

Tacoma Water Financial Outlook

1st Quarter 2021

May 26, 2021



Tacoma Water 2021/2022 Financial Outlook

- **Forecast Assumptions**
- **Summary of Outlook**
- **Water Retail Sales and Revenues**
- **Revenue and Expense Summary**
- **Estimated Current Fund Cash**

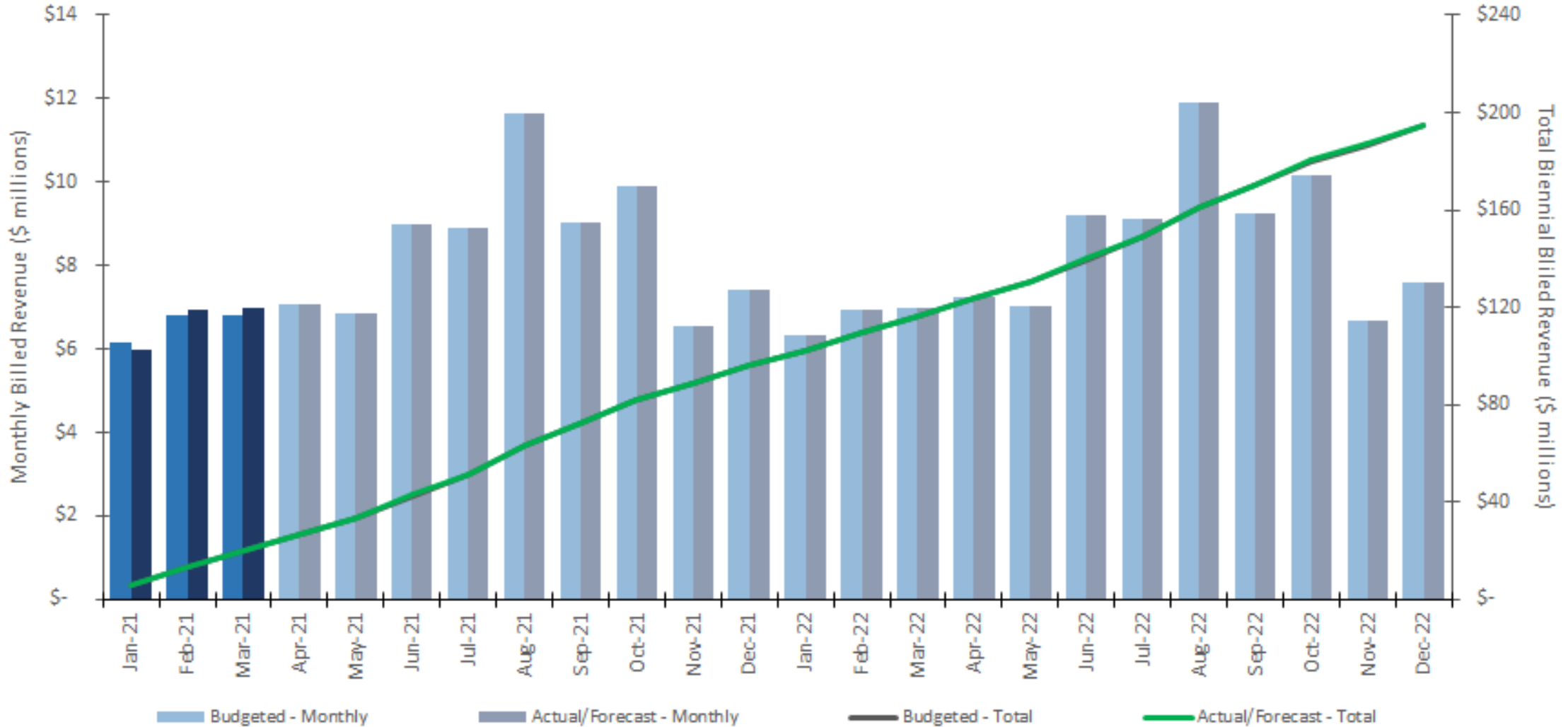
2021/2022 Biennium Summary of Assumptions

- **Forecast includes actual revenues and expenses through March 2021**
- **Water sales and revenue projection based on current demand forecast with updated assumptions as they become known including 1.5% rate adjustment in 2021 and newly implemented University Place (UP) utility tax**
- **Expense projections include savings-to-date adjusted for updated assumptions and shaping of expenditures in future months**
- **All other revenue and expense projections are based on 2021/2022 budget**

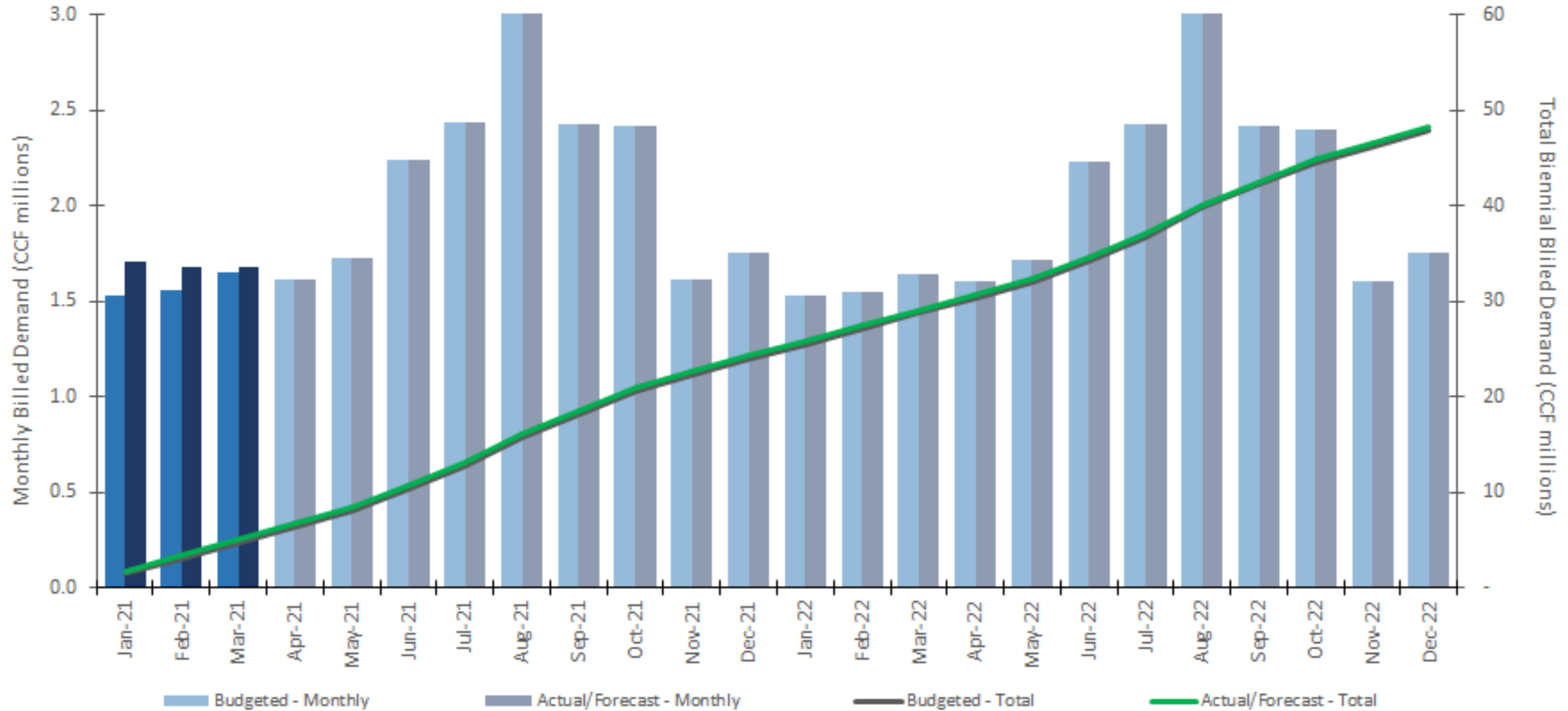
2021/2022 Biennium Summary of Financial Outlook

