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*JUNE*

*TACOMA RAIL*

**2017**

**FINANCIAL  
REPORT**





# Public Utility Board

MONIQUE TRUDNOWSKI  
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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 2017 year to date net operating income of \$1.8 million compared to \$1.9 million in 2016. Operating revenues increased \$811,000 (5.3%), and operating expenses increased \$945,000 (7.0%) year to date in 2017 compared to 2016.

Operating revenues were \$16.2 million at the end of second quarter 2017, compared to \$15.4 million in 2016. Total switching revenues increased \$674,000 primarily due to increases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues			
	2017	2016	Var	%Chg	2017	2016	Var	%Chg
Intermodal Line Hauls	35,096	36,421	(1,325)	-3.6%	\$ 5,963	\$ 6,064	\$ (101)	-1.7%
Commercial Line Hauls	14,542	15,281	(739)	-4.8%	6,674	6,468	206	3.2%
Capital Div. Line Hauls	328	459	(131)	-28.5%	137	196	(59)	-30.1%
Miscellaneous Switches	8,565	1,556	7,009	450.4%	1,406	779	627	80.5%
Total Line Hauls	58,531	53,717	4,814	9.0%	\$ 14,180	\$ 13,507	\$ 673	5.0%

Demurrage and other operating revenues increased \$138,000 primarily due to increased railcar dwell and locomotive services.

Total operating expenses were \$14.4 million year to date in 2017, compared to \$13.5 million in 2016.

Salaries and wages were \$562,000 higher due to cost of living adjustments and increased overtime.

Supplies and expenses increased \$289,000 primarily due to an increase in volume incentives.

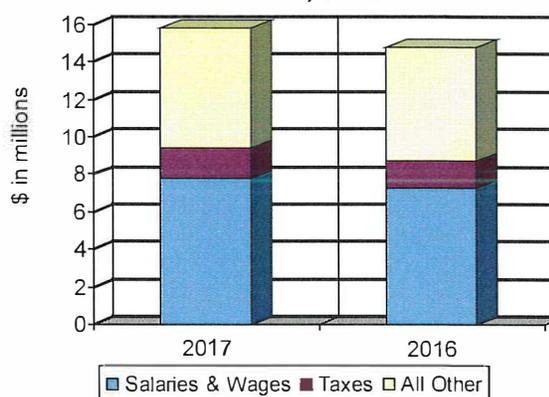
Depreciation increased \$81,000 due to an increase in depreciable assets of \$3.5 million compared to the same period in 2016.

Tacoma Rail's working capital ratios year to date of 2017 and 2016 were 3.6 and 3.8, respectively.

  
 William A. Gaines  
 Director of Utilities/CEO

  
 Andrew Cherullo  
 Finance Director

**Operating Expenses**  
YTD, June 30





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>	JUNE 30,	
	2017	2016
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$44,810,611	\$41,312,989
Less Accumulated Depreciation .....	(19,665,559)	(18,111,658)
Total .....	25,145,052	23,201,331
Construction Work in Progress .....	2,848,098	1,757,519
Net Capital Assets .....	27,993,150	24,958,850
<b>SPECIAL FUNDS</b>		
Cash and Equity in Pooled Investments:		
Debt Service Funds .....	-	65,104
Total Special Funds .....	-	65,104
<b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	10,404,348	11,985,210
Customer Accounts Receivable .....	2,886,841	2,982,171
Prepayments .....	1,553,547	1,668,306
Materials and Supplies Inventory.....	1,037,364	985,726
Total Current Assets .....	15,882,100	17,621,413
<b>TOTAL ASSETS</b> .....	\$43,875,250	\$42,645,367

