



20 Tacoma Rail 24 Annual Financial Report

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2024
PREPARED BY THE FINANCE DEPARTMENT

TACOMA RAIL
TACOMA PUBLIC UTILITIES

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Public Utility Board

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DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION
Doing Business As

TACOMA RAIL

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Financial Data

Report of Independent Auditors

The Chair and Members of the Public Utility Board
City of Tacoma, Department of Public Utilities, Rail Division
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Rail Division (the Division), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis and Proportionate Share of the Collective OPEB Liability Last 10 Years (the required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the table of contents. The other information comprises the statistical data and graphs but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the Division's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Tacoma, Washington
May 27, 2025

Management Discussion and Analysis

The following discussion and analysis of Tacoma Rail's financial performance provides an overview of the financial activities for the years ended December 31, 2024, 2023 and 2022. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues, provide an overview of the financial activities, and identify changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2024 and 2023, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of Tacoma Rail's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, capital and related financing, non-capital financing and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of Tacoma Rail's presentation of financial position, results of operations and changes in cash flow.

Financial Highlights

Tacoma Rail continued to meet its goal of providing efficient, cost-effective rail service in its service territory. Doing so requires a continued investment in infrastructure and enforcing a disciplined tactical plan to respond to fluctuations in local, national and world economies as they pertain to the rail industry.

The operating results for Tacoma Rail in 2024 indicate an increase in total intermodal traffic from 2023 with volume growth at two of the four intermodal terminals. Of Tacoma Rail's top 15 (fifteen) customers, 9 (nine) of them experienced at least some growth from the prior year. The largest increase in traffic was with the North Intermodal Yard. Tacoma Rail has responded to the continuous variations in line haul revenue with necessary expenditure and capital investment controls.

Overview of the Financial Statements

Tacoma Rail is reporting a change in net position of \$7.0 million in 2024, compared to \$8.0 million in 2023, as restated, a decrease of \$1.0 million. The decrease in change in net position is predominately due to an increase of \$5.2 million in operating revenues, an increase of \$6.0 million in operating expenses, and a decrease of \$0.2 million in contributions – grants.

In 2023, Tacoma Rail realized a change in net position of \$8.0 million, as restated, compared to negative \$0.7 million in 2022, an increase of \$8.7 million. The increase in change in net position was due to an increase of \$7.0 million in operating revenues, a decrease of \$0.6 million in operating expenses, and an increase in non-operating revenues of \$1.1 million.

The following table highlights Tacoma Rail's past three years' operating results.

<u>Description</u>	<u>2024</u>	<u>2023</u> <u>(As Restated)</u>	<u>2022</u>	<u>24/23</u> <u>Increase</u> <u>(Decrease)</u>	<u>23/22</u> <u>Increase</u> <u>(Decrease)</u>
Operating Revenues	\$44,311	\$39,095	\$32,131	\$5,216	\$6,964
Operating Expenses ^(*)	38,269	32,313	32,922	5,956	(609)
Operating Income	6,042	6,782	(791)	(740)	7,573
Non-Operating Revenues/ (Expenses)	947	958	(147)	(11)	1,105
Contributions	22	267	190	(245)	77
Change in Net Position	<u>\$7,011</u>	<u>\$8,007</u>	<u>(\$748)</u>	<u>(\$996)</u>	<u>\$8,755</u>

^(*) Gross Earnings Tax expense was reclassified from Transfer from/ (to) to Operating Expenses for comparative purpose.

Net position may serve over time as a useful indicator of an entity's financial position. The following analysis highlights net position for the last three years.

<u>Description</u>	<u>2024</u>	<u>2023</u> <u>(As Restated)</u>	<u>2022</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
Net Capital Assets	\$38,493	\$38,800	\$36,638	(\$307)	\$2,162
Total Current Assets	29,992	22,472	18,801	7,520	3,671
Deferred Outflows	957	1,183	1,659	(226)	(476)
Total Assets and Deferred Outflows	<u>\$69,442</u>	<u>\$62,455</u>	<u>\$57,098</u>	<u>\$6,987</u>	<u>\$5,357</u>
Net Investment in Capital Assets	\$35,280	\$35,108	\$33,137	\$172	\$1,971
Unrestricted Net Position	10,837	3,999	(2,037)	6,838	6,036
Total Net Position	46,117	39,107	31,100	7,010	8,007
Long-Term Debt	2,357	2,767	2,577	(410)	190
Current Liabilities	4,619	3,521	4,417	1,098	(896)
Long-Term Liabilities	12,663	13,263	16,070	(600)	(2,807)
Total Liabilities	19,639	19,551	23,064	88	(3,513)
Deferred Inflows	3,686	3,797	2,934	(111)	863
Total Net Position, Liabilities, and Deferred Inflows	<u>\$69,442</u>	<u>\$62,455</u>	<u>\$57,098</u>	<u>\$6,987</u>	<u>\$5,357</u>

Revenues

2024 Compared to 2023

In 2024, Tacoma Rail operating revenues of \$44.3 million were \$5.2 million higher than the \$39.1 million in 2023. Overall switching revenues increased \$3.8 million or 10.8%, from 2023. The following table summarizes the switching revenues by activity type for the last three years.

Activity Types	Switching Revenues (in thousands)							
	24/23 Increase (Decrease)				23/22 Increase (Decrease)			
	2024	2023	2022	Var	%Chg	Var	%Chg	
Intermodal Line Hauls	\$ 13,907	\$ 12,051	\$ 8,740	1,856	15.4%	3,311	37.9%	
Commercial Line Hauls	21,398	20,436	15,556	962	4.7%	4,880	31.4%	
Capital Div. Line Hauls	491	427	424	64	15.0%	3	0.7%	
Miscellaneous Switches	2,806	1,912	1,790	894	46.8%	122	6.8%	
Total Line Hauls	\$ 38,602	\$ 34,826	\$ 26,510	\$ 3,776	10.8%	\$ 8,316	31.4%	

Demurrage and other operating revenues increased \$1.4 million. Demurrage revenue decreased by \$0.3 million and locomotive servicing revenue and other revenue increased \$1.7 million. This is due to an increase in locomotive servicing and a receipt of undispersed funds from volume incentive from the Port of Tacoma NorthWest Seaport Alliance.

2023 Compared to 2022

In 2023, Tacoma Rail operating revenues of \$39.1 million were \$7.0 million higher than the \$32.1 million in 2022. Overall switching revenues increased \$8.3 million or 31.4%, from 2022.

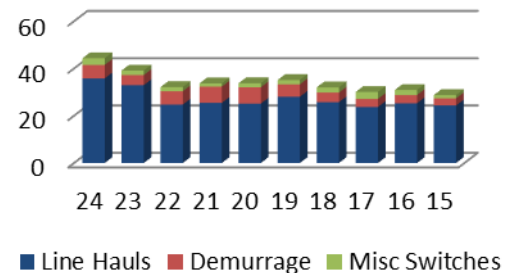
Switching Activities

Switching activities increased in 2024 by 28,955 platforms or 10.9% to 293,756, from 264,801 in 2023. The most significant increase in switching activity can be seen in intermodal line-hauls which were up by 30,631 platforms or 11.9% due to an increase in intermodal line haul rail traffic.

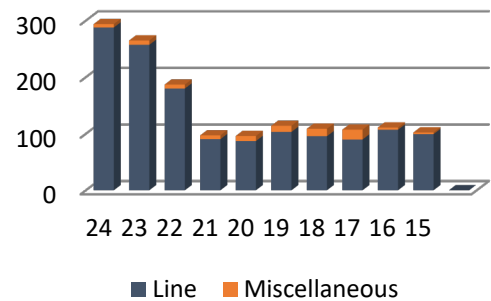
In 2024, the Division changed the switching metric from cars to platforms. The switching activities in 2022, 2023, and 2024 were updated to platforms for comparative purpose. The switching activities from 2015 to 2021 were measured in cars. The average number of platforms switched over the period from 2022 to 2024 is 247,481.

During 2023, total switching activities increased by 80,915 platforms or 44.0% from 2022. The increase in intermodal line haul rail traffic was the dominant factor. Intermodal line-hauls were up by 80,298 platforms or 45.4% in 2023.

OPERATING REVENUES
(in millions)



SWITCHING ACTIVITIES
(in thousands)



The table below shows the changes in switching volumes for the last three years.

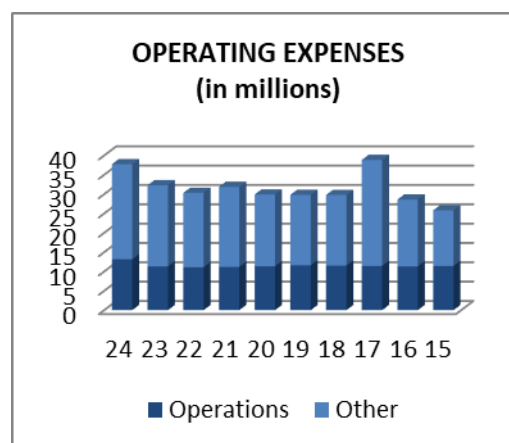
SWITCHING ACTIVITIES					
Description	2024	2023	2022	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Line Hauls ^(*)	287,784	257,153	176,855	30,631	80,298
Miscellaneous Switches	5,972	7,648	7,031	(1,676)	617
Total Cars Switched	293,756	264,801	183,886	28,955	80,915

(*) The switching activities in 2022 and 2023 were updated from cars to platforms for comparative purpose.

Expenses

2024 Compared to 2023

In 2024, Tacoma Rail operating expenses of \$38.3 million were \$6.0 million higher than \$32.3 million in 2023. This was primarily due to the increases of \$2.0 million in salaries and wages, \$1.1 million in claims accrual expenses, \$0.4 million increase in car hire expenses, \$0.2 million in fuel expenses, \$1.0 million in professional services, repair and maintenance costs, and \$0.4 million in gross earnings tax expenses. Gross Earnings Tax expense was reclassified from Transfer from/ (to) to Operating Expenses for comparative purpose.



2023 Compared to 2022

In 2023, Tacoma Rail operating expenses of \$32.3 million, as restated, which were \$0.6 million lower than \$32.9 million in 2022. This was primarily due to decreases of \$1.1 million in fuel usage and locomotive servicing, \$0.3 million in car hire expenses, and \$0.1 million in assessments. These decreases were offset by increases of \$0.3 million in salaries and wages and \$0.6 million in gross earnings tax reclassification from Transfer from/(to) to Operating expenses.

Non-Operating Revenues/ (Expenses)

In 2024, Interest income increased by \$0.3 million compared to 2023 due to higher cash balance and higher interest rates in City pooled investments in 2024. Unrealized Net Gain (Loss) on Fair Value Investment decreased by \$0.2 million in 2024 due to lower market value of investments as of December 31, 2024, compared to December 31, 2023.

There was no operating grant in 2024. There was a \$0.2 million operating grant in 2023. This operating grant was from Federal Emergency Management Agency for public assistance for disaster recovery through the Washington State Military Department.

Contribution - Grants

In 2024, contribution – grants decreased \$0.2 million from 2023 due to the reduction in funding for Lincoln Avenue Port of Tacoma Road Signals project.

