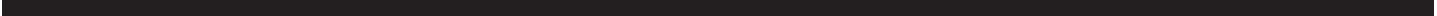

MARCH

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

For the first quarter of 2015, Tacoma Water is reporting year-to-date operating income of \$2.6 million compared to \$8.3 million in 2014. Operating revenues decreased \$4.3 million (19.5%) and operating expenses increased \$1.4 million (10.1%). The first three months of 2015 resulted in a net loss of (\$0.1) million compared to net income of \$6.5 million 2014.

Revenues

Water sales revenues decreased by \$0.1 million (1.0%) in the first quarter 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 three months of 2014.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 316,000	\$ (196,885)	\$ 119,115
Commercial and Industrial	121,637	(354,321)	(232,684)
Special Rate	43,000	(79,476)	(36,476)
Other	36,534	(30,492)	6,042
Total	\$ 517,171	\$ (661,174)	\$ (144,003)

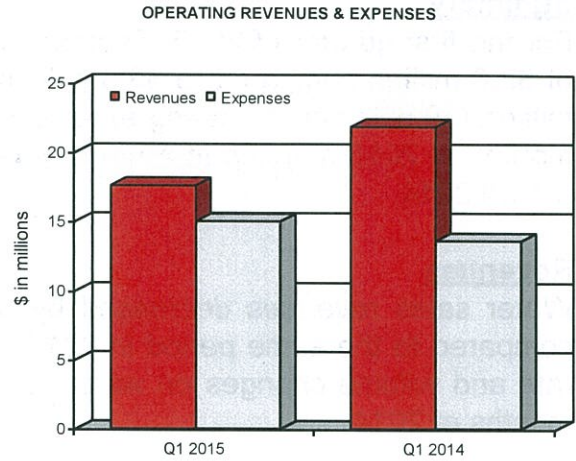
Consumption for the first three months of 2015 was 3,674 million gallons, compared to 3,863 million gallons for the same period in 2014. Regional Water Supply System (RWSS) partners received 820 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2015	2014		
Residential and Domestic	1,470.17	1,502.28	(32.11)	(2%)
Commercial and Industrial	562.52	630.03	(67.51)	(11%)
Special Rate	1,407.67	1,491.21	(83.54)	(6%)
Other	233.14	239.91	(6.77)	(3%)
Total	3,673.50	3,863.43	(189.93)	(5%)

Contract resource obligation (CRO) revenue was \$1.1 million in 2015 compared to \$5.1 million in 2014. The Green River Filtration Facility is now complete and the CRO partners were billed less accordingly.

Expenses

Operating expenses were \$15.0 million for the first three months of 2015, an increase of \$1.4 million compared to 2014. The increase is due in large part to a shift in focus from capital related projects to operations and maintenance resulting in less labor to be charged out. This shift contributed to increases of \$0.2 million in Source of Supply, \$0.2 in Transmission, \$0.2 million in Distribution, and \$0.5 million in Administrative and General.



