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**ANNUAL**

***FLEET SERVICES FUND***

**2014**

**FINANCIAL  
REPORT**





# Public Utility Board

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DEPARTMENT OF PUBLIC UTILITIES  
CITY OF TACOMA



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

# FLEET SERVICES FUND

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# FINANCIAL DATA

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial performance of the Fleet Services Fund provides an overview of the financial activities for the years ended December 31, 2014 and 2013. The information presented here should be read in conjunction with the financial statements as a whole, including the footnotes and other supplementary information that is provided.

### **Overview of the Financial Statements**

The City of Tacoma Finance Department and the management of Fleet Services are responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2014 and 2013, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of the Fund's assets and liabilities, with the difference between the two reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operations, investing and financing activities.

The notes to the financial statements, presented at the end of the basic financial statements, provide additional disclosures that are essential to a full understanding of data provided in the financial statements. They are an integral part of the Fund's presentation of financial position, results of operations, and changes in cash flows.

Management has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived.

### **Financial Statement Analysis**

During 2014, Fleet Services realized net gain of \$1.6 million compared to net loss of \$1.1 million recorded in 2013. Operating revenues increased \$3.4 million in 2014 (72.7%). Operating expenses increased \$1.1 million (\$17.1%). The overall result is a net increase in operating income of \$2.3 million from a year earlier.

In 2013, Fleet Services realized net loss of \$1.1 million compared to net loss of \$1.3 million recorded in 2012. Operating revenues increased \$24,000 in 2013 (0.5%). Operating expenses decreased \$170,000 (2.5%). The overall result is a net increase in operating income of \$193,000 from a year earlier.

## Selected Financial Information

(in thousands)

Category	2012	2013	2014
Operating Revenues	\$4,640	\$4,664	\$8,054
Operating Expenses	<u>6,664</u>	<u>6,495</u>	<u>7,603</u>
Operating Income (Loss)	(2,024)	(1,831)	451
Other Income	387	65	530
Transfers In	<u>370</u>	<u>645</u>	<u>653</u>
Change in Net Position	<u>\$(1,267)</u>	<u>\$(1,121)</u>	<u>\$1,634</u>
Current Assets	\$26,873	\$22,007	\$23,472
Capital Assets (Net)	<u>20,044</u>	<u>20,270</u>	<u>21,386</u>
Total Assets	<u>46,917</u>	<u>42,277</u>	<u>44,858</u>
Total Liabilities	<u>4,559</u>	<u>1,039</u>	<u>1,987</u>
Net Investment in Capital Assets	20,044	20,270	21,386
Restricted	24,648	25,294	25,946
Unrestricted	<u>(2,334)</u>	<u>(4,326)</u>	<u>(4,461)</u>
Total Net Position	<u>\$42,358</u>	<u>\$41,238</u>	<u>\$42,871</u>

## 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 \$8.0, \$4.7 and \$4.6 million in 2014, 2013 and 2012 respectively.

Maintenance revenues are mainly related to staff labor and were \$2.1 million in both 2014 and 2013 and \$2.3 million in 2012.

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 \$4.7, \$1.4, and \$1.5 million in 2014, 2013, and 2012 respectively. Capital recovery revenue increased \$3.3 million in 2014 compared to 2013, which had decreased \$125,000 compared to 2012. Transmission and Distribution resumed their previously deferred replacement vehicle and equipment contributions in July 2014 causing the increased revenue in 2014.

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 \$1.1 million, \$1.0 million and \$634,000 in 2014, 2013, and 2012 respectively.

Fuel and fuel loading revenues are affected by year to year changes in vehicle usage and fluctuations in fuel prices. Fuel related revenues were \$86,000, \$89,000, and \$94,000 for 2014, 2013, and 2012 respectively.

Pool car revenues are based on usage and were \$125,000, \$74,000 and \$82,000 for 2014, 2013 and 2012 respectively.

## **Expenses**

Fleet Services operating expense is comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet services expenses were \$7.6, \$6.5 and \$6.7 million in 2014, 2013 and 2012 respectively.

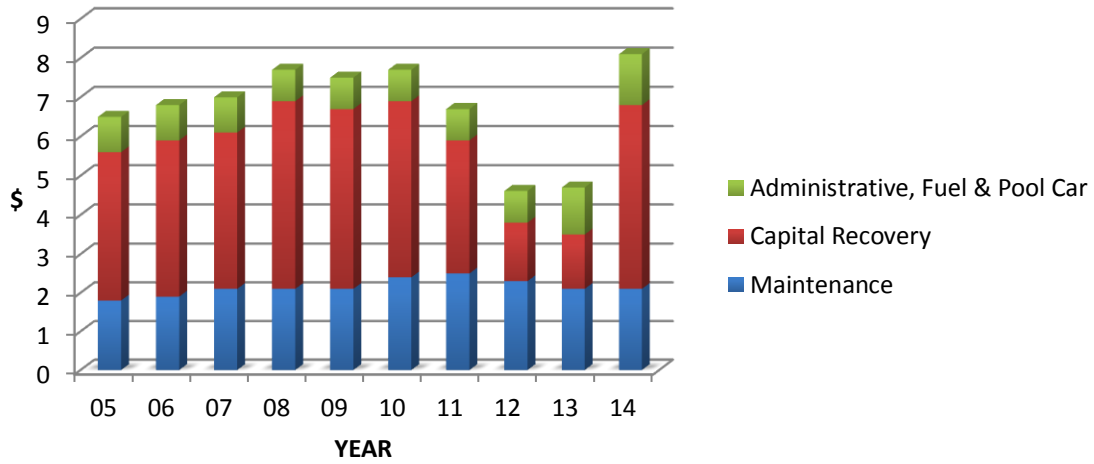
Repairs and service expense relates to shop operations which provide preventive and corrective maintenance and repairs to vehicles and pieces of equipment for Tacoma Public Utilities and other service groups. Repair and service expenses were \$2.8, \$2.3 and \$2.5 million in 2014, 2013 and 2012 respectively.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$398,000, \$327,000 and \$268,000 in 2014, 2013 and 2012 respectively.