Capital Assets

Net Capital Assets decreased \$0.3 million during 2024. The decrease was due to \$3.0 million decrease in accumulated depreciation and amortization. This decrease was offset with the increases of \$2.1 million in road property plant, \$0.3 million in machinery equipment, and \$0.2 million in building, office and fixtures. The road property plant increases during the year were the completion of Alexander Ave Wye & Storage Tracks and the Blair Peninsula Track Switches. The machinery equipment increases were mainly vehicles. In 2024, \$9.0 million in cost of road property plant and machinery equipment together with \$8.9 million accumulated depreciation was retired.

During 2023, Net Capital Assets increased \$2.2 million. The increase was due to the additions of \$6.3 million in building, \$1.6 million in road and equipment property, and \$0.3 million in machinery equipment and office and fixtures. These increases were offset with \$3.4 million decrease in Construction Work In Progress ("CWIP") and \$2.6 million increase in accumulated depreciation. The primary building increase during the year was the completion of the East Barn Locomotive Fueling Facility in the amount of \$6.1 million. The road property plant increases during the year were the completion of project Yard Track Upgrades 7 & 14-17. The machinery equipment increases were mainly vehicles. CWIP decreases were mainly due to the completed projects that were placed in service.

The following table summarizes Tacoma Rail's capital assets, net of accumulated depreciation, for the last three years.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION (in thousands)

<u>Description</u>	2024	2023	2022	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Land	\$ 172	\$ 172	\$ 172	\$ -	\$ -
Software Subscription	-	28	47	(28)	(19)
Road Property Plant	20,330	19,820	19,755	510	65
Building	7,187	7,634	1,572	(447)	6,062
Machinery Equipment	7,455	7,973	8,495	(518)	(522)
Office and Fixture	708	662	705	46	(43)
Vehicles	779	733	752	46	(19)
Construction Work In Progress	1,862	1,778	5,140	84	(3,362)
Total Net Capital Assets	<u>\$ 38,493</u>	<u>\$ 38,800</u>	<u>\$ 36,638</u>	<u>\$ (307)</u>	<u>\$ 2,162</u>

Additional information on Tacoma Rail's capital assets can be found in Note 5 to the Financial Statements.

Debt Administration

In 2024, draws were taken from Washington State loans from the Department of Transportation on Alexander Wye Track Upgrades in the amount of \$45,000, Blair Peninsula Switches in the amount of \$400,000, and Annie Tracks Switch & Curve Upgrade in the amount of \$7,000. Loan fee reduction adjustments in the amount of \$5,933 were recorded as a result of the completion of Alexander Wye & Blair Peninsula projects. Tacoma Rail obtained one new Washington State loan from the Department of Transportation for a new ballast tamper in the amount of \$650,000. No funds have been drawn on that new project in 2024.

In 2023, draws were taken from Washington State loans from the Department of Transportation on Lincoln Track Upgrade in the amount of \$100,000, Tacoma Rail Yard Track Upgrades in the amount of \$433,450 and Alexander Wye Track Upgrades in the amount of \$545,000. An accrual of \$37,804 loan fee was recorded in 2023 as part of the loan additions. Tacoma Rail obtained two new Washington State loans from the Department of Transportation for Blair Peninsula Switches in the amount of \$400,000 and Annie Tracks Switch & Curve Upgrade in the amount of \$1,590,000. No funds have been drawn on these new projects in 2023.

The following table shows the outstanding long-term debt balances for the past three years. Additional information on Tacoma Rail’s long-term debt can be found in Note 6 to the Financial Statements.

	LONG-TERM DEBT (In thousands)			24/23 Increase (Decrease)	23/22 Increase (Decrease)
	2024	2023	2022		
Long-Term Debt Balance, Including current portion	\$ 3,213	\$ 3,664	\$ 3,455	\$ (451)	\$ 209

Debt Service Coverage

Tacoma Rail is required by its bond covenants to maintain a 1.25 times debt service coverage. In 2024, 2023 and 2022, Tacoma Rail had no bonds, only interest free loans.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray Tacoma Rail's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information.

The financial statements have been independently audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and accurate, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

Rail 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.

Financial Statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Net Position

ASSETS	DECEMBER 31,	
	2024	2023
CAPITAL ASSETS		
Road and Equipment Property	\$61,622,188	\$68,009,536
Less Accumulated Depreciation	(24,990,725)	(31,015,263)
Net Road and Equipment Property	36,631,463	36,994,273
Right to Use Subscription Assets	-	56,601
Less Accumulated Amortization	-	(28,301)
Net Right to Use	-	28,300
Construction Work in Progress	1,861,834	1,777,783
Net Capital Assets	38,493,297	38,800,356
CURRENT ASSETS		
Cash & Equity in Pooled Investments	20,221,023	12,592,771
Customer Accounts Receivable	4,963,504	4,428,852
(Net of Allowance for Doubtful Accounts of \$359,004 in 2024 and \$325,730 in 2023)		
Grants Receivable	-	31,890
Prepayments	3,274,559	3,974,873
Materials and Supplies Inventory	1,533,014	1,442,977
Total Current Assets	29,992,100	22,471,363
DEFERRED OUTFLOWS		
Deferred Outflows for OPEB	956,928	1,182,933
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCE	\$69,442,325	\$62,454,652

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

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Net Position

NET POSITION AND LIABILITIES	DECEMBER 31,	
	2024	2023 (As Restated)
NET POSITION		
Net Investment in Capital Assets	\$35,280,240	\$35,108,235
Unrestricted	10,837,190	3,998,317
TOTAL NET POSITION	46,117,430	39,106,552
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
State Loans	2,357,245	2,767,054
Total Long-Term Liabilities	2,357,245	2,767,054
CURRENT LIABILITIES		
Accounts Payable	2,047,649	1,078,941
Customer Deposits	100,000	100,000
Wages Payable	562,115	369,038
Unemployment and Other Tax Payables	388,293	373,333
Current Portion of Long-Term Debt	855,811	896,633
Current Portion of Compensated Absences	238,962	210,606
Current OPEB Liability	196,205	244,449
Current Portion of Pension Withdrawal Liability	229,581	229,581
Current Subscription Liability	-	18,868
Total Current Liabilities	4,618,616	3,521,449
LONG-TERM LIABILITIES		
On the Job Injury Reserve	523,864	535,177
Long-Term Portion of Compensated Absences	1,639,720	1,384,308
Pension Withdrawal Liability	2,290,581	2,290,581
OPEB Liability	7,952,175	8,517,668
Long-Term Subscription Liability	-	9,567
Incurred but not Reported Claims	257,073	525,683
Total Long-Term Liabilities	12,663,413	13,262,984
TOTAL LIABILITIES	19,639,274	19,551,487
DEFERRED INFLOWS		
Deferred Inflows for OPEB	3,685,621	3,796,613
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	\$69,442,325	\$62,454,652

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City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2024	2023 (As Restated)
OPERATING REVENUES		
Switching Revenues	\$38,602,135	\$34,826,695
Demurrage and Other Operating Revenues	5,708,975	4,268,263
Total Operating Revenues	44,311,110	39,094,958
OPERATING EXPENSES		
Maintenance of Way and Structures	3,755,621	3,162,315
Mechanical	5,887,493	5,956,186
Operations	13,185,511	11,314,978
Administration	8,117,992	5,414,976
Taxes	4,361,698	3,841,391
Depreciation and Amortization	2,960,871	2,623,263
Total Operating Expenses	38,269,186	32,313,109
Net Operating Income	6,041,924	6,781,849
NON-OPERATING REVENUES/ (EXPENSES)		
Interest Income	586,332	280,964
Unrealized Net Gain on Fair Value Investment	28,179	236,020
Loss from Disposition of Property	(49,838)	(51,950)
Operating Grants	-	152,021
Other Non-Operating Revenue, Net	382,258	340,655
Total Non-Operating Revenues	946,931	957,710
Contributions - Grants	22,023	267,314
Total Contributions	22,023	267,314
CHANGE IN NET POSITION	7,010,878	8,006,873
NET POSITION - BEGINNING OF YEAR	39,106,552	31,099,679
TOTAL NET POSITION - END OF YEAR	<u>\$46,117,430</u>	<u>\$39,106,552</u>

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

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2024	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$43,776,458	\$38,058,656
Cash Paid to Suppliers	(11,520,622)	(13,017,981)
Cash Paid to Employees	(18,148,812)	(16,720,878)
Taxes Paid	(4,346,738)	(3,791,628)
Cash from Other Revenues	376,584	527,604
Net Cash From Operating Activities	10,136,870	5,055,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets acquisitions	(2,779,685)	(4,856,186)
Principal and Interest Payments on Subscriptions	(19,260)	(18,300)
Principal Payments on Long-Term Debt	(896,698)	(907,293)
Proceeds from Capital Contributions	53,913	407,180
Proceeds from Long-Term Debt	452,000	1,078,450
Proceeds from sale of capital assets	66,601	3,700
Net Cash From Capital and Related Financing Activities	(3,123,129)	(4,292,449)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Income (Loss) ^a	614,511	516,984
Net Cash From Investing Activities	614,511	516,984
Net Change in Cash and Equity in Pooled Investments	7,628,252	1,280,308
Cash and Equity in Pooled Investments at January 1	<u>12,592,771</u>	<u>11,312,463</u>
Cash and Equity in Pooled Investments at December 31	<u><u>\$20,221,023</u></u>	<u><u>\$12,592,771</u></u>

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases and decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

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

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2024	2023 (As Restated)
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Operating Income	\$6,041,924	\$6,781,849
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities:		
Depreciation Expense	2,960,871	2,623,263
Net OPEB Credits	(498,724)	(446,333)
Other Revenues	376,584	527,604
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable	(534,652)	(1,036,303)
Materials and Supplies Inventory	(90,037)	(430,918)
Prepayments	700,314	(1,349,220)
Accounts Payable	968,708	(684,782)
Unemployment and other Tax Payables	14,960	49,763
Wages Payable and Compensated Absences	221,433	19,209
Long-Term Portion of Compensated Absences	255,412	46,636
On the Job Injury Reserve	(11,313)	(182,387)
Incurred but not Reported Claims	(268,610)	(862,608)
Total Adjustments	4,094,946	(1,726,076)
Net Cash From Operating Activities	<u>\$10,136,870</u>	<u>\$5,055,773</u>
Noncash Investing, Capital, and Financing activities		
Fee adjustments - Department of Transportation State Loans	\$5,933	\$37,804
Unrealized Net Gain (Loss) on Fair Value Investment	\$28,179	\$236,020

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Notes to Financial Statements
Years Ended December 31, 2024 and 2023

NOTE 1 OPERATIONS

Operations of Tacoma Rail – Tacoma Rail (the Division) is a division of the City of Tacoma (City), Department of Public Utilities, which also operates the Power and the Water Divisions and is included as an enterprise fund in the Annual Comprehensive Financial Report (ACFR) of the City. Tacoma Rail provides rail switching services to the Port of Tacoma and major Tacoma industries under its Tidelands Division. Tacoma Rail also provides rail service from its Capital Division. The Capital Division interchanges rail cars with Burlington Northern Santa Fe (BNSF) in Dupont. No traffic for the Capital Division enters Tacoma Rail's Tidelands infrastructure. In addition, Tacoma Rail manages the Mountain Division, which is a reporting unit within Public Works and is included in the City's Annual Report. An operating agreement between Tacoma Rail and the Mountain Division is in place through 2025.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The financial statements of the Division are prepared in accordance with GAAP issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting principles used are similar to those applicable to businesses in the private sector and are maintained on the accrual basis of accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

Accounting Changes – Effective for the fiscal year 2024, the Division implemented the following new accounting and reporting standards issued by the GASB:

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. This statement was issued in June 2022 as an amendment to GASB Statement No. 62 to enhance accounting and financial reporting requirements for accounting changes and error corrections. The goal is to provide clearer, more reliable, relevant, consistent, and comparable information to support decision-making and accountability assessments. This statement categorizes accounting changes into three types: (1) Changes in accounting principles, (2) Changes in accounting estimates, and (3) Changes to or within the financial reporting entity. The statement defines the transactions or events that constitute these changes and specifies that for certain changes in accounting principles and measurement methodologies, the new principle or methodology must be justified as preferable to the previous one. This preferability should align with the qualitative characteristics of financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability. Additionally, this statement provides guidance for correcting errors in previously issued financial statements. The Division implemented GASB Statement No. 100 for the fiscal year ended December 31, 2024 and included a change in accounting principle from GASB No. 101 as discussed below on Statements of Revenues, Expenses and Changes in Net Position.

