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**SEPTEMBER**

*TACOMA RAIL*

**2015**

**FINANCIAL  
REPORT**





# Public Utility Board

BRYAN FLINT

Chair

MARK PATTERSON

Vice-Chair

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WILLIAM A. GAINES  
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 2015 year to date net operating income of \$3.8 million compared to \$4.5 million in 2014. Operating revenues decreased \$124,000 (0.6%), and operating expenses increased \$579,000 (3.3%) year to date in 2015 compared to 2014.

Operating revenues were \$22.0 million at the end of third quarter 2015, compared to \$22.2 million in 2014. Total switching revenues decreased \$910,000 primarily due to decreases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues			
	2015	2014	Var	%Chg	2015	2014	Var	%Chg
Intermodal Line Hauls	51,399	51,807	(408)	-0.8%	\$ 8,543	\$ 8,710	\$ (167)	-1.9%
Commercial Line Hauls	22,232	24,520	(2,288)	-9.3%	9,119	9,111	8	0.1%
Capital Div. Line Hauls	1,277	2,367	(1,090)	-46.0%	552	1,063	(511)	-48.1%
Miscellaneous Switches	2,201	2,422	(221)	-9.1%	1,041	1,281	(240)	-18.7%
Total Line Hauls	77,109	81,116	(4,007)	-4.9%	\$ 19,255	\$ 20,165	\$ (910)	-4.5%

Demurrage and other operating revenues increased \$785,000 primarily due to an increase in servicing provided to Union Pacific and BNSF.

Total operating expenses were \$18.3 million year to date in 2015, compared to \$17.7 million in 2014.

Salaries and wages were \$1.5 million higher due to increased personnel, payroll taxes and wages.

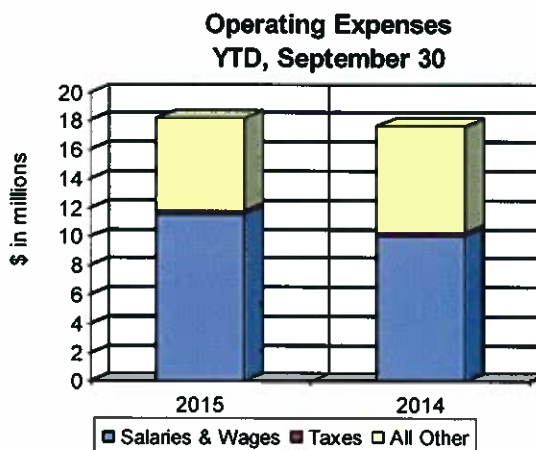
Supplies and expenses decreased \$1,029,000. The decrease is primarily due to a reimbursement of public liability insurance.

Depreciation increased \$114,000 due to an increase in depreciable assets of \$4.6 million compared to the same period in 2014.

Tacoma Rail's working capital ratios year to date of 2015 and 2014 were 5.6 and 7.1, respectively.

  
 William A. Gaines  
 Director of Utilities/CEO

  
 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>	SEPTEMBER 30,	
	2015	2014
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$39,109,390	\$33,510,101
Less Accumulated Depreciation .....	(17,069,117)	(16,087,268)
Total .....	22,040,273	17,422,833
Construction Work in Progress .....	1,528,654	2,833,726
Net Capital Assets .....	23,568,927	20,256,559
<b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	65,104	65,104
Total Special Funds .....	65,104	65,104
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	8,596,558	9,228,699
Customer Accounts Receivable .....	2,982,528	3,069,574
Prepayments .....	1,695,984	1,977,165
Materials and Supplies Inventory.....	972,433	831,660
Total Current Assets .....	14,247,503	15,107,098
<b>TOTAL ASSETS</b> .....	\$37,881,534	\$35,428,761

