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**SEPTEMBER**

***TACOMA POWER***

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

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KAREN LARKIN

Vice-Chair

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Finance Director

DEPARTMENT OF PUBLIC UTILITIES

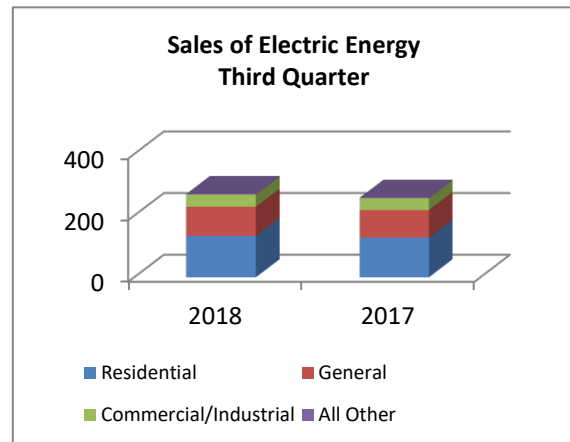
CITY OF TACOMA

## **Summary**

Tacoma Power's operating income at the end of the third quarter of 2018 was \$52.7 million compared to \$45.5 million a year earlier. Operating revenues increased \$14.7 million (4.4%) compared to the prior year. Operating expenses increased \$7.5 million (2.6%). Non-operating expenses decreased in total \$2.4 million (24.6%) resulting in net income of \$45.4 million in 2018 compared to \$35.9 million in 2017.

## **Revenues**

In the third quarter of 2018, total electric energy sales increased \$15.8 million compared with the same period a year earlier. The following table summarizes the impacts of rate and volume changes on sales of electric energy by customer class as of September 2018. There was a 5.9% rate increase effective April 16, 2017 and an additional 5.9% rate increase effective April 1, 2018.



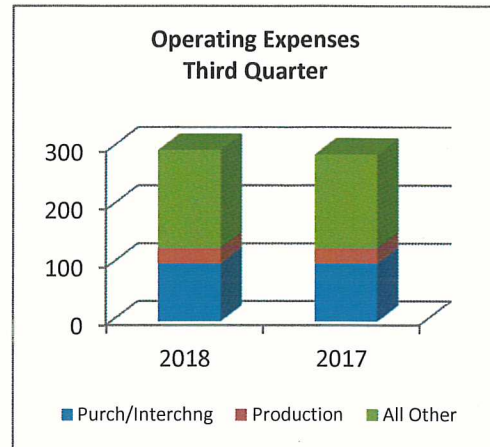
Customer Class	Changes Related To:		
	Rate	Volume	YTD Increase
Residential	\$ 9,308,853	\$ (3,792,404)	\$ 5,516,449
Commercial	564,428	(296,246)	268,182
General	5,135,643	(5,950)	5,129,693
Contract Industrial	890,665	54,211	944,876
Public Street and Highway Lighting	1,130,330	(1,114,880)	15,450
Sales to Other Utilities	12,031	7,836	19,867
Bulk Power Sales	6,462,461	(2,533,232)	3,929,229
Total	\$ 23,504,411	\$ (7,680,665)	\$ 15,823,746

## **Expenses**

Third quarter 2018 operating expenses were \$295.9 million, up \$7.5 million (2.6%) from 2017.

Conservation and Other Customer Assistance increased \$1.1 million. Increases in assessments from market development accounted for \$452,000 of the change while \$535,000 is due to an increase of the amortization of deferred conservation costs. These costs are amortized over a 10 year period and year 9 of 10 was added to the 2018 schedule. The remaining \$113,000 is spread across multiple functional accounts and not attributed to a specific event.

Administrative and General expenses increased \$5.1 million. There was a one-time contribution to the Self Insurance fund in the amount of \$1.7 million to pay out a claim. Salaries and wages increased \$1.5 million due to staffing changes. The remaining \$1.9 million is spread across multiple administrative functional accounts to include Association Dues and Subscriptions, License and Maintenance Fees, Desktop Support, and Professional Services. The changes within each of these areas are minimal and not directly attributed to a specific event.



### **Capital Contributions**

Cash from capital contributions decreased \$4.7 million (38%). In 2018, Puget Sound Energy was billed \$3.6 million for the utility installation at the Taylor substation compared to \$5.5 million in 2017. The remaining decrease of \$2.8 million is primarily due to a reduction in billable new services additions and replacements.

Donated assets increased \$31,000. This is primarily due to new easements being granted for future construction projects.

  
Jackie Flowers  
Director of Utilities

  
Andrew Cherullo  
Finance Director

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION  
Doing Business As

## TACOMA POWER

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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.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF NET POSITION - September 30, 2018 AND September 30, 2017

<b>ASSETS AND DEFERRED OUTFLOWS</b>	2018	2017
<b>UTILITY PLANT</b>		
Electric Plant in Service .....	\$2,067,114,627	\$2,035,146,932
Less Depreciation and Amortization .....	(1,085,882,746)	(1,037,410,049)
Total .....	981,231,881	997,736,883
Construction Work in Progress .....	75,032,224	34,210,991
Net Utility Plant .....	1,056,264,105	1,031,947,874
<b>NON-UTILITY PROPERTY .....</b>	<b>182,051</b>	<b>182,051</b>
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2013 Construction Fund .....	-	3
2015 Construction Fund .....	-	6,978,450
Provision for Debt Service .....	12,607,026	13,552,480
Special Bond Reserves .....	4,997,639	4,997,639
Wynoochee Reserve - State of Washington .....	2,624,815	2,586,708
Total Restricted Assets .....	20,229,480	28,115,280
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	144,608,669	175,828,456
Customers' and Contractors' Deposits .....	2,693,608	2,663,784
Conservation Loan Fund .....	3,729,431	3,667,564
Rate Stabilization Fund .....	48,000,000	47,999,676
Receivables:		
Customers .....	16,453,492	16,888,768
Accrued Unbilled Revenue .....	30,701,425	28,587,295
Others .....	7,592,957	9,993,452
Provision for Uncollectibles .....	(1,204,031)	(2,882,751)
Materials and Supplies .....	6,823,684	6,861,874
Prepayments and Other .....	6,390,390	6,255,617
Total Current Assets .....	265,789,625	295,863,735
<b>OTHER ASSETS</b>		
Regulatory Asset - Conservation .....	47,838,202	48,209,966
Conservation Loan Fund Receivables .....	2,535,278	2,608,995
Total Other Assets .....	50,373,480	50,818,961
<b>Total Assets .....</b>	<b>1,392,838,741</b>	<b>1,406,927,901</b>
<b>DEFERRED OUTFLOWS</b>		
Deferred Outflow for Pensions .....	38,426,742	39,469,454
Total Deferred Outflows .....	38,426,742	39,469,454
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<b>\$1,431,265,483</b>	<b>\$1,446,397,355</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*



<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$644,605,411	\$597,045,749
Restricted for:		
Wynoochee Reserve - State of Washington .....	2,624,815	2,586,708
Debt Service .....	7,571,250	8,681,251
Unrestricted .....	204,721,016	239,637,278
<b>TOTAL NET POSITION .....</b>	<b>859,522,492</b>	<b>847,950,986</b>
<b>LONG-TERM DEBT</b>		
2010B Electric System Refunding Bonds .....	147,070,000	147,070,000
2010C Electric System Refunding Bonds .....	24,185,000	24,185,000
2013A Electric System Rev & Refunding Bonds .....	105,490,000	139,885,000
2013B Electric System Rev & Refunding Bonds .....	35,620,000	35,620,000
2017 Electric System Revenue Bonds .....	70,575,000	70,575,000
Total Bonded Indebtedness .....	382,940,000	417,335,000
Less: Unamortized Bond Premiums .....	23,553,384	27,738,639
Net Bonded Indebtedness .....	406,493,384	445,073,639
Line of Credit .....	250,000	250,000
Total Long-Term Debt .....	406,743,384	445,323,639
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	3,704,649	3,488,108
Taxes and Other Payables .....	13,707,067	9,865,137
Purchases and Transmission of Power Accrued .....	11,554,486	11,149,674
Interest Payable .....	5,035,776	4,871,229
Customers' Deposits .....	2,724,560	2,916,807
Current Portion of Long-Term Debt .....	10,095,000	11,575,000
Current Accrued Compensated Absences .....	1,044,235	1,075,771
Total Current Liabilities .....	47,865,773	44,941,726
<b>LONG TERM LIABILITIES</b>		
Long Term Accrued Compensated Absences .....	9,398,115	9,681,941
Net Pension Liability .....	36,687,245	34,177,293
Other Long Term Liabilities .....	15,143,610	14,033,787
Total Long Term Liabilities .....	61,228,970	57,893,021
<b>TOTAL LIABILITIES .....</b>	<b>515,838,127</b>	<b>548,158,386</b>
<b>DEFERRED INFLOWS</b>		
Deferred Inflow for Pensions .....	7,904,864	2,287,983
Rate Stabilization .....	48,000,000	48,000,000
Total Deferred Inflows .....	55,904,864	50,287,983
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$1,431,265,483</b>	<b>\$1,446,397,355</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
September 30, 2018 AND September 30, 2017

	September 2018	September 2017
<b>OPERATING REVENUES</b>		
Sales of Electric Energy .....	\$26,358,916	\$27,745,401
Other Operating Revenues .....	1,276,249	1,310,446
Click! Network Operating Revenues .....	2,055,070	2,185,211
Total Operating Revenue .....	<u>29,690,235</u>	<u>31,241,058</u>
<b>OPERATING EXPENSES</b>		
Production Expense		
Hydraulic Power Production .....	3,474,517	2,030,767
Other Production Expense .....	474,003	472,365
Total Expense Power Produced .....	<u>3,948,520</u>	<u>2,503,132</u>
Purchased Power .....	11,530,158	10,961,199
Total Production Expense .....	<u>15,478,678</u>	<u>13,464,331</u>
Transmission Expense .....	3,147,092	2,756,730
Distribution Expense .....	1,892,414	1,867,964
Click! Network Commercial Operations Expense .	1,813,328	1,971,699
Customer Accounts Expense (CIS) .....	1,339,493	1,210,093
Conservation and Other Customer Assistance ...	1,253,102	1,163,900
Taxes .....	2,067,758	1,982,781
Depreciation .....	4,380,164	4,737,983
Administrative and General .....	2,436,283	1,491,416
Total Operating Expenses .....	<u>33,808,312</u>	<u>30,646,897</u>
<b>OPERATING INCOME (LOSS)</b> .....	<u>(4,118,077)</u>	<u>594,161</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	328,188	256,285
Contribution to Family Need .....	(8,333)	(8,333)
Other Net Non-Op Revenues and Deductions .....	271,541	(432,979)
Interest on Long-Term Debt .....	(1,679,088)	(1,915,387)
Amort. of Debt Related Costs .....	134,639	166,947
Interest Charged to Construction .....	263,224	90,084
Total Non-Operating Revenues (Expenses) ...	<u>(689,829)</u>	<u>(1,843,383)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	(4,807,906)	(1,249,222)
Capital Contributions		
Cash .....	578,674	442,435
Donated Fixed Assets .....	17,406	131,384
BABs and CREBs Interest Subsidies	329,553	329,553
Transfers		
City Gross Earnings Tax .....	(2,672,154)	(2,442,781)
Transfers from (to) Other Funds .....	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b> .....	<u>(\$6,554,427)</u>	<u>(\$2,788,631)</u>
TOTAL NET POSITION - January 1 .....		
TOTAL NET POSITION - September 30 .....		

YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
September 30, 2018	September 30, 2017		
\$315,725,024	\$299,901,278	\$15,823,746	5.3%
13,727,090	14,040,232	(313,142)	-2.2%
19,123,934	19,917,049	(793,115)	-4.0%
<u>348,576,048</u>	<u>333,858,559</u>	<u>14,717,489</u>	4.4%
21,887,022	21,890,884	(3,862)	0.0%
<u>4,254,095</u>	<u>4,038,536</u>	<u>215,559</u>	5.3%
26,141,117	25,929,420	211,697	0.8%
<u>100,795,953</u>	<u>100,888,642</u>	<u>(92,689)</u>	-0.1%
126,937,070	126,818,062	119,008	0.1%
25,540,449	23,373,806	2,166,643	9.3%
23,445,677	21,959,953	1,485,724	6.8%
18,025,415	18,611,010	(585,595)	-3.1%
10,361,478	11,075,845	(714,367)	-6.4%
11,275,921	10,133,032	1,142,889	11.3%
15,864,997	15,231,329	633,668	4.2%
41,059,326	42,938,151	(1,878,825)	-4.4%
23,371,514	18,222,414	5,149,100	28.3%
<u>295,881,847</u>	<u>288,363,602</u>	<u>7,518,245</u>	2.6%
<u>52,694,201</u>	<u>45,494,957</u>	<u>7,199,244</u>	15.8%
4,033,128	2,994,153	1,038,975	34.7%
(75,000)	(75,000)	-	0.0%
1,440,609	(85,377)	1,525,986	-1787.4%
(15,285,192)	(14,727,172)	(558,020)	3.8%
1,211,753	1,159,354	52,399	-4.5%
1,415,140	1,102,711	312,429	28.3%
<u>(7,259,562)</u>	<u>(9,631,331)</u>	<u>2,371,769</u>	-24.6%
45,434,639	35,863,626	9,571,013	26.7%
7,680,600	12,396,830	(4,716,230)	-38.0%
185,437	154,891	30,546	19.7%
2,835,476	2,829,544	5,932	0.2%
(26,753,175)	(25,289,598)	(1,463,577)	5.8%
<u>(31,158)</u>	<u>-</u>	<u>(31,158)</u>	0.0%
29,351,819	25,955,293	3,396,526	13.1%
<u>830,170,673</u>	<u>821,995,693</u>	<u>8,174,980</u>	1.0%
<u><u>\$859,522,492</u></u>	<u><u>\$847,950,986</u></u>	<u><u>11,571,506</u></u>	

These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

SUMMARY OF REVENUES AND BILLINGS  
September 30, 2018 AND September 30, 2017

	<u>For the month of September 2018</u>	<u>For the month of September 2017</u>
<b>OPERATING REVENUE</b>		
Sales of Electric Energy		
Residential .....	\$10,862,480	\$10,462,325
Commercial .....	2,113,336	2,118,025
General .....	9,742,743	9,858,426
Contract Industrial .....	2,092,374	1,974,085
Public Street and Highway Lighting .....	90,059	113,067
Sales to Other Electric Utilities .....	31,569	29,492
Total Sales to Customers .....	<u>24,932,561</u>	<u>24,555,420</u>
Bulk Power Sales .....	<u>1,426,355</u>	<u>3,189,981</u>
Total Sales of Electric Energy .....	<u>26,358,916</u>	<u>27,745,401</u>
Other Operating Revenue		
Rentals and Leases from Elect. Property ...	95,217	103,321
Wheeling .....	813,750	817,184
Service Fees and Other .....	367,282	389,941
Telecommunications Revenue .....	2,055,070	2,185,211
Total Other Operating Revenues .....	<u>3,331,319</u>	<u>3,495,657</u>
TOTAL OPERATING REVENUES .....	<u>\$29,690,235</u>	<u>\$31,241,058</u>
 <b>BILLINGS (Number of Months Billed)</b>		
Residential .....	149,287	150,142
Commercial .....	15,362	15,221
General .....	2,290	2,397
Contract Industrial .....	2	2
Public Streets and Highway Lighting .....	1,095	1,084
Sales to Other Utilities .....	<u>1</u>	<u>1</u>
TOTAL BILLINGS .....	<u>168,037</u>	<u>168,847</u>

YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
September 30, 2018	September 30, 2017		
\$134,355,826	\$128,839,377	\$5,516,449	4.3%
22,365,410	22,097,228	268,182	1.2%
94,617,403	89,487,710	5,129,693	5.7%
17,416,100	16,471,224	944,876	5.7%
1,029,966	1,014,516	15,450	1.5%
333,445	313,578	19,867	6.3%
270,118,150	258,223,633	11,894,517	4.6%
45,606,874	41,677,645	3,929,229	9.4%
315,725,024	299,901,278	15,823,746	5.3%
2,610,276	2,582,658	27,618	1.1%
7,434,095	7,515,456	(81,361)	-1.1%
3,682,719	3,942,118	(259,399)	-6.6%
19,123,934	19,917,049	(793,115)	-4.0%
32,851,024	33,957,281	(1,106,257)	-3.3%
\$348,576,048	\$333,858,559	\$14,717,489	4.4%
1,442,602	1,423,881	18,721	1.3%
144,932	143,283	1,649	1.2%
23,264	23,032	232	1.0%
18	18	-	0.0%
8,389	8,480	(91)	-1.1%
9	9	-	0.0%
1,619,214	1,598,703	20,511	1.3%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