GASB Statement No. 101 – *Compensated Absences*. This statement superseded the requirements of GASB Statement No. 16, Accounting for Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosure. The implementation of this standard requires a liability to be recorded for compensated absences and reported in the government-wide and proprietary financial statements for (a) leave that has not been used and (b) leave that has been used but not yet paid or settled through noncash means. Compensated absence liability is recognized for leave that has not been used if (i) the leave is attributable to services already rendered, (ii) the leave accumulates, and (iii) the leave is more likely than not to be used for time off or settled through noncash means. The Division implemented the provisions of GASB Statement No. 101 effective January 1, 2023, and restated financial results for the year ended December 31, 2023, as required by the standard (see Note 3).

Cash and Equity in Pooled Investments – The Division’s cash balances are a “deposit” with the City Treasurer’s Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Pooled investments are reported on the Statement of Net Position as Cash and equity in pooled investments. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund’s daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances, which are their equity in the TIP. Accordingly, balances are considered cash equivalents and the equity in pooled investments is considered cash for cash flow reporting purposes.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers’ Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City’s daily obligations is maintained by investing a portion of the City’s Investment Pool in the LGIP.

The Division’s equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2024 and 2023 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer-term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasurer's LGIP is authorized by RCW 43.250. The LGIP is operated like a money market fund and is collateralized by short-term legal investments.

Customer Accounts Receivable – Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts.

Allowance for Doubtful Accounts – A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable is considered past due after 30 days.

Interfund and Intergovernmental Transactions – Unsettled transactions between entities at year-end are recorded as due to or due from other funds or other governmental units as appropriate.

Materials and Supplies Inventory – Materials and supplies consist primarily of items for maintenance of Division assets and are valued at the lower of average cost or fair market value.

Capital Assets, Depreciation and Amortization – Capital assets are stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements, additions, and betterments are capitalized. Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation and amortization are recorded using the straight-line method at the beginning of the year and based on estimated economic lives of operating assets placed in service. The estimated economic lives range as follows:

Roads and bridges	7 – 20 years
Building	10 – 25 years
Machinery Equipment	10 – 25 years
Office and Fixture	5 – 20 years
Right to Use	depends on the life of the lease or subscription

Construction Work in Progress – Capitalizable costs incurred on projects which are not in service or ready for use are held in construction work in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are expensed.

Asset Impairment - The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows. There was no impairment existed in 2024 or 2023.

Capital Contributions – In accordance with GASB No. 33 *Accounting and Financial Reporting for Non-exchange Transactions*, capital grants and capital contributions are recorded as capital contributions.

Compensated Absences – The City has two different policies for compensated absences.

The vacation and sick leave policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. Employees in this policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value.

The personal time off (PTO) policy allows employees to earn PTO without distinction between vacation and sick leave. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%.

The accrued liability is computed using the applicable pay rates at year end for leave and associated salary-related payments when leave is earned. Short term compensated absences include sick leave balances more likely than not to be used as time off in future reporting periods, and 10% of vacation, PTO, and sick leave at pay-out based on historical information.

Deferred Outflows of Resources – Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of balances related to other post employment benefits other than pensions.

Deferred Inflows of Resources – Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of balances related to other post employment benefits other than pensions.

Operating Revenues – Service rates are authorized by the Tacoma City Council. Revenues are recognized as earned. Revenues are based on services rendered through the end of the year.

Non-Operating Revenues and Expenses – These are items that do not qualify as operating as defined above such as interest and gain (loss) on disposition of property.

Taxes – The City charges the Division a Gross Earnings Tax at the rate of 8.0%. In addition, the Division pays business and occupation tax to the State at the rate of 1.5% on service revenues. The Division is exempt from payment of federal income tax.

Net Position – The Statement of Net Position reports all financial and capital resources. The difference between assets and deferred outflows and liabilities and deferred inflows is net position. There are three components of net position: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets less accumulated depreciation reduced by the outstanding balances of any bonds, loans or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Net position components are restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. As of December 31, 2024, and 2023, there were no restricted components of Net Position.

Unrestricted net position components are those that are not “net investment in capital assets” or “restricted.”

SBITA – Subscription-based information technology arrangements are recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement defines a SBITA as a contract that conveys control of the right to use another party’s (the SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

A subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term. The Division uses various SBITA assets that it contracts through cloud computing arrangements such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the net present value of future subscription payments and is adjusted over time by payments and interest. Future subscription payments are discounted using the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread. Payments for future subscription may be fixed or variable, based on the terms of the agreement between the subscriber and the vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription. Subscription and capitalizable implementation cost payments made prior to the commencement of the subscription are classified as assets under construction until the subscription commences; after the subscription commences, the assets under construction are reclassified as an intangible right-to-use subscription asset.

Shared Services – The Division receives certain services from other departments and agencies of the City including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies.

Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported allowance for doubtful accounts, right to use subscription assets, accrued compensated absences, depreciation, Other Post-Employment Benefits (OPEB) liability, pension withdrawal liability, self-insurance liabilities, subscription liabilities and other contingencies. Actual results may differ from these estimates.

On the Job Injury Reserve – Liabilities for claims are initially recorded when the expected loss is both probable and reasonably estimated. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Liabilities recorded for unasserted on the job injury claims are based on information currently available. Estimates of liabilities for on the job injury claims are undiscounted.

Incurred but not Reported Claims – Liabilities for incurred but not reported claims are initially recorded when the expected loss is both probable and reasonably estimated in Self-Insurance Fund. Equity in the Self-Insurance Fund is transferred to the Division in accordance with GASB 10 and reported under Prepayments and Incurred but not Reported Claims on Statement of Net Position.

Significant Risks and Uncertainties – The Division is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, general economic conditions, fuel supply availability and rising fuel prices, weather and natural disaster-related disruptions, collective bargaining labor disputes, federal government regulations such as Federal Railroad Administration and Environmental Protection Agency or orders concerning the operation, maintenance and/or licensing of facilities, transportation of chemicals and other hazardous materials, acts of terrorism, war, or risk of war.

Reclassifications – Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

NOTE 3 RESTATEMENTS

The Division restated the December 31, 2023, financial statements for the adoption of GASB Statement No. 101 – *Compensated Absences*, which increased total liabilities and decreased net position in the amount of \$47,243. In addition, during 2024, the Division determined that gross earnings tax levied by the City, which was reported under Transfers, should have been reported as an operating expense. Therefore, transfers were overstated by \$3.2 million and operating expenses were understated in the same amount for the year ended December 31, 2023. The effects of correcting these errors are shown in column Restatement of the table below.

STATEMENT OF NET POSITION	DECEMBER 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
NET POSITION AND LIABILITIES			
NET POSITION			
Net Investment in Capital Assets	\$35,108,235	-	\$35,108,235
Unrestricted	4,045,560	(47,243)	3,998,317
TOTAL NET POSITION	39,153,795	(47,243)	39,106,552
CURRENT LIABILITIES			
Current Portion of Compensated Absences	154,767	55,839	210,606
LONG-TERM LIABILITIES			
Long-Term Portion of Compensated Absences	1,392,904	(8,596)	1,384,308
TOTAL LIABILITIES	\$19,504,244	\$47,243	\$19,551,487
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	YEAR ENDED DECEMBER 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
OPERATING EXPENSES			
Maintenance of Way and Structures	\$3,152,349	\$9,966	\$3,162,315
Mechanical	5,953,500	2,686	5,956,186
Operations	11,290,088	24,890	11,314,978
Administration	5,405,275	9,701	5,414,976
Taxes	664,931	3,176,460	3,841,391
Depreciation and Amortization	2,623,263	-	2,623,263
Total Operating Expenses	29,089,406	3,223,703	32,313,109
Net Operating Income	10,005,552	(3,223,703)	6,781,849
Transfers			
City of Tacoma Gross Earnings Tax	(3,176,460)	3,176,460	-
Total Transfers	(3,176,460)	3,176,460	-
CHANGE IN NET POSITION	8,054,116	(47,243)	8,006,873
TOTAL NET POSITION - END OF YEAR	\$39,153,795	(\$47,243)	\$39,106,552

STATEMENT OF CASH FLOWS	YEAR ENDED DECEMBER 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Taxes Paid	(615,168)	(3,176,460)	(3,791,628)
Net Cash From Operating Activities	8,232,233	(3,176,460)	5,055,773
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to Other Funds	(3,176,460)	3,176,460	-
Net Cash From Non-Capital Financing Activities	(3,176,460)	3,176,460	-
Net Change in Cash and Equity in Pooled Investments	1,280,308	-	1,280,308
Cash and Equity in Pooled Investments at January 1	11,312,463	11,312,463	11,312,463
Cash and Equity in Pooled Investments at December 31	\$12,592,771	\$11,312,463	\$12,592,771

	YEAR ENDED DECEMBER 31,		
	2023 (As Previously Reported)	Restatement	2023 (As Restated)
Reconciliation of Operating Income to Net Cash From Operating Activities:			
Operating Income	\$10,005,552	(\$3,223,703)	\$6,781,849
Cash provided from changes in operating assets and liabilities:			
Wages Payable and Compensated Absences	(36,630)	55,839	19,209
Long-Term Portion of Compensated Absences	55,232	(8,596)	46,636
Total Adjustments	(1,773,319)	47,243	(1,726,076)
Net Cash From Operating Activities	\$8,232,233	(\$3,176,460)	\$5,055,773

NOTE 4 INVESTMENTS MEASURED AT FAIR VALUE

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- **Level 1** – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- **Level 2** – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves/ and other corroborated inputs.
- **Level 3** – Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data.