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



NET POSITION AND LIABILITIES	SEPTEMBER 30,	
	2015	2014
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$17,547,344	\$15,677,586
Restricted for:		
Debt Service .....	65,104	65,104
Unrestricted .....	9,508,248	10,462,790
TOTAL NET POSITION .....	27,120,696	26,205,480
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	312,763	548,332
State Loans.....	4,990,168	3,656,257
Total Long-Term Liabilities .....	5,302,931	4,204,589
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	407,670	487,941
Customer Deposits .....	45,900	45,900
Wages Payable .....	309,112	245,292
Unemployment and other Tax Payables .....	254,418	294,015
Volume Incentive Payable .....	750,000	583,333
Current Portion of Long Term Debt .....	653,549	374,384
Interest Payable .....	5,024	8,156
Current Portion of Compensated Absences .....	101,372	77,505
Total Current Liabilities .....	2,527,045	2,116,526
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	705,619	722,140
Long Term Portion of Compensated Absences .....	912,353	697,546
Other Long-Term Liabilities .....	1,312,890	1,482,480
Total Long-Term Liabilities .....	2,930,862	2,902,166
TOTAL LIABILITIES .....	10,760,838	9,223,281
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$37,881,534</b>	<b>\$35,428,761</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	SEPTEMBER 2015	SEPTEMBER 2014
	<u>                    </u>	<u>                    </u>
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,190,457	\$2,428,726
Demurrage and Other Operating Revenues .....	194,172	332,809
Total Operating Revenues .....	<u>2,384,629</u>	<u>2,761,535</u>
 <b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	91,377	93,756
Supplies and Expense .....	99,014	123,584
Mechanical .....		
Salaries and Wages .....	164,264	176,703
Supplies and Expense .....	135,249	228,605
Operations .....		
Salaries and Wages .....	827,036	792,808
Supplies and Expense .....	108,355	170,229
Administration .....		
Salaries and Wages .....	177,998	151,635
Supplies and Expense .....	308,131	449,579
Taxes - State .....	39,274	44,084
Depreciation .....	101,740	89,105
Total Operating Expenses .....	<u>2,052,438</u>	<u>2,320,088</u>
 Net Operating Income .....	 332,191	 441,447
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	6,020	6,190
Miscellaneous .....	81,659	66,317
Interest Expense .....	(1,675)	(2,719)
Total Non-Operating Revenues .....	<u>86,004</u>	<u>69,788</u>
 Contributions - Grants .....	 -	 -
Contributions - Others .....		
Total Contributions .....	<u>-</u>	<u>-</u>
 Transfers		
City of Tacoma Gross Earnings Tax .....	(220,978)	(249,203)
 <b>CHANGE IN NET POSITION</b> .....	 <u>\$197,217</u>	 <u>\$262,032</u>
 <b>TOTAL NET POSITION - JANUARY 1</b> .....		
 <b>TOTAL NET POSITION - SEPTEMBER 30</b> .....		

YEAR TO DATE

SEPTEMBER 30, 2015	SEPTEMBER 30, 2014	2015/2014 VARIANCE	PERCENT CHANGE
\$19,255,218	\$20,164,985	(\$909,767)	-4.5%
2,781,303	1,995,944	785,359	39.3%
<u>22,036,521</u>	<u>22,160,929</u>	<u>(124,408)</u>	-0.6%
818,988	737,753	81,235	11.0%
1,019,287	1,092,864	(73,577)	-6.7%
1,519,974	1,114,840	405,134	36.3%
1,954,727	1,754,395	200,332	11.4%
7,522,485	6,625,364	897,121	13.5%
936,116	931,490	4,626	0.5%
1,656,244	1,537,239	119,005	7.7%
1,608,337	2,768,290	(1,159,953)	-41.9%
316,014	324,632	(8,618)	-2.7%
915,661	801,949	113,712	14.2%
<u>18,267,833</u>	<u>17,688,816</u>	<u>579,017</u>	3.3%
3,768,688	4,472,113	(703,425)	-15.7%
52,184	51,895	289	0.6%
656,100	617,975	38,125	6.2%
(17,461)	(26,730)	9,269	-34.7%
<u>690,823</u>	<u>643,140</u>	<u>47,683</u>	7.4%
34,670	-	34,670	100.0%
216,000	700,000	(484,000)	-69.1%
<u>250,670</u>	<u>700,000</u>	<u>(449,330)</u>	-64.2%
(1,819,675)	(1,827,952)	(8,277)	-0.5%
2,890,506	3,987,301	(\$1,096,795)	-27.5%
<u>24,230,190</u>	<u>22,218,179</u>		
<u>\$27,120,696</u>	<u>\$26,205,480</u>		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES

