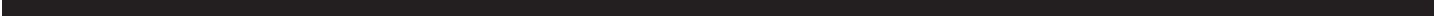

MARCH

TACOMA RAIL

2016

**FINANCIAL
REPORT**



Public Utility Board

BRYAN FLINT

Chair

MARK PATTERSON

Vice-Chair

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Member

KAREN LARKIN

Member

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 2016 year to date net operating income of \$927,000 compared to \$949,000 in 2015. Operating revenues increased \$474,000 (6.7%), and operating expenses increased \$497,000 (8.0%) year to date in 2016 compared to 2015.

Operating revenues were \$7.6 million at the end of first quarter 2016, compared to \$7.1 million in 2015. Total switching revenues increased \$695,000 primarily due to increases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues			
	2016	2015	Var	%Chg	2016	2015	Var	%Chg
Intermodal Line Hauls	18,681	13,737	4,944	36.0%	\$ 3,072	\$ 2,252	\$ 820	36.4%
Commercial Line Hauls	7,339	7,674	(335)	-4.4%	3,154	3,283	(129)	-3.9%
Capital Div. Line Hauls	191	402	(211)	-52.5%	130	173	(43)	-24.9%
Miscellaneous Switches	817	712	105	14.7%	482	435	47	10.8%
Total Line Hauls	27,028	22,525	4,503	20.0%	\$ 6,838	\$ 6,143	\$ 695	11.3%

Demurrage and other operating revenues decreased \$221,000 primarily due lower than average railcar dwell.

Total operating expenses were \$6.7 million year to date in 2016, compared to \$6.2 million in 2015.

Salaries and wages were \$49,000 higher due to increased personnel, payroll taxes and wages.

Supplies and expenses increased \$367,000 primarily due to an increase in volume incentives.

Depreciation increased \$64,000 due to an increase in depreciable assets of \$3.8 million compared to the same period in 2015.

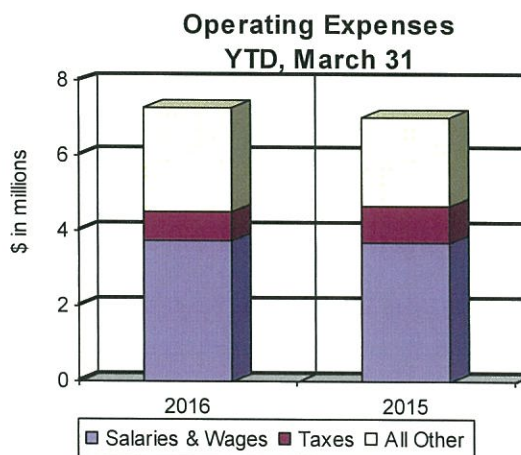
Tacoma Rail's working capital ratios year to date of 2016 and 2015 were 4.2 and 5.6, respectively.



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

TABLE OF CONTENTS

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

ASSETS	MARCH 31,	
	2016	2015
CAPITAL ASSETS		
Road and Equipment Property	\$41,309,131	\$36,422,720
Less Accumulated Depreciation	(17,743,831)	(16,659,805)
Total	23,565,300	19,762,915
Construction Work in Progress	992,610	1,660,099
Net Capital Assets	24,557,910	21,423,014
SPECIAL FUNDS		
Cash and Equity in Pooled Investments:		
Debt Service Funds	65,104	65,104
Total Special Funds	65,104	65,104
CURRENT ASSETS		
Cash & Equity in Pooled Investments	9,169,715	9,613,258
Customer Accounts Receivable	4,138,059	3,030,411
Grants Receivable	-	116,636
Prepayments	1,793,019	1,876,796
Materials and Supplies Inventory.....	989,090	881,592
Total Current Assets	16,089,883	15,518,693
TOTAL ASSETS	\$40,712,897	\$37,006,811

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2015 Annual Report.

