

Tacoma Water Financial Outlook

1st Quarter 2022

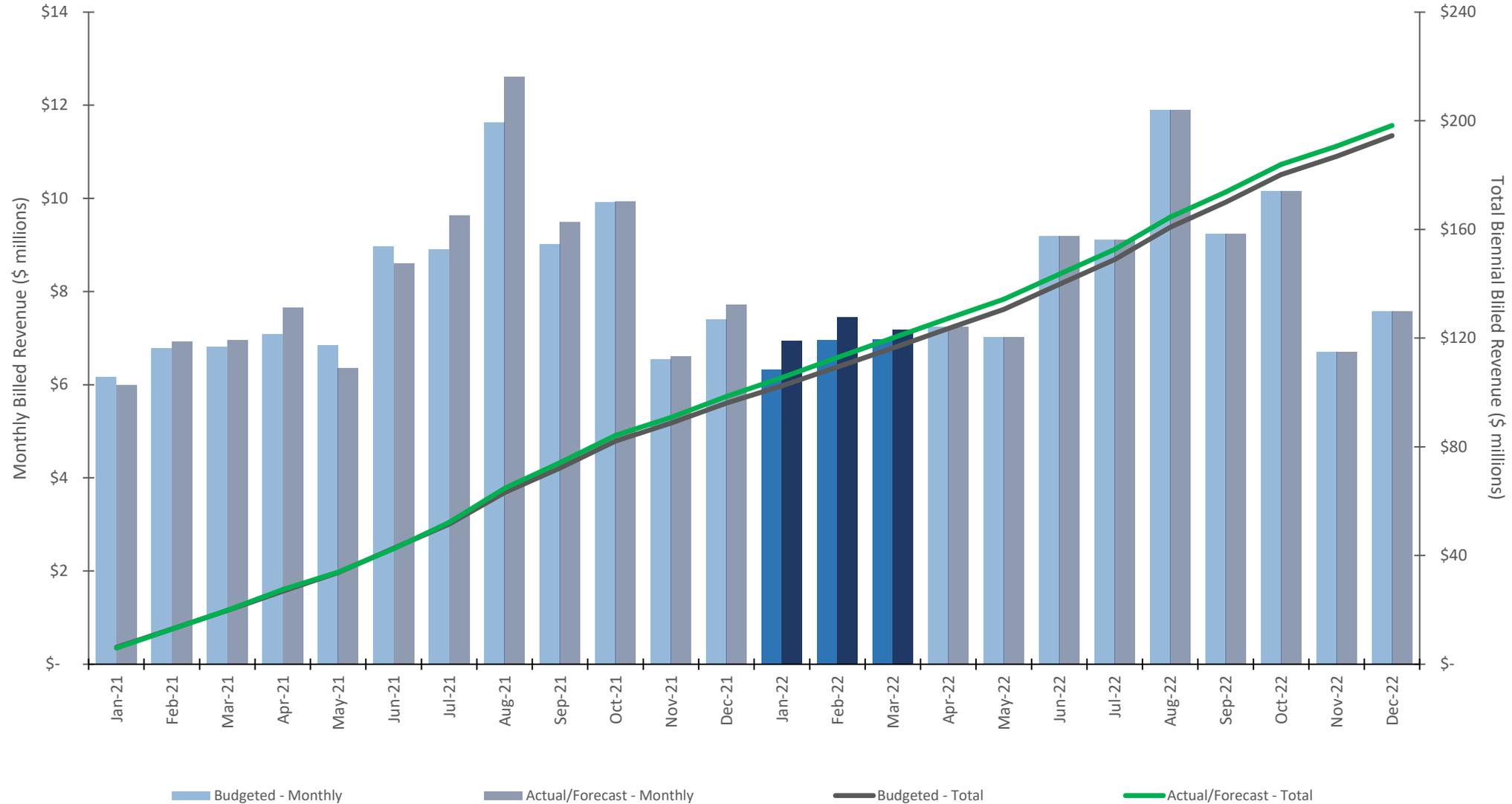
May 25, 2022



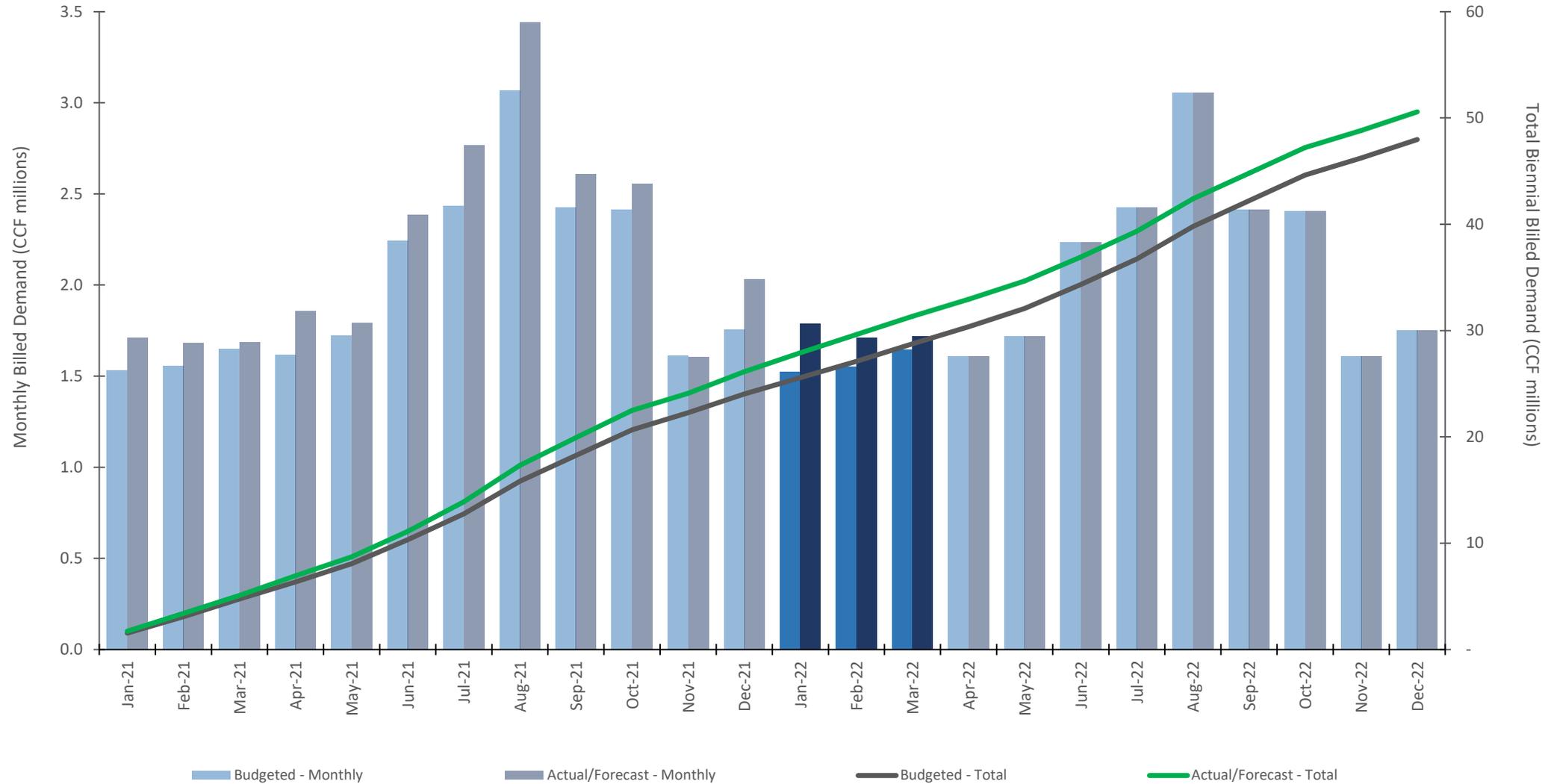
2021/2022 Biennium Summary of Financial Outlook

- *This report incorporates actual revenues and expenditures through March along with projected adjustments for the remainder of the biennium*
- **Forecast for total revenue is \$4.0M or 2% over budget**
 - Q1 challenges: Continued aging of accounts receivable
 - Q1 strengths: Billed residential demand remains higher than budgeted, beginning reserves provide ability to withstand lag in cash flow due to arrearages
 - Q2 outlook: As of May, revenues are remaining stable and slightly above budget, starting to see some downward trending for arrearages
- **Forecast for expenditures is \$4.4M or 2% under budget**
 - Q1 challenges: Continued resource gaps, hiring challenges, ongoing supply chain issues, increasing cost of constructions materials and labor, increases in commodity costs
 - Q1 strengths: Ability to defer certain projects and expenditures
 - Q2 outlook: Forecasting lower bad debt expense, emphasis on strengthening the workforce

Billed Revenue



Billed Demand



2021/2022 Biennium Forecast vs Budget

1. Total Revenue

- Billed Water Sales were about \$1.3 million over budget in the first quarter and is a combination of slightly higher than projected consumption for several classes and increased revenue from utility taxes that are collected and remitted to University Place
- Other Operating revenue projected to be \$616,000 under budget primarily due to moratorium on customer fees
- Non-Operating revenue is nearly \$500,000 over budget due to higher than planned interest earned on cash balances

2. Personnel Expenses

- \$2.1 million or 3% under budget biennium to date, this low variance reflects Water's commitment to developing a lean budget in 2020 and includes a vacancy factor offset of about \$2.7 million biennium to date
- Mid-biennium request of 8 additional FTEs and a decrease to the vacancy factor of \$1.2 million (an increase in our budget appropriation) in 2022 is included in projections

3. Supplies, Services and Other Charges

- Assessments are about \$1.7 million under budget, primarily in Customer Service, UTS and Support Services
- Travel & Training is projected to be under budget by over \$520,000
- Bad Debt Expense is nearly \$1.6 million over budget at the end of the first quarter, expense will be adjusted if customers are able to pay past due balances
- Insurance Expense is projected to be about \$250,000 over budget for Water/RWSS

2021/2022 Biennium Forecast vs Budget

4. Taxes

- Projection includes additional taxes collected on behalf of University Place

5. Total Revenue less Total Expenditures

- Projected to be \$8.4 million over budget based on these updates

6. Capital Outlay

- Funded from Operating reserve includes AMI project and has been adjusted to reflect updated projections and grant funding
- We are monitoring projects funded from Capital Reserves and several projects are projected to be significantly higher than budgeted, currently we expect that these increases will be offset by lower spending in other projects including contingency

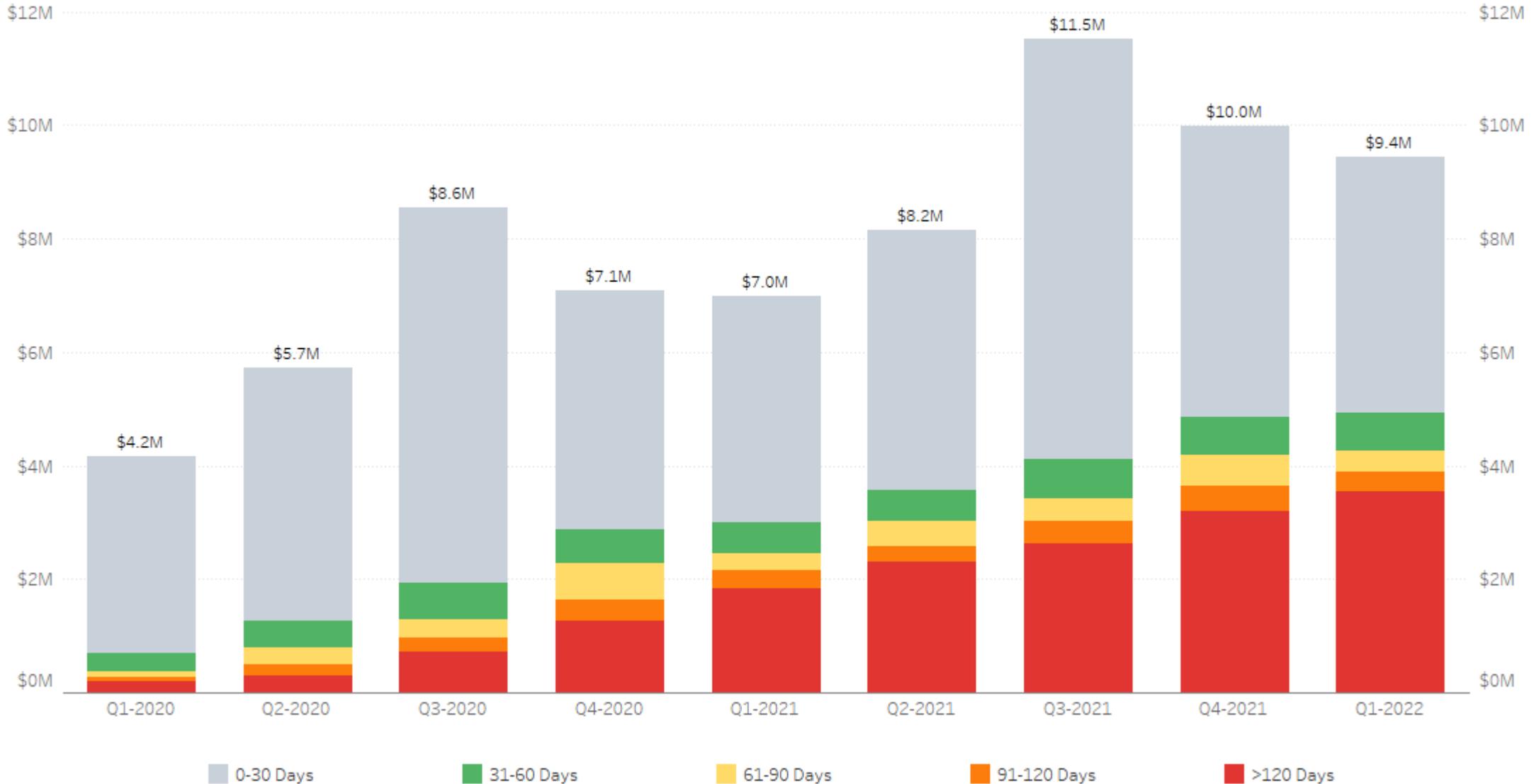
7. Projected Cash Ending Cash Balance

- Operating reserve spend down is projected to be \$7.4 million this biennium which is about \$16.3 million lower than budgeted
- The cash balance projection includes adjustments for working capital to date to reflect changes in accounts receivables, payables and accruals

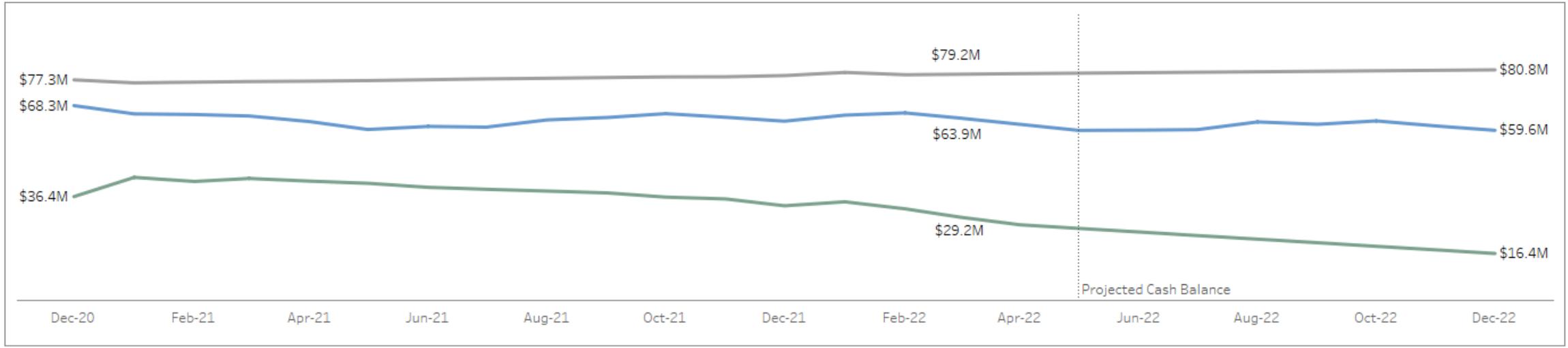
2021/2022 Biennium Forecast vs Budget

All \$'s in 1000's	2021			2022			Total Biennium		Biennium	
	Budget	Actuals	Difference	Budget	Forecast	Difference	Budget	Actuals	Difference \$	Difference %
Revenue										
Residential Water Sales	64,278	66,179	1,901	66,229	67,089	860	130,507	133,268	2,761	2%
Pulp Mill Water Sales	7,063	7,284	221	7,204	7,389	185	14,267	14,673	406	3%
Wholesale Water Sales	2,801	2,711	(90)	2,857	2,925	68	5,658	5,636	(22)	0%
Other Water Sales	21,956	22,340	384	22,087	22,680	593	44,042	45,019	977	2%
Other Operating Revenue	3,994	3,715	(279)	3,945	3,608	(337)	7,940	7,324	(616)	-8%
Total Operating Revenue	100,092	102,229	2,137	102,322	103,691	1,369	202,414	205,920	3,506	2%
Non-Operating Revenue (includes BAB's subsidy)	3,803	4,205	402	3,549	3,645	96	7,352	7,850	498	7%
Total Revenue	103,895	106,434	2,539	105,871	107,336	1,465	209,766	213,770	4,005 (1)	2%
Expenditures										
Personnel Costs	31,282	29,494	(1,788)	32,073	31,769	(304)	63,355	61,264	(2,091) (2)	-3%
Supplies, Other Services & Charges	30,881	28,432	(2,449)	31,289	30,099	(1,190)	62,171	58,531	(3,640) (3)	-6%
Debt Service	25,667	25,680	13	24,931	24,994	63	50,598	50,675	77	0%
Taxes	13,564	14,162	598	13,851	14,481	630	27,415	28,643	1,228 (4)	4%
Total Expenditures	101,394	97,768	(3,626)	102,144	101,343	(801)	203,539	199,113	(4,426)	-2%
Total Revenue less Total Expenditures	2,501	8,666	6,165	3,727	5,993	2,266	6,227	14,657	8,430 (5)	
Reconciling Cash Items	-	(2,296)	-	-	1,527	-	-	-	-	
Appropriation from Current Fund	2,501	10,962	6,165	3,727	5,993	2,266	6,227	14,657	8,430	
Capital Outlay Financing Detail										
Funded from Bond Funds	-	546	546	-	-	-	-	546	546	-
Funded from Operating Reserve	15,426	10,545	(4,881)	15,426	10,706	(4,720)	30,851	21,250	(9,601)	-31%
Funded from Capital Reserves	24,240	13,734	(10,506)	24,240	24,692	452	48,480	38,426	(10,054)	-21%
Total Capital Outlay	39,666	24,825	(14,841)	39,666	35,398	(4,268)	79,331	60,222	(19,109) (6)	-24%
Debt Service Coverage Ratio		2.52x			2.22x			2.22x		
EOY Current Fund (Jan 2021 Balance \$66,638)		62,462			59,278			59,278	(7)	

