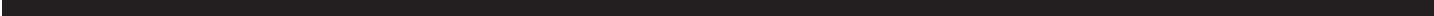

MARCH

TACOMA WATER

2022

**INTERIM
FINANCIAL
REPORT**



Public Utility Board

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CARLOS M. WATSON

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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 2022, Tacoma Water is reporting year-to-date operating income of \$2.6 million compared to \$1.0 million in 2021. Operating revenues increased \$2.0 million or 8.7% and operating expenses increased by \$414,000 or 1.9%. The year-to-date change in net position for 2022 was an increase of \$22,000; for 2021 it was a decrease of \$2.9 million.

Revenues

Water sales revenues increased by \$1.7 million or 8.4% as of the first quarter of 2022 compared to the same period in 2021. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of March 2022.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 919,467	\$ 190,893	\$ 1,110,360
Commercial and Industrial	235,179	216,623	451,802
Special Rate	-	45,171	45,171
Other	(2,452)	73,286	70,834
Total	\$ 1,152,194	\$ 525,973	\$ 1,678,167

Consumption as of March 2022 was 3,907 million gallons compared to 3,799 million gallons for the same period in 2021. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 2,776 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2022	2021		
Residential and Domestic	1,677.58	1,654.71	22.87	1%
Commercial and Industrial	606.64	575.41	31.23	5%
Special Rate	1,439.61	1,409.34	30.27	2%
Other	183.42	159.36	24.06	15%
Total	3,907.25	3,798.82	108.43	3%

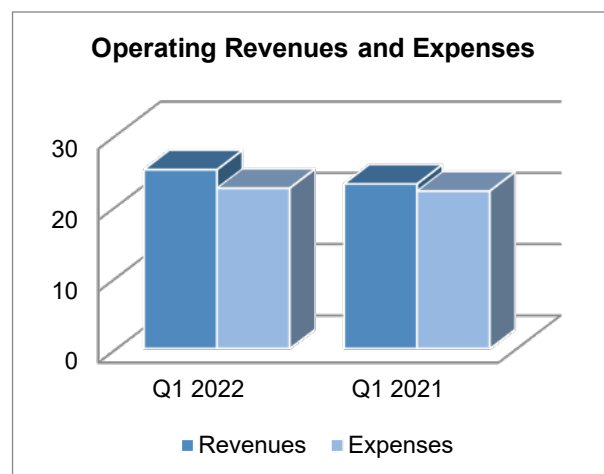
Expenses

Operating expenses were \$22.5 million as of the first quarter of 2022, an increase of \$414,000 or 1.9% compared to 2021.

Personnel expenses increased \$403,000 primarily due to ten additional positions filled, step increases, and cost of living adjustments for the first quarter of 2022.

Taxes went up by \$202,000 for the first quarter of 2022 due to UP utility tax of 3% that was effective April 2021.

Bad debt expense went down by \$290,000 compared to the first quarter of 2021.



Non Operating Revenues

Interest income increased \$2.9 million due to GASB 31 Investment Market Value reversal entry that was significantly higher by \$3.1 million and offset by investment earnings being lower by \$177,000 compared to 2021.

Miscellaneous revenue decreased \$1.9 million primarily due to the \$2.0 million sale of land to the Puyallup School District in 2021.

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, 2022 and March 31, 2021

	MARCH 31,	
	2022	2021
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,224,639,272	\$1,185,918,550
Less Depreciation and Amortization	(340,167,579)	(320,854,377)
Total	884,471,693	865,064,173
Construction Work in Progress	27,834,143	30,902,790
Net Utility Plant	912,305,836	895,966,963
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2013 Construction Fund	-	547,349
Regional Water Supply System Operating Fund	285,110	739,799
Provision for Debt Payment	10,690,584	9,481,429
Customer Water Main Deposits	3,608,559	3,564,704
Water Supply Forum Fund	626,854	622,918
Special Bond Reserves	21,692,562	21,690,080
Water Customer Contribution Fund	2,548,309	2,412,705
Water Capital Reserves	29,188,428	42,740,988
Water System Development Charge	79,227,535	76,680,871
Total Restricted Assets	147,867,941	158,480,843
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	63,885,273	64,615,595
Grant Loan Fund	499,137	500,315
Customers' Deposits	118,638	135,412
Receivables:		
Customers	9,387,844	7,001,088
Accrued Unbilled Revenues	6,407,783	5,922,259
Others	988,948	709,774
BABs Interest Subsidies	1,207,281	3,018,202
Provision for Uncollectible Accounts	(3,829,455)	(2,146,327)
Materials and Supplies	3,514,802	3,057,026
Prepayments	2,584,500	2,156,898
Total Current Assets	84,764,751	84,970,242
TOTAL ASSETS	1,145,431,491	1,139,911,011
OTHER ASSETS		
Regulatory Assets - Surcharges	3,398,663	3,647,331
Net Pension Asset	-	1,636,678
Total Other Assets	3,398,663	5,284,009
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	567,638	754,883
Deferred Outflows for Pensions	8,570,873	4,855,703
Deferred Outflows for OPEB	1,484,797	597,712
Total Deferred Outflows	10,623,308	6,208,298
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,159,453,462	\$1,151,403,318

