

---

***March 2021***

***SOLID WASTE MANAGEMENT***

***INTERIM FINANCIAL REPORT***



---

***Prepared by the City of Tacoma - Finance Department***

*This page intentionally left blank*

# 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. Immaterial differences may occur due to rounding.*

Management's Discussion and Analysis .....	3
Interim Financial Statements .....	9
Statement of Net Position (Unaudited) .....	10
Statement of Revenues, Expenses, and change in Net Position (Unaudited) .....	12
Statement of Cash Flows (Unaudited) .....	14

*This page intentionally left blank*

# Management's Discussion and Analysis

## Management's Discussion and Analysis

### For the quarters ended March 31, 2021 and 2020

#### Overview of the Interim Financial Statements

- The change in net position is \$2.4 million in the first three months of 2021, compared to \$2.3 million for the same period in 2020.
- The first three months operating revenues are \$19.9 million in 2021 and \$18.0 million in 2020.
- Total net position is \$64.5 million as of March 31, 2021, compared to \$56.4 million a year ago.
- Cash and equity in pooled investments unrestricted is \$52.2 million and \$51.9 million as of March 31, 2021 and 2020, respectively.

#### Financial Analysis – Condensed Statements of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following condensed statement of net position provides a comparison of net position for the quarters ending March 31, 2021 and 2020.

	March 31,		Increase
	2021	2020	(Decrease)
Current, restricted, and other assets	\$ 65,586,408	\$ 65,325,448	\$ 260,960
Net capital assets	87,128,802	81,320,191	5,808,611
Total assets	152,715,210	146,645,639	6,069,571
Deferred outflows of resources	3,453,168	7,965,875	\$ (4,512,707)
Total assets and deferred outflows of resources	<u>\$ 156,168,378</u>	<u>\$ 154,611,514</u>	<u>\$ 1,556,864</u>
Long-term liabilities	\$ 72,453,156	\$ 81,940,882	\$ (9,487,726)
Other liabilities	7,726,983	7,887,666	(160,683)
Total liabilities	80,180,139	89,828,548	(9,648,409)
Deferred inflows of resources	11,527,166	8,406,612	3,120,554
Total liabilities and deferred inflows of resources	<u>91,707,305</u>	<u>98,235,160</u>	<u>(6,527,855)</u>
Net position:			
Net investment in capital assets	38,282,544	32,034,637	6,247,907
Restricted	3,174,926	2,459,845	715,081
Unrestricted	23,003,603	21,881,872	1,121,731
Total net position	<u>64,461,073</u>	<u>56,376,354</u>	<u>8,084,719</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 156,168,378</u>	<u>\$ 154,611,514</u>	<u>\$ 1,556,864</u>

The assets and deferred outflows of the Solid Waste Management Division exceeded liabilities and deferred inflows by \$64.5 million as of March 31, 2021, compared to \$56.4 million in 2020. The Division's net position increased by \$2.4 million in the first quarter of 2021 compared to an increase of \$2.3 million in the same quarter of 2020.