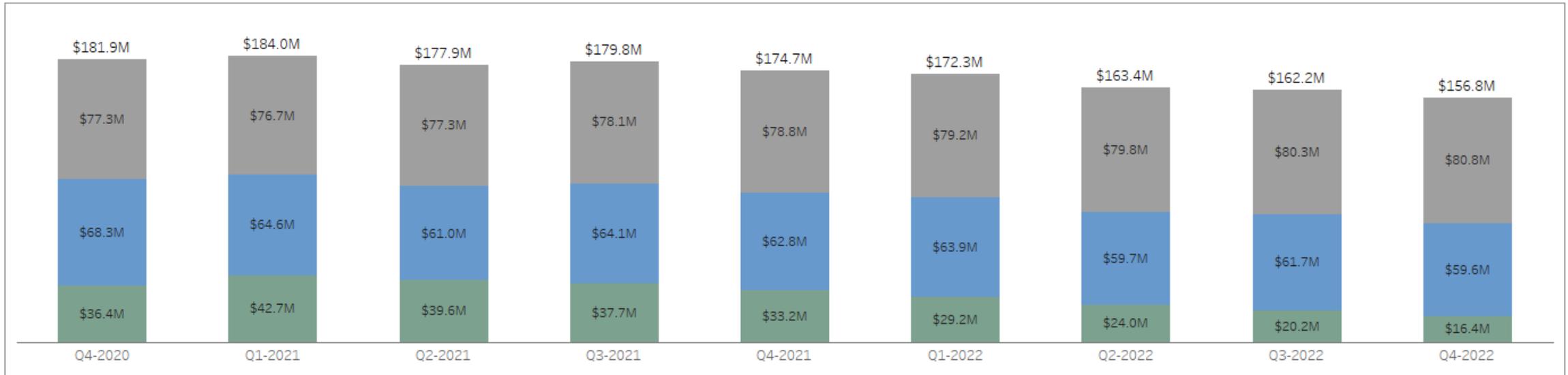
Aging of Accounts Receivable



2021/2022 Projected Liquidity & Cash Balance as of 3/31/22



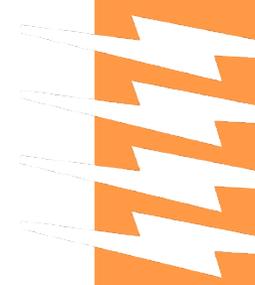
■ Capital Reserve Fund
 ■ Operating (Current) Fund
 ■ System Development Charge (SDC) Capital Fund



Tacoma Power Financial Outlook

1st Quarter 2022

May 25, 2022





Forecasting Practices

- March 2022 Actuals
- Adverse water conditions
- New 2022 load forecast
- Budgeted Personnel and O&M expenditures with forecasted adjustments
- Project estimates of capital spending

• **Forecast for total revenue is \$83 million more than budget**

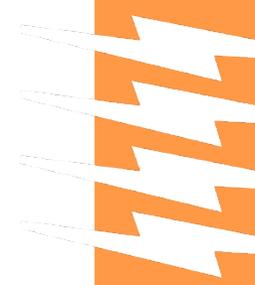
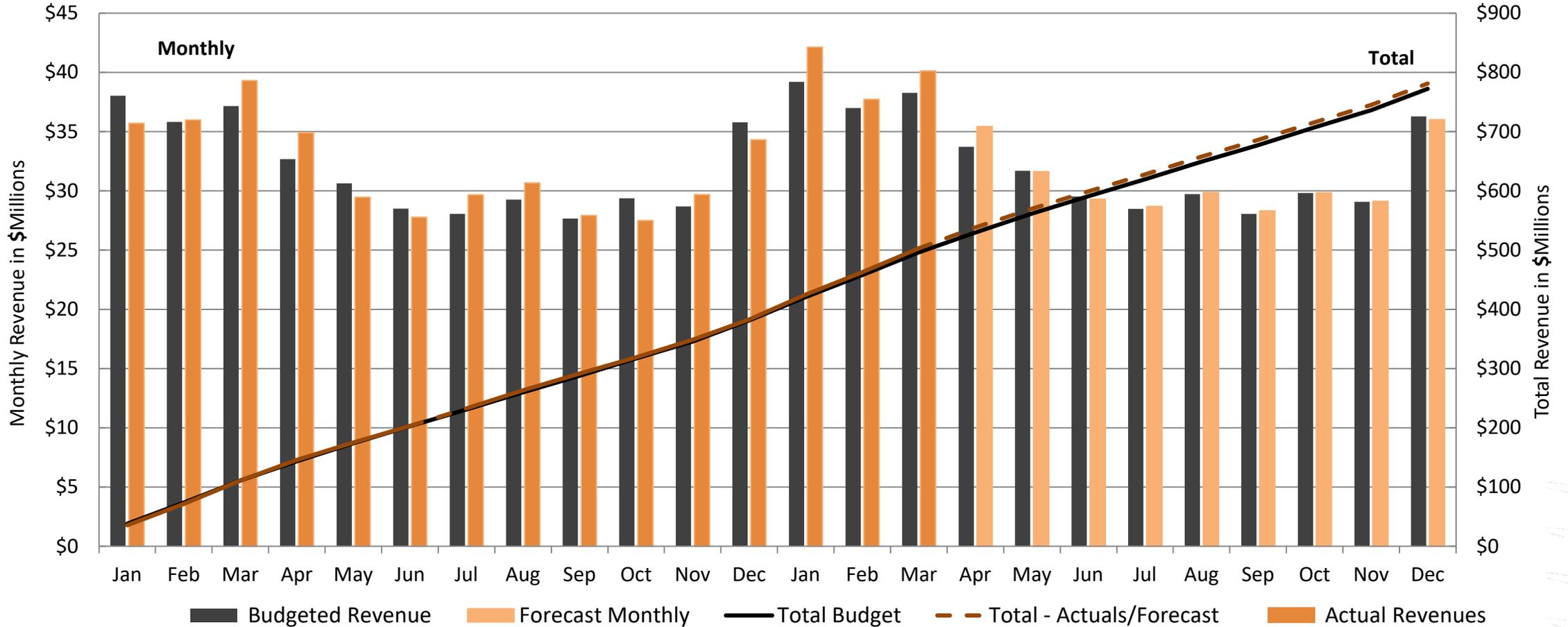
- Q1 Strengths: Retail sales above projections, Wholesale market prices were 150% higher than budgeted, average water inflows to our hydroprojects through Q1 2022.
- Q1 Challenges: Variable inflows to our hydroprojects in Q1 2022.
- Q2 Outlook: Wholesale market prices expected to remain high through year-end.

• **Forecast for total expenditures is \$16.8 million more than budget**

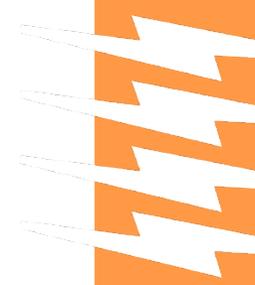
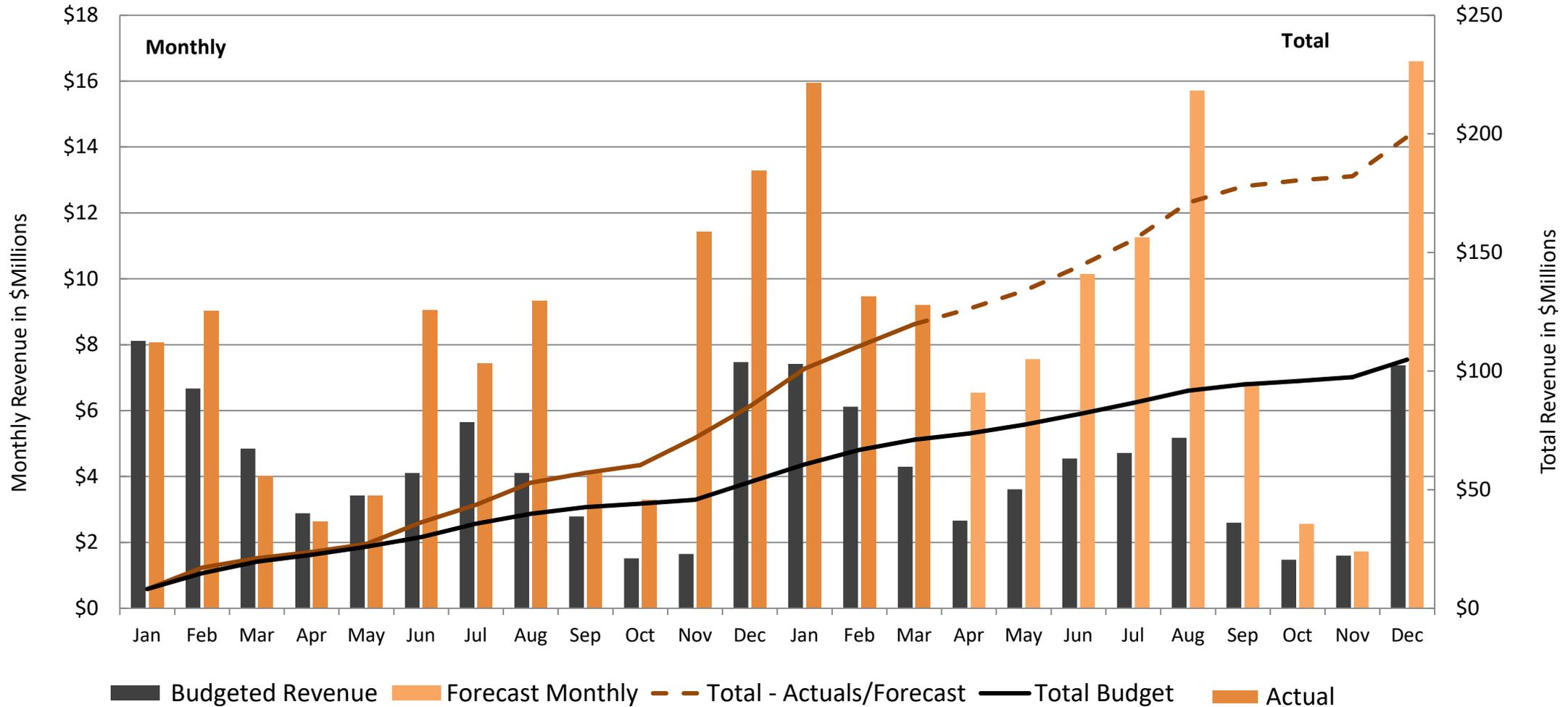
- Q1 Strengths: Debt service below projections; Other O&M and revenue-funded capital spending is close to budget.
- Q1 Challenges: Bad debt expenses are \$5.6 million over budget and personnel and power purchase expenses expected to be over budget by the end of the biennium.
- Q2 Outlook: Continue to monitor spending and bad debt expenses.



2021/2022 Electric Retail Revenues



2021/2022 Gross Wholesale Revenues



2021/2022 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Revenue More Than Budget: \$83 million (8.8%)

1. Retail Revenues: forecast to be \$8.5 million more than budget (1.1%).
 - Retail revenue through 2021 was \$1.3 million more than budget mostly due to summer heat waves in June and July which increased cooling loads and revenue.
 - First quarter 2022 was \$5.5 million more than budget due to colder than budgeted weather in December and January, which increased heating loads and revenue.
2. Gross Wholesale Revenues: forecast is \$93.9 million more than budget (89.6%).
 - Gross wholesale revenue in 2021 and first quarter 2022 exceeded budget by \$48.7 million due to average water condition and high wholesale market prices.
 - Forecasts reflect higher wholesale sales and projected power market prices vs. budgeted values in future months.
3. Transfer to Rate Stabilization Fund: \$25 million
 - Transferred \$25 million of wholesale revenue to the Rate Stabilization Fund to apply to future years (2030 through 2034) with higher expenses.



2021/2022 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Expenditures More Than Budget: \$16.8 million (1.8%)

4. Purchased power expenses: forecast \$14.5 million more than budget (4.5%)
 - Wholesale purchases were near budget in 2021.
 - Q1 2022 wholesale purchases were significantly lower than budget due to average water conditions.
 - Forecasted purchased power includes potential costs for entering the Energy Imbalance Market.
5. Personnel expenses: forecast is \$5.3 million more than budget (2.5%)
 - Actual personnel expenses were close to budget in 2021 and through Q1 2022.
 - Future personnel expenses reflect approved wage increases for the IBEW Local 483 union line and wire electrician positions and an approved increase of twenty FTE in 2022.
6. Other Operation & Maintenance expenses: forecast is \$4.1 million more than budget (2.5%)
 - Other O&M spending in Q1 2022 was very close to budget.
 - Bad debt expenses resulting from the pandemic utility disconnect moratorium were over budget by \$5.6 million through Q1 2022.



2021/2022 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Expenditures More Than Budget: \$16.8 million (cont.)

7. Capital expenses funded from the Current Fund: forecast \$4.7 million less than budget (-7.8%)
 - Actual revenue-funded capital spending was \$13.5 million more than budget through Q1 2022 due to temporary funding of all projects from revenues.
 - Forecasted revenue-funded capital spending will decrease due to a \$25 million draw in April from the Wells Fargo line of credit that will reimburse the Current Fund for projects designated as bond-funded.
 - Projected revenue-funded spending is forecasted to be less than budget due to delays in schedules which will be refined in future quarters.
8. Debt Service: forecast is \$7.7 million less than budget (-11.8%)
 - Actual debt service expenses are \$4.8 million under budget through March 2022.
 - The 2021 issuance of \$122.9 million in bonds is lower than the \$150 million issuance that was budgeted, and therefore projected debt service is lower than budgeted.

Forecast for Net Revenues More Than Budget: \$66.2 million

9. Net Revenue forecast to be \$66.2 million more than budget.



2021/2022 Biennium Forecast vs. Budget

Tacoma Power 2021/2022 Biennium Adjusted Estimates Comparison to Budget

as of 3/31/2022

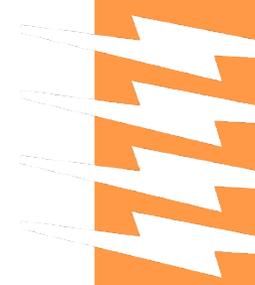
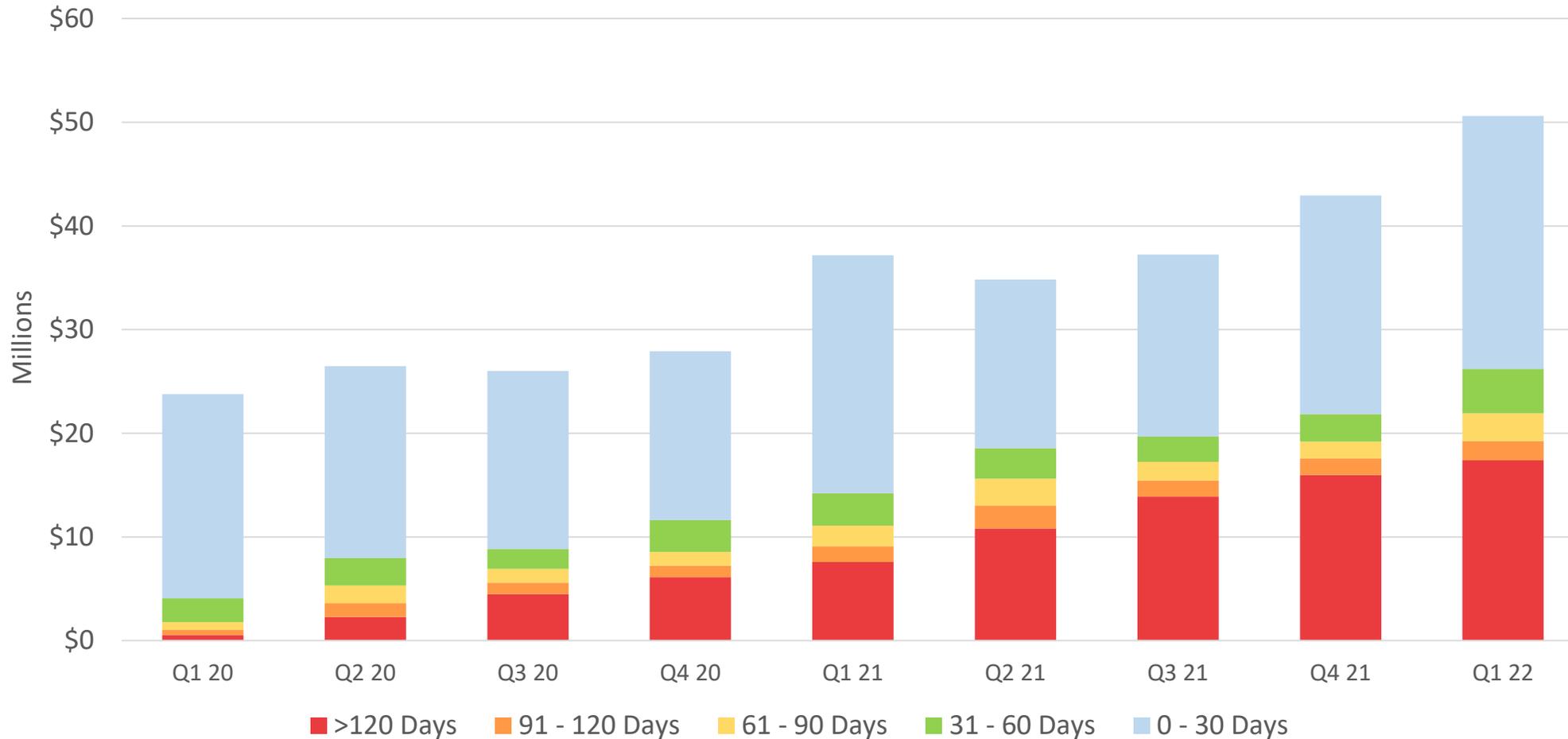
All \$'s in 1000's

