
JUNE

TACOMA WATER

2021

**INTERIM
FINANCIAL
REPORT**



Public Utility Board

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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 2021, Tacoma Water is reporting year-to-date operating income of \$4.3 million compared to \$6.6 million in 2020. Operating revenues increased \$1.8 million or 3.7% and operating expenses increased by \$4.0 million or 10%. The year-to-date change in net position for 2021 was (\$2.8) million; for 2020 it was \$687,000.

Revenues

Water sales revenues increased by \$1.6 million or 3.8% as of the second 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 June 2021.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ -	\$ 876,838	\$ 876,838
Commercial and Industrial	(399,661)	902,966	503,305
Special Rate	38,337	(61,420)	(23,083)
Other	(34,301)	234,916	200,615
Total	\$ (395,625)	\$ 1,953,300	\$ 1,557,675

Consumption as of June 2021 was 8,313 million gallons compared to 7,793 million gallons for the same period in 2020. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 3,446 million gallons. The following table summarizes water consumption by customer class year-to-date.

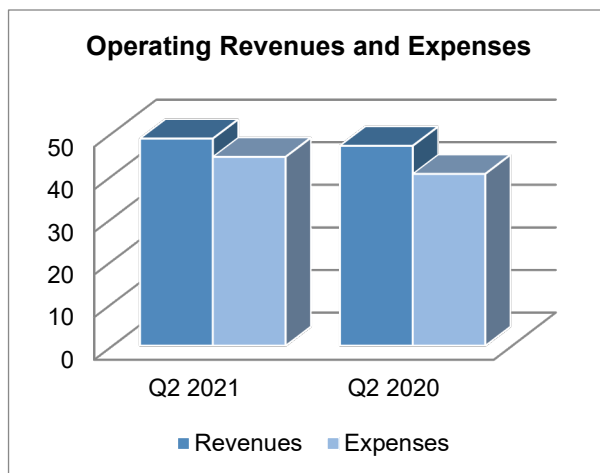
Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2021	2020		
Residential and Domestic	3,719.85	3,446.02	273.83	8%
Commercial and Industrial	1,358.94	1,139.75	219.19	19%
Special Rate	2,867.80	2,923.67	(55.87)	(2%)
Other	366.56	283.73	82.83	29%
Total	8,313.15	7,793.17	519.98	7%

Expenses

Operating expenses were \$44.3 million for the first six months of 2021, an increase of \$4.0 million or 10% compared to 2020.

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

Personnel expenses increased \$1.3 million primarily due to an increase in full time employee counts and cost of living adjustments. Depreciation increased by \$1.1 million primarily due to the transfer of fleet division assets to Water in 2020. Bad Debt expense increased \$981,000 due to an increase in aging accounts receivable. Operating Supplies increased by \$466,000.



Non Operating Revenues

Interest income decreased \$2.9 million due to GASB 31 Investment Market Value reversal entry significantly higher by \$1.9 million and investment earnings lower by \$1.0 million compared to 2020. Investment earnings went down because of lower interest rates and lower average cash balances for the first six months of 2021.

Miscellaneous revenue increased \$1.8 million primarily due to the \$2.0 million sale of land to the Puyallup School District.

Request for Information

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

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

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Statements of Net Position (Unaudited)
June 30, 2021 and June 30, 2020

	JUNE 30,	
	2021	2020
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,186,966,016	\$1,147,607,776
Less Depreciation and Amortization	(327,730,603)	(294,136,888)
Total	859,235,413	853,470,888
Construction Work in Progress	37,316,465	21,541,167
Net Utility Plant	896,551,878	875,012,055
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2013 Construction Fund	287	6,081,228
Regional Water Supply System Operating Fund	983,664	799,333
Provision for Debt Payment	11,017,723	7,950,995
Customer Water Main Deposits	3,582,454	3,469,073
Water Supply Forum Fund	624,252	618,431
Special Bond Reserves	21,690,771	21,687,101
Water Customer Contribution Fund	2,555,953	1,038,921
Water Capital Reserves	39,624,485	39,689,043
Water System Development Charge	77,311,070	74,606,936
Total Restricted Assets	157,390,659	155,941,061
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	60,965,135	68,181,774
Grant Loan Fund	501,375	-
Customers' Deposits	126,764	303,624
Receivables:		
Customers	8,158,797	5,787,309
Accrued Unbilled Revenues	5,922,259	5,818,438
Others	550,506	561,958
BABs Interest Subsidies	974,685	2,108,261
Provision for Uncollectible Accounts	(2,696,265)	(502,966)
Materials and Supplies	3,085,151	2,785,032
Prepayments	1,907,429	1,739,239
Total Current Assets	79,495,836	86,782,669
TOTAL ASSETS	1,133,931,336	1,118,228,748
OTHER ASSETS		
Regulatory Assets - Surcharges	3,571,048	1,976,535
Net Pension Asset	1,636,678	-
Total Other Assets	5,207,726	1,976,535
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	708,071	895,316
Deferred Outflows for Pensions	4,855,703	12,149,265
Deferred Outflows for OPEB	597,712	471,177
Total Deferred Outflows	6,161,486	13,515,758
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,145,300,548	\$1,133,721,041