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

<b>NET POSITION AND LIABILITIES</b>	<u>JUNE 30,</u> <u>2017</u>	<u>JUNE 30,</u> <u>2016</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$21,824,327	\$18,241,862
Unrestricted .....	<u>8,278,934</u>	<u>10,187,103</u>
TOTAL NET POSITION .....	30,103,261	28,428,965
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
2006 Senior Lien Revenue Bond .....	-	255,008
State Loans.....	<u>5,379,719</u>	<u>5,651,589</u>
Total Long-Term Liabilities .....	5,379,719	5,906,597
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	563,545	489,097
Wages Payable .....	159,519	538,022
Unemployment and other Tax Payables .....	244,758	237,800
Volume Incentive Payable .....	2,500,001	2,500,001
Current Portion of Long Term Debt .....	789,104	810,391
Interest Payable .....	-	2,562
Current Portion of Compensated Absences .....	<u>111,516</u>	<u>113,117</u>
Total Current Liabilities .....	4,368,443	4,690,990
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	779,260	724,403
Long Term Portion of Compensated Absences .....	1,003,644	1,018,056
Other Long-Term Liabilities .....	<u>2,240,923</u>	<u>1,876,356</u>
Total Long-Term Liabilities .....	4,023,827	3,618,815
TOTAL LIABILITIES .....	<u>13,771,989</u>	<u>14,216,402</u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u>\$43,875,250</u></u>	<u><u>\$42,645,367</u></u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>JUNE</u> 2017	<u>JUNE</u> 2016
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$1,901,387	\$2,143,595
Demurrage and Other Operating Revenues .....	282,038	291,464
Total Operating Revenues .....	<u>2,183,425</u>	<u>2,435,059</u>
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	70,508	76,321
Supplies and Expense .....	101,564	135,117
Mechanical .....		
Salaries and Wages .....	168,629	166,654
Supplies and Expense .....	215,809	192,774
Operations .....		
Salaries and Wages .....	789,825	736,522
Supplies and Expense .....	163,179	113,828
Administration .....		
Salaries and Wages .....	188,564	186,550
Supplies and Expense .....	228,120	510,062
Taxes - State .....	32,047	32,183
Depreciation .....	136,277	122,602
Total Operating Expenses .....	<u>2,094,522</u>	<u>2,272,613</u>
Net Operating Income .....	88,903	162,446
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	8,846	8,612
Miscellaneous .....	153,083	124,167
Interest Expense .....	-	2,540
Total Non-Operating Revenues .....	<u>161,929</u>	<u>135,319</u>
Contributions - Grants .....	-	-
Total Contributions .....	<u>-</u>	<u>-</u>
Transfers		
City of Tacoma Gross Earnings Tax .....	(202,716)	(190,513)
<b>CHANGE IN NET POSITION</b> .....	<u>\$48,116</u>	<u>\$107,252</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - JUNE 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the June 2017 Financial Report.*

YEAR TO DATE			
JUNE 30, 2017	JUNE 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
14,180,814	13,507,085	\$673,729	5.0%
2,035,872	1,898,125	137,747	7.3%
<u>16,216,686</u>	<u>15,405,210</u>	<u>811,476</u>	5.3%
499,749	506,484	(6,735)	-1.3%
534,282	938,613	(404,331)	-43.1%
993,274	1,002,179	(8,905)	-0.9%
1,573,669	1,279,344	294,325	23.0%
5,120,508	4,576,858	543,650	11.9%
862,775	647,002	215,773	33.3%
1,188,669	1,154,439	34,230	3.0%
2,623,552	2,439,854	183,698	7.5%
227,947	215,565	12,382	5.7%
818,265	737,322	80,943	11.0%
<u>14,442,690</u>	<u>13,497,660</u>	<u>945,030</u>	7.0%
1,773,996	1,907,550	(133,554)	-7.0%
69,688	66,645	3,043	4.6%
527,490	683,985	(156,495)	-22.9%
(6)	(5,956)	5,950	-99.9%
<u>597,172</u>	<u>744,674</u>	<u>(147,502)</u>	-19.8%
36,254	-	36,254	100.0%
<u>36,254</u>	<u>-</u>	<u>36,254</u>	100.0%
(1,338,059)	(1,264,920)	(73,139)	5.8%
1,069,363	1,387,304	(\$317,941)	-22.9%
<u>29,033,898</u>	<u>27,041,661</u>		
<u>\$30,103,261</u>	<u>\$28,428,965</u>		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
JUNE 30, 2017 AND JUNE 30, 2016

	<u>June 2017</u>	<u>June 2016</u>
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$715,337	\$1,005,120
LINE HAULS--COMMERCIAL .....	973,735	984,040
LINE HAULS--CAPITAL DIVISION .....	12,521	23,813
MISCELLANEOUS SWITCHES .....	<u>199,794</u>	<u>130,622</u>
TOTAL SWITCHING REVENUES .....	<u><u>\$1,901,387</u></u>	<u><u>\$2,143,595</u></u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	4,508	5,950
LINE HAULS--COMMERCIAL .....	2,141	2,585
LINE HAULS--CAPITAL DIVISION .....	30	57
MISCELLANEOUS SWITCHES .....	<u>1,352</u>	<u>313</u>
TOTAL CARS SWITCHED .....	<u><u>8,031</u></u>	<u><u>8,905</u></u>

\* The Summary of Switching Activites (Cars) includes an update to allocations for 2016.