- **Water sales are forecast to be about \$500,000 over budget for the biennium including additional revenues expected to be collected to offset University Place utility tax.**
- **Sluggish cash flow and potential bad debt write-off, with nearly \$4.5 million receivables over 60-days outstanding at March 2021 compared to about \$615,000 at March 2020.**
- **Total expenditures are projected to be \$323,000 under budget by the end of 2022.**
- **Based on these projections, net total revenues less expenditures is expected to be about \$809,000.**
- **The Current Fund cash balance is expected to be \$46 million, a reduction of \$20.6 million from January 2021.**

Billed Revenue



Billed Demand



2021/2022 Biennium Forecast vs Budget

1. Total Revenue

- Actual Water Sales are \$114,000 over budget for the first quarter
- Projections include reductions due to 2021 rate adjustment 0.5% or \$471,000 lower than budgeted assumption of 2.0%
- Biennium forecast includes estimated water sales increases for utility tax to be collected from University Place
- Other Operating revenue under budget due to moratorium on customer fees

2. Taxes

- Projection includes additional taxes collected on behalf of University Place

3. Total Expenditures

- Bad Debt Expense is \$374,000 over budget
- Total Expenditures expected to be \$323,000 under budget for the biennium

4. Total Revenue less Total Expenditures

- Projected to be \$809,000 over budget based on these updates

5. Capital Outlay

- Includes assumption of \$2 million grant for AMI meters to offset expenditure

6. Projected Cash Ending Cash Balance

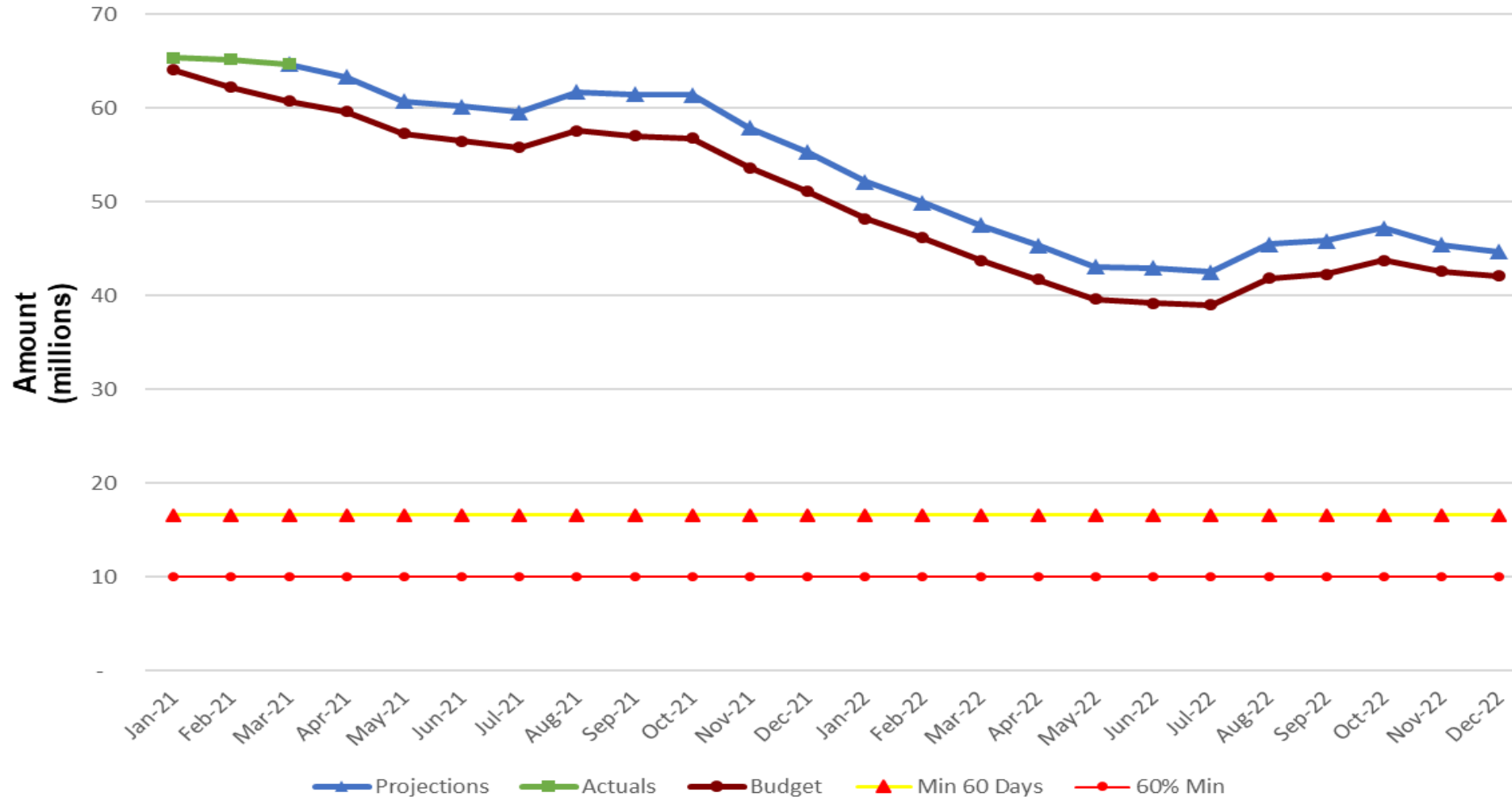
- Planned operating reserve spend down of \$20.6 million this biennium

