
SEPTEMBER

TACOMA WATER

2013

**FINANCIAL
REPORT**



Public Utility Board

DAVID NELSON

Chair

WOODROW JONES

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

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 third quarter of 2013, Tacoma Water is reporting year-to-date operating income of \$34.2 million compared to \$17.9 million in 2012. Operating revenues increased \$18.5 million (33.1%) and operating expenses increased \$2.2 million (5.9%). The first nine months of 2013 resulted in a net income of \$22.9 million compared to \$15.6 million 2012.

Revenues

Water sales revenues increased by \$4.2 million (9.7%) in the third quarter of 2013 compared to the same period in 2012. Of this increase, approximately 70% is due to increased volume because of a warmer and drier summer than usual. The remaining 30% is due to an average rate increase of 5.5% effective April 1, 2013. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class for the first nine months of 2013.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 851,671	\$ 1,223,427	\$ 2,075,098
Commercial and Industrial	483,806	154,343	638,149
Special Rate - Simpson Tacoma Kraft	60,490	(29,503)	30,987
Other	(110,062)	1,577,212	1,467,150
Total	\$ 1,285,905	\$ 2,925,479	\$ 4,211,384

Consumption for the first nine months of 2013 was 13,659 million gallons, compared to 12,918 million gallons in the same period in 2012. Regional Water Supply System (RWSS) partners received 3,121 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2013	2012		
Residential and Domestic	5,952.26	5,708.00	244.26	4%
Commercial and Industrial	1,891.74	1,855.33	36.41	2%
Special Rate - Simpson Tacoma Kraft	4,434.29	4,468.65	(34.36)	(1%)
Other	1,380.36	886.39	493.97	56%
Total	13,658.65	12,918.37	740.28	6%

Other operating revenues increased \$1.9 million (37.6%) to \$7.0 million for the first nine months of 2013 compared to \$5.1 million in 2012. Payments from Cascade Water Alliance increased \$1.6 million due to contract changes. Other operating revenues also include external overhead, other customer fees and late fees.

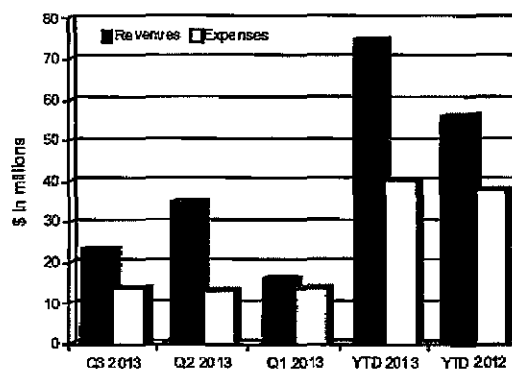
Contract resource obligation (CRO) revenue increased to \$19.6 million in 2013 from \$7.2 million in 2012. Capital contributed by the CRO partners for construction of the Green River Filtration Facility increased \$12.7 million, O&M payments decreased \$0.3 million. CRO revenues also include debt service payments made by the RWSS partners. These remained virtually the same, with an increase of only \$8 thousand.

Contributions in aid of construction decreased \$5.0 million in 2013. Contributions were higher than usual in 2012 primarily due to wholesale water system development charges received from the City of Auburn.

Expenses

Operating expenses for the first nine months of 2013 increased \$2.2 million compared to 2012. The largest increase was \$0.7 million in production expense. This is comprised of \$0.4 million in source of supply and \$0.2 million in water treatment expense, and is primarily increased labor costs.

OPERATING REVENUES & EXPENSES



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

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.

STATEMENTS OF NET POSITION	2 - 3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	4 - 5
SUMMARY OF REVENUES AND BILLINGS	6 - 7
SUMMARY OF WATER BILLED	8 - 9
STATEMENTS OF CASH FLOWS	10 - 11
SUPPLEMENTAL DATA	13 - 16

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF NET POSITION - SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

