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***JUNE***

***FLEET SERVICES FUND***

**2014**

**FINANCIAL  
REPORT**





# Public Utility Board

DAVID NELSON

Chair

WOODROW JONES

Vice-Chair

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AARON ALVARADO

Manager, Fleet Services

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



## **MANAGEMENT DISCUSSION AND ANALYSIS**

Fleet Services is reporting a net operating loss of \$1.0 million year-to-date 2014 compared to a net loss of \$630,000 recorded for the same time period in 2013. Operating revenues decreased \$9,000 and expenses increased \$372,000 respectively, resulting in a net decrease in operating income of \$381,000 compared to 2013.

### **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 \$2.6 million at the end of the second quarter of both 2014 and 2013.

Maintenance revenues are mainly related to staff labor and were \$1.1 million at the end of the second quarter of both 2014 and 2013.

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 \$857,000 and \$911,000 in 2014 and 2013 respectively.

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 \$526,000 and \$495,000 in 2014 and 2013 respectively. The increase of \$31,000 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 \$43,000 and \$45,000 in 2014 and 2013 respectively.

Pool car revenues are based on usage and were \$29,000 and \$49,000 for 2014 and 2013 respectively.

### **Expenses**

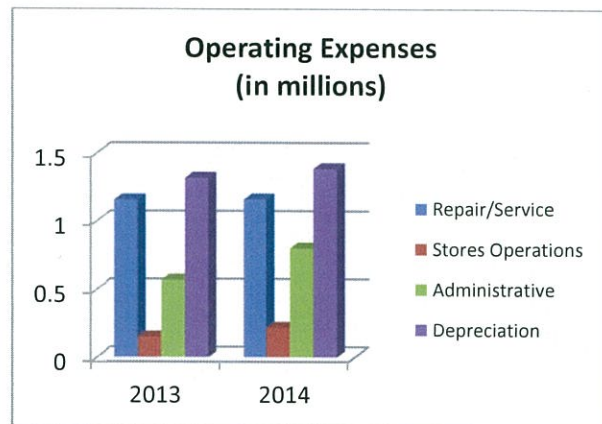
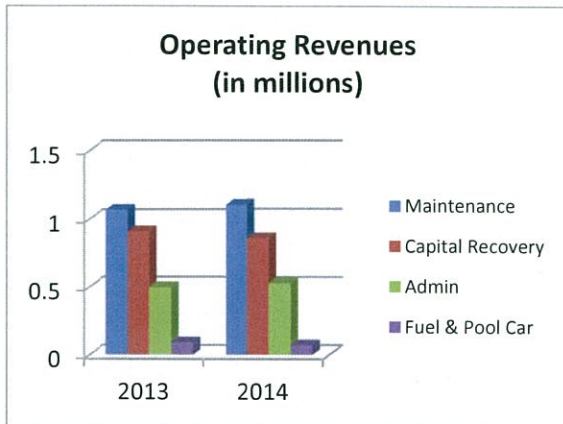
Fleet Services operating expenses are comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet Services expenses were \$3.6 million and \$3.2 million year-to-date through the second quarter of 2014 and 2013 respectively.

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 \$1.2 million at the end of the second quarter of both 2014 and 2013.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$218,000 and \$151,000 in 2014 and 2013 respectively. The increase of \$67,000 is primarily due to an inventory adjustment to fuel and fluids.

Administration expenses were \$803,000 and \$570,000 in 2014 and 2013 respectively. The increase of \$232,000 is primarily due to a replacement fee correction made in 2013 for 2012.

Depreciation expense was \$1.4 million and \$1.3 million in 2014 and 2013 respectively.



**Non-Operating Revenues (Expenses)**

Interest income was \$23,000 and (\$123,000) at the end of the second quarter of 2014 and 2013 respectively.

William A. Gaines  
Director of Utilities/CEO

Andrew Cherullo  
Finance Director

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

# FLEET SERVICES FUND

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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  
FLEET SERVICES FUND

STATEMENTS OF NET POSITION  
JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
<b>ASSETS</b>		
<b>FIXED</b>		
Office Furniture and Equipment .....	\$540,905	\$540,905
Stores and Shop Equipment .....	679,246	679,246
Transportation Equipment .....	33,963,051	33,029,741
Power-Operated Equipment .....	18,740,127	19,428,557
Accumulated Depreciation .....	(36,215,428)	(36,740,978)
Total Fixed Assets .....	17,707,901	16,937,471
Construction Work in Progress .....	2,282,665	3,038,488
Net Fixed Assets .....	19,990,566	19,975,959
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	21,029,223	21,561,296
Materials and Supplies .....	282,847	589,403
Total Current Assets .....	21,312,070	22,150,699
<b>TOTAL ASSETS</b> .....	<b>\$41,302,636</b>	<b>\$42,126,658</b>