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

	JUNE 30,	
	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$484,741,175	\$453,135,321
Restricted for:		
Water Capital Reserves	35,952,109	35,537,662
Water System Development Charge	41,735,623	39,031,489
Debt Service Funds	8,943,109	5,798,613
Pension Asset	1,636,678	-
Unrestricted	<u>60,270,058</u>	<u>70,000,540</u>
TOTAL NET POSITION	633,278,752	603,503,625
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	-	-
2010 Water Revenue Bonds	74,985,000	74,985,000
2013 Water Revenue Bonds Refunding	74,355,000	74,355,000
2015 Water Refunding Bonds, Series A	7,560,000	9,230,000
2010 RWSS Revenue Bonds, Series A	1,030,000	1,345,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Refunding Bonds	54,030,000	55,920,000
2020 Water Revenue Bonds Refunding	8,667,758	13,157,516
Total Outstanding Revenue Bonds	<u>341,652,758</u>	<u>350,017,516</u>
Plus: Unamortized Bond Premium	7,228,335	8,463,463
Net Outstanding Revenue Bonds	<u>348,881,093</u>	<u>358,480,979</u>
PWTF Pre-Construction Loans	160,088	320,261
PWTF Construction Loans	11,205,280	13,741,877
State Drinking Water Loans	<u>52,919,062</u>	<u>57,150,308</u>
Total Long-Term Debt	<u>413,165,523</u>	<u>429,693,425</u>
CURRENT LIABILITIES		
Salaries and Wages Payable	888,183	505,379
Purchases and Contracts Payable	1,503,176	1,087,963
Interest Expense Accrued	2,074,614	2,152,382
Taxes Accrued	1,912,867	1,858,594
Customers' and Contractors' Deposits	170,835	347,565
Current Portion of Long-Term Debt	15,457,074	15,095,421
Other Current Liabilities	2,929,144	2,871,718
Current Accrued Compensated Absences	<u>300,025</u>	<u>237,357</u>
Total Current Liabilities	<u>25,235,918</u>	<u>24,156,379</u>
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,080,198	6,244,496
Customer Advances for Construction	10,743,625	8,492,297
Unearned Revenue	7,177,454	7,232,673
Other Long-Term Liabilities	1,078,590	1,136,278
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	<u>31,456,052</u>	<u>39,072,804</u>
TOTAL LIABILITIES	<u>469,857,493</u>	<u>492,922,608</u>
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	<u>42,164,303</u>	<u>37,294,808</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$1,145,300,548</u>	<u>\$1,133,721,041</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)
June 30, 2021 and June 30, 2020

