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***JUNE***

***TACOMA WATER***

**2020**

**INTERIM  
FINANCIAL  
REPORT**





# Public Utility Board

**BRYAN FLINT**

Chair

**MARK PATTERSON**

Vice-Chair

**CHRISTINE COOLEY**

Secretary

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**KAREN LARKIN**

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**JACKIE FLOWERS**

Director of Utilities

**SCOTT DEWHIRST**

Water Superintendent

**ANDREW CHERULLO**

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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

# Tacoma Water

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

*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 June 2020, Tacoma Water is reporting year-to-date operating income of \$6.6 million compared to \$7.3 million in 2019. Operating revenues increased \$330,000 (0.7%) and operating expenses increased by \$1.1 million (2.8%). The year-to-date change in net position for 2020 was \$687,000; for 2019 it was \$3.7 million.

### Revenues

Water sales revenues increased by \$660,000 (1.6%) as of the second quarter of 2020 compared to the same period in 2019. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of June 2020.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,704,464	\$ (607,269)	\$ 1,097,195
Commercial and Industrial	990,355	(1,458,498)	(468,143)
Special Rate	78,167	166,010	244,177
Other	56,894	(270,436)	(213,542)
<b>Total</b>	<b>\$ 2,829,880</b>	<b>\$ (2,170,193)</b>	<b>\$ 659,687</b>

Consumption as of June 2020 was 7,793 million gallons compared to 8,056 million gallons for the same period in 2019. Regional Water Supply System (RWSS) partners (including Tacoma share) received 5,890.43 million gallons. The following table summarizes water consumption by customer class year-to-date.

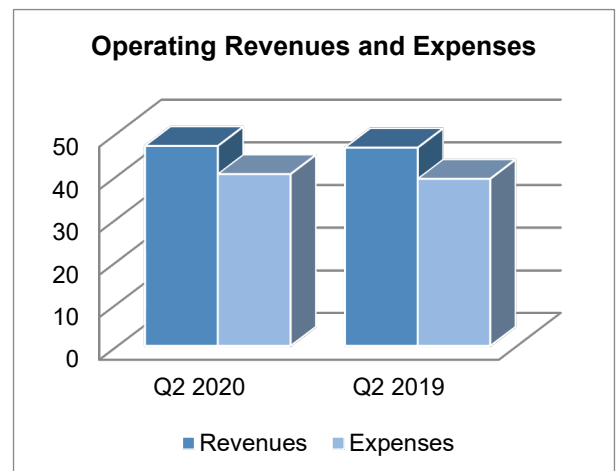
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2020	2019		
Residential and Domestic	3,446.02	3,525.11	(79.09)	(2%)
Commercial and Industrial	1,139.75	1,374.16	(234.41)	(17%)
Special Rate	2,923.67	2,779.35	144.32	5%
Other	283.73	377.23	(93.50)	(25%)
<b>Total</b>	<b>7,793.17</b>	<b>8,055.85</b>	<b>(262.68)</b>	<b>(3%)</b>

### Expenses

Operating expenses were \$40.3 million for the first six months of 2020, an increase of \$1.1 million (2.8%) compared to 2019.

### Non Operating Revenues

Miscellaneous revenue increased 247,000 primarily due to an increase in timber sales. Interest income decreased \$2.8 million due to the reversal of the 2019 GASB 31 Gain/Loss entry.



