
MARCH

TACOMA WATER

2014

**FINANCIAL
REPORT**



Public Utility Board

DAVID NELSON

Chair

WOODROW JONES

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

MONIQUE TRUDNOWSKI

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 2014, Tacoma Water is reporting year-to-date operating income of \$8.3 million compared to \$2.4 million in 2013. Operating revenues increased \$5.7 million (35.2%) and operating expenses decreased \$(0.2) million (1.2%). The first three months of 2014 resulted in a net income of \$6.5 million compared to a net loss of \$2.7 million 2013.

Revenues

Water sales revenues increased by \$1.8 million (14.3%) in the first quarter of 2014 compared to the same period in 2013. Of this increase, approximately 51.6% is due to a system average rate increase of 6.0% effective January 1, 2014. The remaining 48.4% is due to increased volume. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class for the first three months of 2014.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 853,351	\$ 54,244	\$ 907,595
Commercial and Industrial	110,384	455,829	566,213
Special Rate - Simpson Tacoma Kraft	149,746	69,908	219,654
Other	(167,980)	306,933	138,953
Total	\$ 945,501	\$ 886,914	\$ 1,832,415

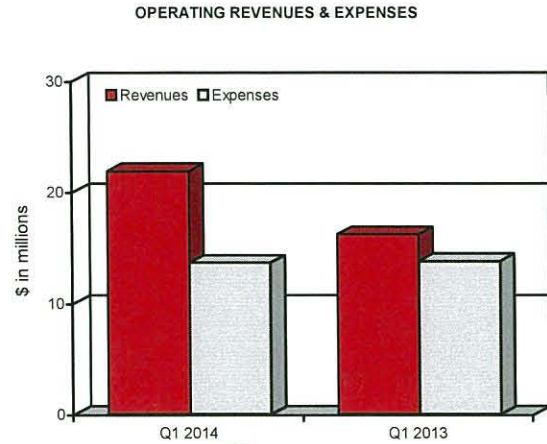
Consumption for the first three months of 2014 was 3,949 million gallons, compared to 3,658 million gallons in the same period in 2013. Regional Water Supply System (RWSS) partners received 647 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2014	2013		
Residential and Domestic	1,499.31	1,489.56	9.75	1%
Commercial and Industrial	566.71	475.14	91.57	19%
Special Rate - Simpson Tacoma Kraft	1,491.12	1,408.95	82.17	6%
Other	392.20	284.32	107.88	38%
Total	3,949.34	3,657.97	291.37	8%

Contract resource obligation (CRO) revenue was \$5.1 million in 2014 compared to \$1.2 million in 2013. The \$3.9 million increase is primarily due to capital contributed by the CRO partners for construction of the Green River Filtration Facility.

Expenses

Operating expenses were \$13.6 million for the first three months of 2014, a decrease of (\$0.2) million compared to 2013.



William A. Gaines
Director of Utilities/CEO

Andy 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, 2014 AND MARCH 31, 2013