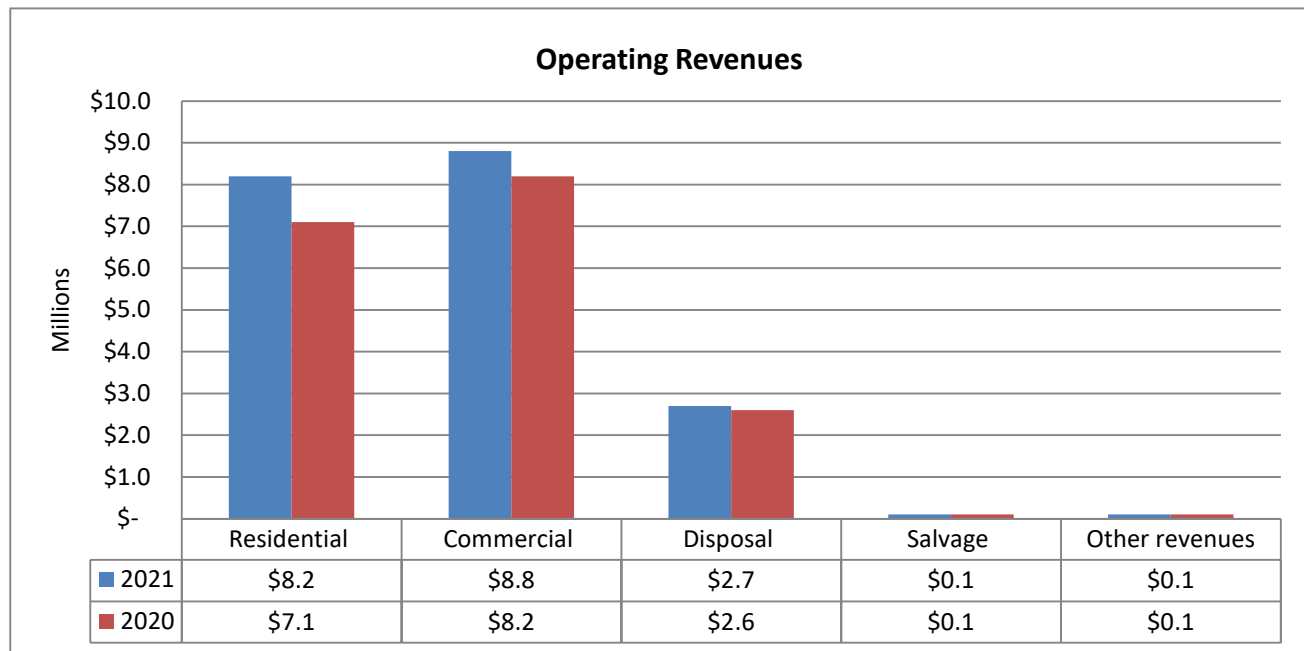
The largest component of net position reflects the Division's net investment in capital assets (e.g. land, buildings, Infrastructure, machinery, and equipment). The net investment in capital assets component of net position was \$38.3 million at March 31, 2021 compared to \$32.0 million in 2020. The Division uses these capital assets to provide services to citizens of the City of Tacoma; consequently, these assets are not available for future spending.

The Division's net investment in capital assets is reported net of the outstanding related debt. The resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The restricted portion of the Division's net position is \$3.2 million for 2021, compared to \$2.5 million in 2020, which represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$23.0 million for 2021, \$21.9 million for 2020 is unrestricted.

#### Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Operating revenues	\$ 19,864,897	\$ 17,965,950	\$ 1,898,947
Operating expenses	15,625,888	14,126,569	1,499,319
Net operating income	4,239,009	3,839,381	399,628
Nonoperating revenues (expenses)	(259,578)	(134,976)	(124,602)
Net income before transfers	3,979,431	3,704,405	275,026
Transfers	(1,586,504)	(1,450,732)	(135,772)
Increase in net position	2,392,927	2,253,673	139,254
Net position - beginning of year	62,068,146	54,122,681	7,945,465
Net position - ending	<u>\$ 64,461,073</u>	<u>\$ 56,376,354</u>	<u>\$ 8,084,719</u>

The following graph provides a comparison of operating revenues:



#### Operating revenues

Overall operating revenues increased \$1.9 million in the first three months of 2021, compared to an increase of \$876,000 in the same period last year. The Division had a 1.5% rate increase beginning effective January 1, 2021 that resulted in the revenue increase. The most significant changes are:

- Residential collection revenue increased by \$1.1 million mostly due to increases in rate, and customers upgraded larger garbage container size in the first three months in 2021 compared to 2020.
- Commercial collection revenue increased \$617,000 related to rate increases and more activities.
- Disposal revenues increased \$151,000 due to increases in customer self-haul.

