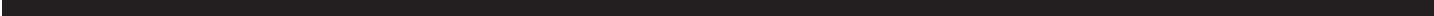

MARCH

TACOMA WATER

2021

**INTERIM
FINANCIAL
REPORT**



Public Utility Board

BRYAN FLINT

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MARK PATTERSON

Vice-Chair

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Member

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Director of Utilities

SCOTT DEWHIRST

Water Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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

Tacoma Water

Table of Contents

Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

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

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Management Discussion and Analysis

Overview of the Financial Statements

Summary

As of March 2021, Tacoma Water is reporting year-to-date operating income of \$996,000 compared to \$1.7 million in 2020. Operating revenues increased \$1.2 million or 5.6% and operating expenses increased by \$1.9 million or 9.5%. The year-to-date change in net position for 2021 was (\$2.9) million; for 2020 it was (\$906,000).

Revenues

Water sales revenues increased by \$1.5 million or 8.4% as of the first quarter of 2021 compared to the same period in 2020. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of March 2021.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 199,082	\$ 1,323,412	\$ 1,522,494
Commercial and Industrial	515,369	(572,739)	(57,370)
Special Rate	75,361	(62,887)	12,474
Other	14,912	49,154	64,066
Total	\$ 804,724	\$ 736,940	\$ 1,541,664

Consumption as of March 2021 was 3,799 million gallons compared to 3,617 million gallons for the same period in 2020. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 2,725 million gallons. The following table summarizes water consumption by customer class year-to-date.

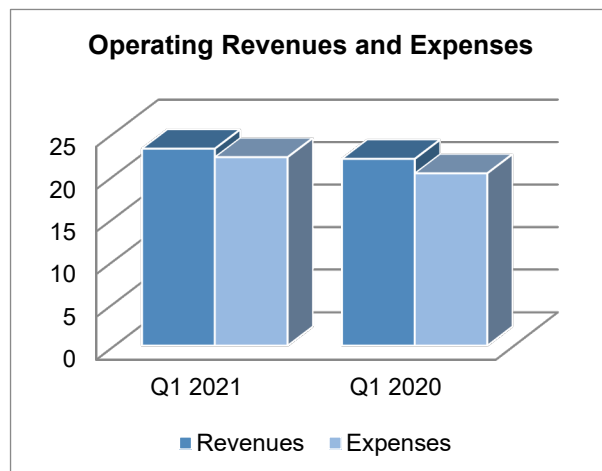
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2021	2020		
Residential and Domestic	1,654.71	1,424.26	230.45	16%
Commercial and Industrial	575.41	610.60	(35.19)	(6%)
Special Rate	1,409.34	1,444.05	(34.71)	(2%)
Other	159.36	137.80	21.56	16%
Total	3,798.82	3,616.71	182.11	5%

Expenses

Operating expenses were \$22.1 million for the first three months of 2021, an increase of \$1.9 million or 9.5% compared to 2020.

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

Personnel expenses increased \$490,000 primarily due to an increase in full time employee counts and cost of living adjustments. Depreciation increased \$604,000 primarily due to the transfer of fleet division assets to Water in 2020. Bad Debt expense increased \$368,000 due to an increase in aging accounts receivable.



Non Operating Revenues

Interest income decreased \$2.4 million primarily due to the reversal of the 2020 GASB 31 Gain/Loss entry.

Miscellaneous revenue increased \$1.6 million primarily due to the sale of land to the Puyallup School District.