ASSETS	2013	2012 (As Restated)
UTILITY PLANT		
Water Plant in Service	\$828,820,980	\$804,238,180
Less Depreciation and Amortization	(166,838,517)	(157,152,124)
Total	661,982,463	647,086,056
Construction Work in Progress	114,027,261	34,131,825
Net Utility Plant	776,009,724	681,217,881
NON-UTILITY PROPERTY	492,963	547,480
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2003 Construction Fund	-	576
2009 Construction Fund	-	10,376,140
2010 Construction Fund	13,019,862	52,160,011
Regional Water Supply System Const Fund	-	56,082
2010 RWSS Construction Fund	7,145,337	27,784,179
2013 Construction Fund	50,794,046	-
Regional Water Supply System Operating Fund	11,127,014	14,634,306
Provision for Debt Payment	12,030,780	10,781,576
Customer Water Main Deposits	2,936,690	2,906,733
Water Supply Forum Fund	436,783	517,752
Special Bond Reserves	22,092,108	19,376,412
Water Customer Contribution Fund	171,343	(44,232)
Water Assurance Reserves	-	12,072,438
Water Capital Reserves	19,359,328	-
Water System Development Charge	53,805,874	53,604,716
Notes and Contracts Receivables - SDC	462,128	935,628
Total Restricted Assets	193,381,293	205,162,317
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	36,487,733	20,609,063
Working Funds	1,500	1,500
Customers' and Contractors' Deposits	268,531	273,003
Receivables:		
Customers	5,167,707	4,396,433
Accrued Unbilled Revenues	4,026,679	3,609,693
Others	1,215,597	1,661,985
BABs Interest Subsidies	1,280,256	1,280,256
Provision for Uncollectible Accounts	(496,194)	(474,946)
Materials and Supplies	2,374,300	2,392,268
Prepayments & Other	447,690	68,099
Total Current Assets	50,773,799	33,817,354
Total Assets	1,020,657,779	920,745,032
DEFERRED OUTFLOWS		
Regulatory Assets - Public Fire Protection Fees	4,157,230	4,355,747
Regulatory Assets - Hyada Surcharges	950,451	1,049,381
Unamortized Losses on Refunding Debt Expense	1,870,359	1,855,343
Total Deferred Outflows	6,978,040	7,260,471
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$1,027,635,819	\$928,005,503

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2012 Annual Report.

NET POSITION AND LIABILITIES	2013	2012 (As Restated)
NET POSITION		
Net Investment in Capital Assets	\$387,209,143	\$370,073,122
Restricted for:		
Regional Water Supply System Construction Fund	-	56,082
Water Assurance Reserves	-	4,089,013
Water Capital Reserves	11,854,908	-
Water System Development Charge	19,166,056	25,030,766
Debt Service Funds	4,161,368	4,188,583
Unrestricted	50,334,945	38,136,610
TOTAL NET POSITION	472,726,420	441,574,176
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2003 Water Revenue Bonds Refunding	-	25,285,000
2005 Water Revenue Bonds Refunding	33,450,000	35,485,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	28,055,000	28,585,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	75,335,000	-
2002 RWSS Revenue Bonds	-	75,925,000
2010 RWSS Revenue Bonds, Series A	44,245,000	44,245,000
2010 RWSS Revenue Bonds, Series B	3,335,000	3,595,000
2013 RWSS Refunding Bonds	63,835,000	-
Total Outstanding Revenue Bonds	400,015,000	364,880,000
Plus: Unamortized Bond Premium	15,988,810	4,798,844
Net Outstanding Revenue Bonds	416,003,810	369,678,844
PWTF Pre-Construction Loans	1,281,304	1,441,477
PWTF Construction Loans	29,517,015	21,584,862
Drinking Water State Revolving Fund Loans	17,789,716	15,659,868
Total Long-Term Debt	464,591,845	408,365,051
CURRENT LIABILITIES		
Salaries and Wages Payable	473,107	379,728
Purchases and Contracts Payable	7,267,326	1,997,000
Interest Expense Accrued	7,869,412	6,592,993
Taxes Accrued	1,347,364	1,226,442
Customers' Deposits	295,533	291,774
Current Portion of Long-Term Debt	10,237,522	10,226,074
Other Current Liabilities	1,361,425	106,678
Current Accrued Compensated Absences	235,807	244,587
Total Current Liabilities	29,087,496	21,065,276
LONG-TERM LIABILITIES		
Muckleshoot Agreements	7,515,530	7,715,713
Customer Advances for Construction	4,051,773	4,602,665
Deferred Revenue	9,003,254	9,290,413
Other Long-Term Liabilities	2,961,796	2,615,482
Long Term Accrued Compensated Absences	2,122,259	2,201,281
Total Long-Term Liabilities	25,654,612	26,425,554
TOTAL LIABILITIES	519,333,953	455,855,881
DEFERRED INFLOWS		
Rate Stabilization	35,575,446	30,575,446
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .	\$1,027,635,819	\$928,005,503