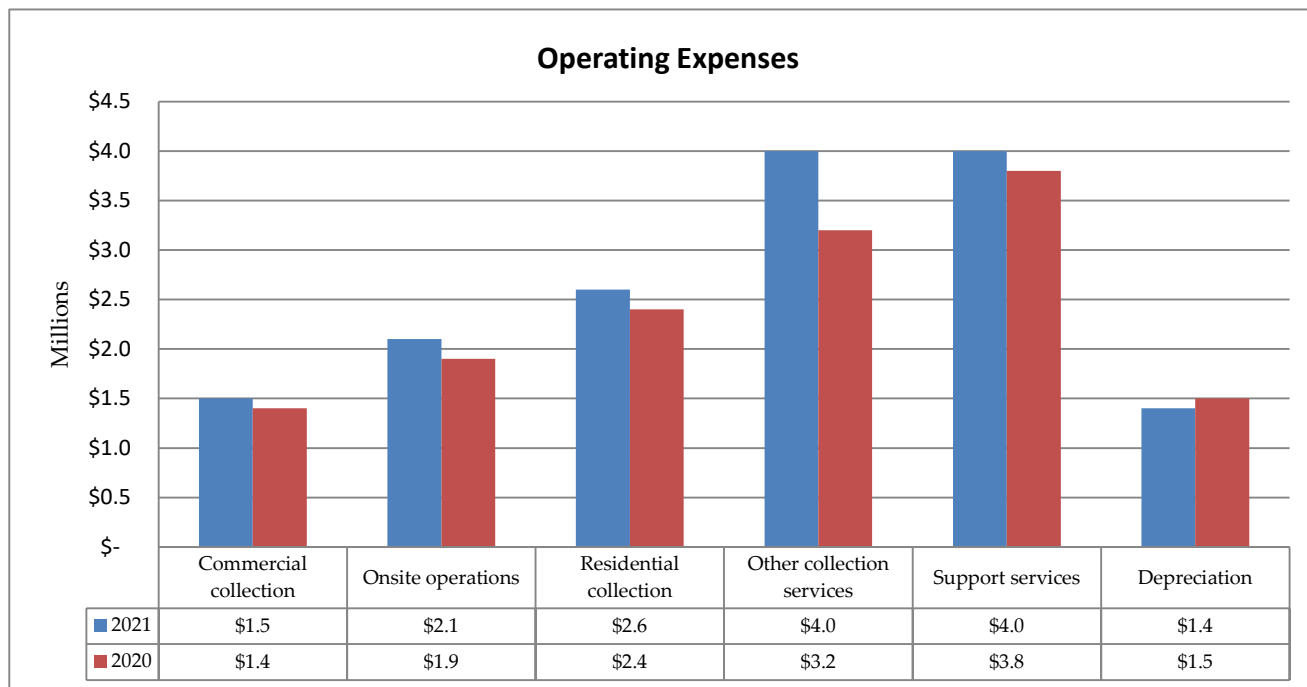
#### Operating expenses

Operating expenses are \$15.6 million in the first three months of 2021, an increase of \$1.5 million compared to the same period of 2020. The areas of significant changes are:

- Onsite operations expense increased \$150,000 due to \$72,000 increase in salaries and benefits, \$38,000 in supplies, \$44,000 in Fleet services. The remaining decrease is in other expenses such software and license fees for Scale house and Paradox software.
- Residential collection expense increased \$243,000 due mainly to increases of \$435,000 in external contract for residential recycling cost, fleet services for residential collection vehicles. These increases were offset with the decrease of \$152,000 in salaries and benefits.
- Other collection services expense increased \$879,000, which includes Tacoma Cares, Nuisance Code Enforcement Abatement, and Off-site Transport. The increase is mainly due to \$739,000 in external contract services related to hauling garbage and yard waste to Pierce County landfill, and \$170,000 in salaries and benefits.
- Support services expense increased \$198,000 due to increases of \$309,000 in bad debt allowance expense, and \$158,000 in salaries and benefits. These increases were offset with the decrease of \$277,000 in external contract and professional services related to curbside recycling costs.



The following graph provides a comparison of operating expenses for each of the major cost centers:



#### Non-operating revenues (expenses)

- Investment income earned \$148,000 for the first three months of 2021 compared to \$276,000 for the same period of 2020. The decrease is due to the lower interest rate in the City's cash and investment pool.
- Interest expenses and other related costs was \$601,000 in the first three months of 2021 compared to \$614,000 in the same period of 2020.
- Gross earning tax expense was \$1.6 million, an increase of \$136,000 compared to the same period last year due to an increase in revenue in the first three months.

