
SEPTEMBER

TACOMA WATER

2019

**INTERIM
FINANCIAL
REPORT**



Public Utility Board

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BRYAN FLINT

Vice-Chair

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Member

CARLOS M. WATSON

Member

JACKIE FLOWERS

Director of Utilities

SCOTT DEWHIRST

Water Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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City of Tacoma, Washington
Department of Public Utilities, Water Division
Doing Business as

Tacoma Water

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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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Management Discussion and Analysis

Overview of the Financial Statements

Summary

As of September 2019, Tacoma Water is reporting year-to-date operating income of \$16.9 million compared to \$18.0 million in 2018. Operating revenues decreased \$606,000 (0.8%) and operating expenses increased by \$547,000 (0.9%). The year-to-date change in net position for 2019 was \$11.5 million; for 2018 it was \$15.8 million.

Revenues

Water sales revenues decreased by \$859,000 (1.3%) as of the third quarter of 2019 compared to the same period in 2018. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of September 2019.

Customer Class	Changes Related to:		YTD Increase	
	Rate	Volume	(Decrease)	
Residential and Domestic	\$ 1,413,647	\$ (2,030,762)	\$ (617,115)	
Commercial and Industrial	376,333	(261,062)	115,271	
Special Rate	57,457	(1,501)	55,956	
Other	(445,266)	32,640	(412,626)	
Total	\$ 1,402,171	\$ (2,260,685)	\$ (858,514)	

Consumption as of September 2019 was 13,731 million gallons compared to 14,103 million gallons for the same period in 2018. Regional Water Supply System (RWSS) partners (including Tacoma share) received 10,126.61 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2019	2018		
Residential and Domestic	6,220.54	6,534.56	(314.02)	(5%)
Commercial and Industrial	2,559.25	2,605.05	(45.80)	(2%)
Special Rate	4,298.07	4,318.41	(20.34)	(0%)
Other	653.10	644.61	8.49	1%
Total	13,730.96	14,102.63	(371.67)	(3%)

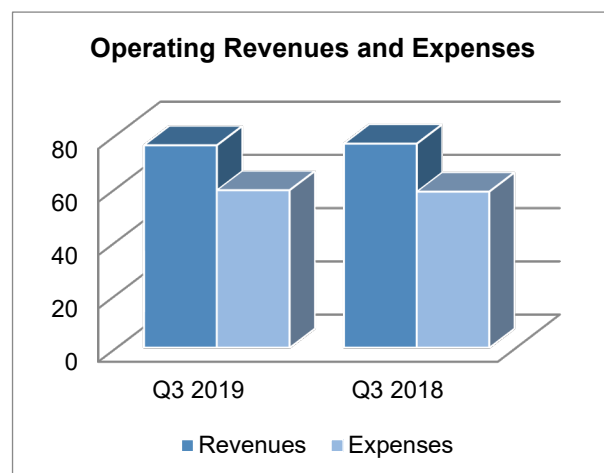
Expenses

Operating expenses were \$59.1 million for the first nine months of 2019, an increase of \$547,000 compared to 2018.

The change over last year is primarily due to increased assessments and small changes in salaries and wages, communication materials and professional services.

Non Operating Revenues

Miscellaneous Revenue increased \$433,000 primarily due to an increase in timber sales and surplus scrap sales.



Interest income increased \$799,000. The share of earnings is based on daily cash balances and the interest rates have been higher compared to last year.

Request for Information

Water 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.