Request for Information

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

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

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Statements of Net Position (Unaudited)
 March 31, 2021 and March 31, 2020

	March 31,	
	2021	2020
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,185,918,550	\$1,146,434,670
Less Depreciation and Amortization	(320,854,377)	(287,748,767)
Total	865,064,173	858,685,903
Construction Work in Progress	30,902,790	15,991,499
Net Utility Plant	895,966,963	874,677,402
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2013 Construction Fund	547,349	8,530,591
Regional Water Supply System Operating Fund	739,799	861,710
Provision for Debt Payment	9,481,429	11,474,591
Customer Water Main Deposits	3,564,704	3,454,073
Water Supply Forum Fund	622,918	615,928
Special Bond Reserves	21,690,080	22,116,769
Water Customer Contribution Fund	2,412,705	825,328
Water Capital Reserves	42,740,988	41,048,821
Water System Development Charge	76,680,871	73,795,616
Total Restricted Assets	158,480,843	162,723,427
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	64,615,595	68,546,967
Grant Loan Fund	500,315	-
Customers' Deposits	135,412	315,770
Receivables:		
Customers	7,001,088	4,246,599
Accrued Unbilled Revenues	5,922,259	5,818,438
Others	709,774	1,286,100
BABs Interest Subsidies	3,018,202	1,204,720
Provision for Uncollectible Accounts	(2,146,327)	(515,338)
Materials and Supplies	3,057,026	2,697,498
Prepayments	2,156,898	1,932,752
Total Current Assets	84,970,242	85,533,506
TOTAL ASSETS	1,139,911,011	1,123,427,298
OTHER ASSETS		
Regulatory Assets - Surcharges	3,647,331	2,046,268
Net Pension Asset	1,636,678	-
Total Other Assets	5,284,009	2,046,268
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	754,883	942,128
Deferred Outflows for Pensions	4,855,703	12,149,265
Deferred Outflows for OPEB	597,712	471,177
Total Deferred Outflows	6,208,298	13,562,570
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,151,403,318	\$1,139,036,136

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

	March 31,	
	<u>2021</u>	<u>2020</u>
NET POSITION		
Net Investment in Capital Assets	\$483,900,533	\$454,523,266
Restricted for:		
Water Capital Reserves	39,068,612	36,418,434
Water System Development Charge	41,105,424	38,220,169
Debt Service Funds	3,277,586	4,950,797
Pension Asset	1,636,678	-
Unrestricted	<u>64,196,622</u>	<u>67,797,865</u>
TOTAL NET POSITION	633,185,455	601,910,531
LIABILITIES		
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	-	13,530,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	7,560,000	9,230,000
2010 RWSS Revenue Bonds, Series A	1,030,000	1,345,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	54,030,000	55,920,000
2020 Water Revenue Bonds Refunding	<u>8,667,758</u>	<u>-</u>
Total Outstanding Revenue Bonds	341,652,758	350,390,000
Plus: Unamortized Bond Premium	<u>7,521,689</u>	<u>8,787,666</u>
Net Outstanding Revenue Bonds	349,174,447	359,177,666
PWTF Pre-Construction Loans	160,088	320,261
PWTF Construction Loans	11,760,836	14,297,433
State Drinking Water Loans	<u>52,919,062</u>	<u>57,150,308</u>
Total Long-Term Debt	414,014,433	430,945,668
CURRENT LIABILITIES		
Salaries and Wages Payable	1,441,843	1,178,094
Purchases and Contracts Payable	1,689,335	1,222,377
Interest Expense Accrued	6,203,843	6,523,794
Taxes Accrued	1,847,211	1,500,854
Customers' and Contractors' Deposits	178,077	352,860
Current Portion of Long-Term Debt	15,457,074	15,046,423
Other Current Liabilities	4,393,721	4,307,575
Current Accrued Compensated Absences	<u>300,025</u>	<u>237,357</u>
Total Current Liabilities	31,511,129	30,369,334
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,080,198	6,244,496
Customer Advances for Construction	9,852,633	7,999,146
Unearned Revenue	7,141,725	7,172,917
Other Long-Term Liabilities	1,077,257	1,132,176
Pension Liability	-	10,264,957
OPEB Liability	3,675,963	3,565,886
Long-Term Accrued Compensated Absences	<u>2,700,222</u>	<u>2,136,217</u>
Total Long-Term Liabilities	30,527,998	38,515,795
TOTAL LIABILITIES	476,053,560	499,830,797
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	6,237,055	1,348,807
Deferred Inflows for OPEB	<u>351,801</u>	<u>370,554</u>
Total Deferred Inflows	42,164,303	37,294,808
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$1,151,403,318</u>	<u>\$1,139,036,136</u>