#### Capital assets, net

As of March 31, 2020, the total capital asset balance, net of accumulated depreciation was \$87.1 million, an increase of \$5.8 million compared to the balance at March 31, 2020. Significant changes from year to year include:

- Machinery and equipment, net increased \$3.1 million. This is primarily due to the disposal of \$3.5 million of assets from April 1, 2020 to March 31, 2021, and the purchase of \$5.8 million in collection vehicles and containers throughout the year.
- Accumulated depreciation increased \$3.1 million since April 1, 2020.

#### Debt Administration

As of March 31, 2021, the Division had \$56.6 million, net of premium, in outstanding revenue bonds of which \$2.3 million is due on December 1, 2021. This compares to \$59.6 million as of March 31, 2020. The bonds have underlying ratings of A1 by Moody's Investors Service, AA by Standard & Poor's, and AA- by Fitch, Inc.

#### Debt Service Coverage

Solid Waste Management is required by its bond covenants to maintain a debt service coverage ratio of 1.25. The debt service coverage ratio is 4.9 at the end of March 31, 2021. This compares to 4.7 in the same period of 2020.

#### Request for Information

Solid Waste Management financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

# Interim Financial Statements

**City of Tacoma**  
**Environmental Services Department**  
**Solid Waste Management**  
**Statement of Net Position (Unaudited)**  
**March 31, 2021 and March 31, 2020**

	March 2021	March 2020	Increase (Decrease)
<b>ASSETS</b>			
Current assets:			
Cash and equity in pooled investments	\$ 52,219,687	\$ 51,858,395	\$ 361,292
GASB 31 market rate adjustment	878,555	339,831	538,724
Accounts receivable, net	4,113,022	2,867,558	1,245,464
Accrued unbilled revenue	3,607,376	3,555,989	51,387
Restricted cash and equity in pooled investments:			
Debt service funds	1,573,583	1,924,060	(350,477)
Customer deposits	17,169	47,771	(30,602)
Construction funds	2,091	2,622,344	(2,620,253)
Total restricted cash and equity in pooled investments	1,592,843	4,594,175	(3,001,332)
Total current assets	62,411,483	63,215,948	(804,465)
Noncurrent assets:			
Restricted cash and equity in pooled investments:			
Bond reserves	2,109,500	2,109,500	-
Capital assets:			
Land	2,855,763	2,855,763	-
Buildings	61,767,413	61,767,413	-
Landfill infrastructure	70,679,126	70,668,403	10,723
Machinery and equipment	57,289,150	54,194,670	3,094,480
Computer software	5,137,760	5,137,760	-
Less: accumulated depreciation	(119,371,050)	(116,284,873)	(3,086,177)
Construction in progress	8,770,640	2,981,055	5,789,585
Total capital assets, net	87,128,802	81,320,191	5,808,611
Other noncurrent assets:			
Net pension asset	1,065,425	-	1,065,425
Total noncurrent assets	88,194,227	83,429,691	6,874,036
Total assets	152,715,210	146,645,639	6,069,571
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - other post employment benefits	292,262	206,337	85,925
Deferred outflows - pensions	3,160,906	7,759,538	(4,598,632)
Total deferred outflows of resources	3,453,168	7,965,875	(4,512,707)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 156,168,378</u>	<u>\$ 154,611,514</u>	<u>\$ 1,556,864</u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.*

**City of Tacoma**  
**Environmental Services Department**  
**Solid Waste Management**  
**Statement of Net Position (Unaudited)**  
**March 31, 2021 and March 31, 2020**