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value section in the schedule below.

Data regarding the City's investments, valued and categorized according to the above outlined levels, is below:

Debt Securities	As of 12/31/2024	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Cash	\$ 5,671	\$ -	\$ -	\$ -	\$ -	\$ 5,671
Money Market Fund	3,153,160	-	-	-	3,153,160	-
U.S. Treasury Securities	808,114,725	-	808,114,725	-	-	-
U.S. Agency Securities	449,364,653	-	449,364,653	-	-	-
Supranational Securities	16,351,475	-	16,351,475	-	-	-
Municipal Bonds	41,275,075	-	41,275,075	-	-	-
Corporate Securities	108,469,338	-	108,469,338	-	-	-
	<u>\$ 1,426,734,097</u>	<u>\$ -</u>	<u>\$1,423,575,266</u>	<u>\$ -</u>	<u>\$ 3,153,160</u>	<u>\$ 5,671</u>

Debt Securities	As of 12/31/2023	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Money Market Fund	\$ 1,199,500	\$ -	\$ -	\$ -	\$ 1,199,500	\$ -
U.S. Treasury Securities	643,384,888	-	643,384,888	-	-	-
U.S. Agency Securities	673,735,766	-	673,735,766	-	-	-
Supranational Securities	32,104,066	-	32,104,066	-	-	-
Municipal Bonds	22,877,649	-	22,877,649	-	-	-
Corporate Securities	77,539,603	-	77,539,603	-	-	-
	<u>\$ 1,450,841,472</u>	<u>\$ -</u>	<u>\$1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,199,500</u>	<u>\$ -</u>

Tacoma Rail's share of the City Investments shown in the table above is 1.30% and 0.80% as of December 31, 2024 and 2023, respectively.

NOTE 5 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2024 and 2023 follows:

	Balance December 31, 2023	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2024
Road and Equipment Property					
Land	\$ 172,186	\$ -	\$ -	\$ -	\$ 172,186
Road Property Plant	39,403,943	-	(8,581,924)	2,137,401	32,959,420
Building	11,298,123	-	-	64,049	11,362,172
Machinery Equipment	16,032,973	-	(462,047)	327,704	15,898,630
Office and Fixtures	1,102,311	-	-	127,469	1,229,780
Total Road and Equipment Property	68,009,536	-	(9,043,971)	2,656,623	61,622,188
Right to Use Subscription Assets	56,601	-	(56,601)	-	-
Total Capital Assets In Service	68,066,137	-	(9,100,572)	2,656,623	61,622,188
Less					
Accumulated Depreciation	(31,015,263)	(2,942,004)	8,927,533	39,009	(24,990,725)
Accumulated Amortization	(28,301)	(18,867)	47,168	-	-
Total Accumulated Depreciation & Amortization	(31,043,564)	(2,960,871)	8,974,701	39,009	(24,990,725)
Total Capital Assets In Service, Net	37,022,573	(2,960,871)	(125,871)	2,695,632	36,631,463
Construction Work In Progress	1,777,783	2,881,176	-	(2,797,125)	1,861,834
Net Capital Assets	<u>\$ 38,800,356</u>	<u>\$ (79,695)</u>	<u>\$ (125,871)</u>	<u>\$ (101,493)</u>	<u>\$ 38,493,297</u>

	Balance December 31, 2022	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2023
Road and Equipment Property					
Land	\$ 172,186	\$ -	\$ -	\$ -	\$ 172,186
Road Property Plant	37,844,187	-	-	1,559,756	39,403,943
Building	5,031,027	-	-	6,267,096	11,298,123
Machinery Equipment	15,788,811	-	(89,517)	333,679	16,032,973
Office and Fixtures	1,062,561	-	-	39,750	1,102,311
Total Road and Equipment Property	59,898,772	-	(89,517)	8,200,281	68,009,536
Right to Use Subscription Assets	56,601	-	-	-	56,601
Total Capital Assets In Service	59,955,373	-	(89,517)	8,200,281	68,066,137
Less					
Accumulated Depreciation	(28,448,433)	(2,604,395)	37,565	-	(31,015,263)
Accumulated Amortization	(9,433)	(18,868)	-	-	(28,301)
Total Accumulated Depreciation & Amortization	(28,457,866)	(2,623,263)	37,565	-	(31,043,564)
Total Capital Assets In Service, Net	31,497,507	(2,623,263)	(51,952)	8,200,281	37,022,573
Construction Work In Progress	5,140,175	5,575,242	-	(8,937,634)	1,777,783
Net Capital Assets	<u>\$ 36,637,682</u>	<u>\$ 2,951,979</u>	<u>\$ (51,952)</u>	<u>\$ (737,353)</u>	<u>\$ 38,800,356</u>

NOTE 6 SUBSCRIPTION LIABILITY

The Division entered into a subscription agreement for three (3) years started on July 1, 2022 and terminated in December 2024. Principal and interest on subscription activity in the amount of \$19,260 was paid in 2024 compared to \$18,300 paid in 2023. There was no outstanding subscription liability as of December 31, 2024. As of December 31, 2023, current subscription liability was \$18,868 including interest accrual of \$56.

The City used the average incremental borrowing rate of 2.671% as of December 31, 2023 in calculation of net present value of subscription liability, as the interest rate is not stated in the agreement.

Subscription Liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Subscription Liability
Beginning balance, January 1, 2024	\$ (28,435)
Additions	(40)
Reductions	18,852
Change due to termination	9,623
Ending Balance, December 31, 2024	<u>\$ -</u>

	Subscription Liability
Beginning balance, January 1, 2023	\$ (45,911)
Additions	(56)
Reductions	17,532
Ending Balance, December 31, 2023	<u>\$ (28,435)</u>

NOTE 7 LONG-TERM DEBT

Long-Term debt activities for 2024 and 2023 were as follows:

	Balance December 31, 2023	Additions (*)	Reductions	Balance December 31, 2024	Due Within One Year
Department of					
Transportation State Loans	\$ 3,663,687	\$ 446,067	\$ (896,698)	\$ 3,213,056	\$ 855,811
Total Long-Term Debt	<u>\$ 3,663,687</u>	<u>\$ 446,067</u>	<u>\$ (896,698)</u>	<u>\$ 3,213,056</u>	<u>\$ 855,811</u>

	Balance December 31, 2022	Additions (*)	Reductions	Balance December 31, 2023	Due Within One Year
Department of					
Transportation State Loans	\$ 3,454,726	\$ 1,116,254	\$ (907,293)	\$ 3,663,687	\$ 896,633
Total Long-Term Debt	<u>\$ 3,454,726</u>	<u>\$ 1,116,254</u>	<u>\$ (907,293)</u>	<u>\$ 3,663,687</u>	<u>\$ 896,633</u>

(*) Included in the additions in 2024 and 2023 are \$5,933 and \$37,804 of loan fee accruals, respectively. These loan fee accruals are considered as Long-term Debt based on the debt payment schedules.

Tacoma Rail's long-term debt at December 31, 2024 and 2023 consists of the following payables:

Washington State Department of Transportation Loans (WSDOT)	2024	2023
2009 WSDOT loan for locomotive idling improvement, with 0% interest, due in yearly installments of \$1,759 from 2010 through 2024.	\$ -	\$ 1,759
2009 WSDOT loan for locomotive servicing facility upgrades, with 0% interest, due in yearly installments of \$16,630 from 2011 through 2025.	16,630	33,260
2013 WSDOT loan for Yard Tracks 8 & 9, with 0% interest, due in yearly installments of \$61,863 from 2015 through 2024.	-	61,863
2013 WSDOT loan for Port Pass West, with 0% interest, due in yearly installments of \$25,000 from 2015 through 2024.	-	25,000
2013 WSDOT loan for N. Intermodal Yard lead track, with 0% interest, due in yearly installments of \$36,639 from 2016 through 2025.	36,639	73,277
2013 WSDOT loan for East Loop 17th St., with 0% interest, due in yearly installments of \$77,307 from 2016 through 2025.	77,307	154,614
2013 WSDOT loan for Taylor Way Track Rehabilitation, with 0% interest, due in yearly installments of \$110,506 from 2016 through 2025.	110,506	221,012
2013 WSDOT loan for West Loop, with 0% interest, due in yearly installments of \$51,577 from 2016 through 2025.	51,577	103,154
2014 WSDOT loan for SR509 Track Improvements, with 0% interest, due in yearly installments of \$91,000 from 2016 through 2025.	91,001	182,002
2015 WSDOT loan for Edwards Crossover Rehabilitation, with 0% interest, due in yearly installments of \$12,112 from 2017 through 2026.	24,224	36,335
2015 WSDOT loan for East Lead Low Side Rebuild, with 0% interest, due in yearly installments of \$40,574 from 2017 through 2026.	81,149	121,724
2015 WSDOT loan for Transfer Yard Connection (Phase 3), with 0% interest, due in yearly installments of \$15,000 from 2017 through 2026.	30,007	45,005
2015 WSDOT loan for West Lead High Side Rebuild, with 0% interest, due in yearly installments of \$36,952 from 2017 through 2026.	73,933	110,880
2015 WSDOT loan for Taylor Wye Rehabilitation, with 0% interest, due in yearly installments of \$31,146 from 2017 through 2026.	62,291	93,437

Notes to Financial Statements (continued)

Junior Lien Debt continued	2024	2023
2019 WSDOT loan for Mazda Siding Rehabilitation, with 0% interest, due in yearly installments of \$23,305 from 2021 through 2030.	139,831	163,136
2019 WSDOT loan for Tote Yard Rehabilitation, with 0% interest, due in yearly installments of \$39,753 from 2021 through 2030.	238,520	278,274
2020 WSDOT loan for East Barn Facility Upgrade, with 0% interest, due in yearly installments of \$86,750 from 2022 through 2031.	607,202	693,953
2021 WSDOT loan for Lincoln Ave Track Upgrade, with 0% interest, due in yearly installments of \$31,792 from 2023 through 2032.	254,364	286,160
2021 WSDOT loan for Yard Track Upgrade 7 & 14-17, with 0% interest, due in yearly installments of \$46,368 from 2023 through 2032.	371,408	417,842
2021 WSDOT loan for Alexander Wye Rehabilitation, with 0% interest, due in yearly installments of \$60,600 from 2024 through 2033.	531,467	561,000
2024 WSDOT loan for Blair Switches Replacement, with 0% interest, due in yearly installments of \$40,800 from 2025 through 2034.	408,000	-
2024 WSDOT loan for Annie Tracks Switch Upgrade, with 0% interest, due in yearly installments of \$162,200 from 2025 through 2034.	7,000	-
Subtotal Junior Lien Debt	3,213,056	3,663,687
Less Current Portion of Debt	(855,811)	(896,633)
Long-term Portion of Junior Lien Debt	<u>\$ 2,357,245</u>	<u>\$ 2,767,054</u>

As of December 31, 2024, scheduled principal maturities on junior lien debts and interest payments are as follows:

	Principal	Interest
2025	\$ 855,811	\$ -
2026	463,722	-
2027	327,891	-
2028	327,891	-
2029	327,891	-
2030-2034	909,850	-
	<u>\$ 3,213,056</u>	<u>\$ -</u>

During 2024, Tacoma Rail obtained one new Washington State loan from the Department of Transportation for a new ballast tamper in the amount of \$650,000. Ballast tamper loan has zero interest and is due in yearly installments of \$65,000 from 2026 to 2035. No funds have been drawn on this new project in 2024.