William A. Gaines
Director of Utilities/CEO

Andy Cherullo
Finance Director

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

TACOMA WATER

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 WATER

STATEMENTS OF NET POSITION - MARCH 31, 2015 AND MARCH 31, 2014

ASSETS	<u>2015</u>	<u>2014</u>
UTILITY PLANT		
Water Plant in Service	\$ 1,042,073,583	\$ 849,627,015
Less Depreciation and Amortization	<u>(184,534,169)</u>	<u>(171,807,358)</u>
Total	857,539,414	677,819,657
Construction Work in Progress	<u>20,383,617</u>	<u>147,584,502</u>
Net Utility Plant	877,923,031	825,404,159
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2009 Construction Fund	-	378
2010 Construction Fund	4,408,966	387,037
2010 RWSS Construction Fund	56,889	911,010
2013 Construction Fund	29,836,149	37,260,228
Regional Water Supply System Operating Fund	(1,214,545)	534,430
Provision for Debt Payment	9,784,337	9,883,825
Customer Water Main Deposits	3,059,525	3,015,902
Contract Admin. Fund	369,568	437,770
Special Bond Reserves	22,095,828	22,093,381
Water Customer Contribution Fund	(189,981)	255,033
Water Capital Reserves	25,258,278	24,259,903
Water System Development Charge	<u>54,092,754</u>	<u>53,849,428</u>
Total Restricted Assets	147,557,768	152,888,325
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	44,512,642	40,212,042
Working Funds	-	1,000
Customers' and Contractors' Deposits	279,412	269,838
Receivables:		
Customers	3,356,262	3,906,057
Accrued Unbilled Revenues	4,616,056	4,494,710
Others	712,404	6,006,894
BABs Interest Subsidies	1,280,256	1,280,256
Provision for Uncollectible Accounts	(241,717)	(579,948)
Materials and Supplies	2,524,457	2,341,119
Prepayments	643,257	505,346
Total Current Assets	<u>57,683,029</u>	<u>58,437,314</u>
TOTAL ASSETS	1,083,656,791	1,037,222,761
DEFERRED OUTFLOWS		
Regulatory Assets - Public Fire Protection Fees	2,751,709	3,567,060
Regulatory Assets - Hyada Surcharges	804,711	899,756
Unamortized Losses on Refunding Debt Expense	<u>1,531,350</u>	<u>1,757,356</u>
Total Deferred Outflows	<u>5,087,770</u>	<u>6,224,172</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,088,744,561</u>	<u>\$1,043,446,933</u>

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

NET POSITION AND LIABILITIES	2015	2014
NET POSITION		
Net Investment in Capital Assets	\$ 435,375,741	\$ 406,725,859
Restricted for:		
Water Assurance Reserves	18,711,869	17,234,489
Water System Development Charge	18,517,308	18,736,110
Debt Service Funds	2,951,349	3,016,004
Unrestricted	41,051,149	41,113,193
TOTAL NET POSITION	516,607,416	486,825,655
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
Water Revenue Bonds of 2005 Refunding	25,070,000	29,365,000
Water Revenue Bonds of 2009	76,775,000	76,775,000
Water Revenue Bonds of 2010	26,950,000	27,505,000
Water Revenue Bonds of 2010 Refunding	74,985,000	74,985,000
Water Revenue Bonds of 2013 Refunding	74,355,000	74,355,000
RWSS Revenue Bonds of 2010, Series A	2,800,000	3,070,000
RWSS Revenue Bonds of 2010, Series B	44,245,000	44,245,000
RWSS Revenue Bonds of 2013 Refunding.....	61,580,000	62,765,000
Total Outstanding Revenue Bonds	386,760,000	393,065,000
Plus: Unamortized Bond Premium	13,896,469	15,237,844
Net Outstanding Revenue Bonds	400,656,469	408,302,844
PWTF Pre-Construction Loans	1,121,130	1,281,304
PWTF Construction Loans	26,980,418	29,517,015
State Drinking Water Loan	54,448,644	24,270,940
Total Long-Term Debt	483,206,661	463,372,103
CURRENT LIABILITIES		
Salaries and Wages Payable	568,489	485,635
Purchases and Contracts Payable	3,252,320	7,104,899
Interest Expense Accrued	6,832,988	6,867,821
Taxes Accrued	1,273,420	1,275,352
Customers' Deposits	286,165	326,513
Current Portion of Long-Term Debt	10,633,079	10,497,720
Current Accrued Compensated Absences	255,611	249,552
Other Current Liabilities	3,901,500	4,042,191
Total Current Liabilities	27,003,572	30,849,683
LONG-TERM LIABILITIES		
Muckleshoot Agreements	7,129,695	7,710,830
Customer Advances for Construction	4,493,198	4,389,028
Unearned Revenue - SDC	8,435,984	8,894,733
Other Credits	3,992,091	3,583,486
Long-Term Accrued Compensated Absences	2,300,497	2,245,968
Total Long-Term Liabilities	26,351,465	26,824,045
TOTAL LIABILITIES	536,561,698	521,045,831
DEFERRED INFLOWS		
Rate Stabilization	35,575,447	35,575,447
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,088,744,561	\$1,043,446,933