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>2022</u>	<u>2021</u>
NET POSITION		
Net Investment in Capital Assets	\$516,105,347	\$483,900,533
Restricted for:		
Water Capital Reserves	25,995,058	39,068,612
Water System Development Charge	43,652,088	41,105,424
Debt Service Funds	4,611,624	3,277,586
Pension Asset	-	1,636,678
Unrestricted	<u>62,252,677</u>	<u>64,196,622</u>
TOTAL NET POSITION	652,616,794	633,185,455
LIABILITIES		
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	5,805,000	7,560,000
2010 RWSS Revenue Bonds, Series A	700,000	1,030,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	52,045,000	54,030,000
2020 Water Revenue Bonds Refunding	<u>4,119,343</u>	<u>8,667,758</u>
Total Outstanding Revenue Bonds	333,034,343	341,652,758
Plus: Unamortized Bond Premium	<u>6,380,711</u>	<u>7,521,689</u>
Net Outstanding Revenue Bonds	339,415,054	349,174,447
PWTF Pre-Construction Loans	106,725	160,088
PWTF Construction Loans	9,757,572	11,760,836
State Drinking Water Loans	<u>48,848,868</u>	<u>52,919,062</u>
Total Long-Term Debt	398,128,219	414,014,433
CURRENT LIABILITIES		
Salaries and Wages Payable	1,576,715	1,441,843
Purchases and Contracts Payable	3,080,256	1,689,335
Interest Expense Accrued	6,078,960	6,203,843
Taxes Accrued	1,855,596	1,847,211
Customers' and Contractors' Deposits	194,267	178,077
Current Portion of Long-Term Debt	14,905,527	15,457,074
Other Current Liabilities	4,481,599	4,393,721
Current Accrued Compensated Absences	<u>326,953</u>	<u>300,025</u>
Total Current Liabilities	32,499,873	31,511,129
LONG-TERM LIABILITIES		
Muckleshoot Agreements	5,919,906	6,080,198
Customer Advances for Construction	12,053,903	9,852,633
Unearned Revenue	5,557,475	7,141,725
Other Long-Term Liabilities	1,379,474	1,077,257
Pension Liability	6,337,863	-
OPEB Liability	4,780,773	3,675,963
Long-Term Accrued Compensated Absences	<u>2,942,578</u>	<u>2,700,222</u>
Total Long-Term Liabilities	38,971,972	30,527,998
TOTAL LIABILITIES	469,600,064	476,053,560
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	1,356,280	6,237,055
Deferred Inflows for OPEB	<u>304,877</u>	<u>351,801</u>
Total Deferred Inflows	37,236,604	42,164,303
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$1,159,453,462</u>	<u>\$1,151,403,318</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, 2022 and March 31, 2021