Additional information can also be obtained from <https://www.mytpu.org/about-tpu/tacoma-water-investor.htm>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Net Position (Unaudited)
September 30, 2019 and September 30, 2018

	2019	2018
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,127,660,502	\$1,108,858,287
Less Depreciation and Amortization	<u>(277,133,291)</u>	<u>(256,358,226)</u>
Total	850,527,211	852,500,061
Construction Work in Progress	<u>19,697,110</u>	<u>18,456,737</u>
Net Utility Plant	<u>870,224,321</u>	<u>870,956,798</u>
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2009 Construction Fund	28,824	-
2010 Construction Fund	-	10,992,189
2013 Construction Fund	13,874,078	16,282,669
Regional Water Supply System Operating Fund	1,458,163	1,178,828
Provision for Debt Payment	16,297,801	15,467,833
Customer Water Main Deposits	3,399,264	3,339,186
Water Supply Forum Fund	469,330	320,027
Special Bond Reserves	22,113,635	22,107,391
Water Customer Contribution Fund	839,723	659,506
Water Capital Reserves	37,528,933	36,218,870
Water System Development Charge	<u>72,164,777</u>	<u>66,231,053</u>
Total Restricted Assets	168,174,528	172,797,552
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	67,594,411	62,288,886
Customers' Deposits	309,788	314,052
Receivables:		
Customers	5,135,674	6,730,741
Accrued Unbilled Revenues	5,930,220	5,457,221
Others	1,037,903	1,085,849
BABs Interest Subsidies	1,379,341	1,280,256
Provision for Uncollectible Accounts	(352,759)	(256,917)
Materials and Supplies	2,532,240	2,438,166
Prepayments	<u>1,781,403</u>	<u>1,098,834</u>
Total Current Assets	<u>85,348,221</u>	<u>80,437,088</u>
TOTAL ASSETS	<u>1,124,240,033</u>	<u>1,124,684,401</u>
OTHER ASSETS		
Regulatory Assets - Surcharges	2,045,456	556,589
Net Pension Asset	<u>3,438,481</u>	<u>-</u>
Total Other Assets	5,483,937	556,589
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	1,035,750	1,222,995
Deferred Outflows for Pensions	4,409,587	8,671,039
Deferred Outflows for OPEB	<u>295,709</u>	<u>-</u>
Total Deferred Outflows	5,741,046	9,894,034
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$1,135,465,016</u>	<u>\$1,135,135,024</u>

	September 30,	
	2019	2018
NET POSITION		
Net Investment in Capital Assets	\$442,841,187	\$442,130,860
Restricted for:		
Water Capital Reserves	32,898,546	31,109,478
Water System Development Charge	36,589,330	30,655,606
Debt Service Funds	9,221,550	8,240,348
Pension Asset	3,438,481	-
Unrestricted	68,206,394	60,417,780
TOTAL NET POSITION	593,195,488	572,554,072
LIABILITIES		
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	17,790,000	21,890,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	10,820,000	12,340,000
2010 RWSS Revenue Bonds, Series A	1,655,000	1,955,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	57,710,000	59,400,000
Total Outstanding Revenue Bonds	358,340,000	365,950,000
Plus: Unamortized Bond Premium	9,465,601	10,906,412
Net Outstanding Revenue Bonds	367,805,601	376,856,412
PWTF Pre-Construction Loans	320,261	480,435
PWTF Construction Loans	14,297,433	16,834,030
State Drinking Water Loans	61,381,554	65,612,800
Total Long-Term Debt	443,804,849	459,783,677
CURRENT LIABILITIES		
Salaries and Wages Payable	979,064	836,288
Purchases and Contracts Payable	1,696,582	1,175,460
Interest Expense Accrued	7,076,251	7,227,485
Taxes Accrued	1,868,314	1,825,627
Customers' and Contractors' Deposits	364,214	350,664
Current Portion of Long-Term Debt	14,710,633	13,554,949
Other Current Liabilities	1,407,706	4,155,198
Current Accrued Compensated Absences	244,160	229,834
Total Current Liabilities	28,346,924	29,355,505
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,412,903	6,585,519
Customer Advances for Construction	7,651,073	7,206,455
Unearned Revenue	7,424,073	7,430,131
Other Long-Term Liabilities	1,169,661	4,513,451
Pension Liability	-	8,278,522
OPEB Liability	3,780,897	-
Long-Term Accrued Compensated Absences	2,197,439	2,068,503
Total Long-Term Liabilities	28,636,046	36,082,581
TOTAL LIABILITIES	500,787,819	525,221,763
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,446	35,575,447
Deferred Inflows for Pensions	5,853,098	1,783,742
Deferred Inflows for OPEB	53,165	-
Total Deferred Inflows	41,481,709	37,359,189
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$1,135,465,016	\$1,135,135,024