## **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)  
 June 30, 2020 and June 30, 2019

	June 30,	
	2020	2019
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Water Plant in Service	\$1,147,607,776	\$1,124,409,266
Less Depreciation and Amortization	(294,136,888)	(271,052,871)
Total	853,470,888	853,356,395
Construction Work in Progress	21,541,167	15,909,885
Net Utility Plant	875,012,055	869,266,280
<b>NON-UTILITY PROPERTY</b>	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund	-	683,324
2013 Construction Fund	6,081,228	17,049,244
Regional Water Supply System Operating Fund	799,333	958,132
Provision for Debt Payment	7,950,995	11,409,220
Customer Water Main Deposits	3,469,073	3,394,264
Water Supply Forum Fund	618,431	466,935
Special Bond Reserves	21,687,101	22,111,958
Water Customer Contribution Fund	1,038,921	533,883
Water Capital Reserves	39,689,043	38,449,769
Water System Development Charge	74,606,936	70,712,365
Total Restricted Assets	155,941,061	165,769,094
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund	68,181,774	60,541,304
Customers' Deposits	303,624	310,659
Receivables:		
Customers	5,787,309	6,173,613
Accrued Unbilled Revenues	5,818,438	5,930,220
Others	561,958	864,220
BABs Interest Subsidies	2,108,261	419,284
Provision for Uncollectible Accounts	(502,966)	(470,829)
Materials and Supplies	2,785,032	2,602,813
Prepayments	1,739,239	1,742,440
Total Current Assets	86,782,669	78,113,724
<b>TOTAL ASSETS</b>	1,118,228,748	1,113,642,061
<b>OTHER ASSETS</b>		
Regulatory Assets - Surcharges	1,976,535	1,648,806
Net Pension Asset	-	3,438,481
Total Other Assets	1,976,535	5,087,287
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds	895,316	1,082,561
Deferred Outflows for Pensions	12,149,265	4,409,587
Deferred Outflows for OPEB	471,177	295,709
Total Deferred Outflows	13,515,758	5,787,857
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$1,133,721,041</b>	<b>\$1,124,517,205</b>

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



	June 30,	
	2020	2019
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$453,135,321	\$443,262,999
Restricted for:		
Water Capital Reserves	35,537,662	33,819,382
Water System Development Charge	39,031,489	35,136,918
Debt Service Funds	5,798,613	9,065,441
Pension Asset	-	3,438,481
Unrestricted	<u>70,000,540</u>	<u>60,761,295</u>
<b>TOTAL NET POSITION</b>	<b>603,503,625</b>	<b>585,484,516</b>
<b>LIABILITIES</b>		
<b>LONG-TERM DEBT</b>		
Revenue Bonds Outstanding:		
2005 Water Revenue Bonds Refunding	5,000	5,000
2009 Water Revenue Bonds	76,775,000	76,775,000
2010 Water Revenue Bonds Refunding	-	17,790,000
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	9,230,000	10,820,000
2010 RWSS Revenue Bonds, Series A	1,345,000	1,655,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	55,920,000	57,710,000
2020 Water Revenue Bonds Refunding	<u>13,157,516</u>	-
Total Outstanding Revenue Bonds	350,017,516	358,340,000
Plus: Unamortized Bond Premium	<u>8,463,463</u>	<u>9,819,333</u>
Net Outstanding Revenue Bonds	358,480,979	368,159,333
PWTF Pre-Construction Loans	320,261	480,435
PWTF Construction Loans	13,741,877	16,278,474
State Drinking Water Loans	<u>57,150,308</u>	<u>61,381,554</u>
Total Long-Term Debt	429,693,425	446,299,796
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable	505,379	469,213
Purchases and Contracts Payable	1,087,963	832,044
Interest Expense Accrued	2,152,382	2,343,779
Taxes Accrued	1,858,594	1,860,420
Customers' and Contractors' Deposits	347,565	354,700
Current Portion of Long-Term Debt	15,095,421	14,710,633
Other Current Liabilities	2,871,718	2,815,408
Current Accrued Compensated Absences	<u>237,357</u>	<u>244,160</u>
Total Current Liabilities	24,156,379	23,630,357
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements	6,244,496	6,412,903
Customer Advances for Construction	8,492,297	6,700,156
Unearned Revenue	7,232,673	7,369,473
Other Long-Term Liabilities	1,136,278	1,159,958
Pension Liability	10,264,957	-
OPEB Liability	3,565,886	3,780,897
Long-Term Accrued Compensated Absences	<u>2,136,217</u>	<u>2,197,439</u>
Total Long-Term Liabilities	<u>39,072,804</u>	<u>27,620,826</u>
<b>TOTAL LIABILITIES</b>	<b>492,922,608</b>	<b>497,550,979</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	1,348,807	5,853,098
Deferred Inflows for OPEB	<u>370,554</u>	<u>53,165</u>
Total Deferred Inflows	37,294,808	41,481,710
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$1,133,721,041</u></b>	<b><u>\$1,124,517,205</u></b>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Revenues, Expenses and Changes in Net Position (Unaudited)  
June 30, 2020 and June 30, 2019