2021/2022 Biennium Forecast vs Budget

All \$'s in 1000's	2021			2022			Total	Total	Biennium	Biennium
	Budget	Forecast	Difference	Budget	Forecast	Difference	Biennium Budget	Biennium Actuals	Difference \$	Difference %
Revenue										
Residential Water Sales	64,278	64,402	124	66,229	66,229	-	130,507	130,631	124	0%
Pulp Mill Water Sales	7,063	7,235	172	7,204	7,204	-	14,267	14,439	172	1%
Wholesale Water Sales	2,801	2,808	7	2,857	2,857	-	5,658	5,665	7	0%
Other Water Sales	21,956	21,644	(312)	22,087	22,598	512	44,042	44,242	200	0%
Other Operating Revenue	3,994	3,864	(130)	3,945	3,945	-	7,939	7,809	(130)	-2%
Total Operating Revenue	100,091	99,952	(140)	102,322	102,834	512	202,413	202,786	372	0%
Non-Operating Revenue (includes BAB's subsidy)	3,803	3,917	114	3,549	3,549	-	7,352	7,466	114	2%
Total Revenue	103,894	103,868	(26)	105,871	106,383	512	209,765	210,251	486 (1)	0%
Expenditures										
Personnel Costs	31,282	31,051	(230)	30,843	30,843	-	62,125	61,895	(230)	0%
Supplies, Other Services & Charges	30,631	29,731	(900)	30,777	30,777	-	61,408	60,508	(900)	-1%
Debt Service	25,667	25,669	2	24,931	24,931	-	50,598	50,600	2	0%
Taxes	13,814	14,108	293	14,363	14,875	512	28,177	28,983	805 (2)	3%
Total Expenditures	101,394	100,559	(835)	100,914	101,426	512	202,308	201,985	(323) (3)	0%
Total Revenue less Total Expenditures	2,500	3,309	809	4,957	4,957	-	7,457	8,266	809 (4)	11%
Appropriation from Current Fund	2,500	3,309	809	4,957	4,957	-	7,457	8,266	809	11%
Capital Outlay Financing Detail										
Funded from Bond Funds	-	498	498	-	-	-	-	498	498	-
Funded from Operating Reserve	15,426	15,276	(150)	15,426	13,618	(1,808)	30,851	28,894	(1,958)	-6%
Funded from Capital Reserve	24,240	22,292	(1,948)	24,240	24,240	-	48,480	46,532	(1,948)	-4%
Total Capital Outlay	39,666	38,067	(1,599)	39,666	37,858	(1,808)	79,331	75,924	(3,407) (5)	-4%
Debt Service Coverage Ratio	2.22x			2.17x			2.17x			
EOY Current Fund (Jan 2021 Balance \$66,638)	54,672			46,011			46,011		(6)	

2021/2022 Projected Liquidity Balance as of 3/31/21

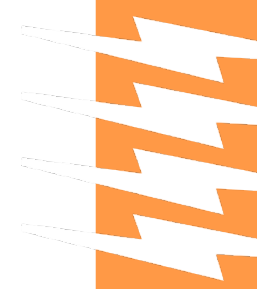
TACOMA WATER CURRENT FUND CASH PROJECTIONS Actual & Estimated Cash for 2021/2022



Tacoma Power Financial Outlook

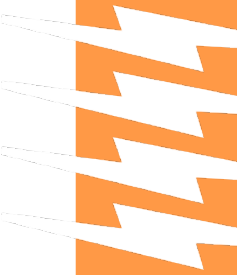
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2021/2022 Biennium:

- Assumptions
- Electric Retail Revenues
- Wholesale Revenues
- Revenue & Expense Details
- Projected Liquidity Balance



- Actuals updated through March 2021.
- Wholesale revenue forecast:
 - Forecast water conditions for May & June 2021.
 - Adverse water conditions through remainder of biennium.
 - Forward prices updated as of May 8, 2021.
- Capital spending forecasts updated as of May 6, 2021.

Forecasting Practices

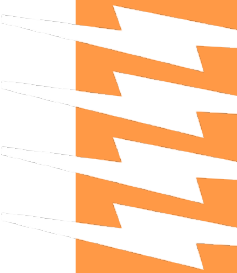
- Personnel and O&M expenditure forecasts based on budgeted amounts.
- Capital spending forecasts are based on estimates from project managers.

Notes listed on this slide correlate to the graph on the next slide.

