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**SEPTEMBER**

**TACOMA WATER**

**2021**

**INTERIM  
FINANCIAL  
REPORT**





# Public Utility Board

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Chair

CHRISTINE COOLEY

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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.*

*Reclassification: Changes have been made to prior period account classifications as needed to conform to the current period presentation format.*

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# Management Discussion and Analysis

## Overview of the Financial Statements

### Summary

As of September 2021, Tacoma Water is reporting year-to-date operating income of \$17.2 million compared to \$17.8 million in 2020. Operating revenues increased \$5.2 million or 6.6% and operating expenses increased by \$5.7 million or 9.4%. The year-to-date change in net position for 2021 was \$6.7 million; for 2020 it was \$9.7 million.

### Revenues

Water sales revenues increased by \$4.7 million or 6.8% as of the third quarter of 2021 compared to the same period in 2020. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of September 2021.

Customer Class	Changes Related to:		YTD Increase	
	Rate	Volume	(Decrease)	
Residential and Domestic	\$ (380,275)	\$ 3,011,557	\$	2,631,282
Commercial and Industrial	965,467	613,035		1,578,502
Special Rate	118,811	174,039		292,850
Other	(163,576)	396,792		233,216
Total	\$ 540,427	\$ 4,195,423	\$	4,735,850

Consumption as of September 2021 was 14,910 million gallons compared to 13,547 million gallons for the same period in 2020. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 4,115 million gallons. The following table summarizes water consumption by customer class year-to-date.

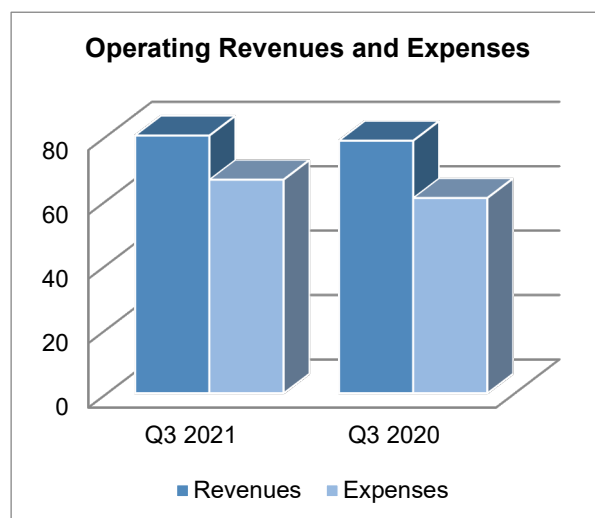
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2021	2020		
Residential and Domestic	7,111.64	6,475.37	636.27	10%
Commercial and Industrial	2,674.89	2,202.37	472.52	21%
Special Rate	4,443.84	4,322.90	120.94	3%
Other	679.80	546.67	133.13	24%
Total	14,910.17	13,547.31	1,362.86	10%

### Expenses

Operating expenses were \$66.3 million as of the third quarter of 2021, an increase of \$5.7 million or 9.4% compared to 2020.

In 2020, Tacoma Water reorganized to combine groups by functions in support of the 2020-2025 strategic plan. Additionally, an updated cost center reporting structure was established in 2021 and some expenses have been realigned in support of appropriate reporting.

Personnel expenses increased \$2.4 million primarily due to 18 additional full time employees filled in 2021 and cost of living adjustments compared to 2020. Interns were hired in 2021, but the intern program was cancelled in 2020. Depreciation increased by \$1.6 million primarily due to the transfer of fleet division assets to Water in 2020. Bad Debt expense increased \$927,000 due to an increase in aging accounts receivable. Assessments increased by \$575,000.00 compared to 2020.



## **Non Operating Revenues**

Interest income decreased \$3.3 million due to GASB 31 Investment Market Value reversal entry significantly higher by \$1.9 million and investment earnings lower by \$1.4 million compared to 2020. Investment earnings went down because of lower interest rates and lower average cash balances as of the third quarter of 2021.