GROSS GENERATION REPORT - September 30, 2018 AND September 30, 2017

	For the month of September 2018	For the month of September 2017
KWH GENERATED, PURCHASED AND INTERCHANGED - Gross		
Generated - LaGrande .....	17,783,000	15,789,000
Generated - Alder .....	10,389,000	11,788,000
TOTAL NISQUALLY .....	<u>28,172,000</u>	<u>27,577,000</u>
Generated - Cushman No. 1 .....	9,646,000	9,693,000
Generated - Cushman No. 2 .....	13,642,000	14,138,000
TOTAL CUSHMAN .....	<u>23,288,000</u>	<u>23,831,000</u>
Generated - Mossyrock .....	35,619,000	47,801,000
Generated - Mayfield .....	22,469,000	28,846,000
TOTAL COWLITZ .....	<u>58,088,000</u>	<u>76,647,000</u>
Generated - Wynoochee .....	<u>356,000</u>	<u>930,000</u>
Generated - Hood Street .....	<u>-</u>	<u>311,422</u>
Tacoma's Share of Priest Rapids .....	<u>1,406,000</u>	<u>1,540,000</u>
Tacoma's Share of GCPHA .....	<u>25,248,000</u>	<u>27,436,000</u>
TOTAL KWH GENERATED - TACOMA SYSTEM .....	136,558,000	158,272,422
Purchased Power		
BPA Slice Contract .....	130,299,000	146,846,000
BPA Block Contract .....	109,416,000	112,206,000
Interchange Net .....	<u>(41,297,000)</u>	<u>(70,206,000)</u>
TOTAL KWH GENERATED, PURCHASED AND INTERCHANGED ..	<u>334,976,000</u>	<u>347,118,422</u>
Losses .....	1,912,111	2,799,190
Baldi Replacement .....	16,087	17,004
Ketron .....	13,707	13,682
NT PC Mutuals Schedules .....	<u>(2,076,000)</u>	<u>(1,769,000)</u>
PC Mutual Inadvertent .....	<u>(6,650,039)</u>	<u>(98,518)</u>
TACOMA SYSTEM FIRM LOAD .....	<u>328,191,866</u>	<u>348,080,780</u>
Maximum Kilowatts (System Firm Load) .....	610,302	616,792
Average Kilowatts (System Firm Load) .....	455,822	483,446
PIERCE COUNTY MUTUAL LOAD .....	91,749,000	95,194,000
KWH BILLED		
Residential Sales .....	105,347,384	109,599,914
Commercial Sales .....	22,529,922	23,277,433
General .....	146,669,868	156,155,757
Contract Industrial .....	45,331,620	45,028,440
Public Street and Highway Lighting .....	609,187	2,399,367
Sales to Other Electric Utilities .....	<u>540,000</u>	<u>526,500</u>
TOTAL FIRM .....	<u>321,027,981</u>	<u>336,987,411</u>
Bulk Power Sales .....	<u>51,344,000</u>	<u>89,773,000</u>
TOTAL KWH BILLED .....	<u><u>372,371,981</u></u>	<u><u>426,760,411</u></u>

YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
September 30 2018	September 30 2017		
274,834,000	288,731,000	(13,897,000)	-4.8%
173,729,000	162,857,000	10,872,000	6.7%
448,563,000	451,588,000	(3,025,000)	-0.7%
65,235,000	88,324,000	(23,089,000)	-26.1%
96,577,000	135,543,000	(38,966,000)	-28.7%
161,812,000	223,867,000	(62,055,000)	-27.7%
733,902,000	951,852,000	(217,950,000)	-22.9%
510,965,000	647,979,000	(137,014,000)	-21.1%
1,244,867,000	1,599,831,000	(354,964,000)	-22.2%
14,861,000	21,182,000	(6,321,000)	-29.8%
1,298,500	2,240,520	(942,020)	-42.0%
21,849,000	22,227,000	(378,000)	-1.7%
227,058,000	214,159,000	12,899,000	6.0%
2,120,308,500	2,535,094,520	(414,786,020)	-16.4%
1,978,675,000	1,975,883,000	2,792,000	0.1%
1,116,951,000	1,145,440,000	(28,489,000)	-2.5%
(1,666,759,333)	(2,018,069,000)	351,309,667	-17.4%
3,549,175,167	3,638,348,520	(89,173,353)	-2.5%
34,634,638	30,489,268	4,145,370	13.6%
401,850	559,165	(157,315)	-28.1%
212,802	208,989	3,813	1.8%
(22,884,000)	(22,319,000)	(565,000)	2.5%
(4,055,616)	23,766,847	(27,822,463)	-117.1%
3,557,484,841	3,671,053,789	(113,568,948)	-3.1%
1,053,535,000	1,092,691,000	(39,156,000)	-3.6%
1,446,675,008	1,490,549,531	(43,874,523)	-2.9%
245,986,000	249,328,620	(3,342,620)	-1.3%
1,461,702,245	1,461,799,442	(97,197)	0.0%
379,534,980	378,289,920	1,245,060	0.3%
(2,179,239)	22,028,555	(24,207,794)	-109.9%
5,869,800	5,726,700	143,100	2.5%
3,537,588,794	3,607,722,768	(70,133,974)	-1.9%
2,134,156,000	2,272,268,000	(138,112,000)	-6.1%
5,671,744,794	5,879,990,768	(208,245,974)	-3.5%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	September 30, 2018	September 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$360,726,705	\$339,880,516
Cash Paid to Suppliers .....	(159,246,827)	(157,112,985)
Cash Paid to Employees .....	(89,123,798)	(86,635,325)
Taxes Paid .....	(16,725,565)	(16,281,628)
Conservation Loans .....	89,990	(66,525)
Net Cash from Operating Activities .....	95,720,505	79,784,053
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer Out for Gross Earnings Tax .....	(26,753,175)	(25,289,598)
Transfer to Other Funds .....	(31,158)	-
Transfer to Family Need Fund .....	(75,000)	(75,000)
Net Cash from Non-Capital Financing Activities ..	(26,859,333)	(25,364,598)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures .....	(57,946,825)	(40,219,358)
Proceeds from Long-Term Debt .....	-	70,575,000
Debt Issuance Costs .....	-	(242,313)
Principal Payments on Long-Term Debt .....	(11,575,000)	(12,730,000)
Payments for Early Extinguishment of Debt .....	-	(80,000,000)
Premium on Sale of Bonds .....	-	9,881,268
Interest Paid .....	(20,004,674)	(19,368,848)
BABs and CREBs Interest Subsidies .....	2,835,476	2,829,544
Contributions in Aid of Construction .....	7,680,600	12,396,830
Net Cash from Capital and Related Financing Activities .....	(79,010,423)	(56,877,877)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	4,033,128	2,994,153
Other Net Non-Op Revenues and Deductions .....	1,440,609	156,936
Net Cash from Investing Activities .....	5,473,737	3,151,089
Net Increase Change in Cash and Equity in Pooled Investments .....	(4,675,514)	692,667
Cash and Equity in Pooled Investments at January 1 ..	223,936,702	257,582,093
Cash and Equity in Pooled Investments at September 30	219,261,188	\$258,274,760

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*



CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA POWER

STATEMENTS OF CASH FLOWS

	September 30, 2018	September 30, 2017
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>		
Net Operating Income .....	\$52,694,201	\$45,494,957
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation .....	41,059,326	42,938,151
Amortization of Regulatory Assets .....	6,174,786	5,639,461
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue .....	12,150,657	6,021,958
Conservation Loans Receivable .....	89,990	(66,525)
Interfund Receivables .....	1,820,401	2,226,220
Inventory, Materials and Supplies, and Other ....	581,108	735,599
Taxes and Other Payables .....	(14,440,351)	(17,592,546)
Purchased Power Payable .....	(1,664,590)	(1,489,468)
Salaries and Wages Payable .....	1,712,486	1,651,166
Customers' Deposits .....	(66,446)	144,412
Regulatory Assets - Conservation .....	(4,323,602)	(3,778,423)
Interfund Payables .....	(67,461)	(2,140,909)
Total Adjustments .....	43,026,304	34,289,096
Net Cash from Operating Activities .....	\$95,720,505	\$79,784,053
 Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	\$20,229,480	\$28,115,280
Cash and Equity in Pooled Investments in Operating Funds.....	199,031,708	230,159,480
Cash and Equity in Pooled Investments at September 30 .....	\$219,261,188	\$258,274,760

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
CLICK! NETWORK  
COMMERCIAL OPERATIONS

OPERATIONAL SUMMARY - September 30, 2018

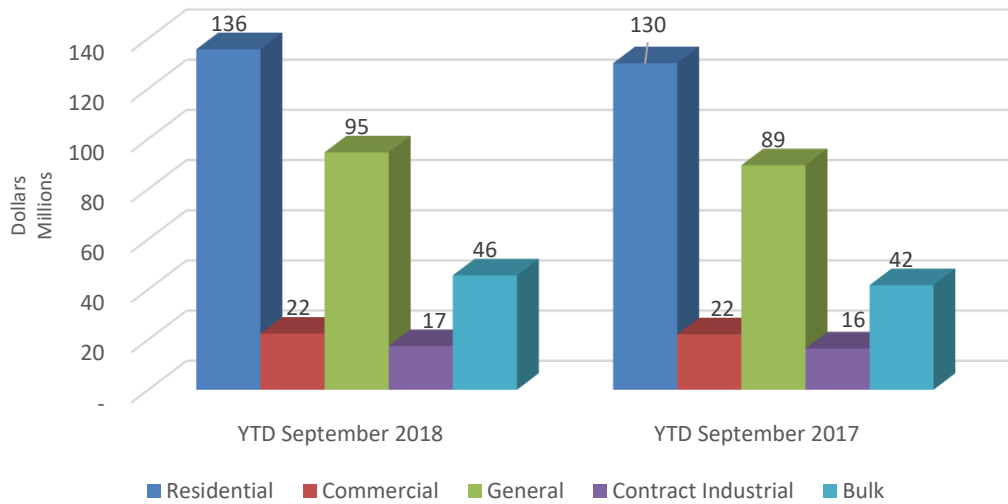
	September 2018	September 2017
<b>TELECOMMUNICATIONS REVENUE</b>		
CATV .....	\$1,330,621	\$1,468,628
Broadband .....	88,790	89,277
ISP .....	614,185	605,568
Interdepartmental .....	21,474	21,738
Total Operating Revenue .....	<u>2,055,070</u>	<u>2,185,211</u>
<b>TELECOMMUNICATIONS EXPENSE-COMMERCIAL</b>		
Administration & Sales Expense .....		
Salaries & Wages Expense .....	219,677	246,872
General Expense .....	39,306	39,327
Contract Services .....	1,052,827	1,118,140
IS & Intergovernmental Services .....	119,152	126,202
Fleet Services .....	234	1,221
Capitalized A & G Expense .....	(3,932)	(2,273)
Total Admin. & Sales Expense .....	<u>1,427,264</u>	<u>1,529,489</u>
Operations & Maintenance Expense ...		
Salaries & Wages Expense .....	325,873	397,654
General Expense .....	23,369	24,254
Contract Services .....	29,301	19,455
IS & Intergovernmental Services .....	1,616	2,865
Fleet Services .....	16,158	17,426
New Connect Capital .....	(10,253)	(19,444)
Total Oper. & Maint. Expense .....	<u>386,064</u>	<u>442,210</u>
Total Telecommunications Expense .	1,813,328	1,971,699
Net Revenues (Expenses) Before Taxes and Depreciation and Amortization ....	241,742	213,512
Taxes .....	281,173	303,858
Depreciation and Amortization .....	<u>188,912</u>	<u>203,689</u>
	470,085	507,547
NET OPERATING REVENUES (EXPENSES) ....	<u>(228,343)</u>	<u>(294,035)</u>

YEAR TO DATE			
September 30 2018	September 30 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$12,595,353	\$13,395,398	(\$800,045)	-6.0%
795,014	815,212	(20,198)	-2.5%
5,515,589	5,495,972	19,617	0.4%
217,978	210,467	7,511	3.6%
<u>19,123,934</u>	<u>19,917,049</u>	<u>(793,115)</u>	-4.0%
2,319,862	2,391,596	(71,734)	-3.0%
330,848	321,910	8,938	2.8%
9,865,254	9,927,850	(62,596)	-0.6%
1,198,318	1,175,431	22,887	1.9%
6,361	6,807	(446)	-6.6%
(25,955)	(30,199)	4,244	14.1%
<u>13,694,688</u>	<u>13,793,395</u>	<u>(98,707)</u>	-0.7%
3,482,010	3,972,544	(490,534)	-12.3%
258,936	306,927	(47,991)	-15.6%
479,057	381,818	97,239	25.5%
23,852	35,980	(12,128)	-33.7%
161,866	210,650	(48,784)	-23.2%
(74,994)	(90,304)	15,310	17.0%
<u>4,330,727</u>	<u>4,817,615</u>	<u>(486,888)</u>	-10.1%
18,025,415	18,611,010	(585,595)	-3.1%
1,098,519	1,306,039	(207,520)	-15.9%
2,626,535	2,759,951	(133,416)	-4.8%
<u>1,710,677</u>	<u>1,844,701</u>	<u>(134,024)</u>	-7.3%
<u>4,337,212</u>	<u>4,604,652</u>	<u>(267,440)</u>	
<u>(3,238,693)</u>	<u>(3,298,613)</u>	<u>59,920</u>	1.8%

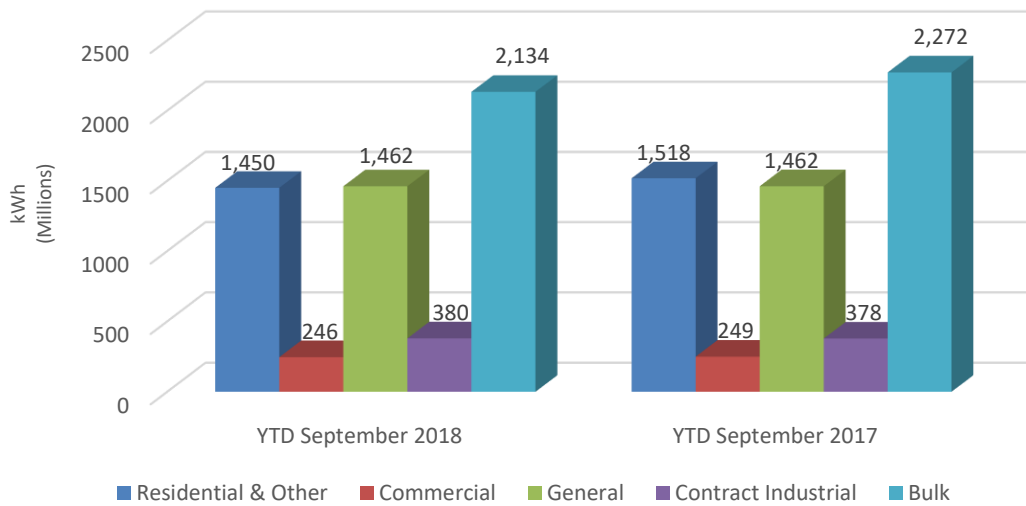
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# Supplemental Data

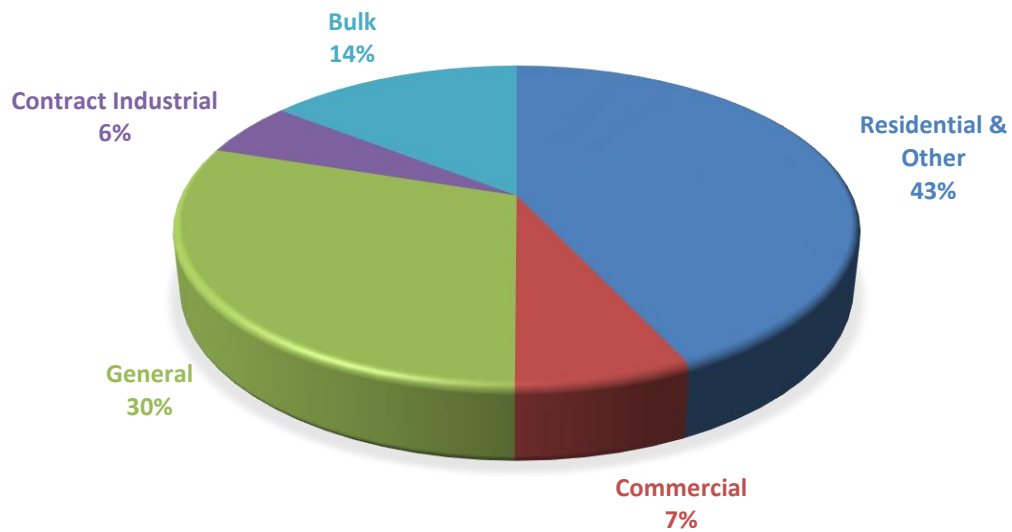
### Sales of Electric Energy Year to Date - September 2018 & 2017