ASSETS	<u>2014</u>	<u>2013</u>
UTILITY PLANT		
Water Plant in Service	\$ 849,627,015	\$ 821,202,408
Less Depreciation and Amortization	(171,807,358)	(160,364,350)
Total	<u>677,819,657</u>	<u>660,838,058</u>
Construction Work in Progress	147,584,502	75,074,594
Net Utility Plant	<u>825,404,159</u>	<u>735,912,652</u>
NON-UTILITY PROPERTY	492,963	547,480
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2009 Construction Fund	378	2,003,624
2010 Construction Fund	387,037	27,242,953
2010 RWSS Construction Fund	911,010	20,684,156
2013 Construction Fund	37,260,228	-
Regional Water Supply System Operating Fund	534,430	(374,129)
Provision for Debt Payment	9,883,825	9,215,376
Customer Water Main Deposits	3,015,902	2,913,933
Contract Admin. Fund	437,770	475,329
Special Bond Reserves	22,093,381	19,378,033
Water Customer Contribution Fund	255,033	(287,481)
Water Assurance Reserves	-	12,139,952
Water Capital Reserves	24,259,903	-
Water System Development Charge	53,849,428	54,154,409
Notes & Contracts Receivables - SDC	<u>-</u>	<u>462,128</u>
Total Restricted Assets	152,888,325	148,008,283
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	40,212,042	36,953,850
Working Funds	1,000	1,500
Customers' and Contractors' Deposits	269,838	268,109
Receivables:		
Customers	3,906,057	3,156,127
Accrued Unbilled Revenues	4,494,710	4,026,679
Others	6,006,894	1,839,427
BABs Interest Subsidies	1,280,256	1,280,256
Provision for Uncollectible Accounts	(579,948)	(421,410)
Materials and Supplies	2,341,119	2,325,486
Prepayments	505,346	525,551
Total Current Assets	<u>58,437,314</u>	<u>49,955,575</u>
TOTAL ASSETS	1,037,222,761	934,423,990
DEFERRED OUTFLOWS		
Regulatory Assets - Public Fire Protection Fees	3,567,060	4,535,160
Regulatory Assets - Hyada Surcharges	899,756	1,001,533
Unamortized Losses on Refunding Debt Expense	1,757,356	1,691,276
Total Deferred Outflows	<u>6,224,172</u>	<u>7,227,969</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,043,446,933</u>	<u>\$941,651,959</u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2013 Annual Report.

NET POSITION AND LIABILITIES	<u>2014</u>	<u>2013</u>
NET POSITION		
Net Investment in Capital Assets	\$ 406,725,859	\$ 392,661,433
Restricted for:		
Regional Water Supply System Construction Fund	-	-
Water Assurance Reserves	17,234,489	4,635,532
Water System Development Charge	18,736,110	20,101,274
Debt Service Funds	3,016,004	2,408,809
Unrestricted	<u>41,113,193</u>	<u>27,336,858</u>
TOTAL NET POSITION	486,825,655	447,143,906
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
Water Revenue Bonds of 2003 Refunding	-	21,780,000
Water Revenue Bonds of 2005 Refunding	29,365,000	33,450,000
Water Revenue Bonds of 2009	76,775,000	76,775,000
Water Revenue Bonds of 2010	27,505,000	28,055,000
Water Revenue Bonds of 2010 Refunding	74,985,000	74,985,000
Water Revenue Bonds of 2013 Refunding	74,355,000	-
RWSS Revenue Bonds of 2002	-	75,050,000
RWSS Revenue Bonds of 2010, Series A	44,245,000	44,245,000
RWSS Revenue Bonds of 2010, Series B	3,070,000	3,335,000
RWSS Revenue Bonds of 2013 Refunding.....	<u>62,765,000</u>	<u>-</u>
Total Outstanding Revenue Bonds	393,065,000	357,675,000
Plus: Unamortized Bond Premium	<u>15,237,844</u>	<u>4,478,264</u>
Net Outstanding Revenue Bonds	408,302,844	362,153,264
PWTF Pre-Construction Loans	1,281,304	1,441,477
PWTF Construction Loans	29,517,015	22,293,612
State Drinking Water Loan	<u>24,270,940</u>	<u>17,617,603</u>
Total Long-Term Debt	463,372,103	403,505,956
CURRENT LIABILITIES		
Salaries and Wages Payable	485,635	391,055
Purchases and Contracts Payable	7,104,899	5,980,902
Interest Expense Accrued	6,867,821	6,806,567
Taxes Accrued	1,275,353	1,096,833
Customers' Deposits	326,513	299,570
Current Portion of Long-Term Debt	10,497,720	11,042,506
Current Accrued Compensated Absences	249,552	235,807
Other Current Liabilities	<u>4,042,191</u>	<u>3,945,599</u>
Total Current Liabilities	30,849,684	29,798,839
LONG-TERM LIABILITIES		
Muckleshoot Agreements	7,710,830	7,515,531
Customer Advances for Construction	4,389,028	4,280,731
Unearned Revenue - SDC	8,894,733	8,710,574
Other Deferred Credits	3,583,486	2,998,717
Long-Term Accrued Compensated Absences	2,245,968	2,122,259
Total Long-Term Liabilities	<u>26,824,045</u>	<u>25,627,812</u>
TOTAL LIABILITIES	<u>521,045,832</u>	<u>458,932,607</u>
DEFERRED INFLOWS		
Rate Stabilization	<u>35,575,446</u>	<u>35,575,446</u>
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	<u><u>\$1,043,446,933</u></u>	<u><u>\$941,651,959</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MARCH 31, 2014 AND MARCH 31, 2013

