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*MARCH*

*TACOMA RAIL*

2018

**FINANCIAL  
REPORT**





# Public Utility Board

MONIQUE TRUDNOWSKI

Chair

WOODROW JONES

Vice-Chair

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BRYAN FLINT

Member

MARK PATTERSON

Member

LINDA MCCREA

Interim Director of Utilities/CEO

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA



# MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2018 year to date net operating income of \$1.0 million compared to \$1.1 million in 2017. Operating revenues decreased \$844,000 (9.9%), and operating expenses increased \$748,000 (10.1%) year to date in 2018 compared to 2017.

Operating revenues were \$7.7 million at the end of first quarter 2018, compared to \$8.5 million in 2017. Total switching revenues decreased \$777,000 primarily due to decreases as shown in the table below.

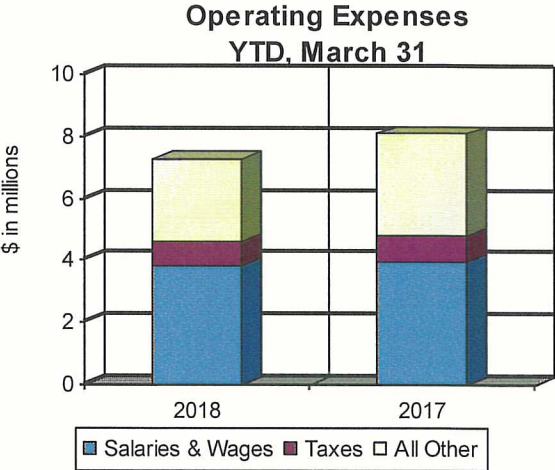
Activity Types	Rail Cars				Switching Revenues			
	2018	2017	Var	%Chg	2018	2017	Var	%Chg
Intermodal Line Hauls	14,742	19,893	(5,151)	-25.9%	\$ 2,492	\$ 3,377	\$ (885)	-26.2%
Commercial Line Hauls	6,632	7,326	(694)	-9.5%	3,355	3,327	28	0.8%
Capital Div. Line Hauls	191	147	44	29.9%	99	61	38	62.3%
Miscellaneous Switches	4,250	4,207	43	1.0%	755	713	42	5.9%
Total Line Hauls	25,815	31,573	(5,758)	-18.2%	\$ 6,701	\$ 7,478	\$ (777)	-10.4%

Demurrage and other operating revenues decreased \$67,000 primarily due to decreased railcar dwell and locomotive services.

Total operating expenses were \$6.6 million year to date in 2018, compared to \$7.4 million in 2017.

Salaries and wages were \$137,000 lower due to decreased overtime.

Supplies and expenses decreased \$624,000 primarily due to a significant decline in volume incentive.



Depreciation increased \$26,000 due to an increase in depreciable assets of \$1.8 million compared to the same period in 2017.

Tacoma Rail's working capital ratios year to date of 2018 and 2017 were 7.2 and 3.8, respectively.

*Linda McCrea*  
 Linda McCrea  
 Interim Director of Utilities/CEO

*Andrew Cherullo*  
 Andrew Cherullo  
 Finance Director



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION  
Doing Business As

# TACOMA RAIL

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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 RAIL

STATEMENTS OF NET POSITION

<b>ASSETS</b>	MARCH 31, 2018	MARCH 31, 2017
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$46,585,758	\$44,811,133
Less Accumulated Depreciation .....	(20,492,889)	(19,256,728)
Total .....	26,092,869	25,554,405
Construction Work in Progress .....	368,683	2,298,598
Net Capital Assets .....	26,461,552	27,853,003
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	9,922,511	9,593,904
Customer Accounts Receivable .....	3,084,780	3,475,690
Prepayments .....	559,422	1,680,378
Materials and Supplies Inventory.....	1,218,110	1,048,341
Total Current Assets .....	14,784,823	15,798,313
<b>TOTAL ASSETS</b> .....	<b>\$41,246,375</b>	<b>\$43,651,316</b>