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MARCH 31, 2015 AND MARCH 31, 2014

	MARCH 2015	MARCH 2014
OPERATING REVENUES		
Sales of Water	\$4,917,876	\$4,949,530
Other Operating Revenues	673,092	(4,378,928)
Contract Resource Obligation Revenue	401,361	4,713,947
Total Operating Revenues	5,992,329	5,284,549
OPERATING EXPENSES		
Production Expense		
Source of Supply	607,612	559,971
Water Treatment	346,865	383,427
Total Production Expense	954,477	943,398
Power Pumping Expense	33,229	46,268
Transmission and Storage Expense	269,654	237,820
Distribution Expense	1,050,727	1,062,888
Customer Accounting and Consumer Service ...	347,102	329,569
Taxes	393,384	227,623
Depreciation	1,424,079	1,392,275
Administrative and General	696,090	582,419
Total Operating Expenses	5,168,742	4,822,260
OPERATING INCOME (LOSS)	823,587	462,289
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	136,844	144,552
Miscellaneous	(12,574)	128,802
Interest on Long-Term Debt	(1,352,682)	(1,373,049)
Amort. Of Debt Premium	92,947	92,947
Interest on Long-Term Debt BABs Sub	(320,064)	(320,064)
Interest and Amort. Charged to Construction	27,772	549,923
Total Non-Operating Revenues (Expenses)	(1,427,757)	(776,889)
Net Income (Loss) Before Capital Contributions and Transfers	(604,170)	(314,600)
Capital Contributions		
Cash	352,818	227,826
Federal BAB Subsidies	320,064	320,064
Grants	-	-
Transfers Out		
City Gross Earnings Tax	(446,712)	(68,016)
NET INCOME (LOSS)	(\$378,000)	\$165,274
TOTAL NET POSITION - JANUARY 1		
TOTAL NET POSITION - MARCH 31		

YEAR TO DATE		2015 OVER (UNDER)	PERCENT CHANGE
MARCH 31, 2015	MARCH 31, 2014	2014	
\$ 14,529,856	\$ 14,673,859	(\$144,003)	-1.0%
2,043,098	2,105,581	(62,483)	-3.0%
1,073,394	5,128,550	(4,055,156)	-79.1%
<u>17,646,348</u>	<u>21,907,990</u>	<u>(4,261,642)</u>	<u>-19.5%</u>
1,690,602	1,452,825	237,777	16.4%
999,505	1,012,716	(13,211)	-1.3%
<u>2,690,107</u>	<u>2,465,541</u>	<u>224,566</u>	<u>9.1%</u>
122,362	131,487	(9,125)	-6.9%
837,013	680,990	156,023	22.9%
3,011,346	2,787,163	224,183	8.0%
1,027,743	950,998	76,745	8.1%
874,684	724,008	150,676	20.8%
4,271,476	4,175,241	96,235	2.3%
2,186,243	1,730,870	455,373	26.3%
<u>15,020,974</u>	<u>13,646,298</u>	<u>1,374,676</u>	<u>10.1%</u>
2,625,374	8,261,692	(5,636,318)	-68.2%
278,170	421,292	(143,122)	-34.0%
4,116	(59,299)	63,415	106.9%
(4,072,857)	(4,119,552)	46,695	-1.1%
278,842	278,842	-	0.0%
(960,192)	(960,192)	-	0.0%
1,326,938	1,605,418	(278,480)	-17.3%
<u>(3,144,983)</u>	<u>(2,833,491)</u>	<u>(311,492)</u>	<u>11.0%</u>
(519,609)	5,428,201	(5,947,810)	-109.6%
771,593	1,279,325	(507,732)	-39.7%
960,192	960,192	-	0.0%
-	202,000	(202,000)	-100.0%
<u>(1,278,005)</u>	<u>(1,333,036)</u>	<u>55,031</u>	<u>-4.1%</u>
<u>(65,829)</u>	<u>6,536,682</u>	<u>(\$6,602,511)</u>	<u>-101.0%</u>
<u>516,673,245</u>	<u>480,288,973</u>		
<u><u>\$516,607,416</u></u>	<u><u>\$486,825,655</u></u>		