	MARCH 2014	MARCH 2013
OPERATING REVENUES		
Sales of Water	\$4,949,530	\$4,130,491
Other Operating Revenues	(4,378,928)	714,321
Contract Resource Obligation Revenue	4,713,947	304,713
Total Operating Revenues	5,284,549	5,149,525
 OPERATING EXPENSES		
Production Expense		
Source of Supply	559,971	406,131
Water Treatment	383,427	303,707
Total Production Expense	943,398	709,838
Power Pumping Expense	46,268	41,203
Transmission and Storage Expense	237,820	225,456
Distribution Expense	1,062,888	881,622
Customer Accounting and Consumer Service ...	329,569	358,666
Taxes	227,623	331,732
Depreciation	1,392,275	1,333,096
Administrative and General	582,419	741,710
Total Operating Expenses	4,822,260	4,623,323
 OPERATING INCOME (LOSS)	462,289	526,202
 NON-OPERATING REVENUES (EXPENSES)		
Interest Income	144,552	126,131
Miscellaneous	128,802	(260,046)
Interest on Long-Term Debt	(1,373,049)	(1,301,214)
Amort. Of Debt Premium	92,947	28,020
Interest on Long-Term Debt BABs Sub	(320,064)	(320,064)
Interest and Amort. Charged to Construction	549,923	170,500
Total Non-Operating Revenues (Expenses)	(776,889)	(1,556,673)
 Net Income (Loss) Before Capital Contributions and Transfers	(314,600)	(1,030,471)
Capital Contributions		
Cash	227,826	233,237
Donated Fixed Assets	-	65,082
Federal BAB Subsidies	320,064	320,064
Transfers Out		
City Gross Earnings Tax	(68,016)	(377,640)
 NET INCOME (LOSS)	\$165,274	(\$789,728)
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - MARCH 31		

YEAR TO DATE		2014 OVER	PERCENT CHANGE
MARCH 31, 2014	MARCH 31, 2013	(UNDER) 2013	
\$ 14,673,859	\$ 12,841,444	\$1,832,415	14.3%
2,105,581	2,203,269	(97,688)	-4.4%
5,128,550	1,161,761	3,966,789	341.4%
<u>21,907,990</u>	<u>16,206,474</u>	<u>5,701,516</u>	35.2%
1,452,825	1,260,062	192,763	15.3%
1,012,716	856,874	155,842	18.2%
<u>2,465,541</u>	<u>2,116,936</u>	<u>348,605</u>	16.5%
131,487	105,622	25,865	24.5%
680,990	870,168	(189,178)	-21.7%
2,787,163	2,867,054	(79,891)	-2.8%
950,998	1,026,562	(75,564)	-7.4%
724,008	775,661	(51,653)	-6.7%
4,175,241	3,999,287	175,954	4.4%
1,730,870	2,045,224	(314,354)	-15.4%
<u>13,646,298</u>	<u>13,806,514</u>	<u>(160,216)</u>	-1.2%
8,261,692	2,399,960	5,861,732	244.2%
421,292	(514,538)	935,830	-181.9%
(59,299)	(1,009,467)	950,168	-94.1%
(4,119,552)	(3,897,582)	(221,970)	5.7%
278,842	84,061	194,781	231.7%
(960,192)	(960,192)	-	0.0%
1,605,418	560,178	1,045,240	186.6%
<u>(2,833,491)</u>	<u>(5,737,540)</u>	<u>2,904,049</u>	-50.6%
5,428,201	(3,337,580)	8,765,781	-262.6%
1,481,325	774,326	706,999	91.3%
-	65,082	(65,082)	0.0%
960,192	960,192	-	0.0%
<u>(1,333,036)</u>	<u>(1,176,250)</u>	<u>(156,786)</u>	13.3%
6,536,682	(2,714,230)	\$9,250,912	-340.8%
<u>480,288,973</u>	<u>449,858,136</u>		
<u>\$486,825,655</u>	<u>\$447,143,906</u>		

