
JUNE

TACOMA WATER

2015

**FINANCIAL
REPORT**



Public Utility Board

WOODROW JONES

Chair

BRYAN FLINT

Vice-Chair

MARK PATTERSON

Secretary

DAVID NELSON

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

As of the second quarter of 2015, Tacoma Water is reporting year-to-date operating income of \$15.8 million compared to \$19.0 million in 2014. Operating revenues decreased \$0.4 million (0.8%) and operating expenses increased \$2.9 million (10.4%). The year to date change in net position for 2015 was \$10.1 million compared to \$15.5 million in 2014.

Revenues

Water sales revenues increased by \$1.3 million (4.3%) in the first six months of 2015 compared to the same period in 2014. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class for the first six months of 2015.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 53,322	\$ 1,020,159	\$ 1,073,481
Commercial and Industrial	324,021	(122,573)	201,448
Special Rate	120,249	(150,381)	(30,132)
Other	69,010	8,579	77,589
Total	\$ 566,602	\$ 755,784	\$ 1,322,386

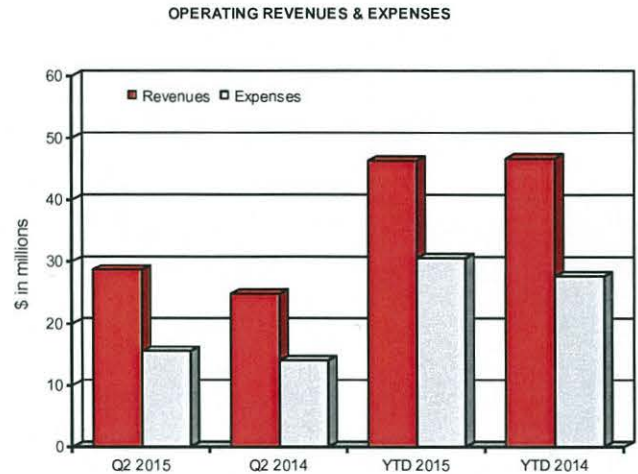
Consumption for the first six months of 2015 was 8,031 million gallons, compared to 8,037 million gallons for the same period in 2014. Regional Water Supply System (RWSS) partners received 1,569 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2015	2014		
Residential and Domestic	3,383.65	3,217.67	165.98	5%
Commercial and Industrial	1,292.10	1,316.13	(24.03)	(2%)
Special Rate	2,832.19	2,989.84	(157.65)	(5%)
Other	522.98	513.85	9.13	2%
Total	8,030.92	8,037.49	(6.57)	(0%)

Contract resource obligation (CRO) revenue was \$9.4 million in 2015 compared to \$11.1 million in 2014. The Green River Filtration Facility is now complete and the CRO partners were billed less accordingly.

Expenses

Operating expenses were \$30.5 million for the first six months of 2015, an increase of \$2.9 million compared to 2014. The increase is due in large part to a shift in focus from capital related projects to operations and maintenance, specifically the Green River Filtration Facility. This primarily resulted in less labor as well as less administrative and general expense charged out to capital projects. This shift contributed to increases of \$0.5 million in Source of Supply, \$0.3 million in Water Treatment, \$0.2 in Transmission, \$0.6 million in Distribution, and \$0.8 million in Administrative and General.



William A. Gaines
 William A. Gaines
 Director of Utilities/CEO

Andy Cherullo
 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 - JUNE 30, 2015 AND JUNE 30, 2014