	MARCH 2022	MARCH 2021	YEAR TO DATE		2022 OVER (UNDER) 2021	PERCENT CHANGE
			MARCH 31 2022	MARCH 31 2021		
OPERATING REVENUES						
Sales of Water	\$7,181,349	\$6,966,541	\$21,562,114	\$19,883,947	\$1,678,167	8.4%
Other Operating Revenues	815,618	533,458	2,038,421	1,916,589	121,832	6.4%
Contract Resource Obligation Revenue	579,607	563,408	1,487,070	1,284,516	202,554	15.8%
Total Operating Revenues	8,576,574	8,063,407	25,087,605	23,085,052	2,002,553	8.7%
OPERATING EXPENSES						
Production Expense:						
Source of Supply	288,666	253,458	775,082	893,521	(118,439)	-13.3%
Water Treatment	974,778	986,257	2,566,067	2,492,584	73,483	2.9%
Total Production Expense	1,263,444	1,239,715	3,341,149	3,386,105	(44,956)	-1.3%
Power Pumping Expense	32,493	60,206	114,623	151,375	(36,752)	-24.3%
Transmission and Storage Expense	311,044	303,588	925,304	789,522	135,782	17.2%
Distribution Expense	1,462,400	1,515,713	4,128,531	3,967,610	160,921	4.1%
Customer Accounting and Consumer Service	538,826	526,355	1,393,704	1,400,259	(6,555)	-0.5%
Taxes	610,113	511,758	1,355,630	1,153,415	202,215	17.5%
Depreciation	2,384,278	2,329,792	7,083,193	7,027,812	55,381	0.8%
Administrative and General	1,266,863	1,480,225	4,160,406	4,212,618	(52,212)	-1.2%
Total Operating Expenses	7,869,461	7,967,352	22,502,540	22,088,716	413,824	1.9%
OPERATING INCOME (LOSS)	707,113	96,055	2,585,065	996,336	1,588,729	159.5%
NON-OPERATING REVENUES (EXPENSES)						
Investment Income (Loss)	148,333	182,415	207,945	(2,700,162)	2,908,107	107.7%
Miscellaneous	24,876	2,218,055	146,480	2,055,415	(1,908,935)	-92.9%
Interest on Long-Term Debt	(1,234,877)	(1,262,767)	(3,704,631)	(3,789,345)	84,714	2.2%
Interest on Long-Term Debt BABs Sub	(247,703)	(247,703)	(743,109)	(743,109)	-	0.0%
Amortization Of Debt Premium	71,368	82,181	214,103	246,542	(32,439)	-13.2%
Total Non-Operating Revenues (Expenses)	(1,238,003)	972,181	(3,879,212)	(4,930,659)	1,051,447	21.3%
Net Income (Loss) Before Capital Contributions and Transfers						
Contributions and Transfers	(530,890)	1,068,236	(1,294,147)	(3,934,323)	2,640,176	67.1%
Capital Contributions:						
Cash	639,457	621,278	1,683,885	1,681,212	2,673	0.2%
Donated Fixed Assets	380,656	278,368	380,656	278,368	102,288	36.7%
Federal BABs Subsidies	301,820	301,820	905,461	905,461	-	0.0%
Capital Grant	158,374	-	158,374	-	158,374	NA
Transfers:						
City Gross Earnings Tax	(625,647)	(764,870)	(1,812,546)	(1,807,302)	(5,244)	-0.3%
Transfer from (to) Other Funds	-	(3,399)	-	(3,399)	3,399	NA
CHANGE IN NET POSITION	\$323,770	\$1,501,433	21,683	(2,879,983)	2,901,666	100.8%
NET POSITION - JANUARY 1			652,595,111	636,065,438	16,529,673	
TOTAL NET POSITION - MARCH 31			\$652,616,794	\$633,185,455	\$19,431,339	3.1%

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

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Summary of Revenues and Billings (Unaudited)
 March 31, 2022 and March 31, 2021

	MARCH 2022	MARCH 2021	YEAR TO DATE		2022 OVER (UNDER) 2021	PERCENT CHANGE
			MARCH 31 2022	MARCH 31 2021		
SALES OF WATER						
Residential and Domestic	\$4,927,583	\$4,806,165	\$14,719,834	\$13,609,474	\$1,110,360	8.2%
Commercial and Industrial	1,526,371	1,453,950	4,482,682	4,030,879	451,803	11.2%
Special Rate	569,332	545,474	1,803,842	1,758,672	45,170	2.6%
Wholesale	158,063	160,952	555,756	484,922	70,834	14.6%
Total	<u>\$7,181,349</u>	<u>\$6,966,541</u>	<u>\$21,562,114</u>	<u>\$19,883,947</u>	<u>\$1,678,167</u>	8.4%
BILLINGS (NUMBER OF MONTHS BILLED)						
Residential and Domestic	91,699	106,367	300,107	298,493	1,614	0.5%
Commercial and Industrial	6,878	7,816	20,381	21,435	(1,054)	-4.9%
Wholesale	16	20	59	67	(8)	-11.9%
Total	<u>98,593</u>	<u>114,203</u>	<u>320,547</u>	<u>319,995</u>	<u>552</u>	0.2%

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water
 Summary of Water Billed (Unaudited)
 March 31, 2022 and March 31, 2021