	June 2020	June 2019
OPERATING REVENUES		
Sales of Water	\$8,170,240	\$8,143,724
Other Operating Revenues	520,642	547,540
Contract Resource Obligation Revenue	558,139	386,836
Total Operating Revenues	<u>9,249,021</u>	<u>9,078,100</u>
OPERATING EXPENSES		
Production Expense:		
Source of Supply	306,057	542,329
Water Treatment	835,440	601,323
Total Production Expense	<u>1,141,497</u>	<u>1,143,652</u>
Power Pumping Expense	52,118	61,342
Transmission and Storage Expense	149,422	178,945
Distribution Expense	1,259,950	1,123,226
Customer Accounting and Consumer Service	437,061	422,038
Taxes	574,586	563,875
Depreciation	2,144,792	2,105,318
Administrative and General	960,288	1,023,913
Total Operating Expenses	<u>6,719,714</u>	<u>6,622,309</u>
OPERATING INCOME (LOSS)	2,529,307	2,455,791
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	303,739	411,665
Miscellaneous	(27,927)	(871)
Interest on Long-Term Debt	(1,308,409)	(1,265,656)
Interest on Long-Term Debt BABs Sub	(247,704)	(419,284)
Amortization Of Debt Premium	92,464	102,308
Interest Charged to Construction	-	-
Total Non-Operating Revenues (Expenses)	<u>(1,187,837)</u>	<u>(1,171,838)</u>
Net Income (Loss) Before Capital Contributions and Transfers	1,341,470	1,283,953
Capital Contributions:		
Cash	485,614	480,303
Donated Fixed Assets	165,150	243,073
Federal BABs Subsidies	301,180	419,284
Transfers:		
City Gross Earnings Tax	(695,983)	(685,988)
CHANGE IN NET POSITION	<u>\$1,597,431</u>	<u>\$1,740,625</u>
NET POSITION - JANUARY 1		
TOTAL NET POSITION - JUNE 30		

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

YEAR TO DATE		2020 OVER (UNDER) 2019	PERCENT CHANGE
June 30, 2020	June 30, 2019		
\$40,939,736	\$40,280,049	\$659,687	1.6%
3,625,836	3,847,294	(221,458)	-5.8%
2,294,275	2,402,321	(108,046)	-4.5%
<u>46,859,847</u>	<u>46,529,664</u>	<u>330,183</u>	<u>0.7%</u>
2,307,852	3,316,417	(1,008,565)	-30.4%
4,399,992	3,346,780	1,053,212	31.5%
<u>6,707,844</u>	<u>6,663,197</u>	<u>44,647</u>	<u>0.7%</u>
355,083	360,860	(5,777)	-1.6%
840,241	1,056,755	(216,514)	-20.5%
7,981,378	7,155,301	826,077	11.5%
2,695,625	2,560,402	135,223	5.3%
2,488,637	2,377,056	111,581	4.7%
12,861,409	12,630,142	231,267	1.8%
6,341,639	6,376,346	(34,707)	-0.5%
<u>40,271,856</u>	<u>39,180,059</u>	<u>1,091,797</u>	<u>2.8%</u>
6,587,991	7,349,605	(761,614)	-10.4%
718,940	3,558,241	(2,839,301)	-79.8%
293,435	46,189	247,246	535.3%
(7,999,191)	(7,842,369)	(156,822)	-2.0%
(1,486,219)	(1,920,384)	434,165	22.6%
554,783	613,841	(59,058)	-9.6%
-	(32,311)	32,311	100.0%
<u>(7,918,252)</u>	<u>(5,576,793)</u>	<u>(2,341,459)</u>	<u>-42.0%</u>
(1,330,261)	1,772,812	(3,103,073)	-175.0%
2,616,322	3,193,046	(576,724)	-18.1%
1,138,094	601,158	536,936	89.3%
1,807,081	1,920,384	(113,303)	-5.9%
<u>(3,544,173)</u>	<u>(3,741,241)</u>	<u>197,068</u>	<u>5.3%</u>
687,063	3,746,159	(3,059,096)	-81.7%
602,816,562	581,738,357	21,078,205	
<u>\$603,503,625</u>	<u>\$585,484,516</u>	<u>\$18,019,109</u>	<u>3.1%</u>