YEAR TO DATE			
June 30, 2017	June 30, 2016	2017/2016 VARIANCE	PERCENT CHANGE
\$5,963,397	\$6,064,111	(\$100,714)	-1.7%
6,674,370	6,467,945	206,425	3.2%
136,894	195,943	(59,049)	-30.1%
1,406,153	779,086	627,067	80.5%
<u>\$14,180,814</u>	<u>\$13,507,085</u>	<u>\$673,729</u>	<u>5.0%</u>
35,096	36,421	(1,325)	-3.6%
14,542	15,281	(739)	-4.8%
328	459	(131)	-28.5%
8,565	1,556	7,009	450.4%
<u>58,531</u>	<u>53,717</u>	<u>4,814</u>	<u>9.0%</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

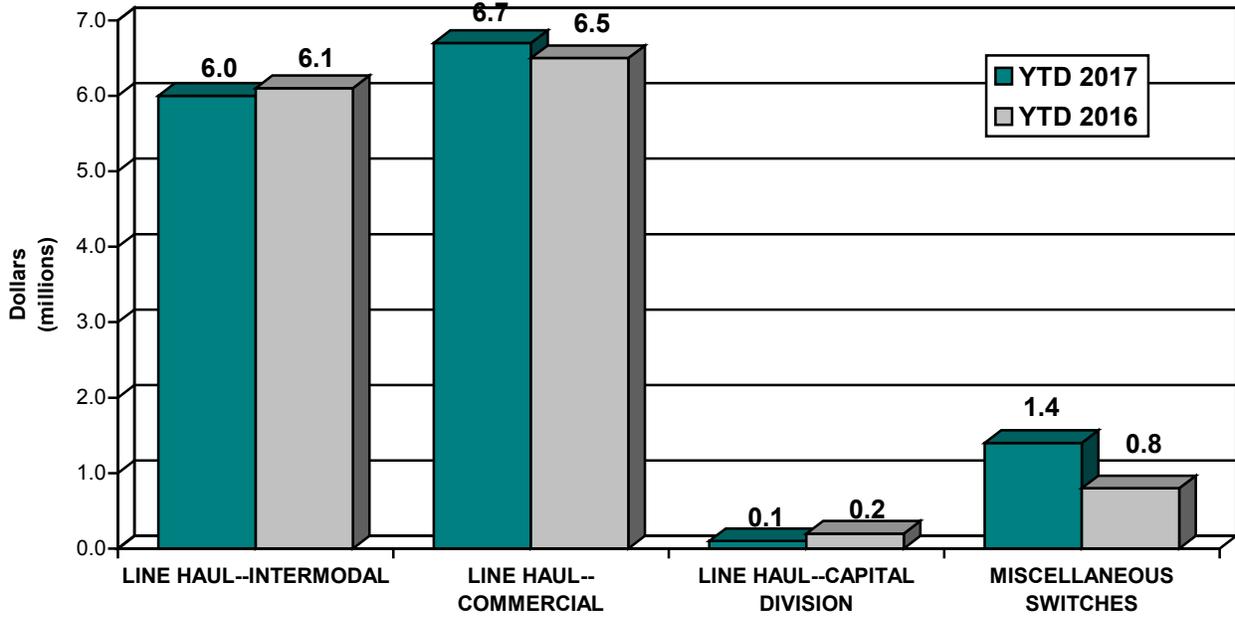
	YEAR TO DATE	
	JUNE 30, 2017	JUNE 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$16,462,452	\$15,269,705
Cash Paid to Suppliers .....	(4,686,306)	(4,045,161)
Cash Paid to Employees .....	(7,805,135)	(6,829,161)
Taxes Paid .....	(273,199)	(251,229)
Net Cash Provided by Operating Activities .....	3,697,812	4,144,154
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(1,338,059)	(1,264,919)
Net Cash Used in Non-Capital Financing Activities .....	(1,338,059)	(1,264,919)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(594,671)	(947,783)
Principal Payments on Long-Term Debt .....	(447,935)	(438,608)
Interest Paid .....	(872)	(7,608)
Proceeds from Capital Contributions .....	36,254	-
Proceeds from Long-Term Debt .....	403,339	653,602
Gain from Disposition of Property .....	(4,045)	-
Proceeds from Other Non-Operating Revenues .....	531,535	683,985
Net Cash Used in Capital and Related Financing Activities .....	(76,395)	(56,412)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	69,687	66,645
Net Cash Provided by Investing Activities .....	69,687	66,645
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	2,353,045	2,889,468
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	8,051,303	9,160,846
<b>Cash &amp; Equity in Pooled Investments at June 30</b>	\$10,404,348	\$12,050,314