	JUNE 2021	JUNE 2020	YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
			JUNE 30, 2021	JUNE 30, 2020		
OPERATING REVENUES						
Sales of Water	\$8,607,830	\$8,170,240	\$42,497,411	\$40,939,736	\$1,557,675	3.8%
Other Operating Revenues	579,779	520,642	3,626,942	3,625,836	1,106	0.0%
Contract Resource Obligation Revenue	376,967	558,139	2,488,572	2,294,275	194,297	8.5%
Total Operating Revenues	9,564,576	9,249,021	48,612,925	46,859,847	1,753,078	3.7%
OPERATING EXPENSES						
Production Expense:						
Source of Supply	311,190	306,057	1,618,021	2,307,852	(689,831)	-29.9%
Water Treatment	1,000,019	835,440	4,699,683	4,399,992	299,691	6.8%
Total Production Expense	1,311,209	1,141,497	6,317,704	6,707,844	(390,140)	-5.8%
Power Pumping Expense	73,135	52,118	311,403	355,083	(43,680)	-12.3%
Transmission and Storage Expense	289,335	149,422	1,672,388	840,241	832,147	99.0%
Distribution Expense	1,303,163	1,259,950	8,059,818	7,981,378	78,440	1.0%
Customer Accounting and Consumer Service	454,347	437,061	2,757,518	2,695,625	61,893	2.3%
Taxes	621,890	574,586	2,559,519	2,488,637	70,882	2.8%
Depreciation	2,299,963	2,144,792	13,936,197	12,861,409	1,074,788	8.4%
Administrative and General	1,444,774	960,288	8,673,336	6,341,639	2,331,697	36.8%
Total Operating Expenses	7,797,816	6,719,714	44,287,883	40,271,856	4,016,027	10.0%
OPERATING INCOME (LOSS)	1,766,760	2,529,307	4,325,042	6,587,991	(2,262,949)	-34.3%
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	150,508	303,740	(2,203,099)	718,940	(2,922,039)	-406.4%
Miscellaneous	(1,269)	(27,928)	2,088,328	293,435	1,794,893	611.7%
Interest on Long-Term Debt	(1,263,468)	(1,308,409)	(7,577,087)	(7,999,191)	422,104	5.3%
Interest on Long-Term Debt BABs Sub	(247,703)	(247,704)	(1,486,219)	(1,486,219)	-	0.0%
Amortization Of Debt Premium	82,181	92,464	493,085	554,783	(61,698)	-11.1%
Total Non-Operating Revenues (Expenses)	(1,279,751)	(1,187,837)	(8,684,992)	(7,918,252)	(766,740)	-9.7%
Net Income (Loss) Before Capital						
Contributions and Transfers	487,009	1,341,470	(4,359,950)	(1,330,261)	(3,029,689)	-227.8%
Capital Contributions:						
Cash	742,068	485,614	3,165,828	2,616,322	549,506	21.0%
Donated Fixed Assets	(23,183)	165,150	255,186	1,138,094	(882,908)	-77.6%
Federal BABs Subsidies	301,820	301,180	1,810,922	1,807,081	3,841	0.2%
Transfers:						
City Gross Earnings Tax	(698,066)	(695,983)	(3,658,792)	(3,544,173)	(114,619)	-3.2%
Transfer from (to) Other Funds	-	-	120	-	120	NA
CHANGE IN NET POSITION	\$809,648	\$1,597,431	(2,786,686)	687,063	(3,473,749)	-505.6%
NET POSITION - JANUARY 1			636,065,438	602,816,562	33,248,876	
TOTAL NET POSITION - JUNE 30			\$633,278,752	\$603,503,625	\$29,775,127	4.9%

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

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

	JUNE 2021	JUNE 2020	YEAR TO DATE		2021 OVER (UNDER) 2020	PERCENT CHANGE
			JUNE 30, 2021	JUNE 30, 2020		
SALES OF WATER						
Residential and Domestic	\$6,223,133	\$5,941,289	\$29,263,549	\$28,386,711	\$876,838	3.1%
Commercial and Industrial	1,544,653	1,447,455	8,610,855	8,107,550	503,305	6.2%
Special Rate	611,896	597,729	3,546,309	3,569,392	(23,083)	-0.6%
Wholesale	<u>228,148</u>	<u>183,767</u>	<u>1,076,698</u>	<u>876,083</u>	<u>200,615</u>	22.9%
Total	<u>\$8,607,830</u>	<u>\$8,170,240</u>	<u>\$42,497,411</u>	<u>\$40,939,736</u>	<u>\$1,557,675</u>	3.8%
BILLINGS (NUMBER OF MONTHS BILLED)						
Residential and Domestic	110,800	112,496	602,107	601,486	621	0.1%
Commercial and Industrial	6,868	6,748	41,348	40,027	1,321	3.3%
Wholesale	<u>21</u>	<u>21</u>	<u>132</u>	<u>124</u>	<u>8</u>	6.5%
Total	<u>117,689</u>	<u>119,265</u>	<u>643,587</u>	<u>641,637</u>	<u>1,950</u>	0.3%