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City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)
March 31, 2021 and March 31, 2020

	MARCH 2021	MARCH 2020	YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
			MARCH 31 2021	MARCH 31 2020		
OPERATING REVENUES						
Sales of Water	\$6,966,541	\$5,378,829	\$19,883,947	\$18,342,283	\$1,541,664	8.4%
Other Operating Revenues	533,458	536,722	1,916,589	2,037,810	(121,221)	-5.9%
Contract Resource Obligation Revenue	563,408	450,926	1,284,516	1,485,351	(200,835)	-13.5%
Total Operating Revenues	8,063,407	6,366,477	23,085,052	21,865,444	1,219,608	5.6%
OPERATING EXPENSES						
Production Expense:						
Source of Supply	253,458	369,953	893,521	1,221,425	(327,904)	-26.8%
Water Treatment	986,257	788,462	2,492,584	2,106,019	386,565	18.4%
Total Production Expense	1,239,715	1,158,415	3,386,105	3,327,444	58,661	1.8%
Power Pumping Expense	60,206	56,414	151,375	196,792	(45,417)	-23.1%
Transmission and Storage Expense	303,588	133,012	789,522	409,243	380,279	92.9%
Distribution Expense	1,515,713	1,196,087	3,967,610	3,924,732	42,878	1.1%
Customer Accounting and Consumer Service	526,355	497,742	1,400,259	1,359,872	40,387	3.0%
Taxes	511,758	446,921	1,153,415	1,111,173	42,242	3.8%
Depreciation	2,329,792	2,143,370	7,027,812	6,423,979	603,833	9.4%
Administrative and General	1,480,225	1,002,991	4,212,618	3,410,135	802,483	23.5%
Total Operating Expenses	7,967,352	6,634,952	22,088,716	20,163,370	1,925,346	9.5%
OPERATING INCOME (LOSS)	96,055	(268,475)	996,336	1,702,074	(705,738)	-41.5%
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	182,415	348,047	(2,700,162)	(251,213)	(2,448,949)	-974.8%
Miscellaneous	2,218,055	(1,176)	2,055,415	485,029	1,570,386	323.8%
Interest on Long-Term Debt	(1,262,767)	(1,338,156)	(3,789,345)	(4,014,472)	225,127	5.6%
Interest on Long-Term Debt BABs Sub	(247,703)	(247,703)	(743,109)	(743,109)	-	0.0%
Amortization Of Debt Premium	82,181	92,464	246,542	277,391	(30,849)	-11.1%
Total Non-Operating Revenues (Expenses)	972,181	(1,146,524)	(4,930,659)	(4,246,374)	(684,285)	-16.1%
Net Income (Loss) Before Capital						
Contributions and Transfers	1,068,236	(1,414,999)	(3,934,323)	(2,544,300)	(1,390,023)	-54.6%
Capital Contributions:						
Cash	621,278	685,455	1,681,212	1,369,307	311,905	22.8%
Donated Fixed Assets	278,368	326,251	278,368	972,944	(694,576)	-71.4%
Federal BABs Subsidies	301,820	301,180	905,461	903,540	1,921	0.2%
Transfers:						
City Gross Earnings Tax	(764,870)	(458,314)	(1,807,302)	(1,607,522)	(199,780)	-12.4%
Transfer from (to) Other Funds	(3,399)	-	(3,399)	-	(3,399)	NA
CHANGE IN NET POSITION	\$1,501,433	(\$560,427)	(2,879,983)	(906,031)	(1,973,952)	-217.9%
NET POSITION - JANUARY 1			636,065,438	602,816,562	33,248,876	
TOTAL NET POSITION - MARCH 31			\$633,185,455	\$601,910,531	\$31,274,924	5.2%