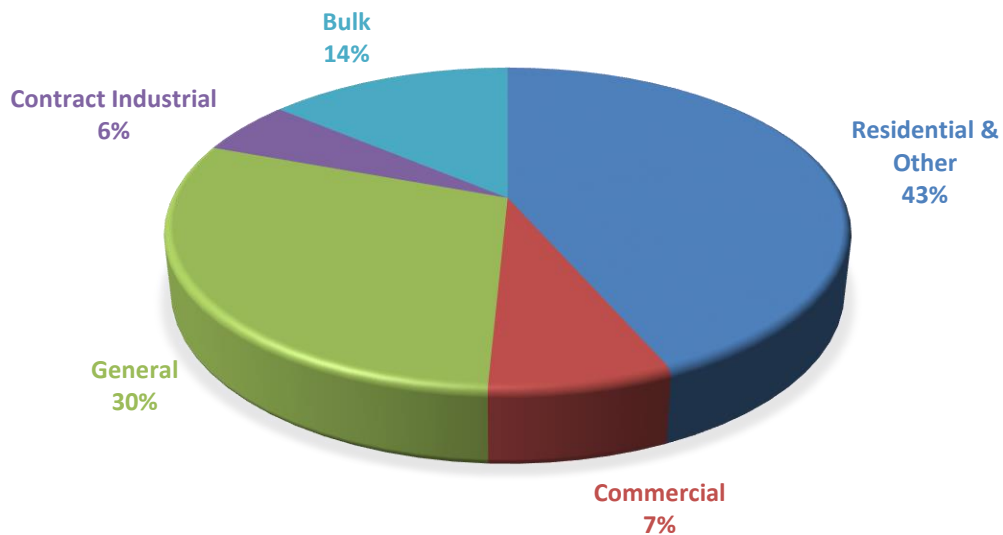
### Total Power Billed Year to Date - September 2018 & 2017



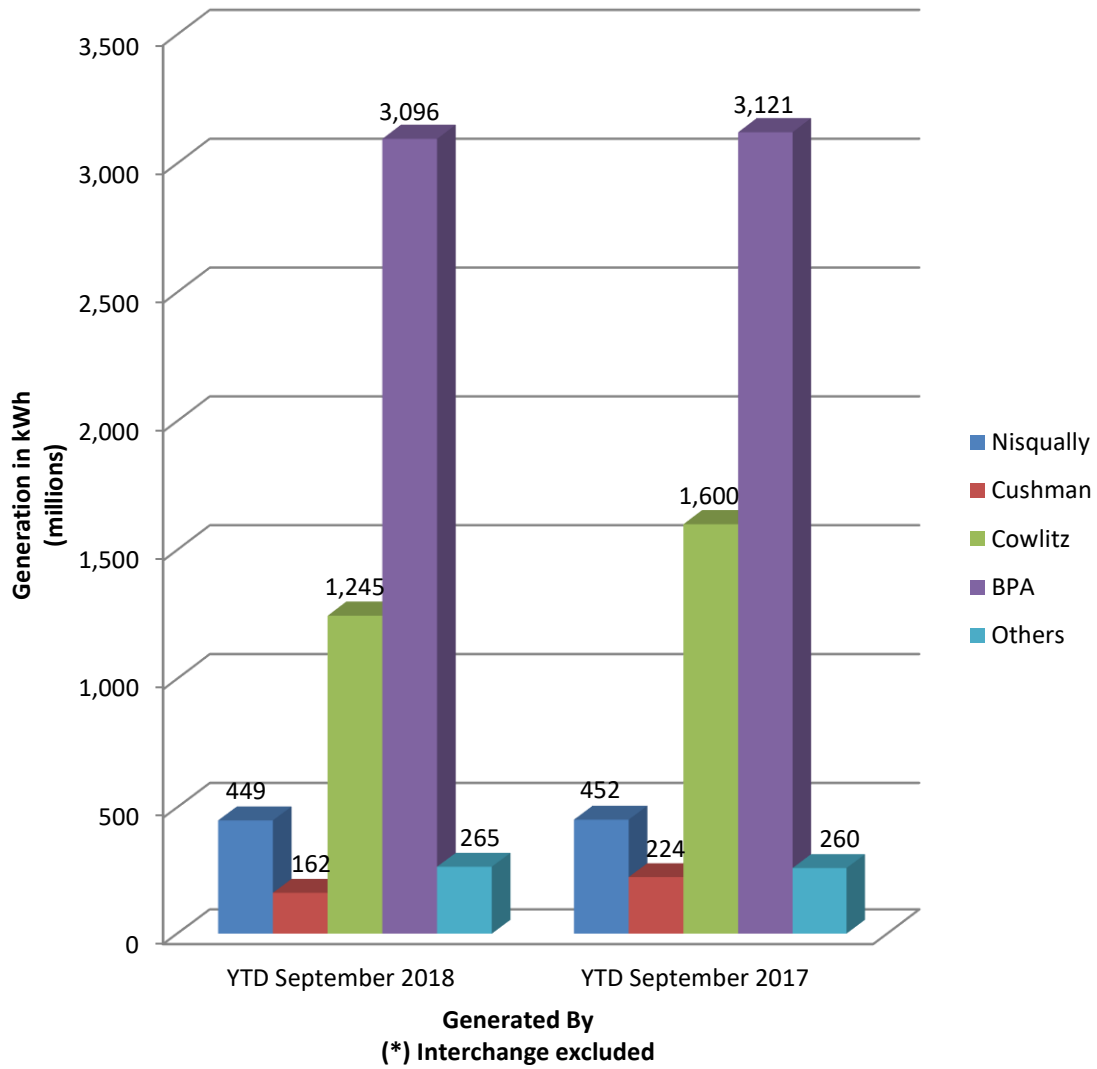
**SALES OF ELECTRIC ENERGY  
YEAR TO DATE - SEPTEMBER 2018 (\$315,725,024)**



**SALES OF ELECTRIC ENERGY  
YEAR TO DATE - SEPTEMBER 2017 (\$299,901,278)**

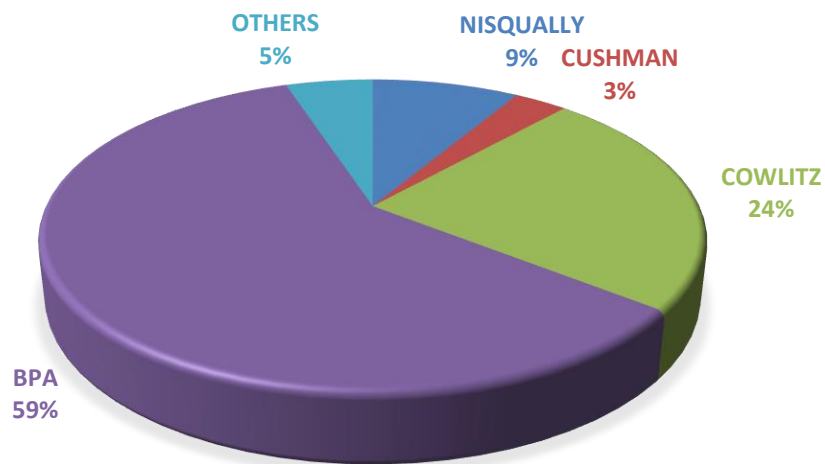


# **Power Sources (\*)** **Year to Date September 2018 & 2017**

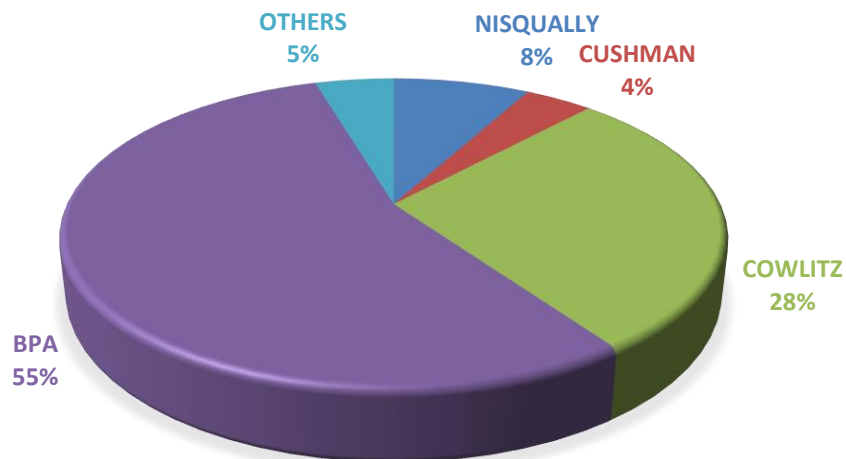




**POWER SOURCES (\*)**  
**YEAR TO DATE - SEPTEMBER 2018**

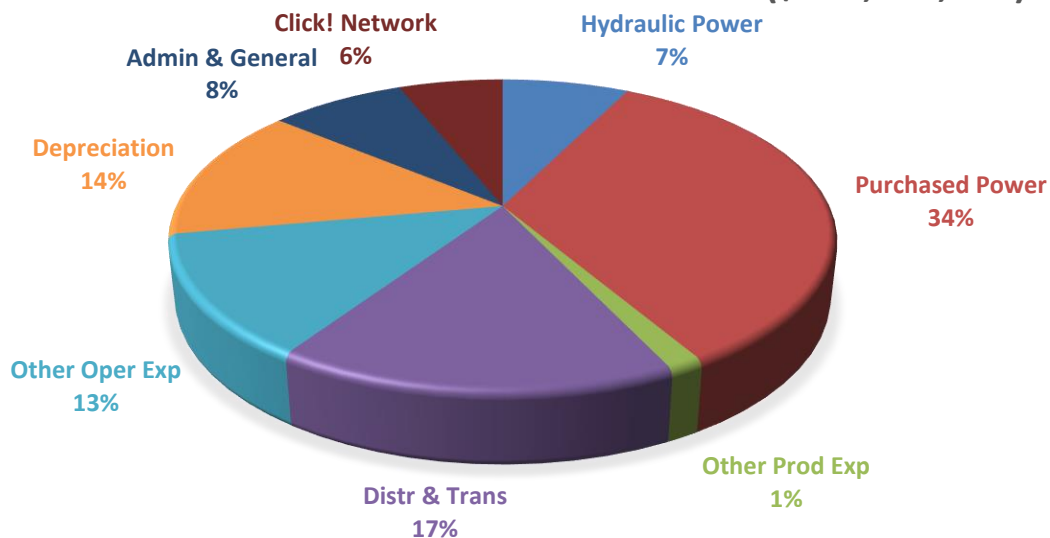


**POWER SOURCES (\*)**  
**YEAR TO DATE - SEPTEMBER 2017**

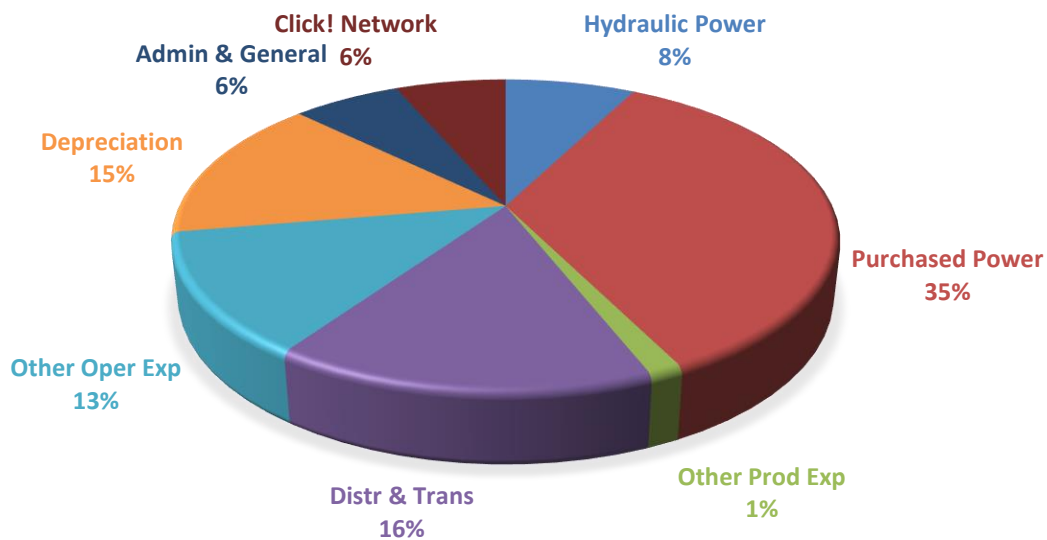


(\*) Interchange excluded

**TOTAL OPERATING EXPENSES \***  
**YEAR TO DATE - SEPTEMBER 2018 (\$295,881,847)**



**TOTAL OPERATING EXPENSES \***  
**YEAR TO DATE - SEPTEMBER 2017 (\$288,363,602)**



\* City Gross Earnings Taxes are not included in Total Operating Expenses.



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.



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**SEPTEMBER**

**TACOMA WATER**

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

WOODROW JONES

Chair

KAREN LARKIN

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

CHRISTINE COOLEY

Member

JACKIE FLOWERS

Director of Utilities

SCOTT DEWHIRST

Water Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of the Financial Statements

### Summary

As of September 2018, Tacoma Water is reporting year-to-date operating income of \$18.0 million compared to \$14.2 million in 2017. Operating revenues increased \$6.3 million (9.0%) and operating expenses increased \$2.5 million (4.4%). The year-to-date change in net position for 2018 was \$15.8 million; for 2017 it was \$7.8 million.

### Revenues

Water sales revenues increased by \$5.7 million (9.7%) as of the third quarter of 2018 compared to the same period in 2017. The following table summarizes the impacts of rate and volume changes on water sales revenue by customer class as of September 2018.

Customer Class	Changes Related to:		YTD Increase (Decrease)
	Rate	Volume	
Residential and Domestic	\$ 1,572,378	\$ 1,956,837	\$ 3,529,215
Commercial and Industrial	452,717	1,110,416	1,563,133
Special Rate	288,644	140,509	429,153
Other	361,923	(144,707)	217,216
Total	\$ 2,675,662	\$ 3,063,055	\$ 5,738,717

Consumption as of September 2018 was 14,103 million gallons compared to 13,508 million gallons for the same period in 2017. Regional Water Supply System (RWSS) partners received 3,422 million gallons. The following table summarizes water consumption by customer class year-to-date.

Customer Class	Millions of Gallons		YTD Increase (Decrease)	%
	2018	2017		
Residential and Domestic	6,534.56	6,219.70	314.86	5%
Commercial and Industrial	2,605.05	2,404.38	200.67	8%
Special Rate	4,318.41	4,195.65	122.76	3%
Other	644.61	688.39	(43.78)	(6%)
Total	14,102.63	13,508.12	594.51	4%

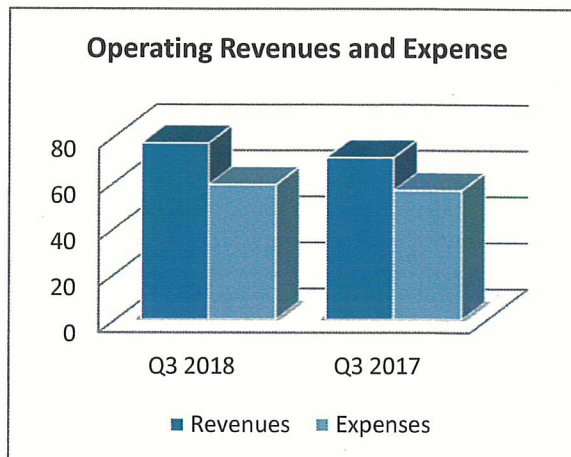


### **Expenses**

Operating expenses were \$58.6 million as of the third quarter of 2018, an increase of \$2.5 million compared to 2017. Depreciation expense represents \$1.9 million of the total increase year-to-date which is due to the capitalization of \$26.7 million in depreciable assets in 2017.

### **Non-Operating Revenues and Expenses**

Miscellaneous revenue includes proceeds received from sales of assets, timber, surplus scrap and miscellaneous non-operating sales. As of September 2018, Tacoma Water is reporting a decrease of \$1.0 million compared to last year primarily because there have been no sales of assets. For the same reporting period in 2017, Miscellaneous revenue included proceeds for sales of land for approximately \$857,000 and \$150,000 in miscellaneous non-operating sales.




### **Capital Contributions**

Capital Contributions come in two forms: cash and donated assets. As the distribution division continues to meet the developer demand for construction, Tacoma Water is experiencing increases in both cash and donated assets compared to the same period last year, \$2.3 million and \$1.6 million respectively. Also of note, as new projects are begun, Tacoma Water receives payment in advance to begin the work. These advance payments are held as deposits until such time as the work is completed. As of September 2018, Customer Advances for Construction increased by \$1.6 million compared to the same period in 2017.

### **Proceeds Held from Sale of Land**

In December 2017, Tacoma Water entered into an agreement to sell approximately 106 acres of land located east of the McMillin Reservoirs to Pierce County Department of Parks and Recreation for a negotiated price of \$2.8 million which was received in 2018. Certain hazardous materials were found during an environmental assessment of the subject property and remediation is ongoing. The sale proceeds are held in a liability account until the remediation work is complete. These proceeds are presented in the Other Current Liabilities portion of the Statements of Net Position.