	MILLION GALLONS, TOTAL				MILLION GALLONS, AVERAGE DAILY	
	MARCH 2022	MARCH 2021	YEAR TO DATE		MARCH 2022	MARCH 2021
			MARCH 31, 2022	MARCH 31, 2021		
WATER BILLED						
Residential and Domestic	515.63	551.27	1,677.58	1,654.71	16.63	17.78
Commercial and Industrial	209.17	188.23	606.64	575.41	6.75	6.07
Special Rate	510.56	469.83	1,439.61	1,409.34	16.47	15.16
Wholesale	52.28	50.82	183.42	159.36	1.69	1.64
	<u>1,287.64</u>	<u>1,260.15</u>	<u>3,907.25</u>	<u>3,798.82</u>	<u>41.54</u>	<u>40.65</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, 2022 and March 31, 2021

	YEAR ENDED MARCH 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$31,485,924	\$27,611,230
Cash Paid to Suppliers	(6,368,308)	(8,397,358)
Cash Paid to Employees	(7,678,794)	(7,241,752)
Taxes Paid	(1,342,051)	(1,074,286)
NET CASH FROM OPERATING ACTIVITIES	16,096,771	10,897,834
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Other Funds	-	(3,399)
Capital Grant	158,374	-
Transfer Out for Gross Earnings Tax	(1,812,546)	(1,807,302)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,654,172)	(1,810,701)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(10,332,377)	(5,857,100)
Principal Payments on Muckleshoot LT Liability	(164,299)	(168,406)
Interest Paid	-	(2,952)
Contributions in Aid of Construction (Cash)	1,683,885	1,681,212
System Development Charges & Other LT Liabilities	(599,764)	297,015
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(9,412,555)	(4,050,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income (Loss)	207,945	(2,700,162)
Other Net Non-Op Revenues and Expenses	146,479	2,055,415
NET CASH FROM INVESTING ACTIVITIES	354,424	(644,747)
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	5,384,468	4,392,155
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	206,986,521	219,340,010
CASH AND EQUITY IN POOLED INVESTMENTS AT MARCH 31	\$212,370,989	\$223,732,165

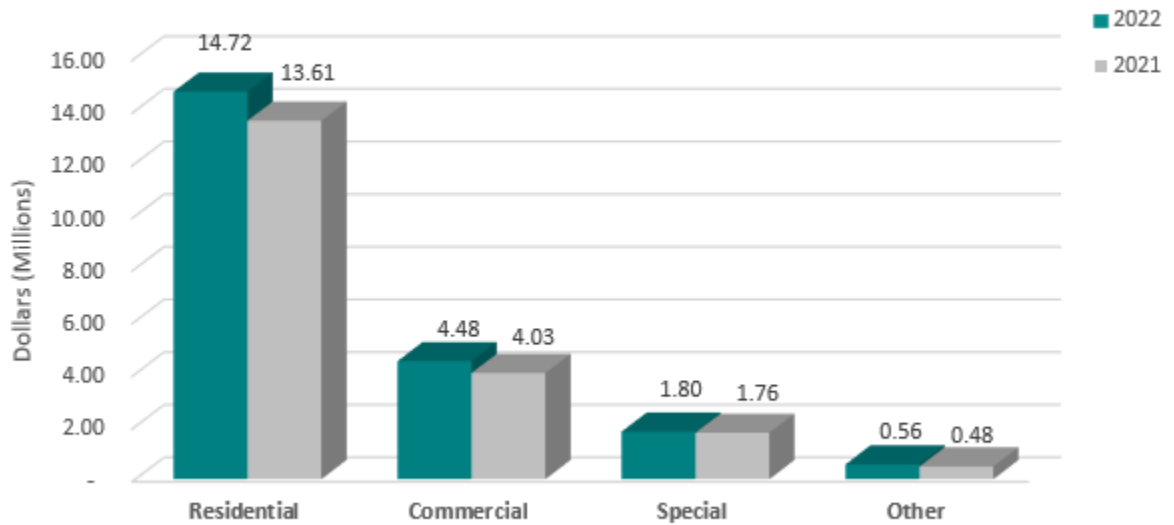
The accompanying notes are an integral part of these financial statements