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Water  
 Summary of Revenues and Billings (Unaudited)  
 June 30, 2020 and June 30, 2019

	June 2020	June 2019
	<u>                    </u>	<u>                    </u>
SALES OF WATER		
Residential and Domestic	\$5,941,289	\$5,642,392
Commercial and Industrial	1,447,455	1,627,157
Special Rate	597,729	610,895
Wholesale	<u>183,767</u>	<u>263,280</u>
Total	<u><u>\$8,170,240</u></u>	<u><u>\$8,143,724</u></u>

BILLINGS (NUMBER OF MONTHS BILLED)

Residential and Domestic	112,496	103,417
Commercial and Industrial	6,748	6,429
Wholesale	<u>21</u>	<u>15</u>
Total	<u><u>119,265</u></u>	<u><u>109,861</u></u>

<u>YEAR TO DATE</u>		<u>2020 OVER (UNDER) 2019</u>	<u>PERCENT CHANGE</u>
<u>June 30, 2020</u>	<u>June 30, 2019</u>		
\$28,386,711	\$27,289,516	\$1,097,195	4.0%
8,107,550	8,575,693	(468,143)	-5.5%
3,569,392	3,325,215	244,177	7.3%
<u>876,083</u>	<u>1,089,625</u>	<u>(213,542)</u>	-19.6%
<u>\$40,939,736</u>	<u>\$40,280,049</u>	<u>\$659,687</u>	1.6%
601,486	586,587	14,899	2.5%
40,027	39,752	275	0.7%
<u>124</u>	<u>97</u>	<u>27</u>	27.8%
<u>641,637</u>	<u>626,436</u>	<u>15,201</u>	2.4%

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Water  
 Summary of Water Billed (Unaudited)  
 June 30, 2020 and June 30, 2019

	MILLION GALLONS, TOTAL			
	June 2020	June 2019	YEAR TO DATE	
			June 30, 2020	June 30, 2019
WATER BILLED				
Residential and Domestic	786.11	833.70	3,446.02	3,525.11
Commercial and Industrial	189.97	266.18	1,139.75	1,374.16
Special Rate	475.61	495.18	2,923.67	2,779.35
Wholesale	57.55	80.86	283.73	377.23
	1,509.24	1,675.92	7,793.17	8,055.85

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

MILLION GALLONS, AVERAGE DAILY

<u>June 2020</u>	<u>June 2019</u>
26.20	27.80
6.30	8.90
15.90	16.50
<u>1.90</u>	<u>2.70</u>
<u><u>50.30</u></u>	<u><u>55.90</u></u>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water  
Statements of Cash Flows (Unaudited)  
June 30, 2020 and June 30, 2019

	YEAR ENDED JUNE 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from Customers	\$49,511,490	\$48,049,027
Cash Paid to Suppliers	(10,528,678)	(12,555,248)
Cash Paid to Employees	(14,371,834)	(13,448,144)
Taxes Paid	(2,305,074)	(2,335,699)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>22,305,904</b>	<b>19,709,936</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax	(3,544,173)	(3,741,241)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(3,544,173)</b>	<b>(3,741,241)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Expenditures, Net	(12,075,689)	(10,319,142)
Proceeds from Sale of Bonds	17,466,514	-
Debt Issuance Costs	(102,474)	-
Principal Payments on Long-Term Debt	(555,556)	(555,556)
Principal Payments on Muckleshoot LT Liability	(172,616)	(176,932)
Principal Payments on Long-Term Debt	(17,790,000)	-
Interest Paid	(9,099,245)	(9,253,679)
BABs Federal Interest Subsidies	-	1,801,323
Contributions in Aid of Construction (Cash)	2,616,322	3,193,046
System Development Charges & Other LT Liabilities	944,065	90,248
<b>NET CASH FROM CAPITAL FINANCING ACTIVITIES</b>	<b>(18,768,679)</b>	<b>(15,220,692)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	718,940	3,558,242
Other Net Non-Op Revenues and Expenses	395,910	46,188
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,114,850</b>	<b>3,604,430</b>
<b>NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>	<b>1,107,902</b>	<b>4,352,433</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1</b>	<b>223,318,557</b>	<b>222,268,624</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT JUNE 30</b>	<b>\$224,426,459</b>	<b>\$226,621,057</b>