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

	MILLION GALLONS, TOTAL				MILLION GALLONS, AVERAGE DAILY	
	JUNE 2021	JUNE 2020	YEAR TO DATE		JUNE 2021	JUNE 2020
			JUNE 30, 2021	JUNE 30, 2020		
WATER BILLED						
Residential and Domestic	914.95	786.11	3,719.85	3,446.02	30.50	26.20
Commercial and Industrial	302.65	189.97	1,358.94	1,139.75	10.09	6.30
Special Rate	484.89	475.61	2,867.80	2,923.67	16.16	15.90
Wholesale	81.08	57.55	366.56	283.73	2.70	1.90
	<u>1,783.57</u>	<u>1,509.24</u>	<u>8,313.15</u>	<u>7,793.17</u>	<u>59.45</u>	<u>50.30</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)
June 30, 2021 and June 30, 2020

	YEAR ENDED JUNE 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$51,295,064	\$49,511,490
Cash Paid to Suppliers	(14,417,566)	(10,528,678)
Cash Paid to Employees	(15,624,699)	(14,371,834)
Taxes Paid	(2,414,734)	(2,305,074)
NET CASH FROM OPERATING ACTIVITIES	18,838,065	22,305,904
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from (to) Other Funds	120	-
Transfer Out for Gross Earnings Tax	(3,658,792)	(3,544,173)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(3,658,672)	(3,544,173)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(13,373,581)	(12,075,689)
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	(168,406)	(172,616)
Principal Payments on early extinguishment of Debt	-	(17,790,000)
Interest Paid	(8,663,032)	(9,099,245)
BABs Federal Interest Subsidies	2,948,979	-
Contributions in Aid of Construction (Cash)	3,165,828	2,616,322
System Development Charges & Other LT Liabilities	1,225,069	944,065
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(15,420,699)	(18,768,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	(2,203,099)	718,940
Other Net Non-Op Revenues and Expenses	2,088,328	395,910
NET CASH FROM INVESTING ACTIVITIES	(114,771)	1,114,850
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	(356,077)	1,107,902
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	219,340,010	223,318,557
CASH AND EQUITY IN POOLED INVESTMENTS AT JUNE 30	\$218,983,933	\$224,426,459

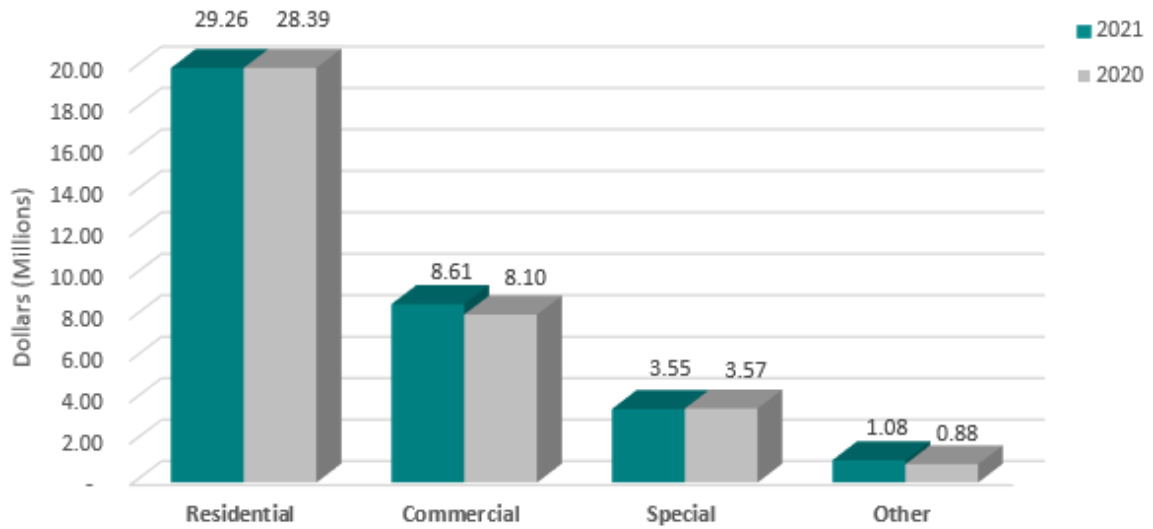
The accompanying notes are an integral part of these financial statements