ASSETS	<u>2015</u>	<u>2014</u>
UTILITY PLANT		
Water Plant in Service	\$1,046,506,838	\$853,267,563
Less Depreciation and Amortization	(188,383,828)	(175,262,950)
Total	<u>858,123,010</u>	<u>678,004,613</u>
Construction Work in Progress	21,711,383	167,674,761
Net Utility Plant	<u>879,834,393</u>	<u>845,679,374</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2009 Construction Fund	-	378
2010 Construction Fund	9,270,548	1,056,444
2010 RWSS Construction Fund	9,524	422,453
2013 Construction Fund	31,199,582	40,490,778
Regional Water Supply System Operating Fund	1,138,882	856,096
Provision for Debt Payment	8,303,329	8,407,915
Customer Water Main Deposits	3,099,166	3,020,902
Water Supply Forum Fund	322,194	438,745
Special Bond Reserves	22,096,500	22,094,039
Water Customer Contribution Fund	(383,637)	439,997
Water Capital Reserves	25,280,806	22,108,080
Water System Development Charge	54,902,146	53,477,770
Total Restricted Assets	<u>155,239,040</u>	<u>152,813,597</u>
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	41,622,846	40,261,391
Working Funds	-	1,000
Customers' and Contractors' Deposits	296,173	268,206
Receivables:		
Customers	5,173,501	4,446,875
Accrued Unbilled Revenues	4,616,056	4,494,710
Others	1,401,429	4,104,567
BABs Interest Subsidies	320,064	320,064
Provision for Uncollectible Accounts	(295,264)	(537,427)
Materials and Supplies	2,432,772	2,458,372
Prepayments	517,773	392,090
Total Current Assets	<u>56,085,350</u>	<u>56,209,848</u>
TOTAL ASSETS	<u>1,091,651,746</u>	<u>1,055,195,782</u>
DEFERRED OUTFLOWS		
Regulatory Assets - Public Fire Protection Fees	2,562,744	3,378,095
Regulatory Assets - Hyada Surcharges	773,335	876,059
Unamortized Losses on Refunding Bonds	2,051,053	1,700,855
Total Deferred Outflows	<u>5,387,132</u>	<u>5,955,009</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$1,097,038,878</u></u>	<u><u>\$1,061,150,791</u></u>

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2014 Annual Report.

NET POSITION AND LIABILITIES	<u>2015</u>	<u>2014</u>
NET POSITION		
Net Investment in Capital Assets	\$438,234,556	\$414,807,529
Restricted for:		
Water Capital Reserves	18,734,397	15,082,666
Water System Development Charge	19,326,700	18,364,451
Debt Service Funds	6,325,486	6,442,742
Unrestricted	<u>44,140,080</u>	<u>41,043,111</u>
TOTAL NET POSITION	<u>526,761,219</u>	<u>495,740,499</u>
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	29,365,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	26,950,000	27,505,000
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	6,365,000	-
2010 RWSS Revenue Bonds, Series A	2,800,000	3,070,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	<u>61,580,000</u>	<u>62,765,000</u>
Total Outstanding Revenue Bonds	384,705,000	393,065,000
Plus: Unamortized Bond Premium	<u>15,957,597</u>	<u>14,902,501</u>
Net Outstanding Revenue Bonds	400,662,597	407,967,501
PWTF Pre-Construction Loans	1,121,130	1,281,304
PWTF Construction Loans	26,424,862	28,961,460
State Drinking Water Loan	<u>60,748,644</u>	<u>40,710,940</u>
Total Long-Term Debt	<u>488,957,233</u>	<u>478,921,205</u>
CURRENT LIABILITIES		
Salaries and Wages Payable	961,775	889,645
Purchases and Contracts Payable	1,451,416	6,311,936
Interest Expense Accrued	1,977,842	1,965,172
Taxes Accrued	1,547,061	1,361,855
Customers' Deposits	310,323	330,492
Current Portion of Long-Term Debt	10,633,079	10,888,319
Other Current Liabilities	2,601,000	2,800,000
Current Accrued Compensated Absences	255,611	249,552
Total Current Liabilities	<u>19,738,107</u>	<u>24,796,971</u>
LONG-TERM LIABILITIES		
Muckleshoot Agreements	7,129,695	7,320,231
Customer Advances for Construction	4,326,569	4,127,053
Unearned Revenue - SDC	8,278,326	8,830,956
Other Long-Term Liabilities	3,971,785	3,592,461
Long-Term Accrued Compensated Absences	<u>2,300,497</u>	<u>2,245,968</u>
Total Long-Term Liabilities	<u>26,006,872</u>	<u>26,116,669</u>
TOTAL LIABILITIES	<u>534,702,212</u>	<u>529,834,845</u>
DEFERRED INFLOWS		
Rate Stabilization	<u>35,575,447</u>	<u>35,575,447</u>
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	<u><u>\$1,097,038,878</u></u>	<u><u>\$1,061,150,791</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2015 AND JUNE 30, 2014