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

	September 2013	September 2012 (As Restated)
OPERATING REVENUES		
Sales of Water	\$6,310,650	\$5,519,405
Other Operating Revenues	1,087,797	616,297
Contract Resource Obligation Revenue	318,851	782,399
Total Operating Revenues	7,717,298	6,918,101
 OPERATING EXPENSES		
Production Expense		
Source of Supply	440,390	398,045
Water Treatment	306,534	257,897
Total Production Expense	746,924	655,942
Power Pumping Expense	26,156	15,302
Transmission and Storage Expense	209,664	226,670
Distribution Expense	912,798	709,627
Customer Accounting and Consumer Service ...	305,236	290,844
Taxes	385,886	370,671
Depreciation	1,332,674	1,272,932
Administrative and General	529,377	548,010
Total Operating Expenses	4,448,715	4,089,998
 OPERATING INCOME (LOSS)	3,268,583	2,828,103
 NON-OPERATING REVENUES (EXPENSES)		
Interest Income	118,350	180,266
Miscellaneous	(6,852)	3,677
Interest on Long-Term Debt	(1,368,597)	(1,324,272)
Interest on Long-Term Debt BABs Sub	(320,064)	(320,064)
Amort. Of Debt Premium	119,707	30,136
Interest and Amort. Charged to Construction	45,180	366,418
Total Non-Operating Revenues (Expenses)	(1,412,276)	(1,063,839)
 Net Income (Loss) Before Capital Contributions and Transfers	1,856,307	1,764,264
Capital Contributions		
Cash	199,386	359,982
Donated Fixed Assets		
Federal BAB Subsidies	320,064	320,064
Transfers Out		
City Gross Earnings Tax	(558,229)	(498,999)
Transfer to Other Funds		
 NET INCOME (LOSS)	\$1,817,528	\$1,945,311
 TOTAL NET POSITION - JANUARY 1		
 TOTAL NET POSITION - SEPTEMBER 30		

YEAR TO DATE		2013	
September 30, 2013	September 30, 2012 (As Restated)	OVER (UNDER) 2012	PERCENT CHANGE
\$47,760,146	\$43,548,762	\$4,211,384	9.7%
7,039,110	5,116,917	1,922,193	37.6%
19,603,161	7,229,427	12,373,734	171.2%
<u>74,402,417</u>	<u>55,895,106</u>	<u>18,507,311</u>	33.1%
3,985,983	3,570,943	415,040	11.6%
<u>2,709,899</u>	<u>2,468,155</u>	<u>241,744</u>	9.8%
6,695,882	6,039,098	656,784	10.9%
333,117	214,813	118,304	55.1%
2,037,632	1,907,286	130,346	6.8%
8,135,877	7,905,266	230,611	2.9%
2,907,234	2,783,305	123,929	4.5%
2,679,989	2,639,739	40,250	1.5%
11,999,559	11,502,480	497,079	4.3%
5,455,465	5,020,040	435,425	8.7%
<u>40,244,755</u>	<u>38,012,027</u>	<u>2,232,728</u>	5.9%
<u>34,157,662</u>	<u>17,883,079</u>	<u>16,274,583</u>	91.0%
324,323	1,006,349	(682,026)	-67.8%
(1,305,259)	359,435	(1,664,694)	-463.1%
(12,236,470)	(11,919,052)	(317,418)	2.7%
(2,713,502)	(2,880,575)	167,073	-5.8%
1,309,193	271,223	1,037,970	382.7%
994,115	4,013,143	(3,019,028)	-75.2%
<u>(13,627,600)</u>	<u>(9,149,477)</u>	<u>(4,478,123)</u>	48.9%
20,530,062	8,733,602	11,796,460	135.1%
3,016,788	7,967,346	(4,950,558)	-62.1%
908,817	22,133	886,684	4006.2%
2,713,502	2,880,575	(167,073)	-5.8%
(4,300,886)	(3,962,241)	(338,645)	8.5%
	(49)	49	-100.0%
<u>22,868,283</u>	<u>15,641,366</u>	<u>\$7,226,917</u>	46.2%
<u>449,858,137</u>	<u>425,932,810</u>	-	
<u>\$472,726,420</u>	<u>\$441,574,176</u>		