Miscellaneous revenue increased \$1.9 million primarily due to the \$2.0 million sale of land to the Puyallup School District.

## **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, 2021 and September 30, 2020

	SEPTEMBER 30,	
	2021	2020
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,191,612,746	\$1,150,437,695
Less Depreciation and Amortization	(334,403,575)	(300,365,458)
Total	857,209,171	850,072,237
Construction Work in Progress	40,703,322	27,073,204
Net Utility Plant	897,912,493	877,145,441
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2013 Construction Fund	-	3,680,352
Regional Water Supply System Operating Fund	497,983	745,884
Provision for Debt Payment	15,622,407	13,777,200
Customer Water Main Deposits	3,584,954	3,496,723
Water Supply Forum Fund	625,087	620,689
Special Bond Reserves	21,691,412	21,688,269
Water Customer Contribution Fund	2,209,718	2,325,879
Water Capital Reserves	37,674,280	36,958,709
Water System Development Charge	78,076,272	75,283,158
Total Restricted Assets	159,982,113	158,576,863
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	64,093,866	69,817,459
Grant Loan Fund	502,367	-
Customers' Deposits	125,461	275,811
Receivables:		
Customers	11,518,480	8,602,147
Accrued Unbilled Revenues	5,922,259	5,818,438
Others	800,623	837,885
BABs Interest Subsidies	1,880,146	3,014,362
Provision for Uncollectible Accounts	(3,113,217)	(1,020,194)
Materials and Supplies	3,263,040	2,910,036
Prepayments	2,094,355	1,833,675
Total Current Assets	87,087,380	92,089,619
TOTAL ASSETS	1,145,474,949	1,128,304,886
OTHER ASSETS		
Regulatory Assets - Surcharges	3,542,473	3,283,790
Net Pension Asset	1,636,678	-
Total Other Assets	5,179,151	3,283,790
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	661,260	848,505
Deferred Outflows for Pensions	4,855,703	12,149,265
Deferred Outflows for OPEB	597,712	471,177
Total Deferred Outflows	6,114,675	13,468,947
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,156,768,775	\$1,145,057,623

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



	SEPTEMBER 30,	
	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$488,489,902	\$455,287,605
Restricted for:		
Water Capital Reserves	34,001,904	32,807,328
Water System Development Charge	42,500,825	39,707,711
Debt Service Funds	9,064,233	7,068,127
Pension Asset	1,636,678	-
Unrestricted	67,120,289	77,656,232
TOTAL NET POSITION	642,813,831	612,527,003
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	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	7,560,000	9,230,000
2010 RWSS Revenue Bonds, Series A	1,030,000	1,345,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	54,030,000	55,920,000
2020 Water Revenue Bonds Refunding	8,667,758	13,157,516
Total Outstanding Revenue Bonds	341,652,758	350,017,516
Plus: Unamortized Bond Premium	6,934,982	8,139,260
Net Outstanding Revenue Bonds	348,587,740	358,156,776
PWTF Pre-Construction Loans	106,725	160,088
PWTF Construction Loans	9,757,572	11,760,836
State Drinking Water Loans	52,919,062	57,150,308
Total Long-Term Debt	411,371,099	427,228,008
CURRENT LIABILITIES		
Salaries and Wages Payable	1,449,525	1,219,253
Purchases and Contracts Payable	1,958,754	1,617,715
Interest Expense Accrued	6,558,174	6,709,073
Taxes Accrued	2,044,041	2,064,308
Customers' and Contractors' Deposits	185,664	325,413
Current Portion of Long-Term Debt	14,816,929	15,095,421
Other Current Liabilities	1,464,569	1,435,861
Current Accrued Compensated Absences	300,025	237,357
Total Current Liabilities	28,777,681	28,704,401
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,080,198	6,244,496
Customer Advances for Construction	11,651,374	8,785,722
Unearned Revenue	6,437,454	7,164,663
Other Long-Term Liabilities	1,096,650	1,141,462
Pension Liability	-	10,264,957
OPEB Liability	3,675,963	3,565,886
Long-Term Accrued Compensated Absences	2,700,222	2,136,217
Total Long-Term Liabilities	31,641,861	39,303,403
TOTAL LIABILITIES	471,790,641	495,235,812
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	6,237,055	1,348,807
Deferred Inflows for OPEB	351,801	370,554
Total Deferred Inflows	42,164,303	37,294,808
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$1,156,768,775	\$1,145,057,623

