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***JUNE***

***TACOMA WATER***

**2022**

**INTERIM  
FINANCIAL  
REPORT**





# Public Utility Board

CHRISTINE COOLEY

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CARLOS M. WATSON

Vice-Chair

JOHN O'LOUGHLIN

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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 2022, Tacoma Water is reporting year-to-date operating income of \$5.1 million compared to \$4.3 million in 2021. Operating revenues increased \$2.4 million or 4.9% and operating expenses increased by \$1.6 million or 3.6%. The year-to-date change in net position for 2022 was an increase of \$780,000; for 2021 it was a decrease of \$2.8 million.

### Revenues

Water sales revenues increased by \$1.4 million or 3.4% as of the second 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 June 2022.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 3,044,580	\$ (2,135,116)	\$ 909,464
Commercial and Industrial	703,860	(269,418)	434,442
Special Rate	77,580	54,009	131,589
Other	83,378	(110,921)	(27,543)
<b>Total</b>	<b>\$ 3,909,398</b>	<b>\$ (2,461,446)</b>	<b>\$ 1,447,952</b>

Consumption as of June 2022 was 7,997 million gallons compared to 8,313 million gallons for the same period in 2021. Regional Water Supply System (RWSS) partners (including Tacoma's share) received 5,759 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	3,450.76	3,719.85	(269.09)	(7%)
Commercial and Industrial	1,316.31	1,358.94	(42.63)	(3%)
Special Rate	2,901.71	2,867.80	33.91	1%
Other	328.26	366.56	(38.30)	(10%)
<b>Total</b>	<b>7,997.04</b>	<b>8,313.15</b>	<b>(316.11)</b>	<b>(4%)</b>

### Expenses

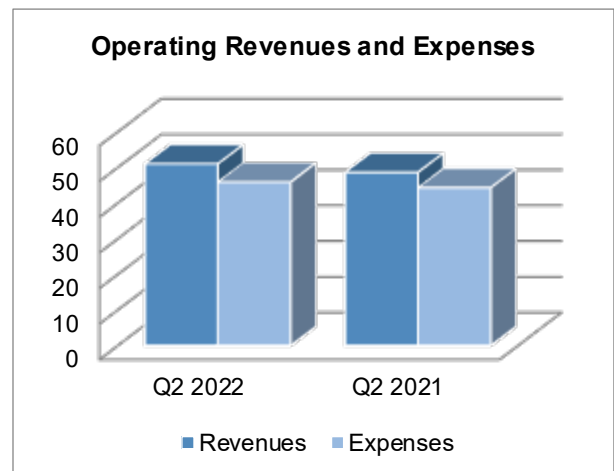
Operating expenses were \$45.9 million as of the second quarter of 2022, an increase of \$1.6 million or 3.6% compared to 2021.

Personnel expenses increased \$899,000 primarily due to seven additional positions filled, step increases, and cost of living adjustments in 2022.

Internal services went up by \$350,000 primarily due to higher electricity and insurance expenses.

External services went up by \$317,000 mainly due to higher professional services and external contract services.

Depreciation is higher by \$241,000 compared to last year.



Taxes went up by \$304,000 for the second quarter of 2022 due to the increase of University Place utility tax rate from 3% to 6% that was effective starting April of 2022.

Bad debt expense went down by \$758,000 compared to the second quarter of 2021. Last year was unusually high due to the ongoing impacts from the pandemic and a utility shut-off moratorium.

### **Non Operating Revenues**

Investment income (loss) increased \$3.1 million due to GASB 31 Investment Market Value reversal entry that was significantly higher by \$3.3 million and offset by investment earnings being lower by \$131,000 compared to 2021.