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.*

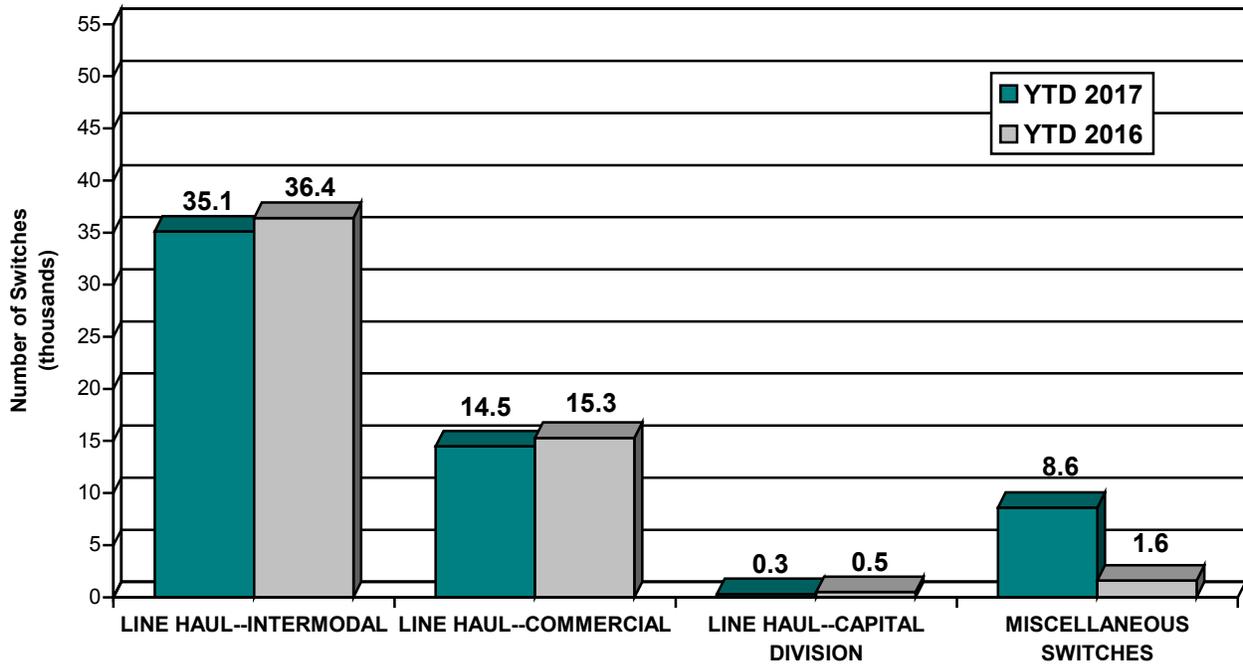
	<u>YEAR TO DATE</u>	<u>YEAR TO DATE</u>
	<u>JUNE 30,</u>	<u>JUNE 30,</u>
	<u>2017</u>	<u>2016</u>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating Income .....	\$1,773,996	\$1,907,550
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation .....	818,265	737,322
Cash provided from changes in operating		
assets and liabilities:		
Accounts Receivable .....	246,438	(142,656)
Interfund Receivable .....	9,827	53,051
Materials and Supplies Inventory .....	(13,032)	(48,265)
Prepayments .....	253,664	249,427
Accounts Payable .....	(322,144)	(47,730)
Customer Deposits .....	(10,500)	(45,900)
Unemployment and other Tax Payables .....	(45,252)	(35,664)
Wages Payable .....	(8,787)	407,426
Volume Incentive Payable .....	1,250,002	1,291,666
Interfund Payable .....	(260,518)	(185,446)
Other Long-Term Liabilities & OJI Reserve.....	5,853	3,373
	<u>1,923,816</u>	<u>2,236,604</u>
Net Cash Provided by Operating		
Activities .....	<u>\$3,697,812</u>	<u>\$4,144,154</u>
Reconciliation of Cash and Equity in Pooled		
Investments to Balance Sheet:		
Cash and Equity in Pooled Investments		
in Special Funds .....	-	\$65,104
Cash and Equity in Pooled Investments		
in Operating Funds .....	<u>10,404,348</u>	<u>11,985,210</u>
Cash and Equity in Pooled Investments		
at June 30 .....	<u>\$10,404,348</u>	<u>\$12,050,314</u>