	<u>JUNE</u> <u>2015</u>	<u>JUNE</u> <u>2014</u>
OPERATING REVENUES		
Sales of Water	\$7,008,869	\$5,609,100
Other Operating Revenues	636,310	762,597
Contract Resource Obligation Revenue	(762,162)	5,463,479
Total Operating Revenues	<u>6,883,017</u>	<u>11,835,176</u>
OPERATING EXPENSES		
Production Expense		
Source of Supply	523,283	519,326
Water Treatment	490,961	339,861
Total Production Expense	<u>1,014,244</u>	<u>859,187</u>
Power Pumping Expense	55,743	37,803
Transmission and Storage Expense	241,604	239,273
Distribution Expense	1,025,846	955,935
Customer Accounting and Consumer Service ...	399,708	319,651
Taxes	484,708	406,058
Depreciation	1,424,460	1,394,126
Administrative and General	717,833	612,716
Total Operating Expenses	<u>5,364,146</u>	<u>4,824,749</u>
OPERATING INCOME (LOSS)	<u>1,518,871</u>	<u>7,010,427</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	144,661	132,861
Miscellaneous	(290,683)	(5,928)
Interest on Long-Term Debt	(1,477,976)	(1,381,322)
Interest on Long-Term Debt BABs Sub	(179,876)	(320,064)
Amort. Of Debt Premium	630,254	92,947
Interest and Amort. Charged to Construction	32,260	617,867
Total Non-Operating Revenues (Expenses)	<u>(1,141,360)</u>	<u>(863,639)</u>
Net Income (Loss) Before Capital Contributions and Transfers	377,511	6,146,788
Capital Contributions		
Cash	601,827	445,063
Donated Fixed Assets	-	-
Federal BAB Subsidies	179,876	320,064
Grants	-	-
Transfers Out		
City Gross Earnings Tax	<u>(610,320)</u>	<u>(502,909)</u>
CHANGE IN NET POSITION	<u>\$548,894</u>	<u>\$6,409,006</u>
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

YEAR TO DATE		2015	
JUNE 30	JUNE 30	OVER	PERCENT
2015	2014	(UNDER)	CHANGE
		2014	
\$32,272,466	\$30,950,080	\$1,322,386	4.3%
4,675,810	4,645,559	30,251	0.7%
9,382,886	11,089,478	(1,706,592)	-15.4%
<u>46,331,162</u>	<u>46,685,117</u>	<u>(353,955)</u>	-0.8%
3,393,565	2,912,064	481,501	16.5%
2,251,439	1,933,917	317,522	16.4%
<u>5,645,004</u>	<u>4,845,981</u>	<u>799,023</u>	16.5%
243,762	277,076	(33,314)	-12.0%
1,580,686	1,429,012	151,674	10.6%
6,093,885	5,506,190	587,695	10.7%
2,084,239	2,000,466	83,773	4.2%
1,954,824	1,688,267	266,557	15.8%
8,545,408	8,355,203	190,205	2.3%
4,366,572	3,538,139	828,433	23.4%
<u>30,514,380</u>	<u>27,640,334</u>	<u>2,874,046</u>	10.4%
15,816,782	19,044,783	(3,228,001)	-16.9%
712,938	830,643	(117,705)	-14.2%
(242,857)	(274,298)	31,441	-11.5%
(8,263,296)	(8,400,827)	137,531	-1.6%
(1,780,196)	(1,782,114)	1,918	-0.1%
1,078,116	557,684	520,432	93.3%
1,422,224	3,378,134	(1,955,910)	-57.9%
<u>(7,073,071)</u>	<u>(5,690,778)</u>	<u>(1,382,293)</u>	24.3%
8,743,711	13,354,005	(4,610,294)	-34.5%
2,215,011	2,255,163	(40,152)	-1.8%
177,667	477,296	(299,629)	-62.8%
1,780,196	1,782,116	(1,920)	-0.1%
61,478	397,135	(335,657)	-84.5%
<u>(2,890,089)</u>	<u>(2,814,189)</u>	<u>(75,900)</u>	2.7%
10,087,974	15,451,526	(\$5,363,552)	-34.7%
516,673,245	480,288,973		
<u>\$526,761,219</u>	<u>\$495,740,499</u>		