These statements should be read in conjunction with the Management Discussion and Analysis in the March 2014 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
MARCH 31, 2014 AND MARCH 31, 2013

	<u>MARCH 2014</u>	<u>MARCH 2013</u>
SALES OF WATER		
Residential and Domestic	\$3,129,212	\$2,548,359
Commercial and Industrial	984,975	821,939
Special Rate - Simpson Tacoma Kraft Company	437,436	382,965
Municipal	27,333	40,237
Other Public Buildings and Grounds	111,474	99,507
Sales to Other Utilities	<u>259,100</u>	<u>237,484</u>
Total	<u><u>\$4,949,530</u></u>	<u><u>\$4,130,491</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	87,429	81,540
Commercial and Industrial	5,938	5,589
Municipal	179	206
Other Public Buildings and Grounds	405	372
Sales to Other Utilities	<u>21</u>	<u>20</u>
Total	<u><u>93,972</u></u>	<u><u>87,727</u></u>

YEAR TO DATE		2014 OVER (UNDER) 2013	PERCENT CHANGE
MARCH 2014	MARCH 2013		
\$9,195,894	\$8,288,299	\$907,595	11.0%
2,931,561	2,365,348	566,213	23.9%
1,418,580	1,198,926	219,654	18.3%
95,807	100,317	(4,510)	-4.5%
386,697	325,100	61,597	18.9%
645,320	563,454	81,866	14.5%
<u>\$14,673,859</u>	<u>\$12,841,444</u>	<u>\$1,832,415</u>	14.3%
271,817	260,953	10,864	4.2%
17,539	16,514	1,025	6.2%
618	582	36	6.2%
1,211	1,111	100	9.0%
57	55	2	3.6%
<u>291,242</u>	<u>279,215</u>	<u>12,027</u>	4.3%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
MARCH 31, 2014 AND MARCH 31, 2013

WATER BILLED	MILLION GALLONS, TOTAL			
	MARCH	MARCH	YEAR TO DATE	
	2014	2013	MARCH 2014	MARCH 2013
Residential and Domestic	504.67	449.37	1,499.31	1,489.56
Commercial and Industrial	178.63	171.07	566.71	475.14
Special Rate - Simpson	455.03	446.86	1,491.12	1,408.95
Municipal	2.98	8.56	13.45	18.83
Other Public Bldgs and Grounds	21.30	17.33	67.53	57.80
Sales to Other Utilities	117.32	87.03	311.22	207.69
	1,279.93	1,180.22	3,949.34	3,657.97

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

MILLION GALLONS, AVERAGE DAILY

<u>MARCH</u> <u>2014</u>	<u>MARCH</u> <u>2013</u>
16.28	14.50
5.76	5.52
14.68	14.41
0.10	0.28
0.69	0.56
<u>3.78</u>	<u>2.81</u>
<u><u>41.29</u></u>	<u><u>38.08</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$24,220,905	\$25,590,132
Cash Paid to Suppliers	(14,296,807)	(15,788,161)
Cash Paid to Employees	(5,552,561)	(5,760,599)
Taxes Paid	(1,078,574)	(1,274,618)
Net Cash From		
Operating Activities	3,292,963	2,766,754
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(1,333,036)	(1,176,250)
Net Cash From Non-Capital		
Financing Activities	(1,333,036)	(1,176,250)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(14,923,464)	(16,434,409)
Proceeds from State Drinking Water Loan	7,830,473	2,197,735
Debt Issuance Costs	(60,000)	(247,553)
Principal Payments on Muckleshoot LT Liability ...	(200,182)	-
Interest Paid	(4,551)	(582)
System Development Charges, CIAC and Other	1,905,641	423,251
Net Cash From Capital and		
Related Financing Activities	(5,452,083)	(14,061,558)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	421,290	(514,538)
Other Net Non-Op Revenues and Expenses	700	(761,914)
Net Cash From Investing Activities	421,990	(1,276,452)
Net Change in Cash and Equity in		
Pooled Investments	(3,070,166)	(13,747,506)
Cash & Equity in Pooled Investments at January 1 ...	196,441,371	198,517,120
Cash & Equity in Pooled Investments at March 31	\$193,371,205	\$184,769,614