	YEAR ENDED MARCH 31,	
	2022	2021
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$2,585,065	\$996,336
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	7,083,193	7,027,812
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	1,855,597	206,950
Regulatory Asset-Surcharges	52,941	(3,465)
Materials and Supplies	(347,246)	(282,796)
Prepayments	283,889	230,854
Unearned Revenues	4,481,599	4,393,721
Accrued Taxes	13,579	79,129
Salaries, Wages and Fringe Benefits Payable	434,260	475,355
Customers' Deposits	8,182	(71,028)
Accrued Expenses and Contracts Payable	(354,288)	(2,155,034)
Total Adjustments	<u>13,511,706</u>	<u>9,901,498</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$16,096,771</u>	<u>\$10,897,834</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$147,867,941	\$158,480,843
Cash and Equity in Pooled Investments in Operating Funds	<u>\$64,503,048</u>	<u>\$65,251,322</u>
Cash and Equity in Pooled Investments at March 31	<u>\$212,370,989</u>	<u>\$223,732,165</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$380,656	\$278,368

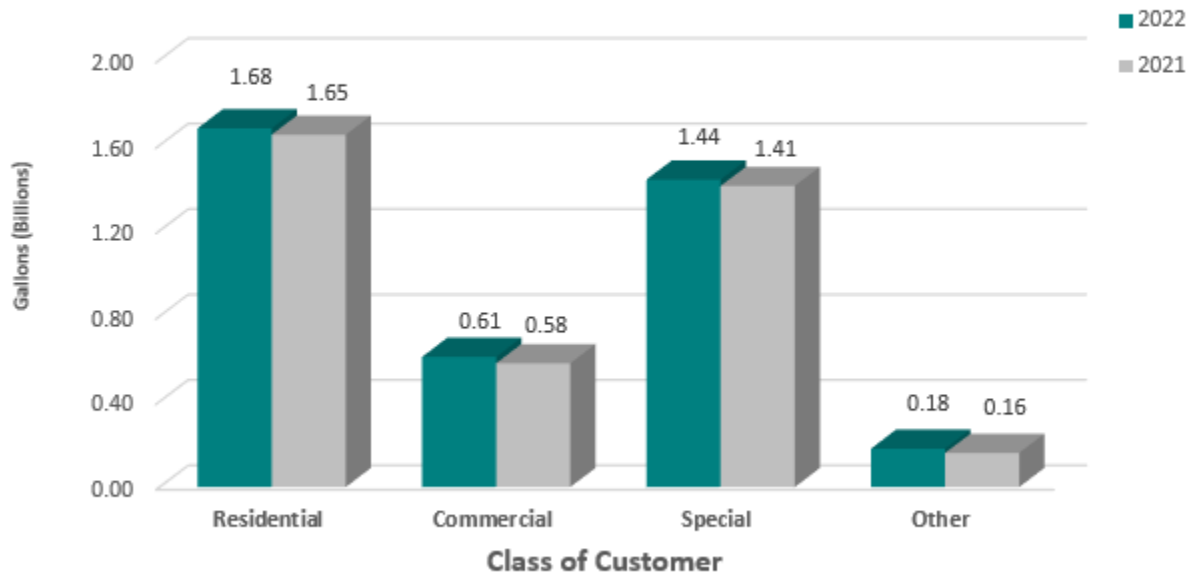
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Supplemental Data

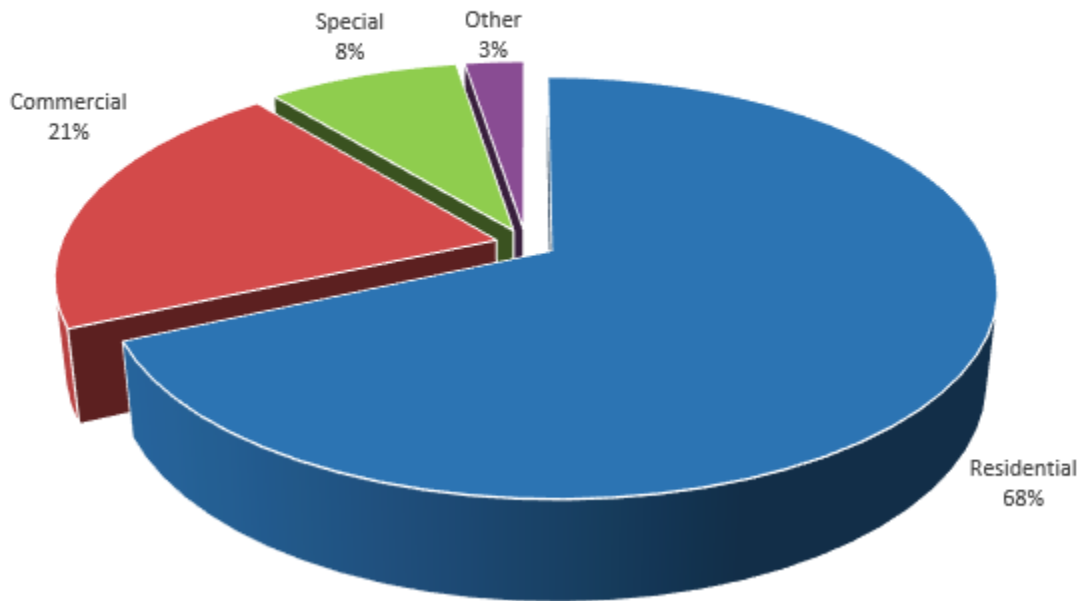
WATER SALES Year to Date - March 2022 & 2021