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

Department of Public Utilities
Tacoma Water
Summary of Revenues and Billings (Unaudited)
March 31, 2021 and March 31, 2020

	MARCH 2021	MARCH 2020	YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
			MARCH 31, 2021	MARCH 31, 2020		
SALES OF WATER						
Residential and Domestic	\$4,806,165	\$3,405,757	\$13,609,474	\$12,086,978	\$1,522,496	12.6%
Commercial and Industrial	1,453,950	1,275,360	4,030,879	4,088,250	(57,371)	-1.4%
Special Rate	545,474	570,087	1,758,672	1,746,198	12,474	0.7%
Wholesale	<u>160,952</u>	<u>127,625</u>	<u>484,922</u>	<u>420,857</u>	<u>64,065</u>	15.2%
Total	<u>\$6,966,541</u>	<u>\$5,378,829</u>	<u>\$19,883,947</u>	<u>\$18,342,283</u>	<u>\$1,541,664</u>	8.4%
BILLINGS (NUMBER OF MONTHS BILLED)						
Residential and Domestic	106,367	75,052	298,493	272,172	26,321	9.7%
Commercial and Industrial	7,816	6,292	21,435	19,784	1,651	8.3%
Wholesale	<u>20</u>	<u>19</u>	<u>67</u>	<u>53</u>	<u>14</u>	26.4%
Total	<u>114,203</u>	<u>81,363</u>	<u>319,995</u>	<u>292,009</u>	<u>27,986</u>	9.6%

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Summary of Water Billed (Unaudited)
 March 31, 2021 and March 31, 2020

	MILLION GALLONS, TOTAL				MILLION GALLONS, AVERAGE DAILY	
	MARCH 2021	MARCH 2020	YEAR TO DATE		MARCH 2021	MARCH 2020
			MARCH 31, 2021	MARCH 31, 2020		
WATER BILLED						
Residential and Domestic	551.27	391.00	1,654.71	1,424.26	17.78	12.61
Commercial and Industrial	188.23	190.72	575.41	610.60	6.07	6.15
Special Rate	469.83	465.18	1,409.34	1,444.05	15.16	15.01
Wholesale	50.82	39.72	159.36	137.80	1.64	1.28
	<u>1,260.15</u>	<u>1,086.62</u>	<u>3,798.82</u>	<u>3,616.71</u>	<u>40.65</u>	<u>35.05</u>

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

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Cash Flows (Unaudited)
March 31, 2021 and March 31, 2020

	YEAR ENDED MARCH 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$27,611,230	\$26,717,445
Cash Paid to Suppliers	(8,397,358)	(5,176,508)
Cash Paid to Employees	(7,241,752)	(6,729,262)
Taxes Paid	(1,074,286)	(1,285,350)
NET CASH FROM OPERATING ACTIVITIES	10,897,834	13,526,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Other Funds	(3,399)	-
Transfer Out for Gross Earnings Tax	(1,807,302)	(1,607,522)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,810,701)	(1,607,522)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(5,857,100)	(5,468,756)
Principal Payments on Muckleshoot LT Liability	(168,406)	(172,616)
Interest Paid	(2,952)	(4)
Contributions in Aid of Construction (Cash)	1,681,212	1,369,307
System Development Charges & Other LT Liabilities	297,015	387,057
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(4,050,231)	(3,885,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	(2,700,162)	(251,213)
Other Net Non-Op Revenues and Expenses	2,055,415	485,029
NET CASH FROM INVESTING ACTIVITIES	(644,747)	233,816
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	4,392,155	8,267,607
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	219,340,010	223,318,557
CASH AND EQUITY IN POOLED INVESTMENTS AT MARCH 31	\$223,732,165	\$231,586,164