Forecasted Adverse Water

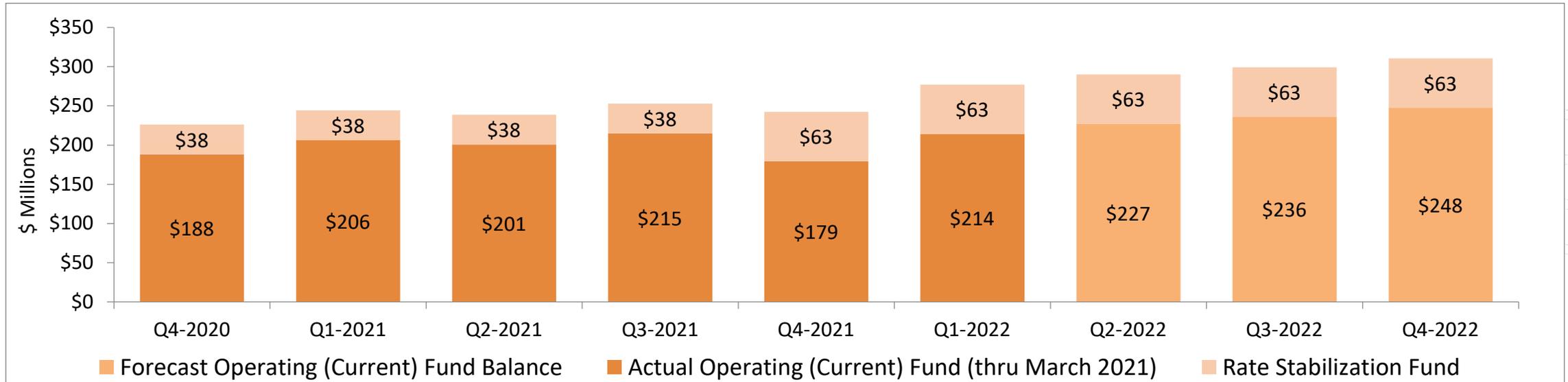
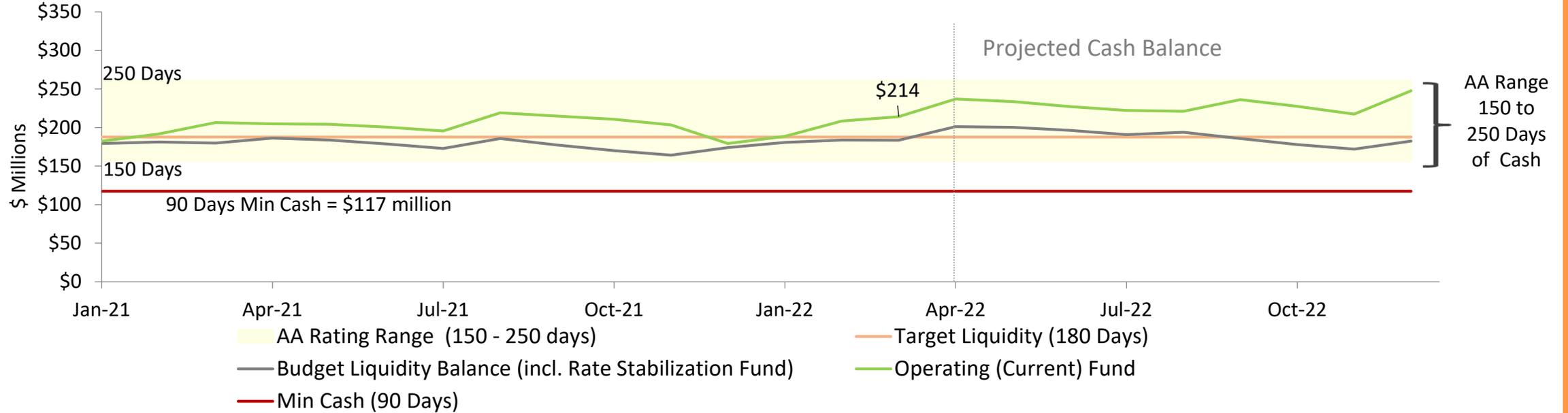
	2021 Budget	2021 Actual	2021 Difference	2022 Budget	2022 Actual / Forecast	2022 Difference	Total Biennium Budget	Total Biennium Forecast	Biennium Difference	Note	Biennium Diff. (%)
Revenue											
Retail Sales	\$381,599	\$382,874	\$1,275	\$390,876	\$398,135	\$7,259	\$772,475	\$781,009	\$8,534	(1)	1.1%
Bulk Power (wholesale) Sales	\$53,216	\$85,118	\$31,902	\$51,583	\$113,596	\$62,013	\$104,799	\$198,714	\$93,915	(2)	89.6%
Transfer to Rate Stabilization Fund	\$0	(\$25,000)	(\$25,000)	\$0	\$0	\$0	\$0	(\$25,000)	(\$25,000)	(3)	
Other Electric Revenue	\$22,858	\$22,517	(\$341)	\$26,341	\$27,999	\$1,658	\$49,199	\$50,516	\$1,317		2.7%
Total Operating Revenue	\$457,673	\$465,509	\$7,836	\$468,800	\$539,729	\$70,930	\$926,472	\$1,005,238	\$78,766		8.5%
Other Income	\$6,726	\$9,233	\$2,507	\$6,775	\$8,512	\$1,737	\$13,501	\$17,745	\$4,244		31.4%
Total Revenue	\$464,399	\$474,742	\$10,343	\$475,575	\$548,241	\$72,666	\$939,973	\$1,022,983	\$83,010		8.8%
Expenses											
Purchased Power & RECs	\$161,537	\$162,539	\$1,002	\$161,232	\$174,727	\$13,495	\$322,769	\$337,266	\$14,497	(4)	4.5%
Personnel Costs	\$101,338	\$102,085	\$747	\$107,780	\$112,305	\$4,525	\$209,118	\$214,390	\$5,272	(5)	2.5%
Supplies, Other Services & Charges	\$84,309	\$87,593	\$3,285	\$80,309	\$81,173	\$863	\$164,618	\$168,766	\$4,148	(6)	2.5%
Revenue Funded Capital Outlay	\$30,119	\$41,081	\$10,963	\$30,119	\$14,443	(\$15,675)	\$60,237	\$55,524	(\$4,713)	(7)	-7.8%
Debt Service	\$30,601	\$27,105	(\$3,496)	\$35,244	\$30,990	(\$4,254)	\$65,845	\$58,096	(\$7,749)	(8)	-11.8%
Taxes	\$55,303	\$55,740	\$437	\$57,089	\$61,978	\$4,889	\$112,392	\$117,718	\$5,326		4.7%
Total Expenses	\$463,206	\$476,143	\$12,937	\$471,773	\$475,617	\$3,844	\$934,979	\$951,760	\$16,781		1.8%
Total Revenues less Expenses	\$1,192	(\$1,402)	(\$2,594)	\$3,802	\$72,625	\$68,823	\$4,994	\$71,223	\$66,229	(9)	
Capital Outlay Financing Detail											
Funded From Current Fund	\$30,119	\$41,081	\$10,963	\$30,119	\$14,443	(\$15,675)	\$60,237	\$55,524	(\$4,713)		-7.8%
Funded From Bond Fund	\$44,831	\$32,861	(\$11,970)	\$44,831	\$76,000	\$31,169	\$89,661	\$108,861	\$19,200		21.4%
Total Capital Outlay	\$74,949	\$73,942	(\$1,007)	\$74,949	\$90,443	\$15,494	\$149,898	\$164,385	\$14,487		9.7%
Ratios	2020 Actual	2021 Budget	2021 Actual	2021 Diff.	2022 Budget	2022 Forecast	2022 Diff.				
Debt Service Coverage Ratio	3.35	2.02	2.46	0.44	1.96	3.81	1.85				
Days Liquidity	235	184	238	54	189	291	102				
EOY Rate Stabilization Fund Balance	\$38,000	\$38,000	\$63,000	\$25,000	\$38,000	\$63,000	\$25,000				
EOY Current Fund Balance	\$188,211	\$147,763	\$179,354	\$31,591	\$154,118	\$247,690	\$93,572				
Total Liquidity	\$226,211	\$185,763	\$242,354		\$192,118	\$310,690					

Aging of Accounts Receivable

Receivables Balances >120 days continues to grow



2021/2022 Projected Liquidity Balance as of 3/31/22



Tacoma Rail Financial Outlook

1st Quarter 2022

May 25, 2022

2021/2022 Biennium Summary of Assumptions

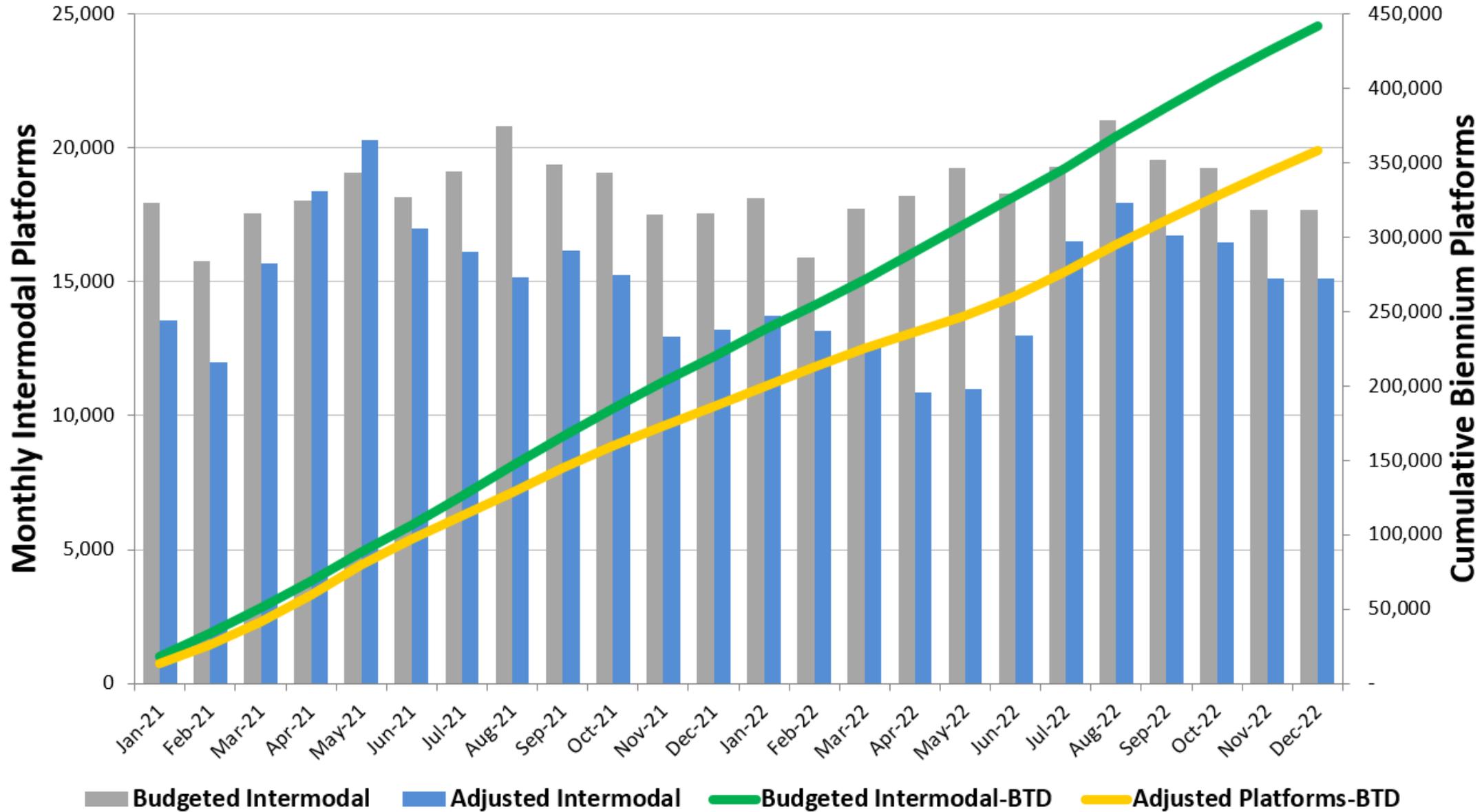
- Projections include:
 - Actual revenue through April 2022
 - Actual expense through April 2022
- Rail traffic
 - Reduction from budgeted intermodal volumes by 22% in 2022
 - Equals 7% decrease from 2021 volumes
 - Reduction from budgeted commercial volumes by 15% in 2022
 - Flat volumes from 2021
- Capital Fund Outlay increases due to deferred projects from prior biennium and project cost increases
 - Some projects deferred to next biennium

- Traffic analysis

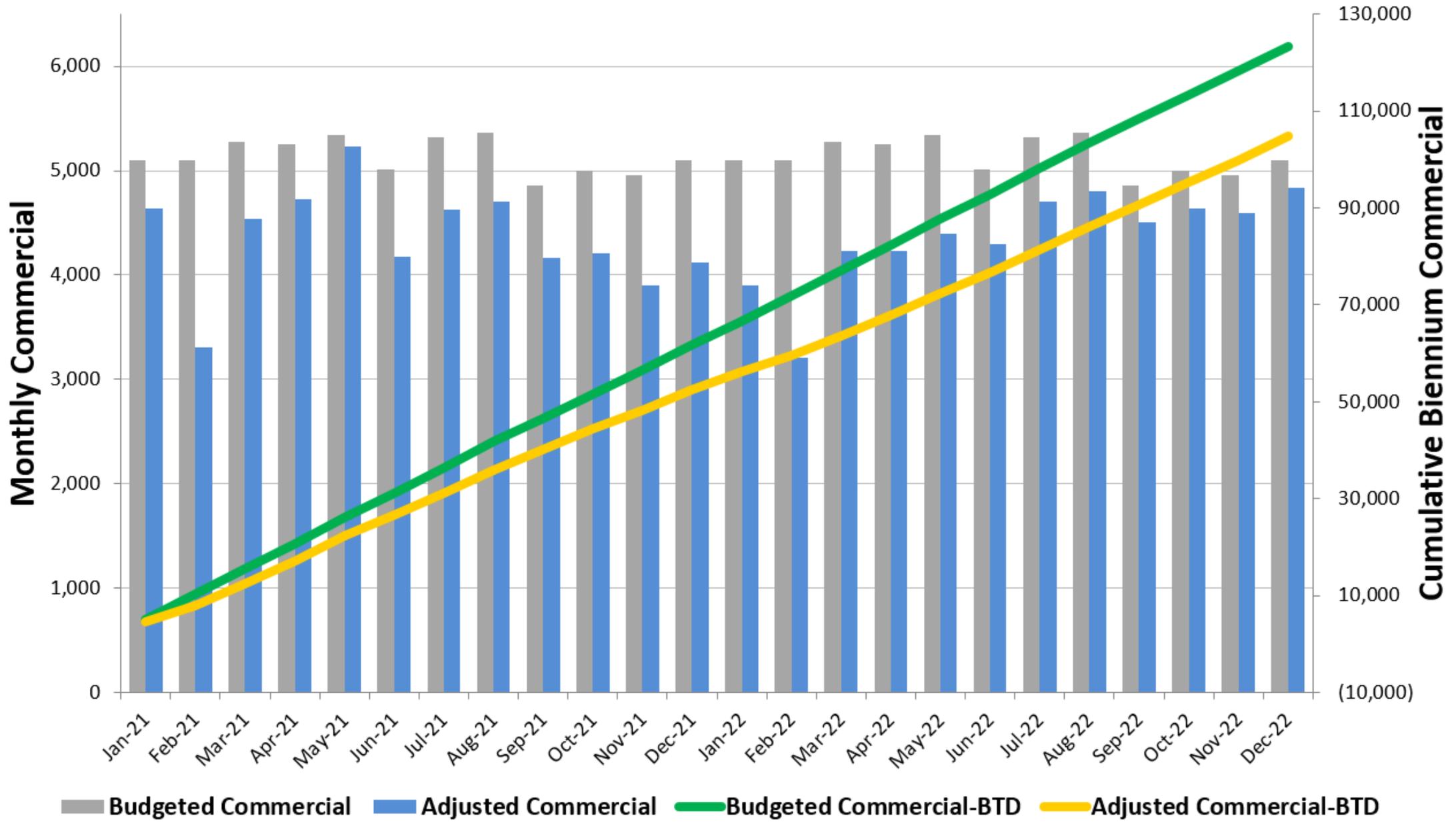
Quarter	2021		2022		%	
	Intermodal	Commercial	Intermodal	Commercial	Intermodal	Commercial
1	41,275	12,485	39,562	11,350	-4%	-9%
2						
3						
4						
Total	41,275	12,485	39,562	11,350	-4%	-9%

- Intermodal:
 - Year over year: NIM **-21%**, PCT **-15%**, WUT **-9%**, SIM **+36%**
 - Budgeted volumes: **-24%**
- Commercial:
 - Year over year: US Oil **-17%**, SeaPort Sound **+12%**, AWC **+19%**
 - US Oil maintenance partly shutdown their operation for 5 weeks in Q1 2022
 - Budgeted volumes: **-27%**
- Cash is projected above the 60 days of budget threshold