These statements should be read in conjunction with the Management Discussion and Analysis in the September 2013 Financial Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS
SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

	<u>SEPTEMBER</u> 2013	<u>SEPTEMBER</u> 2012
SALES OF WATER		
Residential and Domestic	\$3,804,381	\$3,476,204
Commercial and Industrial	1,119,875	972,738
Special Rate - Simpson Tacoma Kraft Company	496,779	510,116
Municipal	35,535	38,608
Other Public Buildings and Grounds	248,554	249,195
Sales to Other Utilities	<u>605,526</u>	<u>272,544</u>
Total	<u><u>\$6,310,650</u></u>	<u><u>\$5,519,405</u></u>
 BILLINGS (NUMBER OF MONTHS BILLED)		
Residential and Domestic	80,718	79,533
Commercial and Industrial	5,443	5,085
Municipal	204	247
Other Public Buildings and Grounds	415	431
Sales to Other Utilities	<u>23</u>	<u>18</u>
Total	<u><u>86,803</u></u>	<u><u>85,314</u></u>

YEAR TO DATE		2013 OVER (UNDER)	PERCENT CHANGE
SEPTEMBER 2013	SEPTEMBER 2012	2012	
\$30,662,772	\$28,587,675	\$2,075,098	7.3%
8,502,133	7,863,983	638,149	8.1%
3,870,213	3,839,226	30,987	0.8%
330,478	283,422	47,056	16.6%
1,615,582	1,471,726	143,856	9.8%
<u>2,778,968</u>	<u>1,502,730</u>	<u>1,276,237</u>	84.9%
<u>\$47,760,146</u>	<u>\$43,548,762</u>	<u>\$4,211,384</u>	9.7%
1,177,369	1,196,027	(18,658)	-1.6%
74,178	75,006	(828)	-1.1%
2,750	2,726	24	0.9%
5,253	5,357	(104)	-1.9%
<u>242</u>	<u>233</u>	<u>9</u>	3.9%
<u>1,259,792</u>	<u>1,279,349</u>	<u>(19,557)</u>	-1.5%

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

SUMMARY OF WATER BILLED
SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012

WATER BILLED	MILLION GALLONS, TOTAL			
	SEPTEMBER	SEPTEMBER	YEAR TO DATE	
	2013	2012	SEPTEMBER 2013	SEPTEMBER 2012
Residential and Domestic	826.90	804.80	5,952.26	5,708.00
Commercial and Industrial	264.09	259.31	1,891.74	1,855.33
Special Rate - Simpson	529.13	542.79	4,434.29	4,468.65
Municipal	6.61	7.79	62.20	50.49
Other Public Bldgs and Grounds	68.64	71.66	370.58	353.81
Sales to Other Utilities	253.63	81.70	947.58	482.09
	1,949.00	1,768.05	13,658.65	12,918.37

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

MILLION GALLONS, AVERAGE DAILY

<u>SEPTEMBER</u> <u>2013</u>	<u>SEPTEMBER</u> <u>2012</u>
26.67	25.96
8.52	8.36
17.07	17.51
0.21	0.25
2.21	2.31
<u>8.18</u>	<u>2.64</u>
<u><u>62.86</u></u>	<u><u>57.03</u></u>