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

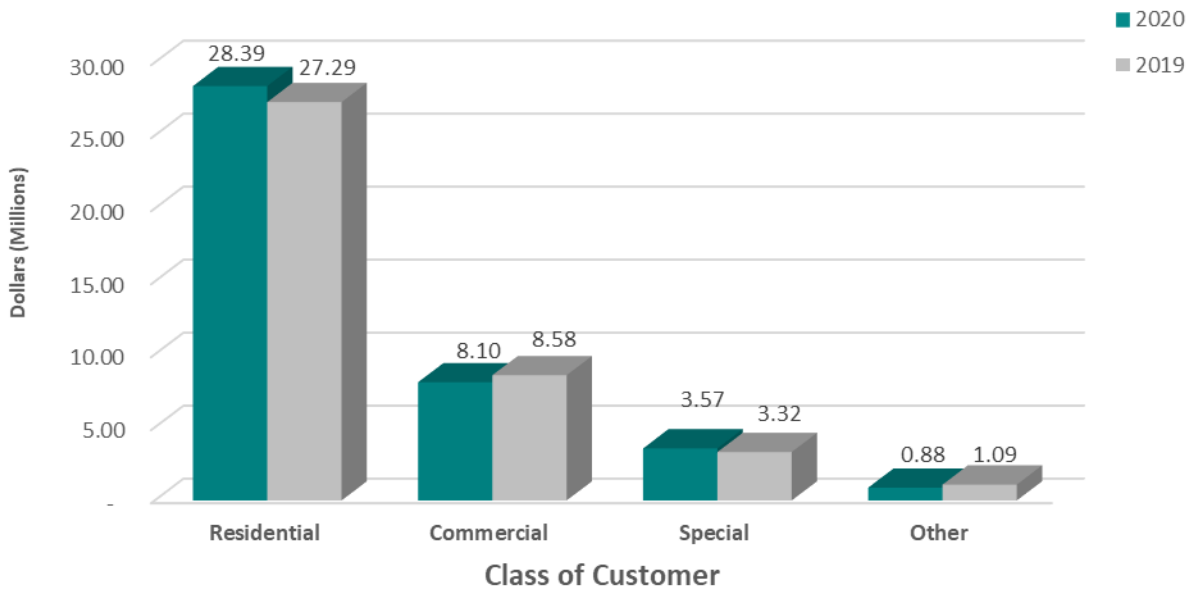


	YEAR ENDED JUNE 30,	
	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$6,587,991	\$7,349,606
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	12,861,409	12,630,142
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(297,552)	(889,389)
Interfund Receivables	-	756,845
Regulatory Asset-Surcharges	82,017	(417,990)
Materials and Supplies	(4,103)	(133,308)
Prepayments	438,306	319,432
Unearned Revenues	2,871,714	2,815,408
Accrued Taxes	183,563	41,357
Salaries, Wages and Fringe Benefits Payable	(167,124)	(86,858)
Customers' Deposits	(4,536)	11,334
Accrued Expenses and Contracts Payable	(245,781)	(1,120,902)
Interfund Payables	-	(1,565,741)
Total Adjustments	<u>15,717,913</u>	<u>12,360,330</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$22,305,904</u>	<u>\$19,709,936</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$155,941,061	\$165,769,094
Cash and Equity in Pooled Investments in Operating Funds	<u>\$68,485,398</u>	<u>\$60,851,963</u>
Cash and Equity in Pooled Investments at June 30	<u>\$224,426,459</u>	<u>\$226,621,057</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$1,138,094	\$601,158