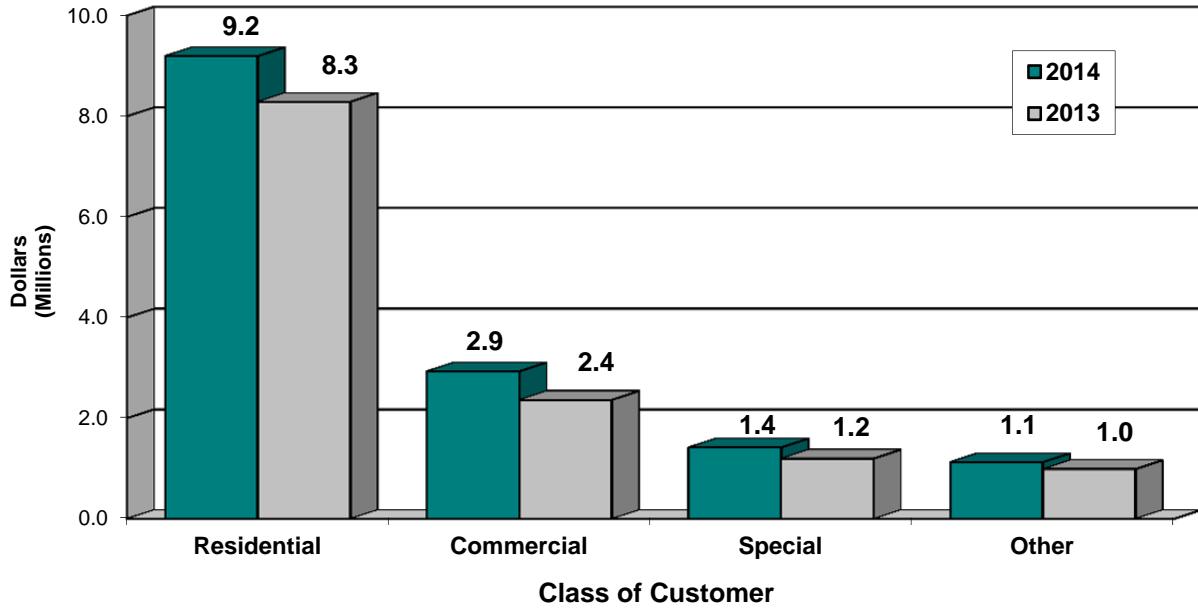
The accompanying notes are an integral part of these financial statements.

	YEAR TO DATE	
	2014	2013
Reconciliation of Net Operating Income to		
Net Cash From Operating Activities:		
Net Operating Income	\$8,261,692	\$2,399,960
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	4,175,241	3,999,287
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	(1,909,257)	5,929,017
Interfund Receivables	8,815,962	947,380
Regulatory Asset-Public Fire Protection Fees	188,965	(260,568)
Regulatory Asset-Hyada Surcharges.....	23,818	24,060
Materials and Supplies	(4,471)	15,688
Prepayments	49,844	77,055
Unearned Rental Revenues	4,009,389	3,672,149
Accrued Taxes	(354,566)	(498,957)
Salaries, Wages and Fringe Benefits Payable	(477,474)	(436,739)
Customers' Deposits	44,669	11,609
Accrued Expenses and Contracts Payable	(9,773,519)	(11,742,126)
Interfund Payables	(9,757,330)	(1,371,061)
Total Adjustments	(4,968,729)	366,794
 Net Cash From Operating Activities	 <u>\$3,292,963</u>	 <u>\$2,766,754</u>
 Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$152,888,325	\$147,546,155
Cash and Equity in Pooled Investments in Operating Funds	40,482,880	37,223,459
Cash and Equity in Pooled Investments at March 31	<u>\$193,371,205</u>	<u>\$184,769,614</u>