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City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)  
September 30, 2021 and September 30, 2020

			YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
	SEPTEMBER 2021	SEPTEMBER 2020	SEPTEMBER 30, 2021	SEPTEMBER 30, 2020		
OPERATING REVENUES						
Sales of Water	\$9,500,563	\$9,759,408	\$74,240,844	\$69,504,994	\$4,735,850	6.8%
Other Operating Revenues	669,029	561,815	5,504,307	5,307,393	196,914	3.7%
Contract Resource Obligation Revenue	419,263	414,494	3,806,156	3,588,261	217,895	6.1%
Total Operating Revenues	10,588,855	10,735,717	83,551,307	78,400,648	5,150,659	6.6%
OPERATING EXPENSES						
Production Expense:						
Source of Supply	305,504	378,523	2,480,235	3,301,916	(821,681)	-24.9%
Water Treatment	852,872	704,740	7,174,151	6,727,565	446,586	6.6%
Total Production Expense	1,158,376	1,083,263	9,654,386	10,029,481	(375,095)	-3.7%
Power Pumping Expense	51,215	41,207	477,395	511,268	(33,873)	-6.6%
Transmission and Storage Expense	370,548	155,626	2,796,783	1,319,081	1,477,702	112.0%
Distribution Expense	1,231,620	1,290,289	11,921,259	11,940,144	(18,885)	-0.2%
Customer Accounting and Consumer Service	426,695	445,417	4,049,061	4,015,159	33,902	0.8%
Taxes	690,773	644,975	4,385,059	4,071,729	313,330	7.7%
Depreciation	2,313,189	2,147,722	20,847,449	19,297,328	1,550,121	8.0%
Administrative and General	892,066	1,051,057	12,177,605	9,417,640	2,759,965	29.3%
Total Operating Expenses	7,134,482	6,859,556	66,308,997	60,601,830	5,707,167	9.4%
OPERATING INCOME (LOSS)	3,454,373	3,876,161	17,242,310	17,798,818	(556,508)	-3.1%
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	145,857	260,438	(1,758,116)	1,557,310	(3,315,426)	-212.9%
Miscellaneous	228,039	195,678	2,447,794	501,793	1,946,001	387.8%
Interest on Long-Term Debt	(1,260,969)	(1,289,443)	(11,360,699)	(11,869,191)	508,492	4.3%
Interest on Long-Term Debt BABs Sub	(247,703)	(247,703)	(2,229,329)	(2,229,329)	-	0.0%
Amortization Of Debt Premium	82,181	92,464	739,627	832,174	(92,547)	-11.1%
Total Non-Operating Revenues (Expenses)	(1,052,595)	(988,566)	(12,160,723)	(11,207,243)	(953,480)	-8.5%
Net Income (Loss) Before Capital						
Contributions and Transfers	2,401,778	2,887,595	5,081,587	6,591,575	(1,509,988)	-22.9%
Capital Contributions:						
Cash	650,291	825,934	4,923,926	5,157,816	(233,890)	-4.5%
Donated Fixed Assets	42,771	31,754	297,957	1,169,848	(871,891)	-74.5%
Federal BABs Subsidies	301,820	301,820	2,716,382	2,713,182	3,200	0.1%
Transfers:						
City Gross Earnings Tax	(794,625)	(807,625)	(6,271,579)	(5,921,980)	(349,599)	-5.9%
Transfer from (to) Other Funds	-	-	120	-	120	NA
CHANGE IN NET POSITION	\$2,602,035	\$3,239,478	6,748,393	9,710,441	(2,962,048)	-30.5%
NET POSITION - JANUARY 1			636,065,438	602,816,562	33,248,876	
TOTAL NET POSITION - SEPTEMBER 30			\$642,813,831	\$612,527,003	\$30,286,828	4.9%