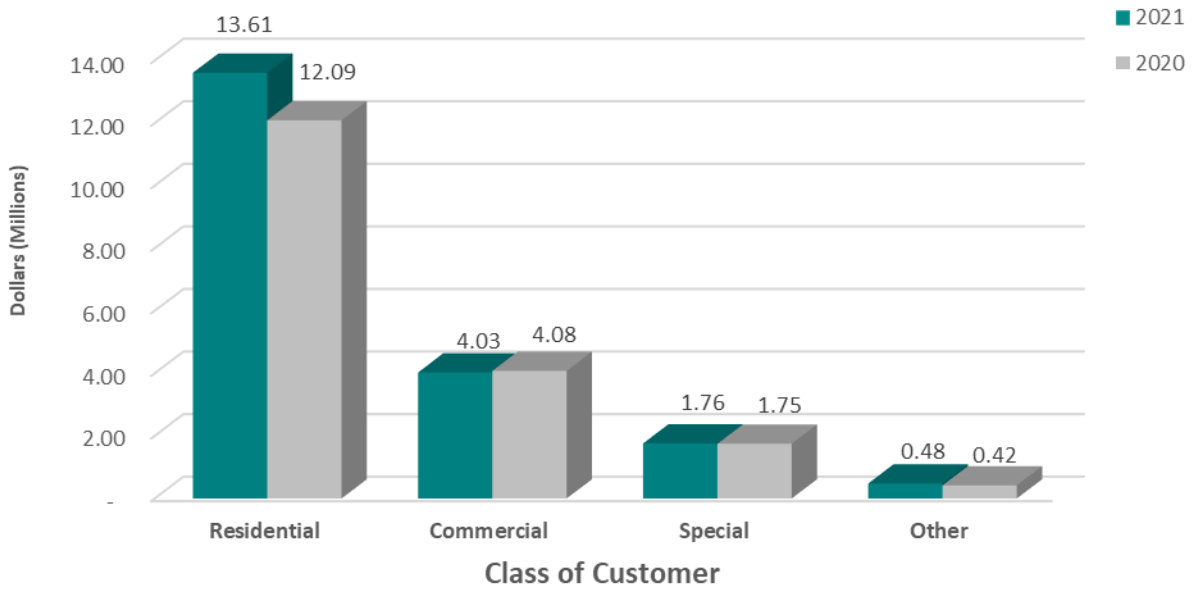
The accompanying notes are an integral part of these financial statements

	YEAR ENDED MARCH 31,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$996,336	\$1,702,074
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	7,027,812	6,423,979
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	206,950	531,387
Regulatory Asset-Surcharges	(3,465)	12,284
Materials and Supplies	(282,796)	83,431
Prepayments	230,854	244,793
Unearned Revenues	4,393,721	4,307,571
Accrued Taxes	79,129	(174,177)
Salaries, Wages and Fringe Benefits Payable	475,355	505,591
Customers' Deposits	(71,028)	759
Accrued Expenses and Contracts Payable	(2,155,034)	(111,367)
Total Adjustments	9,901,498	11,824,251
NET CASH FROM OPERATING ACTIVITIES	<u>\$10,897,834</u>	<u>\$13,526,325</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$158,480,843	\$162,723,427
Cash and Equity in Pooled Investments in Operating Funds	<u>\$65,251,322</u>	<u>\$68,862,737</u>
Cash and Equity in Pooled Investments at March 31	<u>\$223,732,165</u>	<u>\$231,586,164</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$278,368	\$972,944

