



City of Tacoma
Finance Department

September 11, 2018

Digital Assurance Certification LLC
Attn: Jenny Emami
390 North Orange Avenue, Ste. 1750
Orlando, FL 32801

SUBJECT: 2017 Ongoing Disclosure of Financial Information and Operating Data
City of Tacoma, Washington, Department of Public Utilities,
Water Division – Regional Water Supply System CUSIP #87354T

This submission is City of Tacoma, Washington, Department of Public Utilities, Water Division – Regional Water Supply System's (RWSS) annual financial and operating data for 2017 for the following bond issues:

Regional Water Supply System Revenue Bonds, 2010
Regional Water Supply System Revenue Bonds, 2013

Enclosed with this letter are the unaudited financial statements for the Regional Water Supply System and the Covington Water District. Audited financial statements are enclosed for Tacoma Water and the City of Kent.

The information provided in this submission speaks only as of its date and is subject to change without notice. The submission of this information may not create an implication that there has been no change to the information provided. The Division has not agreed to notify the secondary market of subsequent changes to the information provided.

Sincerely,

Susan Calderon, CPA
Assistant Finance Director/Controller

Enclosures

REGIONAL WATER SUPPLY SYSTEM
STATEMENTS OF NET POSITION

(UNAUDITED)

	YEAR ENDED DECEMBER 31,	
	2017	2016
ASSETS		
UTILITY PLANT		
Water Plant in Service	\$343,869,539	\$337,252,246
Less Depreciation and Amortization	(65,738,167)	(57,471,481)
Total	278,131,372	279,780,765
Construction work in progress (1)	1,058,938	7,406,782
Net Utility Plant	279,190,310	287,187,547
RESTRICTED ASSETS		
Cash and Equity in Pooled Investments:		
2010 RWSS Construction Fund	-	-
Provision for Debt Payment	300,423	300,502
Special Bond Reserves	8,394,310	8,415,649
Total Restricted Assets	8,694,733	8,716,151
CURRENT ASSETS		
Cash and Equity in Pooled Investments:		
Regional Water Supply System Operating Fund (2)	1,017,528	1,081,954
Receivables:		
Others	591,206	455,753
BABs Interest Subsidies	67,585	67,368
Prepayments	69,372	73,333
Interdivision Receivable	2,341	876
Total Current Assets	1,748,032	1,679,284
OTHER ASSETS		
Unamortized Debt Expenses	240,210	256,313
Total Deferred Charges	240,210	256,313
TOTAL ASSETS	\$289,873,285	\$297,839,295

	YEAR ENDED DECEMBER 31,	
	2017	2016
NET POSITION AND LIABILITIES		
NET POSITION		
Net Investment in Capital Assets	\$174,175,516	\$180,470,093
Restricted for:		
Debt Service Funds	(148,101)	(151,827)
Unrestricted	674,101	533,892
Total Net Position	174,701,516	180,852,158
LONG-TERM DEBT		
Revenue Bonds Outstanding:		
2010 RWSS Revenue Bonds, Series A	1,955,000	2,245,000
2010 RWSS Revenue Bonds, Series B	44,245,000	44,245,000
2013 RWSS Revenue Bonds	59,400,000	60,165,000
Plus: Unamortized Bond Premium	6,994,314	7,709,416
Total Long-Term Debt	112,594,314	114,364,416
CURRENT LIABILITIES		
Purchases and Contract Payable	(6,046)	39,769
Interest Expense Accrued	448,524	452,329
Taxes Accrued	-	352
Current Portion of Long-Term Debt	1,055,000	1,025,000
Interdivision Payable	66,882	84,099
Total Current Liabilities	1,564,360	1,601,549
OTHER LIABILITIES		
Deferred Revenue - Operating Reserve (2)	1,013,095	1,021,172
Total Liabilities	1,013,095	1,021,172
Total Liabilities	115,171,769	116,987,137
TOTAL NET ASSETS AND LIABILITIES	\$289,873,285	\$297,839,295

Note 1 - 2016 Construction work in progress included \$6.8 million in capitalized interest of which \$6.4 million was capitalized to assets in 2017.