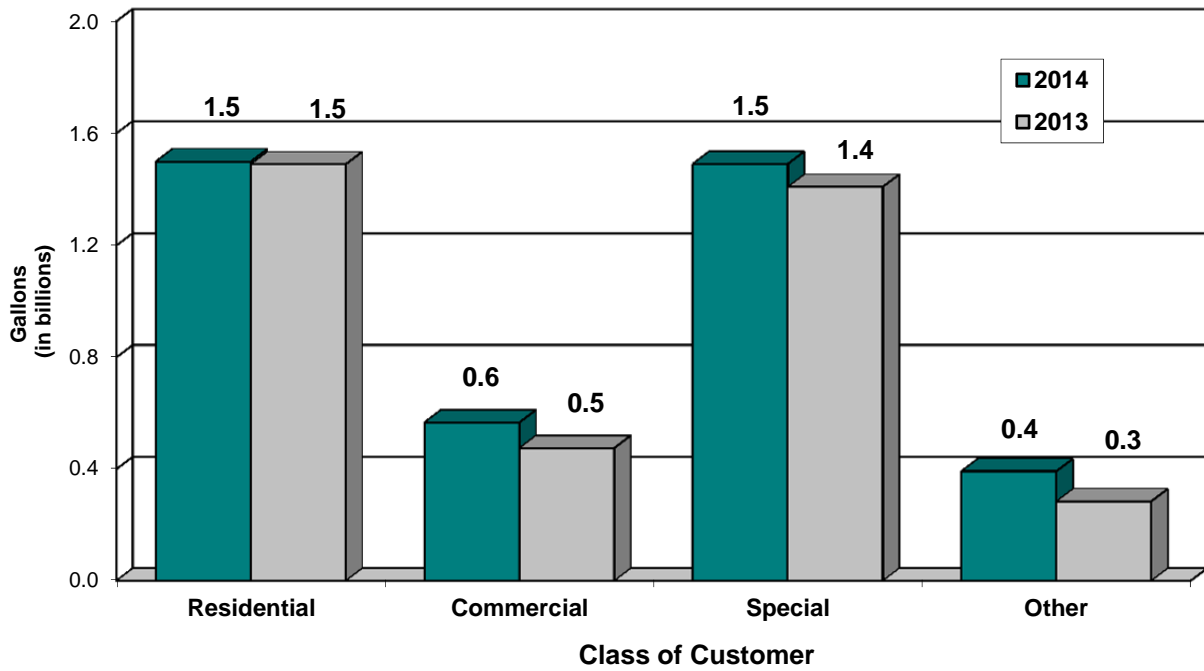
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Supplemental Data