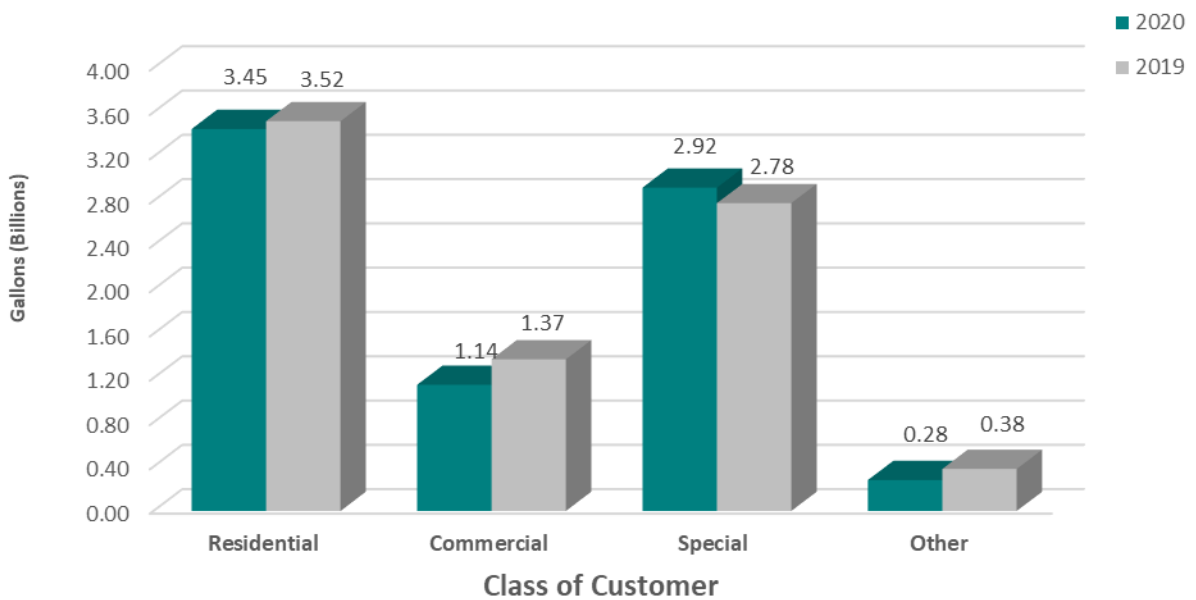
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# Supplemental Data

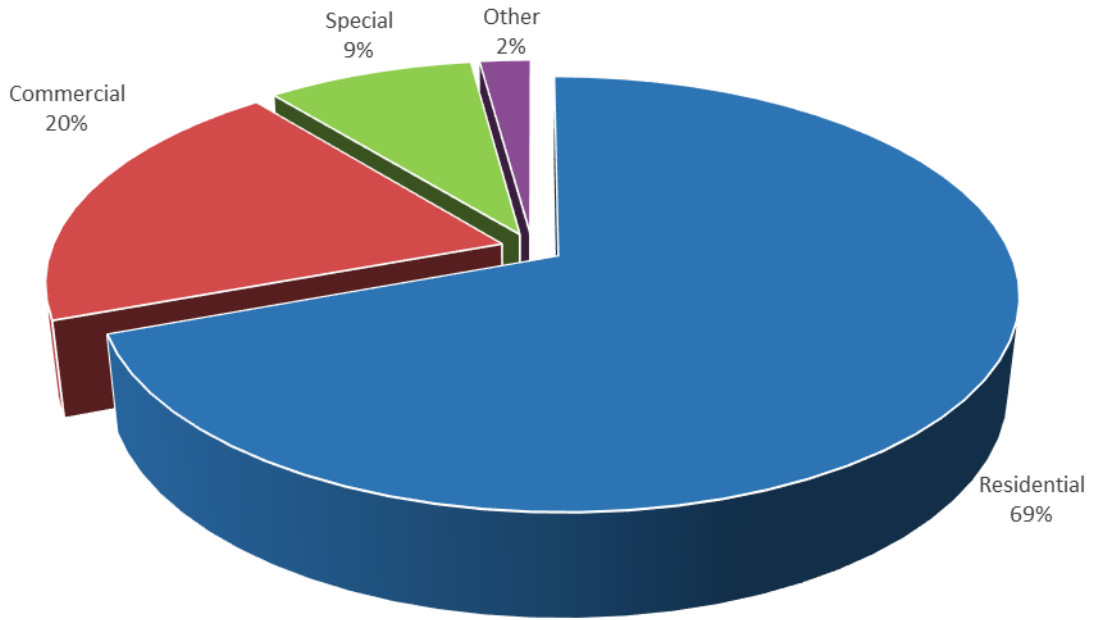
### WATER SALES Year to Date - June 2020 & 2019