These statements should be read in conjunction with the Management Discussion and Analysis in the June 2015 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
JUNE 30, 2015 AND JUNE 30, 2014

	<u>JUNE 2015</u>	<u>JUNE 2014</u>
SALES OF WATER		
Residential and Domestic	\$4,552,905	\$3,921,030
Commercial and Industrial	1,396,333	987,801
Special Rate	525,108	232,473
Municipal	36,285	34,564
Other Public Buildings and Grounds	131,633	203,158
Sales to Other Utilities	<u>366,605</u>	<u>230,074</u>
 Total	 <u><u>\$7,008,869</u></u>	 <u><u>\$5,609,100</u></u>
 BILLINGS (NUMBER OF MONTHS BILLED)		
Residential and Domestic	101,995	98,946
Commercial and Industrial	6,315	5,832
Municipal	207	223
Sales to Other Utilities	<u>18</u>	<u>17</u>
 Total	 <u><u>108,535</u></u>	 <u><u>105,018</u></u>

YEAR TO DATE		2015 OVER (UNDER) 2014	PERCENT CHANGE
JUNE 2015	JUNE 2014		
\$20,834,717	\$19,751,780	\$1,082,937	5.5%
6,371,266	5,864,048	507,218	8.6%
2,821,761	2,851,892	(30,131)	-1.1%
201,567	196,653	4,914	2.5%
564,320	879,546	(315,226)	-35.8%
<u>1,478,835</u>	<u>1,406,161</u>	<u>72,674</u>	5.2%
<u>\$32,272,466</u>	<u>\$30,950,080</u>	<u>\$1,322,386</u>	4.3%
561,765	555,734	6,031	1.1%
36,992	36,898	94	0.3%
1,291	1,278	13	1.0%
<u>108</u>	<u>108</u>	<u>-</u>	0.0%
<u>600,156</u>	<u>594,018</u>	<u>6,138</u>	1.0%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
JUNE 30, 2015 AND JUNE 30, 2014

	MILLION GALLONS, TOTAL			
	JUNE 2015	JUNE 2014	YEAR TO DATE JUNE 2015	YEAR TO DATE JUNE 2014
WATER BILLED				
Residential and				
Domestic	834.66	683.01	3,383.65	3,217.67
Commercial and				
Industrial	311.85	260.09	1,292.10	1,316.13
Special Rate	505.79	493.94	2,832.19	2,989.84
Municipal	5.01	4.66	23.47	27.70
Sales to Other				
Utilities	119.88	75.49	499.51	486.15
	1,777.19	1,517.19	8,030.92	8,037.49