Miscellaneous revenue decreased \$1.8 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)  
June 30, 2022 and June 30, 2021

	JUNE 30,	
	2022	2021
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$1,227,427,754	\$1,186,966,016
Less Depreciation and Amortization	(347,095,948)	(327,730,603)
Total	880,331,806	859,235,413
Construction Work in Progress	35,888,829	37,316,465
Net Utility Plant	916,220,635	896,551,878
NON-UTILITY PROPERTY	492,963	492,963
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2013 Construction Fund	-	287
Regional Water Supply System Operating Fund	770,928	983,664
Provision for Debt Payment	10,992,782	11,017,723
Customer Water Main Deposits	3,633,759	3,582,454
Water Supply Forum Fund	628,461	624,252
Special Bond Reserves	21,693,395	21,690,771
Water Customer Contribution Fund	1,747,200	2,555,953
Water Capital Reserves	23,269,245	39,624,485
Water System Development Charge	80,977,321	77,311,070
Total Restricted Assets	143,713,091	157,390,659
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Current Fund	58,351,601	60,965,135
Grant Loan Fund	500,417	501,375
Customers' Deposits	137,234	126,764
Receivables:		
Customers	8,915,249	8,158,797
Accrued Unbilled Revenues	6,407,783	5,922,259
Others	1,572,929	550,506
BABs Interest Subsidies	301,820	974,685
Provision for Uncollectible Accounts	(3,913,480)	(2,696,265)
Materials and Supplies	4,058,304	3,085,151
Prepayments	2,304,428	1,907,429
Total Current Assets	78,636,285	79,495,836
TOTAL ASSETS	1,139,062,974	1,133,931,336
OTHER ASSETS		
Regulatory Assets - Surcharges	3,352,929	3,571,048
Net Pension Asset	-	1,636,678
Total Other Assets	3,352,929	5,207,726
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	520,826	708,071
Deferred Outflows for Pensions	8,570,873	4,855,703
Deferred Outflows for OPEB	1,484,797	597,712
Total Deferred Outflows	10,576,496	6,161,486
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$1,152,992,399	\$1,145,300,548

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



	JUNE 30,	
	2022	2021
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$520,790,637	\$484,741,174
Restricted for:		
Water Capital Reserves	20,075,875	35,952,109
Water System Development Charge	45,401,874	41,735,623
Debt Service Funds	8,995,299	8,943,109
Pension Asset	-	1,636,678
Unrestricted	<u>58,111,821</u>	<u>60,270,059</u>
<b>TOTAL NET POSITION</b>	<b>653,375,506</b>	<b>633,278,752</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	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>6,119,796</u>	<u>7,228,335</u>
Net Outstanding Revenue Bonds	339,154,139	348,881,093
PWTF Pre-Construction Loans	106,725	160,088
PWTF Construction Loans	9,202,017	11,205,280
State Drinking Water Loans	<u>48,848,868</u>	<u>52,919,062</u>
<b>Total Long-Term Debt</b>	<b>397,311,749</b>	<b>413,165,523</b>
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable	1,038,837	888,183
Purchases and Contracts Payable	1,923,050	1,503,176
Interest Expense Accrued	1,997,483	2,074,614
Taxes Accrued	1,977,617	1,912,867
Customers' and Contractors' Deposits	203,452	170,835
Current Portion of Long-Term Debt	14,905,527	15,457,074
Other Current Liabilities	2,987,733	2,929,144
Current Accrued Compensated Absences	<u>326,953</u>	<u>300,025</u>
<b>Total Current Liabilities</b>	<b>25,360,652</b>	<b>25,235,918</b>
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements	5,919,906	6,080,198
Customer Advances for Construction	12,251,751	10,743,625
Unearned Revenue	6,093,936	7,177,454
Other Long-Term Liabilities	1,381,081	1,078,590
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>
<b>Total Long-Term Liabilities</b>	<b>39,707,888</b>	<b>31,456,052</b>
<b>TOTAL LIABILITIES</b>	<b>462,380,289</b>	<b>469,857,493</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
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>
<b>Total Deferred Inflows</b>	<b>37,236,604</b>	<b>42,164,303</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$1,152,992,399</u></b>	<b><u>\$1,145,300,548</u></b>

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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, 2022 and June 30, 2021