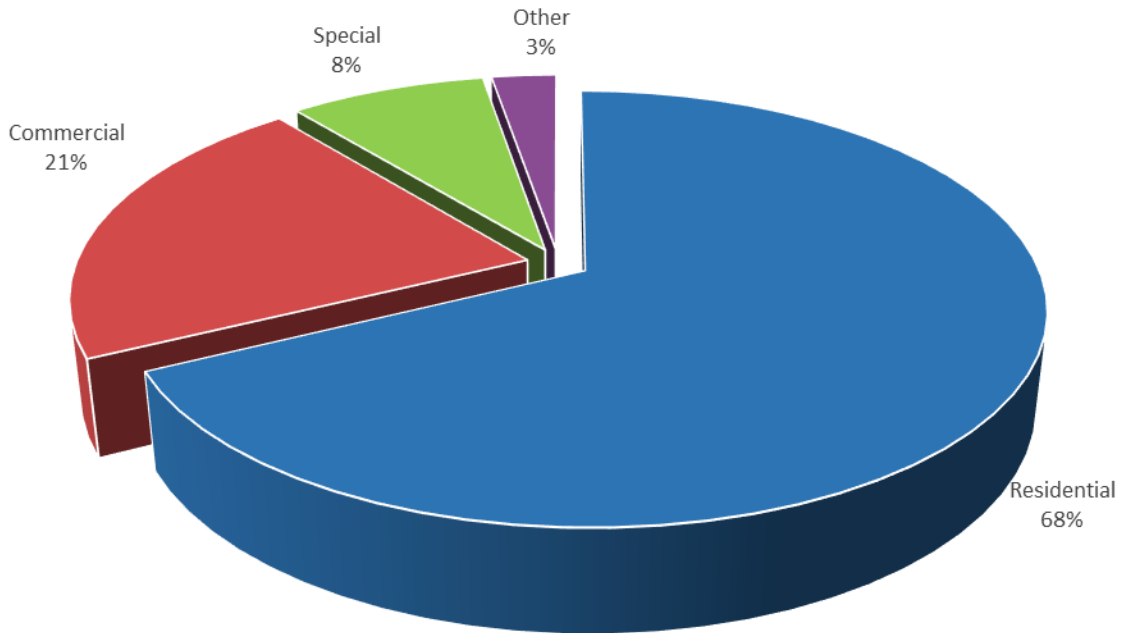
### WATER CONSUMPTION Year to Date - June 2020 & 2019