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

MILLION GALLONS, AVERAGE DAILY

<u>JUNE</u> <u>2015</u>	<u>JUNE</u> <u>2014</u>
27.82	22.77
10.40	8.67
16.86	16.46
0.17	0.16
<u>4.00</u>	<u>2.52</u>
<u><u>59.25</u></u>	<u><u>50.58</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$47,752,098	\$49,286,139
Cash Paid to Suppliers	(11,581,631)	(18,607,779)
Cash Paid to Employees	(11,961,080)	(10,479,023)
Taxes Paid	(1,813,097)	(1,956,331)
Net Cash From		
Operating Activities	22,396,290	18,243,006
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(2,890,089)	(2,814,189)
Net Cash From Non-Capital		
Financing Activities	(2,890,089)	(2,814,189)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(14,696,553)	(37,128,629)
Proceeds from State Drinking Water Loan	6,300,000	24,270,473
Proceeds from Sale of Bonds	23,010,000	-
Debt Issuance Costs	(866,513)	(300,000)
Premium on Sale of Bonds	2,921,513	-
Principal Payments on Long-Term Debt and Bonds ...	(555,556)	(555,556)
Principal Payments on Muckleshoot LT Liability ...	(195,300)	(200,182)
Payments on Early Extinguishment of Debt	(25,065,000)	-
Interest Paid	(9,866,262)	(10,010,397)
Grants Received	61,478	397,135
System Development Charges, CIAC and Other	1,907,979	2,352,793
BABs Subsidies Received	1,780,196	1,782,116
Net Change in Deferred Credits	(48,142)	9,908
Net Cash From Capital and		
Related Financing Activities	(15,312,160)	(19,382,339)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	712,938	830,643
Other Net Non-Op Revenues and Expenses	42,838	25,702
Net Cash From Investing Activities	755,776	856,345
Net Change in Cash and Equity in		
Pooled Investments	4,949,817	(3,097,177)
Cash & Equity in Pooled Investments at January 1 ...	192,208,242	196,441,371
Cash & Equity in Pooled Investments at June 30	\$197,158,059	\$193,344,194

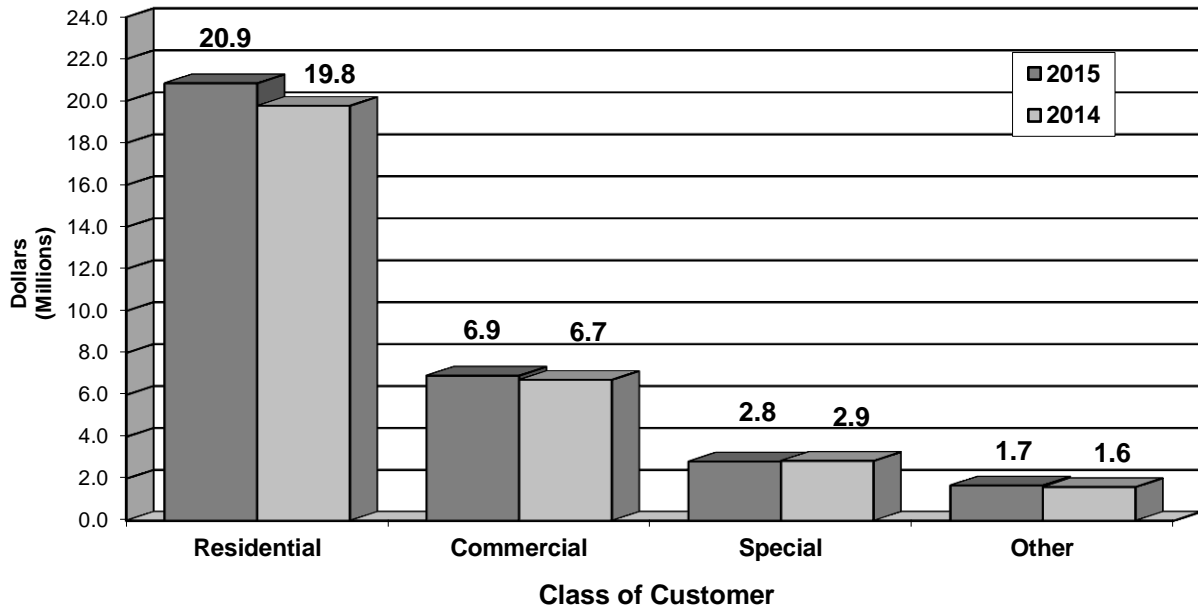
The accompanying notes are an integral part of these financial statements.