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



<b>NET POSITION AND LIABILITIES</b>	<u>MARCH 31,</u> <u>2018</u>	<u>MARCH 31,</u> <u>2017</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$20,485,510	\$21,368,170
Restricted for:		
Debt Service .....	-	-
Unrestricted .....	8,484,309	8,405,726
<b>TOTAL NET POSITION</b> .....	<u>28,969,819</u>	<u>29,773,896</u>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
State Loans.....	5,155,792	5,695,729
<b>Total Long-Term Liabilities</b> .....	<u>5,155,792</u>	<u>5,695,729</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	414,231	428,174
Wages Payable .....	426,534	393,641
Unemployment and other Tax Payables .....	288,966	302,783
Volume Incentive Payable .....	-	2,125,000
Current Portion of Long Term Debt .....	820,250	789,104
Current Portion of Compensated Absences .....	112,418	111,516
<b>Total Current Liabilities</b> .....	<u>2,062,399</u>	<u>4,150,218</u>
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	849,198	786,906
Long Term Portion of Compensated Absences .....	1,011,762	1,003,644
Other Long-Term Liabilities .....	3,197,405	2,240,923
<b>Total Long-Term Liabilities</b> .....	<u>5,058,365</u>	<u>4,031,473</u>
<b>TOTAL LIABILITIES</b> .....	<u>12,276,556</u>	<u>13,877,420</u>
<b>TOTAL NET POSITION AND LIABILITIES</b> .....	<u><u>\$41,246,375</u></u>	<u><u>\$43,651,316</u></u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	MARCH 2018	MARCH 2017
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,356,118	\$2,450,366
Demurrage and Other Operating Revenues .....	286,514	395,748
Total Operating Revenues .....	2,642,632	2,846,114
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	67,605	89,215
Supplies and Expense .....	193,425	110,774
Mechanical .....		
Salaries and Wages .....	153,860	168,194
Supplies and Expense .....	229,322	248,868
Operations .....		
Salaries and Wages .....	814,902	897,789
Supplies and Expense .....	109,445	143,759
Administration .....		
Salaries and Wages .....	212,068	198,801
Supplies and Expense .....	227,586	506,144
Taxes - State .....	38,052	40,670
Depreciation .....	144,789	136,278
Total Operating Expenses .....	2,191,054	2,540,492
Net Operating Income .....	451,578	305,622
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	10,980	7,744
Miscellaneous .....	106,140	74,648
Interest Expense .....	-	-
Total Non-Operating Revenues .....	117,120	82,392
Contributions - Grants .....	-	36,254
Total Contributions .....	-	36,254
Transfers		
City of Tacoma Gross Earnings Tax .....	(220,780)	(237,993)
<b>CHANGE IN NET POSITION</b> .....	\$347,918	\$186,275
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - MARCH 31</b> .....		

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

YEAR TO DATE

<u>MARCH 31,</u> <u>2018</u>	<u>MARCH 31,</u> <u>2017</u>	<u>2018/2017</u> <u>VARIANCE</u>	<u>PERCENT</u> <u>CHANGE</u>
\$6,701,113	\$7,477,850	(\$776,737)	-10.4%
980,761	1,047,748	(66,987)	-6.4%
<u>7,681,874</u>	<u>8,525,598</u>	<u>(843,724)</u>	<u>-9.9%</u>
236,107	273,911	(37,804)	-13.8%
328,454	212,624	115,830	54.5%
478,589	493,464	(14,875)	-3.0%
848,967	802,178	46,789	5.8%
2,442,843	2,596,592	(153,749)	-5.9%
309,159	345,091	(35,932)	-10.4%
690,300	620,449	69,851	11.3%
758,988	1,509,667	(750,679)	-49.7%
108,685	121,312	(12,627)	-10.4%
434,366	408,835	25,531	6.2%
<u>6,636,458</u>	<u>7,384,123</u>	<u>(747,665)</u>	<u>-10.1%</u>
1,045,416	1,141,475	(96,059)	-8.4%
82,461	45,014	37,447	83.2%
316,743	223,346	93,397	41.8%
-	(6)	6	-100.0%
<u>399,204</u>	<u>268,354</u>	<u>130,850</u>	<u>48.8%</u>
-	36,254	(36,254)	0.0%
-	36,254	(36,254)	0.0%
(642,176)	(706,085)	63,909	-9.1%
802,444	739,998	62,446	8.4%
<u>28,167,375</u>	<u>29,033,898</u>		
<u>\$28,969,819</u>	<u>\$29,773,896</u>		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
MARCH 31, 2018 AND MARCH 31, 2017