	<u>SEPTEMBER 2015</u>	<u>SEPTEMBER 2014</u>
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$1,006,670	\$1,038,237
LINE HAULS--COMMERCIAL .....	995,105	898,246
LINE HAULS--CAPITAL DIVISION .....	63,625	137,693
MISCELLANEOUS SWITCHES .....	<u>125,057</u>	<u>354,550</u>
TOTAL SWITCHING REVENUES .....	<u><u>\$2,190,457</u></u>	<u><u>\$2,428,726</u></u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	5,873	6,493
LINE HAULS--COMMERCIAL .....	2,401	2,676
LINE HAULS--CAPITAL DIVISION .....	147	305
MISCELLANEOUS SWITCHES .....	<u>305</u>	<u>611</u>
TOTAL CARS SWITCHED .....	<u><u>8,726</u></u>	<u><u>10,085</u></u>

YEAR TO DATE			
<u>SEPTEMBER 30,</u> <u>2015</u>	<u>SEPTEMBER 30,</u> <u>2014</u>	<u>2015/2014</u> <u>VARIANCE</u>	<u>PERCENT</u> <u>CHANGE</u>
\$8,543,131	\$8,709,991	(\$166,860)	-1.9%
9,118,927	9,111,246	7,681	0.1%
552,163	1,062,727	(510,564)	-48.0%
<u>1,040,997</u>	<u>1,281,021</u>	<u>(240,024)</u>	<u>-18.7%</u>
<u>\$19,255,218</u>	<u>\$20,164,985</u>	<u>(\$909,767)</u>	<u>-4.5%</u>
51,399	51,807	(408)	-0.8%
22,232	24,520	(2,288)	-9.3%
1,277	2,367	(1,090)	-46.0%
<u>2,201</u>	<u>2,422</u>	<u>(221)</u>	<u>-9.1%</u>
<u>77,109</u>	<u>81,116</u>	<u>(4,007)</u>	<u>-4.9%</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2015	SEPTEMBER 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$22,100,993	\$21,643,671
Cash Paid to Suppliers .....	(8,173,792)	(7,290,380)
Cash Paid to Employees .....	(11,645,484)	(10,068,192)
Taxes Paid .....	(343,031)	(260,675)
Net Cash Provided by Operating Activities .....	1,938,686	4,024,424
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(1,819,675)	(1,827,952)
Net Cash Used in Non-Capital Financing Activities .....	(1,819,675)	(1,827,952)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(3,224,651)	(3,042,832)
Principal Payments on Long-Term Debt .....	(378,767)	(396,915)
Interest Paid .....	(19,826)	(28,972)
Proceeds from Capital Contributions .....	250,670	681,396
Proceeds from Long-Term Debt .....	1,299,441	1,757,066
Gain (Loss) from Sale of Plant .....	(201,128)	
Proceeds from Other Non-Operating Revenues .....	656,100	636,579
Net Cash Used in Capital and Related Financing Activities .....	(1,618,161)	(393,678)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	52,184	51,895
Net Cash Provided by Investing Activities .....	52,184	51,895
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	(1,446,966)	1,854,689
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	10,108,628	7,439,114
<b>Cash &amp; Equity in Pooled Investments at September 30</b>	\$8,661,662	\$9,293,803