# Supplemental Data

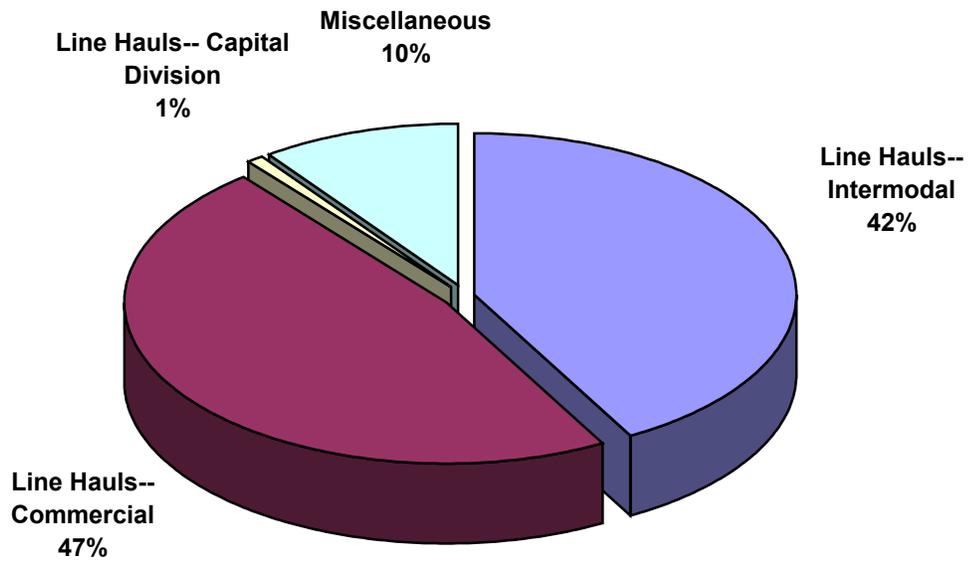
**SWITCHING REVENUES**  
Year to Date - June 2017 & 2016



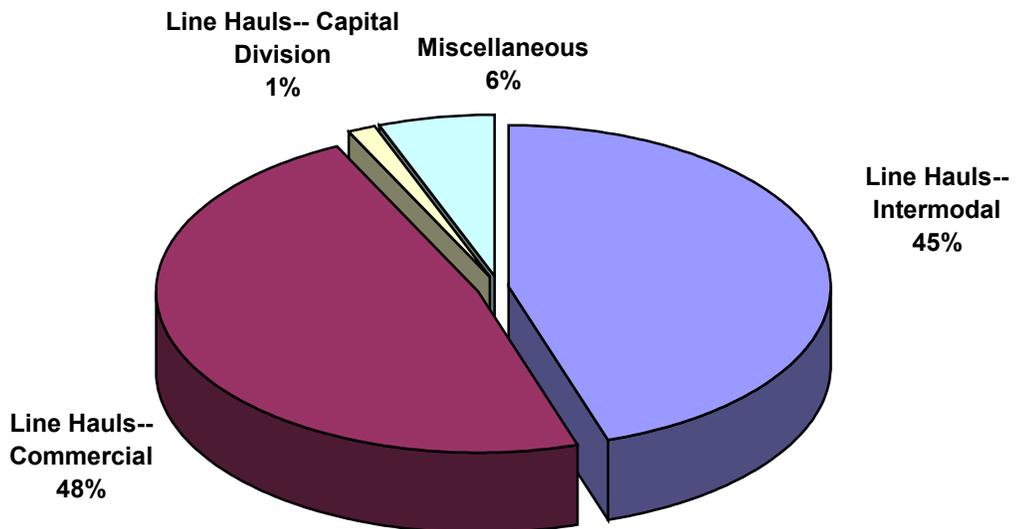
**SWITCHING ACTIVITIES**  
Year to Date - June 2017 & 2016