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$ 80,298,947	\$55,108,675
Cash Paid to Suppliers	(20,865,146)	(11,121,712)
Cash Paid to Employees	(15,801,520)	(15,156,688)
Taxes Paid	(2,928,415)	(2,588,190)
Net Cash Provided by Operating Activities	40,703,866	26,242,085
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer to Other Funds	-	(49)
Transfer Out for Gross Earnings Tax	(4,300,886)	(3,962,241)
Net Cash Used in Non-Capital Financing Activities	(4,300,886)	(3,962,290)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Expenditures	(63,199,564)	(27,531,787)
Proceeds from State Drinking Water Loan	2,197,735	400,000
Proceeds from Sale of Bonds	143,100,000	-
Debt Issuance Costs	694,444	-
Premium on Sale of Bonds	10,558,096	-
Principal Payments on Long-Term Debt	(94,329,641)	(2,654,378)
Interest Paid	(9,029,935)	(10,045,036)
System Development Charges, CIAC and Other	3,019,631	8,562,558
BAB's Subsidies Received	1,753,310	1,920,383
Net Change in Deferred Credits	(327,116)	(685,996)
Net Cash Provided by (Used in)Capital and Related Financing Activities	(5,563,040)	(30,034,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	324,323	1,006,349
Other Net Non-Op Revenues and Expenses	(4,454)	359,436
Net Cash Provided by Investing Activities	639,738	2,731,570
Net Increase (Decrease)in Cash and Equity in Pooled Investments	31,159,809	(6,388,676)
Cash & Equity in Pooled Investments at January 1 ...	198,517,120	231,498,931
Cash & Equity in Pooled Investments at September 30 ...	<u>\$229,676,929</u>	<u>\$225,110,255</u>

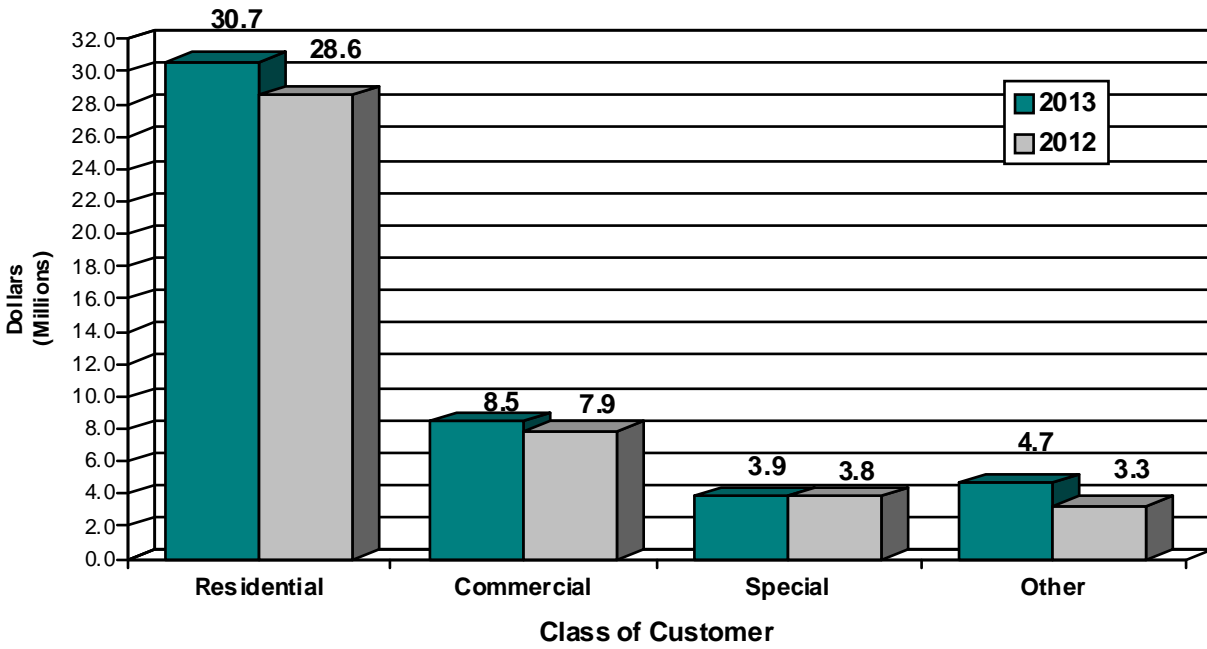
These statements should be read in conjunction with the Notes to Financial Statements in the 2012 Annual Report.