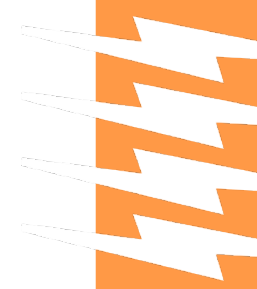
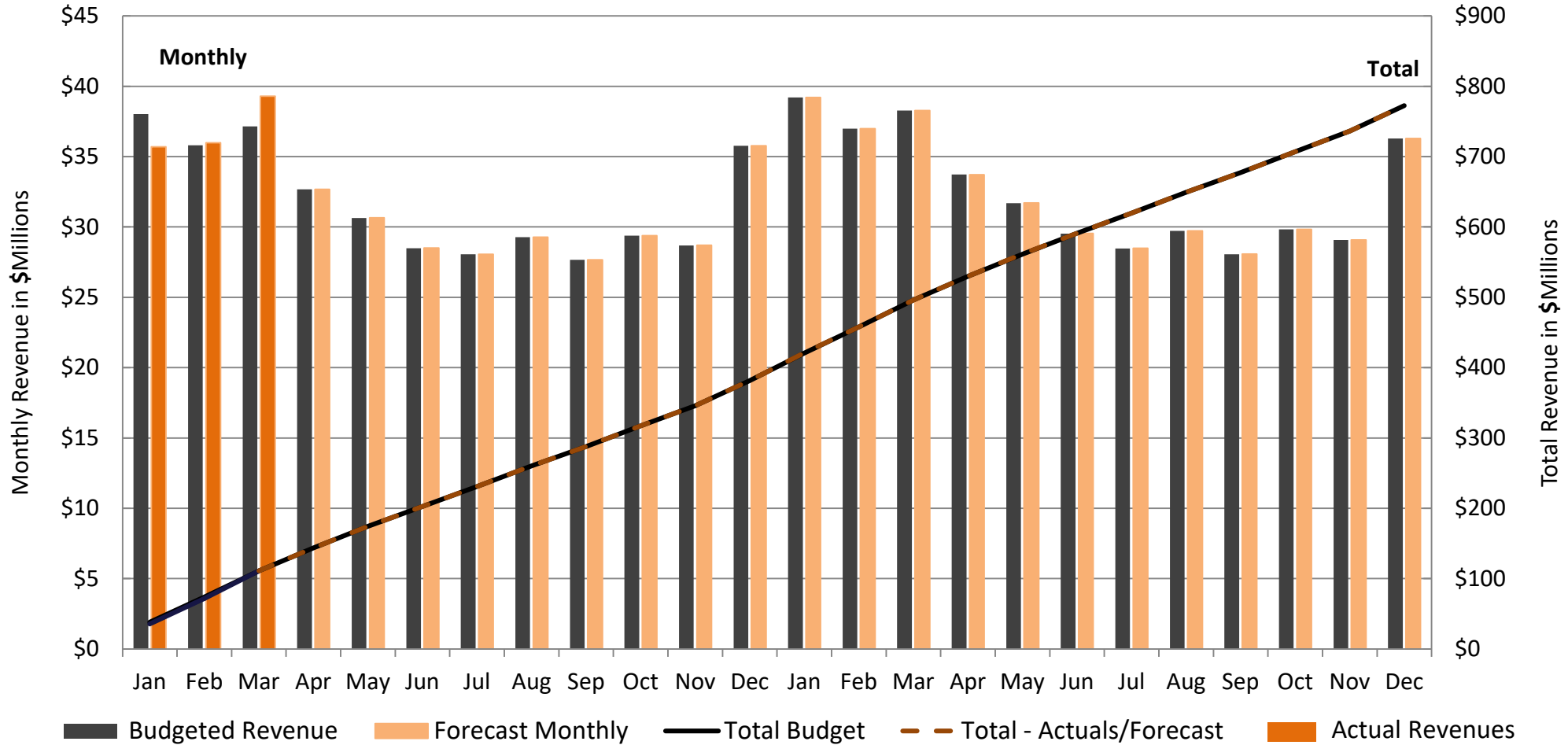
Cumulative Biennium Projected Retail Sales: \$18 thousand more than budget (0.0%)

Actual Total Retail Revenues

- Actual retail sales through first quarter 2021 are close to budget.
 - Retail sales were \$18 thousand more than budget in the first quarter.
 - January was warmer than forecasted, which decreased heating loads and revenue.
 - This was offset by February, which was colder than forecasted.
 - On February 1, the Puget Sound region entered Phase 2 of the Healthy Washington—Roadmap to Recovery which also increased power usage.



2021/2022 Electric Retail Revenues

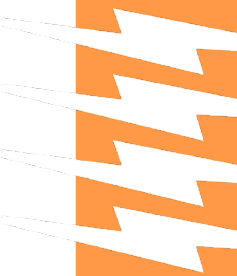


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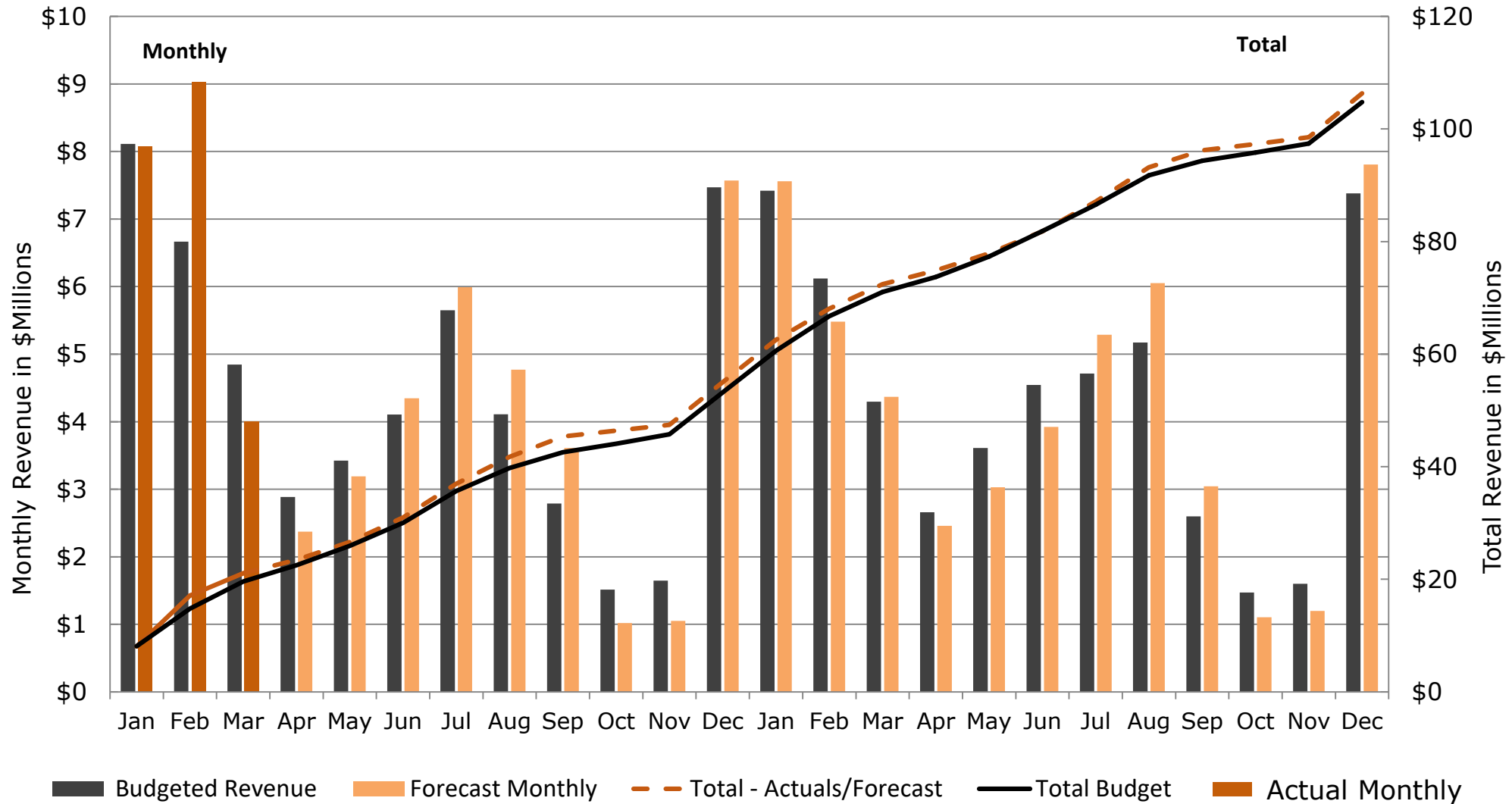
Cumulative Biennium Projected Wholesale Sales: \$1.5 million more than budget (1.5%)