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)
September 30, 2019 and September 30, 2018

	SEPTEMBER 2019	SEPTEMBER 2018
OPERATING REVENUES		
Sales of Water	\$7,621,806	\$7,973,520
Other Operating Revenues	878,524	822,808
Contract Resource Obligation Revenue	393,014	334,236
Total Operating Revenues	8,893,344	9,130,564
OPERATING EXPENSES		
Production Expense:		
Source of Supply	565,337	597,817
Water Treatment	553,794	476,247
Total Production Expense	1,119,131	1,074,064
Power Pumping Expense	70,623	67,109
Transmission and Storage Expense	162,243	210,401
Distribution Expense	1,160,891	977,706
Customer Accounting and Consumer Service	413,511	391,245
Taxes	554,969	562,904
Depreciation	2,112,482	2,067,352
Administrative and General	611,999	825,498
Total Operating Expenses	6,205,849	6,176,279
OPERATING INCOME (LOSS)	2,687,495	2,954,285
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	411,281	348,325
Miscellaneous	625,161	206,040
Interest on Long-Term Debt	(1,298,555)	(1,326,606)
Interest on Long-Term Debt BABs Sub	(320,064)	(320,064)
Amortization Of Debt Premium	102,307	110,934
Interest Charged to Construction	-	70,403
Total Non-Operating Revenues (Expenses)	(479,870)	(910,968)
Net Income (Loss) Before Capital Contributions and Transfers	2,207,625	2,043,317
Capital Contributions:		
Cash	954,739	658,591
Donated Fixed Assets	-	422,287
Federal BABs Subsidies	320,064	320,064
Transfers:		
City Gross Earnings Tax	(688,378)	(709,349)
Transfer from (to) Other Funds	-	-
CHANGE IN NET POSITION	\$2,794,050	\$2,734,910
NET POSITION - JANUARY 1		
TOTAL NET POSITION - SEPTEMBER 30		

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

YEAR TO DATE		2019 OVER (UNDER) 2018	PERCENT CHANGE
SEPTEMBER 30, 2019	SEPTEMBER 30, 2018		
\$64,116,138	\$64,974,652	(\$858,514)	-1.3%
8,220,457	8,371,353	(150,896)	-1.8%
3,644,240	3,240,939	403,301	12.4%
75,980,835	76,586,944	(606,109)	-0.8%
5,137,601	5,582,980	(445,379)	-8.0%
5,278,664	5,061,582	217,082	4.3%
10,416,265	10,644,562	(228,297)	-2.1%
574,025	437,993	136,032	31.1%
1,663,910	1,724,400	(60,490)	-3.5%
10,857,135	9,934,769	922,366	9.3%
3,830,191	3,842,717	(12,526)	-0.3%
3,853,206	3,900,939	(47,733)	-1.2%
18,951,668	19,945,705	(994,037)	-5.0%
8,964,143	8,132,369	831,774	10.2%
59,110,543	58,563,454	547,089	0.9%
16,870,292	18,023,490	(1,153,198)	-6.4%
4,814,113	4,015,258	798,855	19.9%
687,059	254,527	432,532	169.9%
(11,738,339)	(12,053,858)	315,519	2.6%
(2,821,042)	(2,774,954)	(46,088)	-1.7%
920,761	998,404	(77,643)	-7.8%
(32,311)	358,141	(390,452)	-109.0%
(8,169,759)	(9,202,482)	1,032,723	11.2%
8,700,533	8,821,008	(120,475)	-1.4%
5,289,192	6,563,890	(1,274,698)	-19.4%
601,158	3,425,970	(2,824,812)	-82.5%
2,880,576	2,774,954	105,622	3.8%
(6,014,328)	(5,779,543)	(234,785)	-4.1%
-	31,158	(31,158)	NA
11,457,131	15,837,437	(4,380,306)	-27.7%
581,738,357	556,716,635	25,021,722	
<u>\$593,195,488</u>	<u>\$572,554,072</u>	<u>\$20,641,416</u>	3.6%