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

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
MARCH 31, 2015 AND MARCH 31, 2014

	<u>MARCH 2015</u>	<u>MARCH 2014</u>
SALES OF WATER		
Residential and Domestic	\$3,117,841	\$3,129,212
Commercial and Industrial	1,034,702	984,975
Special Rate	441,700	437,436
Municipal	28,668	27,333
Other Public Buildings and Grounds	82,469	111,474
Sales to Other Utilities	<u>212,496</u>	<u>259,100</u>
Total	<u><u>\$4,917,876</u></u>	<u><u>\$4,949,530</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	92,125	87,376
Commercial and Industrial	6,617	6,298
Municipal	184	179
Sales to Other Utilities	<u>18</u>	<u>20</u>
Total	<u><u>98,944</u></u>	<u><u>93,873</u></u>

YEAR TO DATE		2015 OVER (UNDER) 2014	PERCENT CHANGE
MARCH 2015	MARCH 2014		
\$9,319,098	\$9,195,894	\$123,204	1.3%
2,831,095	2,931,561	(100,466)	-3.4%
1,382,104	1,418,580	(36,476)	-2.6%
96,178	95,807	371	0.4%
250,390	386,697	(136,307)	-35.2%
650,991	645,320	5,671	0.9%
<u>\$14,529,856</u>	<u>\$14,673,859</u>	<u>(\$144,003)</u>	-1.0%
273,609	271,721	1,888	0.7%
18,445	18,639	(194)	-1.0%
631	616	15	2.4%
54	54	0	0.0%
<u>292,739</u>	<u>291,030</u>	<u>1,709</u>	0.6%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
MARCH 31, 2015 AND MARCH 31, 2014

WATER BILLED	MILLION GALLONS, TOTAL			
	MARCH 2015	MARCH 2014	YEAR TO DATE	
			MARCH 2015	MARCH 2014
Residential and Domestic	476.35	505.36	1,470.17	1,502.28
Commercial and Industrial	197.40	198.42	562.52	630.03
Special Rate	458.82	455.06	1,407.67	1,491.21
Municipal	3.02	2.98	10.83	13.45
Sales to Other Utilities	72.36	89.16	222.31	226.46
	1,207.95	1,250.98	3,673.50	3,863.43

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

MILLION GALLONS, AVERAGE DAILY

<u>MARCH</u> <u>2015</u>	<u>MARCH</u> <u>2014</u>
15.37	16.30
6.37	6.40
14.80	14.68
0.10	0.10
<u>2.88</u>	<u>2.88</u>
<u><u>39.52</u></u>	<u><u>40.36</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	\$22,575,252	\$24,220,905
Cash Paid to Suppliers	(5,817,399)	(14,296,807)
Cash Paid to Employees	(6,394,779)	(5,552,560)
Taxes Paid	(1,006,598)	(1,078,575)
Net Cash From		
Operating Activities	9,356,476	3,292,963
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer Out for Gross Earnings Tax	(1,278,005)	(1,333,036)
Net Cash From Non-Capital		
Financing Activities	(1,278,005)	(1,333,036)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures, net.....	(8,784,212)	(14,923,464)
Proceeds from State Drinking Water Loan	-	7,830,473
Debt Issuance Costs	-	(60,000)
Principal Payments on Muckleshoot LT Liability ...	(195,300)	(200,182)
Interest Paid	(675)	(4,551)
Grants Received	-	202,000
System Development Charges, CIAC and Other	761,010	1,703,641
Net Cash From Capital and		
Related Financing Activities	(8,219,177)	(5,452,083)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	278,170	421,290
Other Net Non-Op Revenues and Expenses	4,116	700
Net Cash From Investing Activities	282,286	421,990
Net Change in Cash and Equity in		
Pooled Investments	141,580	(3,070,166)
Cash & Equity in Pooled Investments at January 1 ...	192,208,242	196,441,371
Cash & Equity in Pooled Investments at March 31	\$192,349,822	\$193,371,205