Actual and Forecast Gross Wholesale Revenues

- Actual first quarter 2021 wholesale sales are \$1.5 million more than budget.
- 2021 wholesale revenues are forecasted to be better than budget due to higher than budgeted prices projected for Q3 2021.
 - Forecasted power market prices for 2021 are about 60% higher than budgeted.
 - 2021 forecasted water conditions are expected to be near average levels, despite below Adverse water conditions in March and April.



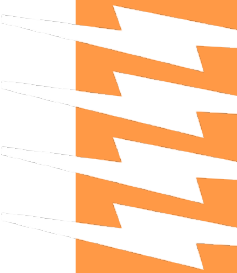
2021/2022 Gross Wholesale Revenues



Notes listed on this slide correlate to the subsequent chart.

Forecast for Revenue More Than Budget: \$1.8 million (0.2%)

1. Retail Revenues: forecast to be \$18 thousand more than budget (0.0%).
 - First quarter actual results are close to budget.
 - The changes in the Healthy Washington—Roadmap to Recovery phases may impact retail revenue in the second quarter.
2. Wholesale Revenues: forecast is \$1.5 million more than budget (1.5%).
 - Higher precipitation resulted in above-average water flows in first quarter 2021.
 - Forecasts reflect higher wholesale sales and projected power market prices vs. budget in future months.



2021/2022 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Expenditures Under Budget: -\$6.5 million (-0.7%)

3. Purchased power expenses: forecast \$1.7 million under budget (-0.5%)
 - First quarter 2021 purchased power expenses were under budget (\$1.7 million) due to higher inflows into the projects and less power purchased than budgeted.
 - The forecast includes potential costs for entering the Energy Imbalance Market.
4. Personnel expenses: forecast is \$936 thousand under budget (-0.5%)
 - Actual personnel expenses in first quarter are close to budget.
5. Other Operation & Maintenance expenses: forecast is \$3.9 million under budget (-2.4%)
 - First quarter 2021 Other O&M spending is \$3.9 million less than budget related to timing differences between planned spending and when actual costs occur, primarily in external contract spending and license and maintenance fees.

Forecast for Net Revenue Compared to Budget

6. Net Revenue forecast to be \$8.3 million more than budget.

2021/2022 Biennium Forecast vs. Budget

Tacoma Power 2021/2022 Biennium Adjusted Estimates Comparison to Budget

Forecasted Adverse Water

as of 3/31/2021

All \$'s in 1000's

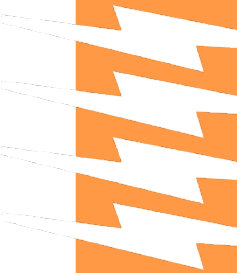
	2021 Budget	2021 Actual / Forecast	2021 Difference	2022 Budget	2022 Forecast	2022 Difference	Total Biennium Budget	Total Biennium Forecast	Biennium Difference	Note	Biennium Diff. (%)
Revenue											
Retail Sales	\$381,599	\$381,617	\$18	\$390,876	\$390,876	(\$0)	\$772,475	\$772,493	\$18	(1)	0.0%
Bulk Power (wholesale) Sales	\$53,216	\$55,015	\$1,799	\$51,583	\$51,308	(\$274)	\$104,799	\$106,324	\$1,525	(2)	1.5%
Other Electric Revenue	\$22,858	\$22,457	(\$400)	\$26,341	\$26,341	\$0	\$49,199	\$48,799	(\$400)		-0.8%
Total Operating Revenue	\$457,673	\$459,090	\$1,417	\$468,800	\$468,525	(\$274)	\$926,472	\$927,615	\$1,143		0.1%
Other Income	\$6,726	\$7,104	\$378	\$6,775	\$7,053	\$278	\$13,501	\$14,157	\$656		4.9%
Total Revenue	\$464,399	\$466,194	\$1,795	\$475,575	\$475,578	\$3	\$939,973	\$941,772	\$1,798		0.2%
Expenses											
Purchased Power & RECs	\$161,537	\$159,802	(\$1,735)	\$161,232	\$161,232	\$0	\$322,769	\$321,034	(\$1,735)	(3)	-0.5%
Personnel Costs	\$101,338	\$100,402	(\$936)	\$105,203	\$105,203	\$0	\$206,541	\$205,605	(\$936)	(4)	-0.5%
Supplies, Other Services & Charges	\$84,309	\$80,384	(\$3,925)	\$80,309	\$80,309	\$0	\$164,618	\$160,693	(\$3,925)	(5)	-2.4%
Revenue Funded Capital Outlay	\$30,119	\$31,095	\$976	\$30,119	\$29,788	(\$330)	\$60,237	\$60,883	\$646		1.1%
Debt Service	\$30,601	\$30,245	(\$356)	\$35,244	\$35,244	\$0	\$65,845	\$65,489	(\$356)		-0.5%
Taxes	\$55,303	\$55,066	(\$237)	\$57,089	\$57,099	\$11	\$112,392	\$112,166	(\$226)		-0.2%
Total Expenses	\$463,206	\$456,993	(\$6,213)	\$469,196	\$468,877	(\$320)	\$932,402	\$925,870	(\$6,533)		-0.7%
Total Revenues less Expenses	\$1,192	\$9,200	\$8,008	\$6,379	\$6,702	\$323	\$7,571	\$15,902	\$8,331	(6)	
Capital Outlay Financing Detail											
Funded From Current Fund	\$30,119	\$31,095	\$976	\$30,119	\$29,788	(\$330)	\$60,237	\$60,883	\$646		1.1%
Funded From Bond Fund	\$44,831	\$31,649	(\$13,181)	\$44,831	\$64,695	\$19,864	\$89,661	\$96,344	\$6,683		7.5%
Total Capital Outlay	\$74,949	\$62,744	(\$12,205)	\$74,949	\$94,483	\$19,534	\$149,898	\$157,227	\$7,329		4.9%
Ratios	2020 Actual	2021 Budget	2021 Forecast	2021 Diff.	2022 Budget	2022 Forecast	2022 Diff.				
Debt Service Coverage Ratio	3.35	2.02	2.33	0.31	2.04	2.04	(0.00)				
Days Liquidity	235	184	221	37	190	219	29				
EOY Rate Stabilization Fund Balance	\$38,000	\$38,000	\$38,000	\$0	\$38,000	\$38,000	\$0				
EOY Current Fund Balance	\$188,211	\$147,763	\$181,145	\$33,382	\$154,118	\$183,074	\$28,956				
Total Liquidity	\$226,211	\$185,763	\$219,145	\$33,382	\$192,118	\$221,074	\$28,956				