Intermodal Volumes



Commercial Volumes



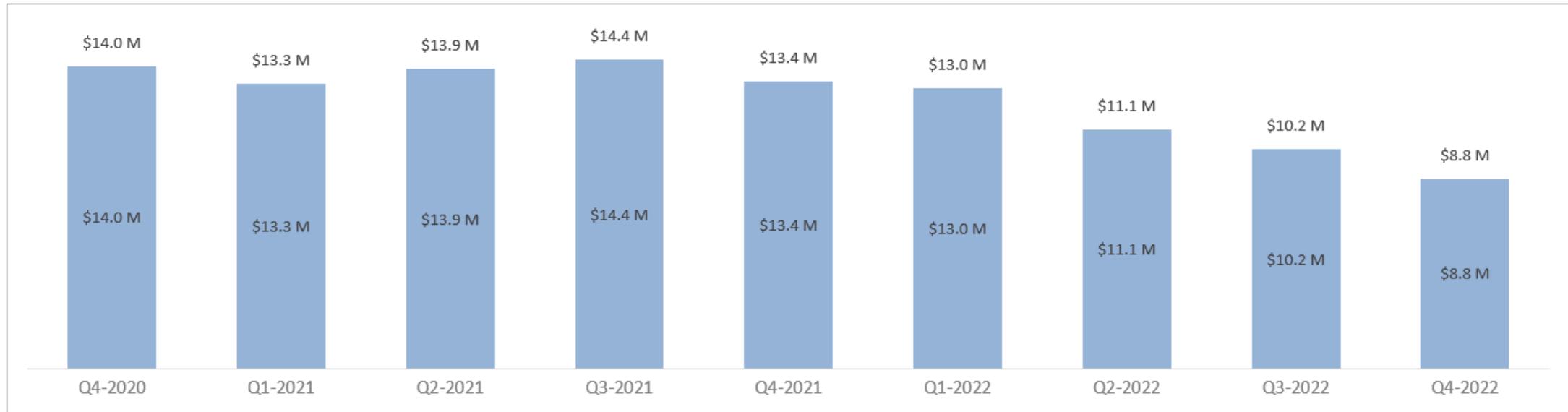
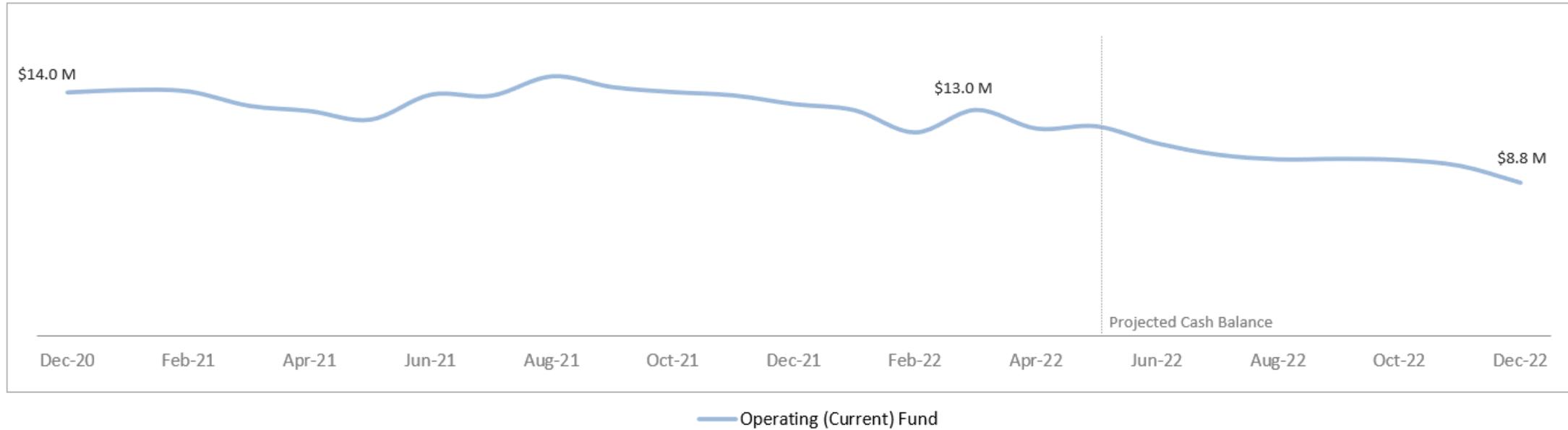
2021/2022 Biennium Forecast vs. Budget

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 cost increases to projects 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	\$ 27,226	\$ (5,262)	\$ 33,500	\$ 28,046	\$ (5,454)	\$ 65,987	\$ 55,272	\$ (10,715)	-16% (1)
Demurrage Fees	1,320	1,794	474	1,320	1,906	586	2,640	3,699	1,059	40% (2)
Locomotive Servicing	3,600	4,772	1,172	3,600	3,592	(8)	7,200	8,364	1,164	16% (3)
Other	261	338	77	261	229	(32)	522	567	45	9%
Total Operating Revenue	\$ 37,668	\$ 34,129	\$ (3,539)	\$ 38,681	\$ 33,772	\$ (4,908)	\$ 76,349	\$ 67,902	\$ (8,447)	-11%
Interest	200	167	(33)	190	107	(83)	390	273	(117)	-30%
Rent & Misc Income	481	385	(96)	481	451	(30)	962	836	(126)	-13%
Total Revenue & Avail Funds	\$ 38,350	\$ 34,681	(3,668)	\$ 39,352	\$ 34,330	\$ (5,022)	\$ 77,701	\$ 69,011	\$ (8,691)	-11%
Expenditures										
Personnel Costs	\$ 18,475	\$ 15,924	\$ (2,550)	\$ 18,831	\$ 17,119	\$ (1,713)	\$ 37,306	\$ 33,043	\$ (4,263)	-11% (4)
Supplies, Other Services	12,677	12,477	(200)	11,958	10,832	(1,126)	24,635	23,309	(1,326)	-5% (5)
Current Fund Capital Outlay	4,130	3,290	(840)	2,850	5,608	2,758	6,980	8,898	1,918	27% (6)
Debt Service	884	774	(111)	884	884	-	1,768	1,658	(111)	-6%
Incentive Allowance	-	-	-	-	-	-	-	-	-	0%
Taxes	3,787	3,306	(481)	3,855	3,312	(543)	7,642	6,618	(1,024)	-13% (7)
Total Expenditures	\$ 39,953	\$ 35,771	\$ (4,182)	\$ 38,379	\$ 37,755	\$ (624)	\$ 78,332	\$ 73,526	\$ (4,805)	-6%
Total Revenues Less Expenditures	\$ (1,603)	\$ (1,090)	\$ 513	\$ 973	\$ (3,425)	\$ (4,399)	\$ (630)	\$ (4,516)	\$ (3,885)	
Appropriation from Current Fund	\$ 1,603	\$ 678	\$ (925)	\$ (973)	\$ 4,554	\$ 5,527	\$ 630	\$ 4,516	\$ 3,885	
Capital Outlay Financing Detail										
Funded from Current Fund	\$ 4,130	\$ 3,290	\$ (840)	\$ 2,850	\$ 5,608	\$ 2,758	\$ 6,980	\$ 8,898	\$ 1,918	27%
Grants, Transfers & Pledges	1,400	1,141	(259)	1,260	409	(851)	2,660	1,550	(1,110)	-42%
Funded from New Debt	300	271	(29)	300	1,850	1,550	600	2,121	1,521	254% (8)
Total Capital Outlay	\$ 5,830	\$ 4,702	\$ (1,128)	\$ 4,410	\$ 7,867	\$ 3,457	\$ 10,240	\$ 12,570	\$ 2,330	23%
Starting Cash Balance	\$ 11,114	\$ 14,047	2,933	\$ 9,510	\$ 13,368	3,858	\$ 11,114	\$ 14,047	26%	26%
EOY Current Fund Balance	\$ 9,510	\$ 13,368	3,858	\$ 10,484	\$ 8,814	(1,669)	\$ 10,484	\$ 8,814	-16%	-16%

2021/2022 Projected Liquidity Balance as of 3/31/22



Performance Metrics Update

1st Quarter 2022

May 25, 2022

Performance Metrics Summary



Quarter 1, 2022 Performance Metrics Report Tacoma Public Utilities		
 TACOMA POWER TACOMA PUBLIC UTILITIES	 TACOMA WATER TACOMA PUBLIC UTILITIES	 TACOMA RAIL TACOMA PUBLIC UTILITIES
Financial Performance - Supports Strategic Directive: 2 (Financial Stability)		
1 Debt Service Coverage 	1 Debt Service Coverage 	1 Debt Service Coverage 
2 Liquidity - Days Cash on Hand 	2 Liquidity - Days Cash on Hand 	2 Liquidity - Days Cash on Hand 
3 Budget Performance 	3 Budget Performance 	3 Budget Performance 
Operational Excellence - Supports Strategic Directives: 3 (Rates); 5 (Environmental Leadership); 7 (Reliability & Resiliency)		
4 Residential Bill Comparison 	4 Residential Bill Comparison 	4 Railroad Tariffs Comparison 
5 O&M Cost per Customer 	5 O&M Cost per Account 	5 Operating Ratio 
6 Outage Duration 	6 Unplanned Service Disruptions 	6 Revenue Moves per Shift 
7 Outage Frequency 	7 Distribution System Leakage 	7 On-Time Switching 
8 Non-Carbon Power Resources 	8 Regulatory Compliance 	8a Diesel Conversion 
9 Power Conservation 	9 Water Conservation 	8b Storm Water Remediation 
Commitment to Cust & Employees - Supports Strategic Directives: 5 (Environ. Leadership); 7 (Reliability); 12 (Emp. Relations); 13 (Customer Svc)		
10 Customer Satisfaction 	10 Customer Satisfaction 	9 Customer Satisfaction 
11 Employee Satisfaction 	11 Employee Satisfaction 	10 Employee Satisfaction 
12 Employee Safety 	12 Employee Safety 	11 Employee Safety 
13 Call Center Responsiveness 	13 Call Center Responsiveness 	
	14 Technical Service Complaints 	



Performance Metrics Highlights



❖ Financial & Operational Metrics

- Power revenues outperforming budget
- Water revenues and expenditures favorable
- Rail managing expenditures in response to lower revenues

❖ Operational Excellence

- Power conservation measurement is toward a two-year goal

❖ Commitment to Customers & Employees

- Safety metrics trending in a positive direction
- Call center responsiveness remains above target



Addressing Board Requests

Budget vs Actual Trends

May 25, 2022 Board Study Session

Jim Sant, Jodi Collins, Michelle Rhubright, Dan McCabe

Responsibilities and Accountability

Multiple Levels of Responsibility and Review

- Utility Enterprise Fund carries ultimate accountability
 - Superintendents are responsible
 - Must adhere to fund level Expenditure Appropriation
 - Tacoma Rail Fund
 - Tacoma Water Fund
 - Tacoma Power Fund
 - Other: Fleet Services Fund / Self-Insurance Claim Fund

Responsibilities and Accountability

Multiple Levels of Responsibility and Review

- Enterprise Funds are comprised of multiple components, with management responsibilities
 - Cost Centers – Cost Center Managers responsible
 - Projects – Project Managers responsible
 - Special Committee Oversight
 - Financial Stewardship Teams provide Analysis and Financial Outlooks

Reporting, Tools, and Review

Multiple Reports/Tools to Manage the Budget and Support Decisions

- Budget Management Reports and Tools:
 - Fund Level – Budget Performance Reports
 - Cost Center Level – Cost center management reports
 - Project Level – Capital and Project reports
 - Special Purpose – Committee reports and discussion
 - Financial Stewardship Teams – Oversight, Analysis, and Projections

Budget Performance Reports

- Monthly to Senior Leaders and Finance Staff



TACOMA RAIL
2021/2022 BIENNIUM BUDGET PERFORMANCE REPORT
December 31, 2021

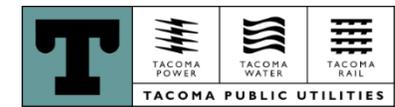
	CURRENT QUARTER			BIENNIUM TO DATE				BIENNIUM BUDGET
	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)	% Fav(Unfav)	
REVENUES LESS EXPENDITURES	\$ (23,428)	\$ (219,207)	\$ (195,780)	\$ (973,172)	\$ (1,143,707)	\$ (170,535)		
OPERATING REVENUES								
SWITCHING REVENUES								
LINE HAULS AND LOCAL DEMURRAGE FEES	\$ 8,288,822	\$ 8,269,235	\$ (2,019,587)	\$ 32,487,368	\$ 27,225,671	\$ (5,261,697)	(16.2%)	\$ 65,987,032
TOTAL SWITCHING REVENUES	8,018,822	6,761,585	(1,857,237)	33,807,368	29,019,281	(4,788,087)	(14.2%)	68,627,032
LOCOMOTIVE SERVICING	900,000	1,184,334	284,334	3,800,000	4,772,066	1,172,066	32.8%	7,200,000
OTHER REVENUES	65,250	85,086	19,816	261,000	297,021	36,021	13.8%	522,000
TOTAL MISCELLANEOUS REVENUES	965,250	1,269,400	304,150	3,861,000	5,069,087	1,208,087	31.3%	7,722,000
TOTAL OPERATING REVENUES	9,584,072	8,030,685	(1,553,087)	37,668,368	34,088,368	(3,580,000)	(9.5%)	76,349,032
NON-OPERATING REVENUES								
RENT AND MISCELLANEOUS INCOME	120,300	243,169	122,869	481,200	530,020	48,820	10.1%	962,400
INTEREST	50,000	24,703	(25,297)	200,000	119,422	(80,578)	(40.3%)	380,000
TOTAL NON-OPERATING REVENUES	170,300	267,872	97,572	681,200	649,441	(31,759)	(4.7%)	1,352,400
OTHER AVAILABLE FUNDS								
APPROPRIATION FROM FUND BALANCE	157,557	-	(157,557)	630,226	-	(630,226)	(100.0%)	630,226
TOTAL REVENUES	\$ 9,911,928	\$ 8,298,657	\$ (1,613,071)	\$ 38,979,794	\$ 34,737,810	\$ (4,241,984)	(10.9%)	\$ 78,331,658



TACOMA RAIL
2021/2022 BIENNIUM BUDGET PERFORMANCE REPORT
December 31, 2021

	CURRENT QUARTER			BIENNIUM TO DATE				BIENNIUM BUDGET
	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE)	% Fav(Unfav)	
OPERATING EXPENDITURES								
ADMINISTRATION								
PERSONNEL COSTS	\$ 765,157	\$ 744,617	\$ 20,540	\$ 3,080,829	\$ 3,015,157	\$ 45,472	1.5%	\$ 6,178,372
SUPPLIES, OTHER SERVICES & CHARGES	317,632	539,964	(222,362)	1,270,527	1,803,395	(532,868)	(41.9%)	2,619,049
ASSESSMENTS	593,398	578,178	15,221	2,385,058	2,254,874	130,184	5.5%	4,889,375
GROSS EARNINGS TAX	763,626	667,978	95,647	3,123,987	2,766,194	354,793	11.4%	6,319,000
OTHER TAXES	160,842	126,657	34,186	657,502	539,204	118,297	18.0%	1,320,000
ADMINISTRATION TOTAL	2,600,655	2,657,424	(56,768)	10,497,703	10,381,824	115,879	1.1%	21,325,796
OPERATIONS								
PERSONNEL COSTS	2,828,613	2,338,669	489,944	11,314,453	9,334,972	1,979,481	17.5%	22,849,141
SUPPLIES, OTHER SERVICES & CHARGES	506,570	569,879	(93,309)	2,026,280	1,837,076	189,203	9.3%	3,740,134
OPERATIONS TOTAL	3,335,183	2,938,548	396,635	13,340,733	11,172,049	2,168,684	16.3%	26,589,274
MECHANICAL								
PERSONNEL COSTS	688,484	709,670	(23,488)	2,745,935	2,501,214	244,721	8.9%	5,540,840
SUPPLIES, OTHER SERVICES & CHARGES	411,860	331,509	80,352	1,647,441	1,298,117	349,323	21.2%	2,672,489
FUEL	975,000	939,349	35,651	3,900,000	4,006,655	(106,655)	(2.7%)	7,900,000
MECHANICAL TOTAL	2,075,344	1,980,827	92,517	8,293,376	7,805,986	487,390	5.9%	16,013,329
CONSTRUCTION								
PERSONNEL COSTS	338,436	301,896	36,539	1,353,742	1,078,575	275,167	20.3%	2,737,435
SUPPLIES, OTHER SERVICES & CHARGES	363,291	353,683	9,608	1,453,163	1,268,581	184,583	12.7%	2,917,324
CONSTRUCTION TOTAL	701,726	655,579	46,167	2,806,906	2,347,156	459,750	16.4%	5,654,760
OPERATION & MAINTENANCE TOTAL	\$ 8,710,909	\$ 8,232,358	\$ 478,551	\$ 34,938,717	\$ 31,707,015	\$ 3,231,702	9.2%	\$ 69,583,160
LONG-TERM DEBT								
CAPITAL OUTLAY - OPERATING FUND	191,947	191,253	694	884,249	883,549	700	0.1%	1,768,498
	1,032,500	94,453	938,047	4,130,000	3,290,953	839,047	20.3%	6,980,000
TOTAL OPERATING FUND EXPENDITURES	\$ 9,935,356	\$ 8,518,065	\$ 1,417,292	\$ 39,952,966	\$ 35,881,517	\$ 4,071,449	10.2%	\$ 78,331,658

Managing TPU Budgets



Cost Center Management Reports

- Monthly data with Biennium to date at cost center level – for all cost center managers

2021-2022 Monthly Budget Report

April 2022

Biennium-to-Date (BTD)
Favorable / (Unfavorable)

PUBLIC AFFAIRS AND COMMUNICATIONS

Cost Center	Category	BTD Budget	BTD Actual	BTD Variance	BTD Variance %	Biennial Budget
572000 - TPU Market Dev	Personnel Services	1,453,726	1,465,483	(11,757)	(0.8%)	2,189,785
	Employee-Related Costs	86,667	30,968	55,699	64.3%	130,000
	Operating Expenses	99,863	58,899	40,965	41.0%	149,795
	External Services	213,333	162,652	50,682	23.8%	320,000
	Indirect Costs	138,184	130,915	7,269	5.3%	208,165
	Internal Transfers	0	5,000	(5,000)		0
	Total		1,991,772	1,853,916	137,857	6.9%
572100 - TPU Acct Execs	Personnel Services	809,941	826,192	(16,251)	(2.0%)	1,219,968
	Employee-Related Costs	13,000	4,890	8,110	62.4%	19,500
	Operating Expenses	10,959	10,697	262	2.4%	16,438
	External Services	17,000	39	16,961	99.8%	25,500
	Indirect Costs	73,246	69,619	3,627	5.0%	110,454
Total		924,146	911,436	12,709	1.4%	1,391,860

Period/Year: 03/2022
 Cost Centers: 0000572000 - 0000572000
 User: JSANT
 Run Date: 05/13/2022

Cost Center View	Period Actuals	YTD Actuals	BTD Actuals	Biennium Budget	Budget Balance	Total % Var.
Operating						
Cost Center						
Revenues						
Expenditures						
Budgetary Expenditures			16,629.00-		16,629.00	
Salaries and Wages	77,783.94	207,459.48	1,024,046.01	1,611,659.28	587,613.27	
Personnel Benefits	23,380.66	70,018.57	350,949.12	578,125.47	227,176.35	
Secondary Labor Costs						
Supplies	636.62	1,687.74	14,360.59	38,297.66	23,937.07	
Services and Charges	50,829.66	57,708.28	196,354.03	392,827.00	196,472.97	
5310100 Professional Servs	48,174.63	48,174.63	50,582.15	320,000.00	269,417.85	15.81
5312010 Printing/Graphic Ser			69.49		69.49-	
5330100 Ext Contract Servs			107,000.00		107,000.00-	
5390015 Data Int&Eng Support	2,655.03	9,533.65	38,702.39	72,827.00	34,124.61	53.14
Other Services and Charges	1,792.70	6,950.86	105,724.79	283,744.25	178,019.46	
Overhead Charges ZC						
Alloc from Serv Providers-non Gen F	155,740.65-	347,776.14-	1,726,914.43-	2,935,358.28-	1,208,443.85-	
General Fund Assessments-ZC	1,317.07	3,951.21	18,850.89	30,704.62	11,853.73	
Non-Operating Expenditures						
Ending Cash Balance						