NOTE 8 SIGNIFICANT CUSTOMERS

Tacoma Rail's predominate sources of revenue are Union Pacific (UP), Burlington Northern Santa Fe (BNSF) and U.S. Oil & Refining Co. Revenue from UP, BNSF, and U.S. Oil represented 33%, 47%, and 10% of total revenues, respectively, in 2024. Revenue in 2023 was 31%, 50% and 12%, respectively. Accounts receivable from UP, BNSF, and U.S. Oil in 2024 represented 22%, 38%, and 8% of total customer accounts receivable, whereas in 2023 it was 26%, 46%, and 15%, respectively.

NOTE 9 FLEET SERVICES FUND

The Department of Public Utilities Fleet Services Fund provides administration, repair and maintenance of the vehicles and related equipment for all divisions, and replacements for the service divisions.

Tacoma Rail pays Fleet Services Fund to cover fleet operating expenses related to administration, overhead, repair and maintenance of the division-owned vehicles and related equipment. The Division also pays Fleet Services Fund a usage fee on an as-needed basis for the use of pool cars. This fee contributes to the replacement of pool vehicles. Payments made by Tacoma Rail in 2024 and 2023 were \$399,645 and \$400,061, respectively.

Fleet Services' management conducts a biennial assessment of the maintenance and capital replacements needs for all division-owned vehicles and related equipment.

NOTE 10 SELF-INSURANCE FUND

The Department of Public Utilities maintains a self-insurance program and insurance policies. The Department has established a self-insurance fund to insure Tacoma Rail and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Rail are flooding, wind damage, chemical spills and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

Tacoma Rail is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Rail and administrative expenses of the Fund. Tacoma Rail's premium payments totaled \$240,000 in 2024 and 2023. As of December 31, 2024, assets in the Self-Insurance Fund total \$12.2 million which exceeds accrued and incurred but not reported (IBNR) liabilities of \$4.2 million. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB 10. Management believes Tacoma Rail's investment in the Self-Insurance Fund is more than adequate to settle all its known or estimated claims.

The City purchased a Fiduciary Liability coverage with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a \$5.0 million limit and a \$200,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.25 million per occurrence. Coverage also has a Cybersecurity policy with a limit of \$2.0 million and a deductible of \$250,000. An Excess Cyber policy is maintained with a limit of \$2.0 million in excess of the primary policy. The City also has an Aviation Liability – Unmanned Aircraft Liability coverage for drones with a limit of \$3.0 million. There is no deductible for this coverage.

Separate from General Government, the Department of Public Utilities maintains Property insurance and coverage, Wrongful Acts Liability coverage, and Excess General Liability insurance policies. The Property insurance policy has a deductible of \$250,000 per occurrence applies to the buildings and contents. For loss due to earthquake, a limit of \$10.0 million applies with a deductible of 5% of the value of the damaged property subject to a \$250,000 minimum. For loss due to flood, a limit of \$15.0 million applies for property in Flood Zones A & V, while a limit of \$50.0 million applies to property in all other Flood Zones. A \$250,000 deductible applies to loss due to flood. Coverage also provides a Wrongful Acts Liability coverage with a deductible of \$150,000 and a limit of \$2.35 million for each wrongful act and a \$2.35 million aggregate. Excess General Liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage. These policies have a limit of \$55.0 million each occurrence with a \$55.0 million aggregate in excess of a \$2.5 million retention.

Changes in the Division's estimated claims settlements liability under self-insurance fund for the past three years were as follows:

	2024	2023	2022
Balance 01/01	\$ 525,683	\$ 1,388,292	\$ 1,446,150
New Claims	52,957	200,056	5,064
Adjustments to Claims	685,019	(1,060,803)	(57,858)
Claims Payment	(1,006,587)	(1,861)	(5,065)
Balance 12/31	\$ 257,073	\$ 525,683	\$ 1,388,291

Tacoma Rail's share of the Self-Insurance Fund shown in the table above is 6.06%, 12.28%, and 48.33% as of December 31, 2024, 2023, and 2022, respectively.

NOTE 11 PENSION PLAN

Employees of Tacoma Rail are members of the United States Railroad Retirement System, in lieu of participating in Social Security and Tacoma Employees' Retirement System. The Railroad Retirement System is a payroll-based system. In 2024 and 2023, Tacoma Rail contributed \$2,559,964 and \$2,317,409 respectively, per structures set forth by the United States Railroad Retirement Board shown as follows:

	<u>EARNINGS BASE</u>	
	2024	2023
Employer Tier I	\$ 168,600	\$ 160,200
Employer Tier II	125,100	118,800
Employer Medicare	No Limit	No Limit

	<u>TAX RATE</u>	
	2024	2023
Employer Tier I	6.20%	6.20%
Employer Tier II	13.10%	13.10%
Employer Medicare	1.45%	1.45%

Information was unavailable to determine if an actuarial surplus exists for the City, but the entire Federal system has an actuarial surplus of \$2.0 billion as of December 31, 2022. There is currently no schedule to amortize the actuarial surplus and the system is currently functioning on a pay-as-you-go basis. Rates are determined based on actuarial valuations, which occur every three years. The City's obligation is to pay, in full, the payroll withholdings to the system.

NOTE 12 WESTERN METAL INDUSTRY PENSION FUND

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

The Plan fell into critical status following the 2009 Plan Year and was certified as “critical” in 2010. In an effort to improve the Plan’s funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan’s funded status. The Trustees have adopted the “free look” rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

Rail had 26 employees who participated in the plan, those employees who vested would be eligible for benefits based on their date of withdrawal.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 General Unit. Contained in this agreement was a call for cessation of the participation in the Plan. The contributions submitted for the December 31, 2019, payroll was the final contributions made on behalf of the employees in this unit. As of December 31, 2024 and 2023, there were no employees participating in the plan.

Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2024 and 2023. There were no contributions paid by the City in 2024 and 2023.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from the Plan. The actuaries for the Plan determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total, but the collective liability was recorded for 20-year limitation liability of \$17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as of December 31, 2021. The initial \$337,619 payment was due on or before January 1, 2022 which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments are due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028, for a total of \$4,276,732, the last payment amount will be \$81,982. There was no payment made in 2024 and \$1.7 million payment was made in 2023.

As of December 31, 2024 and 2023, the Division reported a liability of \$2,520,162 for its proportionate share of the City’s collective total withdrawal liability of \$14,824,481. The current portion of the withdrawal liability is \$229,581 as of December 31, 2024 and 2023. At December 31, 2024 and 2023, the Division’s proportion was 17.0%. There was no withdrawal expense for the year ended December 31, 2024 and 2023.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). On April 12, 2023, the City submitted a Demand and Notice of Initiation Arbitration to American Arbitration Association. On January 2, 2024, the City received the ruling on motions for summary judgement and award regarding the interest rate used to calculate the withdrawal liability from American Arbitration Association. On January 23, 2024, the City filed a complaint to enforce arbitration award to United States District Court Western District of Washington in Seattle. The outcome of the complaint is uncertain at the time of the report issuance and may affect the estimated liability amount.

NOTE 13 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description – The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma Human Resources Department. The membership as of January 1, 2024 for non-LEOFF 1 members includes 4,038 active participants, 639 vested terminated participants, 255 retirees and surviving spouses, and spouses of current retirees. The membership as of January 1, 2024 for LEOFF 1 members includes 1 active participant and 227 retirees.

This plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Actuarial Assumptions and Other Inputs – The valuation date is January 1, 2024 for both non-LEOFF 1 and LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is December 31, 2023. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2024 and 2023.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2024, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2024	
Census Date:	January 1, 2024	
Actuarial Cost Method:	Individual Entry Age Normal Cost Method	
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.	
Actuarial Assumptions:		
Discount Rate:	2.00% for pay-as-you-go funding	
Medical Cost Trend:	2024	6.90%
	2025	6.10%
	2026	5.40%
	2030	4.80%
	2040	4.20%
	2050	4.30%
	2060	4.30%
	2070	4.00%
	2080	3.90%

Note that the trend for year 2024 reflects the percent by which 2025 medical costs are expected to exceed 2024 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

Economic Assumptions -

Discount Rate (Liabilities):

3.25%

Demographic Assumptions:

Eligibility:

Disability – Five years of service are required for non-service connected disability.

Retirement – TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

Rail – Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 years of service.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At December 31, 2024 the Division reported a total liability of \$8,148,380 for its proportionate share of the collective total OPEB liability of \$181.7 million compared to \$8,762,117 at December 31, 2023. At December 31, 2024 the Division reported a current liability of \$196,205 compared to \$244,449 at December 31, 2023. At December 31, 2024, the participating Division's proportion was 4.48561% as compared to 4.56196% at December 31, 2023. For the year ended December 31, 2024, the participating Division recognized an OPEB credit of \$498,724 compared to an OPEB credit of \$446,333 in 2023.

Notes to Financial Statements (continued)

At December 31, 2024, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (678,526)	\$ 74,408	\$ (57,324)	\$ 97,206
Changes of assumptions	(1,190,456)	672,017	(1,601,961)	643,783
Changes in Employer Proportion	(899,869)	153,528	(1,212,216)	301,172
Differences in Contributions	(916,770)	-	(925,112)	-
Contributions Made Subsequent to the Measurement Date	-	56,975	-	140,772
Total	<u>\$ (3,685,621)</u>	<u>\$ 956,928</u>	<u>\$ (3,796,613)</u>	<u>\$ 1,182,933</u>

The Division reported \$56,975 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	\$ (543,097)
2026	(591,416)
2027	(590,647)
2028	(525,011)
2029	(400,365)
Thereafter	(135,132)
	<u>\$ (2,785,668)</u>

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

As of December 31, 2024, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.25%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.25%, or one percentage point higher, 4.25%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2024	2.25%	3.25%	4.25%
Net OPEB liability	\$ 9,049,703	\$ 8,148,380	\$ 7,376,307

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.75%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.75%, or one percentage point higher, 4.75%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	2.75%	3.75%	4.75%
Net OPEB liability	\$ 9,720,522	\$ 8,762,117	\$ 7,941,023

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of December 31, 2024 and 2023, the following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2024	5.90%	6.90%	7.90%
Net OPEB liability	\$ 7,332,548	\$ 8,148,380	\$ 9,099,531
	1% Decrease	Current Trend Rates	1% Increase
As of December 31, 2023	5.50%	6.50%	7.50%
Net OPEB liability	\$ 7,819,595	\$ 8,762,117	\$ 9,866,258

NOTE 14 COMMITMENTS AND CONTINGENCIES

General Legal Matters – Tacoma Rail is involved in various litigations in the normal course of business. In the opinion of management, the ultimate outcome of these claims will not have a material effect on Tacoma Rail's financial position beyond amounts already accrued as of December 31, 2024.