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Summary of Revenues and Billings (Unaudited)
September 30, 2019 and September 30, 2018

	SEPTEMBER 2019	SEPTEMBER 2018
SALES OF WATER		
Residential and Domestic	\$4,754,184	\$5,039,548
Commercial and Industrial	1,942,436	1,943,760
Special Rate	602,696	639,424
Wholesale	<u>322,490</u>	<u>350,788</u>
Total	<u><u>\$7,621,806</u></u>	<u><u>\$7,973,520</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	73,425	83,010
Commercial and Industrial	6,010	5,933
Wholesale	<u>17</u>	<u>15</u>
Total	<u><u>79,452</u></u>	<u><u>88,958</u></u>

YEAR TO DATE		2019 OVER (UNDER) 2018	PERCENT CHANGE
SEPTEMBER 30, 2019	SEPTEMBER 30, 2018		
\$42,074,977	\$42,692,093	(\$617,116)	-1.4%
14,835,001	14,719,730	115,271	0.8%
5,115,535	5,059,578	55,957	1.1%
<u>2,090,625</u>	<u>2,503,251</u>	<u>(412,626)</u>	-16.5%
<u><u>\$64,116,138</u></u>	<u><u>\$64,974,652</u></u>	<u><u>(\$858,514)</u></u>	-1.3%
855,167	865,130	(9,963)	-1.2%
59,534	59,876	(342)	-0.6%
<u>141</u>	<u>135</u>	<u>6</u>	4.4%
<u><u>914,842</u></u>	<u><u>925,141</u></u>	<u><u>(10,299)</u></u>	-1.1%

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Summary of Water Billed (Unaudited)
September 30, 2019 and September 30, 2018

	MILLION GALLONS, TOTAL			
	SEPTEMBER 2019	SEPTEMBER 2018	YEAR TO DATE SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
WATER BILLED				
Residential and Domestic	782.95	857.58	6,220.54	6,534.56
Commercial and Industrial	375.44	381.04	2,559.25	2,605.05
Special Rate	509.25	526.86	4,298.07	4,318.41
Wholesale	87.32	90.91	653.10	644.61
	<u>1,754.96</u>	<u>1,856.39</u>	<u>13,730.96</u>	<u>14,102.63</u>

MILLION GALLONS, AVERAGE DAILY	
SEPTEMBER 2019	SEPTEMBER 2018
26.10	28.59
12.51	12.70
16.98	17.56
<u>2.91</u>	<u>3.03</u>
<u>58.50</u>	<u>61.88</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Cash Flows (Unaudited)
September 30, 2019 and September 30, 2018

	YEAR TO DATE	
	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$76,451,544	\$76,967,245
Cash Paid to Suppliers	(16,991,650)	(16,702,622)
Cash Paid to Employees	(19,738,552)	(18,789,201)
Taxes Paid	(3,803,955)	(3,631,650)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	35,917,387	37,843,772
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Other Funds	-	31,158
Transfer Out for Gross Earnings Tax	(6,014,328)	(5,779,543)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(6,014,328)	(5,748,385)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(17,598,709)	(13,599,619)
Proceeds from PWTF Loan	-	-
Principal Payments on Long-Term Debt	(2,696,771)	(2,696,772)
Principal Payments on Muckleshoot LT Liability	(176,932)	(181,355)
Interest Paid	(9,317,835)	(9,461,214)
BABs Federal Interest Subsidies	1,801,458	1,793,638
Contributions in Aid of Construction	5,289,192	6,563,890
Proceeds Held from Sale of Land	-	2,775,100
System Development Charges & Other LT Liabilities	1,105,469	802,731
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(21,594,128)	(14,003,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	4,814,113	4,015,258
Other Net Non-Op Revenues and Expenses	687,059	254,528
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,501,172	4,269,786
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	13,810,103	22,361,572
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	222,268,624	213,038,918
CASH AND EQUITY IN POOLED INVESTMENTS AT SEPTEMBER 30	\$236,078,727	\$235,400,490