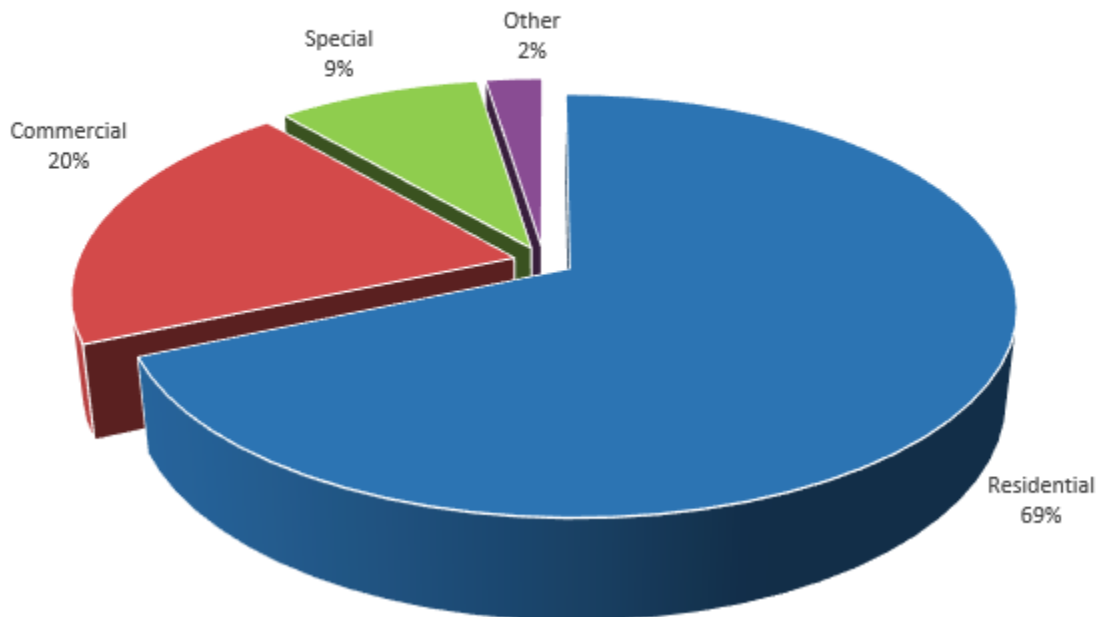
WATER CONSUMPTION Year to Date - March 2022 & 2021