Notes listed on this slide correlate to the graph on the following slide.

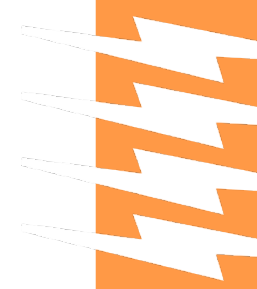
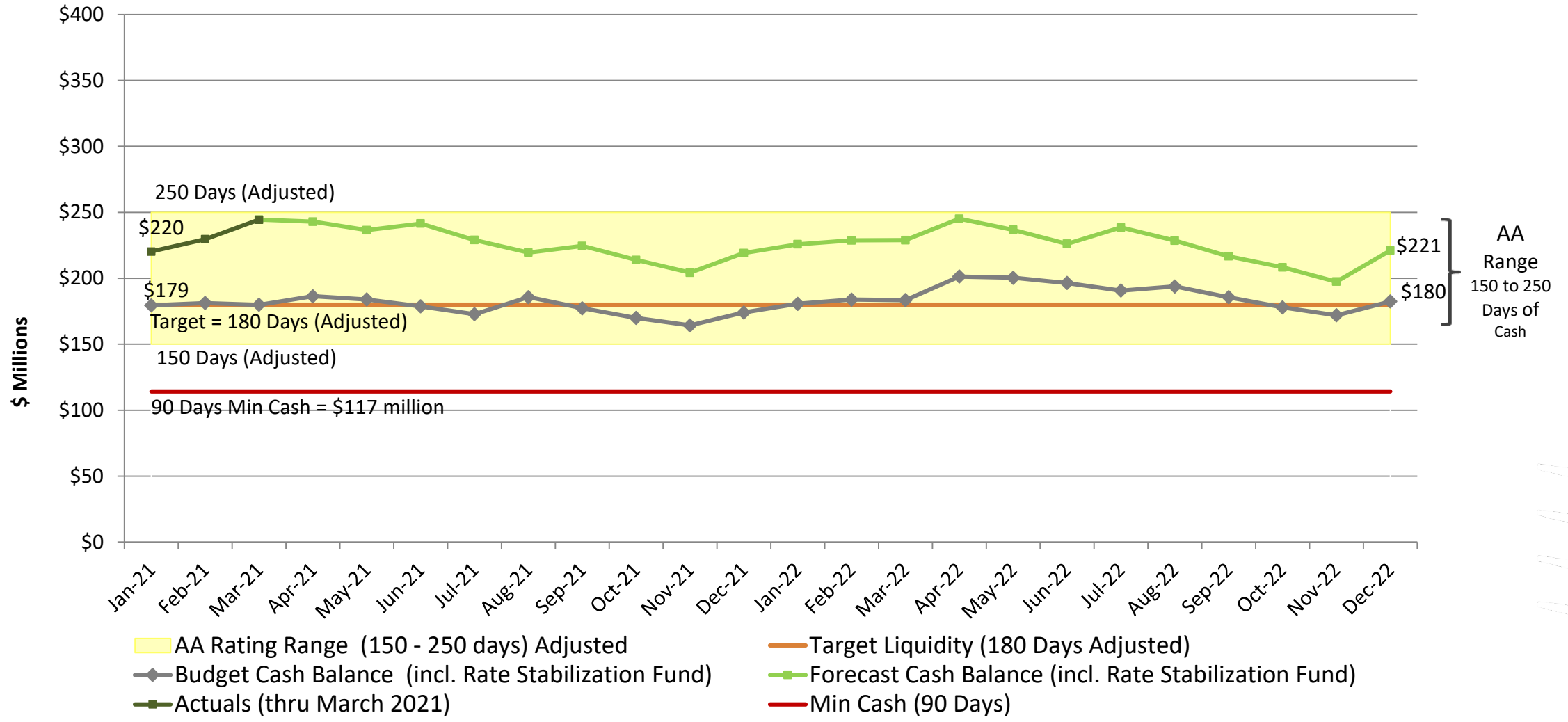
Cumulative Projected Liquidity Balance

At the end of the biennium, we are currently projecting a cash balance near our 180 Day target (the orange line) and close to budget (the grey line).

- The dark green line illustrates our actual financial performance followed by our **light green** projections for the remainder of the biennium.
- Our goal is to stay in the **shaded yellow** area. This represents 150 to 250 Days of Cash range for AA-rated utilities.
- Our target is 180 days, shown as the **orange line**, and this is what we budget to be near at the end of the biennium



2021/2022 Projected Liquidity Balance as of 3/31/21



Tacoma Rail Financial Outlook

1st Quarter 2021

May 26, 2021

2021/2022 Biennium Summary of Assumptions

- Projections include actual revenue and expense through March 2021
- Rail traffic
 - Increases in railcar volumes from Q1 2021 through end of year
 - Budgeted volumes in 2022
- Capital Fund Outlay increases due to deferred projects and project cost increases