Tacoma Rail Operation of City of Tacoma, Department of Public Works ("Public Works"), Mountain Division - Public Works owns approximately 33 miles of track, called Mountain Division. Tacoma Rail remains committed to supporting the Public Works Department by continuing to provide minimal maintenance on the retained right-of-way segments with the City limits.

Required Supplementary Information

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	4.49%	4.56%	4.64%	4.87%	5.27%	4.87%	5.52%	5.28%
Employer's proportion share of collective OPEB liability	\$8,148,380	\$8,762,117	\$10,547,150	\$11,164,478	\$10,987,505	\$9,947,627	\$12,179,967	\$11,048,417
Employer's covered-employee payroll**	\$11,795,213	\$11,438,060	\$11,320,512	\$11,723,243	\$11,607,990	\$11,191,578	\$10,999,962	\$11,033,203
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	69.08%	76.60%	93.17%	95.23%	94.65%	88.88%	110.73%	100.14%

* The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2024

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

Statistical Data (Unaudited)

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Ten-Year Financial Review

	2024	2023 (As Restated)	2022	2021
STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS				
Railway Plant - Net	\$38,493,297	\$38,800,356	\$36,637,682	\$33,137,528
Other Property and Special Funds	-	-	-	-
Current and Accrued Assets	29,992,100	22,471,363	18,801,457	22,812,776
Deferred Outflows	956,928	1,182,933	1,659,142	2,053,980
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>69,442,325</u>	<u>62,454,652</u>	<u>57,098,281</u>	<u>58,004,284</u>
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	2,357,245	2,767,054	2,577,327	2,486,723
Current and Accrued Liabilities	4,618,616	3,521,449	4,417,456	3,465,564
Long-Term Liabilities	12,663,413	13,262,984	16,069,697	17,387,120
Total Liabilities	19,639,274	19,551,487	23,064,480	23,339,407
Deferred Inflows	3,685,621	3,796,613	2,934,122	2,817,432
NET POSITION	<u>46,117,430</u>	<u>39,106,552</u>	<u>31,099,679</u>	<u>31,847,445</u>
TOTAL LIABILITIES AND NET POSITION AND DEFERRED INFLOWS	<u>\$69,442,325</u>	<u>\$62,454,652</u>	<u>\$57,098,281</u>	<u>\$58,004,284</u>
STATEMENTS OF INCOME				
OPERATING REVENUES				
Switching Revenues	\$38,602,135	\$34,826,695	\$26,509,822	\$27,225,671
Other Operating Revenues	5,708,975	4,268,263	5,621,336	6,862,697
Total Operating Revenues	44,311,110	39,094,958	32,131,158	34,088,368
OPERATING EXPENSES				
Operation and Maintenance	30,946,617	25,848,455	27,166,441	29,071,103
Taxes ^(*)	4,361,698	3,841,391	3,131,923	3,305,959
Depreciation and Amortization	2,960,871	2,623,263	2,623,387	2,269,298
Total Operating Expenses	38,269,186	32,313,109	32,921,751	34,646,360
NET OPERATING INCOME (LOSS)	6,041,924	6,781,849	(790,593)	(557,992)
NON-OPERATING REVENUES (EXPENSE)				
Net Other Income	354,443	708,040	244,053	1,599,162
Interest and Investments Income (Loss)	614,511	516,984	(201,226)	(97,905)
Interest on Unfunded Debt	-	-	-	-
Total Non-Operating Revenues	968,954	1,225,024	42,827	1,501,257
TRANSFERS				
Transfers from/ (to) Other Funds ^(*)	-	-	-	2,818
CHANGE IN NET POSITION	<u>\$7,010,878</u>	<u>\$8,006,873</u>	<u>(\$747,766)</u>	<u>\$946,083</u>

^(*) Gross Earnings Tax is reclassified from Transfers from/ (to) to Operating Expenses on the Income Statement.

2020	2019	2018	2017	2016	2015
\$30,811,566	\$27,166,350	\$26,113,399	\$26,705,711	\$28,216,744	\$24,748,388
-	-	-	-	64,974	64,861
23,713,995	22,857,298	18,693,794	13,964,325	13,960,977	14,843,745
1,598,608	738,535	993,546	114,073	-	-
<u>56,124,169</u>	<u>50,762,183</u>	<u>45,800,739</u>	<u>40,784,109</u>	<u>42,242,695</u>	<u>39,656,994</u>
3,096,059	3,582,991	4,403,234	5,223,477	5,397,028	5,556,302
4,061,047	4,056,634	3,421,462	2,240,256	3,793,795	3,443,589
15,635,186	14,654,928	16,872,528	14,461,464	4,017,974	3,615,442
22,792,292	22,294,553	24,697,224	21,925,197	13,208,797	12,615,333
2,430,515	2,366,485	289,802	-	-	-
<u>30,901,362</u>	<u>26,101,145</u>	<u>20,813,713</u>	<u>18,858,912</u>	<u>29,033,898</u>	<u>27,041,661</u>
<u>\$56,124,169</u>	<u>\$50,762,183</u>	<u>\$45,800,739</u>	<u>\$40,784,109</u>	<u>\$42,242,695</u>	<u>\$39,656,994</u>
\$26,831,756	\$29,891,207	\$27,933,469	\$26,648,873	\$27,417,653	\$25,690,797
6,676,326	6,920,393	5,231,761	4,068,008	3,409,347	3,474,443
33,508,082	36,811,600	33,165,230	30,716,881	30,827,000	29,165,240
27,611,982	27,475,800	27,582,675	36,761,179	26,696,068	24,168,168
3,289,446	3,549,339	3,216,668	2,981,040	3,030,654	2,827,151
1,784,227	1,840,439	1,737,714	1,644,373	1,472,955	1,220,882
32,685,655	32,865,578	32,537,057	41,386,592	31,199,677	28,216,201
822,427	3,946,022	628,173	(10,669,711)	(372,677)	949,039
2,139,765	1,112,903	1,174,556	426,311	2,287,330	1,878,109
368,330	426,085	152,072	68,420	86,126	51,379
-	-	-	(6)	(8,542)	(21,678)
2,508,095	1,538,988	1,326,628	494,725	2,364,914	1,907,810
<u>1,469,695</u>	<u>(197,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,378)</u>
<u>\$4,800,217</u>	<u>\$5,287,432</u>	<u>\$1,954,801</u>	<u>(\$10,174,986)</u>	<u>\$1,992,237</u>	<u>\$2,811,471</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Ten-Year Switching Statistics

	2024	2023	2022	2021
SWITCHING REVENUES				
Line Hauls	\$35,795,959	\$32,914,577	\$24,719,441	\$24,784,022
Local and Miscellaneous	<u>2,806,176</u>	<u>1,912,118</u>	<u>1,790,381</u>	<u>2,441,649</u>
TOTAL SWITCHING REVENUES	<u>\$38,602,135</u>	<u>\$34,826,695</u>	<u>\$26,509,822</u>	<u>\$27,225,671</u>
NUMBER OF SWITCHES				
Line Hauls ^(*)	287,784	257,153	176,855	90,406
Local and Miscellaneous	<u>5,972</u>	<u>7,648</u>	<u>7,031</u>	<u>6,623</u>
TOTAL NUMBER OF SWITCHES	<u>293,756</u>	<u>264,801</u>	<u>183,886</u>	<u>97,029</u>
SWITCHING STATISTICS (AVERAGE)				
Revenue/Line Hauls	\$124.38	\$128.00	\$139.77	\$274.14
Revenue/Local & Miscellaneous	\$469.89	\$250.02	\$254.64	\$368.66

^(*) In 2024, the Division changed the switching metric from cars to platforms.
The switching activities in 2022 and 2023 were updated to platforms for comparative purpose.
The switching activities from 2015 to 2021 were measured in cars.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$25,126,836	\$28,035,621	\$25,713,116	\$23,704,622	\$25,683,614	\$24,334,649
<u>1,704,920</u>	<u>1,855,586</u>	<u>2,220,353</u>	<u>2,944,251</u>	<u>1,734,039</u>	<u>1,356,148</u>
<u><u>\$26,831,756</u></u>	<u><u>\$29,891,207</u></u>	<u><u>\$27,933,469</u></u>	<u><u>\$26,648,873</u></u>	<u><u>\$27,417,653</u></u>	<u><u>\$25,690,797</u></u>
86,999	103,201	95,678	89,748	107,059	99,277
<u>8,965</u>	<u>10,835</u>	<u>13,041</u>	<u>17,382</u>	<u>3,863</u>	<u>2,896</u>
<u><u>95,964</u></u>	<u><u>114,036</u></u>	<u><u>108,719</u></u>	<u><u>107,130</u></u>	<u><u>110,922</u></u>	<u><u>102,173</u></u>
\$288.82	\$271.66	\$268.75	\$264.12	\$239.90	\$245.12
\$190.18	\$171.26	\$170.26	\$169.39	\$448.88	\$468.28

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Comparison of Switching Revenues and Switching Activities

	December 2024	December 2023	YEAR TO DATE	
			December 31, 2024	December 31, 2023
SWITCHING REVENUES				
LINE HAULS--INTERMODAL	\$1,289,625	\$1,042,067	\$13,906,458	\$12,051,228
LINE HAULS--COMMERCIAL	1,756,979	1,936,002	21,398,428	20,436,183
LINE HAULS--CAPITAL DIVISION	64,700	19,527	491,073	427,166
MISCELLANEOUS SWITCHES	<u>171,193</u>	<u>148,585</u>	<u>2,806,176</u>	<u>1,912,118</u>
TOTAL SWITCHING REVENUES	<u><u>\$3,282,497</u></u>	<u><u>\$3,146,181</u></u>	<u><u>\$38,602,135</u></u>	<u><u>\$34,826,695</u></u>
 SWITCHING ACTIVITIES				
LINE HAULS--INTERMODAL	20,532	15,270	221,627	191,843
LINE HAULS--COMMERCIAL	5,420	5,858	65,398	64,629
LINE HAULS--CAPITAL DIVISION	100	31	759	681
MISCELLANEOUS SWITCHES	<u>458</u>	<u>538</u>	<u>5,972</u>	<u>7,648</u>
TOTAL LINE HAULS SWITCHED	<u><u>26,510</u></u>	<u><u>21,697</u></u>	<u><u>293,756</u></u>	<u><u>264,801</u></u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Funds Available for Debt Service

	2024	2023 (As Restated)	2022	2021	2020
Total Income	\$ 45,258,041	\$ 40,052,668	\$ 31,983,822	\$ 34,448,692	\$ 34,859,947
OPERATING EXPENSES	38,269,186	32,313,109	30,322,584	31,877,166	29,912,012
ADD: DEPRECIATION EXPENSE	2,942,004	2,604,395	2,613,954	2,269,298	1,784,227
ADD: SUBSCRIPTION AMORT	18,867	18,868	9,433	-	-
ADD: GET	3,615,314	3,176,460			
Less: Operating Expenses ^(*)	<u>31,693,001</u>	<u>26,513,386</u>	<u>27,699,197</u>	<u>29,607,868</u>	<u>28,127,785</u>
Income Available for Debt Service	<u>\$ 13,565,040</u>	<u>\$ 13,539,282</u>	<u>\$ 4,284,625</u>	<u>\$ 4,840,824</u>	<u>\$ 6,732,162</u>
Bond Redemption	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Interest	-	-	-	-	-
Debt Service Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Time Debt Service Covered	-	-	-	-	-

^(*) Operating Expenses do not include Depreciation and Amortization and Gross earning tax expenses.