	YEAR TO DATE	
	2015	2014
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$15,816,782	\$19,044,783
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	8,545,408	8,355,203
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	(1,646,933)	(590,269)
Interfund Receivables	292,294	8,815,962
Regulatory Asset-Public Fire Protection Fees	377,930	377,930
Regulatory Asset-Hyada Surcharges.....	55,199	47,515
Materials and Supplies	(31,249)	(121,724)
Prepayments	188,791	163,100
Unearned Rental Revenues	2,601,000	2,767,198
Accrued Taxes	141,727	(268,064)
Salaries, Wages and Fringe Benefits Payable	(75,649)	(73,464)
Customers' Deposits	34,732	48,648
Accrued Expenses and Contracts Payable	(2,564,543)	(10,566,482)
Interfund Payables	(1,339,199)	(9,757,330)
Total Adjustments	<u>6,579,508</u>	<u>(801,777)</u>
Net Cash From Operating Activities	<u>\$22,396,290</u>	<u>\$18,243,006</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$155,239,040	\$152,813,597
Cash and Equity in Pooled Investments in Operating Funds	<u>41,919,019</u>	<u>40,530,597</u>
Cash and Equity in Pooled Investments at June 30	<u>\$197,158,059</u>	<u>\$193,344,194</u>

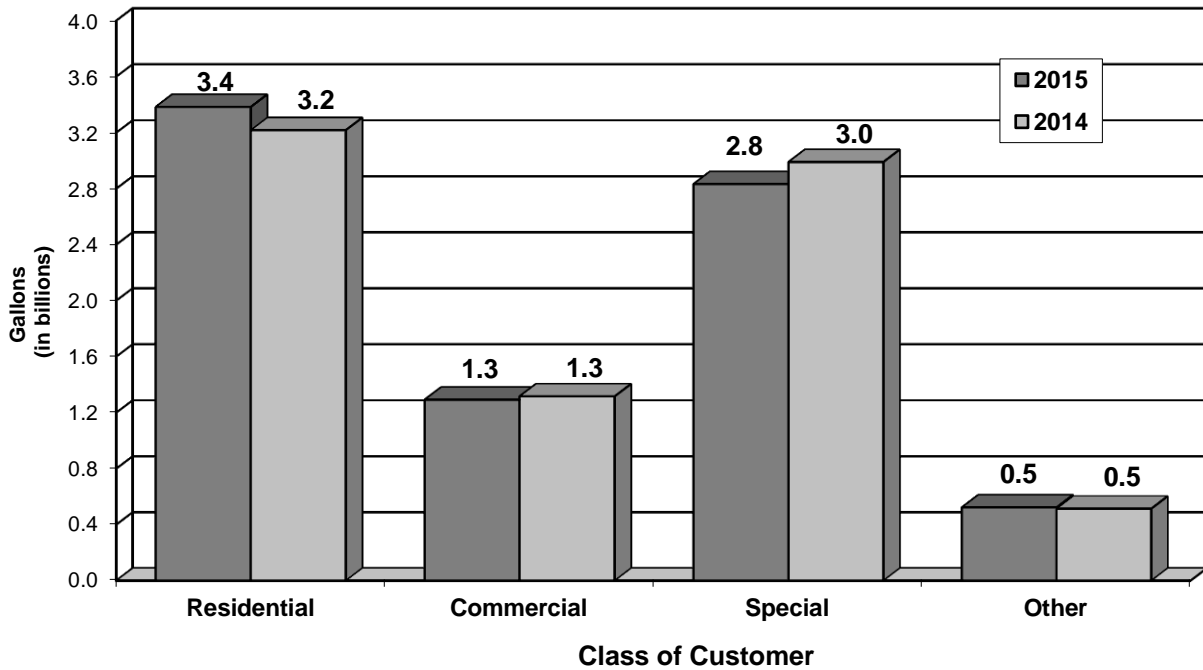
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Supplemental Data