  
Jackie Flowers  
Director of Utilities

  
Andrew Cherullo  
Finance Director

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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.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF NET POSITION - SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b>2018</b>	<b>2017</b>
<b>UTILITY PLANT</b>		
Water Plant in Service .....	\$1,108,858,287	\$1,080,019,078
Less Depreciation and Amortization .....	(256,358,226)	(232,875,128)
Total .....	852,500,061	847,143,950
Construction Work in Progress .....	18,456,737	27,198,009
Net Utility Plant .....	870,956,798	874,341,959
<b>NON-UTILITY PROPERTY</b> .....	492,963	492,963
<b>RESTRICTED ASSETS</b>		
Cash and Equity in Pooled Investments:		
2010 Construction Fund .....	10,992,189	18,908,913
2013 Construction Fund .....	16,282,669	15,598,588
Regional Water Supply System Operating Fund .....	1,178,828	1,088,817
Provision for Debt Payment .....	15,467,833	15,415,210
Customer Water Main Deposits .....	3,339,186	3,266,385
Water Supply Forum Fund .....	320,027	376,405
Special Bond Reserves .....	22,107,391	22,102,985
Water Customer Contribution Fund .....	659,506	(122,156)
Water Capital Reserves .....	36,218,870	29,714,971
Water System Development Charge .....	66,231,053	61,413,787
Total Restricted Assets .....	172,797,552	167,763,905
<b>CURRENT ASSETS</b>		
Cash and Equity in Pooled Investments:		
Current Fund .....	62,288,886	57,512,384
Customers' Deposits .....	314,052	321,358
Receivables:		
Customers .....	6,730,741	6,554,275
Accrued Unbilled Revenues .....	5,457,221	4,797,144
Others .....	1,085,849	1,002,586
BABs Interest Subsidies .....	1,280,256	1,280,256
Provision for Uncollectible Accounts .....	(256,917)	(522,737)
Materials and Supplies .....	2,438,166	2,223,254
Prepayments .....	1,098,834	956,171
Total Current Assets .....	80,437,088	74,124,691
<b>TOTAL ASSETS</b> .....	<b>1,124,684,401</b>	<b>1,116,723,518</b>
<b>OTHER ASSETS</b>		
Regulatory Assets - Public Fire Protection Fees .....	-	730,106
Regulatory Assets - Surcharges .....	556,589	1,480,242
Total Other Assets .....	556,589	2,210,348
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds .....	1,222,995	1,418,079
Deferred Outflows for Pensions .....	8,671,039	8,994,103
Total Deferred Outflows .....	9,894,034	10,412,182
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b> .....	<b>\$1,135,135,024</b>	<b>\$1,129,346,048</b>

*These statements should be read in conjunction with the Notes to Financial statements contained in the 2017 Annual Report.*

<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$442,130,860	\$438,061,159
Restricted for:		
Water Capital Reserves .....	31,109,478	24,126,573
Water System Development Charge .....	30,655,606	25,838,340
Debt Service Funds .....	8,240,348	8,058,361
Unrestricted .....	60,417,780	61,417,551
<b>TOTAL NET POSITION .....</b>	<b>572,554,072</b>	<b>557,501,984</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 .....	21,890,000	25,825,000
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 .....	12,340,000	13,800,000
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 Refunding Bonds .....	59,400,000	60,165,000
Total Outstanding Revenue Bonds .....	365,950,000	372,400,000
Plus: Unamortized Bond Premium .....	10,906,412	12,450,222
Net Outstanding Revenue Bonds .....	376,856,412	384,850,222
PWTF Pre-Construction Loans .....	480,435	640,609
PWTF Construction Loans .....	16,834,030	19,370,627
State Drinking Water Loans .....	65,612,800	69,844,047
Total Long-Term Debt .....	459,783,677	474,705,505
<b>CURRENT LIABILITIES</b>		
Salaries and Wages Payable .....	836,288	787,491
Purchases and Contracts Payable .....	1,175,460	1,049,863
Interest Expense Accrued .....	7,227,485	7,356,849
Taxes Accrued .....	1,825,627	1,720,467
Customers' and Contractors' Deposits .....	350,664	353,923
Current Portion of Long-Term Debt .....	13,554,949	13,334,372
Other Current Liabilities .....	4,155,198	1,353,044
Current Accrued Compensated Absences .....	229,834	269,819
Total Current Liabilities .....	29,355,505	26,225,828
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements .....	6,585,519	6,762,451
Customer Advances for Construction .....	7,206,455	5,581,471
Unearned Revenue .....	7,430,131	7,631,757
Other Long-Term Liabilities .....	4,513,451	4,623,705
Pension Liability .....	8,278,522	7,788,151
Long-Term Accrued Compensated Absences .....	2,068,503	2,428,375
Total Long-Term Liabilities .....	36,082,581	34,815,910
<b>TOTAL LIABILITIES .....</b>	<b>525,221,763</b>	<b>535,747,243</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Rate Stabilization .....	35,575,447	35,575,447
Deferred Inflows for Pensions .....	1,783,742	521,374
Total Deferred Inflows .....	37,359,189	36,096,821
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS .</b>	<b>\$1,135,135,024</b>	<b>\$1,129,346,048</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
<b>OPERATING REVENUES</b>		
Sales of Water .....	\$7,973,520	\$7,956,282
Other Operating Revenues .....	822,808	812,975
Contract Resource Obligation Revenue .....	334,236	381,024
Total Operating Revenues .....	<u>9,130,564</u>	<u>9,150,281</u>
<b>OPERATING EXPENSES</b>		
Production Expense:		
Source of Supply .....	597,817	575,752
Water Treatment .....	476,247	543,482
Total Production Expense .....	<u>1,074,064</u>	<u>1,119,234</u>
Power Pumping Expense .....	67,109	63,330
Transmission and Storage Expense .....	210,401	175,423
Distribution Expense .....	977,706	925,585
Customer Accounting and Consumer Service ...	391,245	384,789
Taxes .....	562,904	554,288
Depreciation .....	2,067,352	2,003,895
Administrative and General .....	825,498	923,686
Total Operating Expenses .....	<u>6,176,279</u>	<u>6,150,230</u>
<b>OPERATING INCOME (LOSS)</b> .....	2,954,285	3,000,051
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	348,325	222,524
Miscellaneous .....	206,040	181,609
Interest on Long-Term Debt .....	(1,326,606)	(1,349,301)
Interest on Long-Term Debt BABs Sub .....	(320,064)	(320,064)
Amortization Of Debt Premium .....	110,934	111,548
Interest Charged to Construction .....	70,403	47,988
Total Non-Operating Revenues (Expenses)	<u>(910,968)</u>	<u>(1,105,696)</u>
Net Income (Loss) Before Capital Contributions and Transfers .....	2,043,317	1,894,355
Capital Contributions:		
Cash .....	658,591	477,511
Donated Fixed Assets .....	422,287	1,754,730
Federal BABs Subsidies .....	320,064	320,064
Transfers:		
City Gross Earnings Tax .....	(709,349)	(697,154)
Transfer from (to) Other Funds .....	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION .....	<u>\$2,734,910</u>	<u>\$3,749,506</u>
NET POSITION - JANUARY 1 .....		
TOTAL NET POSITION - SEPTEMBER 30 .....		

YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
SEPTEMBER 30 2018	SEPTEMBER 30 2017		
\$ 64,974,652	\$ 59,235,935	\$5,738,717	9.7%
8,371,353	7,625,925	745,428	9.8%
3,240,939	3,421,459	(180,520)	-5.3%
<u>76,586,944</u>	<u>70,283,319</u>	<u>6,303,625</u>	9.0%
5,582,980	5,292,304	290,676	5.5%
5,061,582	4,892,115	169,467	3.5%
<u>10,644,562</u>	<u>10,184,419</u>	<u>460,143</u>	4.5%
437,993	409,743	28,250	6.9%
1,724,400	1,832,040	(107,640)	-5.9%
9,934,769	10,396,142	(461,373)	-4.4%
3,842,717	3,691,362	151,355	4.1%
3,900,939	3,563,832	337,107	9.5%
19,945,705	18,030,725	1,914,980	10.6%
8,132,369	7,975,091	157,278	2.0%
<u>58,563,454</u>	<u>56,083,354</u>	<u>2,480,100</u>	4.4%
18,023,490	14,199,965	3,823,525	26.9%
4,015,258	2,467,848	1,547,410	62.7%
254,527	1,218,407	(963,880)	-79.1%
(12,053,858)	(12,264,024)	210,166	-1.7%
(2,774,954)	(2,770,153)	(4,801)	0.2%
998,404	1,003,932	(5,528)	-0.6%
358,141	371,400	(13,259)	-3.6%
<u>(9,202,482)</u>	<u>(9,972,590)</u>	<u>770,108</u>	-7.7%
8,821,008	4,227,375	4,593,633	108.7%
6,563,890	4,288,706	2,275,184	53.1%
3,425,970	1,869,582	1,556,388	83.2%
2,774,954	2,770,153	4,801	0.2%
(5,779,543)	(5,306,058)	(473,485)	8.9%
<u>31,158</u>	<u>-</u>	<u>31,158</u>	NA
15,837,437	7,849,758	7,987,679	101.8%
556,716,635	549,652,226	7,064,409	
<u>\$572,554,072</u>	<u>\$557,501,984</u>	<u>\$15,052,088</u>	2.7%

*These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF REVENUES AND BILLINGS  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
<b>SALES OF WATER</b>		
Residential and Domestic .....	\$5,039,548	\$5,015,880
Commercial and Industrial .....	1,943,760	1,968,551
Special Rate .....	639,424	566,486
Sales to Other Utilities .....	350,788	405,365
Total .....	<u>\$7,973,520</u>	<u>\$7,956,282</u>

**BILLINGS (NUMBER OF MONTHS BILLED)**

Residential and Domestic .....	83,010	82,079
Commercial and Industrial .....	5,933	6,086
Sales to Other Utilities .....	15	17
Total .....	<u>88,958</u>	<u>88,182</u>



YEAR TO DATE		2018 OVER (UNDER) 2017	PERCENT CHANGE
SEPTEMBER 30, 2018	SEPTEMBER 30, 2017		
\$42,692,093	\$39,162,878	\$3,529,215	9.0%
14,719,730	13,156,597	1,563,133	11.9%
5,059,578	4,630,425	429,153	9.3%
<u>2,503,251</u>	<u>2,286,035</u>	<u>217,216</u>	9.5%
<u><u>\$64,974,652</u></u>	<u><u>\$59,235,935</u></u>	<u><u>\$5,738,717</u></u>	9.7%
865,130	850,547	14,583	1.7%
59,876	58,834	1,042	1.8%
<u>135</u>	<u>153</u>	<u>(18)</u>	-11.8%
<u><u>925,141</u></u>	<u><u>909,534</u></u>	<u><u>15,607</u></u>	1.7%

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

SUMMARY OF WATER BILLED  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	MILLION GALLONS, TOTAL			
	SEPTEMBER	SEPTEMBER	YEAR TO DATE	
			SEPTEMBER 30,	SEPTEMBER 30,
	2018	2017	2018	2017
WATER BILLED				
Residential and Domestic .....	857.58	917.57	6,534.56	6,219.70
Commercial and Industrial .....	381.04	417.89	2,605.05	2,404.38
Special Rate .....	526.86	510.25	4,318.41	4,195.65
Sales to Other Utilities .....	90.91	107.39	644.61	688.39
	<u>1,856.39</u>	<u>1,953.10</u>	<u>14,102.63</u>	<u>13,508.12</u>

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

MILLION GALLONS, AVERAGE DAILY

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SEPTEMBER  
2018

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SEPTEMBER  
2017

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28.59

30.59

12.70

13.93

17.56

17.01

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3.03

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3.58

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61.88

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65.11

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA WATER

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$76,967,245	\$70,758,908
Cash Paid to Suppliers .....	(16,702,622)	(16,863,716)
Cash Paid to Employees .....	(18,789,201)	(19,037,079)
Taxes Paid .....	(3,631,650)	(3,335,841)
Net Cash From Operating Activities .....	37,843,772	31,522,272
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer from Other Funds .....	31,158	-
Transfer Out for Gross Earnings Tax .....	(5,779,543)	(5,306,058)
Net Cash From Non-Capital Financing Activities .....	(5,748,385)	(5,306,058)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, net.....	(13,599,619)	(10,584,052)
Principal Payments on Long-Term Debt .....	(2,696,772)	(2,696,772)
Principal Payments on Muckleshoot LT Liability ...	(181,355)	(185,889)
Interest Paid .....	(9,461,214)	(9,575,622)
BABs Federal Interest Subsidies .....	1,793,638	1,787,877
Contributions in Aid of Construction .....	6,563,890	4,288,706
Proceeds Held from Sale of Land .....	2,775,100	-
System Development Charges & Other LT Liabilities.	802,731	1,064,849
Net Cash From Capital and Related Financing Activities .....	(14,003,601)	(15,900,903)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments .....	4,015,258	2,467,848
Other Net Non-Op Revenues and Expenses .....	254,528	1,218,407
Net Cash From Investing Activities .....	4,269,786	3,686,255
Net Change in Cash and Equity in Pooled Investments .....	22,361,572	14,001,566
Cash & Equity in Pooled Investments at January 1 ...	213,038,918	211,596,081
Cash & Equity in Pooled Investments at September 30	\$235,400,490	\$225,597,647

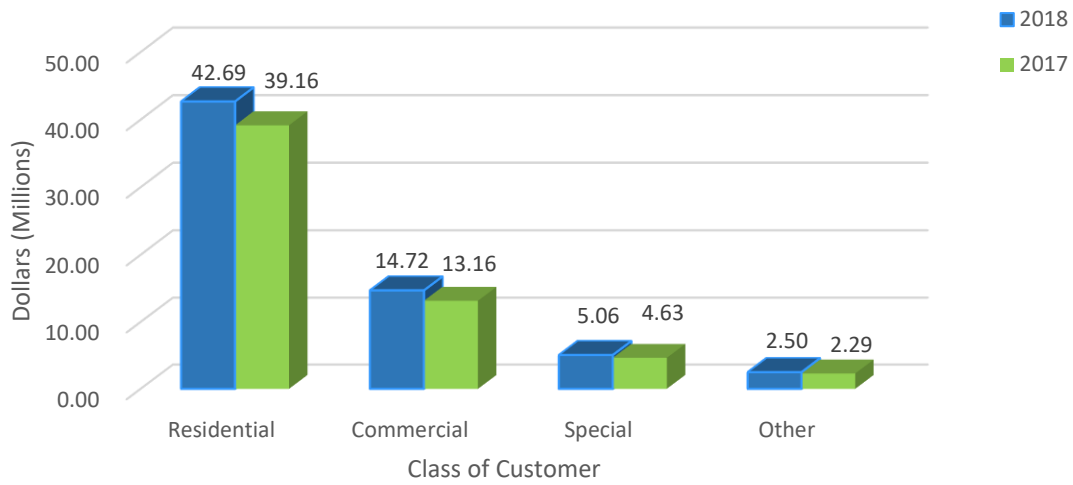
*These statements should be read in conjunction with the Notes to Financial statements contained in the 2017 Annual Report.*

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>		
Net Operating Income .....	\$18,023,490	\$14,199,965
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation .....	19,945,705	18,030,725
Cash from changes in operating assets and liabilities:		
Accounts Receivable and Unbilled Revenue .....	(2,247,373)	(1,537,783)
Interfund Receivables .....	69,262	107,970
Regulatory Asset-Public Fire Protection Fees ....	456,635	566,895
Regulatory Asset-Surcharges.....	797,206	89,235
Materials and Supplies .....	(34,861)	118,294
Prepayments .....	140,842	161,891
Unearned Revenues .....	1,380,098	1,353,044
Accrued Taxes .....	269,289	227,991
Salaries, Wages and Fringe Benefits Payable .....	340,347	376,663
Customers' Deposits .....	(6,265)	4,198
Accrued Expenses and Contracts Payable .....	(193,774)	(497,927)
Interfund Payables .....	(1,096,829)	(1,678,889)
Total Adjustments .....	19,820,282	17,322,307
Net Cash From Operating Activities .....	<u>\$37,843,772</u>	<u>\$31,522,272</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds .....	\$172,797,552	\$167,763,905
Cash and Equity in Pooled Investments in Operating Funds .....	<u>62,602,938</u>	<u>57,833,742</u>
Cash and Equity in Pooled Investments at September 30 .....	<u>\$235,400,490</u>	<u>\$225,597,647</u>
Non-cash Investing, Capital, and Financing Activities:		
Donated Assets .....	\$ 3,425,970	\$ 1,869,582