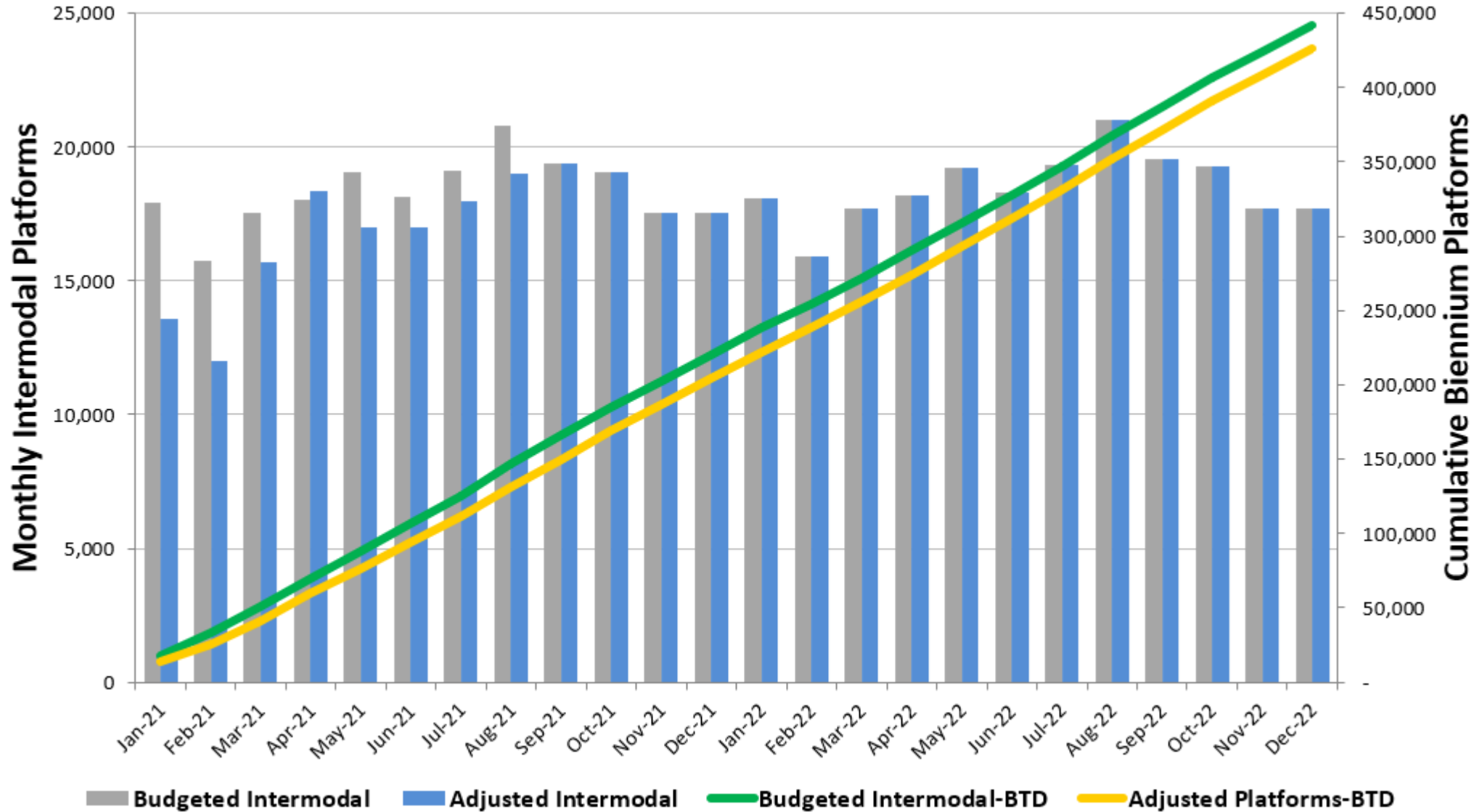
2021/2022 Biennium Summary of Assumptions

- Traffic analysis

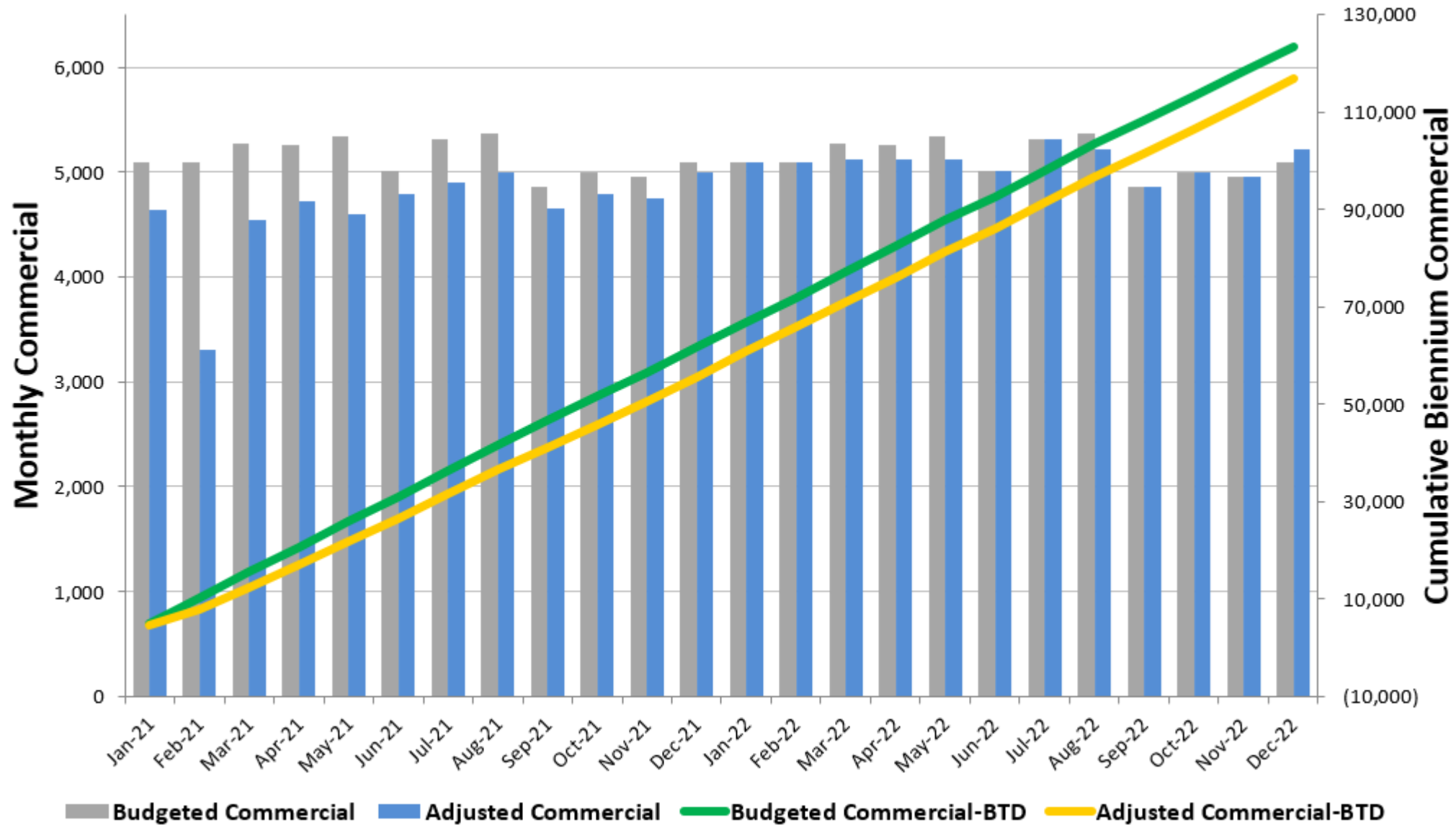
Quarter	2020		2021		%	
	Intermodal	Commercial	Intermodal	Commercial	Intermodal	Commercial
1	45,864	15,392	41,275	12,485	-10%	-19%
2						
3						
4						
Total	45,864	15,392	41,275	12,485	-10%	-19%