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

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Summary of Revenues and Billings (Unaudited)  
September 30, 2021 and September 30, 2020

	SEPTEMBER 2021	SEPTEMBER 2020	YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
			SEPTEMBER 30, 2021	SEPTEMBER 30, 2020		
SALES OF WATER						
Residential and Domestic	\$6,267,273	\$6,412,741	\$50,845,616	\$48,214,334	\$2,631,282	5.5%
Commercial and Industrial	2,307,137	2,375,902	15,856,262	14,277,760	1,578,502	11.1%
Special Rate	705,566	630,769	5,553,184	5,260,334	292,850	5.6%
Wholesale	<u>220,587</u>	<u>339,996</u>	<u>1,985,782</u>	<u>1,752,566</u>	<u>233,216</u>	13.3%
Total	<u><u>\$9,500,563</u></u>	<u><u>\$9,759,408</u></u>	<u><u>\$74,240,844</u></u>	<u><u>\$69,504,994</u></u>	<u><u>\$4,735,850</u></u>	6.8%
BILLINGS (NUMBER OF MONTHS BILLED)						
Residential and Domestic	88,409	88,010	900,276	888,090	12,186	1.4%
Commercial and Industrial	6,690	6,482	62,686	60,115	2,571	4.3%
Wholesale	<u>20</u>	<u>29</u>	<u>198</u>	<u>193</u>	<u>5</u>	2.6%
Total	<u><u>95,119</u></u>	<u><u>94,521</u></u>	<u><u>963,160</u></u>	<u><u>948,398</u></u>	<u><u>14,762</u></u>	1.6%

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Summary of Water Billed (Unaudited)  
September 30, 2021 and September 30, 2020

	MILLION GALLONS, TOTAL				MILLION GALLONS, AVERAGE DAILY	
	SEPTEMBER 2021	SEPTEMBER 2020	YEAR TO DATE		SEPTEMBER 2021	SEPTEMBER 2020
			SEPTEMBER 30, 2021	SEPTEMBER 30, 2020		
WATER BILLED						
Residential and Domestic	975.66	1,005.34	7,111.64	6,475.37	32.52	33.51
Commercial and Industrial	399.86	465.46	2,674.89	2,202.37	13.33	15.52
Special Rate	508.59	506.80	4,443.84	4,322.90	16.95	16.89
Wholesale	68.68	103.78	679.80	546.67	2.29	3.46
	<u>1,952.79</u>	<u>2,081.38</u>	<u>14,910.17</u>	<u>13,547.31</u>	<u>65.09</u>	<u>69.38</u>

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

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Cash Flows (Unaudited)  
September 30, 2021 and September 30, 2020

	YEAR ENDED SEPTEMBER 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$81,603,909	\$75,713,490
Cash Paid to Suppliers	(19,803,153)	(15,776,634)
Cash Paid to Employees	(22,865,811)	(20,410,655)
Taxes Paid	(4,109,100)	(3,682,452)
NET CASH FROM OPERATING ACTIVITIES	34,825,845	35,843,749
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from (to) Other Funds	120	-
Transfer Out for Gross Earnings Tax	(6,271,579)	(5,921,980)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(6,271,459)	(5,921,980)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(21,602,677)	(20,613,240)
Proceeds from Sale of Bonds	-	17,466,514
Debt Issuance Costs	-	(102,475)
Principal Payments on Long-Term Debt	(2,696,771)	(2,696,771)
Principal Payments on Muckleshoot LT Liability	(168,406)	(172,616)
Principal Payments on early extinguishment of Debt	-	(17,790,000)
Interest Paid	(8,706,195)	(9,155,664)
BABs Federal Interest Subsidies	2,948,978	-
Contributions in Aid of Construction (Cash)	4,923,926	5,157,816
Proceeds Held from Sale of Land	10,000	-
System Development Charges & Other LT Liabilities	1,410,878	1,174,665
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(23,880,267)	(26,731,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	(1,758,116)	1,557,310
Other Net Non-Op Revenues and Expenses	2,447,794	604,268
NET CASH FROM INVESTING ACTIVITIES	689,678	2,161,578
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	5,363,797	5,351,576
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	219,340,010	223,318,557
CASH AND EQUITY IN POOLED INVESTMENTS AT SEPTEMBER 30	\$224,703,807	\$228,670,133