Project Level Management Reports

- Various reports/tools to many users to manage capital and other projects

TACOMA POWER							
2021/2022 Capital Program Summary							
4/30/2022							
64% of Biennium							
Summary by Funding Source							
Funding Source (FS) ⁴	Original Biennium Budget	Current Budget	Over/(Under) Original Budget ¹	Actuals	% Spent Current Budget	Commitments	Available ²
Current Fund (CF)	\$60,237,000.00	\$60,237,000.00	\$0.00	\$32,004,707.43	53%	\$1,271,798.83	\$26,960,493.74
Bond Fund ³ (BF)	\$89,661,000.00	\$89,661,000.00	\$0.00	\$42,579,190.70	47%	\$9,677,761.39	\$37,404,047.91
Unanticipated Plant ⁵ (Current Fund)	\$0.00	\$0.00	\$0.00	\$761,310.40	0%	\$9,361.76	\$0.00
Unanticipated Plant ⁵ (Bond Fund)	\$0.00	\$0.00	\$0.00	\$118,982.03	0%	\$0.00	\$0.00
TOTAL:	\$149,898,000.00	\$149,898,000.00	\$0.00	\$75,464,190.56	50%	\$10,958,921.98	\$64,364,541.65
Summary By Business Unit							
Business Unit	Original Biennium Budget	Current Budget	Over/(Under) Original Budget ¹	Actuals	% Spent Current Budget	Commitments	Available ²
General Plant	\$24,461,000.00	\$24,616,000.00	\$155,000.00	\$11,755,170.31	48%	\$29,062.34	\$12,831,767.35
Generation	\$30,318,000.00	\$30,318,000.00	\$0.00	\$11,455,777.00	38%	\$197,370.97	\$18,664,852.03
Power Management	\$11,389,000.00	\$11,389,000.00	\$0.00	\$5,245,777.18	46%	\$0.00	\$6,143,222.82
Transmission & Distribution	\$47,149,000.00	\$47,149,000.00	\$0.00	\$33,173,848.90	70%	\$1,380,813.11	\$12,594,337.99
Utility Technology Services	\$36,581,000.00	\$36,426,000.00	(\$155,000.00)	\$12,953,324.74	36%	\$9,342,313.80	\$14,130,361.46
Unanticipated Plant ⁵ (CF, BF)	\$0.00	\$0.00	\$0.00	\$880,292.43	0%	\$9,361.76	\$0.00
TOTAL:	\$149,898,000.00	\$149,898,000.00	\$0.00	\$75,464,190.56	50%	\$10,958,921.98	\$64,364,541.65
Summary by Project Type							
Business Unit	Original Biennium Budget	Current Budget	Over/(Under) Original Budget ¹	Actuals	% Spent Current Budget	Commitments	Available ²
Additions & Replacements	\$48,234,000.00	\$47,961,000.00	(\$273,000.00)	\$34,237,509.93	71%	\$1,578,741.75	\$12,144,748.32
Capital Projects	\$101,664,000.00	\$101,937,000.00	\$273,000.00	\$40,346,388.20	40%	\$9,370,818.47	\$52,219,793.33
Unanticipated Plant ⁵ (CF, BF)	\$0.00	\$0.00	\$0.00	\$880,292.43	0%	\$9,361.76	\$0.00
TOTAL:	\$149,898,000.00	\$149,898,000.00	\$0.00	\$75,464,190.56	50%	\$10,958,921.98	\$64,364,541.65

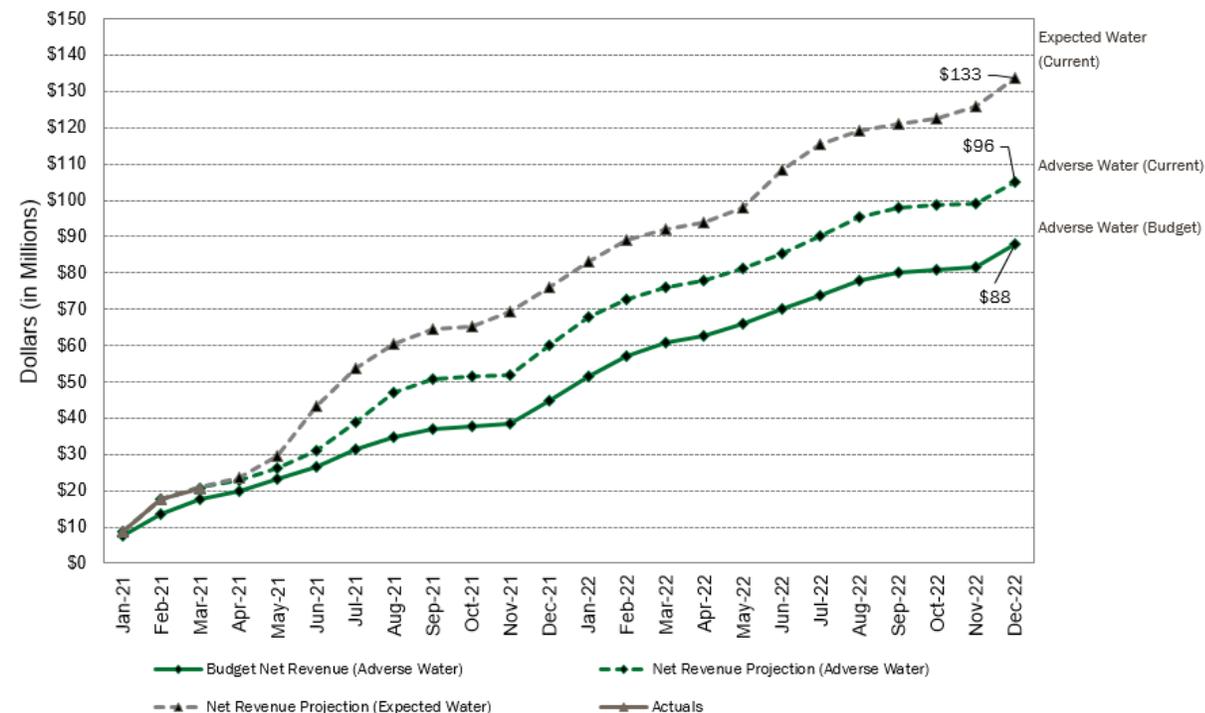
Special Purpose Reports, Analysis and Discussion

- Various reports/tools to many users to manage areas of special interest

Wholesale Net Revenues – 2021/2022

Graph 13: Strong Start to 2021 with Early Projections Above Budget

(Cumulative Actual vs. Budget Wholesale Net Revenues, 2021 – 2022)



Summary

- Accountable ultimately at each Utility Fund Level
- Many reports, tools, and discussion regularly support budget management, including reporting to the Board
- Managers and finance staff throughout the organization are responsible and are monitoring budget status regularly

Tacoma Water Budget vs Actual Trends

May 25, 2022

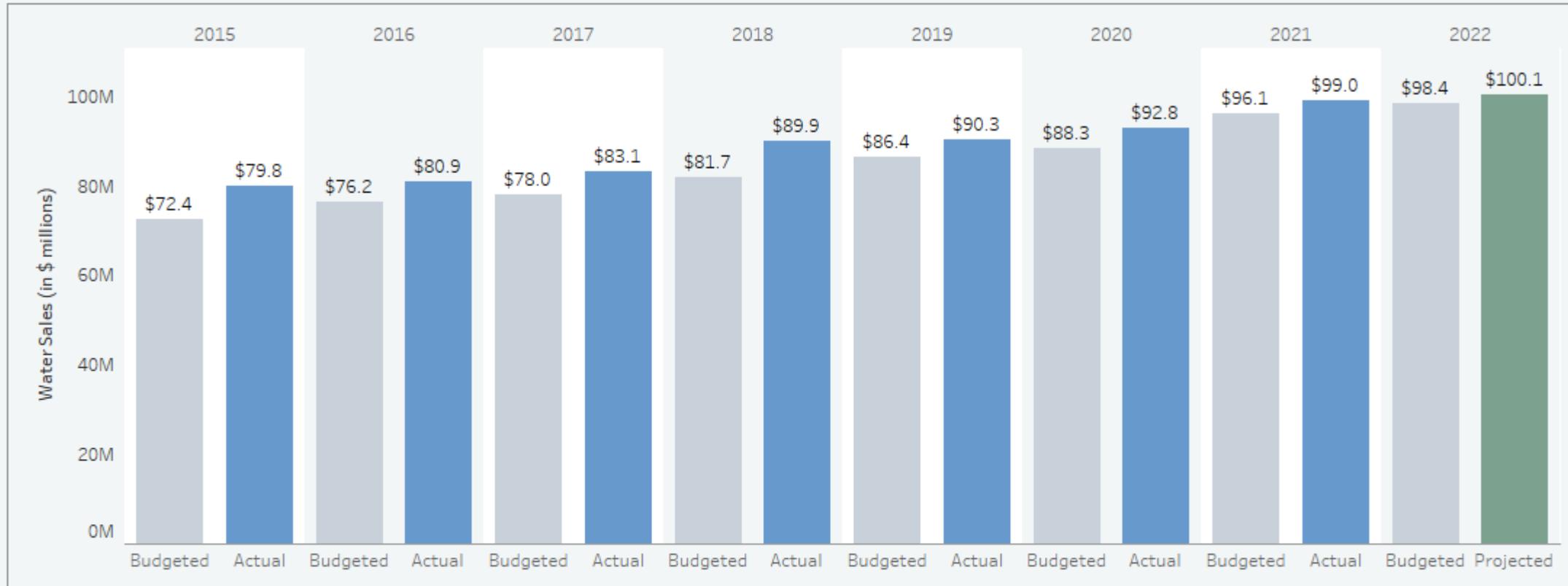
Budget Development & Monitoring Processes

Our Budget Proposal is Part of a Continuous Process and is:

- Aligned with Rate and Financial Policies and Strategic Directives
- The result of collaborative processes across Tacoma Water and other departments across the City
- Used to develop the Revenue Requirement
- A Key Component of long-range financial planning and rate proposals
- Spending and revenue projections are updated regularly and included in monthly and quarterly stakeholder reporting



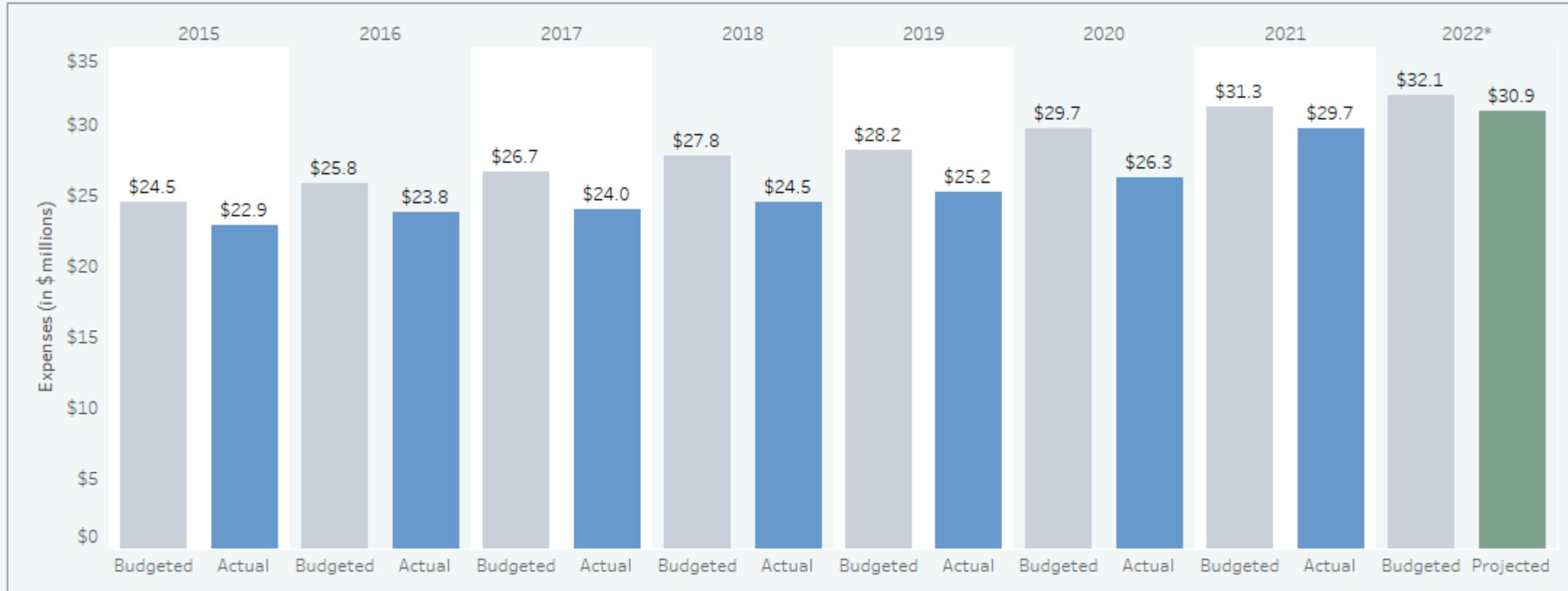
Budget vs Actual Trends: Water Sales Revenue



Water Sales	2015	2016	2017	2018	2019	2020	2021	2022
Variance (in \$ millions)	\$7.3	\$4.7	\$5.1	\$8.1	\$3.9	\$4.4	\$2.9	\$1.7
Variance %	10.1%	6.2%	6.5%	9.9%	4.5%	5.0%	3.0%	1.7%
Year-to-year Budget Changes		5.2%	2.4%	4.8%	5.7%	2.2%	8.8%	2.4%
Year-to-year Actual Changes		1.4%	2.8%	8.1%	0.4%	2.8%	6.7%	1.1%

Budgeted revenue average an increase of about 4.5% per year, while actual annual revenue in this category has averaged an increase of about 3.3% per year.

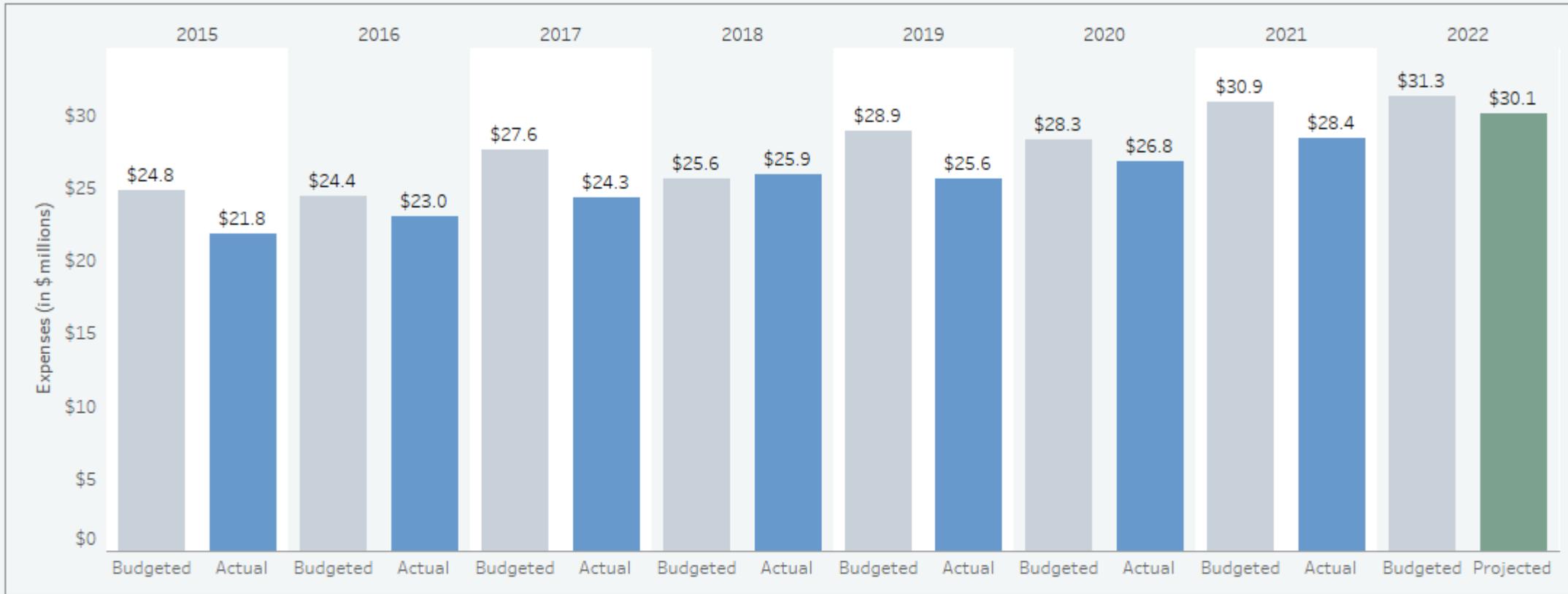
Budget vs Actual Trends: Personnel



Personnel Expenses	2015	2016	2017	2018	2019	2020	2021	2022*
Variance (in \$ millions)	\$1.6	\$2.0	\$2.7	\$3.3	\$3.0	\$3.4	\$1.6	\$1.2
Spent %	93.5%	92.2%	89.9%	88.1%	89.4%	88.6%	94.9%	96.3%
Year-to-year Budget Changes		5.3%	3.5%	4.1%	1.4%	5.3%	5.4%	2.6%
Year-to-year Actual Changes		3.9%	0.9%	2.1%	2.9%	4.4%	12.9%	4.0%

Budgeted expenses average an increase of about 3.9% per year, while actual annual spending in this category has averaged an increase of about 4.4% per year.