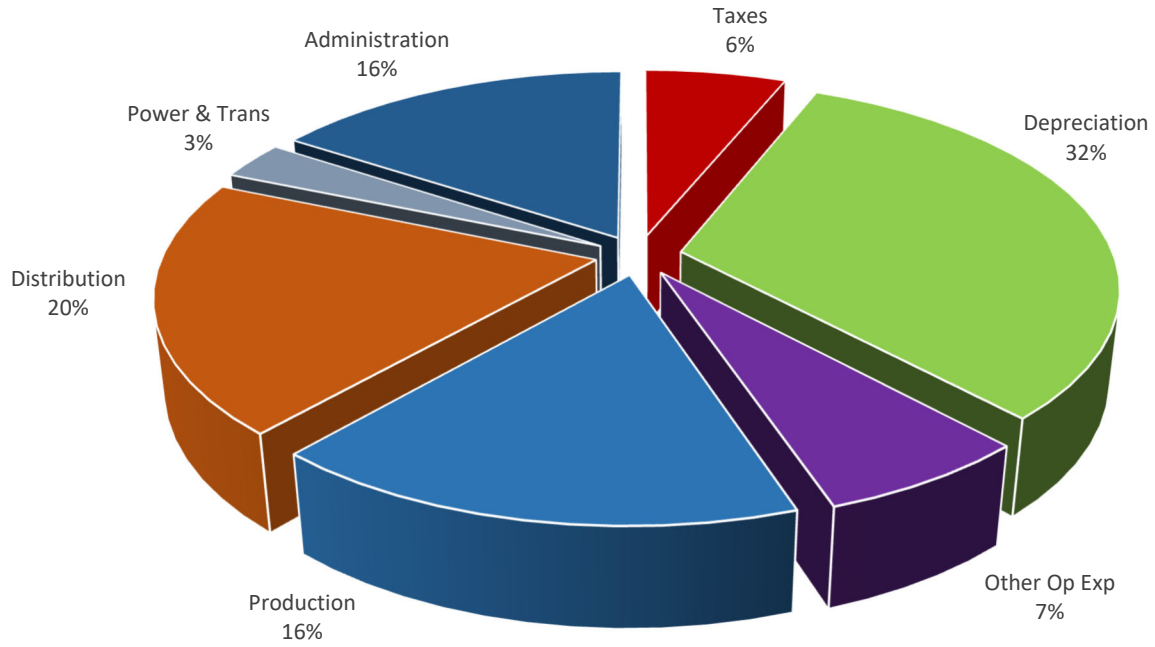
**WATER SALES**  
**Year to Date - June 2020**  
**(\$40,939,736)**



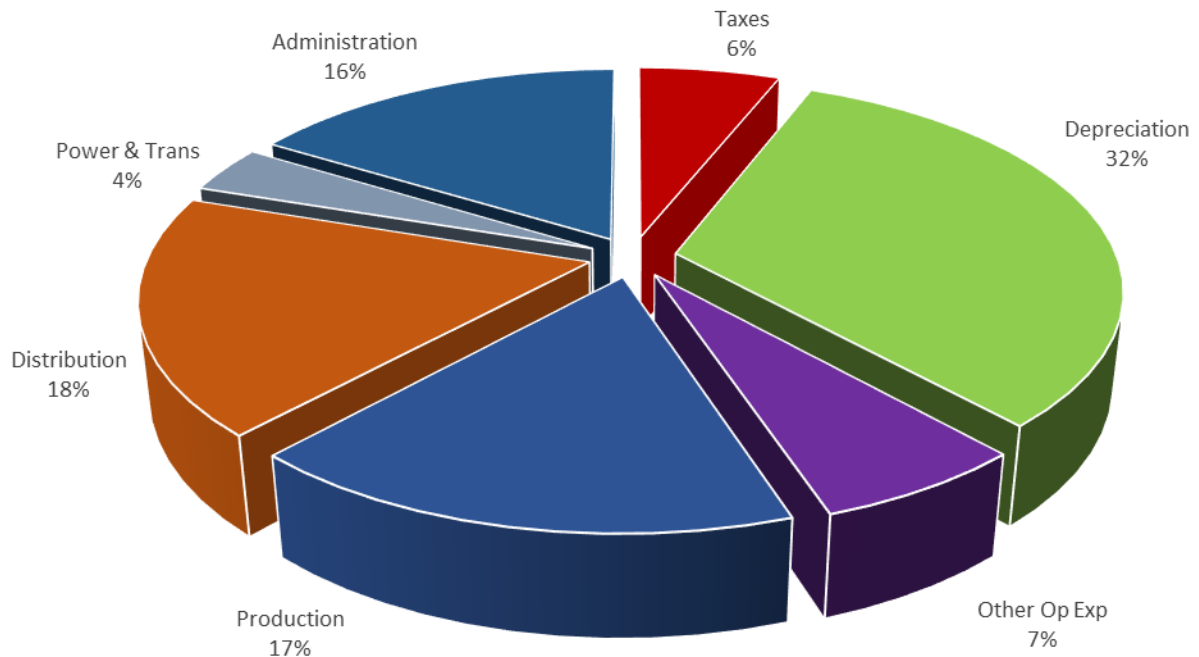
**WATER SALES**  
**Year to Date - June 2019**  
**(\$40,280,049)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2020**  
**(\$40,271,856)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2019**  
**(\$39,180,059)**



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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.