NET POSITION AND LIABILITIES	<u>MARCH 31,</u> 2016	<u>MARCH 31,</u> 2015
NET POSITION		
Net Investment in Capital Assets.....	\$18,116,806	\$15,855,112
Restricted for:		
Debt Service	65,104	65,104
Unrestricted	9,530,805	8,954,339
TOTAL NET POSITION	<u>27,712,715</u>	<u>24,874,555</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
2006 Senior Lien Revenue Bond	64,238	312,763
State Loans.....	5,492,064	4,759,849
Total Long-Term Liabilities	<u>5,556,302</u>	<u>5,072,612</u>
CURRENT LIABILITIES		
Accounts Payable	419,147	381,462
Customer Deposits	-	45,900
Wages Payable	361,940	268,662
Unemployment and other Tax Payables	294,408	267,446
Volume Incentive Payable	1,750,001	1,208,333
Current Portion of Long Term Debt	884,802	495,290
Interest Payable	3,394	6,611
Current Portion of Compensated Absences	113,117	101,373
Total Current Liabilities	<u>3,826,809</u>	<u>2,775,077</u>
LONG-TERM LIABILITIES		
On the Job Injury Reserve	722,658	702,437
Long Term Portion of Compensated Absences	1,018,056	912,353
Other Long-Term Liabilities	1,876,357	2,669,777
Total Long-Term Liabilities	<u>3,617,071</u>	<u>4,284,567</u>
TOTAL LIABILITIES	<u>13,000,182</u>	<u>12,132,256</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$40,712,897</u></u>	<u><u>\$37,006,811</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>MARCH</u> <u>2016</u>	<u>MARCH</u> <u>2015</u>
OPERATING REVENUES		
Switching Revenues	\$2,418,402	\$2,325,096
Demurrage and Other Operating Revenues	<u>232,741</u>	<u>330,073</u>
Total Operating Revenues	2,651,143	2,655,169
OPERATING EXPENSES		
Maintenance of Way and Structures		
Salaries and Wages	96,576	94,992
Supplies and Expense	127,958	79,935
Mechanical		
Salaries and Wages	169,082	159,828
Supplies and Expense	146,627	192,463
Operations		
Salaries and Wages	792,825	774,157
Supplies and Expense	112,449	97,072
Administration		
Salaries and Wages	198,034	179,607
Supplies and Expense	339,712	555,985
Taxes - State	38,578	34,406
Depreciation	<u>123,150</u>	<u>101,963</u>
Total Operating Expenses	2,144,991	2,270,408
Net Operating Income	506,152	384,761
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	7,599	6,274
Miscellaneous	105,885	76,726
Interest Expense	<u>(1,131)</u>	<u>(2,204)</u>
Total Non-Operating Revenues	112,353	80,796
Contributions - Grants	<u>-</u>	<u>34,670</u>
Total Contributions	-	34,670
Transfers		
City of Tacoma Gross Earnings Tax	(183,101)	(207,863)
CHANGE IN NET POSITION	<u>\$435,404</u>	<u>\$292,364</u>
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - MARCH 31		

These statements should be read in conjunction with the Management Discussion and Analysis in the March 2016 Financial Report.

YEAR TO DATE

MARCH 31, 2016	MARCH 31, 2015	2016/2015 VARIANCE	PERCENT CHANGE
\$6,838,175	\$6,143,118	\$695,057	11.3%
763,709	984,390	(220,681)	-22.4%
7,601,884	7,127,508	474,376	6.7%
276,221	289,652	(13,431)	-4.6%
290,914	247,675	43,239	17.5%
500,018	520,562	(20,544)	-3.9%
679,579	673,711	5,868	0.9%
2,379,459	2,322,508	56,951	2.5%
303,631	284,879	18,752	6.6%
599,670	573,215	26,455	4.6%
1,161,830	862,946	298,884	34.6%
114,142	98,070	16,072	16.4%
369,494	305,220	64,274	21.1%
6,674,958	6,178,438	496,520	8.0%
926,926	949,070	(22,144)	-2.3%
43,485	13,614	29,871	219.4%
340,208	232,216	107,992	46.5%
(3,394)	(6,611)	3,217	-48.7%
380,299	239,219	141,080	59.0%
-	34,670	(34,670)	-100.0%
-	34,670	(34,670)	-100.0%
(636,171)	(578,594)	(57,577)	10.0%
671,054	644,365	\$26,689	4.1%
27,041,661	24,230,190		
\$27,712,715	\$24,874,555		