Budget vs Actual Trends: Other O&M



Other O&M	2015	2016	2017	2018	2019	2020	2021	2022
Variance (in \$ millions)	\$3.0	\$1.4	\$3.3	(\$0.3)	\$3.3	\$1.5	\$2.5	\$1.2
Spent %	88.0%	94.3%	88.1%	101.2%	88.6%	94.7%	91.9%	96.2%
Year-to-year Budget Changes		-1.6%	13.2%	-7.3%	12.9%	-2.1%	9.2%	1.3%
Year-to-year Actual Changes		5.4%	5.8%	6.4%	-1.2%	4.7%	6.0%	6.0%

Budgeted expenses average an increase of about 3.7% per year, while actual annual spending in this category has averaged an increase of about 4.7% per year.

Budget vs Actual Trends: Capital



Capital	2015	2016	2017	2018	2019	2020	2021	2022
Variance Unspent (in \$ millions)	\$0.3	\$5.9	\$14.2	\$9.4	\$1.8	\$15.5	\$14.8	\$4.3
Spent %	98.0%	64.3%	40.7%	61.0%	90.8%	62.8%	62.6%	89.2%

Budgeted expenses average an increase of about 34.4% per biennium, while actual spending in this category has averaged an increase of about 36.2% per biennium.

Summary of Budget Variance Impacts

Some causes of budget to actual variance:

- A deliberate effort to hold down spending
- Responsible deferral of a project that no longer makes economic sense
- Significant weather changes in early summer
- Inability to complete projects or hire staff as quickly as planned

Positive variance increases cash reserves:

- Unspent budgeted dollars stay in the fund
- Revenues higher than budget increase cash
- Reserves used to mitigate future rate increases

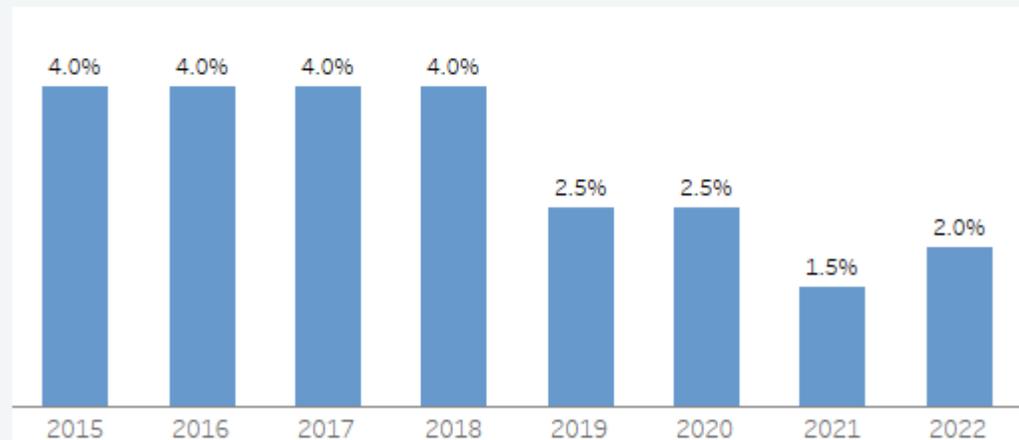
We strive to minimize variances through:

- Responsible financial stewardship
- Process, project and asset management
- Strong budget decision-making processes

Actual & Projected Water Reserve Fund Levels



Annual System Average Rate Adjustments

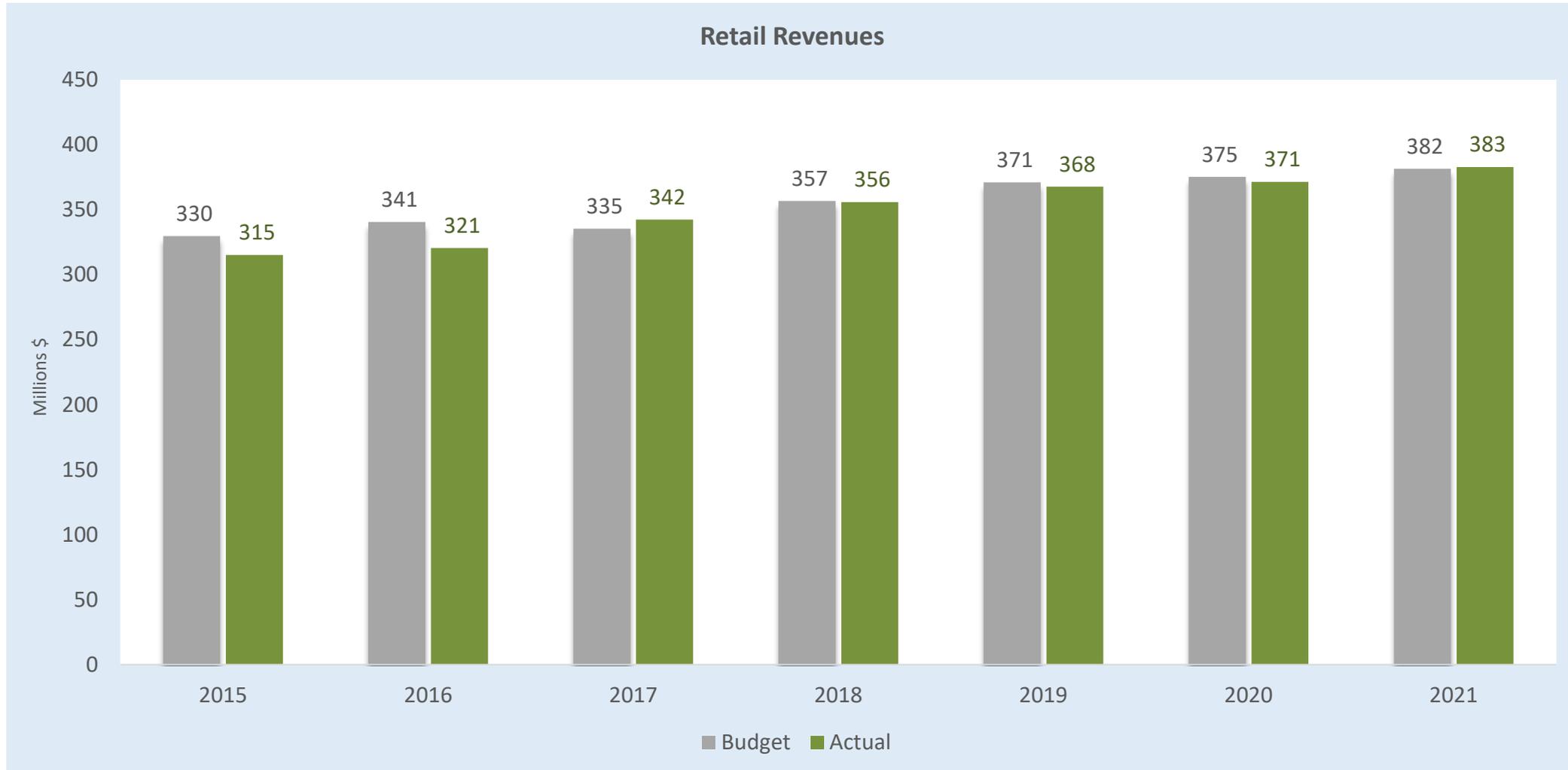


Tacoma Power Budget vs Actual Trends

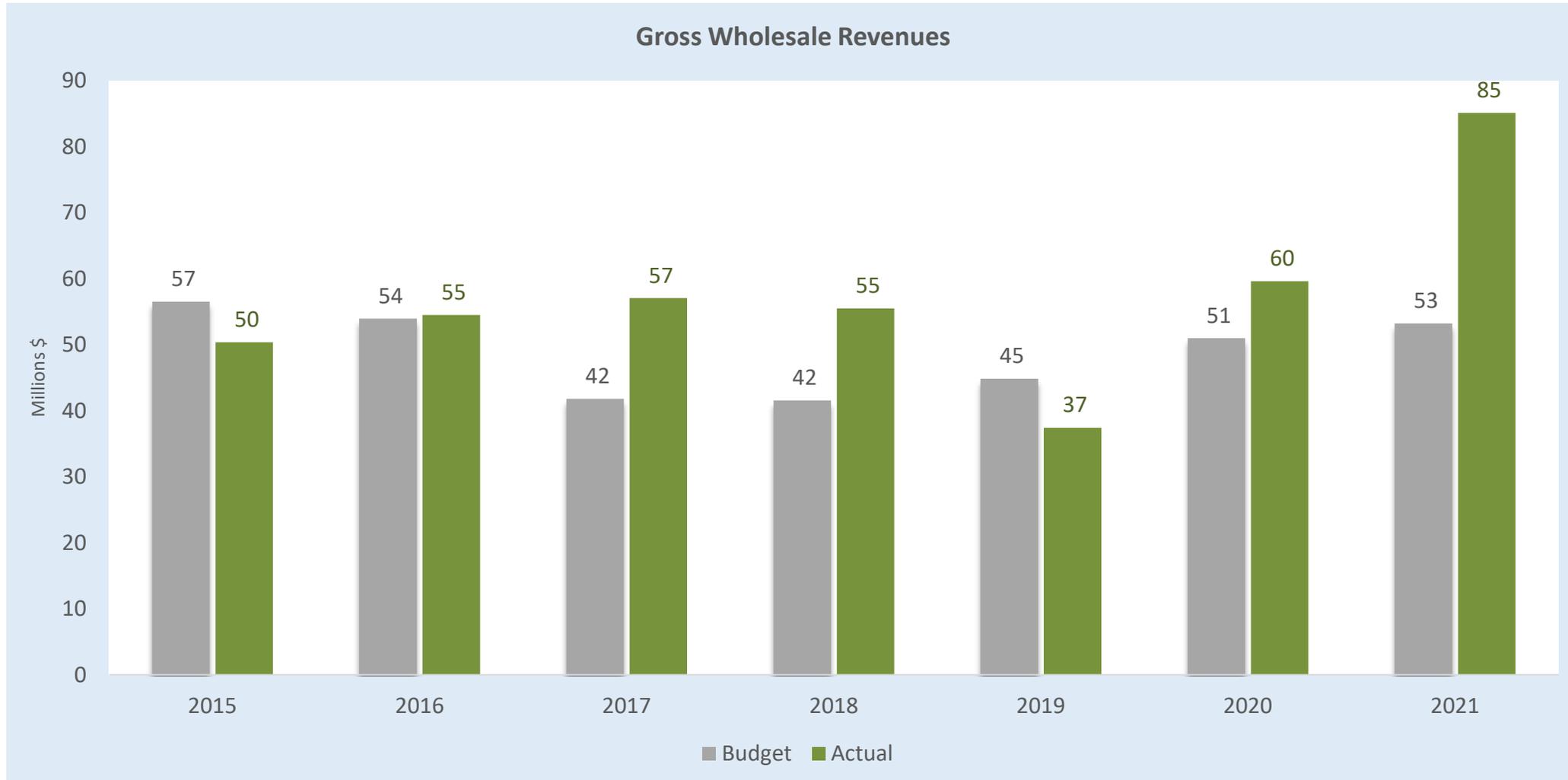
May 25, 2022



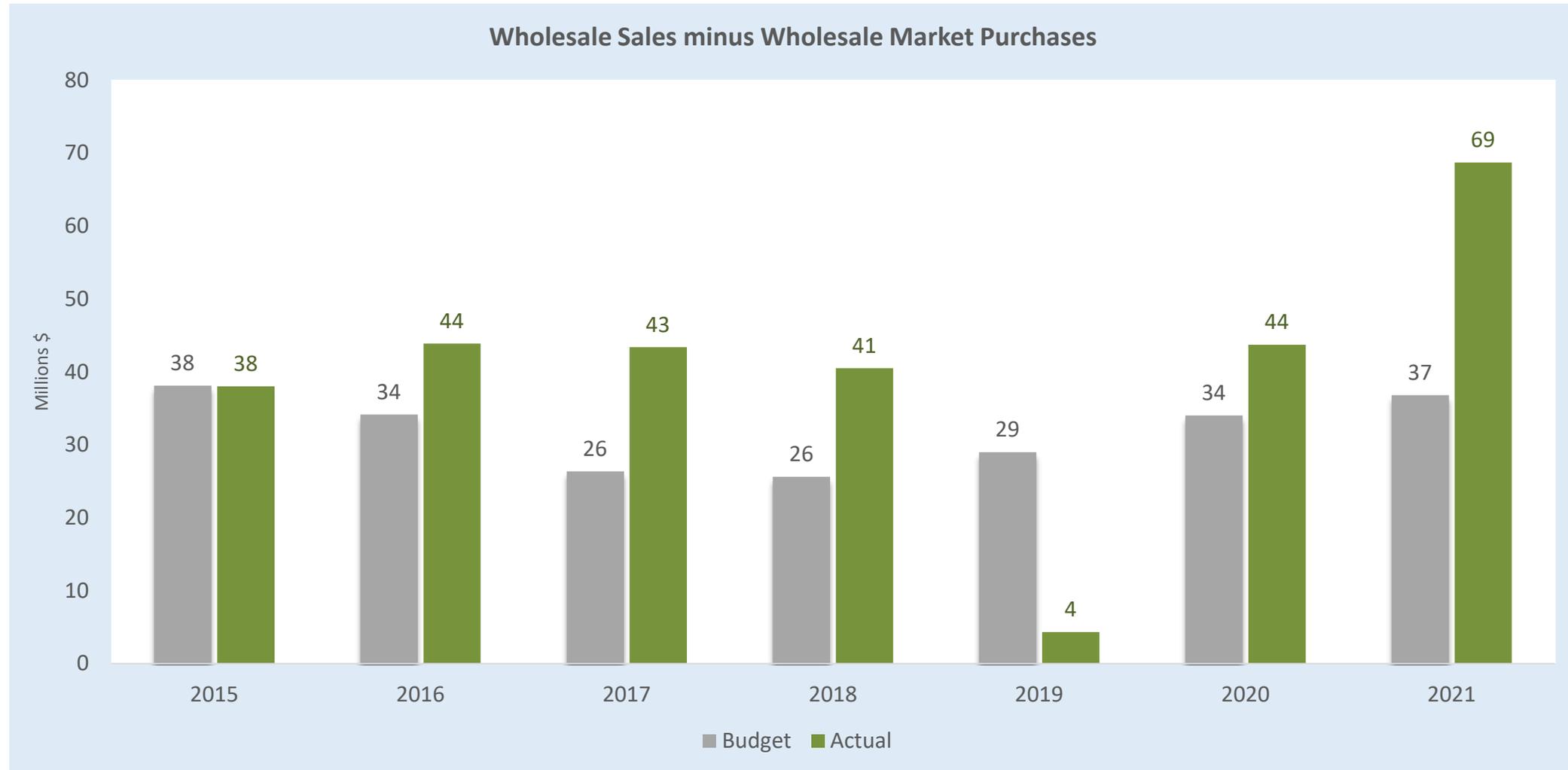
Budget vs Actual Trends: Retail Revenues



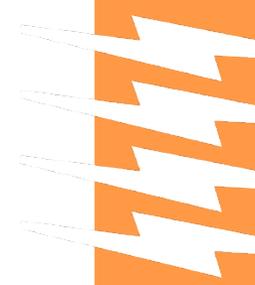
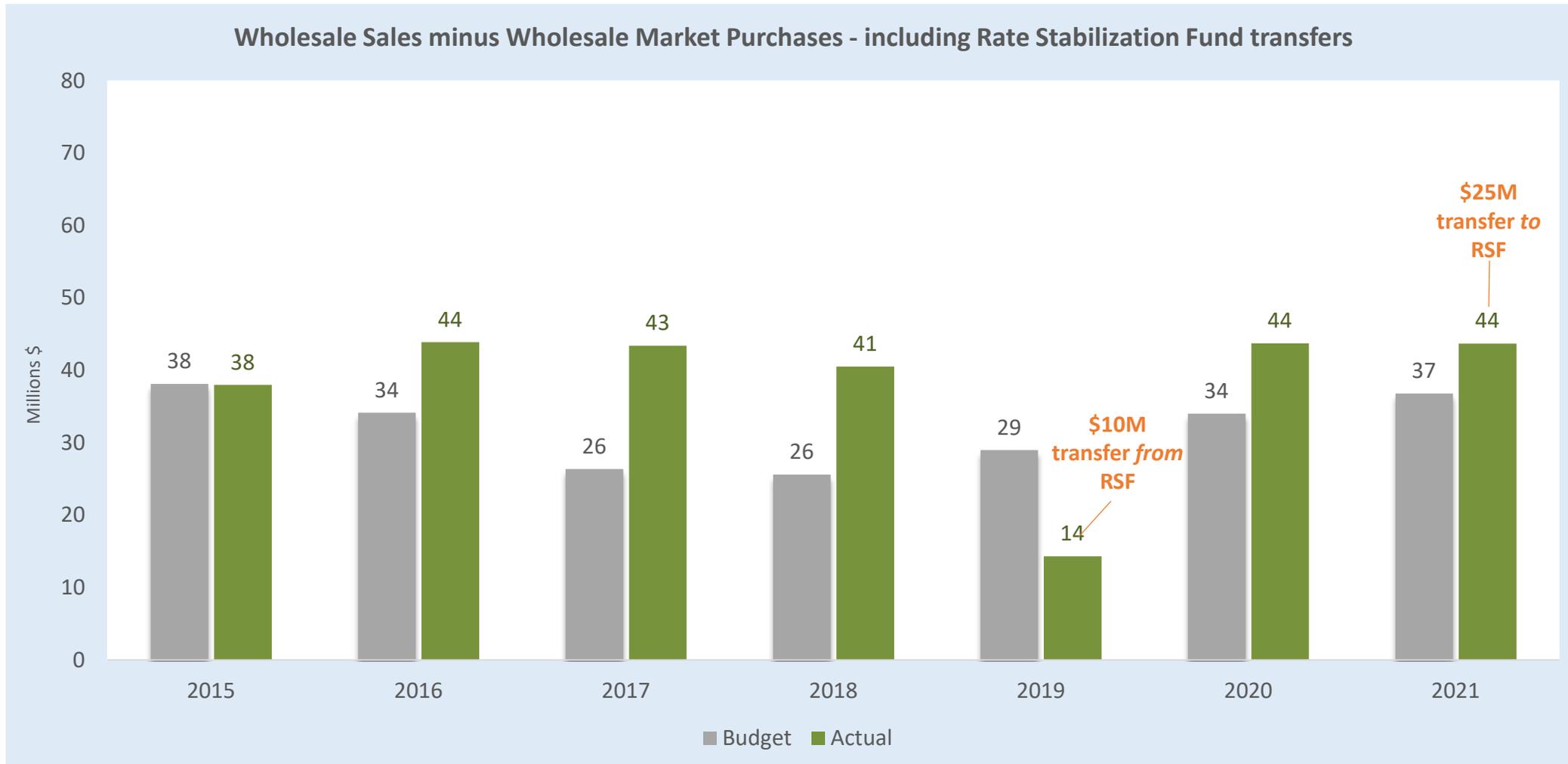
Budget vs Actual Trends: Gross Wholesale Revenues