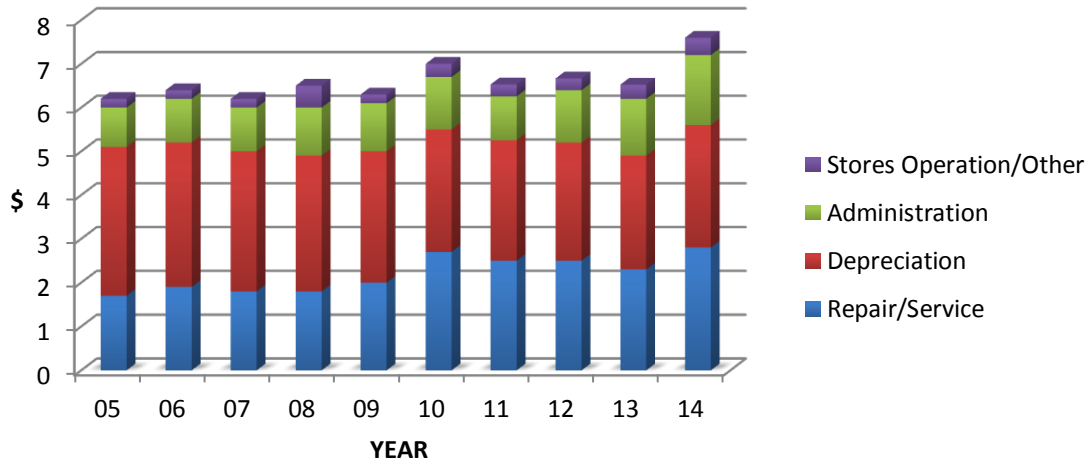
Administration expenses were \$1.6, \$1.3 and \$1.2 million in 2014, 2013 and 2012 respectively.

Depreciation expense was \$2.8, \$2.6 and \$2.7 million in 2014, 2013 and 2012 respectively. Fluctuations in depreciation expense are the result of timing in equipment retirements, capitalization of replacements and changes in fleet size.

## OPERATING REVENUES (in millions)

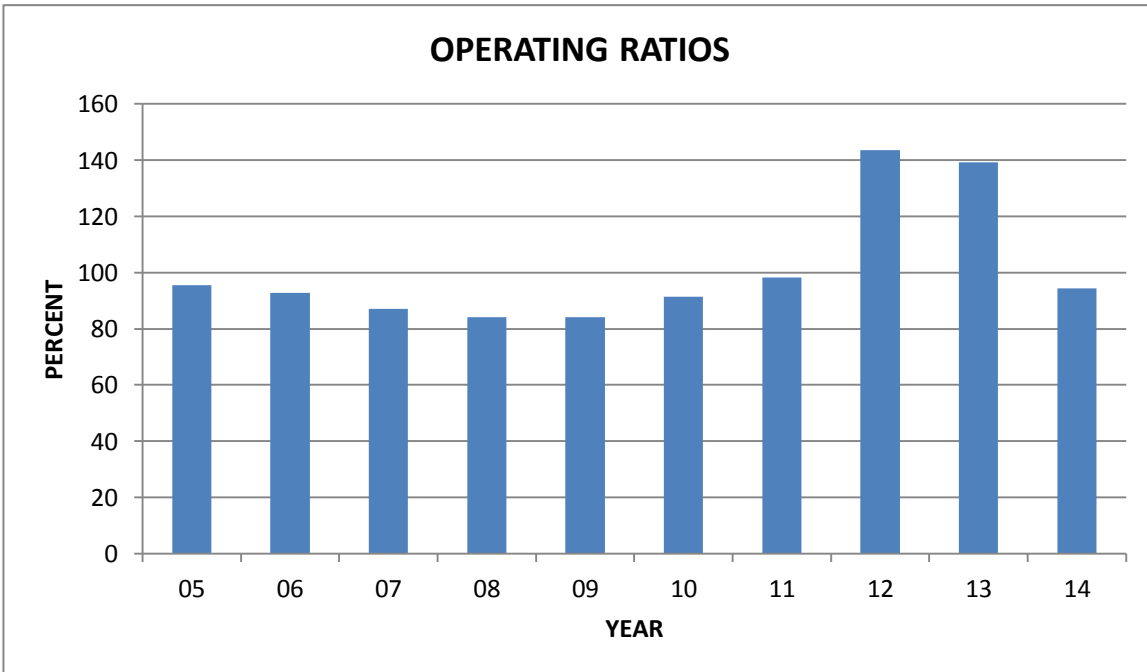


## OPERATING EXPENSES (in millions)



## Operating Ratio

The Fund's operating ratios, a common measure of efficiency and defined as operating expenses as a percentage of revenue, for 2014, 2013, and 2012 are 94.4%, 139.3%, and 143.6%. The Fund needs to maintain a low operating ratio in order to generate the funds necessary for its extensive capital outlay program. The graph shows how that percentage has fluctuated over the years.