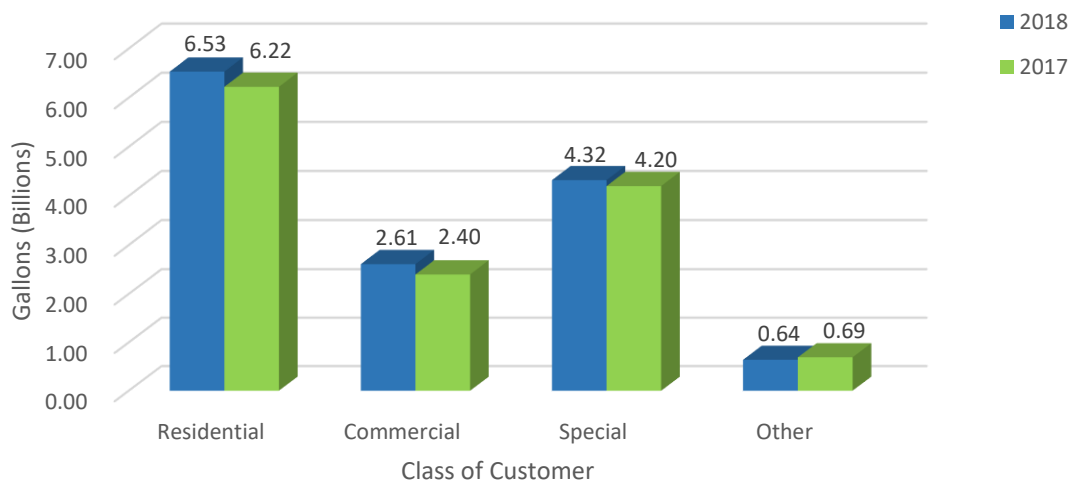
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# Supplemental Data

### WATER SALES Year to Date - September 2018 & 2017

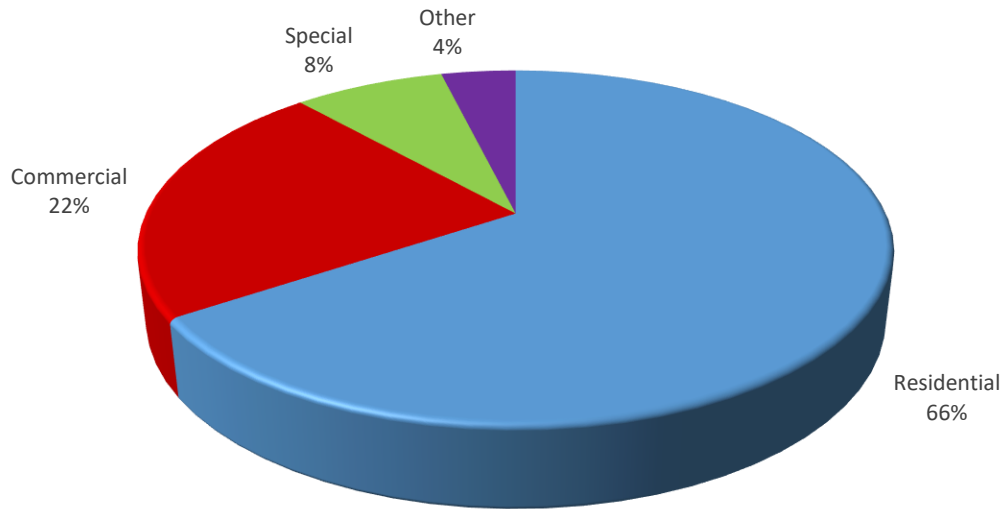


### WATER CONSUMPTION Year to Date - September 2018 & 2017

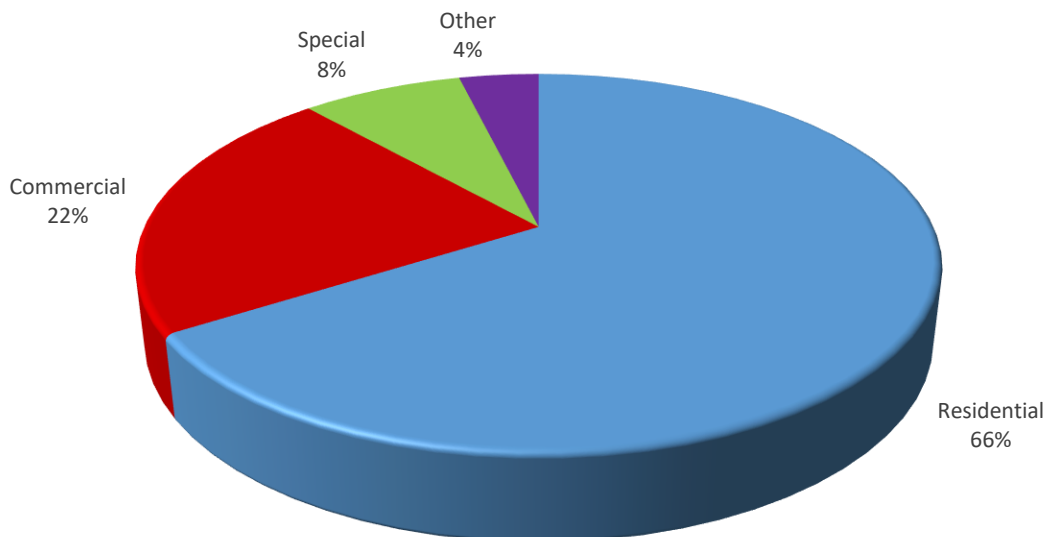




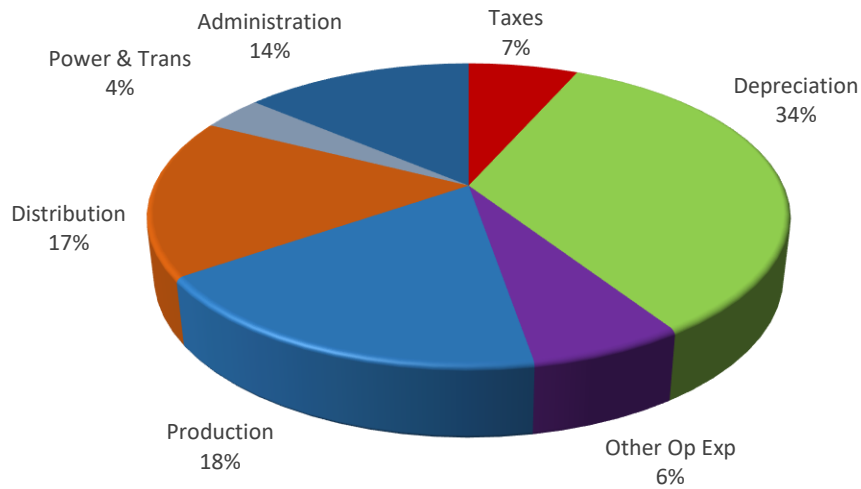
WATER SALES  
Year to Date - September 2018  
(\$64,974,652)



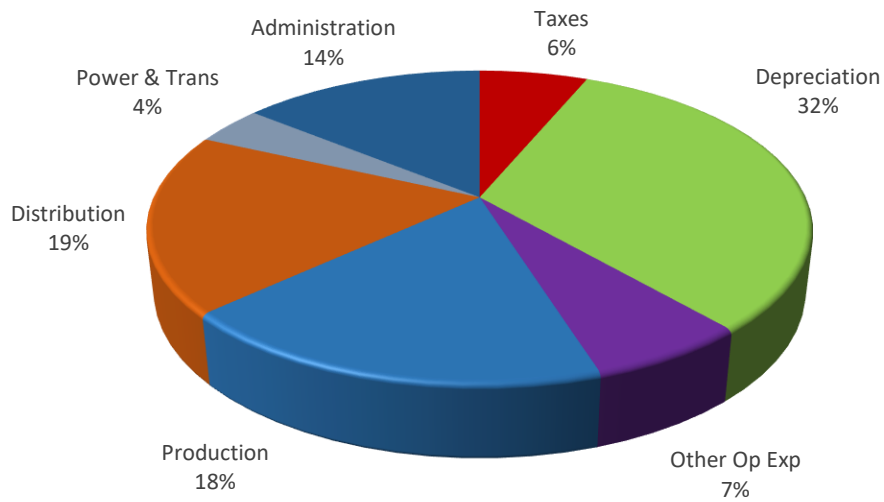
WATER SALES  
Year to Date - September 2017  
(\$59,235,935)



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2018**  
**(\$58,563,454)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2017**  
**(\$56,083,354)**





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**SEPTEMBER**

***TACOMA RAIL***

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

WOODROW JONES

Chair

KAREN LARKIN

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

CHRISTINE COOLEY

Member

JACKIE FLOWERS

Director of Utilities

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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## MANAGEMENT DISCUSSION AND ANALYSIS

Tacoma Rail Beltline Division (Tacoma Rail) is reporting 2018 year to date net operating income of \$3.8 million compared to \$2.7 million in 2017. Operating revenues increased \$1.4 million (5.8%), and operating expenses increased \$260,000 (1.3%) year to date in 2018 compared to 2017.

Operating revenues were \$24.7 million at the end of third quarter 2018, compared to \$23.3 million in 2017. Total switching revenues increased \$466,000 primarily due to increases as shown in the table below.

Activity Types	Rail Cars				Switching Revenues (in thousands)			
	2018	2017	Var	%Chg	2018	2017	Var	%Chg
Intermodal Line Hauls	48,462	47,979	483	1.0%	\$ 8,215	\$ 8,277	(62)	-0.7%
Commercial Line Hauls	20,948	21,413	(465)	-2.2%	10,585	9,721	864	8.9%
Capital Div. Line Hauls	580	521	59	11.3%	321	217	104	47.9%
Miscellaneous Switches	10,071	12,070	(1,999)	-16.6%	1,689	2,129	(440)	-20.7%
Total Line Hauls	80,061	81,983	(1,922)	-2.3%	\$ 20,810	\$ 20,344	\$ 466	2.3%

Demurrage and other operating revenues increased \$884,000 primarily due to increased railcar dwell and locomotive services.

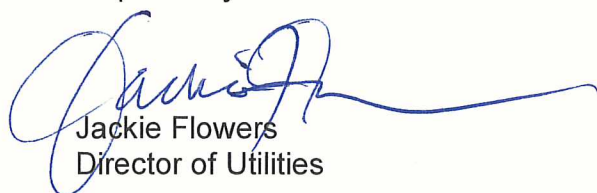
Total operating expenses were \$20.9 million year to date in 2018, compared to \$20.7 million in 2017.

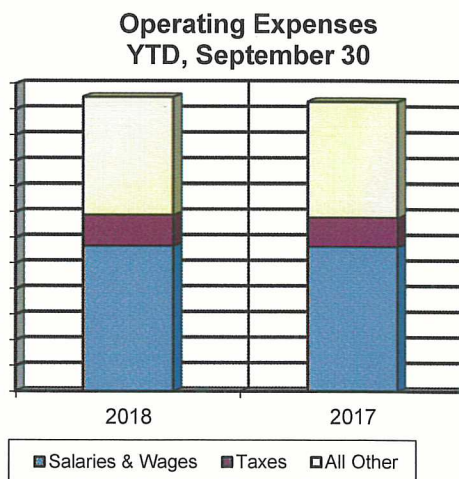
Salaries and wages were \$80,000 higher primarily due to cost of living adjustments and increased overtime.

Supplies and expenses increased \$87,000 primarily due to an increase in intermodal volume incentives.

Depreciation increased \$76,000 due to an increase in depreciable assets of \$488,000 compared to the same period in 2017.

Tacoma Rail's working capital ratios year to date of 2018 and 2017 were 7.4 and 7.1, respectively.

  
Jackie Flowers  
Director of Utilities



  
Andrew Cherullo  
Finance Director

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES, BELT LINE DIVISION  
Doing Business As

## TACOMA RAIL

### 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.*

STATEMENTS OF NET POSITION .....	1 - 2
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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF NET POSITION

<b>ASSETS</b>	SEPTEMBER 30,	
	2018	2017
<b>CAPITAL ASSETS</b>		
Road and Equipment Property .....	\$46,585,757	\$44,810,611
Less Accumulated Depreciation .....	(21,361,620)	(20,074,389)
Total .....	25,224,137	24,736,222
Construction Work in Progress .....	574,060	2,964,151
Net Capital Assets .....	25,798,197	27,700,373
 <b>CURRENT ASSETS</b>		
Cash & Equity in Pooled Investments .....	12,055,684	9,207,753
Customer Accounts Receivable .....	3,375,667	2,667,960
Prepayments .....	340,816	1,467,109
Materials and Supplies Inventory.....	1,244,098	1,078,375
Total Current Assets .....	17,016,265	14,421,197
 <b>TOTAL ASSETS</b> .....	\$42,814,462	\$42,121,570

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*

	SEPTEMBER 30,	SEPTEMBER 30,
NET POSITION AND LIABILITIES	2018	2017
<b>NET POSITION</b>		
Net Investment in Capital Assets.....	\$20,446,766	\$21,528,694
Unrestricted .....	10,510,258	9,167,629
TOTAL NET POSITION .....	30,957,024	30,696,323
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
State Loans.....	4,531,182	5,351,430
Total Long-Term Liabilities .....	4,531,182	5,351,430
<b>CURRENT LIABILITIES</b>		
Accounts Payable .....	527,060	453,982
Wages Payable .....	427,546	393,006
Unemployment and other Tax Payables .....	331,936	249,489
Volume Incentive Payable .....	83,334	-
Current Portion of Long Term Debt .....	820,250	820,250
Current Portion of Compensated Absences .....	112,418	111,516
Total Current Liabilities .....	2,302,544	2,028,243
<b>LONG-TERM LIABILITIES</b>		
On the Job Injury Reserve .....	814,545	801,007
Long Term Portion of Compensated Absences .....	1,011,762	1,003,644
Other Long-Term Liabilities .....	3,197,405	2,240,923
Total Long-Term Liabilities .....	5,023,712	4,045,574
TOTAL LIABILITIES .....	11,857,438	11,425,247
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$42,814,462</b>	<b>\$42,121,570</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	SEPTEMBER 2018	SEPTEMBER 2017
<b>OPERATING REVENUES</b>		
Switching Revenues .....	\$2,339,626	\$1,969,289
Demurrage and Other Operating Revenues .....	584,182	264,014
Total Operating Revenues .....	2,923,808	2,233,303
<b>OPERATING EXPENSES</b>		
Maintenance of Way and Structures .....		
Salaries and Wages .....	69,604	49,069
Supplies and Expense .....	124,540	134,103
Mechanical .....		
Salaries and Wages .....	167,867	150,304
Supplies and Expense .....	304,670	252,426
Operations .....		
Salaries and Wages .....	786,453	711,148
Supplies and Expense .....	137,686	123,953
Administration .....		
Salaries and Wages .....	177,831	184,649
Supplies and Expense .....	287,476	260,935
Taxes - State .....	40,131	31,687
Depreciation .....	144,789	136,277
Total Operating Expenses .....	2,241,047	2,034,551
Net Operating Income .....	682,761	198,752
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	15,809	8,025
Miscellaneous .....	82,535	74,731
Interest Expense .....	-	-
Total Non-Operating Revenues .....	98,344	82,756
Contributions - Grants .....	-	-
Contributions - Others .....	-	-
Total Contributions .....	-	-
Transfers		
City of Tacoma Gross Earnings Tax .....	(241,802)	(185,285)
<b>CHANGE IN NET POSITION</b> .....	<u>\$539,303</u>	<u>\$96,223</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - SEPTEMBER 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.*

YEAR TO DATE			
SEPTEMBER 30, 2018	SEPTEMBER 30, 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$20,810,468	\$20,344,121	\$466,347	2.3%
3,874,274	2,990,287	883,987	29.6%
24,684,742	23,334,408	1,350,334	5.8%
673,941	690,647	(16,706)	-2.4%
1,084,352	962,966	121,386	12.6%
1,469,949	1,457,044	12,905	0.9%
2,897,989	2,332,339	565,650	24.3%
7,313,911	7,386,388	(72,477)	-1.0%
1,122,109	1,222,180	(100,071)	-8.2%
1,930,981	1,774,759	156,222	8.8%
2,790,910	3,291,105	(500,195)	-15.2%
346,075	329,023	17,052	5.2%
1,303,097	1,227,096	76,001	6.2%
20,933,314	20,673,547	259,767	1.3%
3,751,428	2,660,861	1,090,567	41.0%
161,720	96,631	65,089	67.4%
812,643	806,317	6,326	0.8%
-	(6)	6	-100.0%
974,363	902,942	71,421	7.9%
112,306	-	112,306	100.0%
-	36,254	(36,254)	-100.0%
112,306	36,254	76,052	209.8%
(2,048,448)	(1,937,632)	110,816	5.7%
2,789,649	1,662,425	\$1,127,224	67.8%
28,167,375	29,033,898		
\$30,957,024	\$30,696,323		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