			YEAR TO DATE		2022 OVER (UNDER) 2021	PERCENT CHANGE
	JUNE 2022	JUNE 2021	JUNE 30 2022	JUNE 30 2021		
<b>OPERATING REVENUES</b>						
Sales of Water	\$8,027,428	\$8,607,830	\$43,945,363	\$42,497,411	\$1,447,952	3.4%
Other Operating Revenues	906,854	579,779	4,257,411	3,626,942	630,469	17.4%
Contract Resource Obligation Revenue	402,706	376,967	2,768,870	2,488,572	280,298	11.3%
Total Operating Revenues	<u>9,336,988</u>	<u>9,564,576</u>	<u>50,971,644</u>	<u>48,612,925</u>	<u>2,358,719</u>	4.9%
<b>OPERATING EXPENSES</b>						
Production Expense:						
Source of Supply	310,914	311,190	1,718,597	1,618,021	100,576	6.2%
Water Treatment	1,010,845	1,000,019	5,332,481	4,699,683	632,798	13.5%
Total Production Expense	<u>1,321,759</u>	<u>1,311,209</u>	<u>7,051,078</u>	<u>6,317,704</u>	<u>733,374</u>	11.6%
Power Pumping Expense	41,617	73,135	267,428	311,403	(43,975)	-14.1%
Transmission and Storage Expense	353,791	289,335	1,950,398	1,672,388	278,010	16.6%
Distribution Expense	1,400,349	1,303,163	8,281,212	8,059,818	221,394	2.7%
Customer Accounting and Consumer Service	485,892	454,347	2,835,937	2,757,518	78,419	2.8%
Taxes	642,729	621,890	2,863,748	2,559,519	304,229	11.9%
Depreciation	2,366,223	2,299,963	14,177,254	13,936,197	241,057	1.7%
Administrative and General	1,293,252	1,444,774	8,458,606	8,673,336	(214,730)	-2.5%
Total Operating Expenses	<u>7,905,612</u>	<u>7,797,816</u>	<u>45,885,661</u>	<u>44,287,883</u>	<u>1,597,778</u>	3.6%
OPERATING INCOME (LOSS)	1,431,376	1,766,760	5,085,983	4,325,042	760,941	17.6%
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment Income (Loss)	380,058	150,508	935,676	(2,203,099)	3,138,775	142.5%
Miscellaneous	(2,457)	(1,269)	239,103	2,088,328	(1,849,225)	-88.6%
Interest on Long-Term Debt	(1,235,164)	(1,263,468)	(7,409,547)	(7,577,087)	167,540	2.2%
Interest on Long-Term Debt BABs Sub	(247,703)	(247,703)	(1,486,219)	(1,486,219)	-	0.0%
Amortization Of Debt Premium	71,368	82,181	428,207	493,085	(64,878)	-13.2%
Total Non-Operating Revenues (Expenses)	<u>(1,033,898)</u>	<u>(1,279,751)</u>	<u>(7,292,780)</u>	<u>(8,684,992)</u>	<u>1,392,212</u>	16.0%
<b>Net Income (Loss) Before Capital</b>						
Contributions and Transfers	397,478	487,009	(2,206,797)	(4,359,950)	2,153,153	49.4%
Capital Contributions:						
Cash	834,963	742,068	3,935,663	3,165,828	769,835	24.3%
Donated Fixed Assets	8,320	(23,183)	388,976	255,186	133,790	52.4%
Federal BABs Subsidies	301,820	301,820	1,810,922	1,810,922	-	0.0%
Capital Grant	311,018	-	577,324	-	577,324	NA
Transfers:						
City Gross Earnings Tax	(696,780)	(698,066)	(3,725,693)	(3,658,792)	(66,901)	-1.8%
Transfer from (to) Other Funds	-	-	-	120	(120)	-100.0%
CHANGE IN NET POSITION	<u>\$1,156,819</u>	<u>\$809,648</u>	<u>780,395</u>	<u>(2,786,686)</u>	<u>3,567,081</u>	128.0%
NET POSITION - JANUARY 1			652,595,111	636,065,438	16,529,673	
TOTAL NET POSITION - JUNE 30			<u>\$653,375,506</u>	<u>\$633,278,752</u>	<u>\$20,096,754</u>	3.2%