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

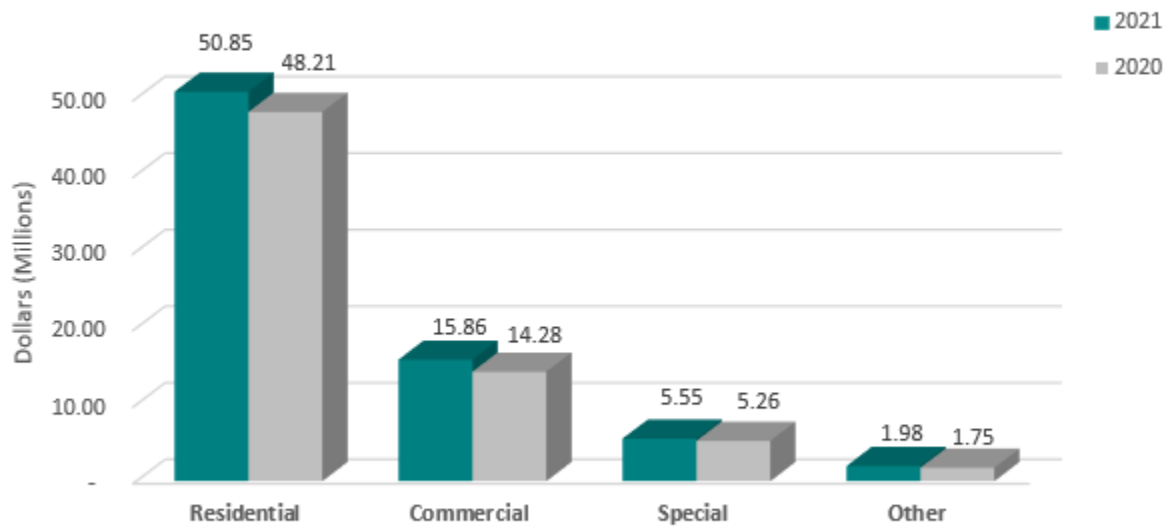
	YEAR ENDED SEPTEMBER 30,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$17,242,310	\$17,798,818
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	20,847,449	19,297,328
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(3,434,401)	(2,871,089)
Regulatory Asset-Surcharges	101,393	(1,225,238)
Materials and Supplies	(488,810)	(129,107)
Prepayments	293,397	343,870
Unearned Revenues	1,454,569	1,435,857
Accrued Taxes	275,959	389,277
Salaries, Wages and Fringe Benefits Payable	483,037	546,750
Customers' Deposits	(63,441)	(26,688)
Accrued Expenses and Contracts Payable	(1,885,617)	283,971
Total Adjustments	17,583,535	18,044,931
NET CASH FROM OPERATING ACTIVITIES	<u>\$34,825,845</u>	<u>\$35,843,749</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$159,982,113	\$158,576,863
Cash and Equity in Pooled Investments in Operating Funds	<u>\$64,721,694</u>	<u>\$70,093,270</u>
Cash and Equity in Pooled Investments at September 30	<u>\$224,703,807</u>	<u>\$228,670,133</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$297,957	\$1,169,848