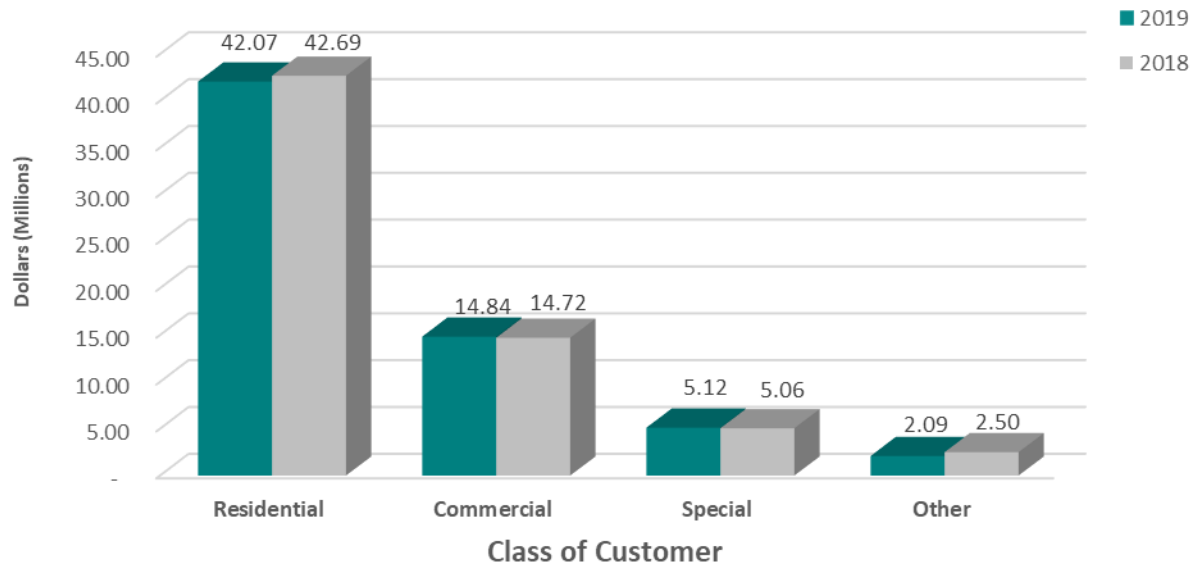
These statements should be read in conjunction with the Notes to Financial statements contained in the 2018 Annual Report.

	YEAR TO DATE	
	SEPTEMBER 30, 2019	SEPTEMBER 30, 2018
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$16,870,292	\$18,023,490
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	18,951,668	19,945,705
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(143,203)	(2,247,373)
Interfund Receivables	756,845	69,262
Regulatory Asset-Public Fire Protection Fees	-	456,635
Regulatory Asset-Surcharges	(814,640)	797,206
Materials and Supplies	(62,735)	(34,861)
Prepayments	280,469	140,842
Unearned Revenues	1,407,706	1,380,098
Accrued Taxes	49,250	269,289
Salaries, Wages and Fringe Benefits Payable	422,993	340,347
Customers' Deposits	20,847	(6,265)
Accrued Expenses and Contracts Payable	(256,364)	(193,774)
Interfund Payables	(1,565,741)	(1,096,829)
Total Adjustments	19,047,095	19,820,282
NET CASH FROM OPERATING ACTIVITIES	<u>\$35,917,387</u>	<u>\$37,843,772</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$168,174,528	\$172,797,552
Cash and Equity in Pooled Investments in Operating Funds	<u>67,904,199</u>	<u>62,602,938</u>
Cash and Equity in Pooled Investments at September 30	<u>\$236,078,727</u>	<u>\$235,400,490</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$601,158	\$3,425,970