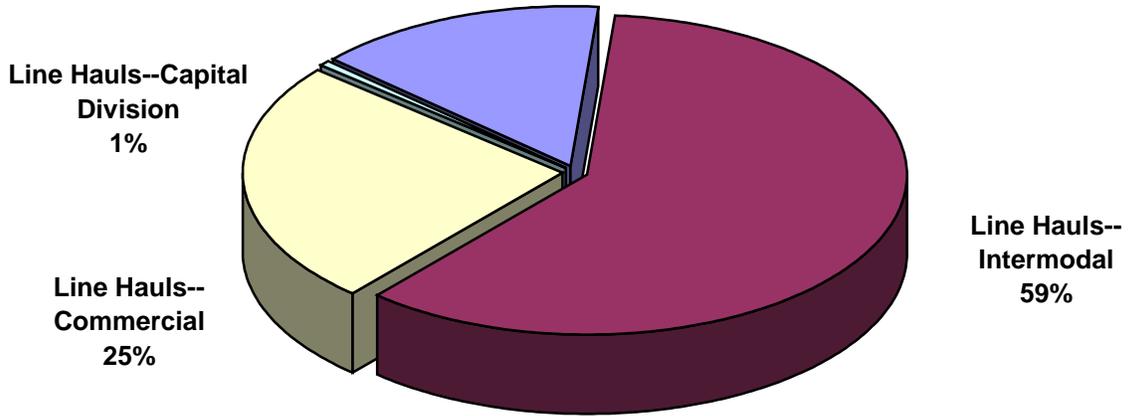
**SWITCHING REVENUES**  
Year to Date - June 2017 (\$14,810,814)



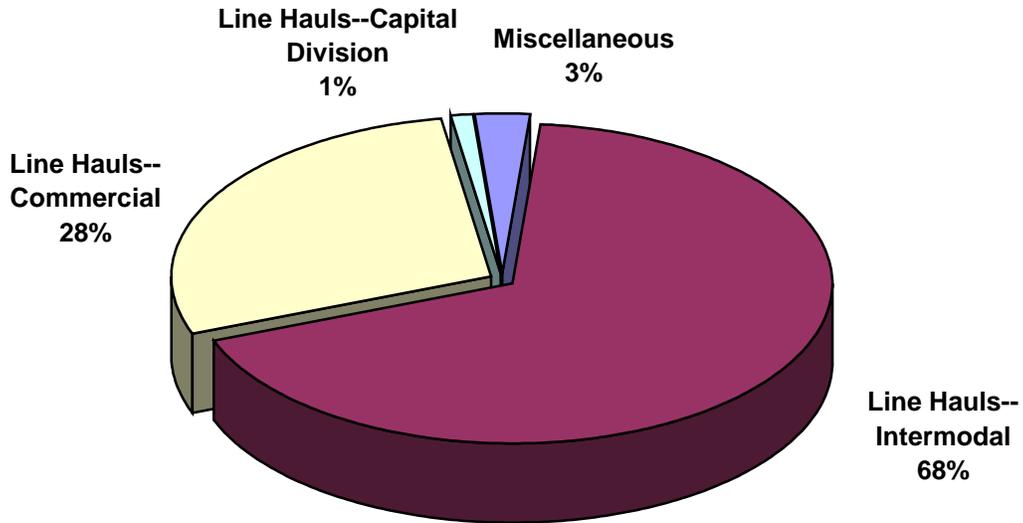
**SWITCHING REVENUES**  
Year to Date - June 2016 (\$13,507,085)