	YEAR ENDED JUNE 30,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$4,325,042	\$6,587,991
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	13,936,197	12,861,409
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(241,553)	(297,552)
Regulatory Asset-Surcharges	72,818	82,017
Materials and Supplies	(310,921)	(4,103)
Prepayments	480,323	438,306
Unearned Revenues	2,929,144	2,871,714
Accrued Taxes	144,785	183,563
Salaries, Wages and Fringe Benefits Payable	(78,305)	(167,124)
Customers' Deposits	(78,270)	(4,536)
Accrued Expenses and Contracts Payable	(2,341,195)	(245,781)
Total Adjustments	<u>14,513,023</u>	<u>15,717,913</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$18,838,065</u>	<u>\$22,305,904</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$157,390,659	\$155,941,061
Cash and Equity in Pooled Investments in Operating Funds	<u>\$61,593,274</u>	<u>\$68,485,398</u>
Cash and Equity in Pooled Investments at June 30	<u>\$218,983,933</u>	<u>\$224,426,459</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$255,186	\$1,138,094

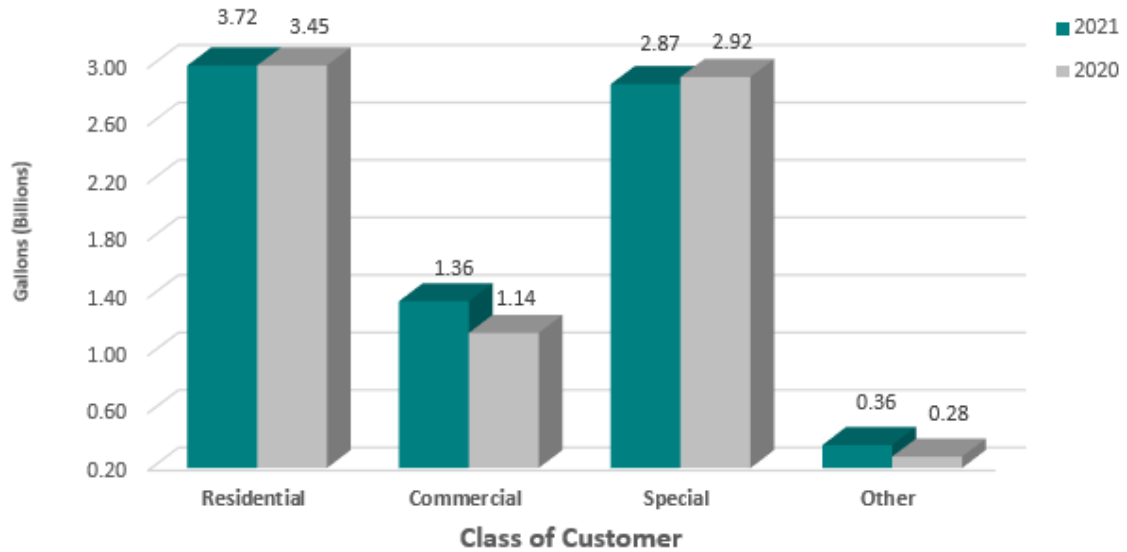
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Supplemental Data