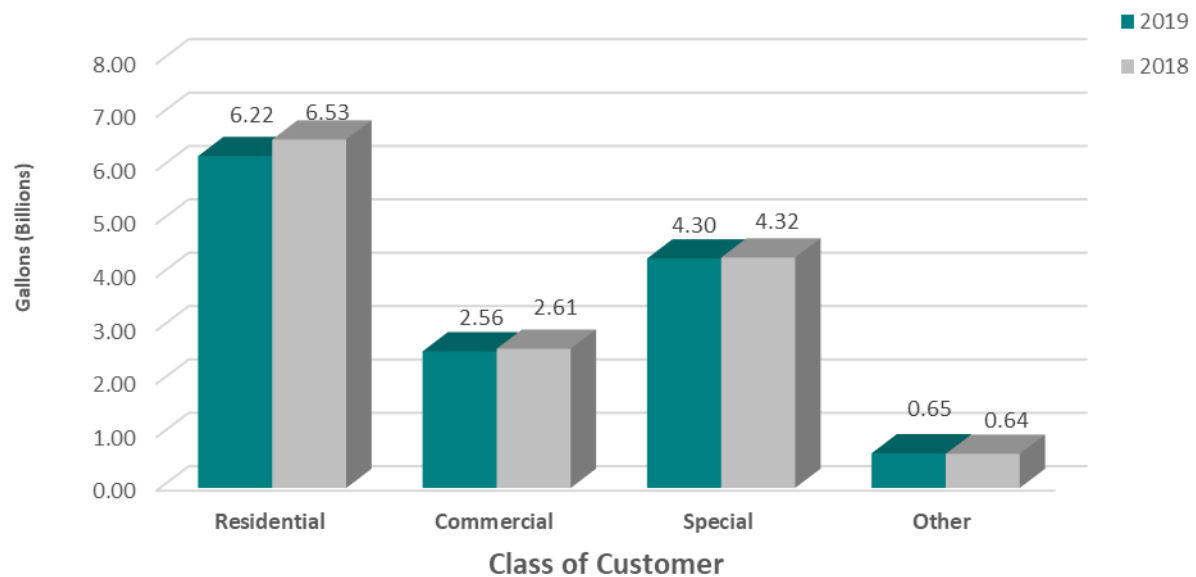
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Supplemental Data

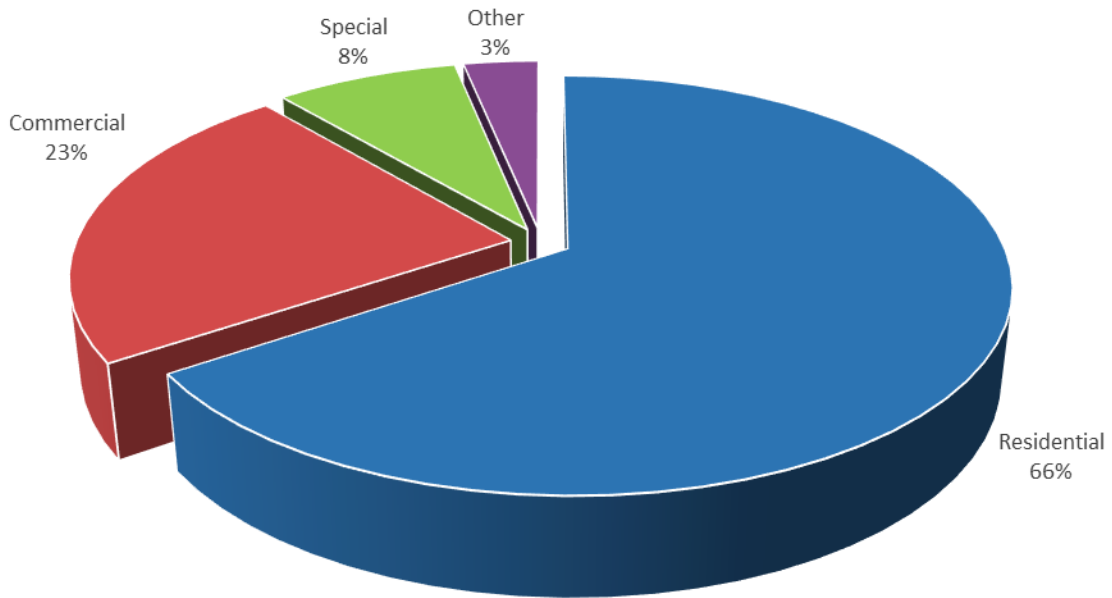
WATER SALES Year to Date - September 2019 & 2018