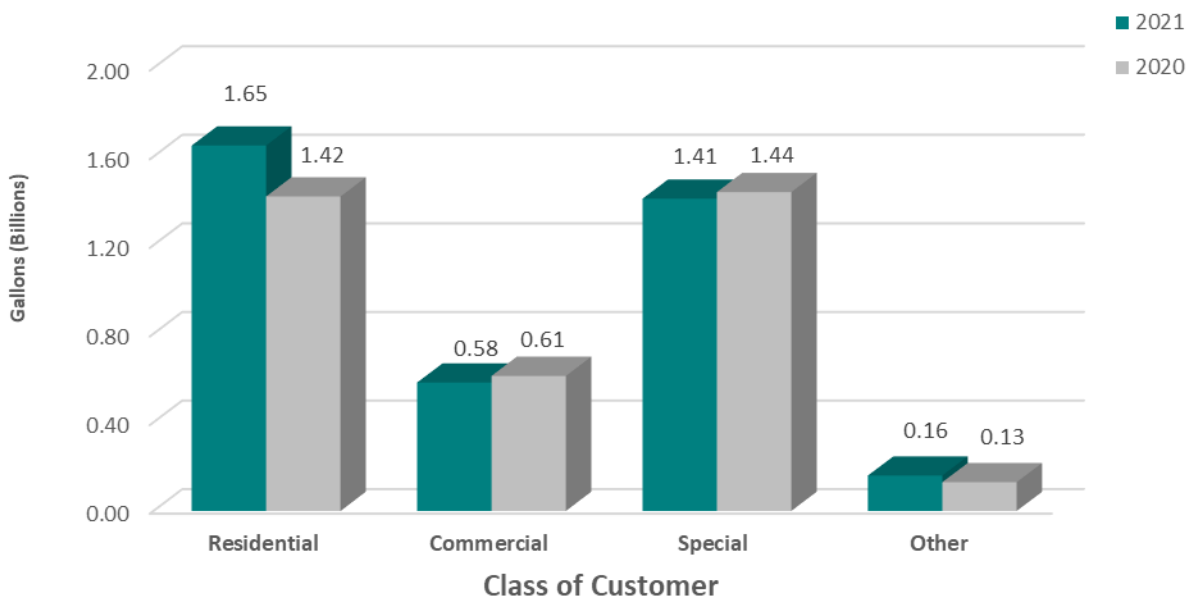
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Supplemental Data

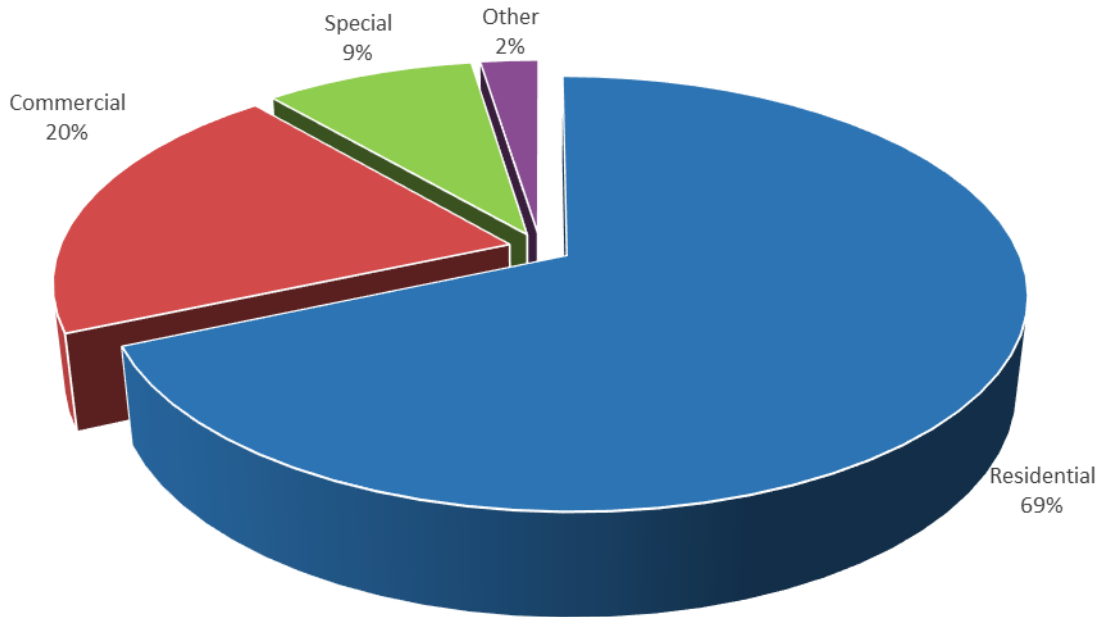
WATER SALES Year to Date - March 2021 & 2020