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES

	<u>March 2016</u>	<u>March 2015</u>
SWITCHING REVENUES		
LINE HAULS--INTERMODAL	\$940,984	\$1,077,847
LINE HAULS--COMMERCIAL	1,209,250	1,056,843
LINE HAULS--CAPITAL DIVISION	33,332	50,599
MISCELLANEOUS SWITCHES	<u>234,836</u>	<u>139,807</u>
TOTAL SWITCHING REVENUES	<u><u>\$2,418,402</u></u>	<u><u>\$2,325,096</u></u>
 SWITCHING ACTIVITIES (CARS)		
LINE HAULS--INTERMODAL	5,806	6,684
LINE HAULS--COMMERCIAL	2,812	2,620
LINE HAULS--CAPITAL DIVISION	78	118
MISCELLANEOUS SWITCHES	<u>299</u>	<u>221</u>
TOTAL CARS SWITCHED	<u><u>8,995</u></u>	<u><u>9,643</u></u>

YEAR TO DATE			
March 31, 2016	March 31, 2015	2016/2015 VARIANCE	PERCENT CHANGE
\$3,072,425	\$2,251,522	\$820,903	36.5%
3,153,455	3,282,779	(129,324)	-3.9%
129,936	173,292	(43,356)	-25.0%
<u>482,359</u>	<u>435,525</u>	<u>46,834</u>	10.8%
<u>\$6,838,175</u>	<u>\$6,143,118</u>	<u>\$695,057</u>	11.3%
18,681	13,737	4,944	36.0%
7,339	7,674	(336)	-4.4%
191	402	(211)	-52.4%
<u>817</u>	<u>712</u>	<u>105</u>	14.7%
<u>27,028</u>	<u>22,525</u>	<u>4,503</u>	20.0%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	MARCH 31, 2016	MARCH 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$6,310,490	\$7,144,097
Cash Paid to Suppliers	(2,124,327)	(3,025,496)
Cash Paid to Employees	(3,522,395)	(3,877,361)
Taxes Paid	(93,198)	(112,058)
Net Cash Provided by Operating Activities	570,570	129,182
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(636,171)	(578,594)
Net Cash Used in Non-Capital Financing Activities	(636,171)	(578,594)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, Net	(179,016)	(669,426)
Principal Payments on Long-Term Debt	(60,889)	(57,715)
Interest Paid	(4,214)	(7,389)
Proceeds from Capital Contributions	-	(81,966)
Proceeds from Other Non-Operating Revenues	340,208	232,219
Net Cash Used in Capital and Related Financing Activities	96,089	5,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	43,485	13,614
Net Cash Provided by Investing Activities	43,485	13,614
Net Increase (Decrease) in Cash and Equity in Pooled Investments	73,973	(430,266)
Cash & Equity in Pooled Investments at January 1	9,160,846	10,108,628
Cash & Equity in Pooled Investments at March 31	\$9,234,819	\$9,678,362

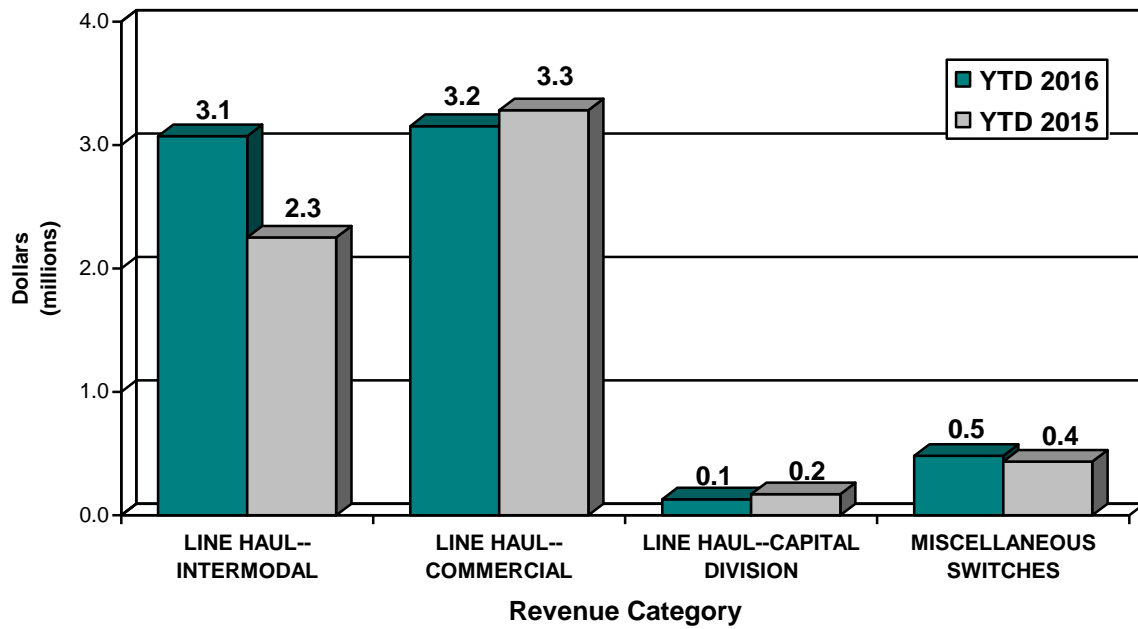
These statements should be read in conjunction with the Notes to Financial Statements contained in the 2015 Annual Report.