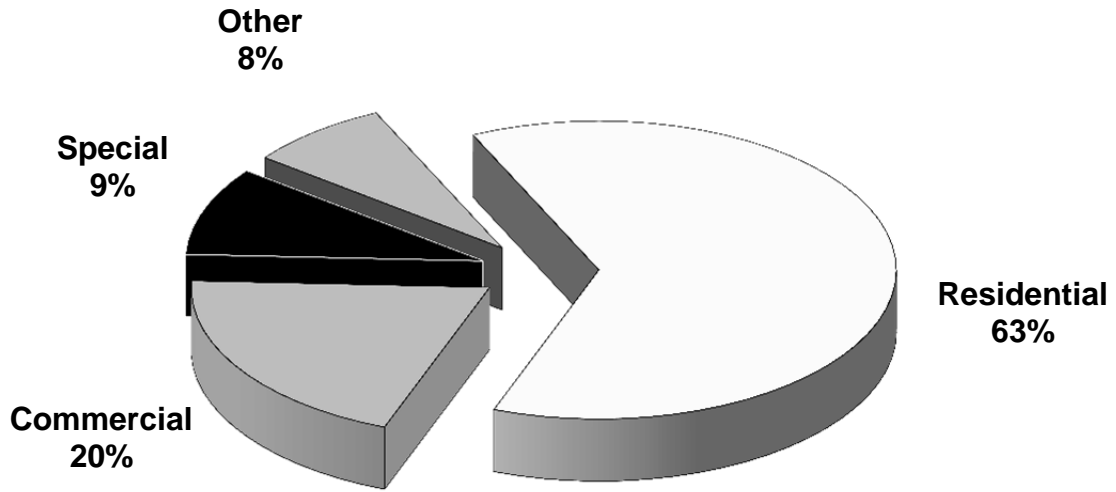
WATER SALES
Year to Date - March 2014 & 2013



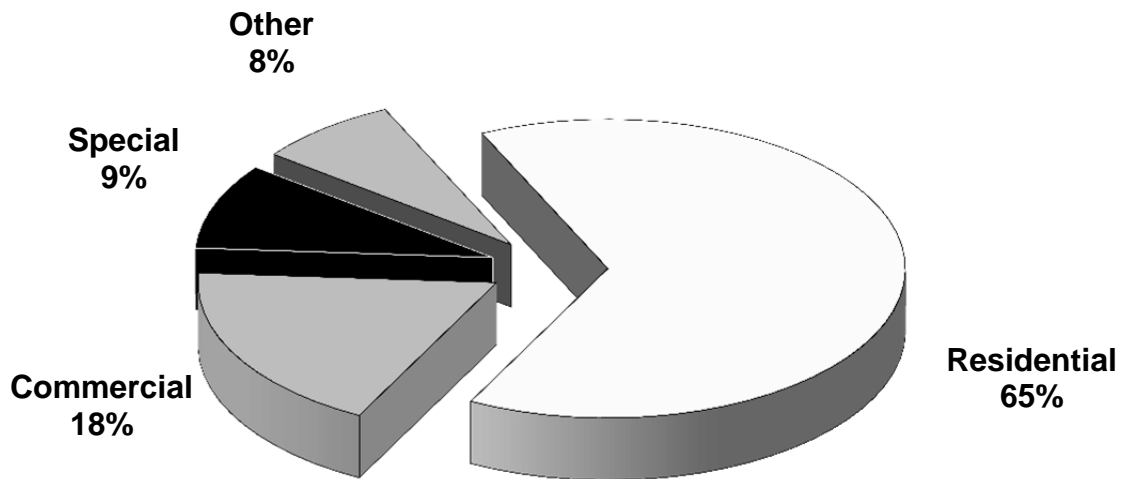
WATER CONSUMPTION
Year to Date - March 2014 & 2013



