



TACOMA PUBLIC UTILITIES
3628 South 35th Street
Tacoma, Washington 98409-3192

DATE: November 12, 2020

TO: Public Utility Board Members
CC: Jackie Flowers, Director of Utilities

FROM: Jim Sant, Deputy Director for Administration

SUBJECT: Financial Outlook – Projection of 2019-2020 Biennial Results (as of Q3 2020) and Budget Performance (Q3 2020) for Power, Water, and Rail

FINANCIAL UPDATE

Tacoma Power

Forecast for total revenue \$7.8 m (0.8%) under budget

- Q3 negative factors: Ongoing decreases in energy sales and increased aging of accounts receivable
- Q3 positive factors: Average water conditions and strong Wholesale Sales in 2020
- Q4 outlook: Total revenue expected to be near budget for 2020

Forecast for expenditures \$41.7 m (4.3%) under budget

- Q3 negative factors: Some expenses uncontrollable, projected increases in bad debt expense, some important initiatives may be postponed
- Q3 positive factors: Ability to adapt to continued impacts of pandemic through targeted spending reductions and the ability to shift funding of certain projects
- Q4 outlook: Total expense expected to be under budget for 2020

Tacoma Water

Forecast for total revenue \$9.7 m (5%) over budget

- Q3 negative factors: Ongoing anticipated decreases in Commercial demand and other customer fees, increased aging of accounts receivable and sluggish cash flow
- Q3 positive factors: Projected increases in Residential demand, strong Water Sales in 2019, generally inelastic demand, revenue stability through rate design, strong cash balances
- Q4 outlook: Total revenue expected to be over budget for 2020

Forecast for expenditures \$11.6 m (6%) under budget

- Q3 negative factors: Some expenses uncontrollable, projected increases in bad debt expense, some important initiatives may be postponed





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- Q3 positive factors: Ability to shift certain projections and adapt to continued impacts from pandemic, prioritized hiring to fill resource gaps
- Q4 outlook: Total expense expected to be under budget for 2020

Tacoma Rail

Forecast for total revenue \$2.2 m (-3%) under budget re-appropriation

- Q3 negative factors: Intermodal rail traffic remains below budget (-26%)
- Q3 positive factors: Commercial traffic has increased from Q2 and is anticipated to be above budget; Locomotive Servicing and demurrage revenue both have been over budget due to strong demand and railcar dwell.
- Q4 outlook: Total revenue expected to be under budget for 2020

Forecast for total expenditures \$4.2 m (-6%) under budget re-appropriation

- Q3 negative factors: Customer railcar dwell increasing car hire expense, offset by demurrage revenue; East End Locomotive Facility capital project has been postponed for funding partnership opportunities
- Q3 positive factors: Delayed hiring and limited overtime have reduced personnel costs with downturn in business; low locomotive fuel prices; no intermodal volume incentive allowance due to low intermodal volumes
- Q4 outlook: Total expense expected to be under budget for 2020

PERFORMANCE METRICS

Financial and Operational Metrics

- Tacoma Power experienced higher than budgeted O&M expenses due to 2019 being a critical water year which resulted in increased power market purchases and from the effects of a pension expense accounting entry

Commitment to Customers & Employees

- Customer service responsiveness and service levels remain high due to staff's ability to offer remote assistance coupled with reduced call volumes
- Safety continues to be a focus across the organization

Also included are the Q3 2020 Budget Performance reports that portray our historical financial performance and are part of the analysis contained in the financial outlook highlights above.