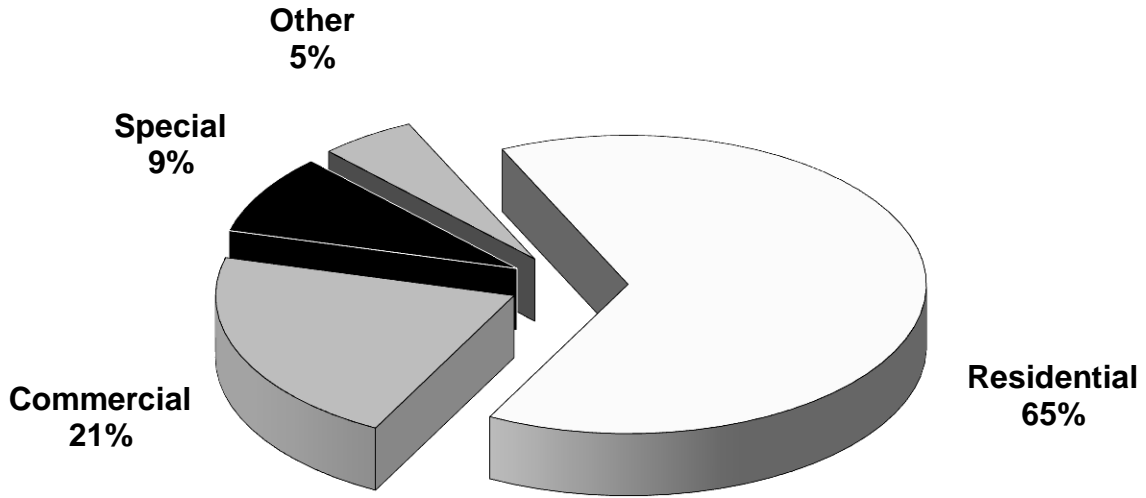
WATER SALES
Year to Date - June 2015 & 2014



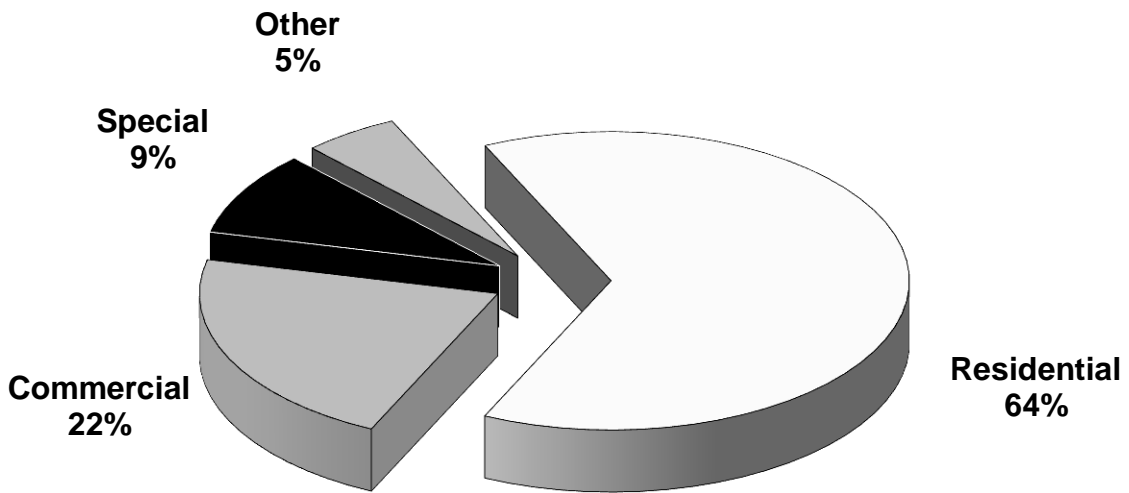
WATER CONSUMPTION
Year to Date - June 2015 & 2014