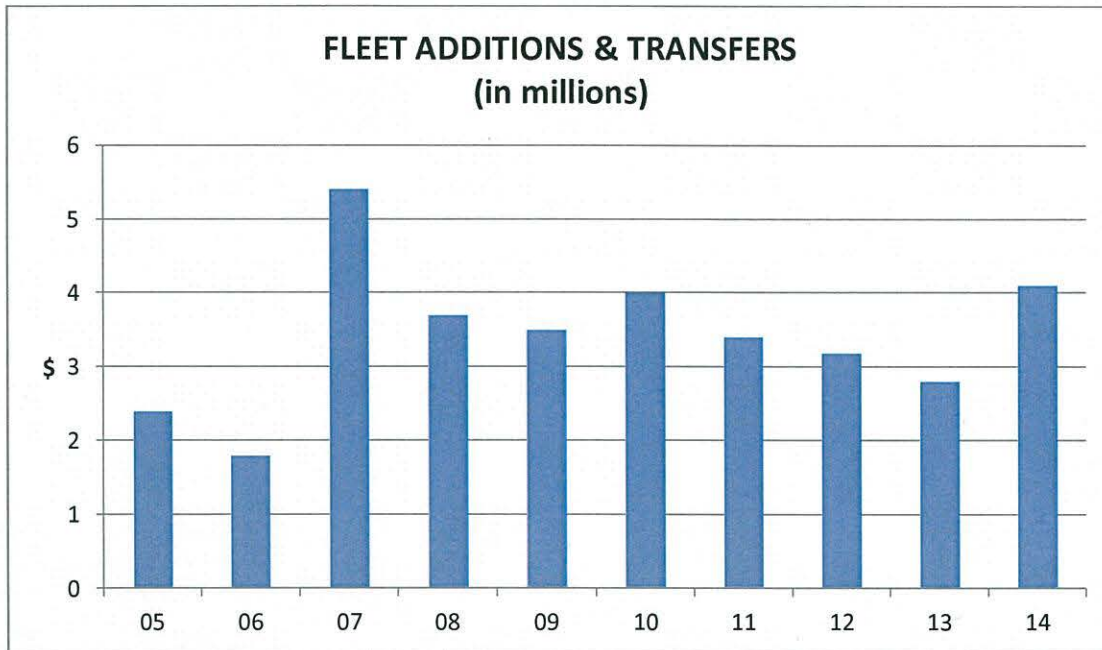
## Non-Operating Revenues (Expenses)

Interest income increased \$155,000 from (\$100,000) in 2013 to \$55,000 in 2014 primarily due to the GASB 31 mark to market adjustment. Interest income in 2013 decreased \$193,000 compared to 2012 due to less interest earned on the revenue pool and a (\$154,000) GASB 31 mark to market adjustment.

It is the practice of Fleet Services to arrange for public auction sale of vehicles and equipment that are declared surplus by the assigned sections. Seventy-nine vehicles and pieces of equipment were retired in 2014 for a net gain of \$475,000, an increase of \$310,000 compared to 2013. Fleet Services reported a net gain of \$165,000 in 2013, a decrease of \$81,000 compared to 2012.

## Fixed Asset Additions

Purchases of fleet vehicles and equipment in 2014 were \$4.1 million with sixty-one vehicles and pieces of equipment placed into service compared with \$2.8 million in 2013 with forty vehicles and pieces of equipment placed into service. Purchases of fleet vehicles and equipment in 2012 were \$3.2 million with forty-two vehicles and pieces of equipment placed into service.



## Summary

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Fleet Services fund's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Division Manager of Utilities Accounting, 3628 South 35<sup>th</sup> Street, Tacoma, Washington, 98409.

William A. Gaines  
Director of Utilities/CEO

  
Andrew Cherullo  
Finance Director

# FINANCIAL DATA

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

STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
<b>ASSETS</b>		
<b>FIXED</b>		
Office Furniture and Equipment .....	\$540,905	\$540,905
Stores and Shop Equipment .....	692,125	679,246
Transportation Equipment .....	37,245,555	35,503,130
Power-Operated Equipment .....	18,454,799	19,558,201
Accumulated Depreciation .....	(36,040,788)	(37,182,528)
Total Fixed Assets .....	20,892,596	19,098,954
Construction Work in Progress .....	493,741	1,171,100
Net Fixed Assets .....	21,386,337	20,270,054
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	21,721,836	21,331,688
Interdivision Receivable .....	1,423,980	363,173
Materials and Supplies .....	326,271	312,207
Total Current Assets .....	23,472,087	22,007,068
<b>TOTAL ASSETS</b> .....	\$44,858,424	\$42,277,122

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



	<u>2014</u>	<u>2013</u>
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$21,386,337	\$20,270,054
Restricted for:		
Tacoma Power .....	18,023,938	17,709,833
Tacoma Water .....	6,986,734	6,908,667
Tacoma Rail .....	935,770	675,243
Unrestricted .....	<u>(4,461,564)</u>	<u>(4,326,093)</u>
<b>TOTAL NET POSITION .....</b>	<b>42,871,215</b>	<b>41,237,704</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable & Other .....	602,074	290,569
Wages Payable .....	127,126	121,953
Interdivision Payable .....	1,046,674	447,184
Total Current Liabilities .....	<u>1,775,874</u>	<u>859,706</u>
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	<u>211,335</u>	<u>179,712</u>
Total Long-term Liabilities .....	211,335	179,712
<b>TOTAL LIABILITIES .....</b>	<u><b>1,987,209</b></u>	<u><b>1,039,418</b></u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u><b>\$44,858,424</b></u></u>	<u><u><b>\$42,277,122</b></u></u>

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

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
DECEMBER 31, 2014 AND DECEMBER 31, 2013

	DECEMBER 2014	DECEMBER 2013
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$167,698	\$170,245
Capital Recovery .....	711,459	(252,131)
Administrative Overhead .....	89,944	89,466
Fuel and Fuel Loading .....	6,221	6,688
Pool Car Rental .....	61,225	6,111
Total Operating Revenue .....	1,036,547	20,379
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	270,843	217,235
Outside Services .....	925	650
Total Repairs and Servicing .....	271,768	217,885
Stores Operations .....	35,769	64,531
Administration .....	166,866	136,588
Depreciation .....	241,756	207,354
Total Operating Expenses .....	716,159	626,358
<b>OPERATING INCOME</b> .....	320,388	(605,979)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	15,810	4,287
Gain (Loss) on Disposition of Equipment .....	-	(375)
Sale of Scrap .....	-	-
Total Non-Operating Revenues (Expenses) ....	15,810	3,912
Net Gain/Loss Before Transfers .....	336,198	(602,067)
Transfers In .....	429,392	503,590
<b>CHANGE IN NET POSITION</b> .....	\$765,590	(\$98,477)
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - DECEMBER 31</b> .....		