	YEAR TO DATE	
	MARCH 31, 2016	MARCH 31, 2015
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$926,926	\$949,070
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	369,494	305,220
Cash provided from changes in operating		
assets and liabilities:		
Accounts Receivable	(1,298,545)	(86,653)
Interfund Receivable	53,051	103,242
Materials and Supplies Inventory	(51,629)	3,808
Prepayments	124,714	111,515
Accounts Payable	(117,679)	(862,987)
Customer Deposits	(45,900)	-
Unemployment and other Tax Payables	20,944	(13,989)
Wages Payable	231,344	(177,078)
Volume Incentive Payable	541,667	291,667
Interfund Payable	(185,446)	(500,287)
Other Long-Term Liabilities & OJI Reserve.....	1,629	5,654
Total Adjustments	(356,356)	(819,888)
Net Cash Provided by Operating		
Activities	<u>\$570,570</u>	<u>\$129,182</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>9,169,715</u>	<u>9,613,258</u>
Cash and Equity in Pooled Investments		
at March 31	<u>\$9,234,819</u>	<u>\$9,678,362</u>

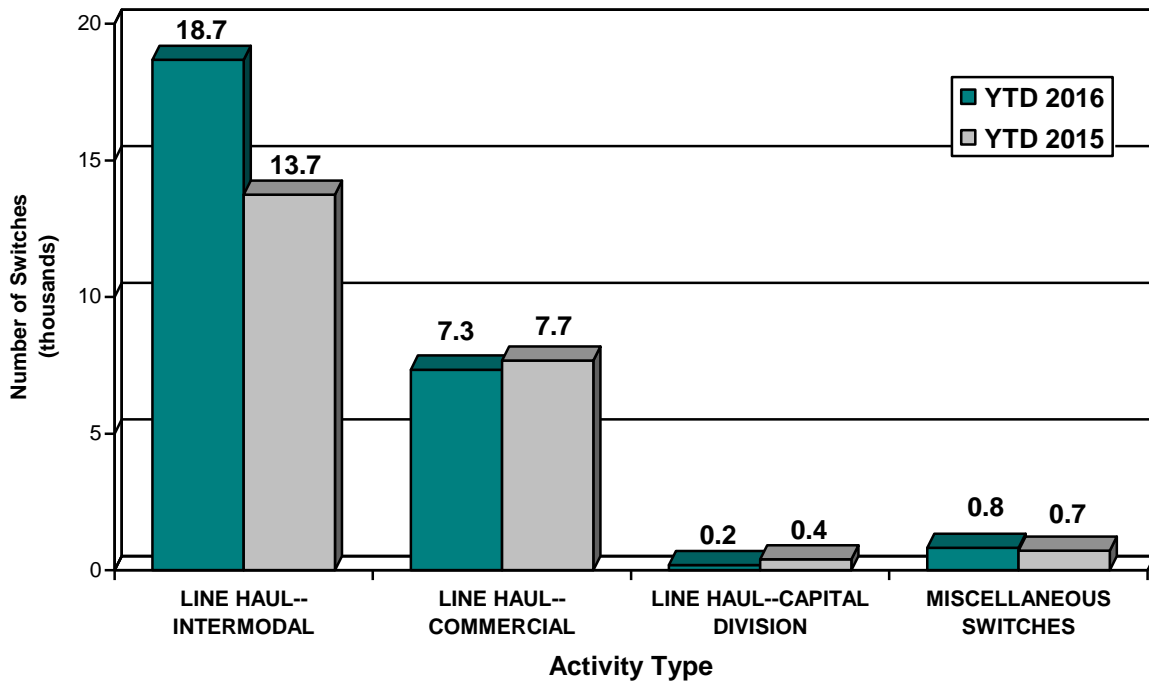
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Supplemental Data