*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, 2022 and June 30, 2021

	JUNE 2022	JUNE 2021	YEAR TO DATE		2022 OVER (UNDER) 2021	PERCENT CHANGE
			JUNE 30 2022	JUNE 30 2021		
<b>SALES OF WATER</b>						
Residential and Domestic	\$5,704,383	\$6,223,133	\$30,173,013	\$29,263,549	\$909,464	3.1%
Commercial and Industrial	1,510,019	1,544,653	9,045,297	8,610,855	434,442	5.0%
Special Rate	637,596	611,896	3,677,898	3,546,309	131,589	3.7%
Wholesale	175,430	228,148	1,049,155	1,076,698	(27,543)	-2.6%
<b>Total</b>	<b>\$8,027,428</b>	<b>\$8,607,830</b>	<b>\$43,945,363</b>	<b>\$42,497,411</b>	<b>\$1,447,952</b>	<b>3.4%</b>
<b>BILLINGS (NUMBER OF MONTHS BILLED)</b>						
Residential and Domestic	114,436	110,800	623,115	602,107	21,008	3.5%
Commercial and Industrial	6,407	6,868	40,417	41,348	(931)	-2.3%
Wholesale	22	21	123	132	(9)	-6.8%
<b>Total</b>	<b>120,865</b>	<b>117,689</b>	<b>663,655</b>	<b>643,587</b>	<b>20,068</b>	<b>3.1%</b>

City of Tacoma, Washington  
 Department of Public Utilities  
 Tacoma Water  
 Summary of Water Billed (Unaudited)  
 June 30, 2022 and June 30, 2021

	MILLION GALLONS, TOTAL				MILLION GALLONS, AVERAGE DAILY	
	JUNE 2022	JUNE 2021	YEAR TO DATE		JUNE 2022	JUNE 2021
			JUNE 30, 2022	JUNE 30, 2021		
WATER BILLED						
Residential and Domestic	644.24	914.95	3,450.76	3,719.85	16.86	17.18
Commercial and Industrial	247.50	302.65	1,316.31	1,358.94	6.97	7.96
Special Rate	488.63	484.89	2,901.71	2,867.80	16.22	16.01
Wholesale	50.80	81.08	328.26	366.56	1.51	2.14
	<u>1,431.17</u>	<u>1,783.57</u>	<u>7,997.04</u>	<u>8,313.15</u>	<u>41.56</u>	<u>43.29</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, 2022 and June 30, 2021

	YEAR ENDED JUNE 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from Customers	\$55,903,651	\$51,295,064
Cash Paid to Suppliers	(14,257,383)	(14,417,566)
Cash Paid to Employees	(16,529,175)	(15,624,699)
Taxes Paid	(2,728,148)	(2,414,734)
	22,388,945	18,838,065
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to Other Funds	-	120
Capital Grant	577,324	-
Transfer Out for Gross Earnings Tax	(3,725,693)	(3,658,792)
	(3,148,369)	(3,658,672)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Expenditures, Net	(21,332,916)	(13,373,581)
Principal Payments on Long-Term Debt	(555,556)	(555,556)
Principal Payments on Muckleshoot LT Liability	(164,299)	(168,406)
Interest Paid	(8,529,503)	(8,663,032)
BABs Federal Interest Subsidies	1,810,922	2,948,979
Contributions in Aid of Construction (Cash)	3,935,663	3,165,828
System Development Charges & Other LT Liabilities	136,156	1,225,069
	(24,699,533)	(15,420,699)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments Income (Loss)	935,676	(2,203,099)
Other Net Non-Op Revenues and Expenses	239,103	2,088,328
	1,174,779	(114,771)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		
	(4,284,178)	(356,077)
<b>NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS</b>		
	206,986,521	219,340,010
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1</b>	<b>206,986,521</b>	<b>219,340,010</b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT JUNE 30</b>	<b>\$202,702,343</b>	<b>\$218,983,933</b>