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

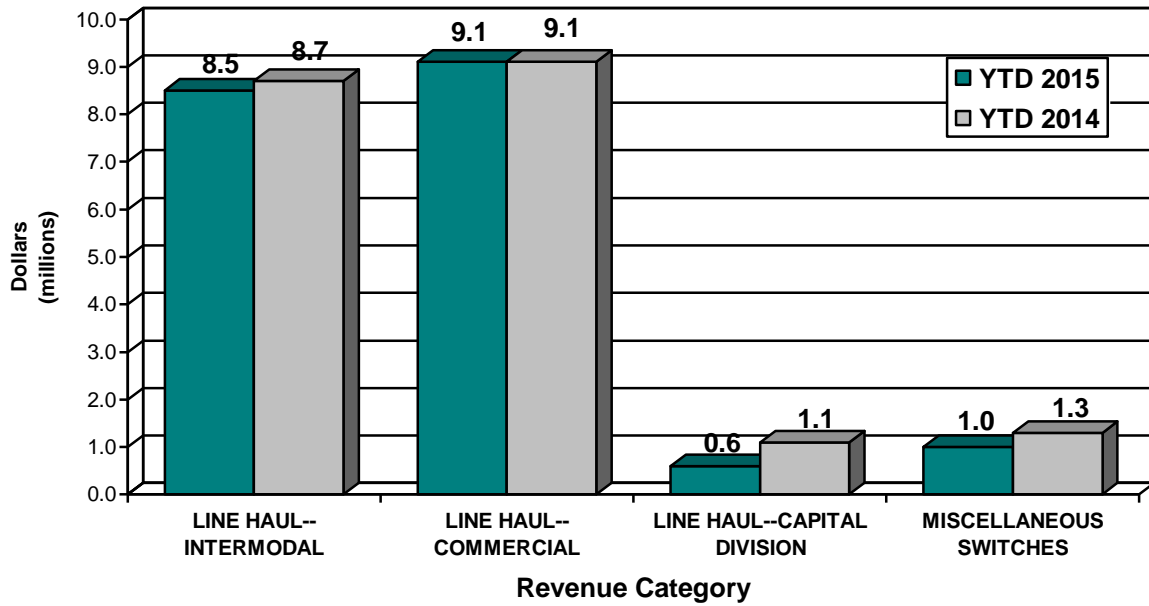
	YEAR TO DATE	
	SEPTEMBER 30, 2015	SEPTEMBER 30, 2014
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income .....	\$3,768,688	\$4,472,113
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation .....	915,661	801,949
Cash provided from changes in operating		
assets and liabilities:		
Accounts Receivable .....	(38,770)	(590,313)
Interfund Receivable .....	103,242	81,455
Materials and Supplies Inventory .....	(87,033)	8,010
Prepayments .....	292,327	210,263
Accounts Payable .....	(836,779)	(618,627)
Customer Deposits .....	-	(8,400)
Unemployment and other Tax Payables .....	(27,017)	63,957
Wages Payable .....	(136,629)	(127,978)
Volume Incentive Payable .....	(166,666)	(208,335)
Interfund Payable .....	(500,287)	(134,652)
Other Long-Term Liabilities & OJI Reserve.....	(1,348,051)	74,982
Total Adjustments .....	(1,830,002)	(447,689)
Net Cash Provided by Operating		
Activities .....	<u>\$1,938,686</u>	<u>\$4,024,424</u>
Reconciliation of Cash and Equity in Pooled		
Investments to Balance Sheet:		
Cash and Equity in Pooled Investments		
in Special Funds .....	\$65,104	\$65,104
Cash and Equity in Pooled Investments		
in Operating Funds .....	<u>8,596,558</u>	<u>9,228,699</u>
Cash and Equity in Pooled Investments		
at September 30 .....	<u>\$8,661,662</u>	<u>\$9,293,803</u>

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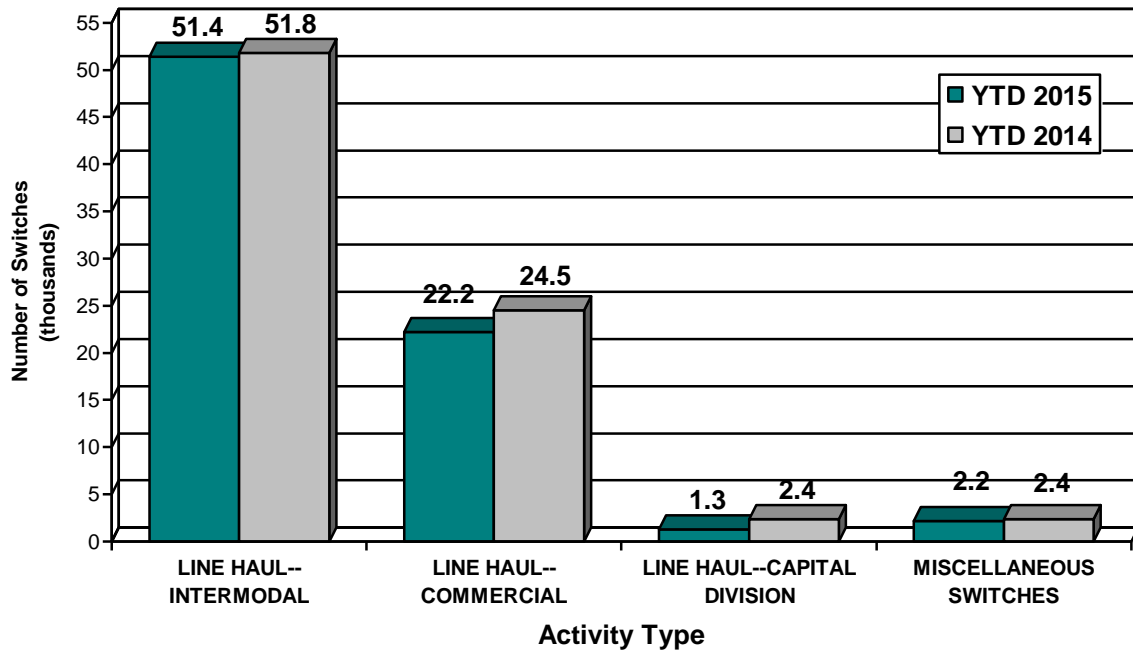