	<u>March</u> 2018	<u>March</u> 2017
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$873,814	\$1,053,192
LINE HAULS--COMMERCIAL .....	1,248,560	1,202,015
LINE HAULS--CAPITAL DIVISION .....	33,060	18,781
MISCELLANEOUS SWITCHES .....	<u>200,684</u>	<u>176,378</u>
TOTAL SWITCHING REVENUES .....	<u><u>\$2,356,118</u></u>	<u><u>\$2,450,366</u></u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	5,063	6,209
LINE HAULS--COMMERCIAL .....	2,522	2,526
LINE HAULS--CAPITAL DIVISION .....	58	45
MISCELLANEOUS SWITCHES .....	<u>734</u>	<u>1,075</u>
TOTAL CARS SWITCHED .....	<u><u>8,377</u></u>	<u><u>9,855</u></u>

YEAR TO DATE			
March 31, 2018	March 31, 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$2,491,931	\$3,376,673	(\$884,742)	-26.2%
3,355,245	3,326,700	28,545	0.9%
98,790	61,352	37,438	61.0%
<u>755,147</u>	<u>713,125</u>	<u>42,022</u>	<u>5.9%</u>
<u>\$6,701,113</u>	<u>\$7,477,850</u>	<u>(\$776,737)</u>	<u>-10.4%</u>
14,742	19,893	(5,151)	-25.9%
6,632	7,326	(694)	-9.5%
191	147	44	29.9%
<u>4,250</u>	<u>4,207</u>	<u>43</u>	<u>1.0%</u>
<u>25,815</u>	<u>31,573</u>	<u>(5,758)</u>	<u>-18.2%</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31, 2018	MARCH 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$7,977,071	\$8,182,514
Cash Paid to Suppliers .....	(2,568,191)	(2,609,769)
Cash Paid to Employees .....	(3,605,191)	(3,745,582)
Taxes Paid .....	(109,577)	(108,539)
Net Cash Provided by Operating Activities .....	1,694,112	1,718,624
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(642,176)	(706,085)
Net Cash Used in Non-Capital Financing Activities .....	(642,176)	(706,085)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(190,207)	(45,094)
Principal Payments on Long-Term Debt .....	(67,685)	(131,924)
Interest Paid .....	-	(872)
Proceeds from Capital Contributions .....	-	36,254
Proceeds from Long-Term Debt .....	-	403,339
Debt Issuance Costs .....	-	(4,045)
Proceeds from Other Non-Operating Revenues .....	316,743	227,391
Net Cash Provided by Capital and Related Financing Activities .....	58,851	485,049
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	82,461	45,014
Net Cash Provided by Investing Activities .....	82,461	45,014
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	1,193,248	1,542,602
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	<b>8,729,263</b>	<b>8,051,302</b>
<b>Cash &amp; Equity in Pooled Investments at March 31</b>	<b>\$9,922,511</b>	<b>\$9,593,904</b>