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

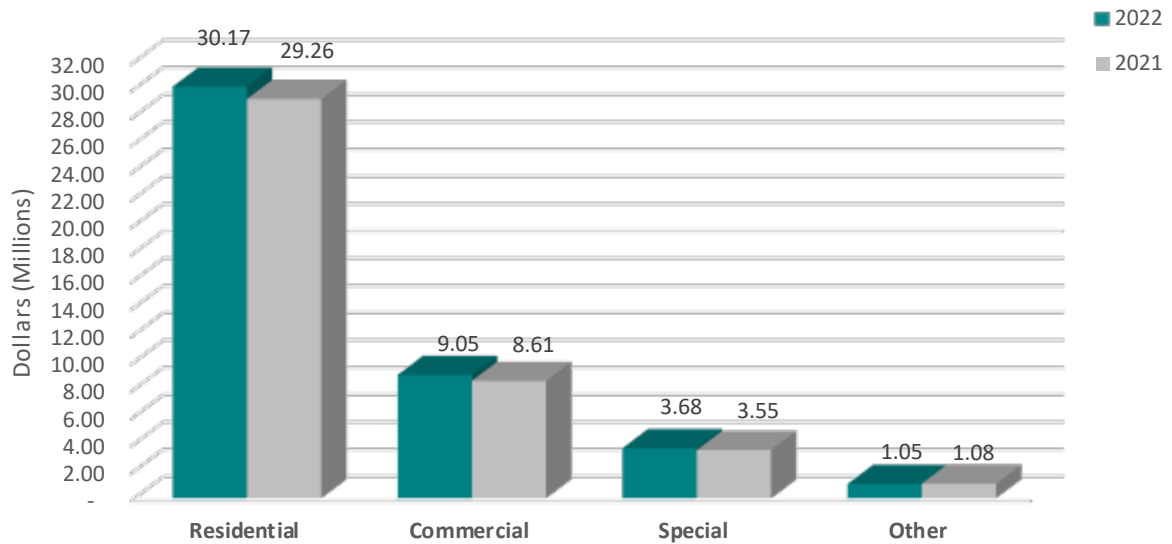
	YEAR ENDED JUNE 30,	
	2022	2021
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$5,085,983	\$4,325,042
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	14,177,254	13,936,197
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	1,828,232	(241,553)
Regulatory Asset-Surcharges	98,675	72,818
Materials and Supplies	(890,748)	(310,921)
Prepayments	563,961	480,323
Unearned Revenues	2,987,733	2,929,144
Accrued Taxes	135,600	144,785
Salaries, Wages and Fringe Benefits Payable	(103,618)	(78,305)
Customers' Deposits	17,367	(78,270)
Accrued Expenses and Contracts Payable	(1,511,494)	(2,341,195)
Total Adjustments	17,302,962	14,513,023
NET CASH FROM OPERATING ACTIVITIES	<u>\$22,388,945</u>	<u>\$18,838,065</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$143,713,091	\$157,390,659
Cash and Equity in Pooled Investments in Operating Funds	<u>\$58,989,252</u>	<u>\$61,593,274</u>
Cash and Equity in Pooled Investments at June 30	<u>\$202,702,343</u>	<u>\$218,983,933</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$388,976	\$255,186