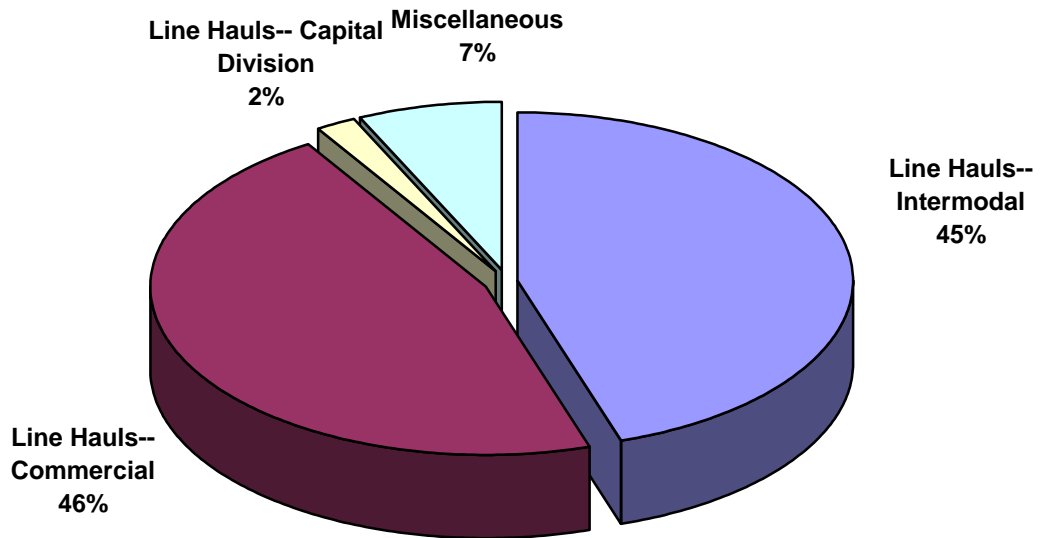
SWITCHING REVENUES
Year to Date - March 2016 & 2015



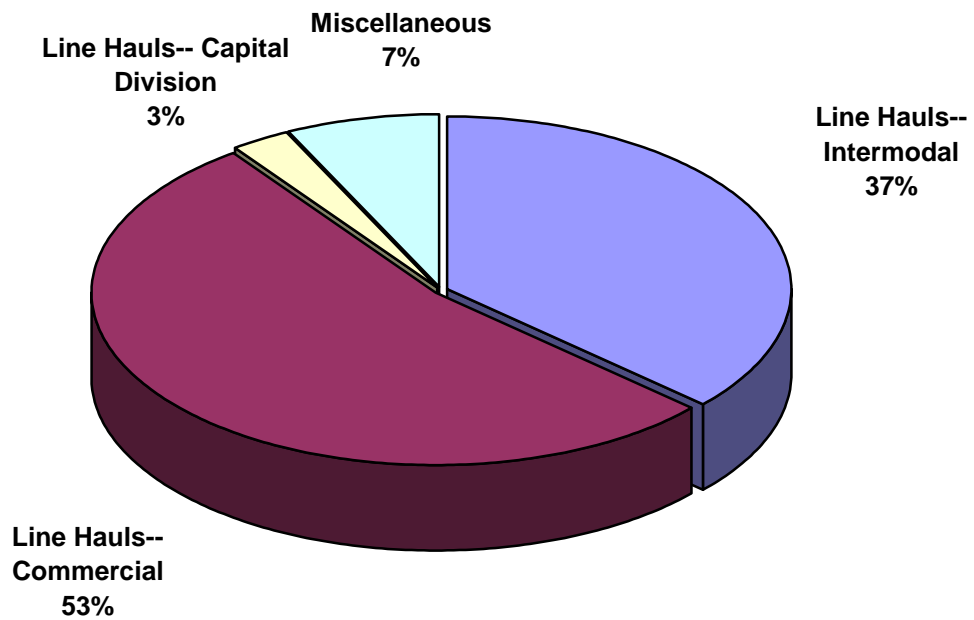
SWITCHING ACTIVITIES
Year to Date - March 2016 & 2015