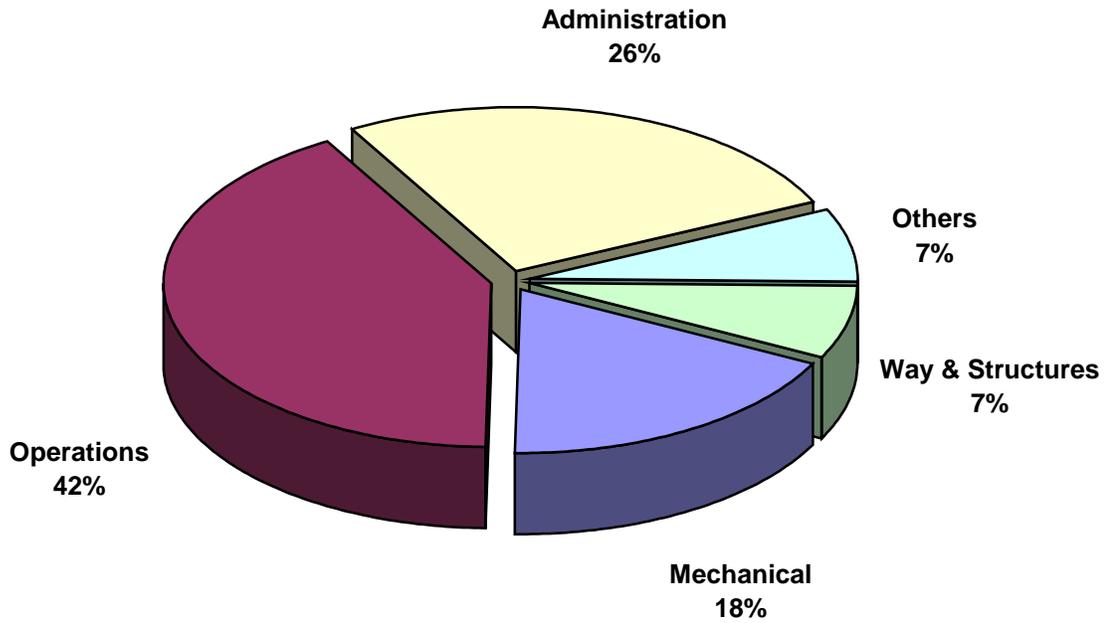
**SWITCHING ACTIVITY**  
**Year to Date - June 2017 (58,531 cars)**  
 Miscellaneous  
 15%



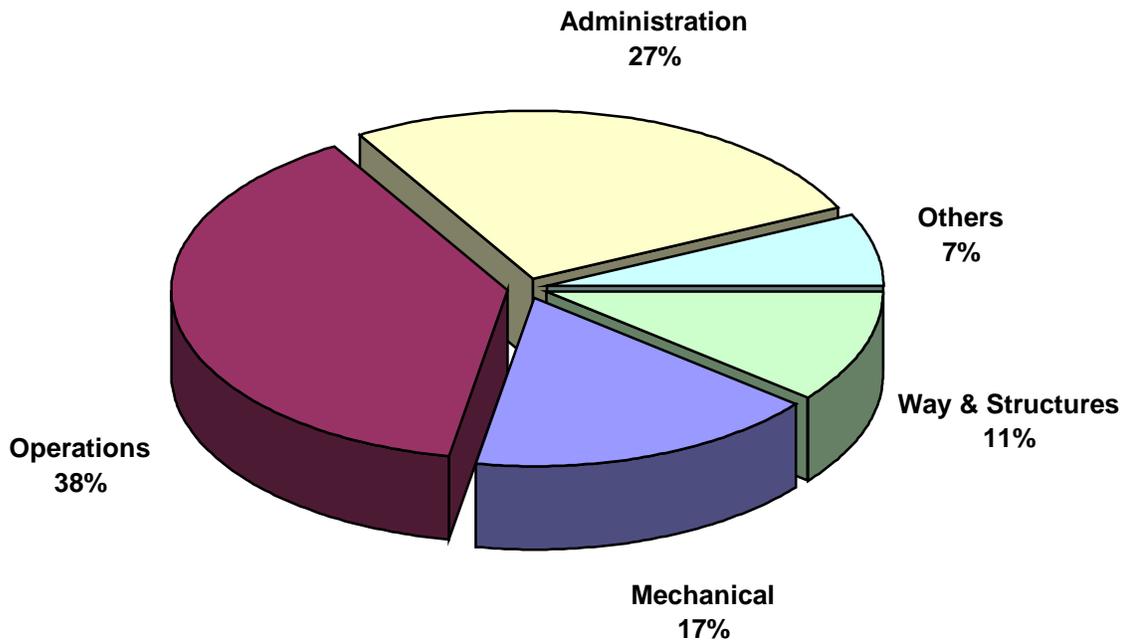
**SWITCHING ACTIVITY**  
**Year to Date - June 2016 (53,717 cars)**



**TOTAL OPERATING EXPENSES**  
Year to Date - June 2017 (\$14,442,690)



**TOTAL OPERATING EXPENSES**  
Year to Date - June 2016 (\$13,497,660)





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.