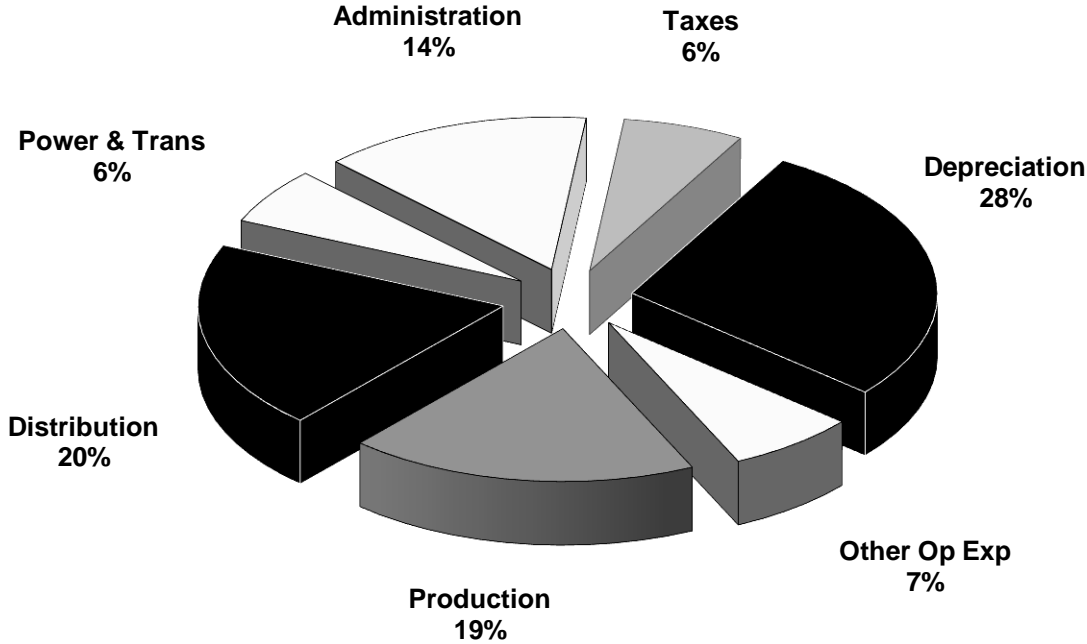
WATER SALES
Year to Date - June 2015
(\$32,272,466)



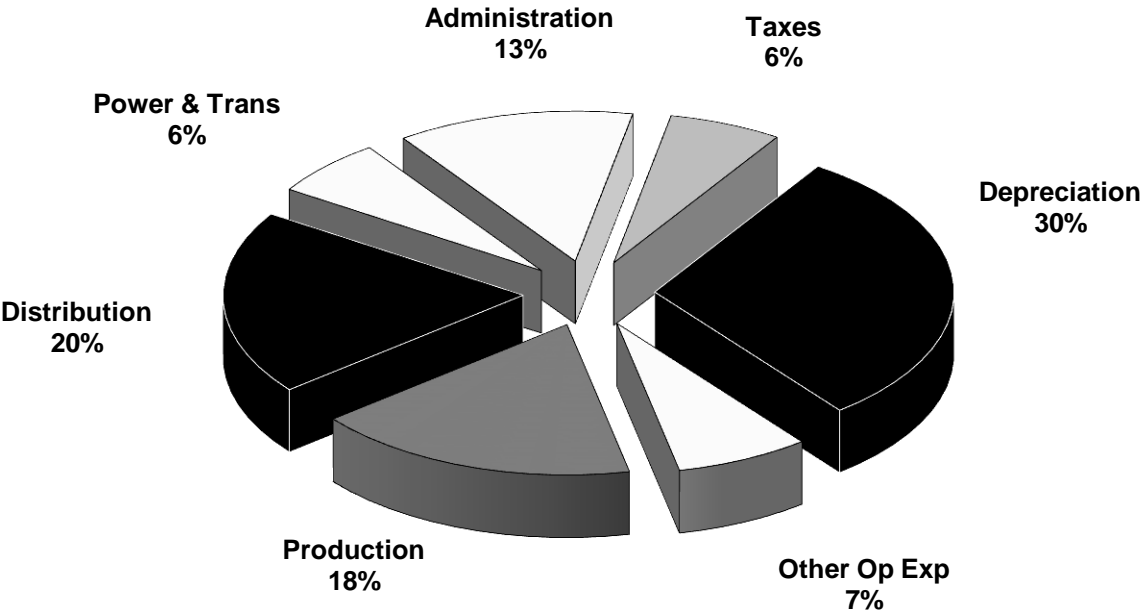
WATER SALES
Year to Date - June 2014
(\$30,950,080)



TOTAL OPERATING EXPENSES
Year to Date - June 2015
(\$30,514,380)



TOTAL OPERATING EXPENSES
Year to Date - June 2014
(\$27,640,334)





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.