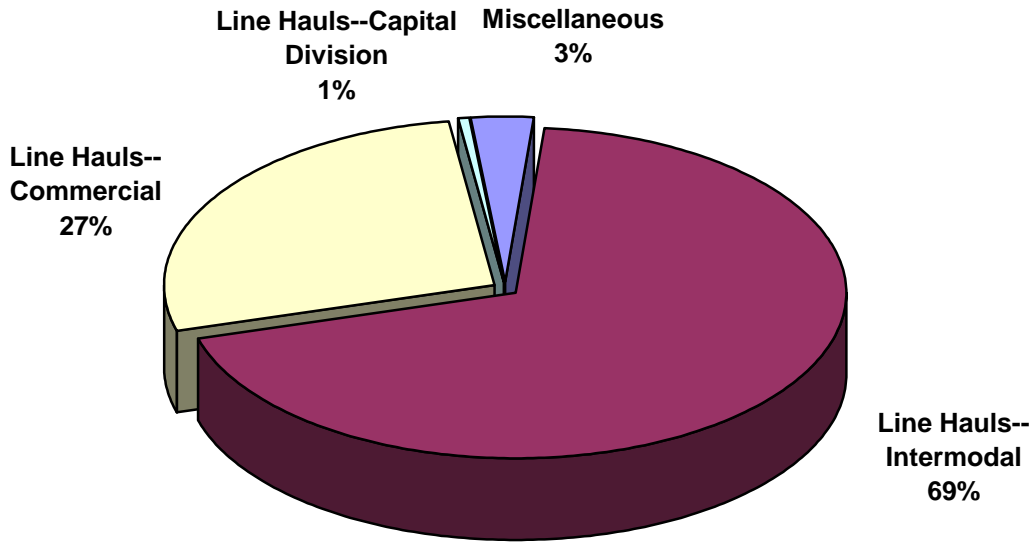
SWITCHING REVENUES
Year to Date - March 2016 (\$6,838,175)



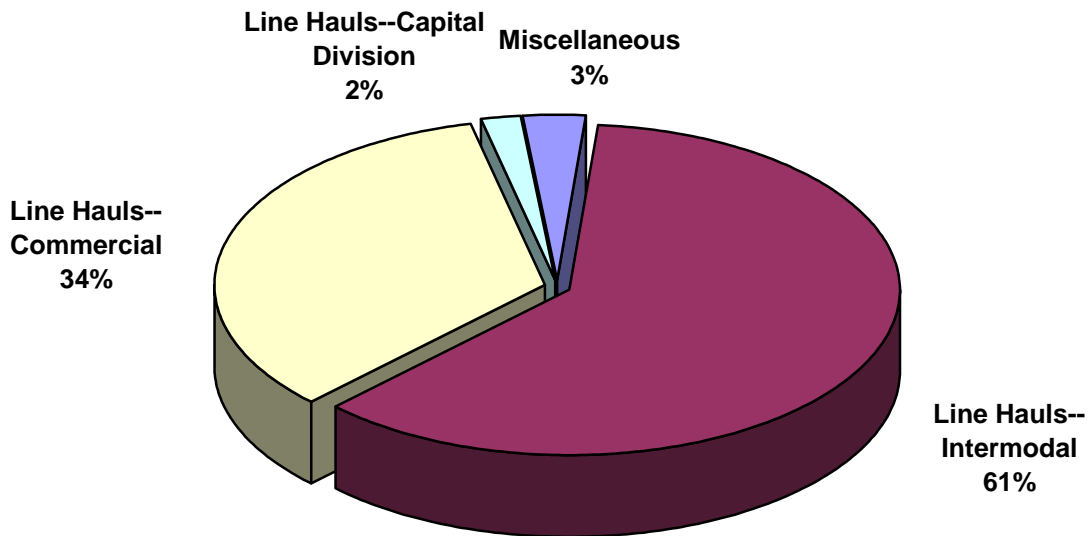
SWITCHING REVENUES
Year to Date - March 2015 (\$6,143,118)