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

<u>YEAR TO DATE</u>	<u>YEAR TO DATE</u>		
<u>DECEMBER</u>	<u>DECEMBER</u>	<u>2014/2013</u>	<u>PERCENT</u>
<u>2014</u>	<u>2013</u>	<u>VARIANCE</u>	<u>CHANGE</u>
\$2,097,335	\$2,101,367	(\$4,032)	-0.2%
4,689,984	1,372,888	3,317,096	241.6%
1,055,905	1,026,674	29,231	2.8%
85,880	89,186	(3,306)	-3.7%
<u>125,367</u>	<u>73,772</u>	<u>51,595</u>	<u>69.9%</u>
8,054,471	4,663,887	3,390,584	72.7%
2,767,935	2,248,249	519,686	23.1%
<u>76,089</u>	<u>26,052</u>	<u>50,037</u>	<u>192.1%</u>
2,844,024	2,274,301	569,723	25.1%
398,011	326,773	71,238	21.8%
1,592,691	1,323,636	269,055	20.3%
<u>2,768,745</u>	<u>2,570,362</u>	<u>198,383</u>	<u>7.7%</u>
7,603,471	6,495,072	1,108,399	17.1%
451,000	(1,831,185)	2,282,185	124.6%
54,921	(99,756)	154,677	155.1%
473,175	165,174	308,001	186.5%
<u>1,717</u>	<u>160</u>	<u>1,557</u>	<u>973.1%</u>
529,813	65,578	464,235	707.9%
980,813	(1,765,607)	2,746,420	155.6%
<u>652,698</u>	<u>645,102</u>	<u>7,596</u>	<u>1.2%</u>
1,633,511	(1,120,505)	\$2,754,016	245.8%
<u>41,237,704</u>	<u>42,358,209</u>		
<u><u>\$42,871,215</u></u>	<u><u>\$41,237,704</u></u>		

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

STATEMENT OF NET POSITION  
DECEMBER 31, 2014

Invested in Capital Assets:		
Balance January 1, 2014 .....	\$20,270,054	
Capital Additions .....	(25,457)	
Depreciation .....	<u>1,141,740</u>	
Total Invested in Capital Assets .....		\$21,386,337
Restricted Net Position:		
Balance January 1, 2014 .....	25,293,743	
Net Additions through December 31, 2014 .....	<u>652,699</u>	
Total Restricted Net Position December 31, 2014 ....		25,946,442
Unrestricted Net Position:		
Balance January 1, 2014 .....	(4,326,093)	
Net Reductions through December 31, 2014 .....	<u>(135,471)</u>	
Total Unrestricted Net Position December 31, 2014 ..		<u>(4,461,564)</u>
TOTAL NET POSITION DECEMBER 31, 2014 .....		<u><u>\$42,871,215</u></u>

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

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

EQUITY DISTRIBUTION AS OF DECEMBER 31, 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 .....	314,104	78,067	260,527	652,698
Equity Contrib. at Dec 31, 2014 ...	29,091,741	11,479,283	1,319,378	41,890,402
Current Year Operations:				
Total Operating Revenue * .....	5,593,611	2,207,177	253,683	8,054,471
Less: Repairs & Servicing Expense *	1,975,097	779,352	89,575	2,844,024
Administration Expense ** ...	1,496,614	426,433	67,655	1,990,702
Depreciation Expense .....	2,167,016	531,972	69,757	2,768,745
Total Expenses .....	5,638,727	1,737,757	226,987	7,603,471
Net Operating Revenue .....	(45,116)	469,420	26,696	451,000
Add: Other Income *** .....	367,320	149,089	13,404	529,813
Net Operating Results .....	322,204	618,509	40,100	980,813
Total Equity .....	<u>\$29,413,945</u>	<u>\$12,097,792</u>	<u>\$1,359,478</u>	<u>\$42,871,215</u>

\* 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.

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

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	DECEMBER 31, 2014	DECEMBER 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$6,993,664	\$6,992,499
Cash Paid to Suppliers .....	(717,346)	(4,408,853)
Cash Paid to Employees .....	(3,183,653)	(2,726,127)
Net Cash Provided by		
(Used in) Operating Activities .....	3,092,665	(142,481)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(3,232,330)	(2,151,405)
Disposition of Equipment/Scrap.....	474,892	165,334
Net Cash Used in Financing Activities .....	(2,757,438)	(1,986,071)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	54,921	(99,756)
Net Cash Provided By		
(Used in) Investing Activities .....	54,921	(99,756)
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	390,148	(2,228,308)
Cash and Equity in Pooled Investments at January 1	21,331,688	23,559,996
Cash and Equity in Pooled Investments at December 31	\$21,721,836	\$21,331,688

*The accompanying notes are in integral part of these financial statements.*

	YEAR TO DATE	
	DECEMBER 31, 2014	DECEMBER 31, 2013
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss) .....	\$451,000	(\$1,831,185)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization .....	2,768,745	2,570,362
Accounts Receivable .....	-	8,325
Interdivision Receivable .....	(1,060,807)	2,320,287
Materials and Supplies .....	(14,064)	309,174
Accounts Payable and Other .....	311,505	(994,319)
Interdivision Payable .....	599,490	(2,576,169)
Salaries, Fringe Benefits and Compensated Absences Payable .....	36,796	51,044
Total Adjustments .....	<u>2,641,665</u>	<u>1,688,704</u>
Net Cash Provided by (Used in) Operating Activities .....	<u>\$3,092,665</u>	<u>(\$142,481)</u>

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

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fleet Services Fund was established in 1984 by City of Tacoma Ordinance No. 23295. On January 1, 1985, most vehicles owned by the Tacoma Power, Tacoma Water and Tacoma Rail were transferred to this Fund. The purpose of the Fund is to provide for scheduled maintenance, repair, and replacement of Department vehicles.

**Basis of Financial Statements.** The Fleet Service Fund is an Internal Service Fund of the City of Tacoma used for the operation of the Department of Public Utilities consolidated fleet management program with responsibilities for all vehicle administration under a fleet manager.

The Fund accounts for its financial operation by using a self-balancing set of accounts established primarily for handling transactions of a nature peculiar to Fleet Service operations. A description of the Fund's principal accounting policies follows.

**Fixed Assets.** Fixed assets are stated at cost and are depreciated primarily using a straight-line method over the estimated useful life of the asset.