	YEAR TO DATE	
	SEPTEMBER 30, 2013	SEPTEMBER 30, 2012
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income	\$34,157,662	\$17,883,079
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	11,999,559	11,502,480
Cash provided by (used in) changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue	4,616,050	109,729
Interfund Receivables	947,380	68,381
Regulatory Asset-Public Fire Protection Fees	117,362	(841,168)
Regulatory Asset-Hyada Surcharges.....	75,142	100,130
Materials and Supplies	(33,126)	111,586
Prepayments	158,166	182,085
Deferred Rental Revenues	1,087,975	(155,122)
Accrued Taxes	(248,426)	51,549
Salaries and Wages Payable	(354,686)	(395,194)
Customers' Deposits	7,573	(3,958)
Accrued Purchases and Contracts Payable	(10,455,704)	(1,551,849)
Interfund Payables	(1,371,061)	(819,643)
Total Adjustments	6,546,204	8,359,006
Net Cash Provided by (Used in) Operating Activities	<u>\$40,703,866</u>	<u>\$26,242,085</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$192,919,165	\$204,226,689
Cash and Equity in Pooled Investments in Operating Funds	36,757,764	20,883,566
Cash and Equity in Pooled Investments at September 30	<u>\$229,676,929</u>	<u>\$225,110,255</u>

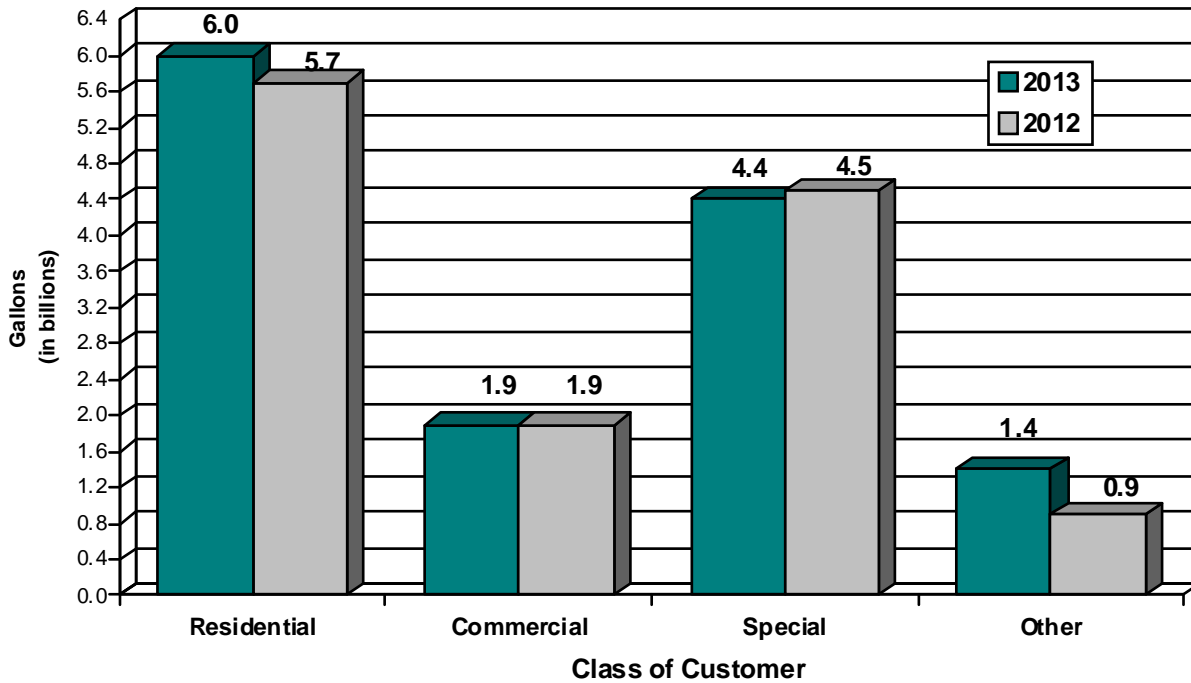
This page has been left blank intentionally.