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Taxes and Employee Welfare Contributions
For the Year 2024

FEDERAL

Railroad Retirement	\$2,559,964	
Railroad Unemployment Insurance	<u>16,781</u>	
Total		2,576,745

STATE OF WASHINGTON

Retail Sales & Use Tax	504,724	
Utility and Business Occupation Tax	<u>746,384</u>	
Total		1,251,108

CITY OF TACOMA

Gross Earnings Tax		<u>3,615,314</u>
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TOTAL TAXES		<u><u>\$7,443,167</u></u>
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Taxes as a % of Total Operating Revenues of \$44,311,110	16.80%
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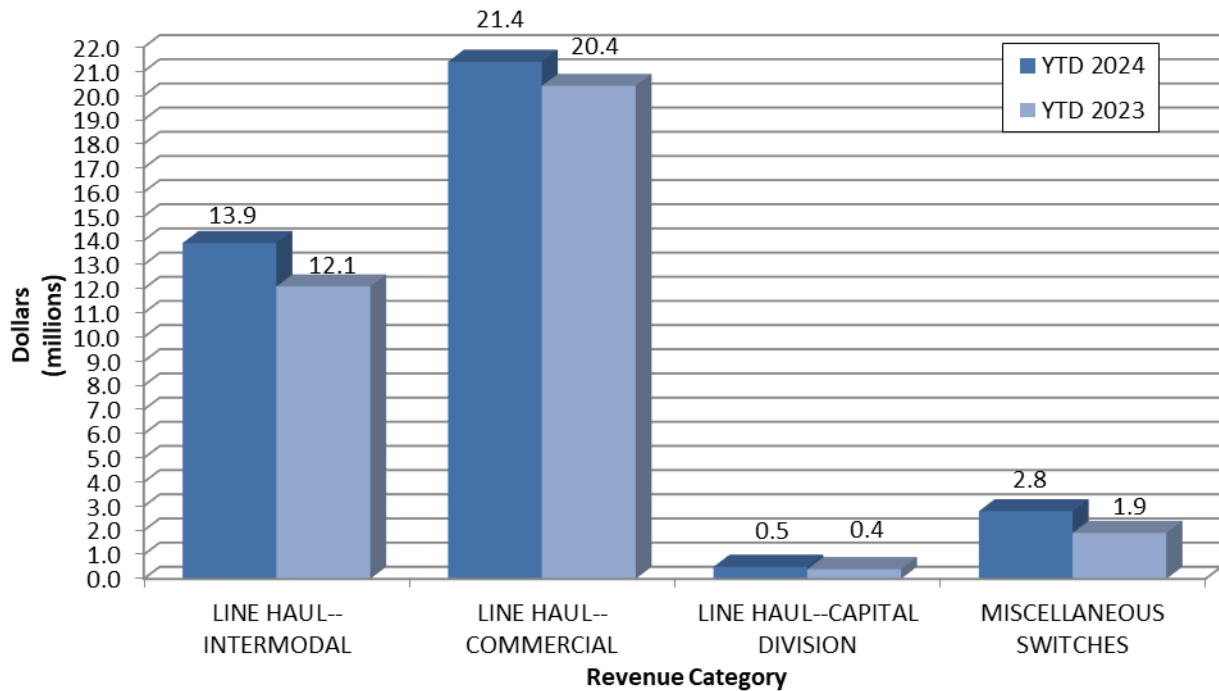
EMPLOYEE WELFARE CONTRIBUTIONS

Pierce County Medical Bureau	\$2,357,233	
Washington Dental Service	181,005	
Other Contributions	<u>368,844</u>	
TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		<u><u>\$2,907,082</u></u>

Graphs

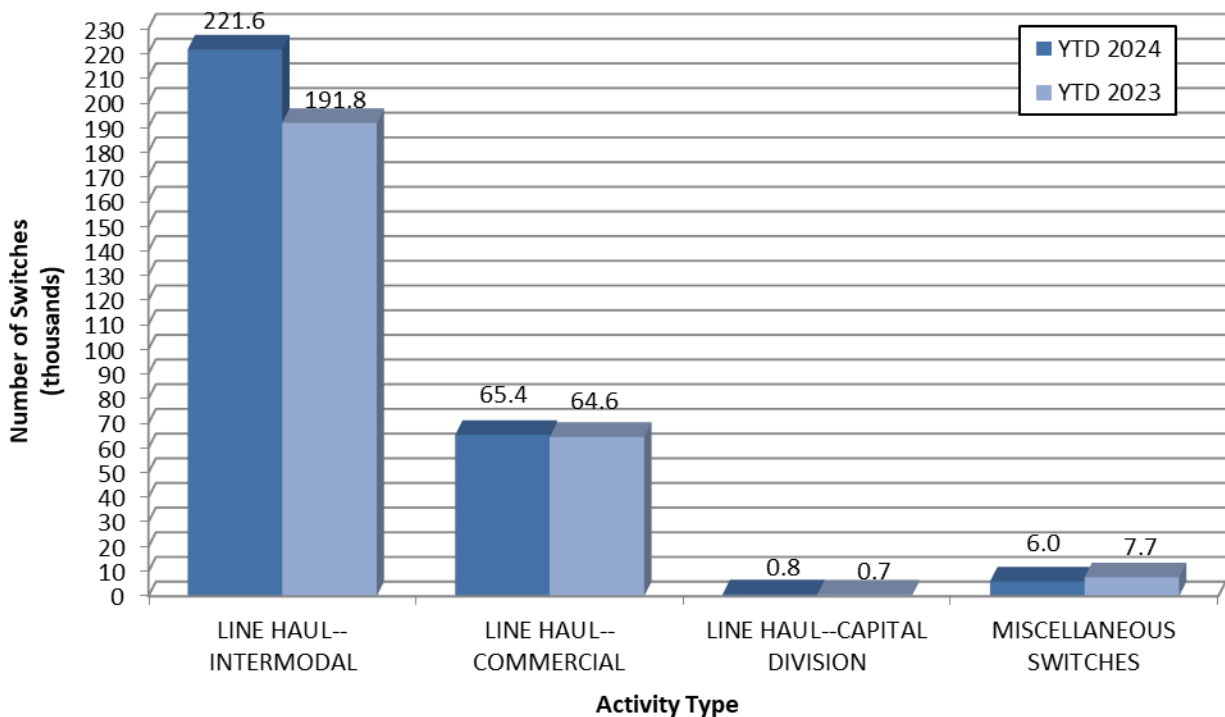
SWITCHING REVENUES

Year to Date - December 2024 & 2023



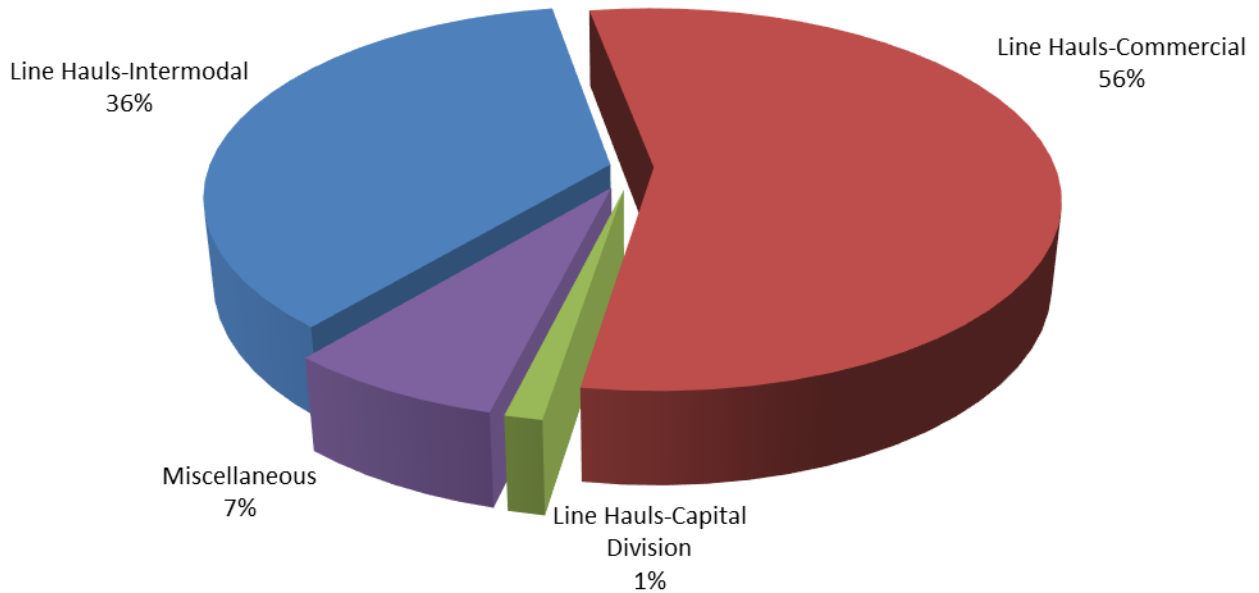
SWITCHING ACTIVITIES (*)

Year to Date - December 2024 & 2023

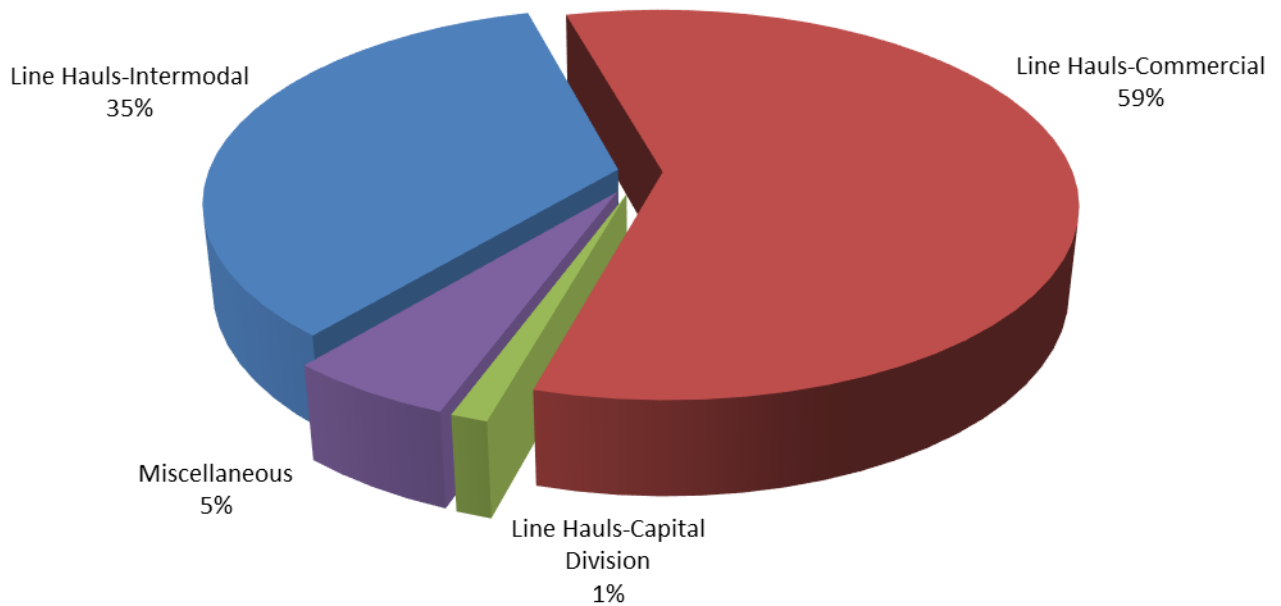


(*) In 2024, the Division changed the switching metric from cars to platforms. The switching activities in 2023 were updated to platforms for comparative purpose.