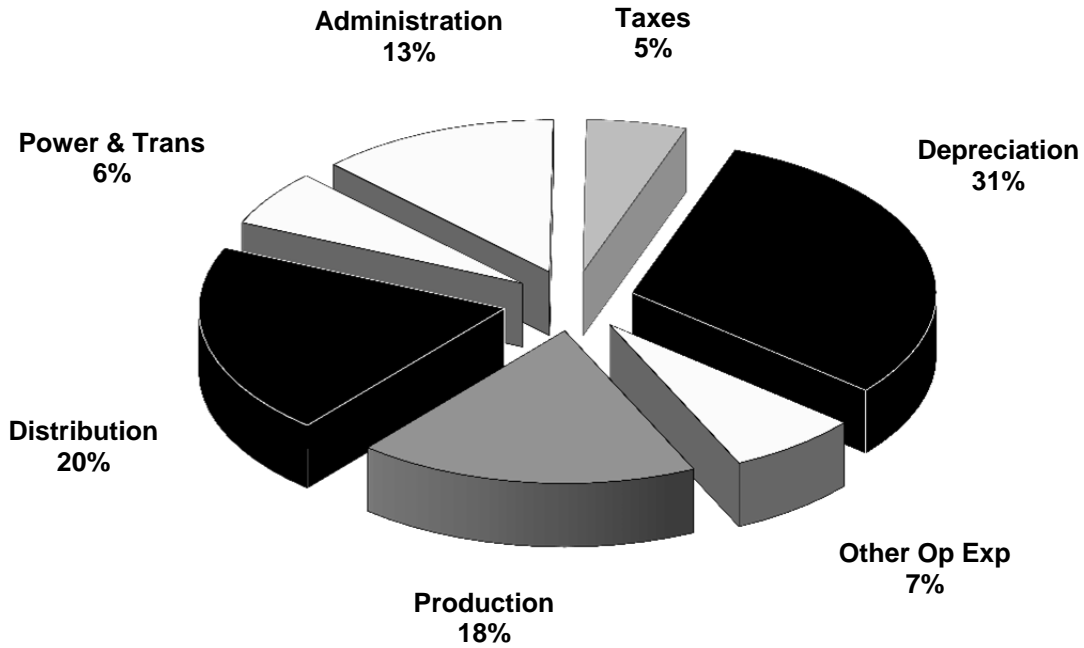
WATER SALES
Year to Date - March 2014
(\$14,673,859)



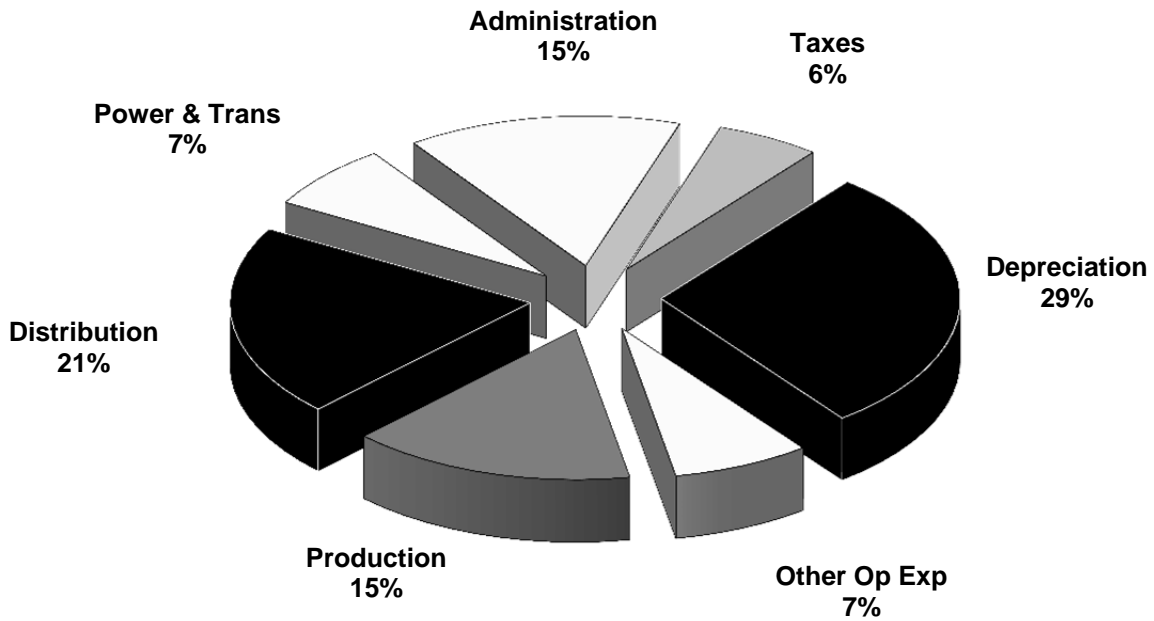
WATER SALES
Year to Date - March 2013
(\$12,841,444)



TOTAL OPERATING EXPENSES
Year to Date - March 2014
(\$13,646,298)



TOTAL OPERATING EXPENSES
Year to Date - March 2013
(\$13,806,514)





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.