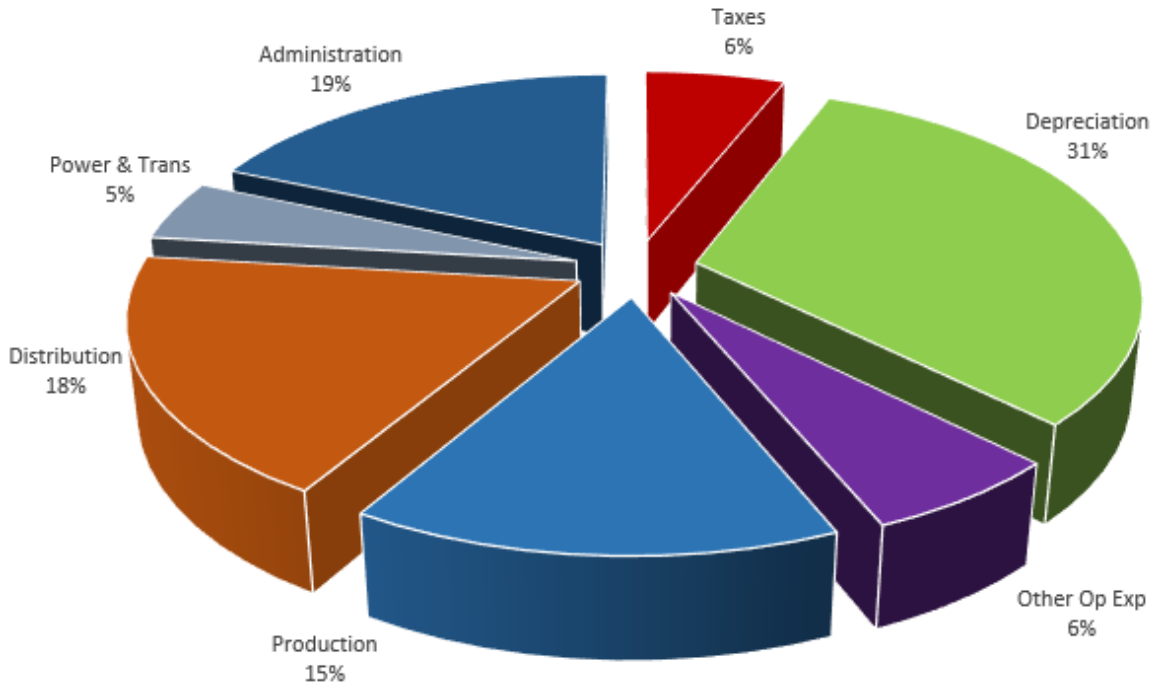
WATER SALES
Year to Date - March 2022
(\$21,562,114)



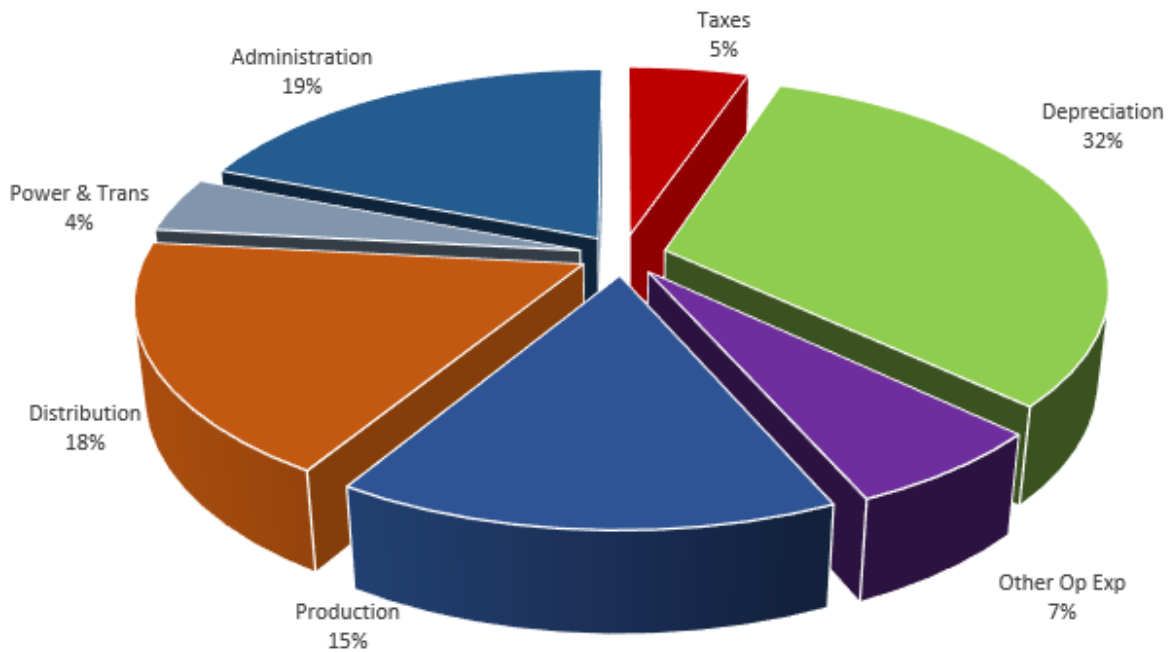
WATER SALES
Year to Date - March 2021
(\$19,883,947)



TOTAL OPERATING EXPENSES
Year to Date - March 2022
(\$22,502,540)



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



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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.