# Supplemental Data

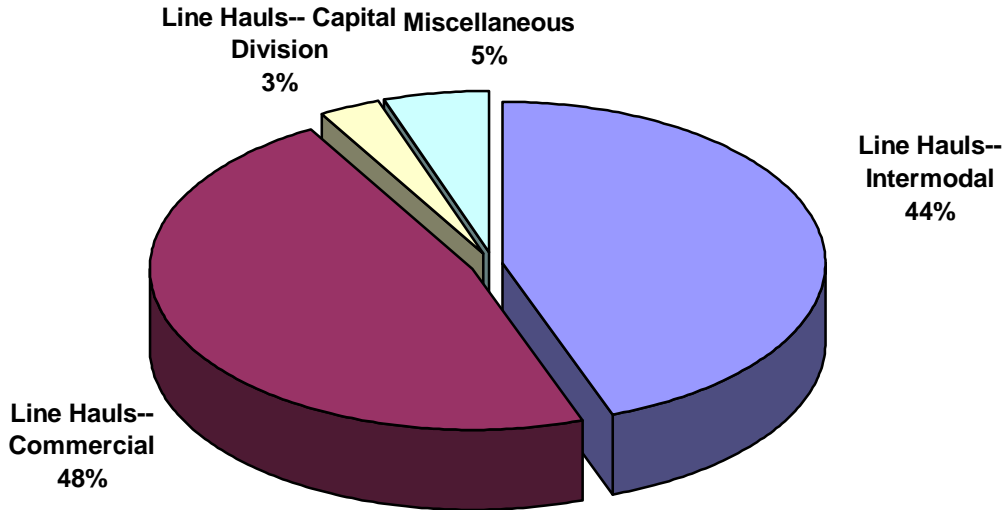
**SWITCHING REVENUES**  
Year to Date - September 2015 & 2014



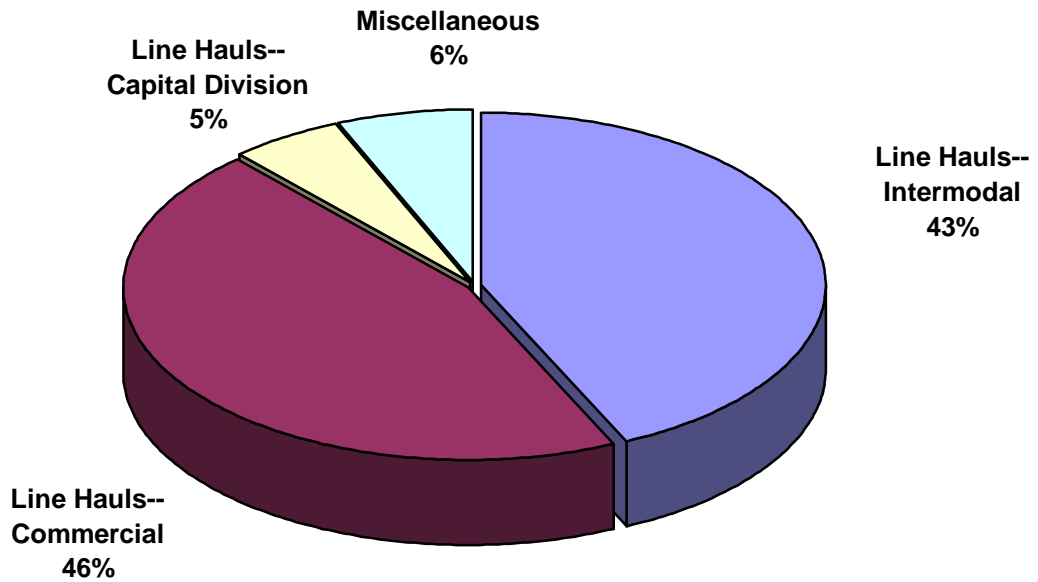
**SWITCHING ACTIVITIES**  
Year to Date - September 2015 & 2014