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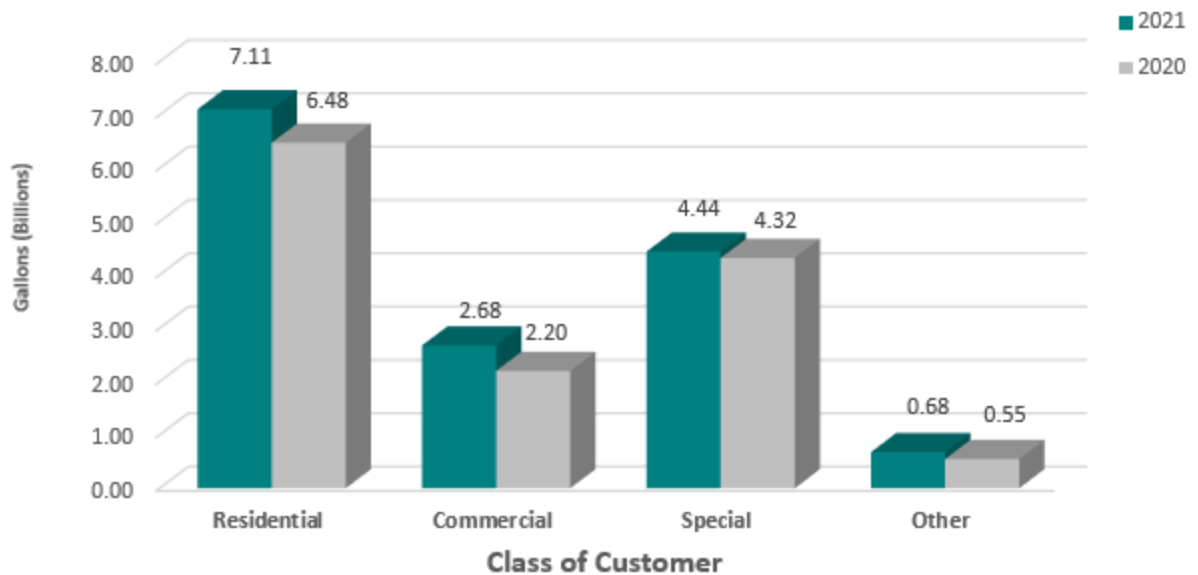


## Supplemental Data

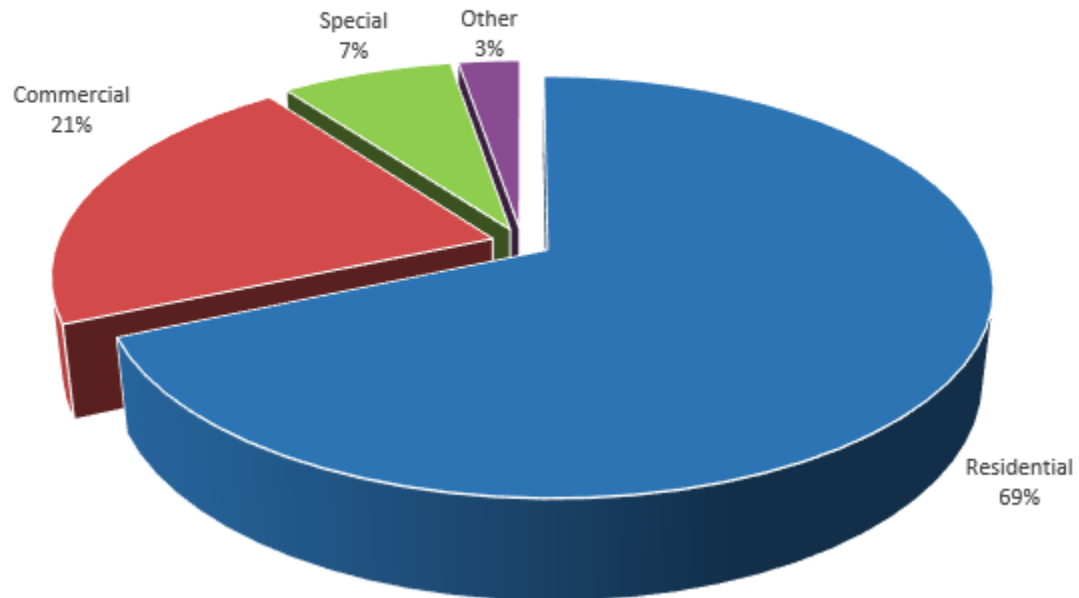
## WATER SALES Year to Date - September 2021 & 2020