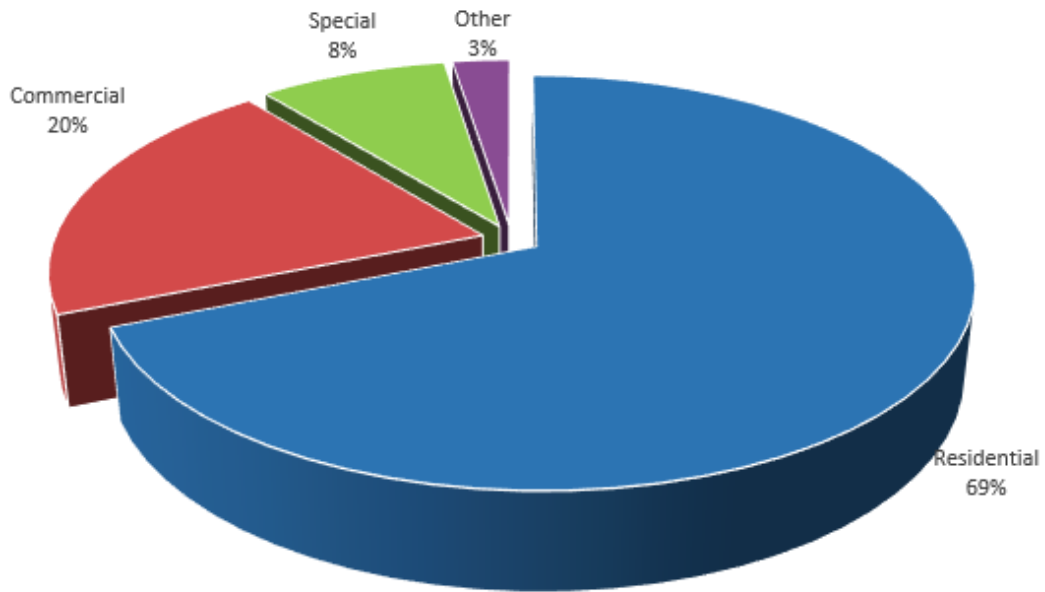
WATER SALES Year to Date - June 2021 & 2020



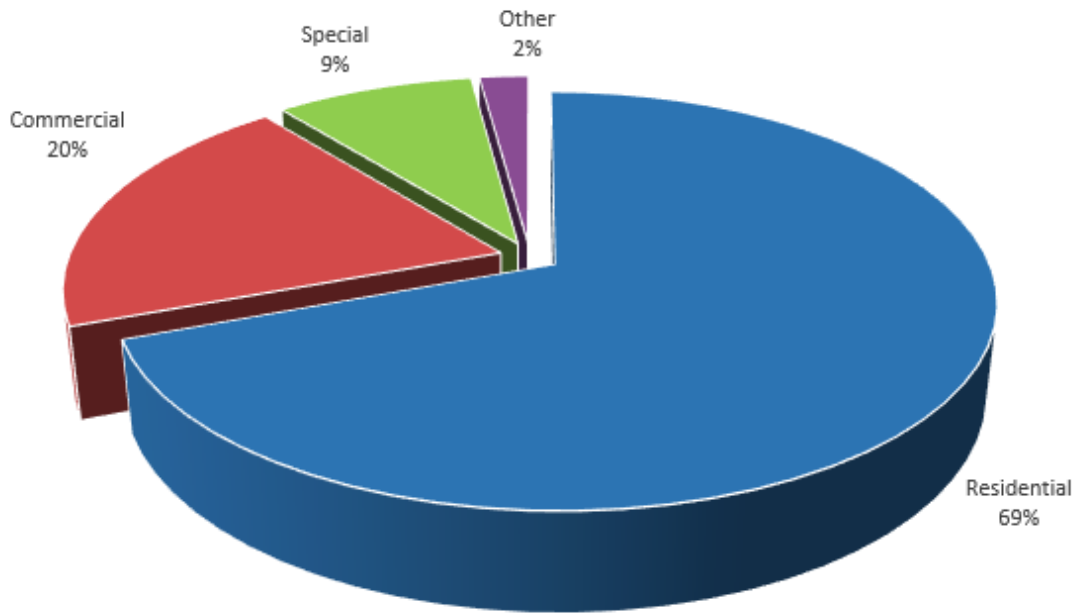
WATER CONSUMPTION Year to Date - June 2021 & 2020