Budget vs Actual Trends: Wholesale Net Revenues



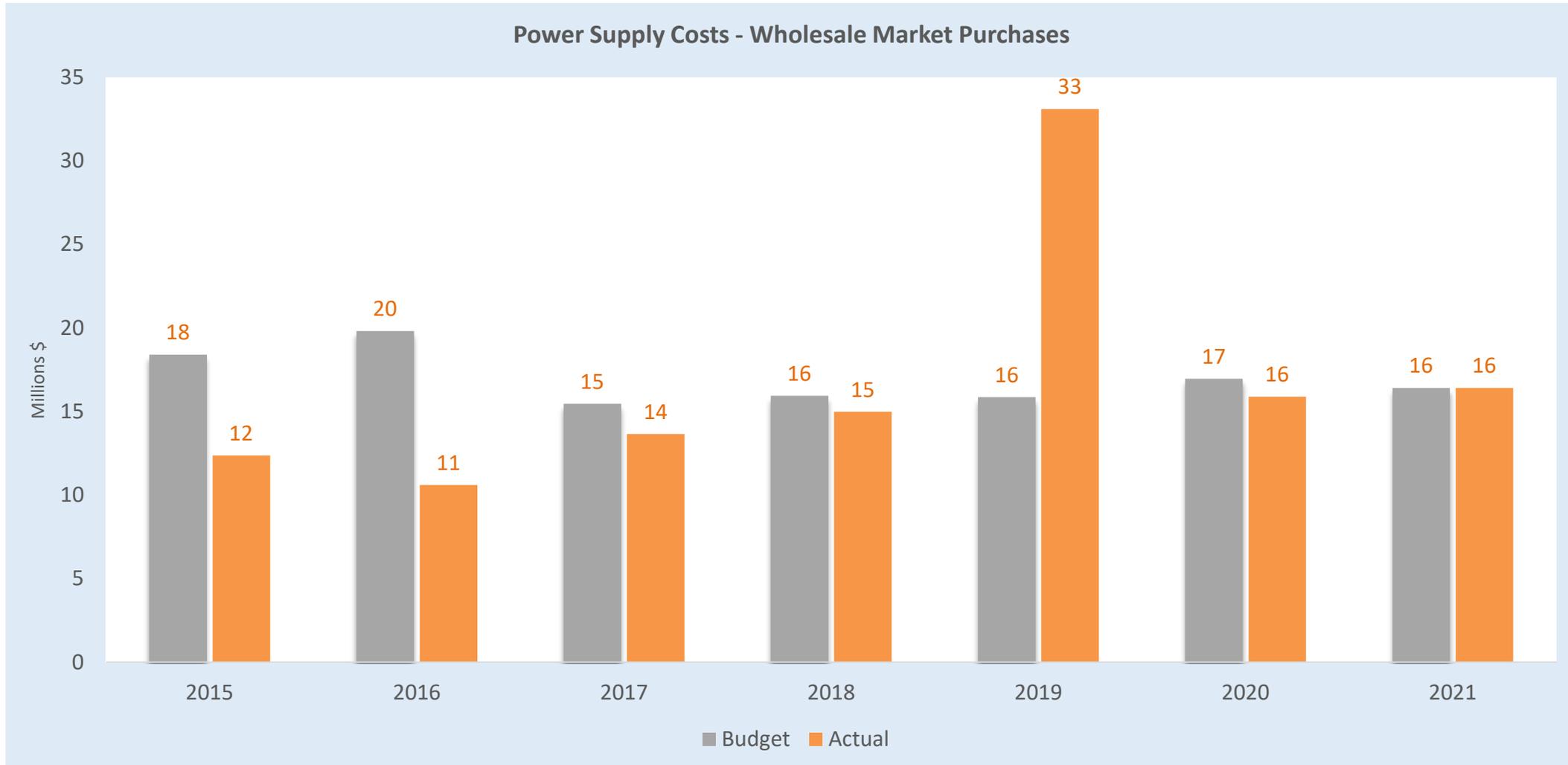
Budget vs Actual Trends: Wholesale Net Revenues (including Rate Stabilization Fund transfers)



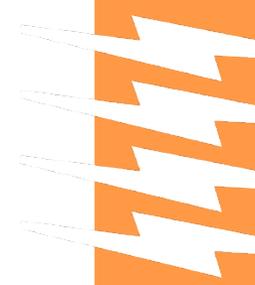
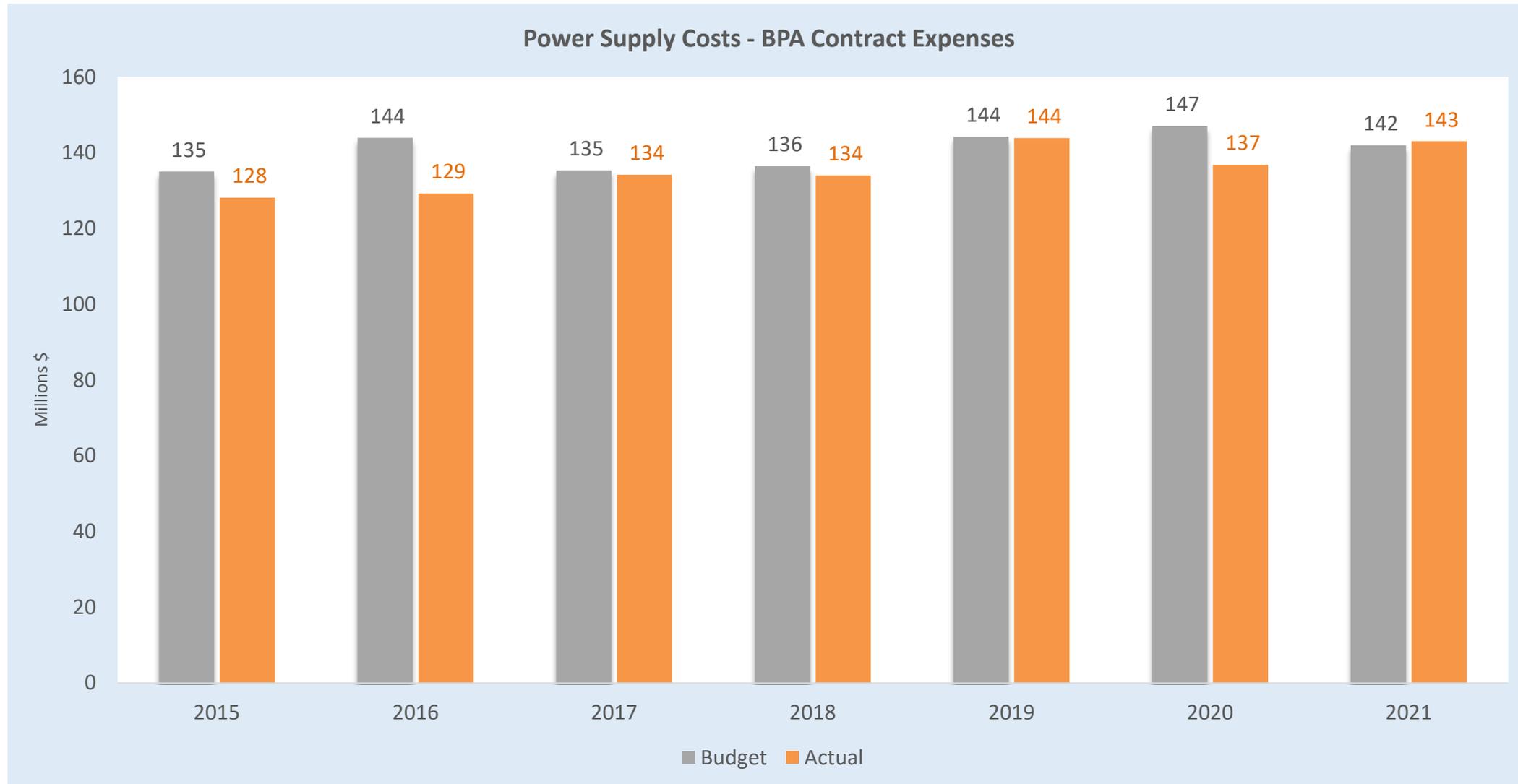
Expenses



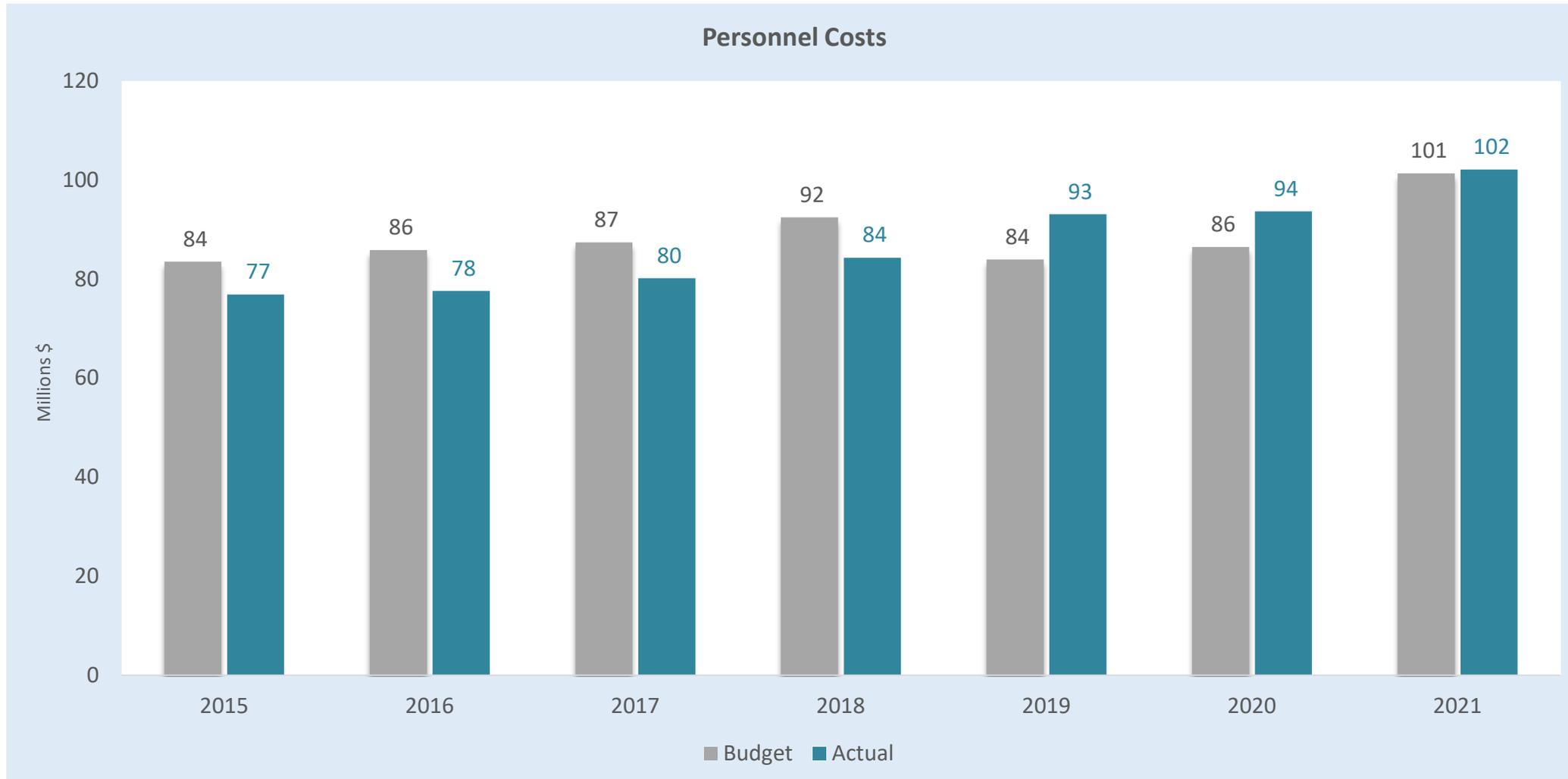
Budget vs Actual Trends: Wholesale Market Purchases



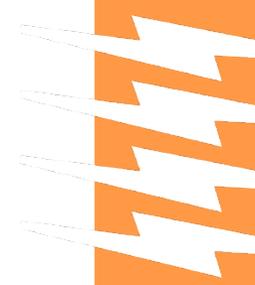
Budget vs Actual Trends: BPA Contract Expenses



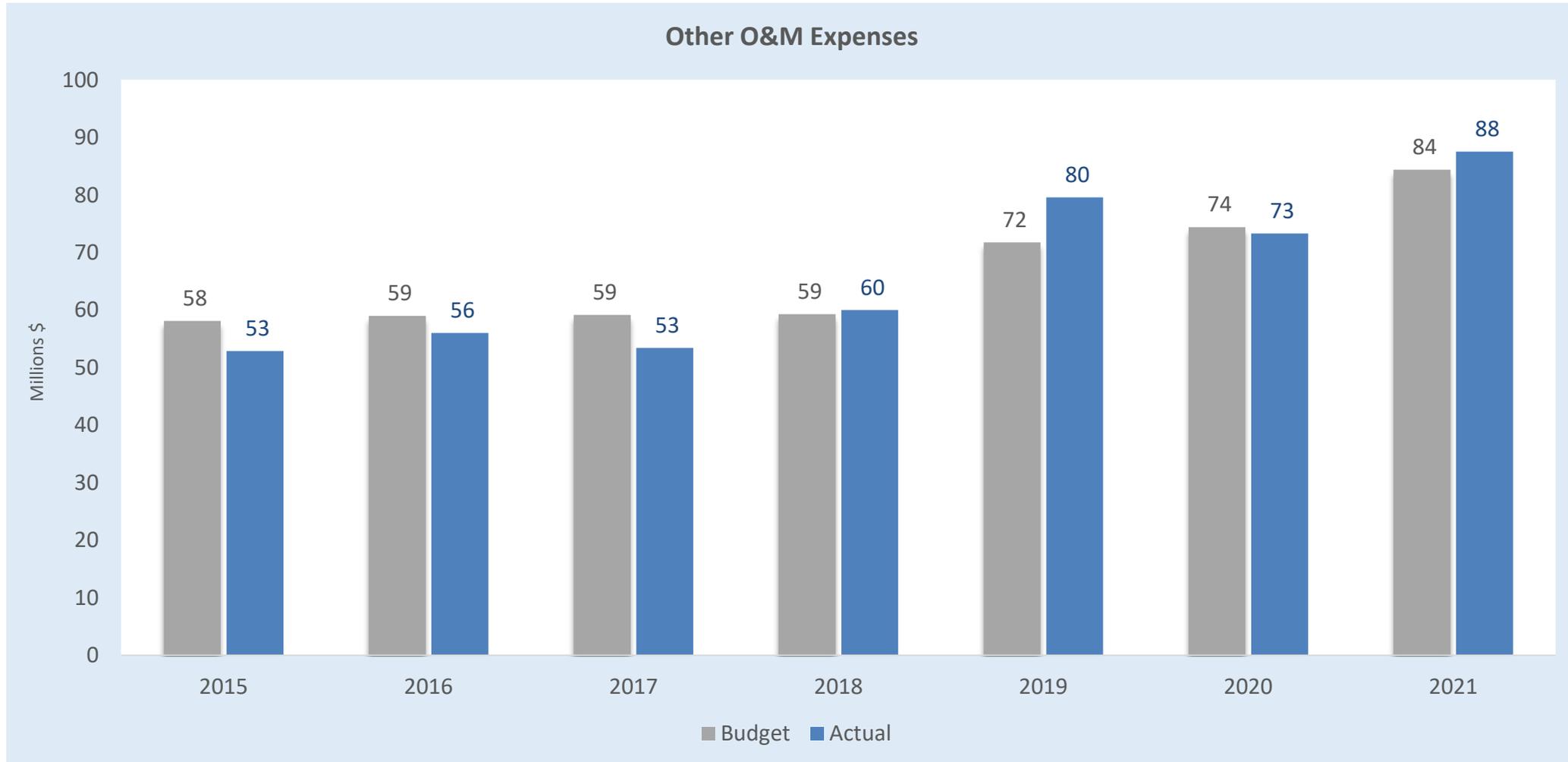
Budget vs Actual Trends: Personnel



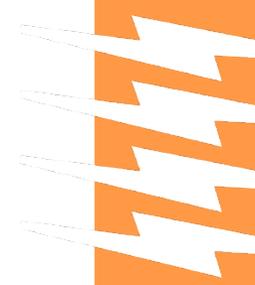
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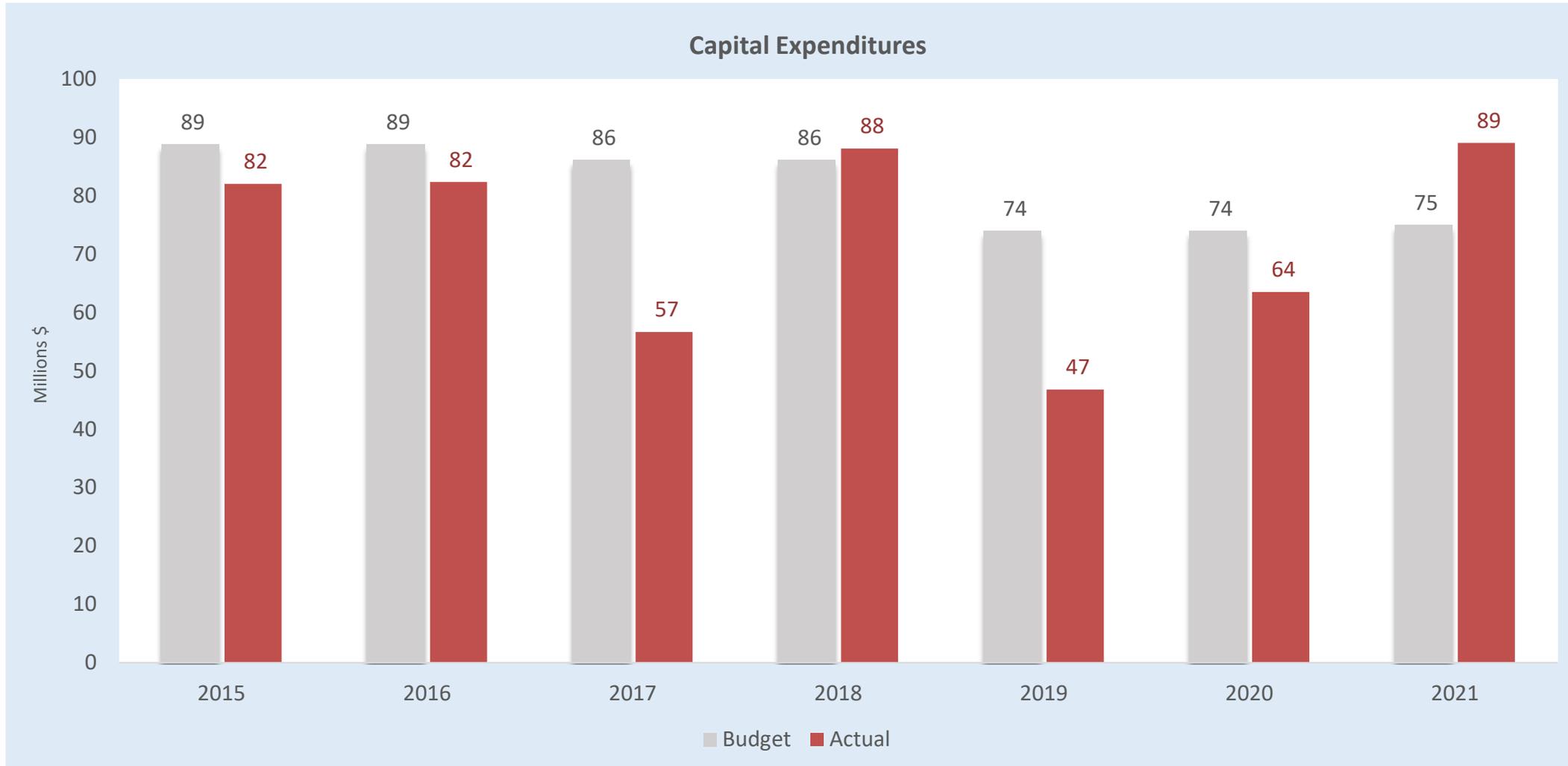
Budget vs Actual Trends: Other O&M