**Inventory.** The inventory is valued on the moving average cost method.

**Revenues.** Revenues are based on services rendered through the end of the year.

**Cash and Equity in Pooled Investments and Investments.** The Fund's cash balances are a deposit with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Assets. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Fund, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP). Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the WA State LGIP and/or a Municipal Investor interest bearing demand deposit account maintained with U.S. Bank.

The Fund's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2014 and 2013 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).



FLEET SERVICES FUND  
NOTES TO FINANCIAL STATEMENTS  
(continued)

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations.

**Reclassifications** - Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

**NOTE 2 TACOMA EMPLOYEES' RETIREMENT SYSTEM (TERS OR THE SYSTEM)**

Employees of the Division are covered by the Tacoma Employees' Retirement System (the System), an actuarially funded system operated by the City. The following information is provided on a city-wide basis.

This note emphasizes the employer disclosures and detailed information presented in an independent CAFR issued by the Retirement System. Further detailed information regarding these disclosures can be found in that report which may be obtained by writing to Tacoma Employees' Retirement System, 3628 South 35th Street, Tacoma, Washington 98409.

**PLAN DESCRIPTION** - The System is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, Tacoma Rail employees who are covered by state or federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of the Pierce Transit and the Law Enforcement Support Agency who established membership in the System when these agencies were still City of Tacoma departments, are also members. It is administered in accordance with RCW Chapter 41.28 and Chapter 1.30 of the Tacoma Municipal Code. There are 2,166 retirees and beneficiaries currently receiving benefits, 459 vested terminated members entitled to future benefits and 2,884 active members of the Tacoma Employees' Retirement System, as of December 31, 2014.

**BASIS OF ACCOUNTING** - The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefit payments and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

**METHOD USED TO VALUE INVESTMENTS** - Equity securities, fixed income securities, real estate and short-term investments are all reported at fair market value. Fair market value was determined by our custodian bank utilizing standard industry practices. Private equity investments are reported by the managers subject to their fair value policies. No investment in any one corporation or organization exceeded five percent of net assets available for benefits.

**INVESTMENTS AND CONTRACTS** - The System has no securities of the employer and related parties included in the plan assets. The System has not made any loans to the employer in the form of notes, bonds, or other instruments.

FLEET SERVICES FUND  
 NOTES TO FINANCIAL STATEMENTS  
 (continued)

**BENEFITS** - There are two formulas that are used for calculating retirement benefits. The benefit will be determined on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is determined based on the member's age and years of service. Several options are available for the retiree to provide for their beneficiaries. The System also provides death and disability retirement.

**CONTRIBUTIONS** - Covered employees are required by Chapter 1.30 of the Tacoma City Code to contribute a percentage of their gross wages to the System, and the employer contributes an additional percentage.

The contribution rates are provided in the following table:

<u>Applicable Period</u>	<u>Employer Rate</u>	<u>Member Rate</u>	<u>Total Rate</u>
1/1/2001 to 2/1/2009	7.56%	6.44%	14.00%
2/2/2009 to 12/31/2009	8.64	7.36	16.00
1/1/2001 to 12/31/2010	9.72	8.28	18.00
1/1/2001 to 12/31/2011	10.26	8.74	19.00
1/1/2012 Forward	10.80	9.20	20.00

**FUNDING STATUS AND PROGRESS** - Historical trend information about TERS is presented herewith as supplementary information. This information is based on the most recent actuarial valuation performed, dated January 1, 2013, and is intended to help assess TERS funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress (\$ in millions):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (c)=(b)-(a)</u>	<u>Funded Ratio (d)=(a)/(b)</u>	<u>Covered Payroll (e)</u>	<u>UAAL as of Percentage Of Covered Payroll (f)=(c)/(e)</u>
1/1/2012	1,068.3	1,185.5	117.2	90.1%	219.4	53.4%
1/1/2013	1,187.1	1,306.6	119.5	90.9%	210.6	56.7%
1/1/2014	1,297.0	1,400.0	103.0	92.6%	213.8	48.2%

FLEET SERVICES FUND  
 NOTES TO FINANCIAL STATEMENTS  
 (continued)

**ACTUARIAL METHODS AND SIGNIFICANT ACTUARIAL ASSUMPTIONS**

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of the System's Projected Payroll
Amortization Period:	30 years, Open, unless fixed rate amortizes less than 30 years
Asset Valuation Method:	Assets are valued at market value, with a four-year smoothing of all market value gains and losses.
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.00%
Includes Inflation at	3.00%
Post-Retirement Benefit Increases	2.125%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Dollars in millions :

Year Ending December 31,	Covered Employee Payroll <sup>(1)</sup>	Actual Employer Contributions	Actual Employer Contribution Rate <sup>(2)</sup>	Annual Required Contribution (ARC) <sup>(2)</sup>	Percentage of ARC Contributed
2012	210.6	22.7	10.80%	10.80%	100%
2013	213.8	23.1	10.80%	11.06%	98%
2014	221.3	23.9	10.80%	11.77%	92%

(1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll.

(2) The actual and required employer contributions are expressed as a percentage of payroll.

**NOTE 3 FLEET SERVICES REFUND.** Fleet Services' management makes an annual assessment of the capital replacement reserve balance for appropriate funding levels. It is the Fund's policy to maintain the Fund's maximum balance at a level that will provide adequate purchasing power for two budget cycles and to return any excess funds to customers based on their scheduled monthly payments. In 2014 and 2013, Fleet Services returned 75% of the interest earned on the capital replacement reserve to the appropriate users. The amounts refunded in 2014 and 2013 were \$129,732.25 and \$163,483 respectively.