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

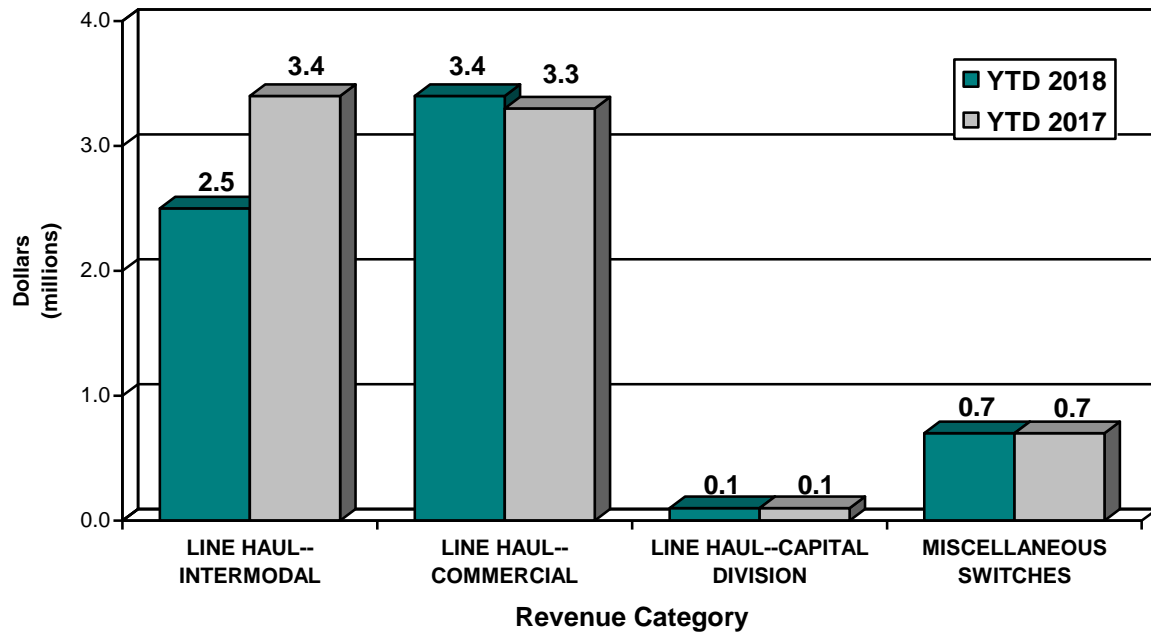
	YEAR TO DATE	
	MARCH 31, 2018	MARCH 31, 2017
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income .....	\$1,045,416	\$1,141,475
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation .....	434,366	408,835
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable .....	137,239	(342,409)
Interfund Receivable .....	157,958	9,827
Materials and Supplies Inventory .....	(51,338)	(24,008)
Prepayments .....	128,891	126,832
Accounts Payable .....	(339,443)	(457,516)
Customer Deposits .....	-	(10,500)
Unemployment and other Tax Payables .....	(892)	12,773
Wages Payable .....	223,211	225,335
Volume Incentive Payable .....	-	875,001
Interfund Payable .....	(60,733)	(260,518)
Other Long-Term Liabilities & OJI Reserve.....	19,437	13,499
	<u>648,696</u>	<u>577,151</u>
Net Cash Provided by Operating Activities .....	<u>\$1,694,112</u>	<u>\$1,718,626</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	-	-
Cash and Equity in Pooled Investments in Operating Funds .....	9,922,511	9,593,904
Cash and Equity in Pooled Investments at March 31 .....	<u>\$9,922,511</u>	<u>\$9,593,904</u>

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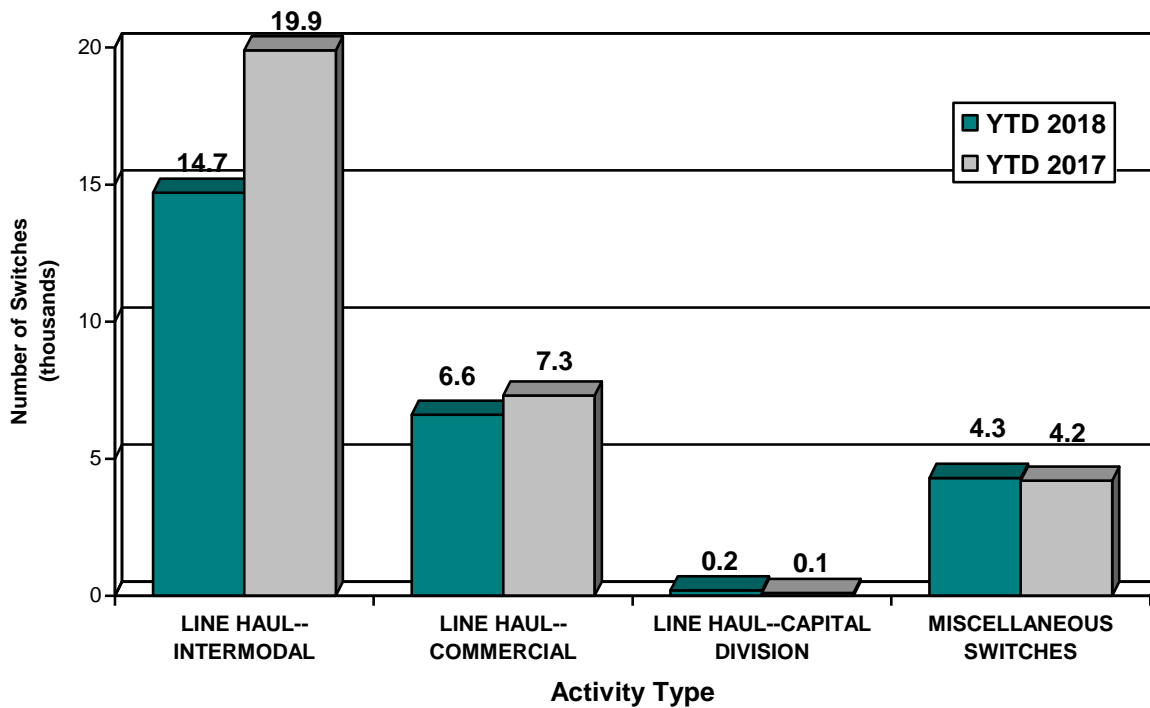