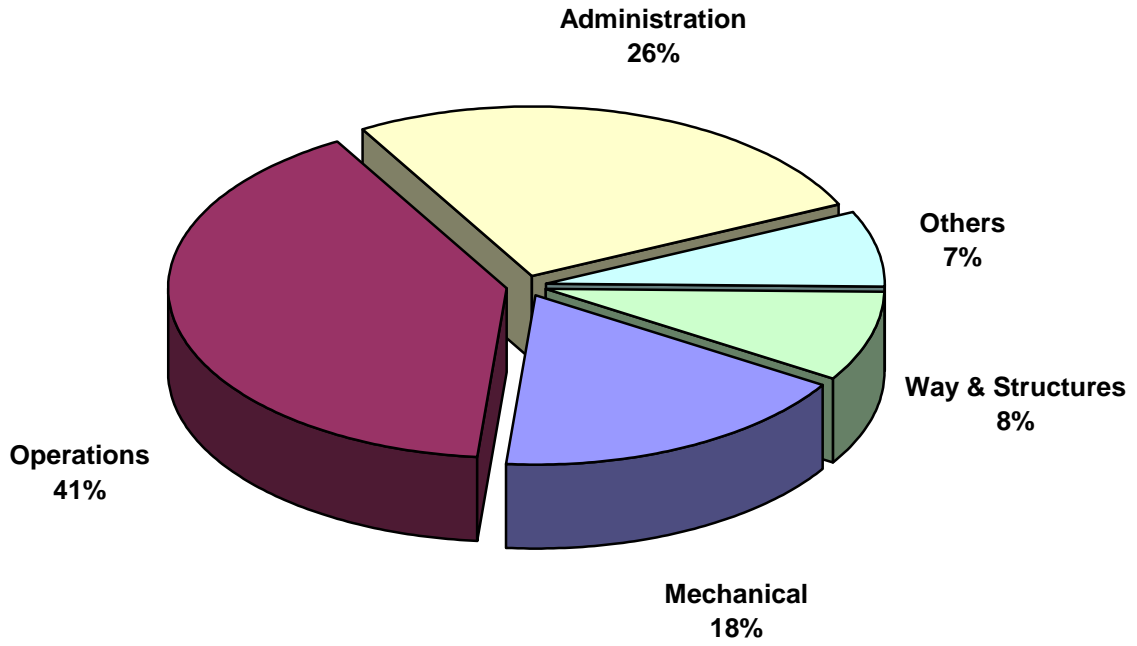
SWITCHING ACTIVITY
Year to Date - March 2016 (27,028 cars)



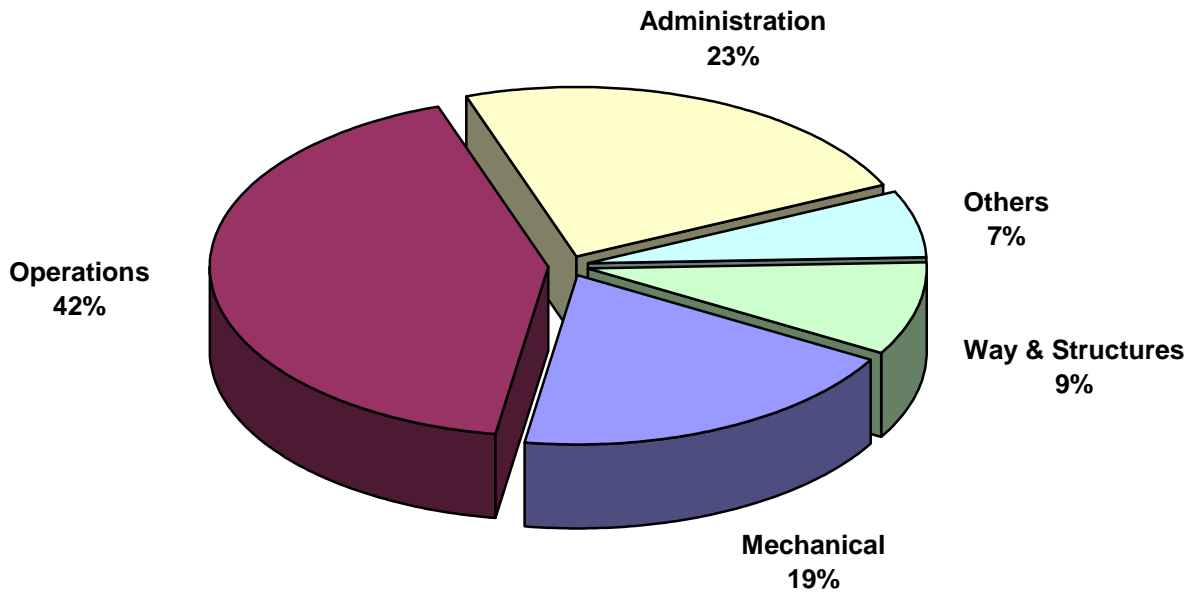
SWITCHING ACTIVITY
Year to Date - March 2015 (22,525 cars)



TOTAL OPERATING EXPENSES
Year to Date - March 2016 (\$6,674,958)



TOTAL OPERATING EXPENSES
Year to Date - March 2015 (\$6,178,438)





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