	March 2021	March 2020	Increase (Decrease)
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,388,177	\$ 2,616,574	\$ (228,397)
Accrued wages payable and compensated absences	1,037,379	876,793	160,586
Accrued taxes payable	391,492	337,617	53,875
Customer deposits	81,929	62,380	19,549
Accrued landfill postclosure care costs	694,674	858,999	(164,325)
Current portion of long-term debt	1,543,329	1,513,333	29,996
Total current liabilities	6,136,980	6,265,696	(128,716)
Current payable from restricted assets:			
Deposits payable	16,420	48,255	(31,835)
Accrued revenue bond interest payable	801,916	817,048	(15,132)
Current portion of long-term debt	771,667	756,667	15,000
Total liabilities payable from restricted assets	1,590,003	1,621,970	(31,967)
Noncurrent liabilities:			
Long-term debt - revenue bonds, net	54,319,704	57,320,233	(3,000,529)
Long-term accrued landfill postclosure care costs	13,740,678	14,006,977	(266,299)
Long-term accrued compensated absences	1,418,746	1,215,225	203,521
Net pension liability	-	6,556,061	(6,556,061)
Pension withdrawal liability	437,420	437,420	-
Net OPEB liability	2,536,608	2,404,966	131,642
Total noncurrent liabilities	72,453,156	81,940,882	(9,487,726)
Total liabilities	80,180,139	89,828,548	(9,648,409)
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Rate stabilization	7,000,000	7,000,000	-
Deferred inflows - OPEB	289,731	278,819	10,912
Deferred inflows - pensions	4,060,123	861,461	3,198,662
Deferred inflows - gain on refunding bonds	177,312	266,332	(89,020)
Total deferred inflows of resources	11,527,166	8,406,612	3,120,554
<b>NET POSITION</b>			
Net investment in capital assets	38,282,544	32,034,637	6,247,907
Restricted for:			
Debt service	2,109,501	2,459,845	(350,344)
Net pension asset	1,065,425	-	1,065,425
Unrestricted	23,003,603	21,881,872	1,121,731
Total net position	64,461,073	56,376,354	8,084,719
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 156,168,378</u>	<u>\$154,611,514</u>	<u>\$ 1,556,864</u>

**City of Tacoma**  
**Environmental Services Department**  
**Solid Waste Management**  
**Statement of Revenues, Expenses, and change in Net Position (Unaudited)**  
**March 31, 2021 and March 31, 2020**

	Month of March		Year-to-Date March		% Chg
	2021	2020	2021	2020	
<b>OPERATING REVENUES</b>					
Residential collection	\$ 3,015,256	\$ 2,092,493	\$ 8,178,994	\$ 7,088,432	15%
Commercial collection	2,993,870	2,352,866	8,776,893	8,159,532	8%
Disposal revenues	1,011,923	843,494	2,717,134	2,565,836	6%
Salvage revenues	52,154	23,309	139,747	70,713	98%
Other operating revenues	24,671	42,482	52,129	81,437	-36%
Total operating revenues	7,097,874	5,354,644	19,864,897	17,965,950	11%
<b>OPERATING EXPENSES</b>					
Commercial collection	522,452	470,646	1,479,392	1,425,650	4%
Onsite operations	740,041	632,213	2,056,008	1,905,649	8%
Residential collection	843,337	790,257	2,621,856	2,379,174	10%
Other collection services	1,324,225	1,065,238	4,038,423	3,159,362	28%
Support services	1,267,584	1,249,679	3,991,190	3,792,784	5%
Depreciation	479,673	488,704	1,439,019	1,463,950	-2%
Total operating expenses	5,177,312	4,696,737	15,625,888	14,126,569	11%
Net operating income	1,920,562	657,907	4,239,009	3,839,381	10%
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	46,218	87,217	148,360	275,770	-46%
Rental income	383	383	1,149	2,021	-43%
Interest expenses and other related costs	(200,479)	(204,262)	(601,437)	(613,686)	2%
Amortization of premium and refunding gain	61,948	65,890	185,845	197,671	-6%
Other revenues/expenses	2,383	(50)	2,705	3,248	-17%
Process from sale disposal of capital assets	3,800	-	3,800	-	N/A
Total nonoperating revenue (expenses)	(85,747)	(50,822)	(259,578)	(134,976)	-92%
Net income before transfers	1,834,815	607,085	3,979,431	3,704,405	7%
Transfers - gross earnings taxes	(570,935)	(428,337)	(1,586,504)	(1,450,732)	-9%
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,263,880</u>	<u>\$ 178,748</u>	<u>2,392,927</u>	<u>2,253,673</u>	6%
<b>NET POSITION - MARCH 1</b>			62,068,146	54,122,681	
<b>NET POSITION - MARCH 31</b>			<u>\$64,461,073</u>	<u>\$56,376,354</u>	

