplies Inventory	(77,326)	(54,042)
Prepayments	347,497	340,101
Accounts Payable	(226,613)	(431,708)
Customer Deposits	-	(10,500)
Unemployment and other Tax Payables	42,078	(40,520)
Wages Payable	224,223	224,699
Volume Incentive Payable	83,334	(1,249,999)
Interfund Payable	(60,733)	(260,518)
Other Long-Term Liabilities & OJI Reserve.....	(15,216)	27,600
Total Adjustments	1,624,651	247,355
Net Cash From Operating Activities	<u>\$5,376,079</u>	<u>\$2,908,216</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Operating Funds	12,055,684	9,207,753
Cash and Equity in Pooled Investments at September 30	<u>\$12,055,684</u>	<u>\$9,207,753</u>

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Supplemental Data

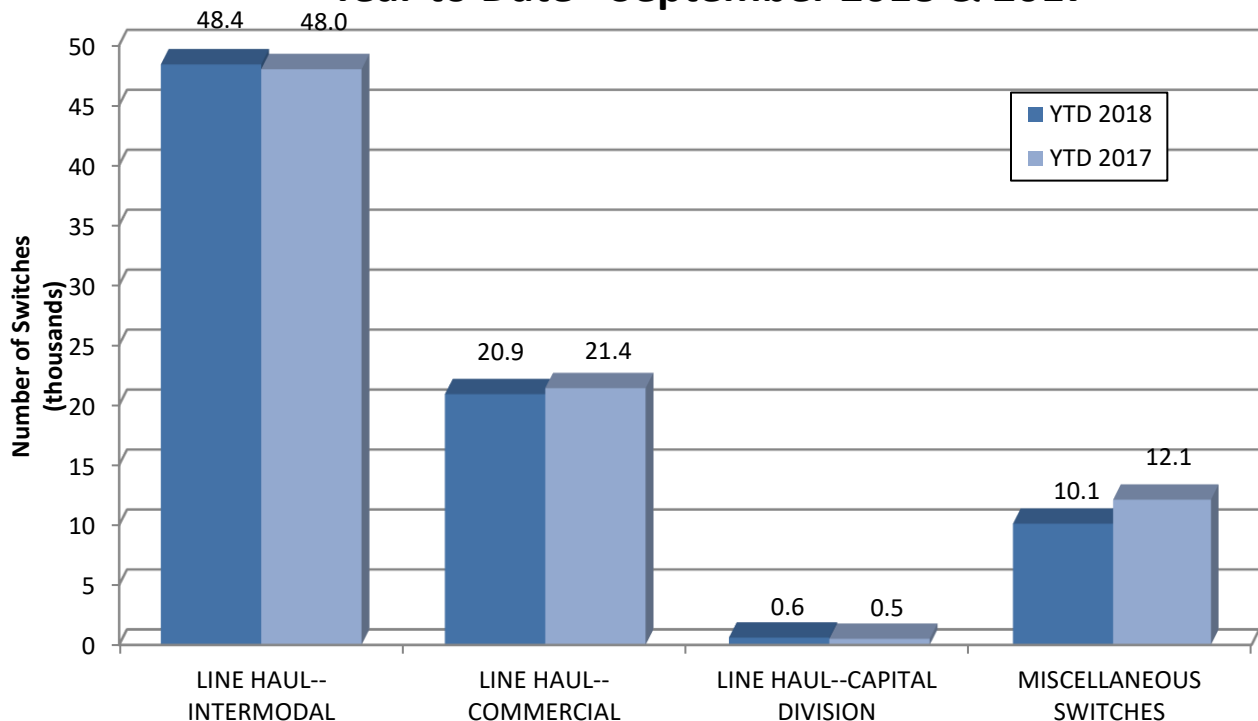
SWITCHING REVENUES