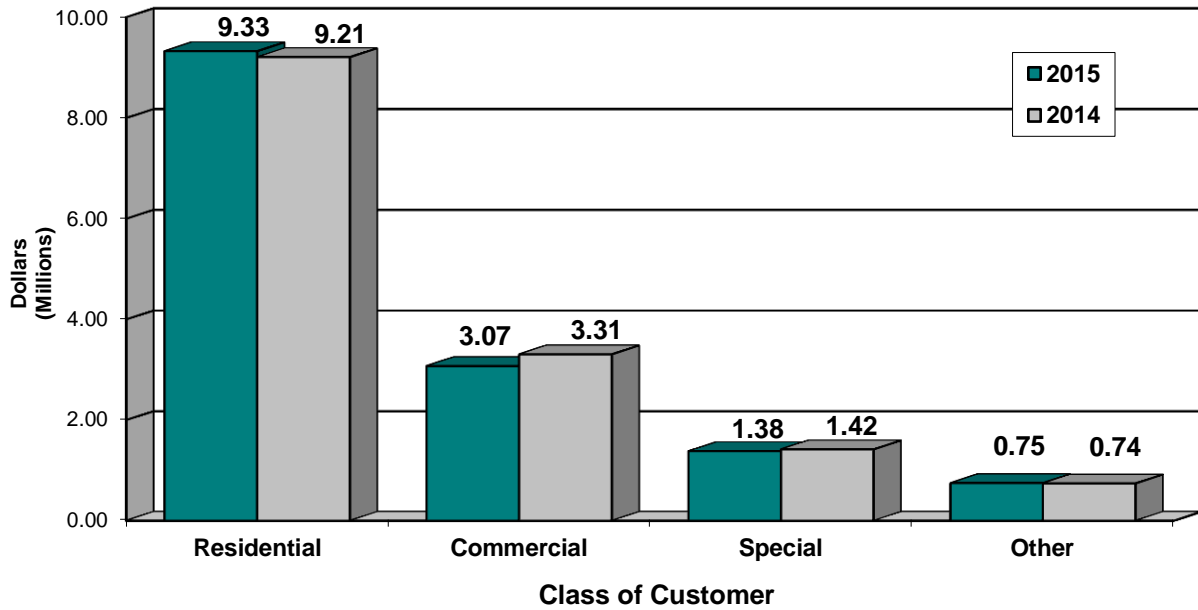
The accompanying notes are an integral part of these financial statements.

	YEAR TO DATE	
	2015	2014
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net Operating Income	\$2,625,374	\$8,261,692
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	4,271,476	4,175,241
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	805,784	(1,909,257)
Interfund Receivables	292,294	8,815,962
Regulatory Asset-Public Fire Protection Fees	188,965	188,965
Regulatory Asset-Hyada Surcharges.....	23,823	23,818
Materials and Supplies	(122,934)	(4,471)
Prepayments	63,307	49,844
Unearned Rental Revenues	3,901,500	4,009,389
Accrued Taxes	(131,914)	(354,566)
Salaries, Wages and Fringe Benefits Payable	(468,935)	(477,474)
Customers' Deposits	10,574	44,669
Accrued Expenses and Contracts Payable	(763,639)	(9,773,519)
Interfund Payables	(1,339,199)	(9,757,330)
Total Adjustments	<u>6,731,102</u>	<u>(4,968,729)</u>
Net Cash From Operating Activities	<u>\$9,356,476</u>	<u>\$3,292,963</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$147,557,768	\$152,888,325
Cash and Equity in Pooled Investments in Operating Funds	<u>44,792,054</u>	<u>40,482,880</u>
Cash and Equity in Pooled Investments at March 31	<u>\$192,349,822</u>	<u>\$193,371,205</u>