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



	<u>2014</u>	<u>2013</u>
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$19,990,566	\$19,975,959
Restricted for:		
Tacoma Power .....	17,709,833	17,322,733
Tacoma Water .....	6,908,667	6,824,584
Tacoma Rail .....	675,243	642,836
Unrestricted .....	<u>(4,647,221)</u>	<u>(3,019,175)</u>
<b>TOTAL NET POSITION .....</b>	<b>40,637,088</b>	<b>41,746,937</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable & Other .....	380,272	126,759
Wages Payable .....	105,564	100,846
Total Current Liabilities .....	<u>485,836</u>	<u>227,605</u>
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	179,712	152,116
Total Long-term Liabilities .....	<u>179,712</u>	<u>152,116</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>665,548</u></b>	<b><u>379,721</u></b>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b><u><u>\$41,302,636</u></u></b>	<b><u><u>\$42,126,658</u></u></b>

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

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
JUNE 30, 2014 AND JUNE 30, 2013

	JUNE 2014	JUNE 2013
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$169,338	\$197,447
Capital Recovery .....	142,520	144,092
Administrative Overhead .....	87,701	88,496
Fuel and Fuel Loading .....	7,512	8,255
Pool Car Rental .....	-	7,323
Total Operating Revenue .....	407,071	445,613
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	190,373	165,140
Outside Services .....	165	4,941
Total Repairs and Servicing .....	190,538	170,081
Stores Operations .....	20,475	25,532
Administration .....	138,493	133,983
Depreciation .....	230,346	214,698
Total Operating Expenses .....	579,852	544,294
<b>OPERATING INCOME</b> .....	(172,781)	(98,681)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	4,332	4,009
Gain (Loss) on Disposition of Equipment .....	-	-
Sale of Scrap .....	-	-
Total Non-Operating Revenues (Expenses) ....	4,332	4,009
Net Income Before Transfers .....	(168,449)	(94,672)
Transfers In .....	-	-
<b>CHANGE IN NET POSITION</b> .....	(\$168,449)	(\$94,672)
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - JUNE 30</b> .....		

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

YEAR TO DATE

JUNE 2014	JUNE 2013	2014/2013 VARIANCE	PERCENT CHANGE
\$1,103,828	\$1,069,125	\$34,703	3.2%
857,475	910,874	(53,399)	-5.9%
526,004	494,947	31,057	6.3%
42,983	44,608	(1,625)	-3.6%
28,839	48,513	(19,674)	-40.6%
<u>2,559,129</u>	<u>2,568,067</u>	<u>(8,938)</u>	-0.3%
1,116,780	1,149,618	(32,838)	-2.9%
44,595	8,521	36,074	423.4%
<u>1,161,375</u>	<u>1,158,139</u>	<u>3,236</u>	0.3%
217,668	150,833	66,835	44.3%
802,613	570,219	232,394	40.8%
<u>1,387,916</u>	<u>1,318,611</u>	<u>69,305</u>	5.3%
<u>3,569,572</u>	<u>3,197,802</u>	<u>371,770</u>	11.6%
(1,010,443)	(629,735)	(380,708)	-60.5%
22,839	(123,059)	145,898	118.6%
386,763	-	386,763	-
225	10	215	2150.0%
<u>409,827</u>	<u>(123,049)</u>	<u>532,876</u>	433.1%
(600,616)	(752,784)	152,168	20.2%
-	141,512	(141,512)	-100.0%
(600,616)	(611,272)	\$10,656	1.7%
<u>41,237,704</u>	<u>42,358,209</u>		
<u>\$40,637,088</u>	<u>\$41,746,937</u>		

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

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	JUNE 30, 2014	JUNE 30, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$2,922,302	\$5,259,852
Cash Paid to Suppliers .....	(1,141,542)	(4,673,342)
Cash Paid to Employees .....	(1,384,624)	(1,353,012)
Net Cash Provided by		
(Used in) Operating Activities .....	396,136	(766,502)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(1,108,428)	(954,181)
Disposition of Equipment/Scrap.....	386,988	10
 Net Cash Used in Financing Activities .....	(721,440)	(954,171)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	22,839	(278,027)
Net Cash Provided By		
(Used in) Investing Activities .....	22,839	(278,027)
 Net Decrease in Cash and Equity in Pooled Investments .....	(302,465)	(1,998,700)
 Cash and Equity in Pooled Investments at January 1	21,331,688	23,559,996
 Cash and Equity in Pooled Investments at June 30	\$21,029,223	\$21,561,296