Note 2 - Reserve for timing differences between RWSS operating expenditures and reimbursement from Partners

REGIONAL WATER SUPPLY SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(UNAUDITED)

	YEAR ENDED DECEMBER 31,	
	2017	2016
OPERATING REVENUES		
CRO - Debt Service	\$5,554,208	\$5,582,030
CRO - O&M	3,858,622	3,858,714
CRO - Capital	202,255	483,498
Other Operating Revenue	-	-
Total Operating Revenues	9,615,085	9,924,242
OPERATING EXPENSES		
Production Expense		
Source of Supply	1,066,280	1,062,393
Water Treatment	2,426,006	2,375,475
Total Production Expense	3,492,286	3,437,868
Transmission and Storage Expense	176,750	180,577
Depreciation	8,266,685	8,263,267
Administrative and General	212,650	253,292
Total Operating Expenses	12,148,371	12,135,004
Net Operating Income	(2,533,286)	(2,210,762)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	91,554	87,696
Miscellaneous	-	-
Interest on Long-Term Debt	(4,618,444)	(4,660,127)
Interest on LT Debt BAB Subsidies	(809,933)	(808,775)
Amort. Of Debt Premium, Disc. And Expense	698,999	708,210
Interest & Amort Charged to Construction	31,379	45,127
Total Non-Operating Revenues (Expenses)	(4,606,445)	(4,627,869)
Net (Loss) Income Before Capital Contributions and Transfers	(7,139,731)	(6,838,631)
Capital Contributions		
Cash	179,156	456,685
Federal BAB Subsidies	809,933	808,775
Transfers to Other Funds	-	(287,119)
CHANGE IN NET POSITION	(6,150,642)	(5,860,290)
TOTAL NET POSITION - JANUARY 1	180,852,158	186,712,448
TOTAL NET POSITION - DECEMBER 31	\$174,701,516	\$180,852,158

Table I

SCHEDULE OF DEBT SERVICE REQUIREMENTS

Year	The Bonds		Total Parity Bonds
	Principal	Interest	
2018	1,055,000	5,382,286	6,437,286
2019	1,990,000	5,335,336	7,325,336
2020	2,100,000	5,241,836	7,341,836
2021	2,205,000	5,143,036	7,348,036
2022	2,315,000	5,035,936	7,350,936
2023	2,455,000	4,923,486	7,378,486
2024	4,930,000	4,804,186	9,734,186
2025	5,190,000	4,561,236	9,751,236
2026	5,420,000	4,300,364	9,720,364
2027	5,700,000	4,027,935	9,727,935
2028	5,970,000	3,741,451	9,711,451
2029	6,300,000	3,441,430	9,741,430
2030	6,595,000	3,124,854	9,719,854
2031	6,880,000	2,855,021	9,735,021
2032	6,660,000	2,572,446	9,232,446
2033	4,495,000	2,298,427	6,793,427
2034	4,655,000	2,045,763	6,700,763
2035	4,830,000	1,784,105	6,614,105
2036	5,005,000	1,512,611	6,517,611
2037	5,185,000	1,231,280	6,416,280
2038	5,375,000	939,831	6,314,831
2039	5,570,000	637,702	6,207,702
2040	5,775,000	324,613	6,099,613
TOTAL	\$106,655,000	\$75,265,171	\$181,920,171

Table II

Net Loss before Capital Contributions	(7,139,731)
Capital Contributions	
Cash	179,156
Federal BAB Subsidies	809,933
Depreciation	8,266,685
Interest Charges	4,697,999
Net Income Available for Debt Service	6,814,042
Debt Service on Outstanding Bonds	6,437,286
Debt Service Coverage	1.06

Note 1 - As owner/operator of the Second Supply Project, Tacoma Water directly pays all operating, capital and debt service obligations on behalf of the partnership and in turn invoices the City of Kent, Covington Water District and Lakehaven Utility District for their contracted share of the expenses. Operating expenses are billed monthly on a reimbursement basis, capital expenditures for the GRFF are billed each quarter in advance of expenses and debt service is accrued monthly and paid when due. Because all RWSS expenses are paid as "Contract Resource Obligations" of each of the RWSS Partners, debt service coverage is not monitored in isolation for the RWSS, but Tacoma Water has covenanted with bond owners to ... "provide Gross Revenues of the Water System sufficient, together with amounts on deposit in the Revenue Fund and available for such purpose (including Participants' Payments), to pay all Regional Supply System Costs and all obligations against Gross Revenues of the Water System." This obligation is senior in lien to those of the Water System Parity Bonds, which have separate requirements for Debt Service Coverage. See RWSS Investor Webpage for more information: <https://www.mytpu.org/about-tpu/tacoma-water-investor.htm>