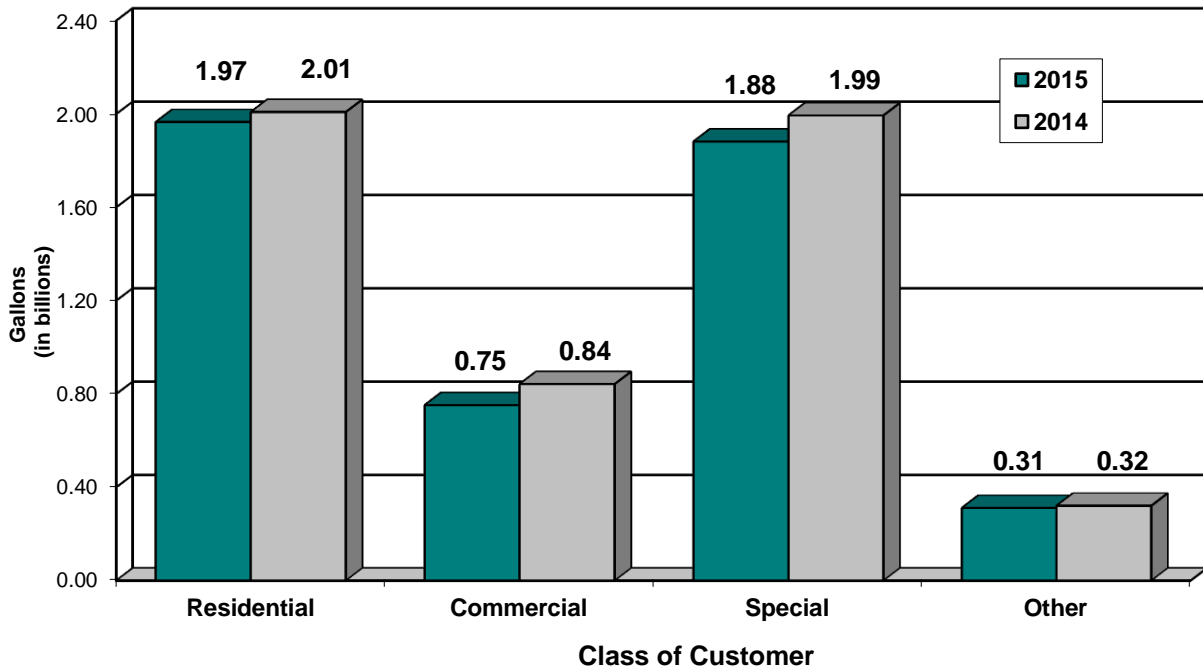
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Supplemental Data