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

	YEAR TO DATE	
	JUNE 30, 2014	JUNE 30, 2013
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Loss .....	(\$1,010,443)	(\$629,735)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization .....	1,387,916	1,318,611
Accounts Receivable .....	-	8,325
Receivables from Affiliates .....	363,173	2,683,460
Materials and Supplies .....	29,360	31,978
Taxes and Other Payables .....	89,703	(1,158,129)
Payables to Affiliates .....	(447,184)	(3,023,353)
Salaries, Fringe Benefits and Compensated Absences Payable .....	(16,389)	2,341
Total Adjustments .....	1,406,579	(136,767)
Net Cash Provided by (Used in) Operating Activities .....	\$396,136	(\$766,502)

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

EQUITY DISTRIBUTION AS OF JUNE 30, 2014

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2014 .....	\$28,777,637	\$11,401,216	\$1,058,851	\$41,237,704
Contributions During Year .....	-	-	-	-
Equity Contrib. at June 30, 2014 ...	28,777,637	11,401,216	1,058,851	41,237,704
Current Year Operations:				
Total Operating Revenue * .....	1,785,882	707,537	65,710	2,559,129
Less: Repairs & Servicing Expense *	810,463	321,092	29,820	1,161,375
Administration Expense ** ...	768,439	217,402	34,440	1,020,281
Depreciation Expense .....	1,093,185	260,711	34,020	1,387,916
Total Expenses .....	2,672,087	799,205	98,280	3,569,572
Net Operating Revenue .....	(886,205)	(91,668)	(32,570)	(1,010,443)
Add: Other Income *** .....	285,977	113,317	10,533	409,827
Net Operating Results .....	(600,228)	21,649	(22,037)	(600,616)
Total Equity .....	\$28,177,409	\$11,422,865	\$1,036,814	\$40,637,088

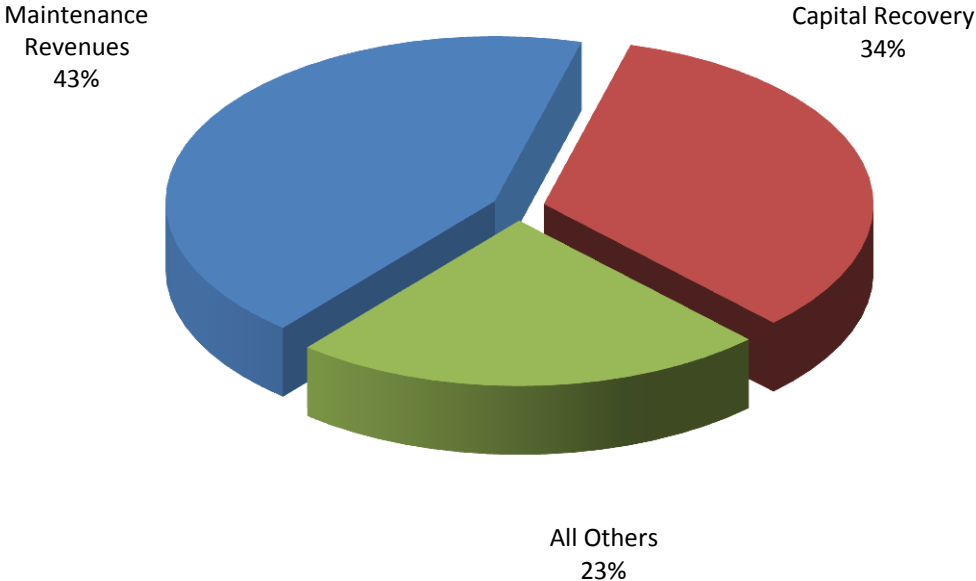
\* Allocated to each division based on total receipts from the divisions.

\*\* Allocated to each division based on vehicle count.

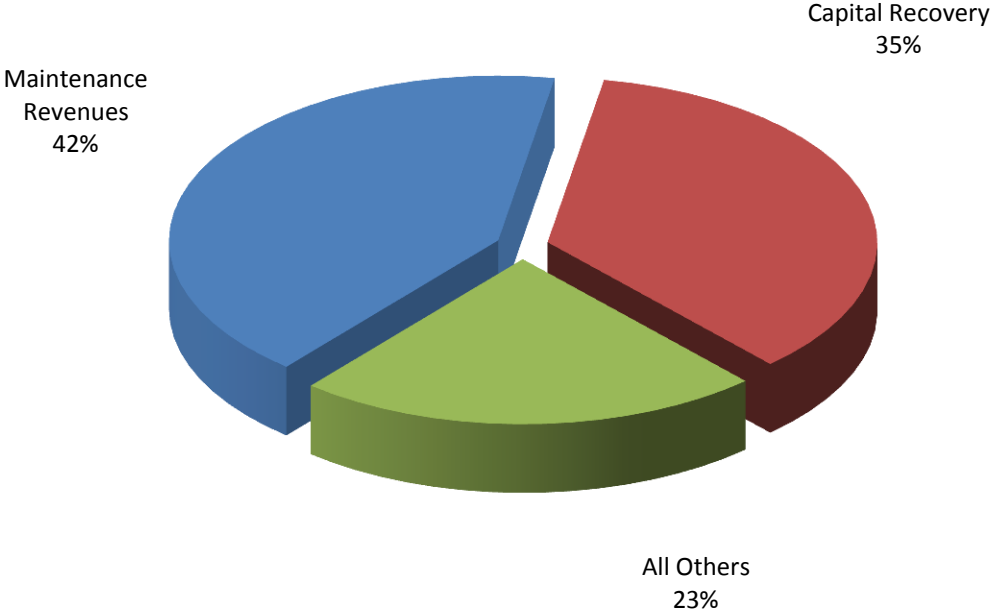
\*\*\* Allocated to each division based on total equity in the Fund.