# Supplemental Data

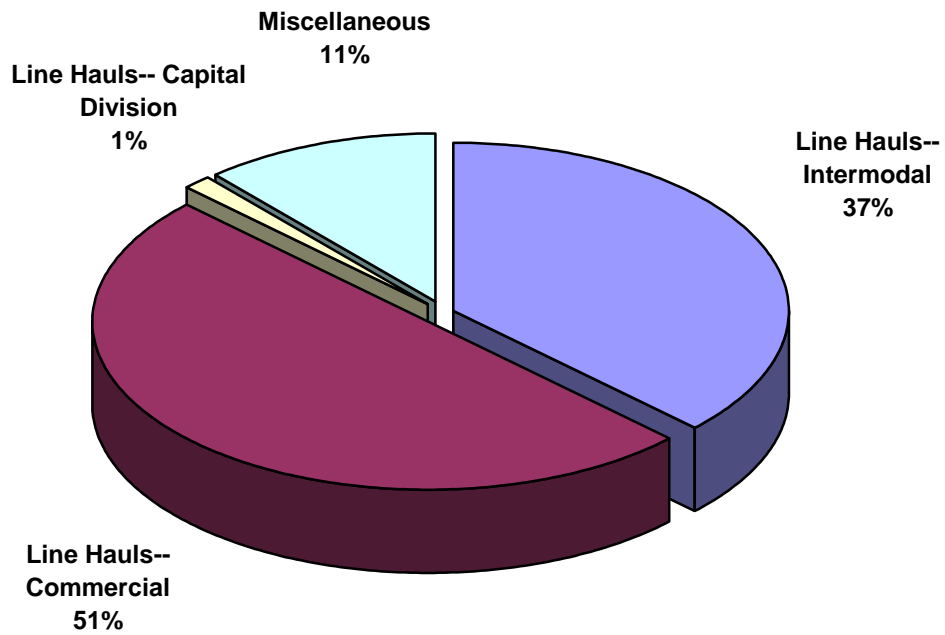
**SWITCHING REVENUES**  
Year to Date - March 2018 & 2017



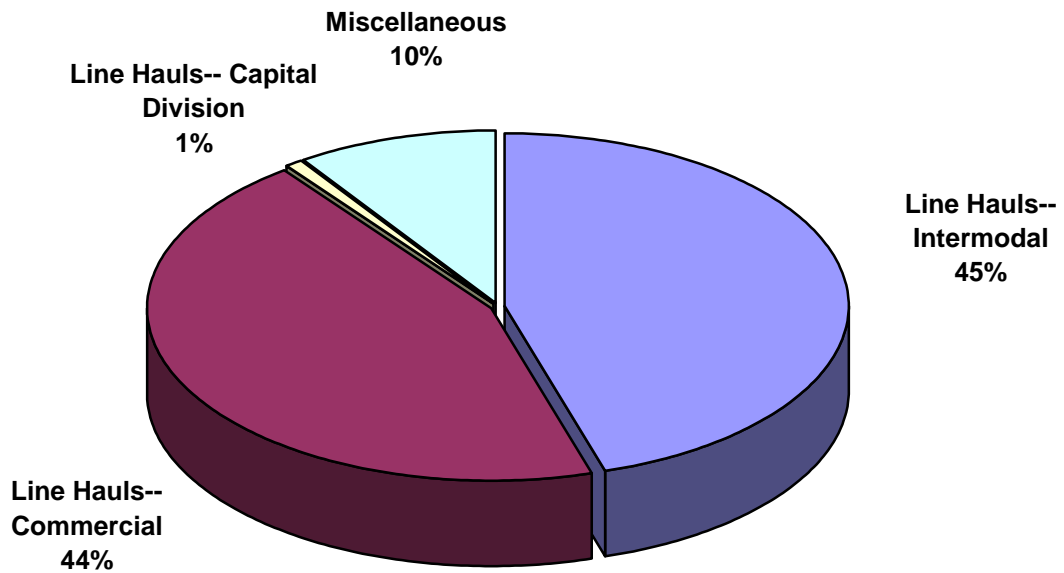
**SWITCHING ACTIVITIES**  
Year to Date - March 2018 & 2017