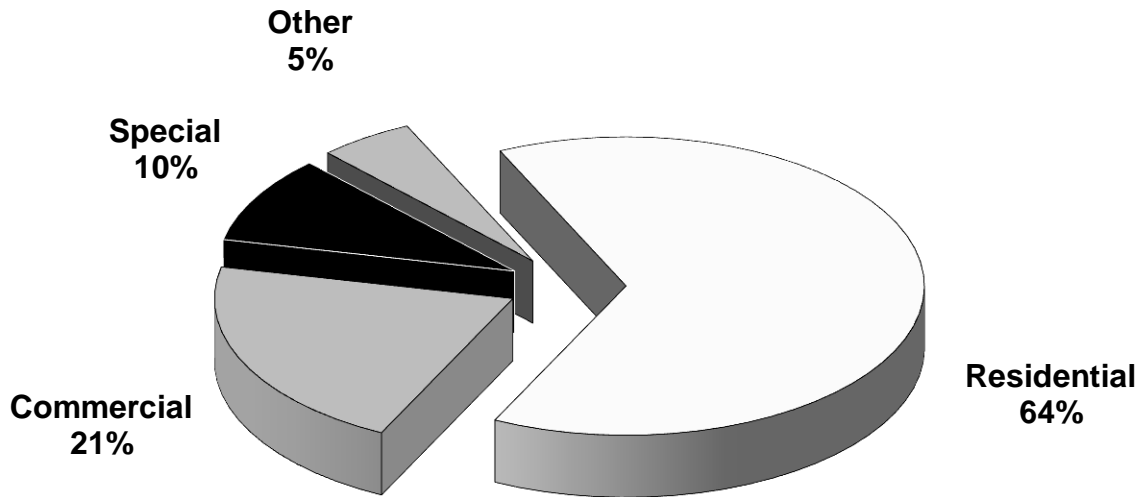
WATER SALES
Year to Date - March 2015 & 2014



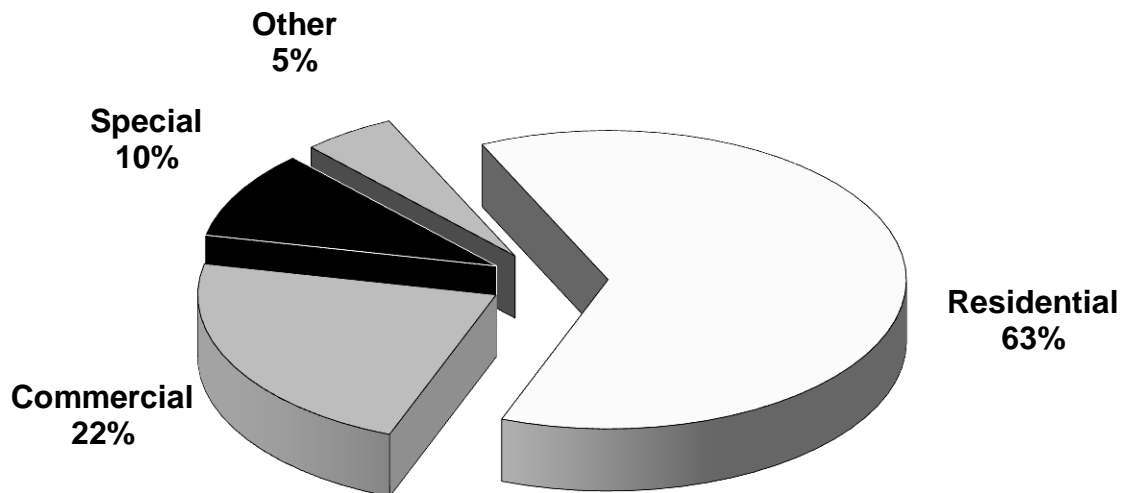
WATER CONSUMPTION
Year to Date - March 2015 & 2014