SUMMARY OF SWITCHING REVENUES AND SWITCHING ACTIVITIES  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	September 2018	September 2017
<b>SWITCHING REVENUES</b>		
LINE HAULS--INTERMODAL .....	\$999,169	\$743,976
LINE HAULS--COMMERCIAL .....	1,180,386	985,450
LINE HAULS--CAPITAL DIVISION .....	35,418	24,207
MISCELLANEOUS SWITCHES .....	124,653	215,656
TOTAL SWITCHING REVENUES .....	<u>\$2,339,626</u>	<u>\$1,969,289</u>
 <b>SWITCHING ACTIVITIES (CARS)</b>		
LINE HAULS--INTERMODAL .....	5,882	4,033
LINE HAULS--COMMERCIAL .....	2,336	2,164
LINE HAULS--CAPITAL DIVISION .....	62	58
MISCELLANEOUS SWITCHES .....	728	1,443
TOTAL CARS SWITCHED .....	<u>9,008</u>	<u>7,698</u>



YEAR TO DATE			
September 30, 2018	September 30, 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$8,215,782	\$8,276,343	(\$60,561)	-0.7%
10,585,195	9,721,205	863,990	8.9%
320,743	217,445	103,298	47.5%
<u>1,688,748</u>	<u>2,129,129</u>	<u>(440,381)</u>	<u>-20.7%</u>
<u>\$20,810,468</u>	<u>\$20,344,121</u>	<u>\$466,347</u>	<u>2.3%</u>
48,462	47,979	483	1.0%
20,948	21,413	(465)	-2.2%
580	521	59	11.3%
<u>10,071</u>	<u>12,070</u>	<u>(1,999)</u>	<u>-16.6%</u>
<u>80,061</u>	<u>81,983</u>	<u>(1,922)</u>	<u>-2.3%</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
TACOMA RAIL

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Customers .....	\$24,689,052	\$23,799,053
Cash Paid to Suppliers .....	(7,829,201)	(9,464,755)
Cash Paid to Employees .....	(11,179,775)	(11,056,538)
Taxes Paid .....	(303,997)	(369,544)
Net Cash From Operating Activities .....	5,376,079	2,908,216
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers to Other Funds .....	(2,048,448)	(1,937,631)
Net Cash From Financing Activities .....	(2,048,448)	(1,937,631)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(395,583)	(710,725)
Principal Payments on Long-Term Debt .....	(692,296)	(756,535)
Interest Paid .....	-	(872)
Proceeds from Capital Contributions .....	112,306	36,254
Proceeds from Long-Term Debt .....	-	714,796
Debt Issuance Costs .....	-	(7,160)
Proceeds from Other Non-Operating Revenues .....	812,643	813,477
Net Cash Used in Capital and Related Financing Activities .....	(162,930)	89,235
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments .....	161,720	96,630
Net Cash From Investing Activities .....	161,720	96,630
Net Increase (Decrease) in Cash and Equity in Pooled Investments .....	3,326,421	1,156,450
<b>Cash &amp; Equity in Pooled Investments at January 1</b>	8,729,263	8,051,303
<b>Cash &amp; Equity in Pooled Investments at September 30</b>	<u>\$12,055,684</u>	<u>\$9,207,753</u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*

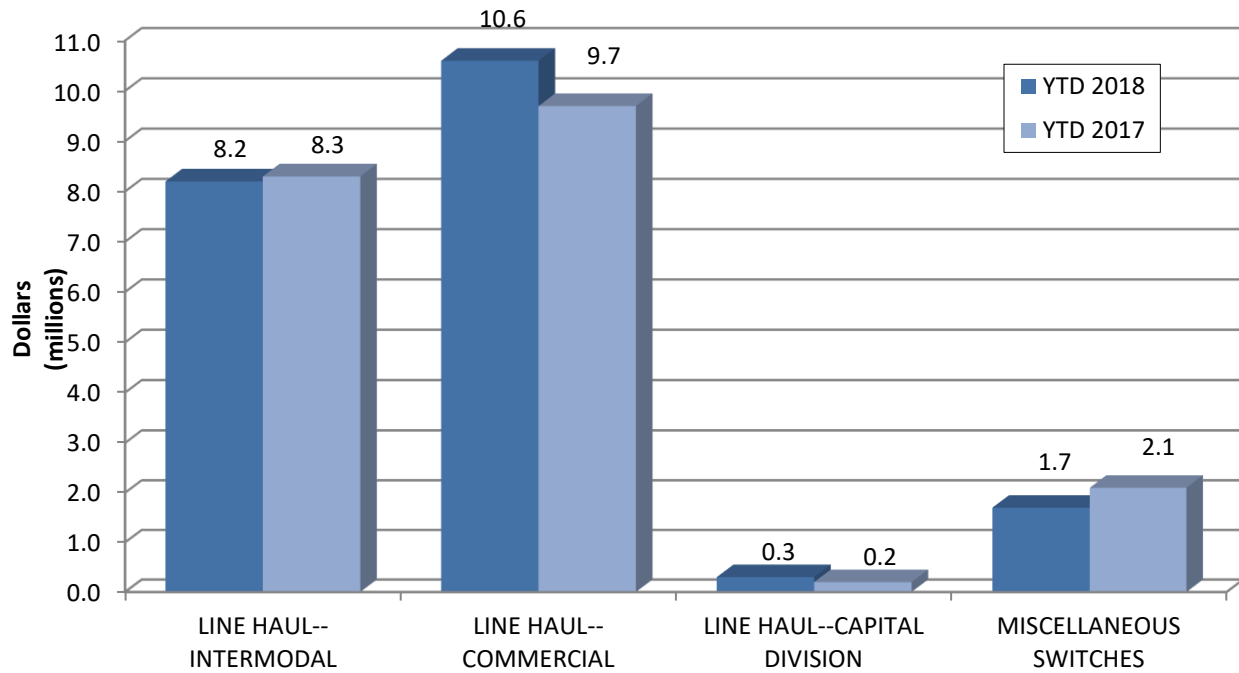
	YEAR TO DATE SEPTEMBER 30, 2018	YEAR TO DATE SEPTEMBER 30, 2017
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities:</b>		
Operating Income .....	\$3,751,428	\$2,660,861
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Depreciation .....	1,303,097	1,227,096
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable .....	(153,648)	465,319
Interfund Receivable .....	157,958	9,827
Materials and Supplies Inventory .....	(77,326)	(54,042)
Prepayments .....	347,497	340,101
Accounts Payable .....	(226,613)	(431,708)
Customer Deposits .....	-	(10,500)
Unemployment and other Tax Payables .....	42,078	(40,520)
Wages Payable .....	224,223	224,699
Volume Incentive Payable .....	83,334	(1,249,999)
Interfund Payable .....	(60,733)	(260,518)
Other Long-Term Liabilities & OJI Reserve.....	(15,216)	27,600
Total Adjustments .....	1,624,651	247,355
Net Cash From Operating Activities .....	<u>\$5,376,079</u>	<u>\$2,908,216</u>
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Operating Funds .....	12,055,684	9,207,753
Cash and Equity in Pooled Investments at September 30 .....	<u>\$12,055,684</u>	<u>\$9,207,753</u>

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# Supplemental Data

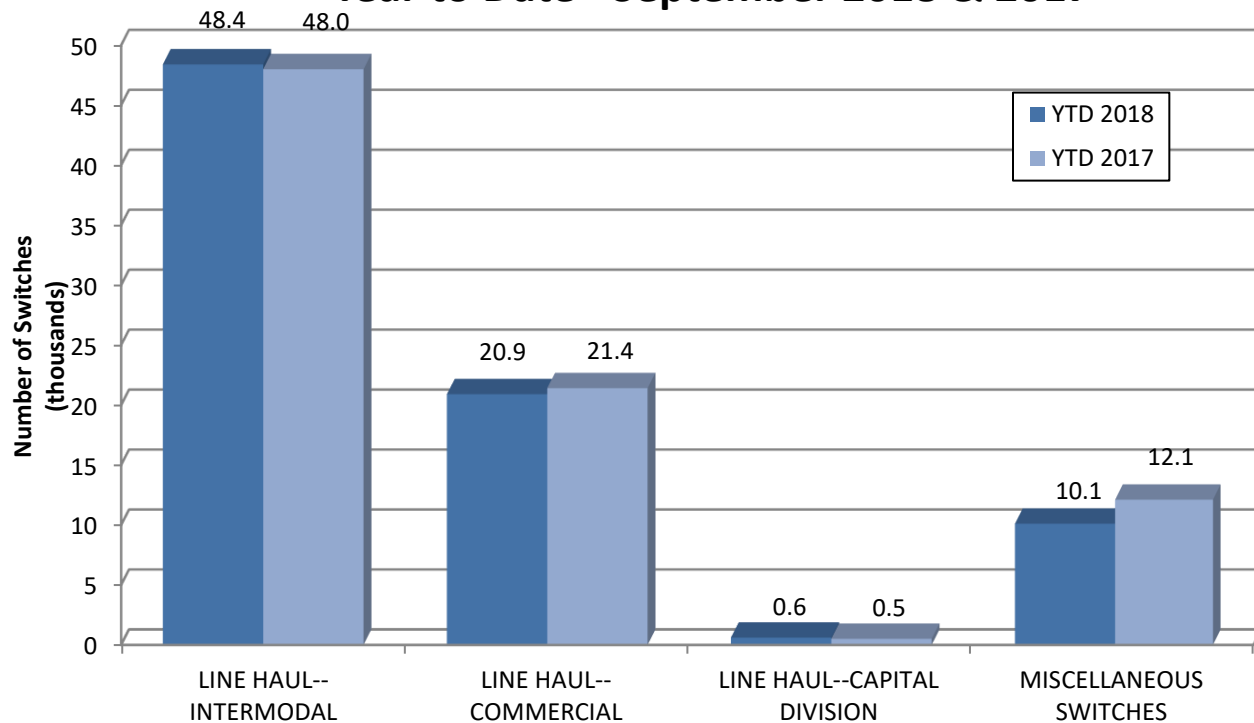
## SWITCHING REVENUES

### Year to Date - September 2018 & 2017

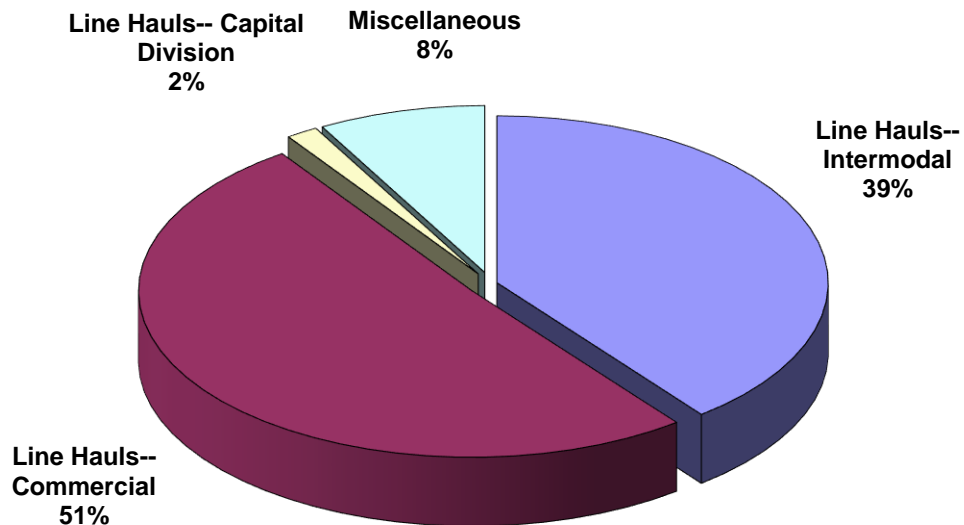


## SWITCHING ACTIVITIES

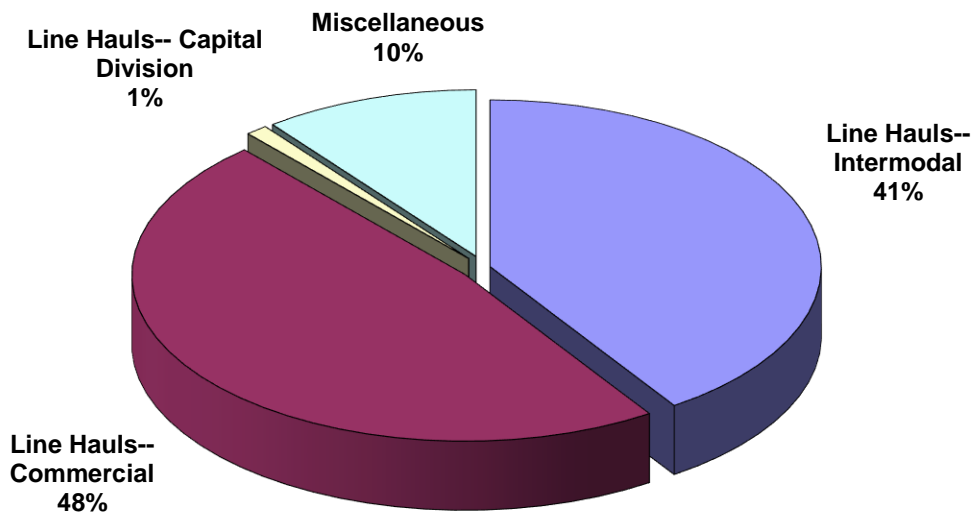
### Year to Date - September 2018 & 2017



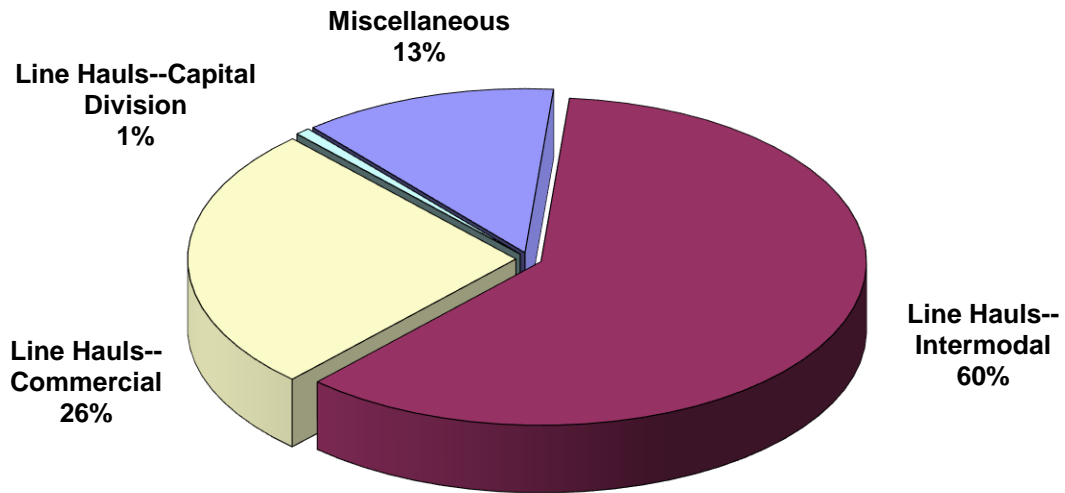
**SWITCHING REVENUES**  
**Year to Date - September 2018 (\$20,810,468)**



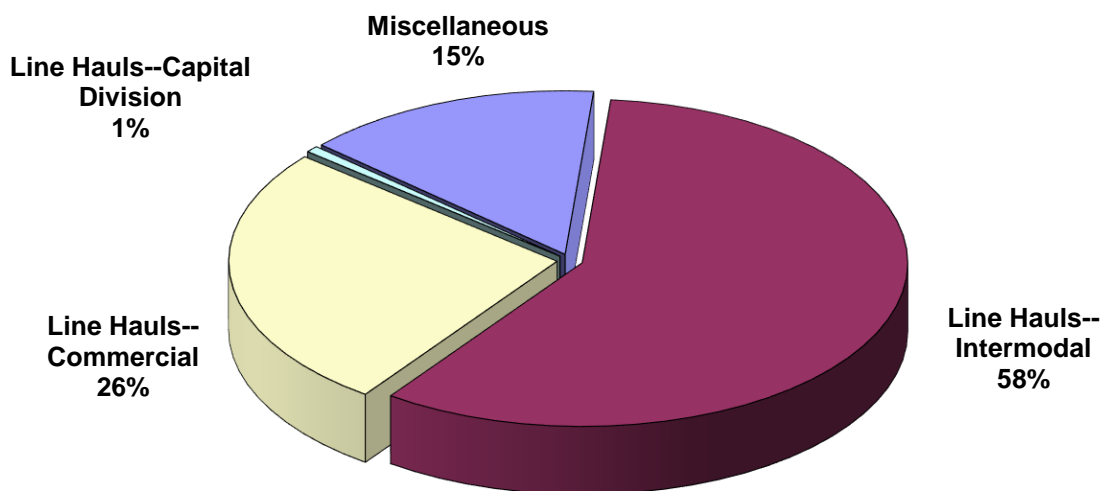
**SWITCHING REVENUES**  
**Year to Date - September 2017 (\$20,344,121)**