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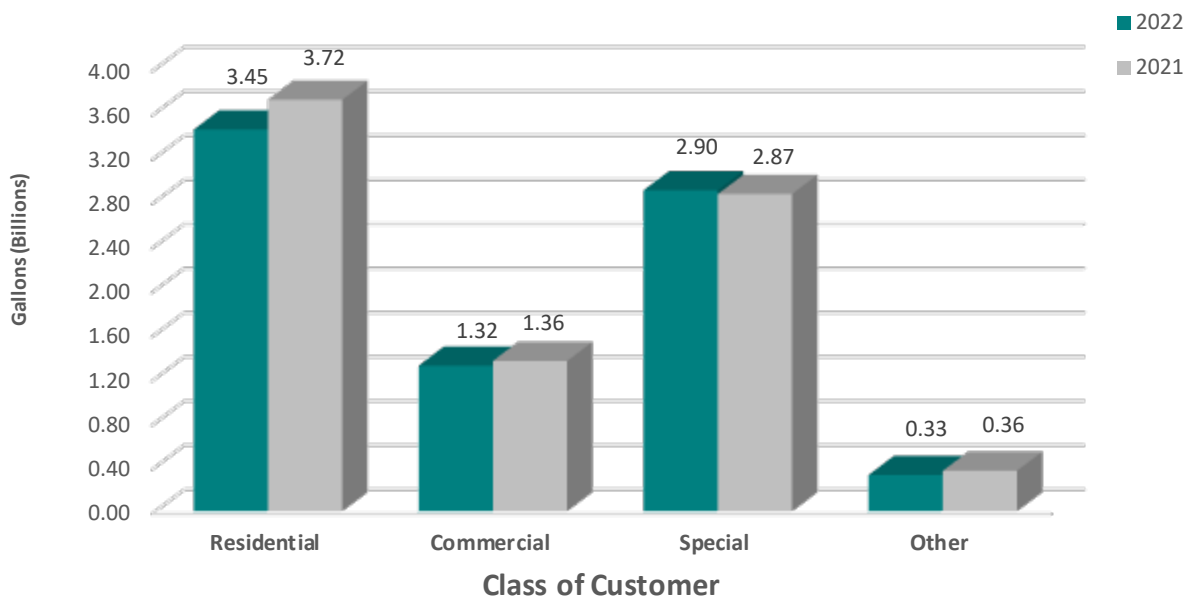


# Supplemental Data

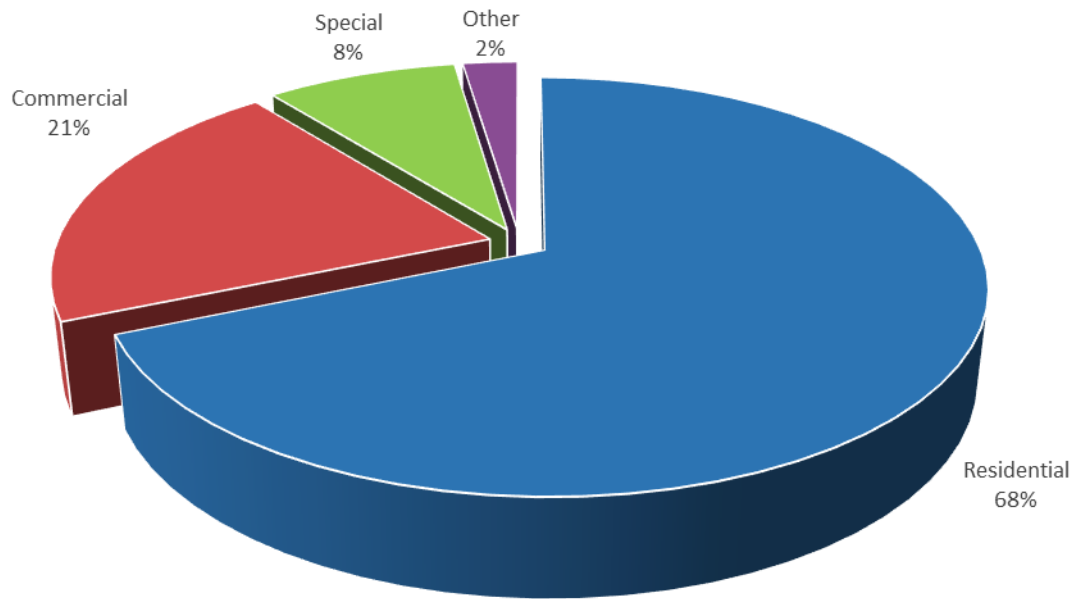
## WATER SALES Year to Date - June 2022 & 2021