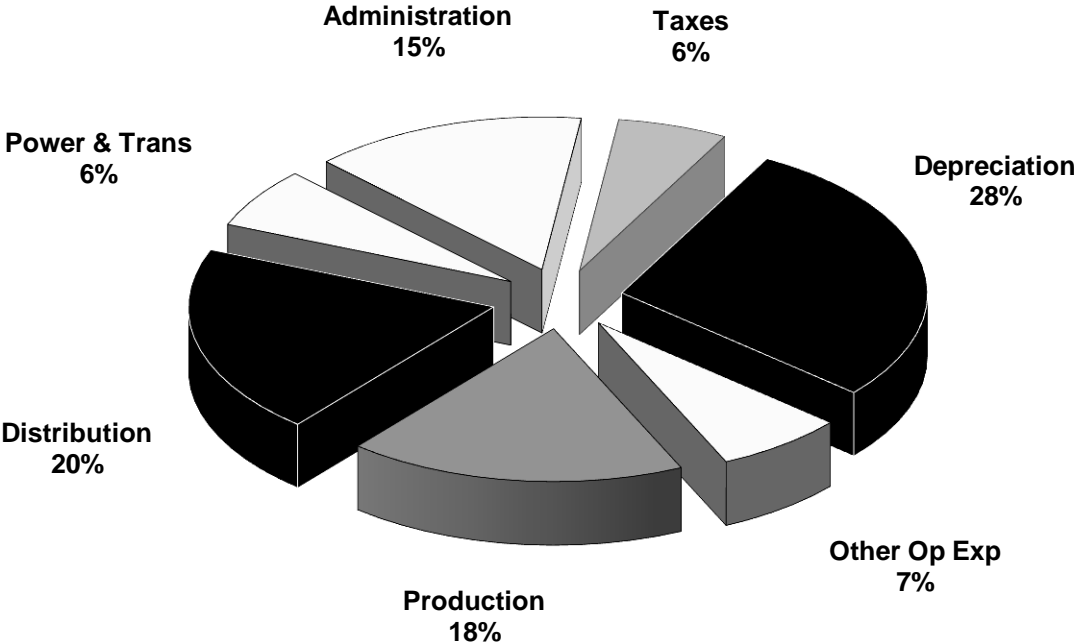
WATER SALES
Year to Date - March 2015
(\$14,529,856)



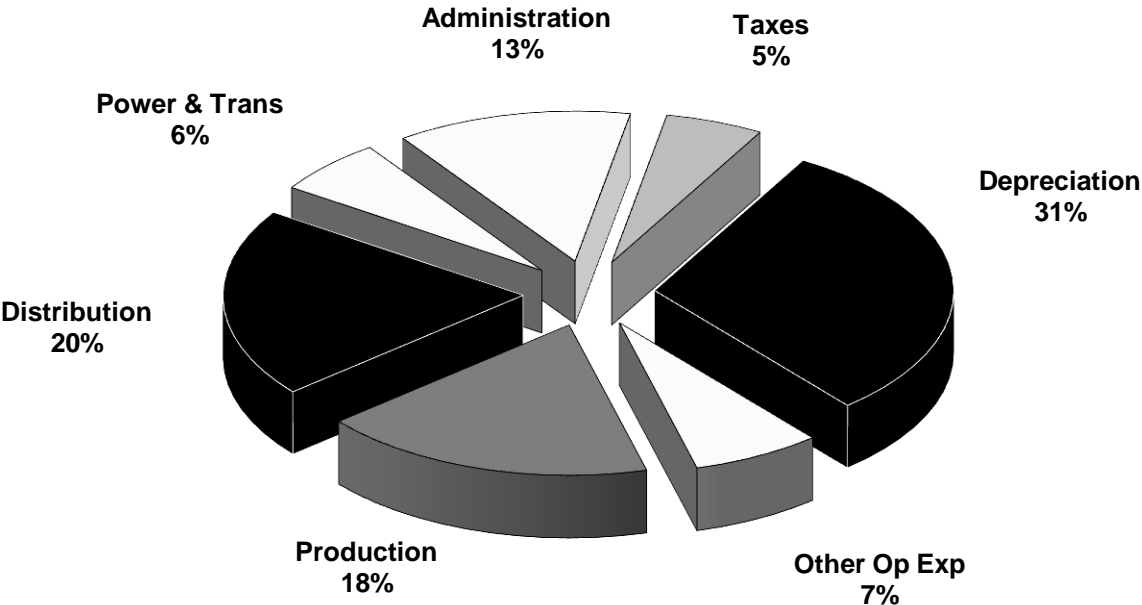
WATER SALES
Year to Date - March 2014
(\$14,673,859)



TOTAL OPERATING EXPENSES
Year to Date - March 2015
(\$15,020,974)



TOTAL OPERATING EXPENSES
Year to Date - March 2014
(\$13,646,298)





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.