**SWITCHING ACTIVITY**  
**Year to Date - September 2018 (80,061 cars)**

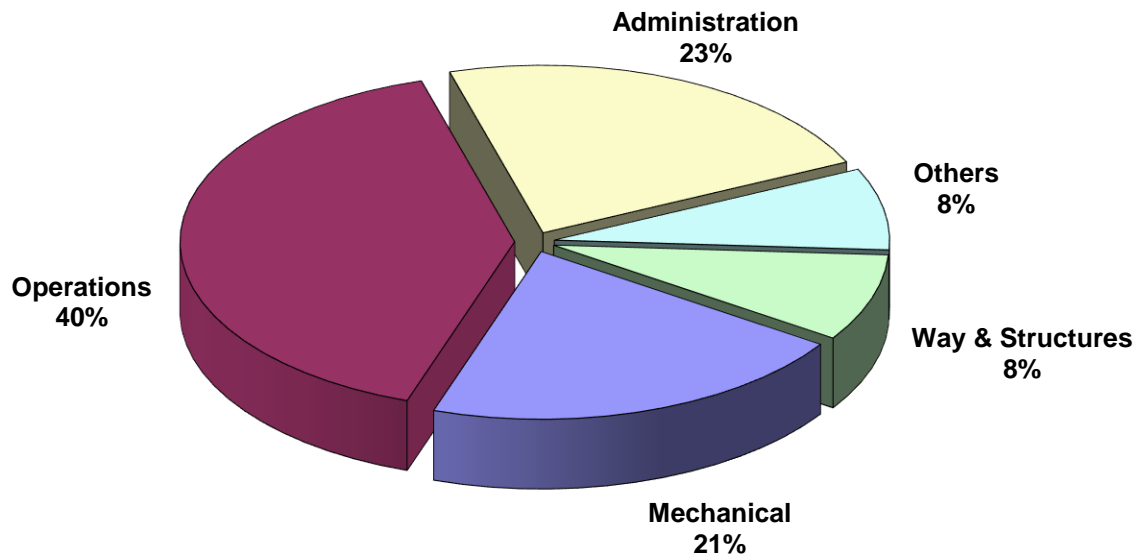


**SWITCHING ACTIVITY**  
**Year to Date - September 2017 (81,983 cars)**

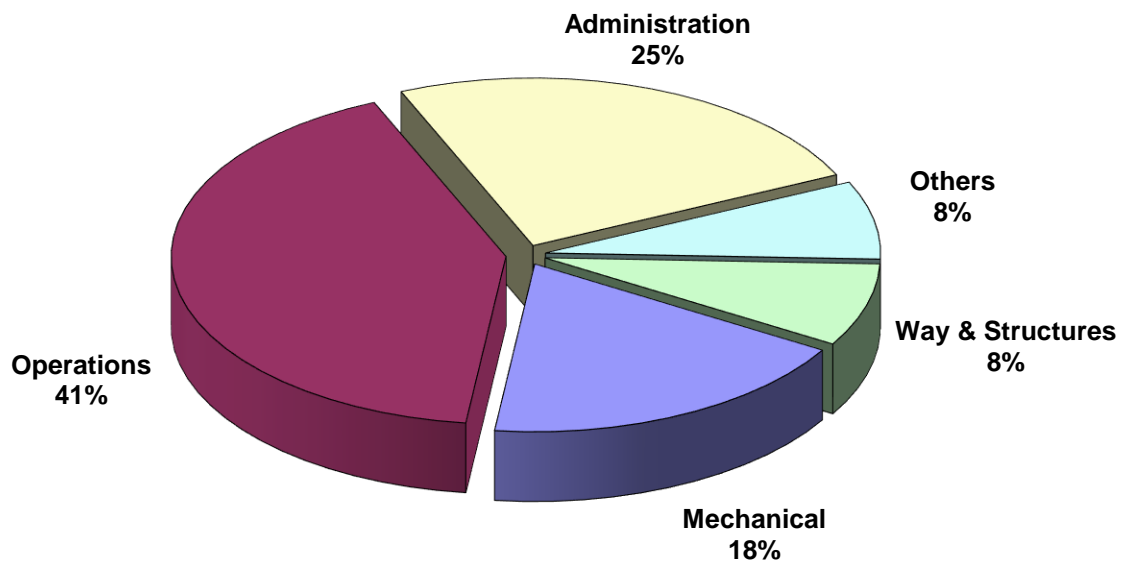




**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2018 (\$20,933,314)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2017 (\$20,673,547)**





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**SEPTEMBER**

***FLEET SERVICES FUND***

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

WOODROW JONES

Chair

KAREN LARKIN

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

CHRISTINE COOLEY

Member

JACKIE FLOWERS

Director of Utilities

DON ASHMORE

Utilities Fleet Manager

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Fleet Services is reporting a net operating loss of \$1.7 million year-to-date 2018 compared to a net loss of \$1.4 million recorded for the same time period in 2017. Operating revenues decreased \$42,000 and expenses increased \$261,000 respectively, resulting in a net decrease in operating income of \$303,000 compared to 2017.

### **Revenues**

Fleet Services operating revenue is comprised of five categories: Maintenance, Capital Recovery, Administrative Overhead, Fuel and Fuel Loading and Pool Car Rentals. Operating revenues were \$4.5 million and \$4.6 million at the end of the third quarter of 2018 and 2017.

Maintenance revenues are mainly related to staff labor and were \$1.5 million and \$1.7 million at the end of the third quarter of 2018 and 2017.

Capital recovery revenues are collected on each vehicle and piece of equipment based on anticipated equipment replacement needs for each business unit. Capital recovery revenues were \$1.9 million and \$1.7 million in 2018 and 2017 respectively.

Administrative Overhead revenue is the fee charged for each vehicle that is in service. The number of vehicles in service varies from month to month and the rate can vary based on type of vehicle. Administrative Overhead revenue was \$1.0 million in both 2018 and 2017 respectively.

Fuel and fuel loading revenues are affected by year to year changes in vehicle usage and fluctuations in fuel prices. Fuel related revenues were \$49,000 and \$40,000 in 2018 and 2017 respectively.

Pool car revenues are based on usage and were \$91,000 and \$87,000 for 2018 and 2017 respectively.

### **Expenses**

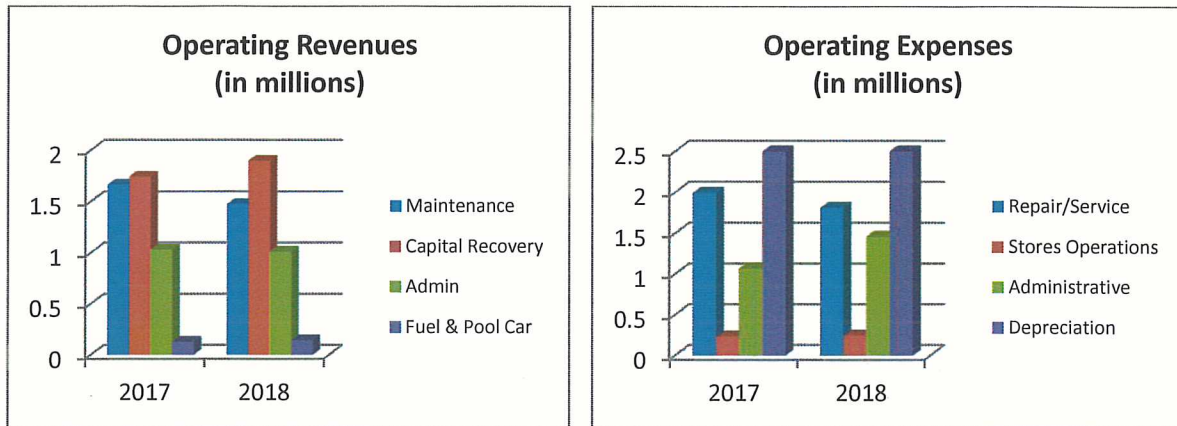
Fleet Services operating expenses are comprised of four major categories: Repairs and service, stores operations, administration and depreciation. Fleet Services expenses were \$6.2 million and \$5.9 million year-to-date through the third quarter of 2018 and 2017.

Repairs and service expense relates to shop operations which provide preventive and corrective maintenance and repairs to vehicles and pieces of equipment for Tacoma Public Utilities and other service groups. Repair and service expenses were \$1.8 million and \$2.0 million in 2018 and 2017 respectively.

Stores operation is a parts warehouse maintained by Fleet which had expenses of \$245,000 and \$232,000 in 2018 and 2017.

Administration expenses were \$1.5 million and \$1.1 million in 2018 and 2017 respectively.


Depreciation expense was \$2.7 million and \$2.6 million in 2018 and 2017 respectively.



#### Non-Operating Revenues (Expenses)

Interest income was \$183,000 and \$102,000 for the third quarter of 2018 and 2017 respectively.

  
Jackie Flowers  
Director of Utilities

  
Andrew Cherullo  
Finance Director

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## FLEET SERVICES FUND

### 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.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>FIXED</b>		
Office Furniture and Equipment .....	\$616,901	\$616,901
Stores and Shop Equipment .....	719,411	719,381
Transportation Equipment .....	43,742,716	42,810,288
Power-Operated Equipment .....	16,375,559	19,105,895
Accumulated Depreciation .....	<u>(38,837,108)</u>	<u>(39,962,288)</u>
Total Fixed Assets .....	22,617,479	23,290,177
Construction Work in Progress .....	<u>4,072,240</u>	<u>2,446,240</u>
Net Fixed Assets .....	26,689,719	25,736,417
<b>CURRENT</b>		
Current Fund Cash & Equity in Pooled Investments	16,569,563	18,807,304
Materials and Supplies .....	<u>334,125</u>	<u>304,558</u>
Total Current Assets .....	16,903,688	19,111,862
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows for Pensions .....	<u>915,881</u>	<u>964,710</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS.....</b>	<u><u>\$44,509,288</u></u>	<u><u>\$45,812,989</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*

	2018	2017
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	\$26,689,719	\$25,736,416
Restricted for:		
Tacoma Power .....	18,095,346	18,095,346
Tacoma Water .....	7,199,933	7,199,933
Tacoma Rail .....	981,147	981,147
Unrestricted .....	(10,204,584)	(7,567,530)
<b>TOTAL NET POSITION .....</b>	<b>42,761,561</b>	<b>44,445,312</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable & Other .....	370,858	131,825
Wages Payable .....	104,360	113,566
Total Current Liabilities .....	475,218	245,391
<b>LONG-TERM LIABILITIES</b>		
Employee Vacation and Sick Leave Accrual .....	209,679	231,004
Net Pension Liability .....	874,422	835,359
Total Long-term Liabilities .....	1,084,101	1,066,363
<b>TOTAL LIABILITIES .....</b>	<b>1,559,319</b>	<b>1,311,754</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflows for Pensions .....	188,408	55,923
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$44,509,288</b>	<b>\$45,812,989</b>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
<b>OPERATING REVENUE</b>		
Maintenance Revenue .....	\$143,806	\$167,054
Capital Recovery .....	206,327	205,191
Administrative Overhead .....	111,865	118,735
Fuel and Fuel Loading .....	4,871	1,914
Pool Car Rental .....	10,357	7,818
Total Operating Revenue .....	<u>477,226</u>	<u>500,712</u>
<b>OPERATING EXPENSES</b>		
Repairs and Servicing		
Shop Operations .....	169,118	222,869
Outside Services .....	80	(1,666)
Total Repairs and Servicing .....	<u>169,198</u>	<u>221,203</u>
Stores Operations .....	17,826	25,603
Administration .....	406,312	119,450
Depreciation .....	290,386	290,971
Total Operating Expenses .....	<u>883,722</u>	<u>657,227</u>
<b>OPERATING INCOME</b> .....	(406,496)	(156,515)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income .....	11,166	6,976
Gain (Loss) on Disposition of Equipment .....	-	-
Sale of Scrap .....	-	-
Total Non-Operating Revenues (Expenses) ....	<u>11,166</u>	<u>6,976</u>
<b>CHANGE IN NET POSITION</b> .....	<u>(\$395,330)</u>	<u>(\$149,539)</u>
<b>TOTAL NET POSITION - JANUARY 1</b> .....		
<b>TOTAL NET POSITION - SEPTEMBER 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.*

YEAR TO DATE			
SEPTEMBER 2018	SEPTEMBER 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$1,471,818	\$1,662,476	(\$190,658)	-11.5%
1,893,338	1,738,826	154,512	8.9%
1,008,779	1,028,024	(19,245)	-1.9%
48,979	39,898	9,081	22.8%
91,462	87,127	4,335	5.0%
4,514,376	4,556,351	(41,975)	-0.9%
1,761,413	1,964,794	(203,381)	-10.4%
47,396	27,127	20,269	74.7%
1,808,809	1,991,921	(183,112)	-9.2%
244,927	231,609	13,318	5.8%
1,456,749	1,066,716	390,033	36.6%
2,678,937	2,637,815	41,122	1.6%
6,189,422	5,928,061	261,361	4.4%
(1,675,046)	(1,371,710)	(303,336)	22.1%
183,245	101,518	81,727	80.5%
185,876	121,294	64,582	53.2%
555	12,513	(11,958)	-95.6%
369,676	235,325	134,351	57.1%
(1,305,370)	(1,136,385)	(168,985)	14.9%
44,066,931	45,581,697		
\$42,761,561	\$44,445,312		

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash From Customers .....	\$4,618,397	\$4,802,501
Cash Paid to Suppliers .....	(1,478,518)	(1,630,580)
Cash Paid to Employees .....	(2,204,561)	(2,284,643)
Net Cash From Operating Activities .....	935,318	887,278
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Expenditures, Net .....	(3,387,925)	(2,124,001)
Disposition of Equipment/Scrap.....	186,431	133,807
Net Cash From Financing Activities .....	(3,201,494)	(1,990,194)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received .....	183,245	101,518
Net Cash From Investing Activities .....	183,245	101,518
Net Change in Cash and Equity in Pooled Investments .....	(2,082,931)	(1,001,398)
Cash and Equity in Pooled Investments at January 1	18,652,494	19,808,702
Cash and Equity in Pooled Investments at September 30	<u>\$16,569,563</u>	<u>\$18,807,304</u>

*These statements should be read in conjunction with the Notes to  
Financial Statements contained in the 2017 Annual Report.*

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income .....	(\$1,675,046)	(\$1,371,710)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization .....	2,678,937	2,637,815
Accounts Receivable .....	98,535	213,758
Interdivision Receivable .....	5,486	32,392
Materials and Supplies .....	(24,132)	(8,520)
Accounts Payable & Other .....	(171,488)	(553,192)
Interdivision Payable .....	(12,786)	(103,224)
Absences Payable .....	35,812	39,959
Total Adjustments .....	2,610,364	2,258,988
Net Cash Provided by Operating Activities .....	<u>\$935,318</u>	<u>\$887,278</u>

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
FLEET SERVICES FUND

EQUITY DISTRIBUTION AS OF SEPTEMBER 30, 2018

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2018 .....	\$29,334,973	\$13,257,721	\$1,474,237	\$44,066,931
Contributions During Year .....	-	-	-	-
Equity Contrib. at Sept 30, 2018 ...	29,334,973	13,257,721	1,474,237	44,066,931
Current Year Operations:				
Total Operating Revenue * .....	3,005,181	1,358,169	151,026	4,514,376
Less: Repairs & Servicing Expense *	1,204,108	544,188	60,513	1,808,809
Administration Expense ** ...	1,261,957	380,732	58,987	1,701,676
Depreciation Expense .....	1,948,295	641,076	89,566	2,678,937
Total Expenses .....	4,414,360	1,565,996	209,066	6,189,422
Net Operating Revenue .....	(1,409,179)	(207,827)	(58,040)	(1,675,046)
Add: Other Income *** .....	244,541	112,751	12,384	369,676
Net Operating Results .....	(1,164,638)	(95,076)	(45,656)	(1,305,370)
Total Equity .....	\$28,170,335	\$13,162,645	\$1,428,581	\$42,761,561

\* Allocated to each division based on total receipts from the divisions.

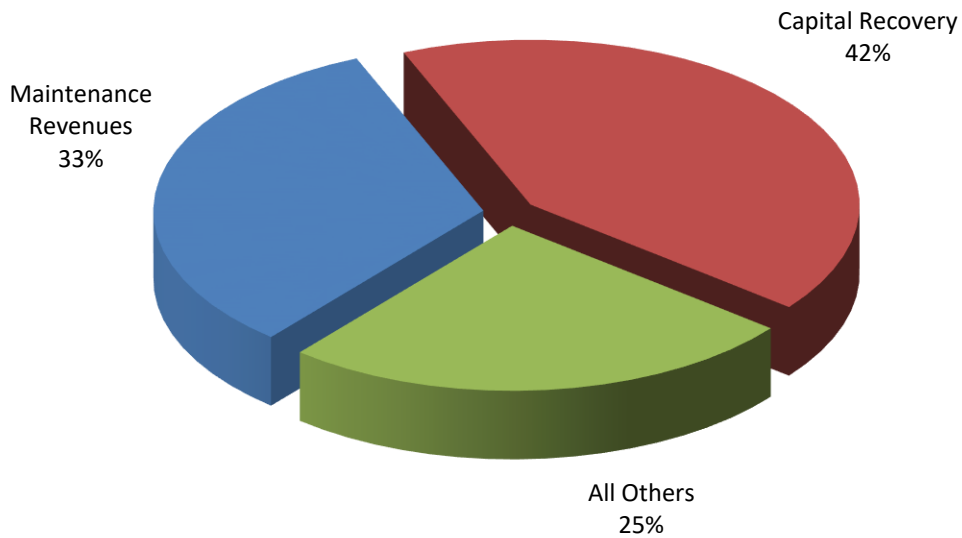
\*\* Allocated to each division based on vehicle count.