- Intermodal:
 - Year over year: NIM **-4%**, PCT **-36%**, WUT **+7%**, SIM **+2%**
 - Down **-20%** from budgeted volumes
- Commercial:
 - Year over year: US Oil **-24%**, SeaPort Sound **-15%**, AWC **-24%**
 - Down **-19%** from budgeted volumes
- Cash is projected above the 60 days of budget threshold

Intermodal Volumes



Commercial Volumes



2021/2022 Biennium Forecast vs. Budget

1. Railcar volumes below budget
2. Railcar dwell increasing demurrage revenue
3. Locomotive fueling above budgeted volumes
4. Unfilled budgeted positions
5. Operating expenses lower due to cost saving initiatives and deferment of operating expenditure activities.
6. Capital outlay increases due to estimated cost increases and projects from the prior biennium:
 - Locomotive Repowers
 - Locomotive Load Box
 - Radio Repeater Upgrades
 - Tote Yard Upgrades
 - Marine View Drive Rail Relay
7. Lower taxes expense due to decrease in revenues
8. Tacoma Rail was more successful with 0% financing for projects than grant funding as compared to budget

2021/2022 Biennium Forecast vs. Budget

	2021 Budget	2021	2021 Difference	2022 Budget	2022 Forecast	2022 Difference	Budget Biennium	Adjusted Forecast	Biennium Difference	Biennium Diff. (%)
Revenue										
Switching Revenue	\$ 32,487	\$ 29,390	\$ (3,097)	\$ 33,500	\$ 33,437	\$ (63)	\$ 65,987	\$ 62,827	\$ (3,160)	-5% (1)
Demurrage Fees	1,320	1,499	179	1,320	1,320	-	2,640	2,819	179	7% (2)
Locomotive Servicing	3,600	3,855	255	3,600	3,600	-	7,200	7,455	255	4% (3)
Other	261	248	(13)	261	261	-	522	509	(13)	-3%
Total Operating Revenue	\$ 37,668	\$ 34,992	\$ (2,676)	\$ 38,681	\$ 38,618	\$ (63)	\$ 76,349	\$ 73,610	\$ (2,739)	-4%
Interest	200	197	(3)	190	190	-	390	387	(3)	-1%
Rent & Misc Income	481	451	(30)	481	481	-	962	933	(30)	-3%
Total Revenue & Avail Funds	\$ 38,350	\$ 35,641	(2,709)	\$ 39,352	\$ 39,289	\$ (63)	\$ 77,701	\$ 74,930	\$ (2,772)	-4%
Expenditures										
Personnel Costs	\$ 18,475	\$ 17,650	\$ (824)	\$ 18,831	\$ 18,831	\$ -	\$ 37,306	\$ 36,481	\$ (824)	-2% (4)
Supplies, Other Services	12,677	11,601	(1,076)	11,958	11,074	(884)	24,635	22,676	(1,960)	-8% (5)
Current Fund Capital Outlay	4,130	8,636	4,506	2,850	2,110	(740)	6,980	10,746	3,766	54% (6)
Debt Service	884	884	-	884	884	-	1,768	1,768	-	0%
Incentive Allowance	-	-	-	-	-	-	-	-	-	0%
Taxes	3,787	3,428	(359)	3,855	3,791	(64)	7,642	7,219	(423)	-6% (7)
Total Expenditures	\$ 39,953	\$ 42,200	\$ 2,247	\$ 38,379	\$ 36,691	\$ (1,688)	\$ 78,332	\$ 78,890	\$ 559	1%
Total Revenues Less Expenditures	\$ (1,603)	\$ (6,559)	\$ (4,956)	\$ 973	\$ 2,598	\$ 1,625	\$ (630)	\$ (3,961)	\$ (3,331)	
Appropriation from Current Fund	\$ 1,603	\$ 5,254	\$ 3,650	\$ (973)	\$ (3,163)	\$ (2,190)	\$ 630	\$ 3,961	\$ 3,331	
Capital Outlay Financing Detail										
Funded from Current Fund	\$ 4,130	\$ 8,636	\$ 4,506	\$ 2,850	\$ 2,110	\$ (740)	\$ 6,980	\$ 10,746	\$ 3,766	54%
Grants, Transfers & Pledges	1,400	1,109	(291)	1,260	1,115	(145)	2,660	2,224	(436)	-16%
Funded from New Debt	300	1,111	811	300	760	460	600	1,871	1,271	212% (8)
Total Capital Outlay	\$ 5,830	\$ 10,856	\$ 5,026	\$ 4,410	\$ 3,985	\$ (425)	\$ 10,240	\$ 14,841	\$ 4,601	45%
Starting Cash Balance	\$ 11,114	\$ 14,047	2,933	\$ 9,510	\$ 8,793	(717)	\$ 11,114	\$ 14,047	26%	26%
EOY Current Fund Balance	\$ 9,510	\$ 8,793	(717)	\$ 10,484	\$ 11,956	1,473	\$ 10,484	\$ 11,956	14%	14%

2021/2022 Projected Liquidity Balance as of 3/31/21