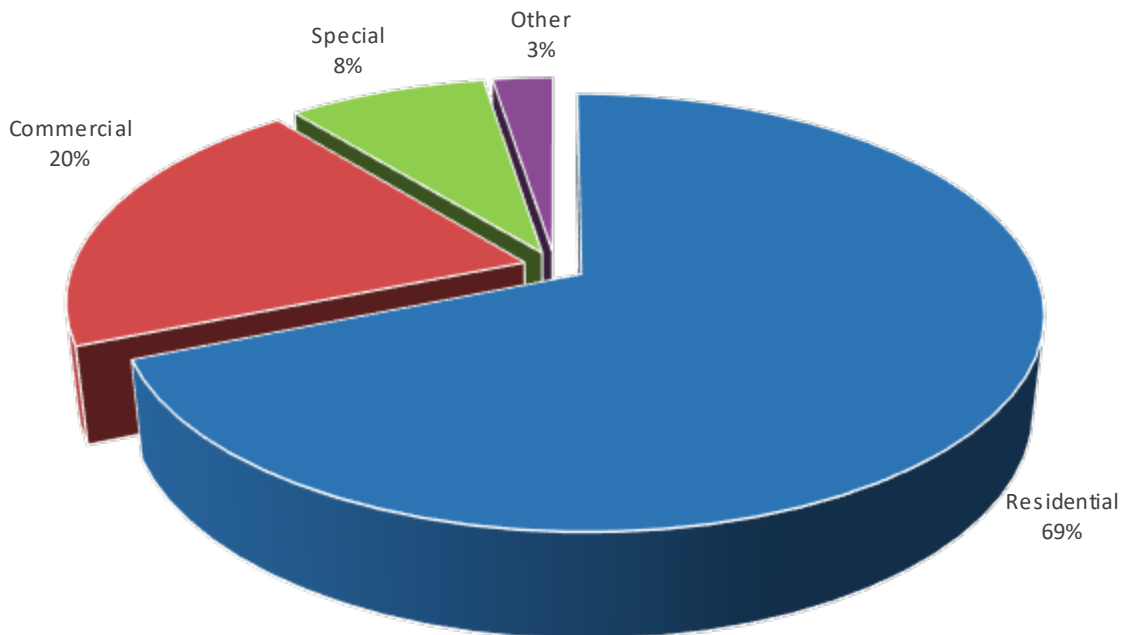
## WATER CONSUMPTION Year to Date - June 2022 & 2021



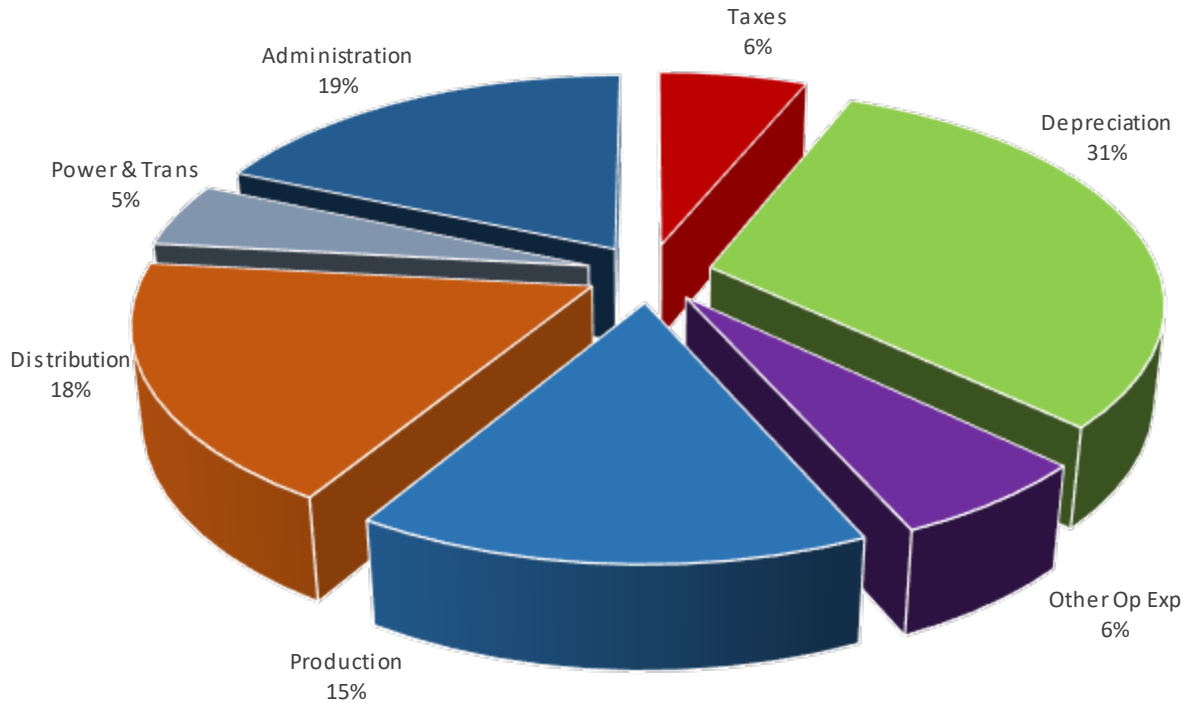
**WATER SALES**  
**Year to Date - June 2022**  
**(\$43,945,363)**