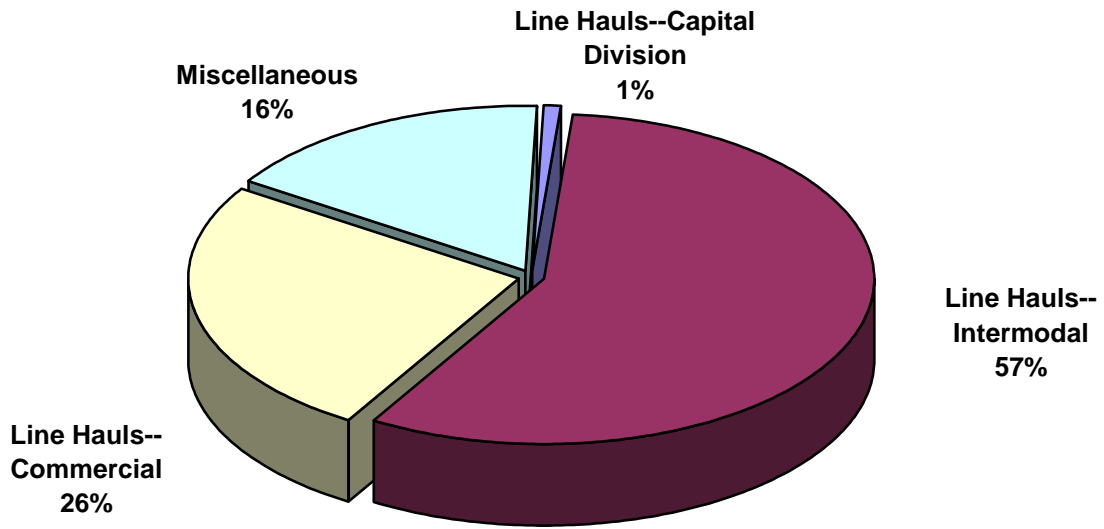
**SWITCHING REVENUES**  
Year to Date - March 2018 (\$6,701,113)



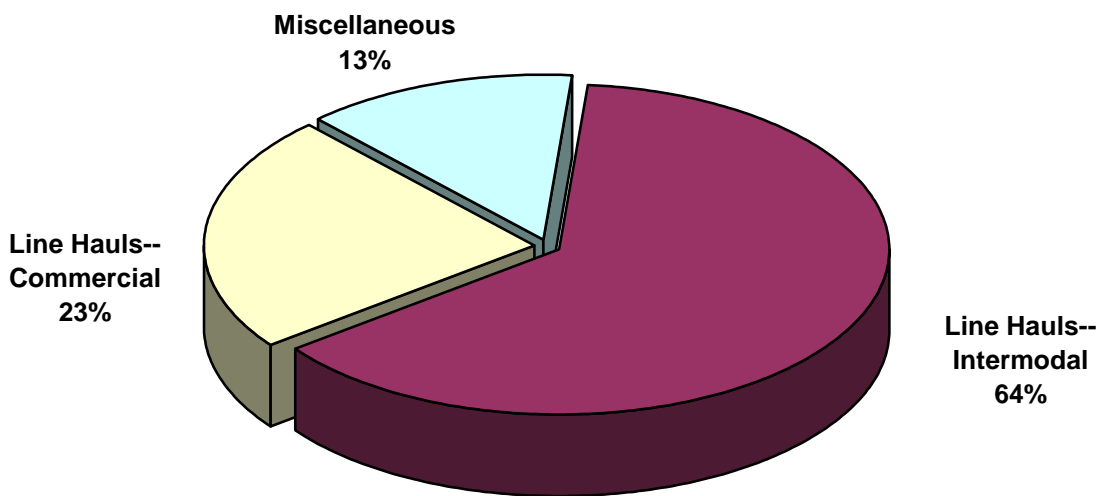
**SWITCHING REVENUES**  
Year to Date - March 2017 (\$7,477,850)