Supplemental Data

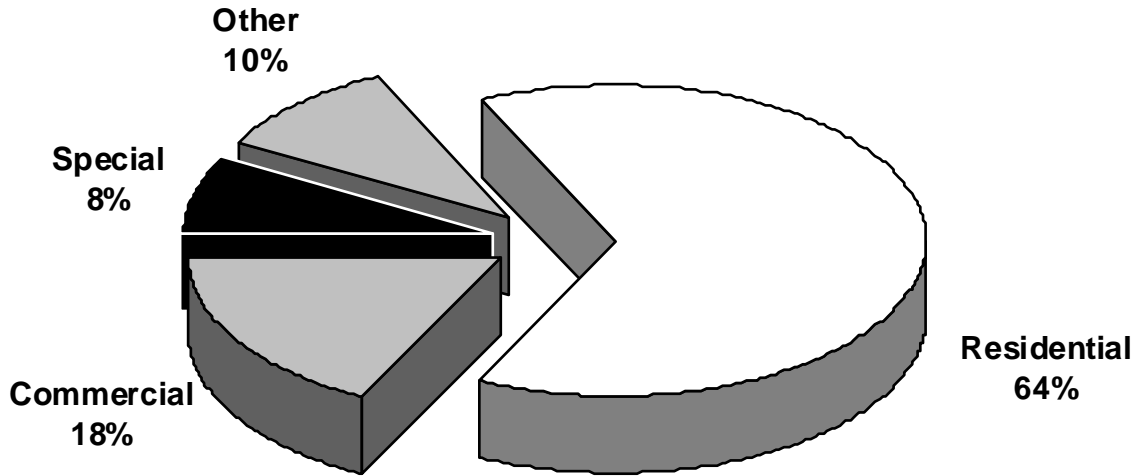
WATER SALES
Year to Date - September 2013 & 2012



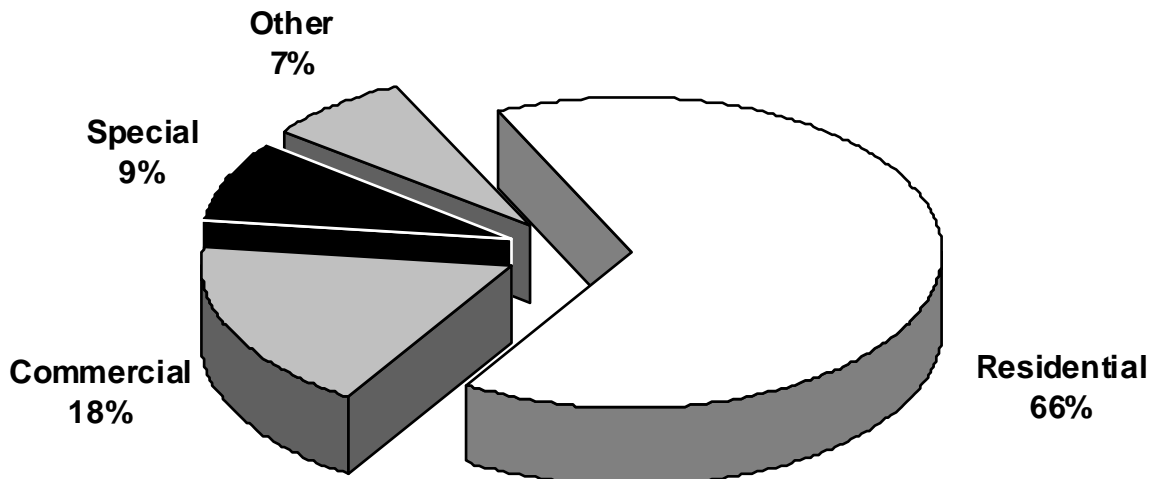
WATER CONSUMPTION
Year to Date - September 2013 & 2012