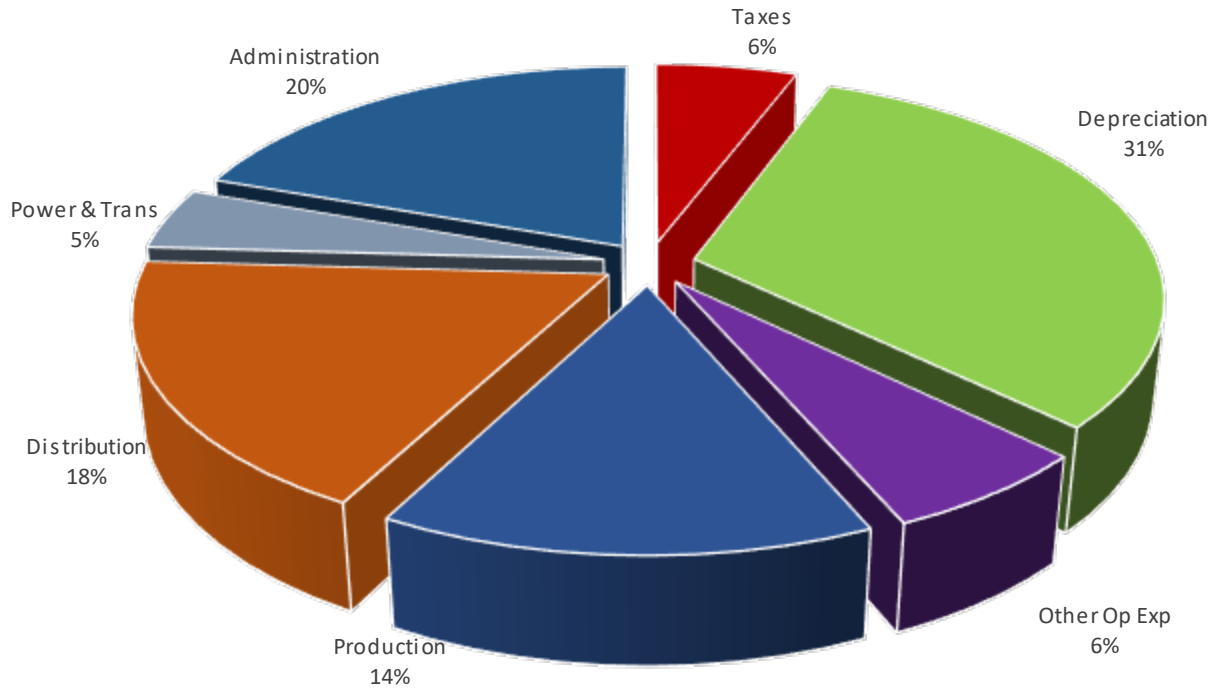
**WATER SALES**  
**Year to Date - June 2021**  
**(\$42,497,411)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - June 2022**  
**(\$45,885,661)**



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



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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.