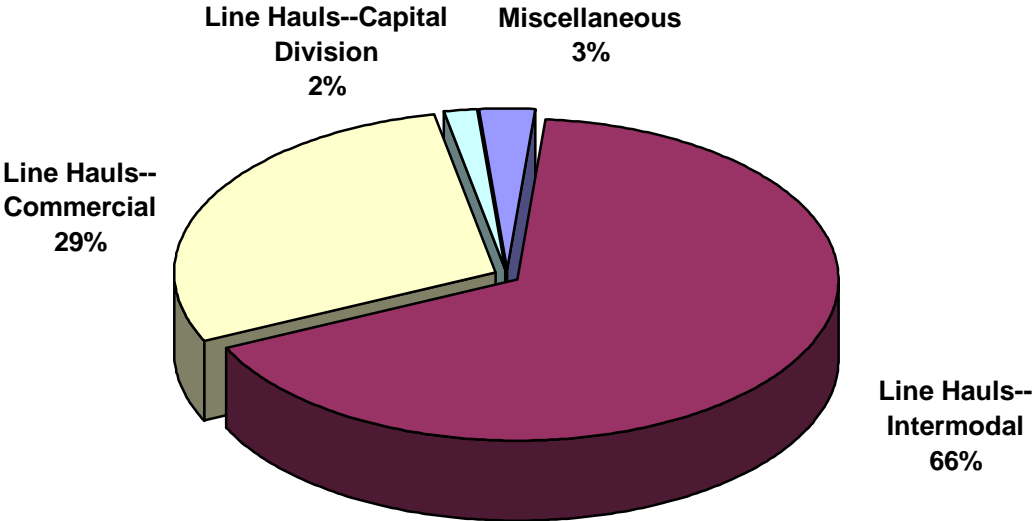
**SWITCHING REVENUES**  
Year to Date - September 2015 (\$19,255,218)



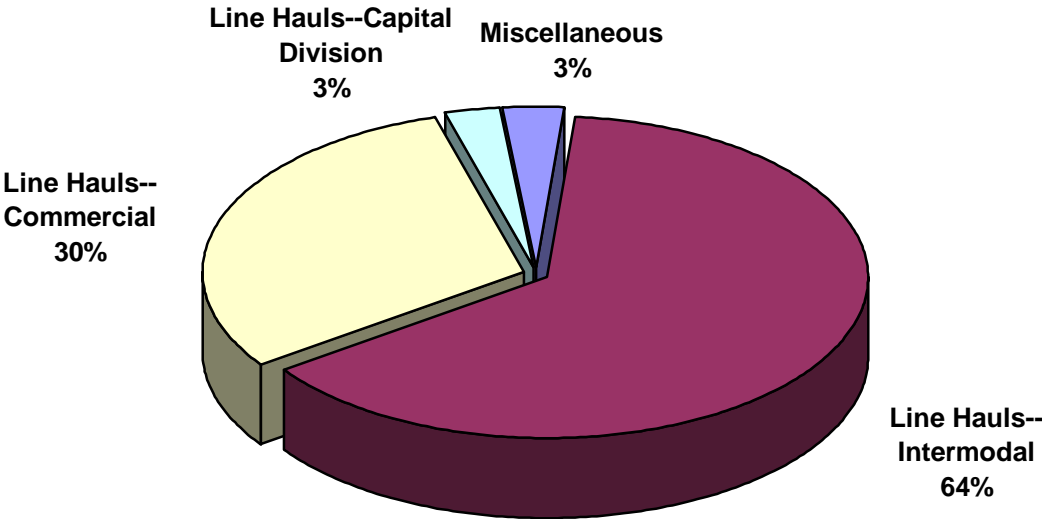
**SWITCHING REVENUES**  
Year to Date - September 2014 (\$20,164,985)