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# STATISTICAL DATA

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

TEN-YEAR FINANCIAL REVIEW

<b>STATEMENTS OF NET POSITION</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>ASSETS</b>				
Fixed - Net .....	\$16,560,346	\$15,026,707	\$17,162,675	\$17,666,394
Current .....	<u>17,817,969</u>	<u>20,585,239</u>	<u>20,805,271</u>	<u>23,370,520</u>
<b>TOTAL ASSETS .....</b>	<b>34,378,315</b>	<b>35,611,946</b>	<b>37,967,946</b>	<b>41,036,914</b>
<b>LIABILITIES</b>				
Current .....	655,569	528,266	1,049,064	1,802,197
<b>NET POSITION .....</b>	<b><u>33,722,746</u></b>	<b><u>35,083,680</u></b>	<b><u>36,918,882</u></b>	<b><u>39,234,717</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$34,378,315</b>	<b>\$35,611,946</b>	<b>\$37,967,946</b>	<b>\$41,036,914</b>
 <b>STATEMENTS OF INCOME</b>				
<b>OPERATING REVENUES</b>				
Maintenance Revenue .....	\$1,755,173	\$1,913,593	\$2,110,494	\$2,128,335
Capital Recovery .....	3,820,736	3,974,155	4,048,384	4,831,680
Pool Car Rental .....	47,586	67,295	69,371	98,226
Administrative and Fuel .....	<u>853,431</u>	<u>854,802</u>	<u>868,384</u>	<u>756,571</u>
Total Operating Revenues ....	6,476,926	6,809,845	7,096,633	7,814,812
<b>OPERATING EXPENSES</b>				
Repairs and Servicing .....	1,732,938	1,880,979	1,781,438	1,793,119
Stores Operations .....	195,254	176,562	165,065	546,055
Administration .....	895,638	952,489	997,401	1,143,615
Depreciation .....	<u>3,366,900</u>	<u>3,309,694</u>	<u>3,230,966</u>	<u>3,100,034</u>
Total Operating Expenses ....	6,190,730	6,319,724	6,174,870	6,582,823
<b>OPERATING INCOME (LOSS) .....</b>	<b>286,196</b>	<b>490,121</b>	<b>921,763</b>	<b>1,231,989</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest Income .....	(70,738)	334,788	420,599	222,535
Net Other Income (Expense) ....	<u>65,961</u>	<u>86,438</u>	<u>63,918</u>	<u>14,828</u>
Total Non-Operating Income (Expense) .....	<u>(4,777)</u>	<u>421,226</u>	<u>484,517</u>	<u>237,363</u>
Net Income (Loss) Before Contributions & Transfers ...	281,419	911,347	1,406,280	1,469,352
Total Capital Contributions	-	-	-	-
Transfers In * .....	<u>509,633</u>	<u>458,891</u>	<u>428,922</u>	<u>846,483</u>
<b>NET INCOME (LOSS) .....</b>	<b>\$791,052</b>	<b>\$1,370,238</b>	<b>\$1,835,202</b>	<b>\$2,315,835</b>

2009	2010	2011	2012	2013	2014
\$18,100,171	\$19,164,435	\$19,631,756	\$20,043,909	\$20,270,054	\$21,386,337
<u>23,665,442</u>	<u>26,034,139</u>	<u>24,425,237</u>	<u>26,873,162</u>	<u>22,007,068</u>	<u>23,472,087</u>
41,765,613	45,198,574	44,056,993	46,917,071	42,277,122	44,858,424
753,706	2,728,220	431,649	4,558,862	1,039,418	1,987,209
<u>41,011,907</u>	<u>42,470,354</u>	<u>43,625,344</u>	<u>42,358,209</u>	<u>41,237,704</u>	<u>42,871,215</u>
\$41,765,613	\$45,198,574	\$44,056,993	\$46,917,071	\$42,277,122	\$44,858,424
\$2,096,838	\$2,369,705	\$2,499,589	\$2,333,084	\$2,101,367	\$2,097,335
4,568,298	4,462,261	3,382,819	1,497,410	1,372,888	4,689,984
93,436	86,625	68,411	82,423	73,772	125,367
<u>723,748</u>	<u>731,116</u>	<u>730,871</u>	<u>727,395</u>	<u>1,115,860</u>	<u>1,141,785</u>
7,482,320	7,649,707	6,681,690	4,640,312	4,663,887	8,054,471
2,004,911	2,713,546	2,488,151	2,451,583	2,274,301	2,844,024
202,206	257,075	274,399	267,989	326,773	398,011
1,092,601	1,181,369	1,047,029	1,228,920	1,323,636	1,592,691
<u>2,999,842</u>	<u>2,838,774</u>	<u>2,756,785</u>	<u>2,716,103</u>	<u>2,570,362</u>	<u>2,768,745</u>
6,299,560	6,990,764	6,566,364	6,664,595	6,495,072	7,603,471
1,182,760	658,943	115,326	(2,024,283)	(1,831,185)	451,000
148,018	(5,943)	360,639	92,913	(99,756)	54,921
<u>112,895</u>	<u>230,375</u>	<u>253,627</u>	<u>247,292</u>	<u>165,334</u>	<u>474,892</u>
260,913	224,432	614,266	340,205	65,578	529,813
1,443,673	883,375	729,592	(1,684,078)	(1,765,607)	980,813
-	4,000	174,815	46,877	-	-
<u>333,517</u>	<u>571,072</u>	<u>250,583</u>	<u>370,066</u>	<u>645,102</u>	<u>652,698</u>
\$1,777,190	\$1,458,447	\$1,154,990	(\$1,267,135)	(\$1,120,505)	\$1,633,511

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

FLEET PLANT IN SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2014

**FIXED ASSET ACCOUNTS**

	Book Cost 1/1/14	Additions 2014
Office Furniture and Equipment .....	\$540,905	\$ -
Stores and Shop Equipment .....	679,246	12,879
Transportation Equipment .....	35,503,129	3,390,950
Power-Operated Equipment .....	19,558,202	270,639
Construction Work in Progress.....	1,171,100	394,536
TOTAL FIXED ASSETS .....	\$57,452,582	\$4,069,004

**ACCUMULATED DEPRECIATION ACCOUNTS**

	Depreciation Rate %	Accumulated Depreciation 1/1/14
Office Furniture and Equipment .....	Various	\$540,905
Stores and Shop Equipment .....	Various	533,058
Transportation Equipment .....	Various	20,698,406
Power-Operated Equipment .....	Various	15,410,159
TOTAL ACCUMULATED DEPRECIATION .....		\$37,182,528