\*\*\* Allocated to each division based on total equity in the Fund.

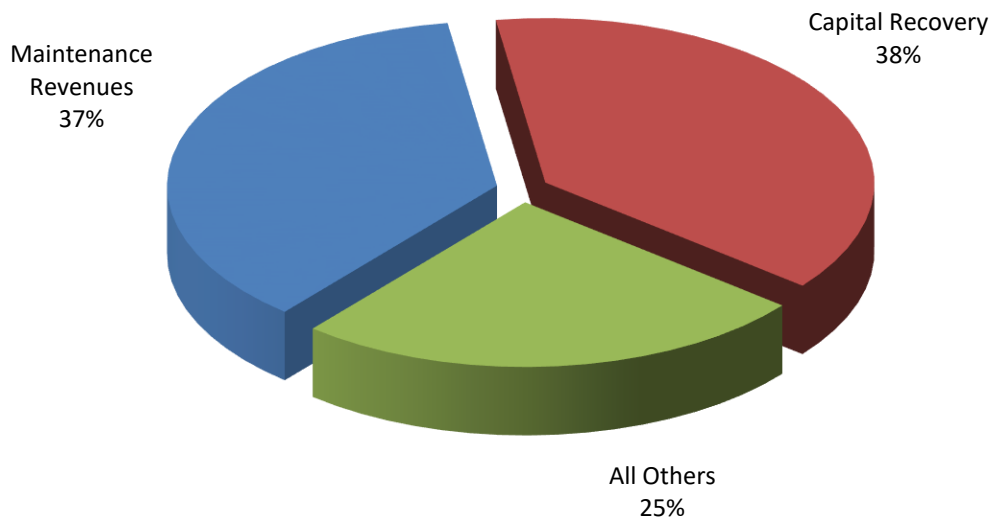


# Supplemental Data

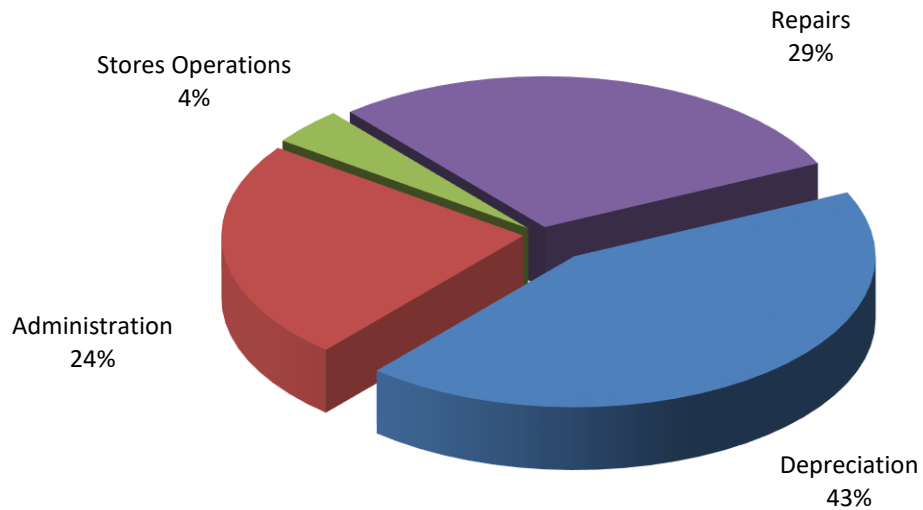
**TOTAL OPERATING REVENUES**  
**Year to Date - September 2018 (\$4,514,376)**



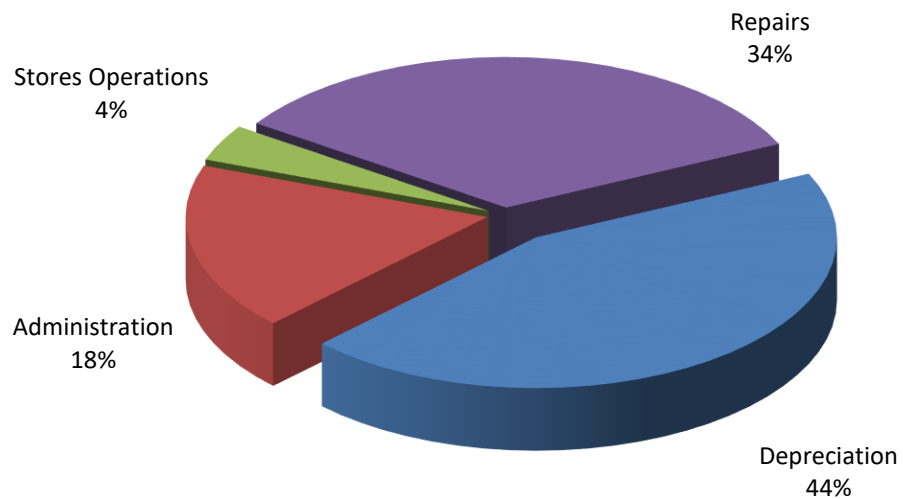
**TOTAL OPERATING REVENUES**  
**Year to Date - September 2017 (\$4,556,351)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2018 (\$6,189,422)**



**TOTAL OPERATING EXPENSES**  
**Year to Date - September 2017 (\$5,928,061)**





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**SEPTEMBER**

***SELF-INSURANCE CLAIM FUND***

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

WOODROW JONES

Chair

KAREN LARKIN

Vice-Chair

BRYAN FLINT

Secretary

MARK PATTERSON

Member

CHRISTINE COOLEY

Member

JACKIE FLOWERS

Director of Utilities

CHRIS ROBINSON

Power Superintendent/COO

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

## MANAGEMENT ANALYSIS

The Self-Insurance fund is reporting a net gain of \$316,000 year-to-date 2018 compared to a net loss of \$1.4 million recorded for the same time period in 2017. Total revenues increased \$2.0 million while total expenses increased \$383,000 year-to-date.

### Revenues

Self-Insurance fund revenues are contributions from the Power, Water and Rail divisions and the interest earned. Total revenues at the end of the third quarter of 2018 and 2017 were \$3.0 million and \$906,000 respectively. The increase of \$2.1 million is primarily due to additional contributions of \$1.7 million from Power and \$333,000 from Rail.

### Expenses

Self-Insurance fund expenses include claims and handling expenses paid during the quarter, adjustments to accrued claims and administrative expenses. Support Services claims and handling expenses are allocated to Power and Water only and based on each fund's percentage of combined claims and handling expenses for the year to date. Administrative expenses are allocated to Power, Water and Rail funds based on each fund's percentage of total claims incurred.

Total expenses at the end of the third quarter of 2018 and 2017 were \$2.7 million and \$2.3 million respectively. The change in expenses from year to year is primarily due to adjustments in expected future claims and developments accrued by the Fund. Negative claims expense is generally the result of adjustments to the liability where expected claims were accrued in one quarter and subsequently denied or revised the next quarter.

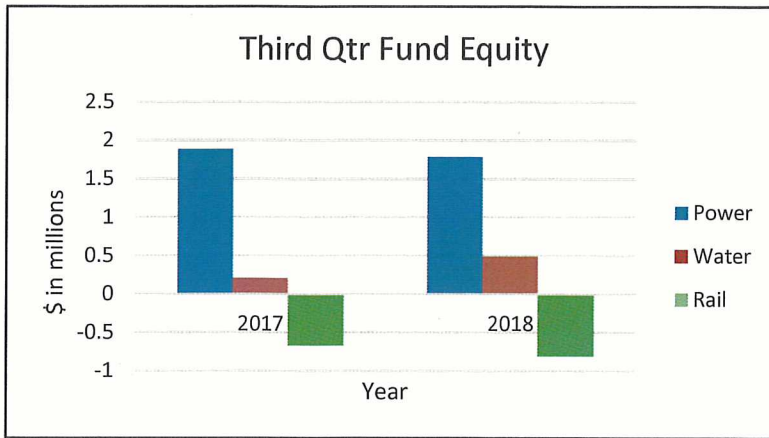
Claims expense was \$2.4 million in the third quarter of 2018, an increase of \$542,000 (28.5%) compared to the third quarter of 2017. This is due to a net increase in claims from Power of \$1.4 million primarily offset by decreases in claims from Water and Rail of \$168,000 and \$718,000 respectively.


Litigation Expense and Settlements decreased by \$192,000 primarily due to the decrease in handling expenses for Rail.

Incidental and Administrative Expense increased by \$33,000 primarily due to the purchase of new software. The cost of which was shared between General Government and the Self-Insurance fund.

The Fund's equity was \$1.5 million and \$1.4 million through September of 2018 and 2017 respectively. The following graph provides a visual presentation as to how the Fund's equity is shared.





  
Jackie Flowers  
Director of Utilities

  
Andrew Cherullo  
Finance Director

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES

## SELF-INSURANCE CLAIM FUND

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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.*

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CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF NET POSITION - SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Equity in Pooled Investments .....	<u>\$7,737,384</u>	<u>\$6,791,760</u>
TOTAL ASSETS .....	<u><u>\$7,737,384</u></u>	<u><u>\$6,791,760</u></u>
 <b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Restricted:		
Interfund Contributions .....	<u>\$1,466,451</u>	<u>\$1,430,731</u>
TOTAL NET POSITION .....	1,466,451	1,430,731
<b>CURRENT LIABILITIES</b>		
Accounts Payable Claims .....	6,264,230	5,349,805
Accounts Payable Claims Handling .....	<u>6,703</u>	<u>11,224</u>
TOTAL LIABILITIES .....	<u>6,270,933</u>	<u>5,361,029</u>
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<u><u>\$7,737,384</u></u>	<u><u>\$6,791,760</u></u>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 Annual Report.*

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	SEPTEMBER 2018	SEPTEMBER 2017
<b>INCOME</b>		
Premiums .....	\$128,333	\$128,333
Interest .....	11,497	6,689
	<hr/>	<hr/>
TOTAL INCOME .....	139,830	135,022
 <b>EXPENSES</b>		
Claims .....	260,018	(1,271,657)
Litigation Expense and Settlements .....	8,273	736
Incidental and Administrative Expense .....	12,053	15,596
	<hr/>	<hr/>
TOTAL EXPENSES .....	280,344	(1,255,325)
	<hr/>	<hr/>
CHANGE IN NET POSITION .....	(\$140,514)	\$1,390,347
	<hr/>	<hr/>
<b>TOTAL NET POSITION - JANUARY 1 .....</b>		
<b>TOTAL NET POSITION - SEPTEMBER 30 .....</b>		

*These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.*

YEAR-TO-DATE			
SEPTEMBER 2018	SEPTEMBER 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$2,855,000	\$821,667	\$ 2,033,333	247.5%
125,405	84,058	41,347	49.2%
2,980,405	905,725	2,074,680	229.1%
2,443,844	1,902,214	541,630	28.5%
81,682	273,375	(191,693)	-70.1%
138,836	105,856	32,980	31.2%
2,664,362	2,281,445	382,917	16.8%
316,043	(1,375,720)	1,691,763	-123.0%
1,150,408	2,806,451	(1,656,043)	
\$1,466,451	\$1,430,731	\$35,720	

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Premiums Received .....	\$2,855,000	\$821,667
Claims Paid .....	(2,028,504)	(1,362,432)
Administrative and Other Expenses .....	(243,075)	(384,662)
Net Cash From Operating Activities .....	583,421	(925,427)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Received .....	125,405	84,058
Net Cash From Financing Activities .....	125,405	84,058
Net Change in Cash and Equity in Pooled Investments .....	708,826	(841,369)
Cash and Equity in Pooled Investments at January 1 .....	7,028,558	7,633,129
Cash and Equity in Pooled Investments at September 30 .....	<u>\$7,737,384</u>	<u>\$6,791,760</u>



	YEAR TO DATE	
	SEPTEMBER 30,	SEPTEMBER 30,
	2018	2017
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities:</b>		
Net Income (Loss) .....	\$316,043	(\$1,375,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Interest Income .....	(125,405)	(84,058)
Adjustments to Reconcile Net Income (Loss) to Net Cash From Operating Activities:		
Interdivision Payable .....	(8,910)	(12,222)
Accounts Payable Claims .....	407,038	539,782
Accounts Payable Claims Handling .....	(5,345)	6,791
Total Adjustments .....	267,378	450,293
Net Cash From Operating Activities	\$583,421	(\$925,427)

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

EQUITY DISTRIBUTION AS OF SEPTEMBER 30, 2018

	<u>TACOMA POWER</u>	<u>TACOMA WATER</u>	<u>TACOMA RAIL</u>	<u>TOTAL</u>
Balance January 1, 2018 .....	\$2,104,983	\$384,479	(\$1,339,054)	\$1,150,408
Contributions (Premiums) .....	2,225,000	180,000	450,000	2,855,000
Claims .....	(2,443,869)	(77,518)	77,869	(2,443,518)
Claims Handling Expense .....	(59,279)	(11,413)	(10,990)	(81,682)
Administrative Expenses .....	(137,939)	(4,900)	3,677	(139,162)
Interest Income (1) .....	<u>100,264</u>	<u>14,632</u>	<u>10,509</u>	<u>125,405</u>
Balance September 30, 2018 .....	<u><u>\$1,789,160</u></u>	<u><u>\$485,280</u></u>	<u><u>(\$807,989)</u></u>	<u><u>\$1,466,451</u></u>

(1) Effective 2017, interest income has been allocated to each division based on the allocated cash balance as of the date of this statement.

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS SUMMARY - SEPTEMBER 30, 2018

**NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2018)**

	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.	Total
Over \$5,000 .....	9	5	2	-	16
\$1,001 - 5,000 .....	8	8	-	-	16
\$501 - 1,000 .....	2	1	-	-	3
\$100 - 500 .....	4	4	2	3	13
Less than \$100 .....	3	6	-	-	9
	26	24	4	3	57
Total Dollar Amount of Claims Paid .....	\$1,908,426	\$96,990	\$22,131	\$957	\$2,028,504

**NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2018**

Over \$50,000 .....	16	1	1	-	18
\$10,000 - 50,000 .....	13	1	6	-	20
Less than \$10,000 .....	265	85	4	2	356
	294	87	11	2	394
Total Dollar Amount Accrued for Known Claims .....	\$3,903,129	\$234,612	\$277,500	\$525	\$4,415,766
Total Dollar Amount Accrued for Unknown Claims .....	\$483,963	\$181,413	\$1,177,856	\$5,232	\$1,848,464
Total Dollar Amount Accrued for All Claims	\$4,387,092	\$416,025	\$1,455,356	\$5,757	\$6,264,230

CITY OF TACOMA, WASHINGTON  
DEPARTMENT OF PUBLIC UTILITIES  
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS DETAIL - SEPTEMBER 30, 2018

**NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2018)**

Range	Non-Vehicular Bodily Injury/Property Damage			
	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
Over \$5,000 .....	8	5	2	-
\$1,001 - 5,000 .....	5	6	-	-
\$501 - 1,000 .....	2	1	-	-
\$100 - 500 .....	4	4	1	3
Less than \$100 .....	3	6	-	-
	22	22	3	3
Total Dollar Amount of Claims Paid .....	\$1,879,842	\$92,776	\$21,644	\$957
Average Dollar Amount of Claims Paid .....	\$85,447	\$4,217	\$7,215	\$319

**NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2018**

Range	Non-Vehicular Bodily Injury/Property Damage			
Over \$50,000 .....	16	1	1	-
\$10,000 - 50,000 .....	13	1	6	-
Less than \$10,000 .....	250	78	4	2
	279	80	11	2
Total Dollar Amount Accrued for Known Claims .	\$3,882,914	\$222,597	\$277,500	\$525
Total Dollar Amount Accrued for Unknown Claims .....	\$483,963	\$181,413	\$1,177,856	\$5,232
Total Dollar Amount Accrued for All Claims ...	<u>\$4,366,877</u>	<u>\$404,010</u>	<u>\$1,455,356</u>	<u>\$5,757</u>

Vehicular Bodily Injury/Property Damage				Hazardous Waste		Contract/Harassment			
Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.	Tacoma Power	Tacoma Water	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
1	-	-	-	-	-	-	-	-	-
3	2	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4	2	1	-	-	-	-	-	-	-
\$28,584	\$4,214	\$487	-	-	-	-	-	-	-
\$7,146	\$2,107	\$487	-	-	-	-	-	-	-
Vehicular Bodily Injury/Property Damage				Hazardous Waste		Contract/Harassment			
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
15	7	-	-	-	-	-	-	-	-
15	7	-	-	-	-	-	-	-	-
\$20,215	\$12,015	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$20,215	\$12,015	-	-	-	-	-	-	-	-



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