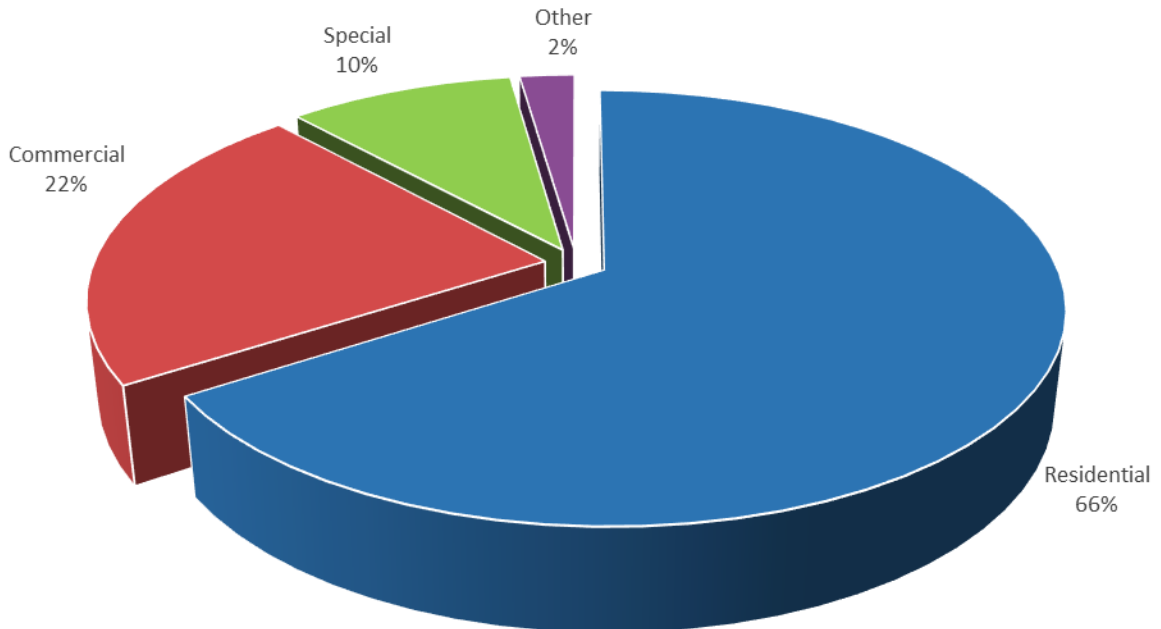
WATER CONSUMPTION Year to Date - March 2021 & 2020