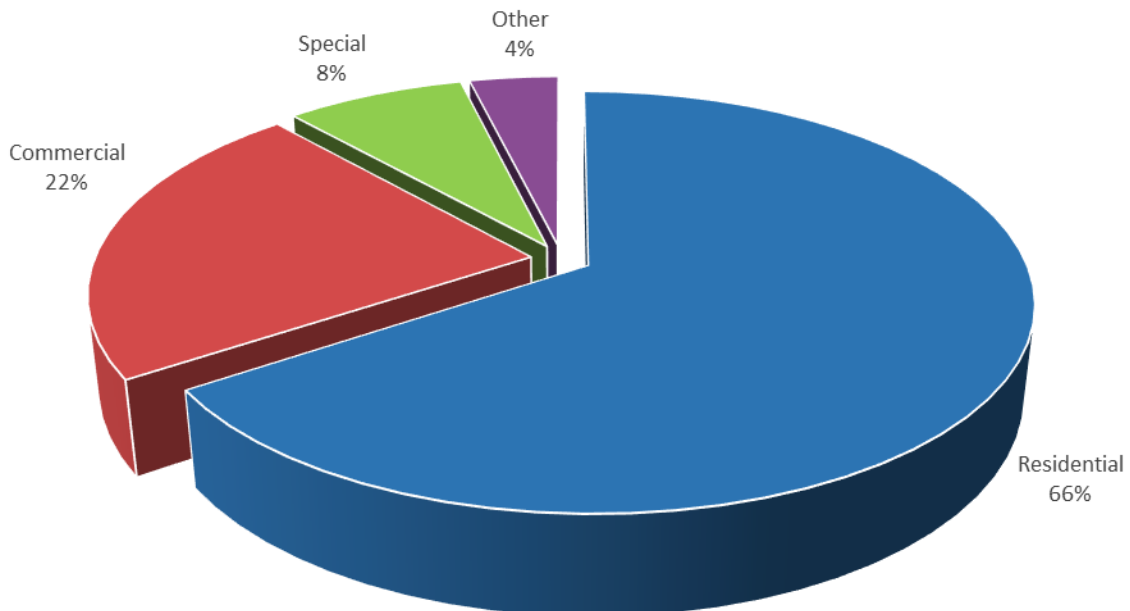
WATER CONSUMPTION Year to Date - September 2019 & 2018