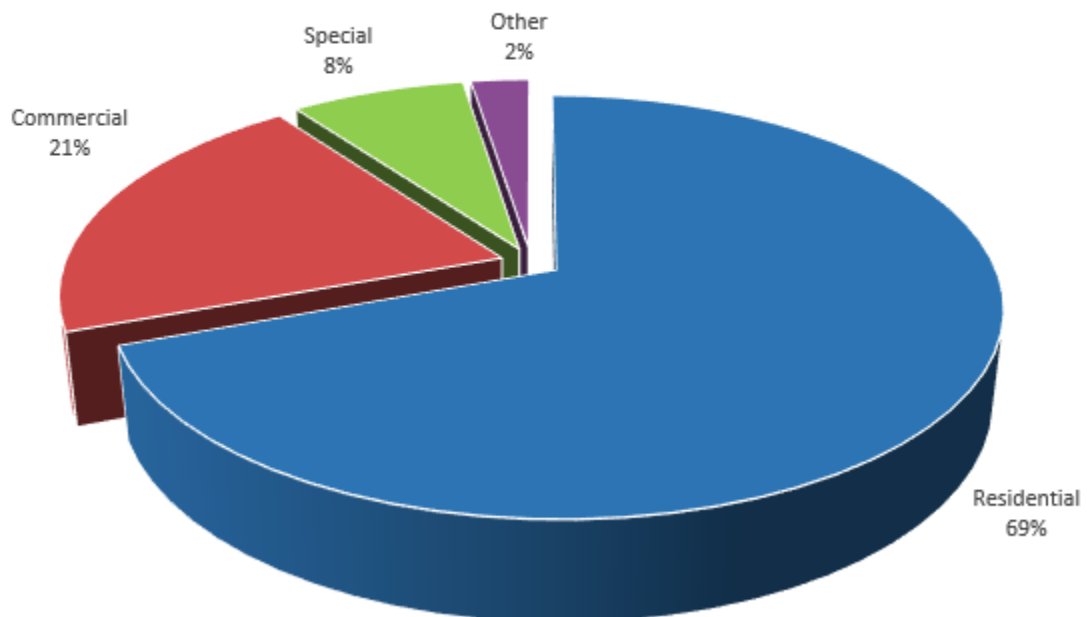
## WATER CONSUMPTION Year to Date - September 2021 & 2020