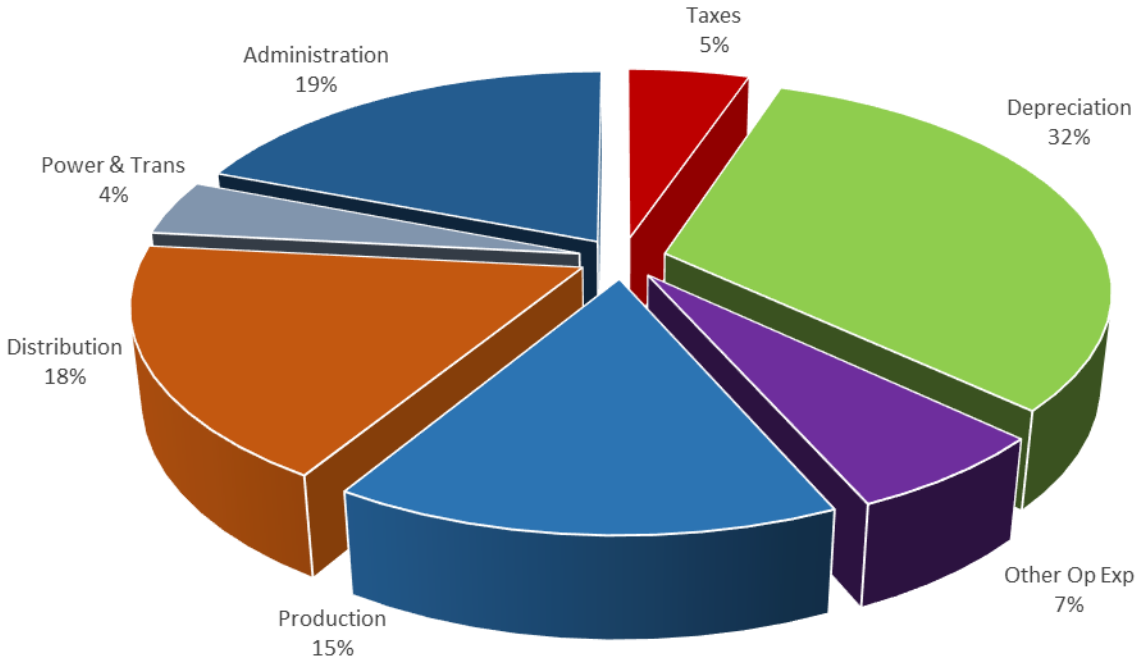
WATER SALES
Year to Date - March 2021
(\$19,883,947)



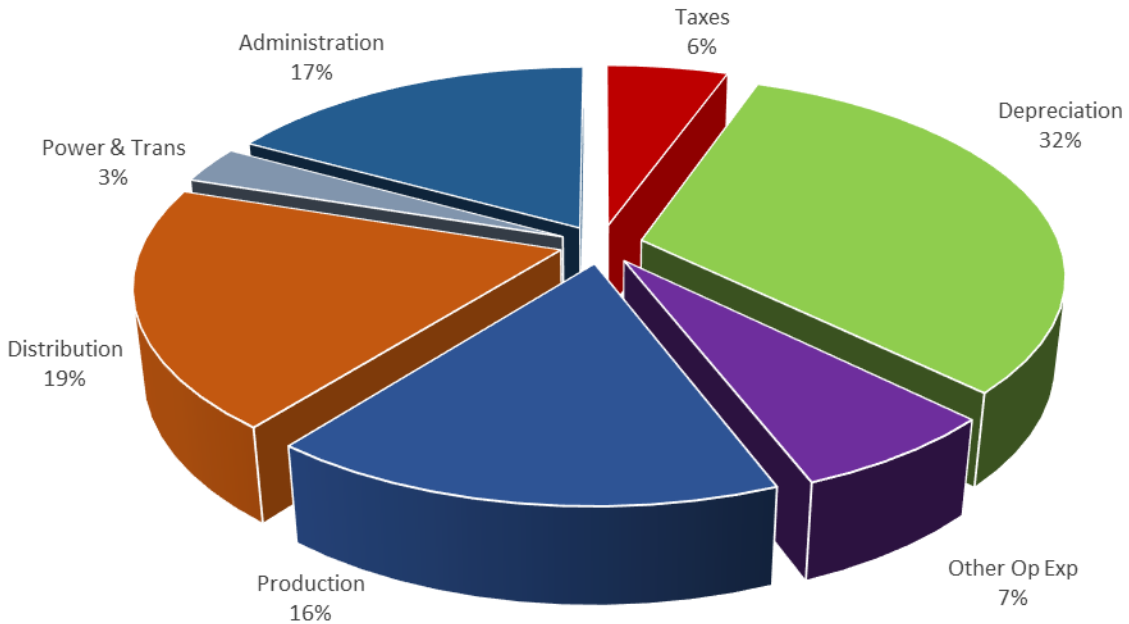
WATER SALES
Year to Date - March 2020
(\$18,342,283)



TOTAL OPERATING EXPENSES
Year to Date - March 2021
(\$22,088,716)



TOTAL OPERATING EXPENSES
Year to Date - March 2020
(\$20,163,370)



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The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.