<u>Retirements 2014</u>	<u>Transfers &amp; Adjustments</u>	<u>Book Cost 12/31/14</u>
\$ -	\$ -	\$540,905
-	-	692,125
(2,548,143)	899,619	37,245,555
(1,546,318)	172,276	18,454,799
-	(1,071,895)	493,741
<u>(\$4,094,461)</u>	<u>\$ -</u>	<u>\$57,427,125</u>

<u>Annual Accrual Cr.</u>	<u>Transfers &amp; Adjustments</u>	<u>Accumulated Depreciation 12/31/14</u>
\$ -	\$ -	\$540,905
17,415	-	550,473
2,232,184	(2,496,484)	20,434,106
519,146	(1,414,001)	14,515,304
<u>\$2,768,745</u>	<u>(\$3,910,485)</u>	<u>\$36,040,788</u>

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

TAXES AND EMPLOYEE WELFARE CONTRIBUTIONS  
FOR THE YEAR 2014

**FEDERAL**

Social Security (FICA) .....		\$167,935
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**STATE OF WASHINGTON**

Retail Sales Tax .....	351,235	
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State Employment Security .....	2,415	
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Total .....	353,650	
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TOTAL TAXES .....		\$521,585
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Taxes as a % of Total Revenues of \$8,054,471.....		6.48%
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**EMPLOYEE WELFARE CONTRIBUTIONS**

Industrial Insurance and Medical Aid .....	\$58,475	
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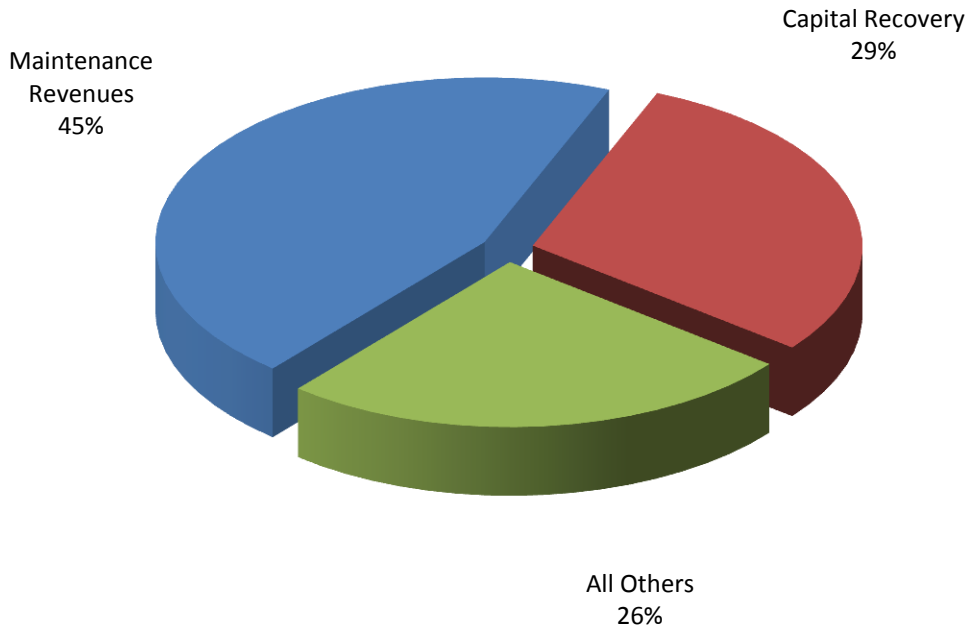
City of Tacoma Pension Fund .....	232,136	
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Washington Dental Service .....	41,182	
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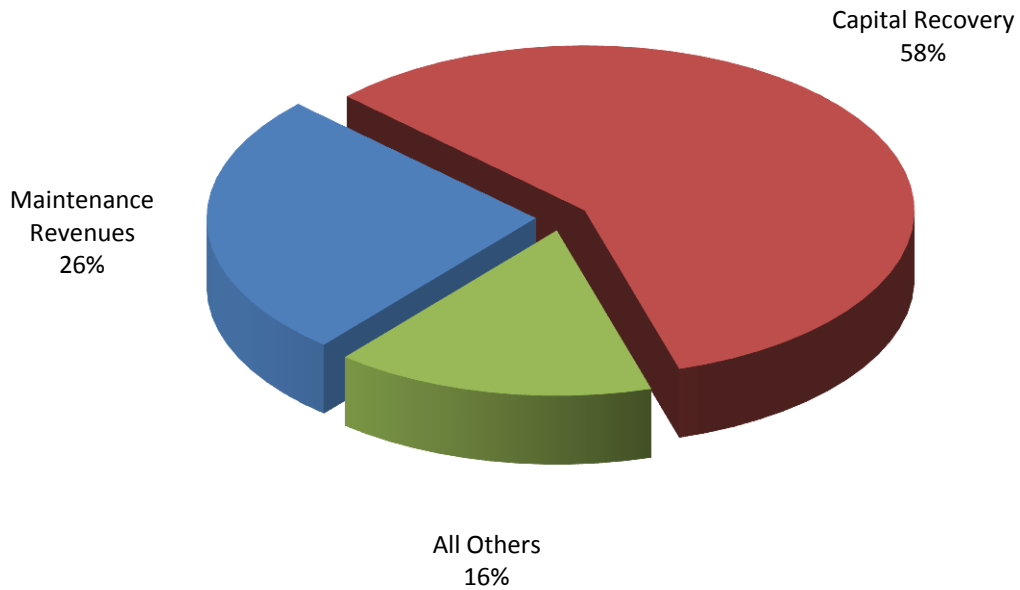
Pierce County Medical Bureau .....	419,945	
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TOTAL EMPLOYEE WELFARE CONTRIBUTIONS .....		\$751,738
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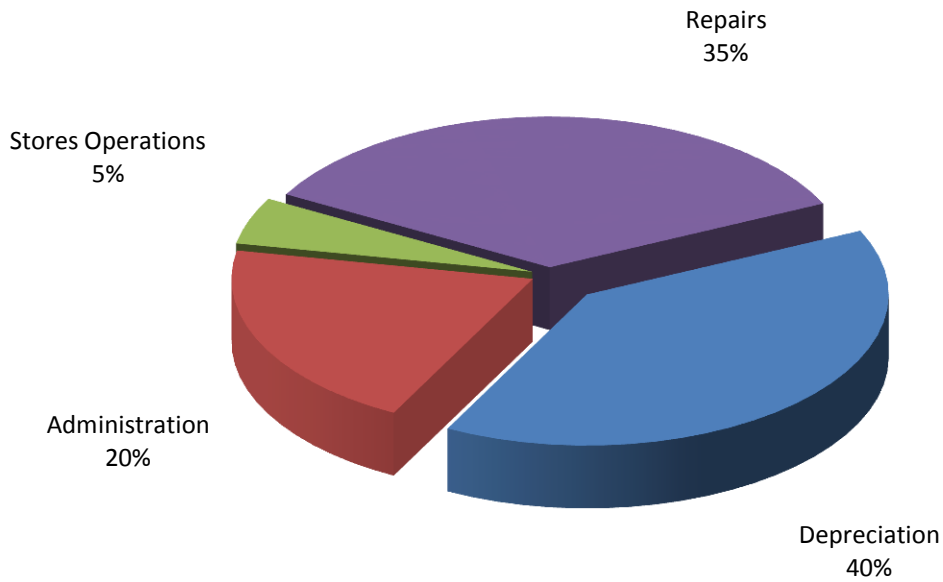
**TOTAL OPERATING REVENUES**  
**Year to Date - December 2013 (\$4,663,887)**