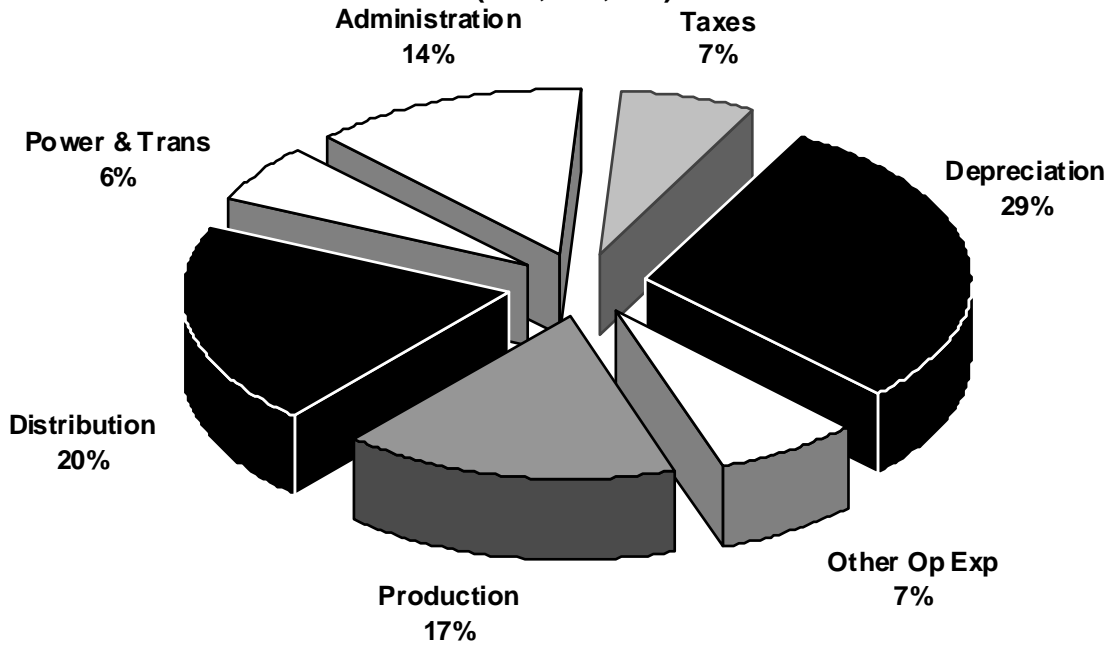
WATER SALES
Year to Date - September 2013
(\$47,760,146)



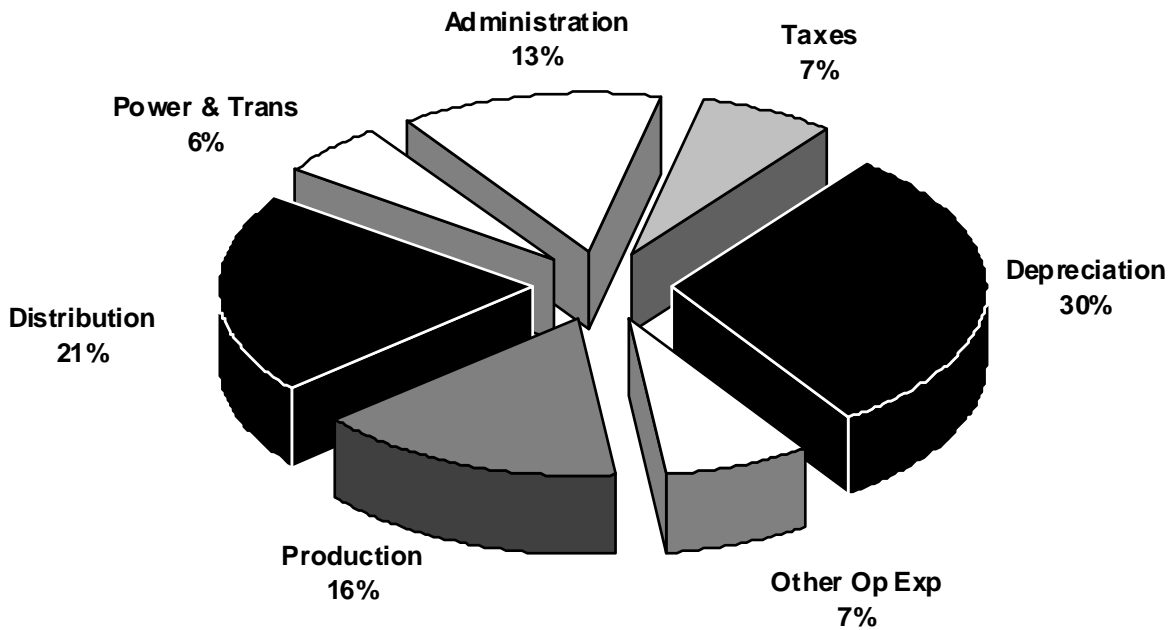
WATER SALES
Year to Date - September 2012
(\$43,548,762)



TOTAL OPERATING EXPENSES
Year to Date - September 2013
(\$40,244,755)



TOTAL OPERATING EXPENSES
Year to Date - September 2012
(\$38,012,027)





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.