Year to Date - September 2018 & 2017

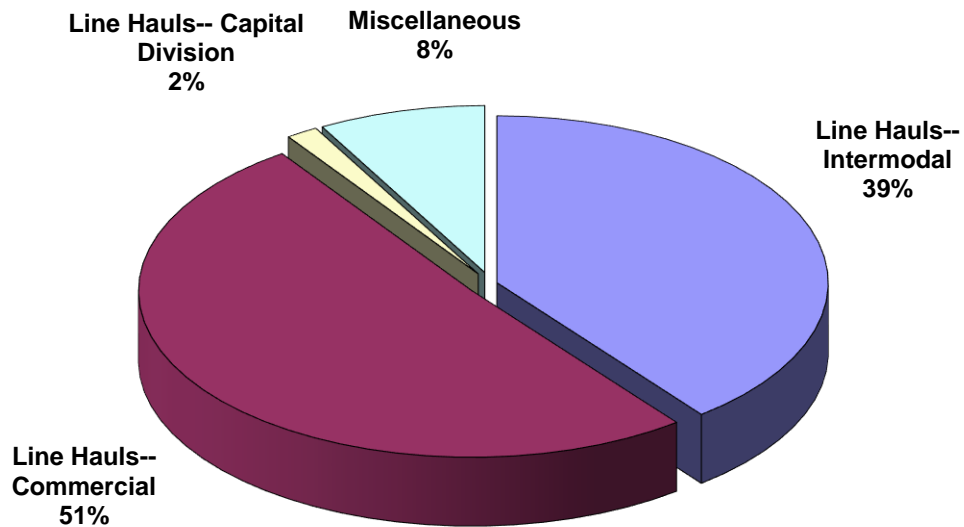


SWITCHING ACTIVITIES

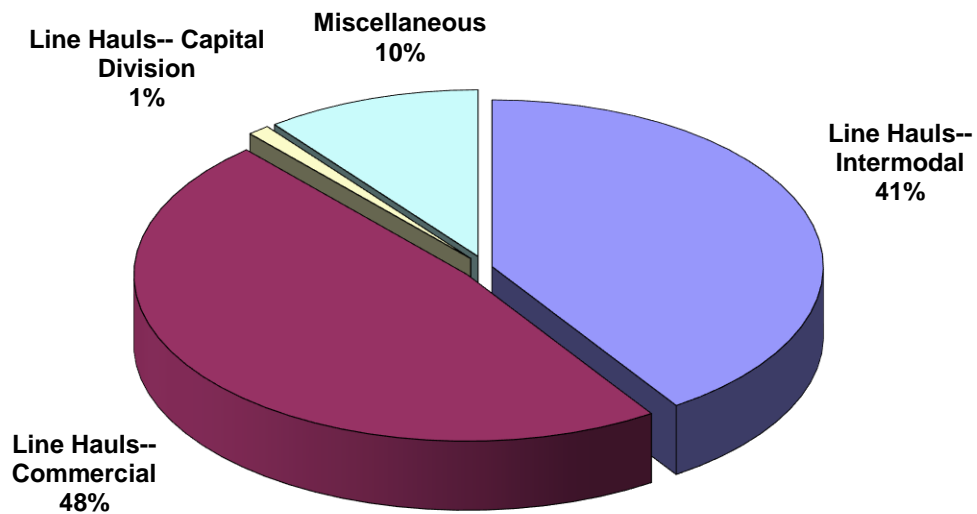
Year to Date - September 2018 & 2017



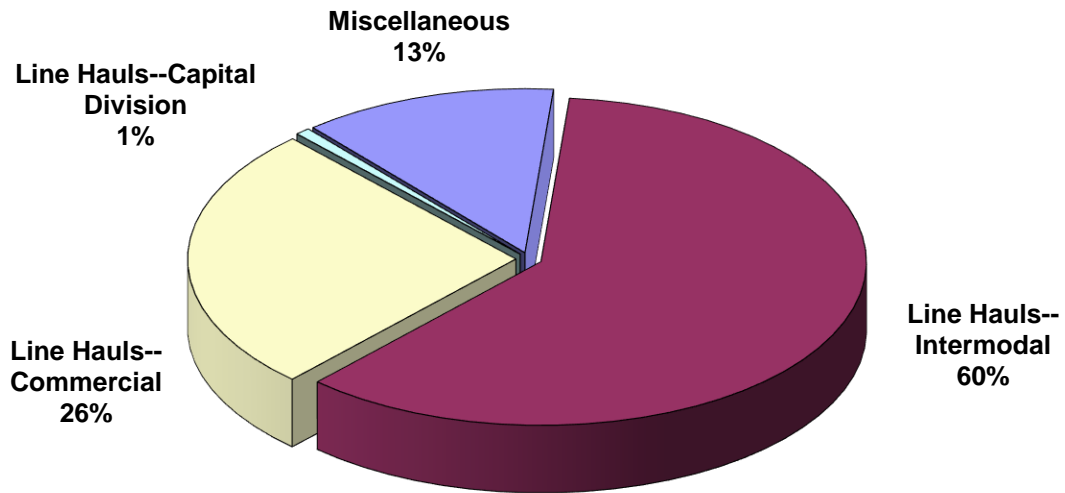
SWITCHING REVENUES
Year to Date - September 2018 (\$20,810,468)



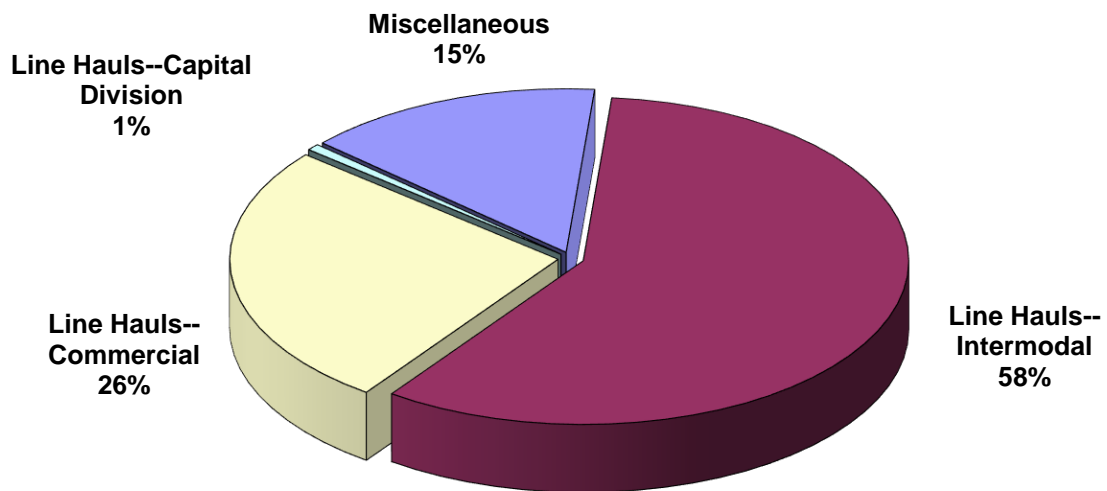
SWITCHING REVENUES
Year to Date - September 2017 (\$20,344,121)