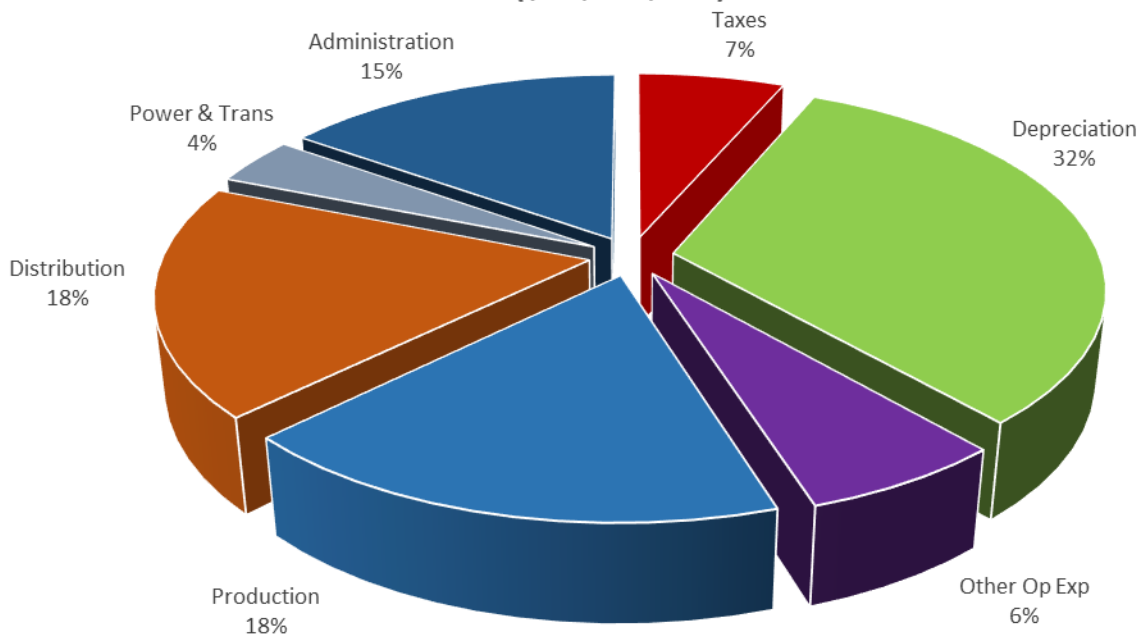
WATER SALES
Year to Date - September 2019
(\$64,116,138)



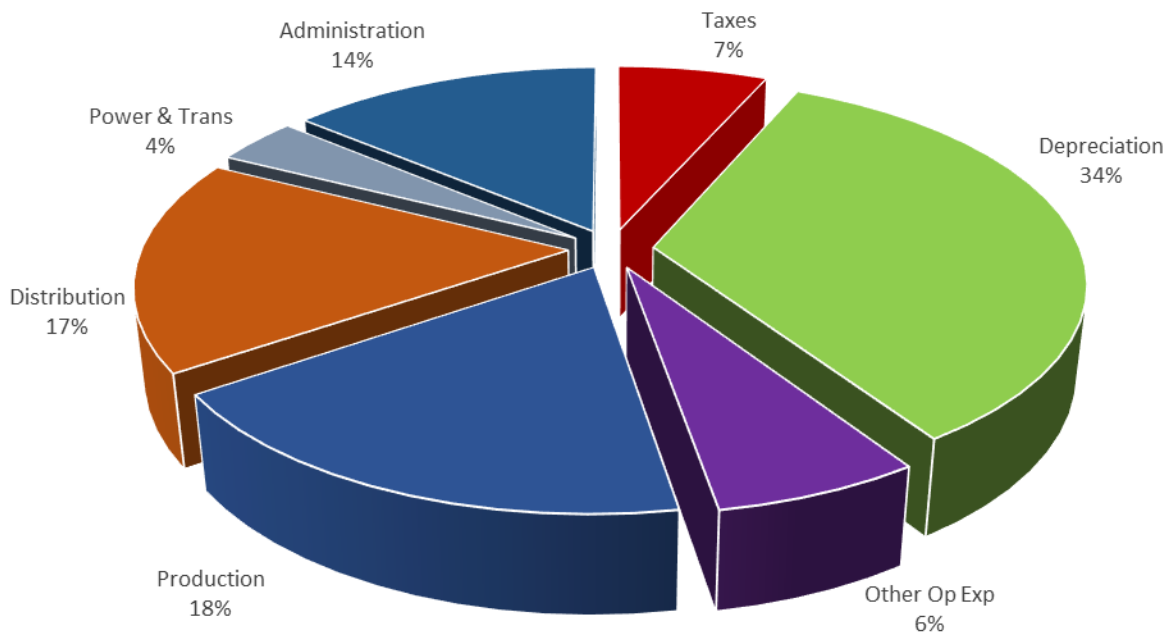
WATER SALES
Year to Date - September 2018
(\$64,974,652)



TOTAL OPERATING EXPENSES
Year to Date - September 2019
(\$59,110,543)



TOTAL OPERATING EXPENSES
Year to Date - September 2018
(\$58,563,454)



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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.