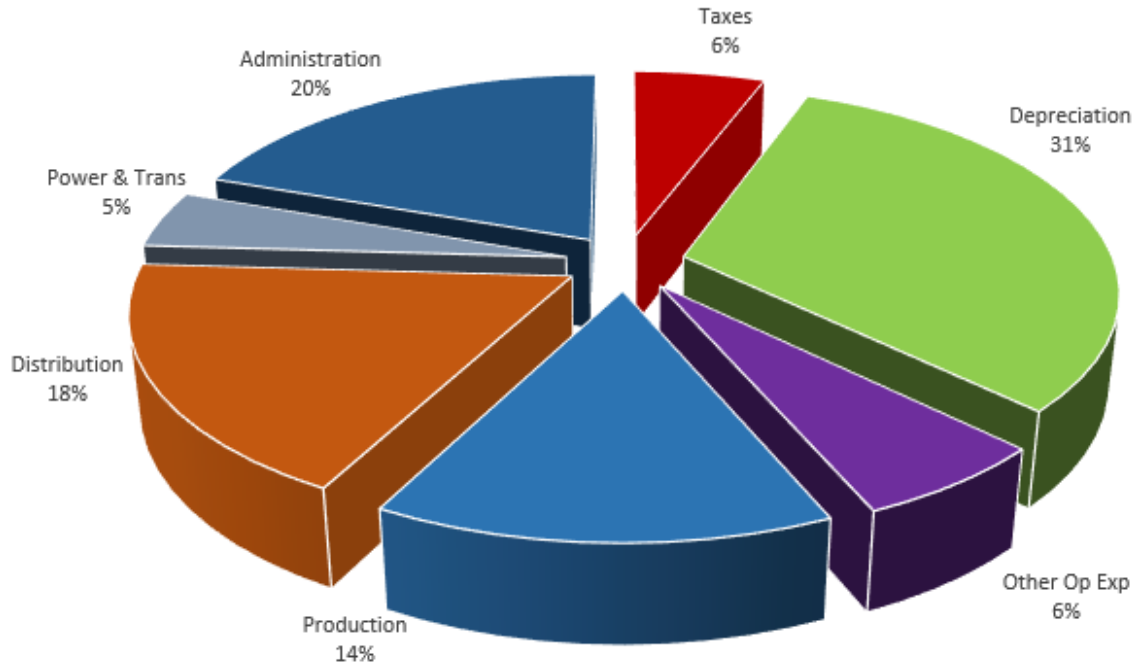
WATER SALES
Year to Date - June 2021
(\$42,497,411)



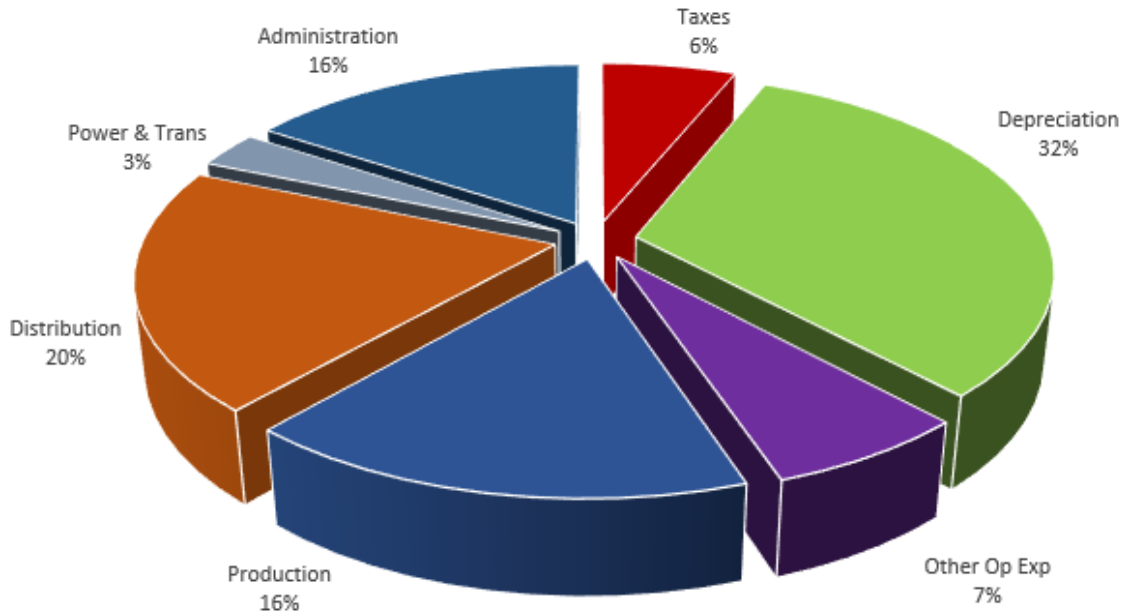
WATER SALES
Year to Date - June 2020
(\$40,939,736)



TOTAL OPERATING EXPENSES
Year to Date - June 2021
(\$44,287,883)



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



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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.