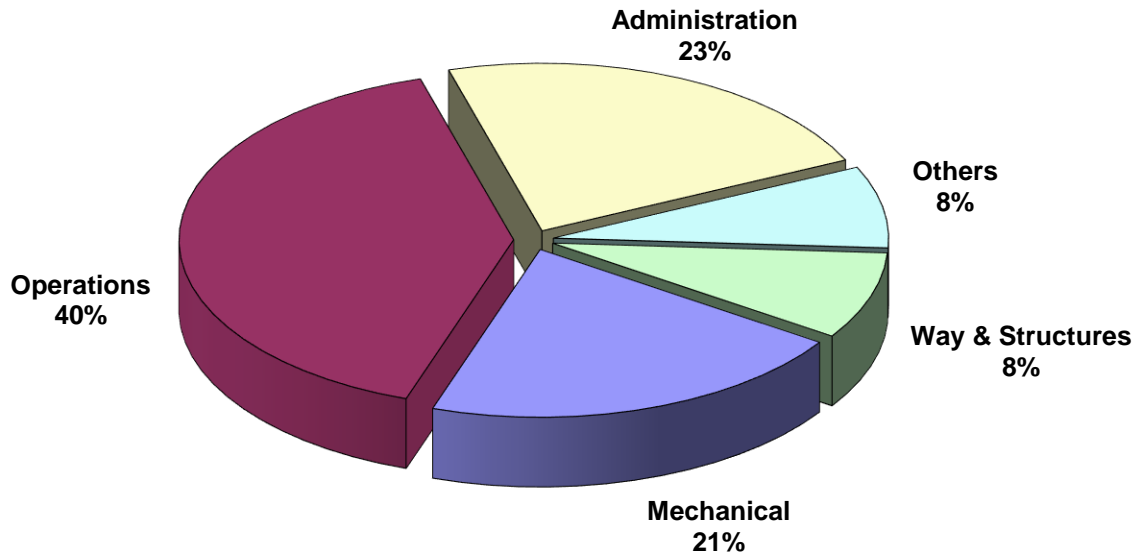
SWITCHING ACTIVITY
Year to Date - September 2018 (80,061 cars)



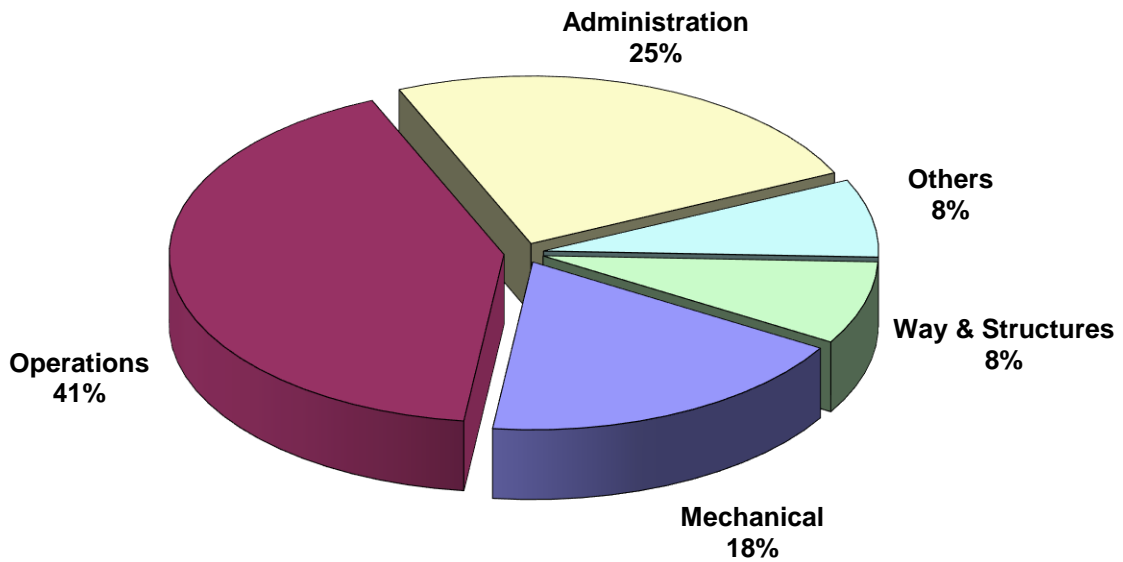
SWITCHING ACTIVITY
Year to Date - September 2017 (81,983 cars)



TOTAL OPERATING EXPENSES
Year to Date - September 2018 (\$20,933,314)



TOTAL OPERATING EXPENSES
Year to Date - September 2017 (\$20,673,547)





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.