SWITCHING REVENUES
Year to Date - December 2024 (\$38,602,135)

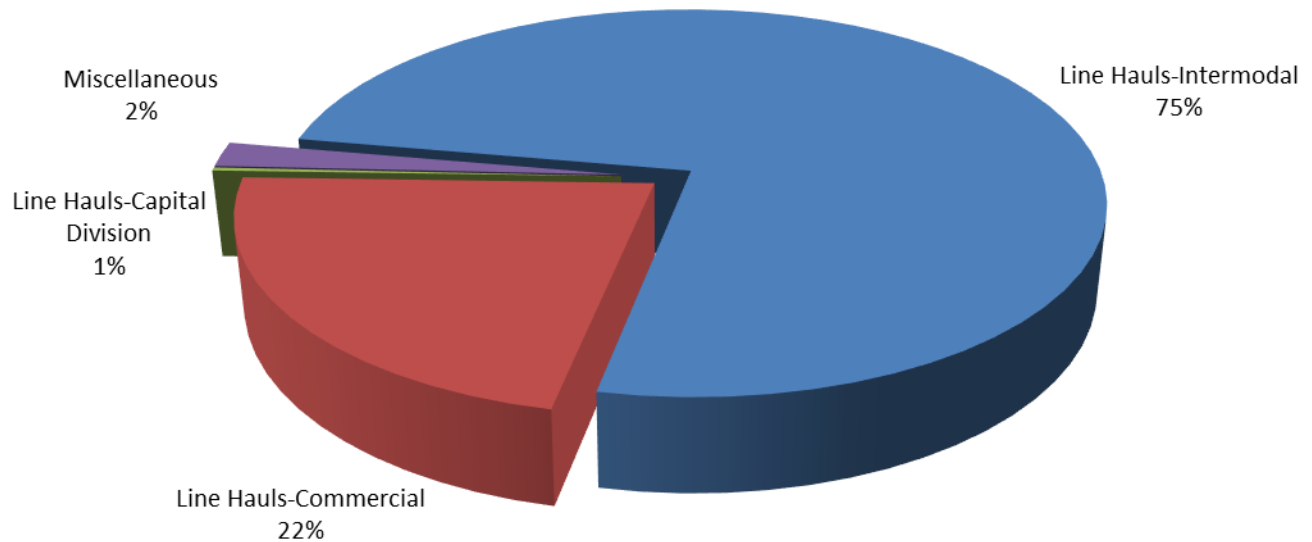


SWITCHING REVENUES
Year to Date - December 2023 (\$34,826,695)



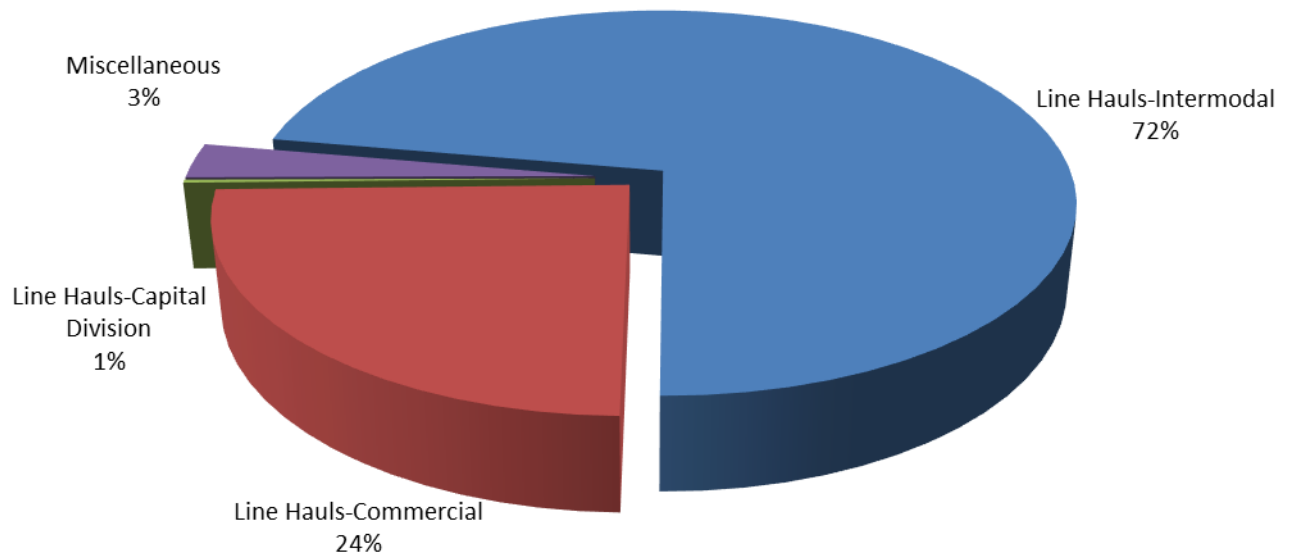
SWITCHING ACTIVITY

Year to Date - December 2024 (293,756 line hauls)



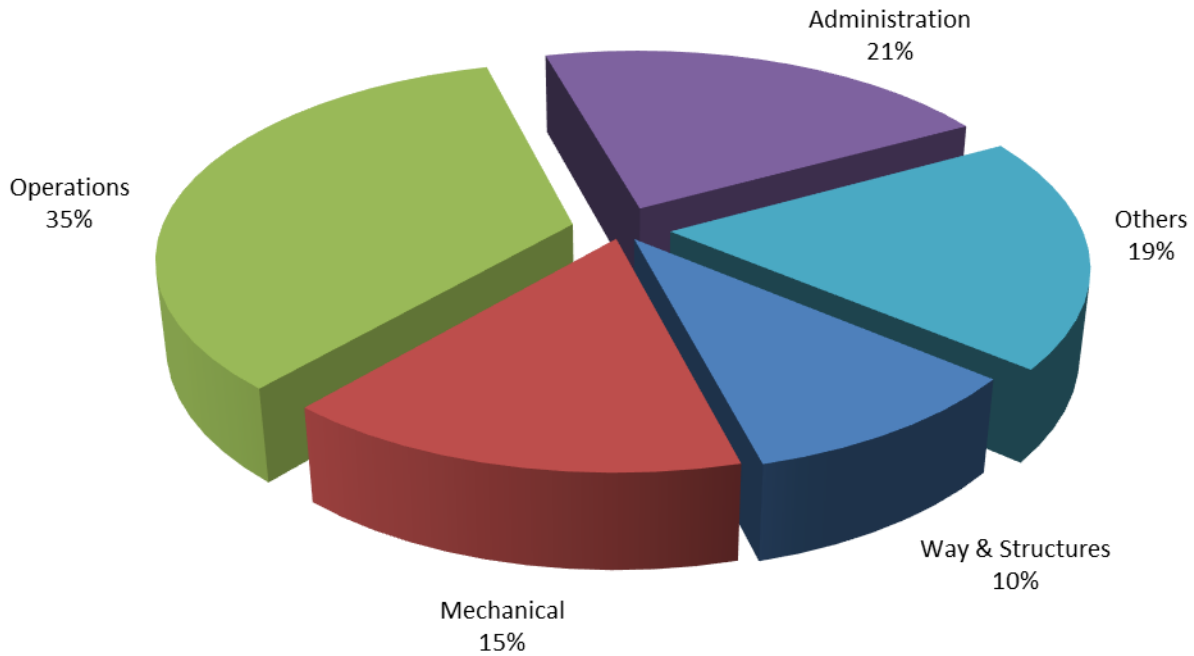
SWITCHING ACTIVITY (*)

Year to Date - December 2023 (264,801 line hauls)

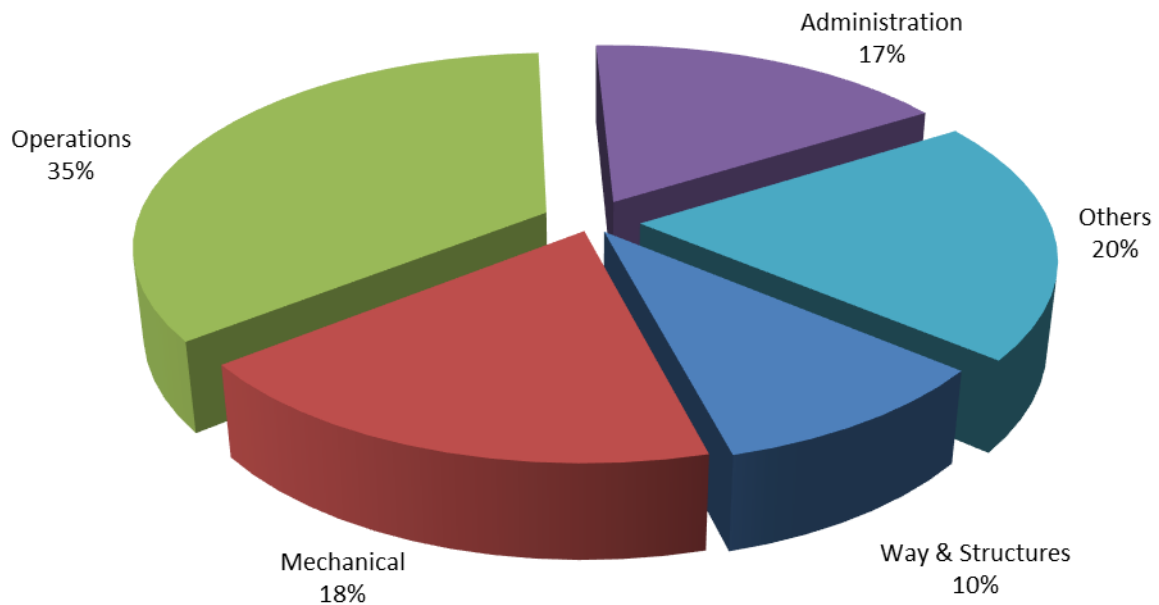


(*) In 2024, the Division changed the switching metric from cars to platforms. The switching activities in 2023 were updated to platforms for comparative purpose.

TOTAL OPERATING EXPENSES
Year to Date - December 2024 (\$38,269,186)



TOTAL OPERATING EXPENSES
Year to Date - December 2023 (\$32,313,109)





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.