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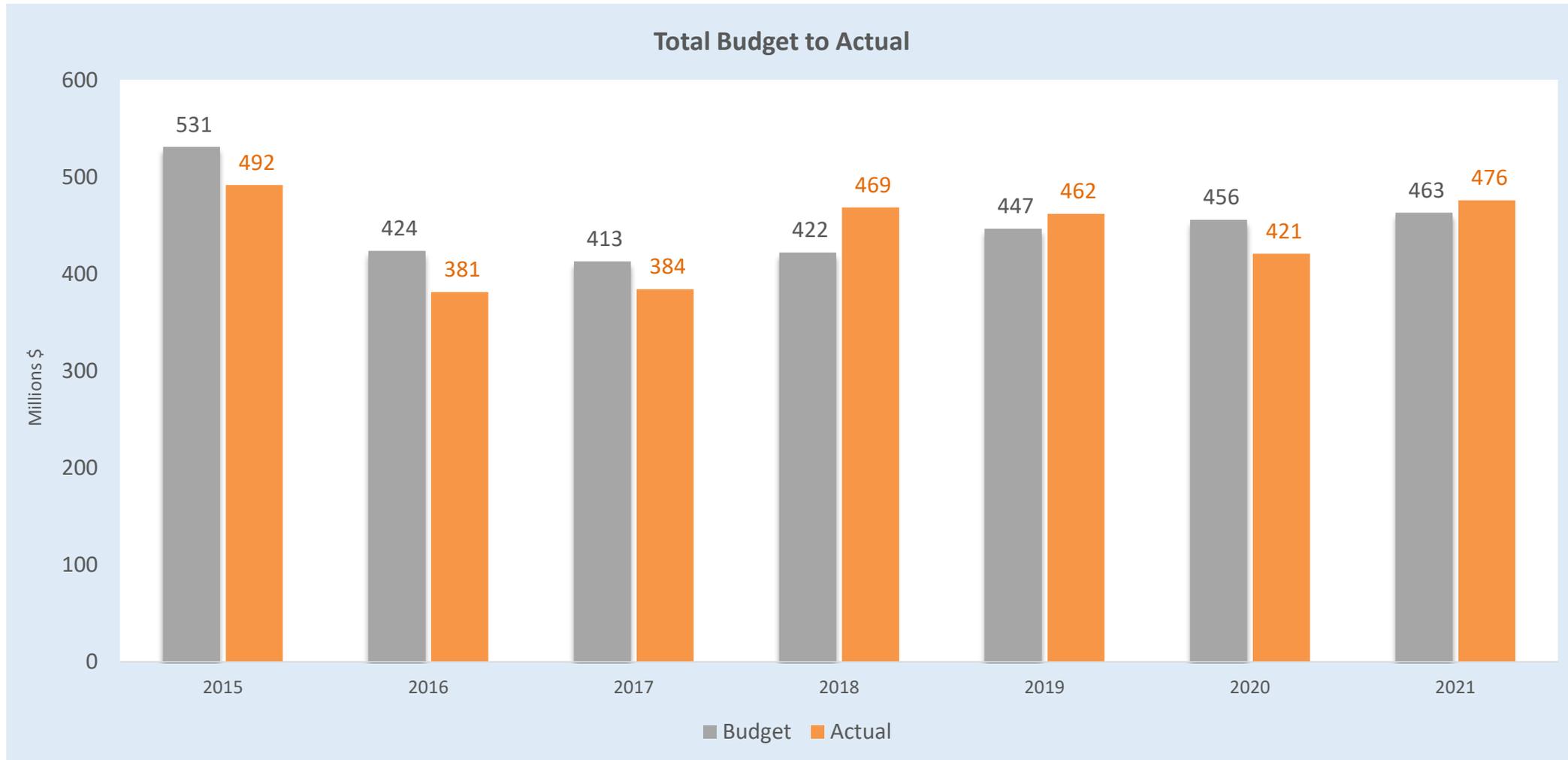


Budget vs Actual Trends: Capital



Excludes Click! Network

Budget vs Actual Trends: Summary



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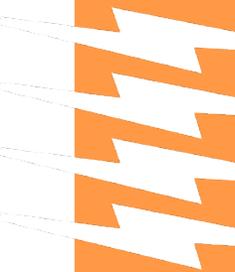
Budget vs Actual Trends: Key Takeaways

REVENUES

- Retail revenue actuals are typically close to budget, impacted by weather
- Wholesale revenues are highly variable due to power market prices and water conditions
- Adverse water planning assumption has been effective
- Surplus revenues reduce future rate increases

EXPENSES

- Our budgeting accuracy has improved over the years
- It varies by year: sometimes we're over, sometimes we're under
- On average, actuals are 3% under budget over time

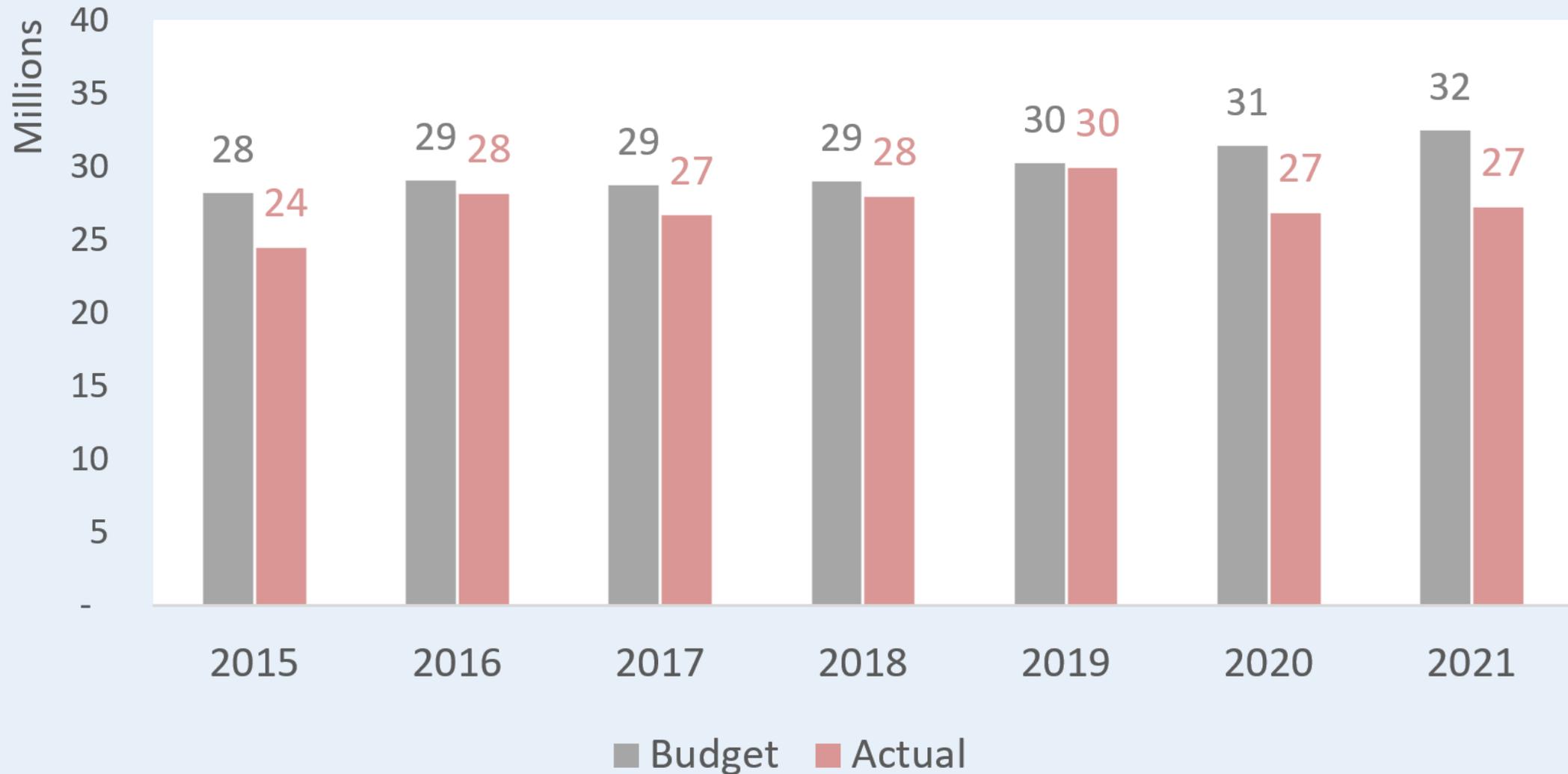


Tacoma Rail Budget vs Actual Trends

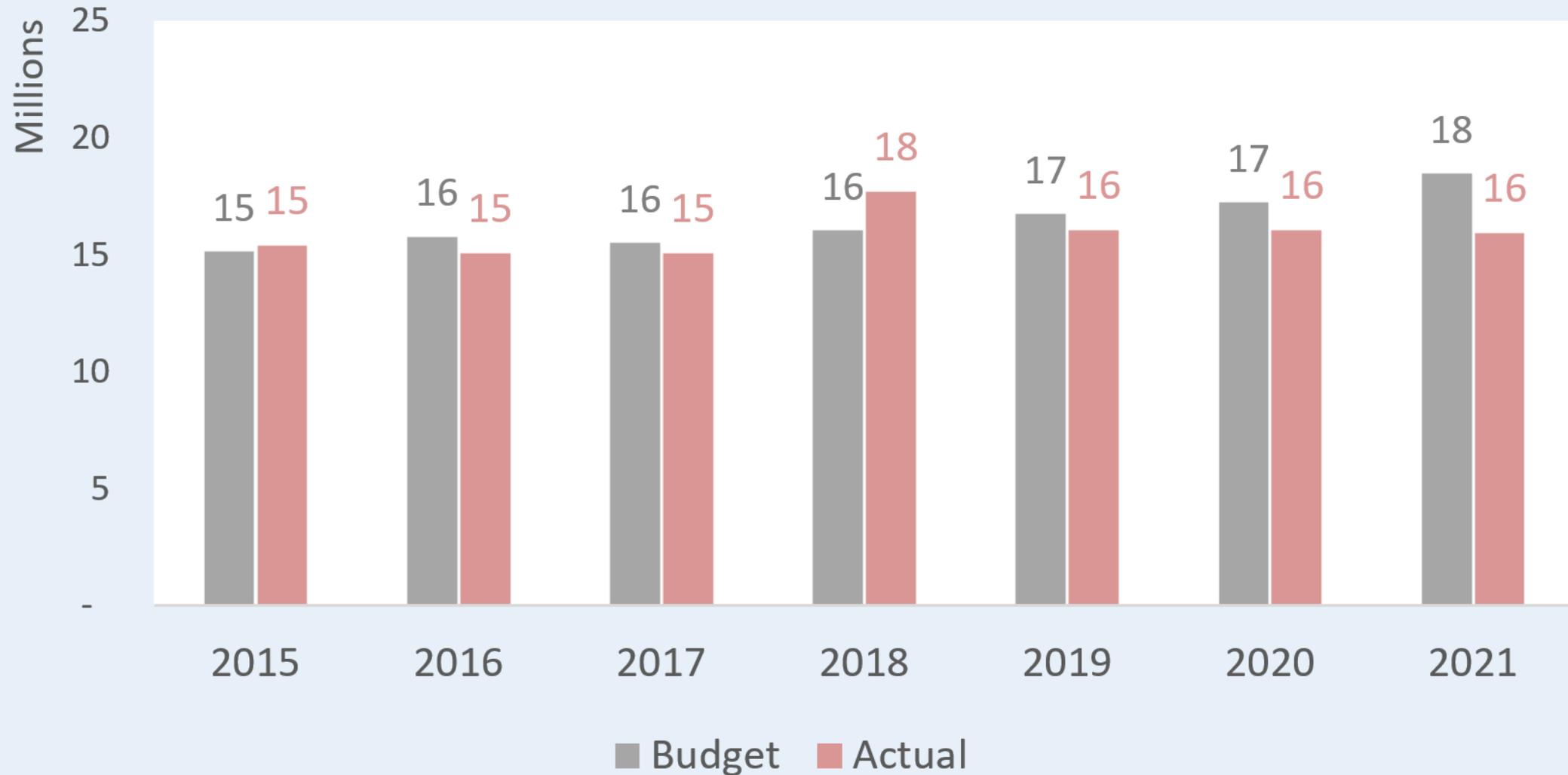
May 25, 2022

Budget vs Actual Trends

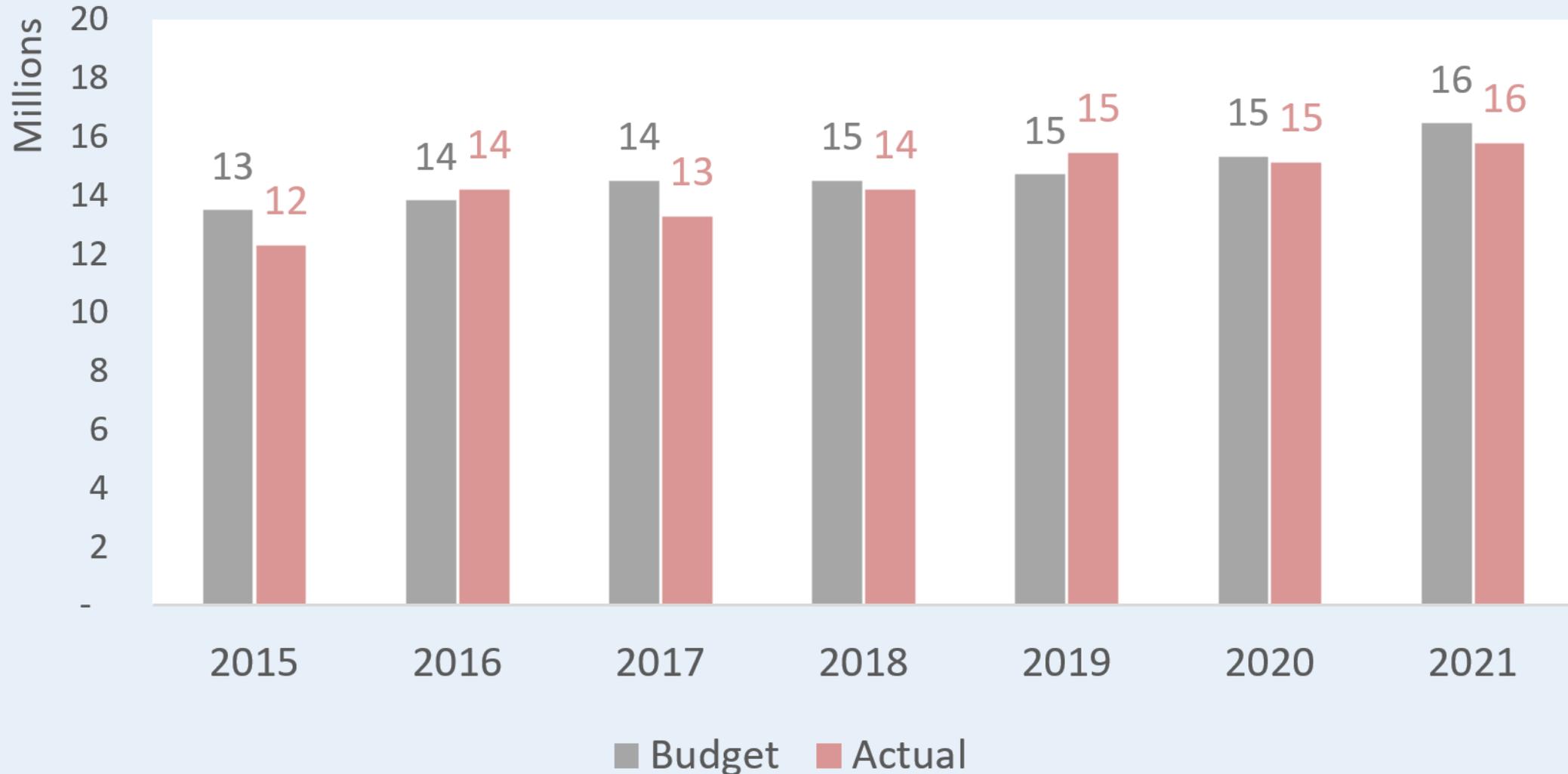
Line Haul & Switching Revenue



Personnel Costs



Other Operating & Maintenance Expenses



Revenue Funded Capital Outlay