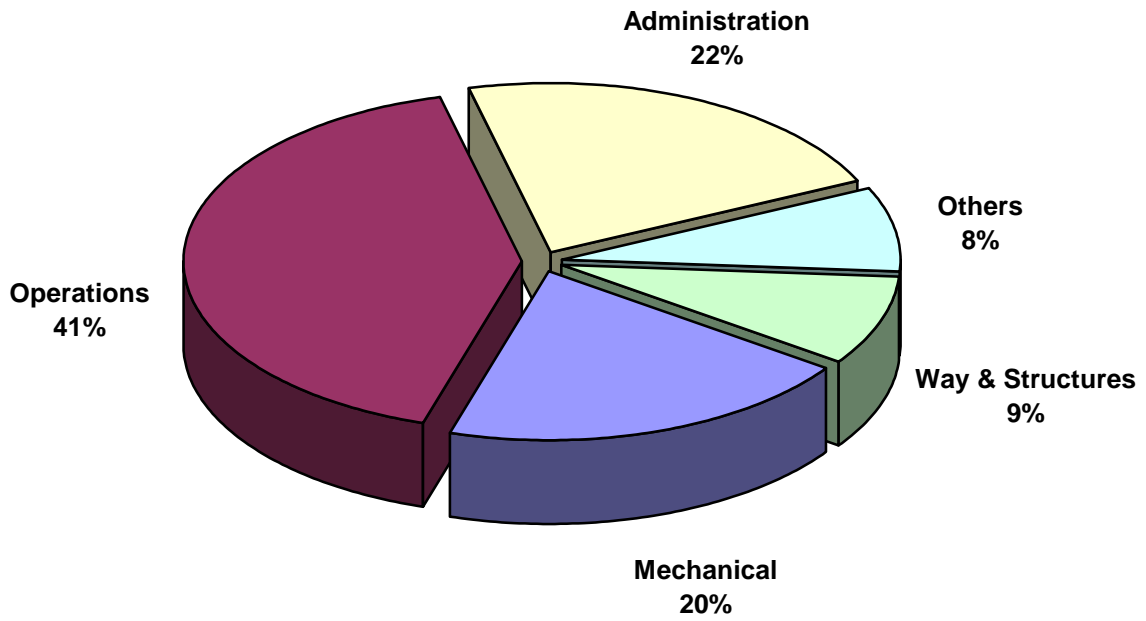
**SWITCHING ACTIVITY**  
**Year to Date - March 2018 (25,815 cars)**



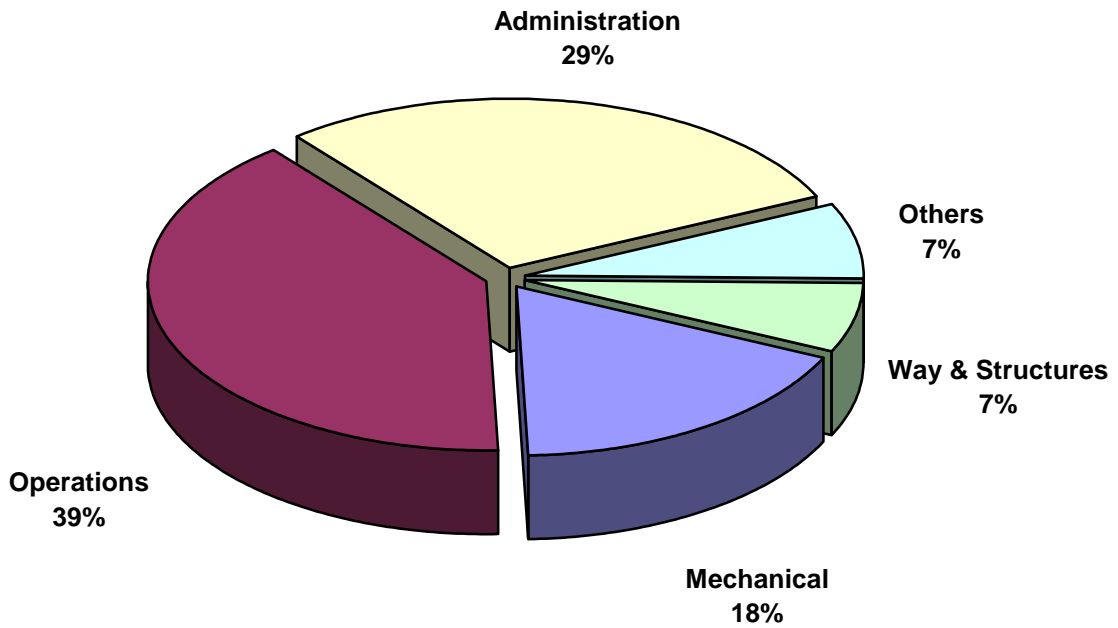
**SWITCHING ACTIVITY**  
**Year to Date - March 2017 (31,573 cars)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2018 (\$6,636,458)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - March 2017 (\$7,384,123)**





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.