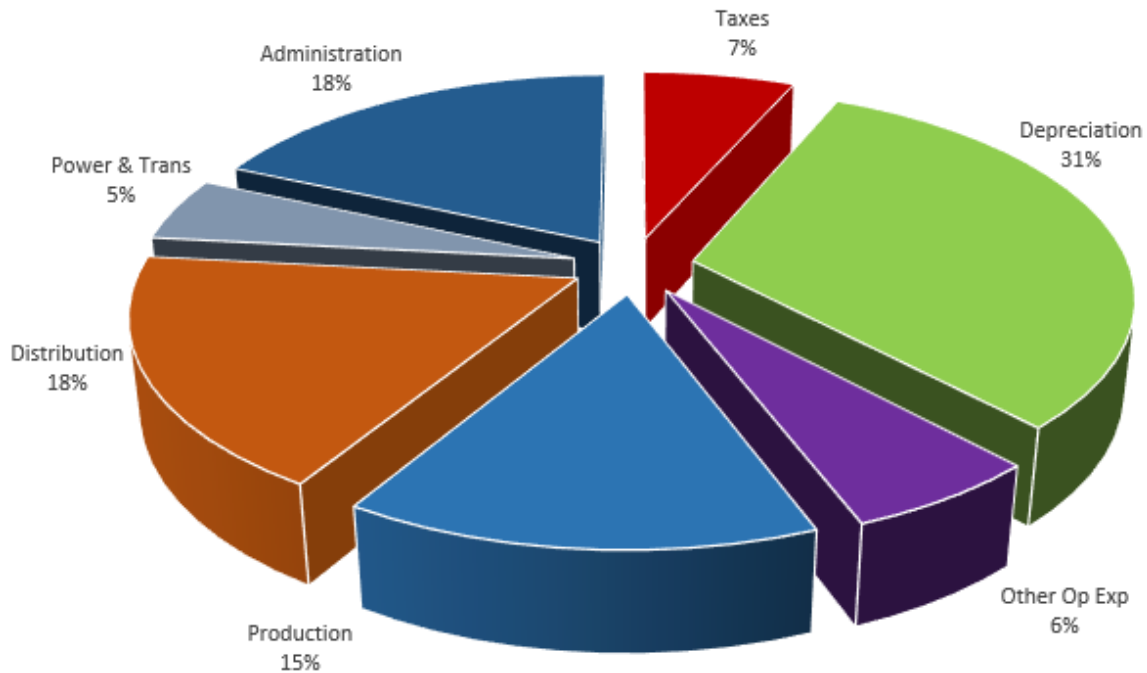
**WATER SALES**  
**Year to Date - September 2021**  
**(\$74,240,844)**



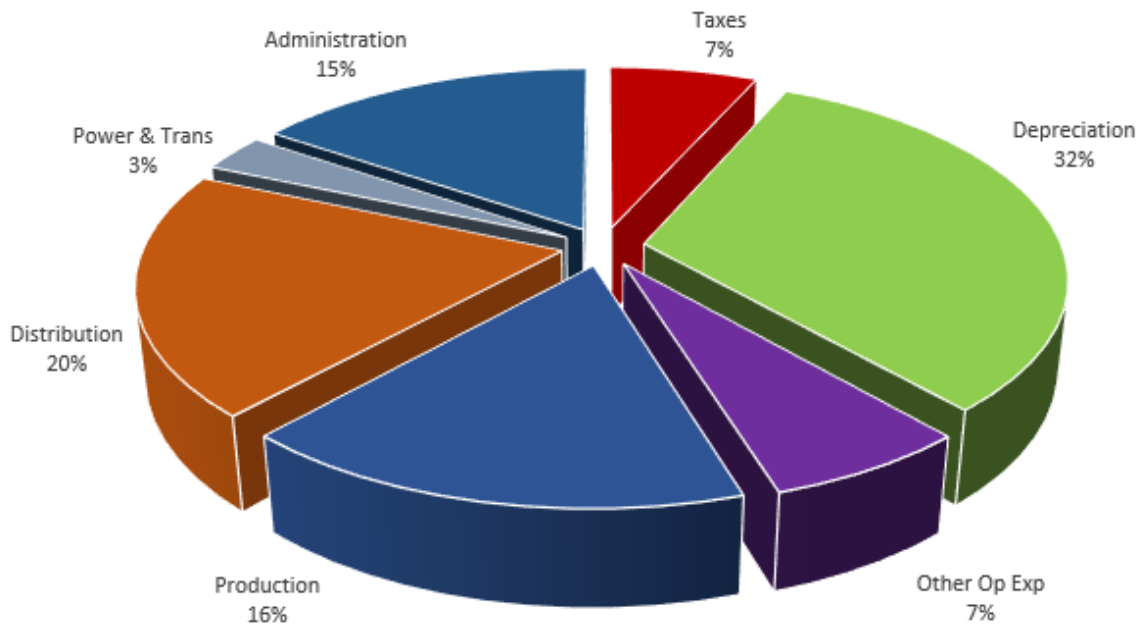
**WATER SALES**  
**Year to Date - September 2020**  
**(\$69,504,994)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2021**  
**(\$66,308,997)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2020**  
**(\$60,601,830)**



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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.