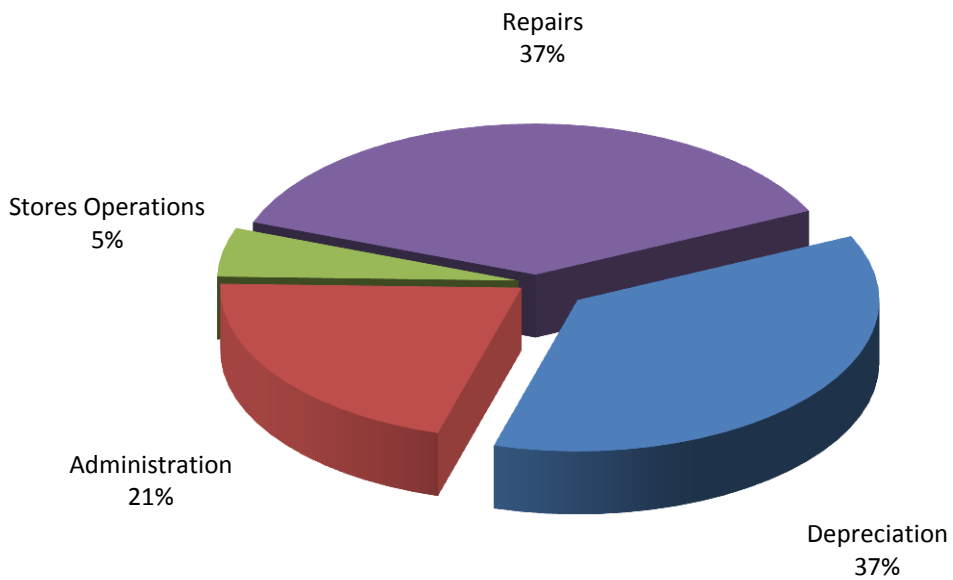
**TOTAL OPERATING REVENUES**  
**Year to Date - December 2014 (\$8,054,471)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - December 2013 (\$6,495,072)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - December 2014 (\$7,603,471)**



## **FLEET MANAGER'S REPORT**

Fleet Services completed a successful year providing vehicle and equipment maintenance and management services to our customers.

### Fleet Finance

Fleet Services worked with customers during the year to assure they had the vehicles and equipment needed to perform their duties. Specification and purchasing procedures were completed for 60 pieces of equipment. Fleet Services arranged for public auction sale of 85 pieces of equipment that were declared surplus by the assigned sections.

Fleet Services continued to return interest earned on fund investments for the year to our customers. A total of \$129,732 was credited to individual vehicle replacement funds through December 2014, with the allocation based on the amount each had paid into the fund.

After returning these funds to customers, the Fleet Fund ended the year with a \$21,721,836 cash and investment balance.

### Fleet Maintenance

Fleet Services maintenance shop performed 1,957 preventive maintenance services and inspections and 4,285 corrective work orders on Public Utilities and equipment.

Fleet Services also performed state-mandated emissions testing on 283 vehicles without any failures.

### Fleet Initiatives

Fleet process improvement efforts continued in 2014 as part of the Transmission and Distribution Section's Assessment Study conducted by Schumaker and Company in 2011 and the launch of a Fleet Initiative in alignment with Tacoma Power's Strategic Objective [IP1] Operate More Efficiently.

TPU Fleet Services is working with the City of Tacoma's Information Technology department and TPU Utility Information Services to enhance SAP for TPU Fleet Services. Enhancements in SAP will create better reporting functionality by capturing information and creating an easier reporting infrastructure for our customers.

TPU Fleet Services worked with Tacoma Powers Transmission and Distribution section and Tacoma Water to develop general maintenance Service Level Agreements.

TPU Fleet Services was named one of the top 50 Leading Fleets in government public sector fleets at the Government Fleet Expo and Conference (GFX) in June, 2014. The awards program, sponsored by Ford Motor Company and Property Room, recognizes

operations performing at a high level, particularly in fleet leadership, competitiveness and efficiency, planning for the future, and overcoming challenges.

### Fleet Parts

Fleet Services parts warehouse issued \$825,903 in parts in support of the maintenance shop. Of this amount, 41 percent (\$337,194) was issued from stock and 59 percent (\$488,709) was ordered non-stock from vendors. The Fleet parts warehouse accomplished 10,226 issue transactions totaling 26,752 items.

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### Fleet Staff Development

Fleet Services employees received an average of 45.8 hours of technical, personal development, and safety-oriented training per person.

The Fleet Services Tool and Training Committee helped specify and obtain tools and shop equipment designed to increase productivity and safety.

Ken Scudder  
T&D Assistant Manager



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.