*These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.*

*This page intentionally left blank*

**City of Tacoma**  
**Environmental Services Department**  
**Solid Waste Management**  
**Statement of Cash Flows (Unaudited)**  
**March 31, 2021 and March 31, 2020**

	Year-to-Date March 2021	2020	Increase (Decrease)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 19,055,844	\$ 17,802,730	\$ 1,253,114
Payments to suppliers	(7,550,884)	(5,657,367)	(1,893,517)
Payments to employees	(5,730,282)	(5,445,423)	(284,859)
Payment for taxes	(254,759)	(310,173)	55,414
Net cash from operating activities	5,519,919	6,389,767	(869,848)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Gross earnings taxes paid	(1,586,504)	(1,450,732)	(135,772)
Net cash from noncapital financing activities	(1,586,504)	(1,450,732)	(135,772)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(4,270,741)	(1,713,510)	(2,557,231)
Interest expenses and other related costs	-	(1,002)	1,002
Proceeds from sale of capital assets	3,800	-	3,800
Insurance recoveries	2,756	2,201	555
Net cash from capital and related financing activities	(4,264,185)	(1,712,311)	(2,551,874)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	(730,196)	(64,061)	(666,135)
Other nonoperating revenues	1,098	3,170	-
Net cash from investing activities	(729,098)	(60,891)	(666,135)
<b>NET INCREASE/DECREASE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	(1,059,868)	3,165,833	(4,225,701)
<b>CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING</b>	56,981,898	55,396,237	1,585,661
<b>CASH AND EQUITY IN POOLED INVESTMENTS, ENDING</b>	<u>\$ 55,922,030</u>	<u>\$ 58,562,070</u>	<u>\$ (2,640,040)</u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the previous year-end Financial Report.*



**City of Tacoma**  
**Environmental Services Department**  
**Solid Waste Management**  
**Statement of Cash Flows (Unaudited)**  
**March 31, 2021 and March 31, 2020**

	<u>Year-to-Date March</u> <u>2021</u>	<u>2020</u>	<u>Increase</u> <u>(Decrease)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
<b>TO BALANCE SHEETS:</b>			
Operating funds	\$ 52,219,687	\$ 56,452,570	\$ (4,232,883)
Restricted funds	3,702,343	2,109,500	\$ 1,592,843
	<u>\$ 55,922,030</u>	<u>\$ 58,562,070</u>	<u>\$ (2,640,040)</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO</b>			
<b>NET CASH FROM OPERATING ACTIVITIES:</b>			
Net operating income	<u>\$ 4,239,009</u>	<u>\$ 3,839,381</u>	<u>\$ 399,628</u>
Adjustments to reconcile net operating income to net cash from operating activities:			
Depreciation expense	1,439,019	1,463,950	(24,931)
Cash from changes in operating assets and liabilities:			
Accounts receivable, net of allowance	(4,144)	292,986	(297,130)
Accounts payable	(255,240)	801,261	(1,056,501)
Accrued wages and compensated absences payable	291,223	306,755	(15,532)
Accrued taxes payable	86,261	(44,270)	130,531
Unearned revenue	(266,879)	(261,026)	(5,853)
Customer deposits payable	(9,330)	(9,270)	(60)
Total adjustments	<u>1,280,910</u>	<u>2,550,386</u>	<u>(1,269,476)</u>
<b>NET CASH FROM OPERATING</b>			
<b>ACTIVITIES</b>	<u>\$ 5,519,919</u>	<u>\$ 6,389,767</u>	<u>\$ (869,848)</u>



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.