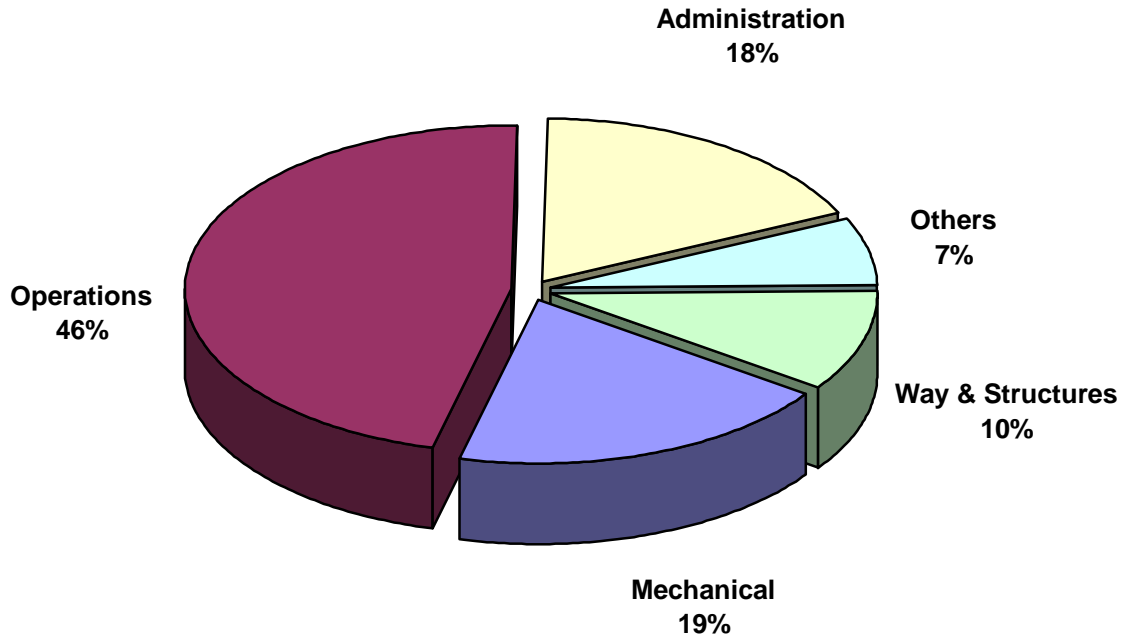
**SWITCHING ACTIVITY**  
**Year to Date - September 2015 (77,109 cars)**



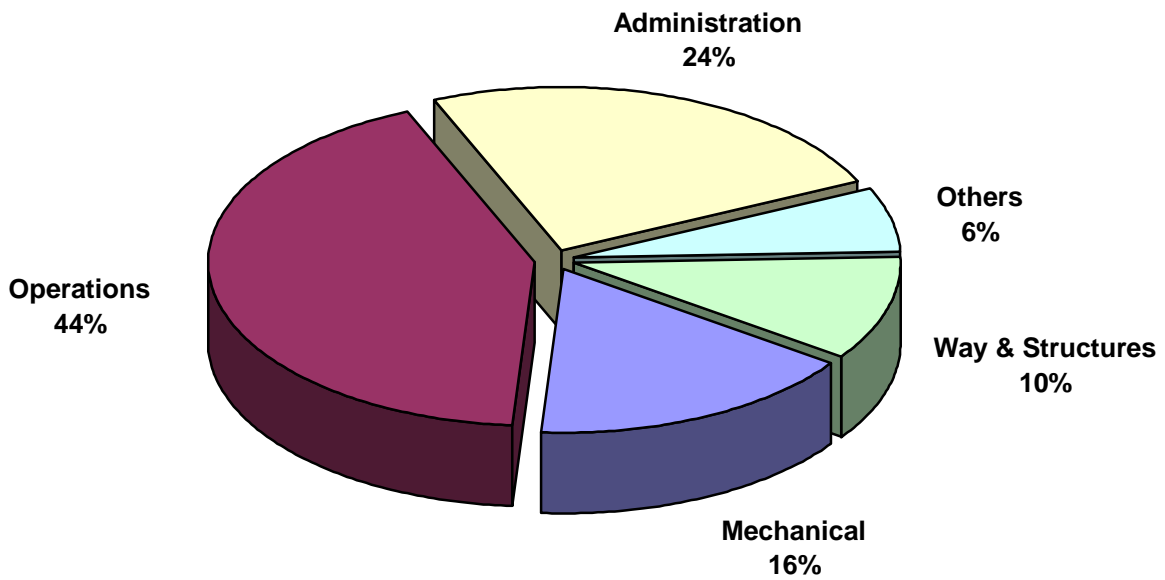
**SWITCHING ACTIVITY**  
**Year to Date - September 2014 (81,116 cars)**



**TOTAL OPERATING EXPENSES**  
Year to Date - September 2015 (\$18,267,833)



**TOTAL OPERATING EXPENSES**  
Year to Date - September 2014 (\$17,688,816)





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.