# Supplemental Data

**TOTAL OPERATING REVENUES**  
**Year to Date - June 2014 (\$2,559,129)**

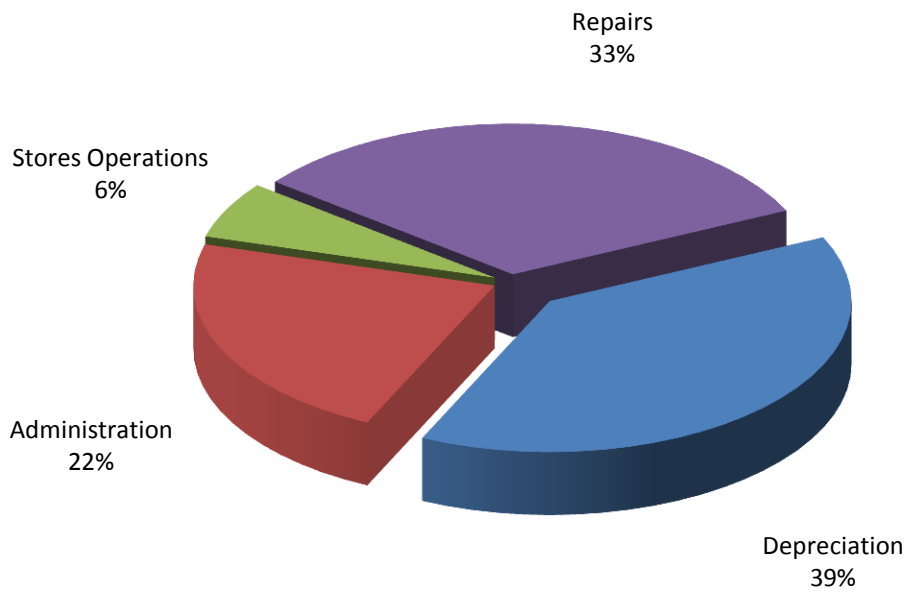


**TOTAL OPERATING REVENUES**  
**Year to Date - June 2013 (\$2,568,067)**

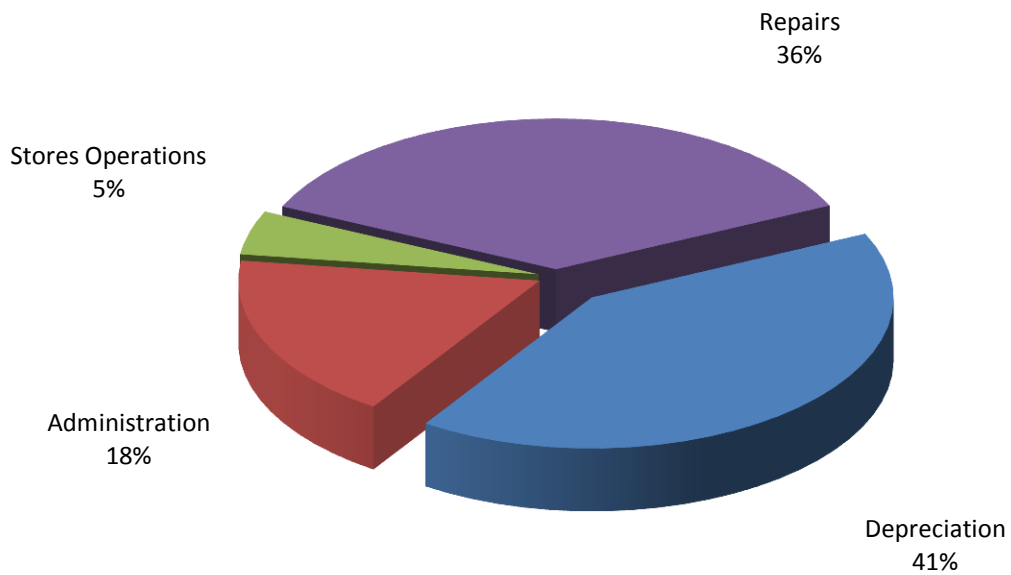




**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2014 (\$3,569,572)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2013 (\$3,197,802)**





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