

Tacoma Water Financial Outlook

1st Quarter 2023

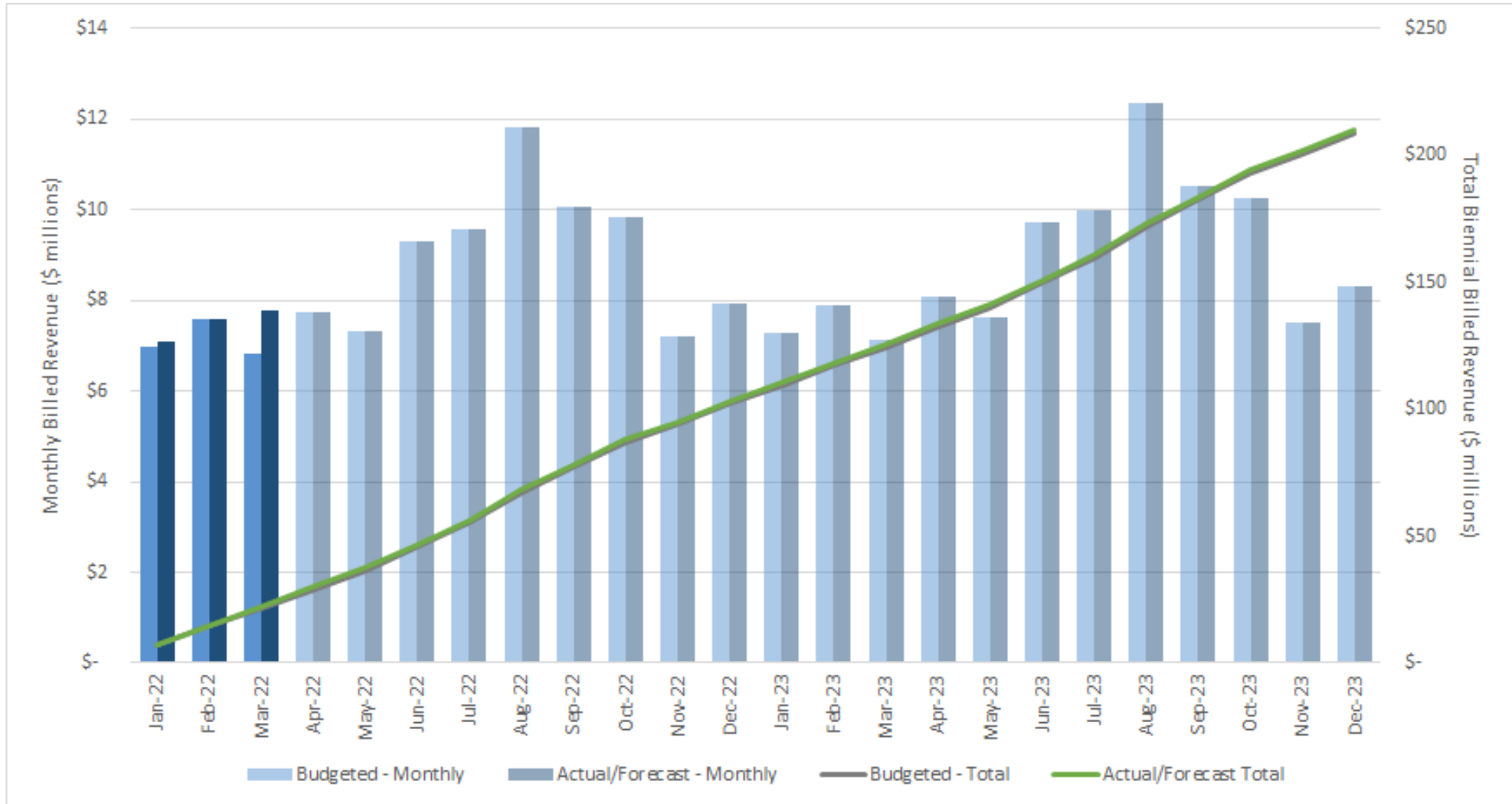
May 24, 2023



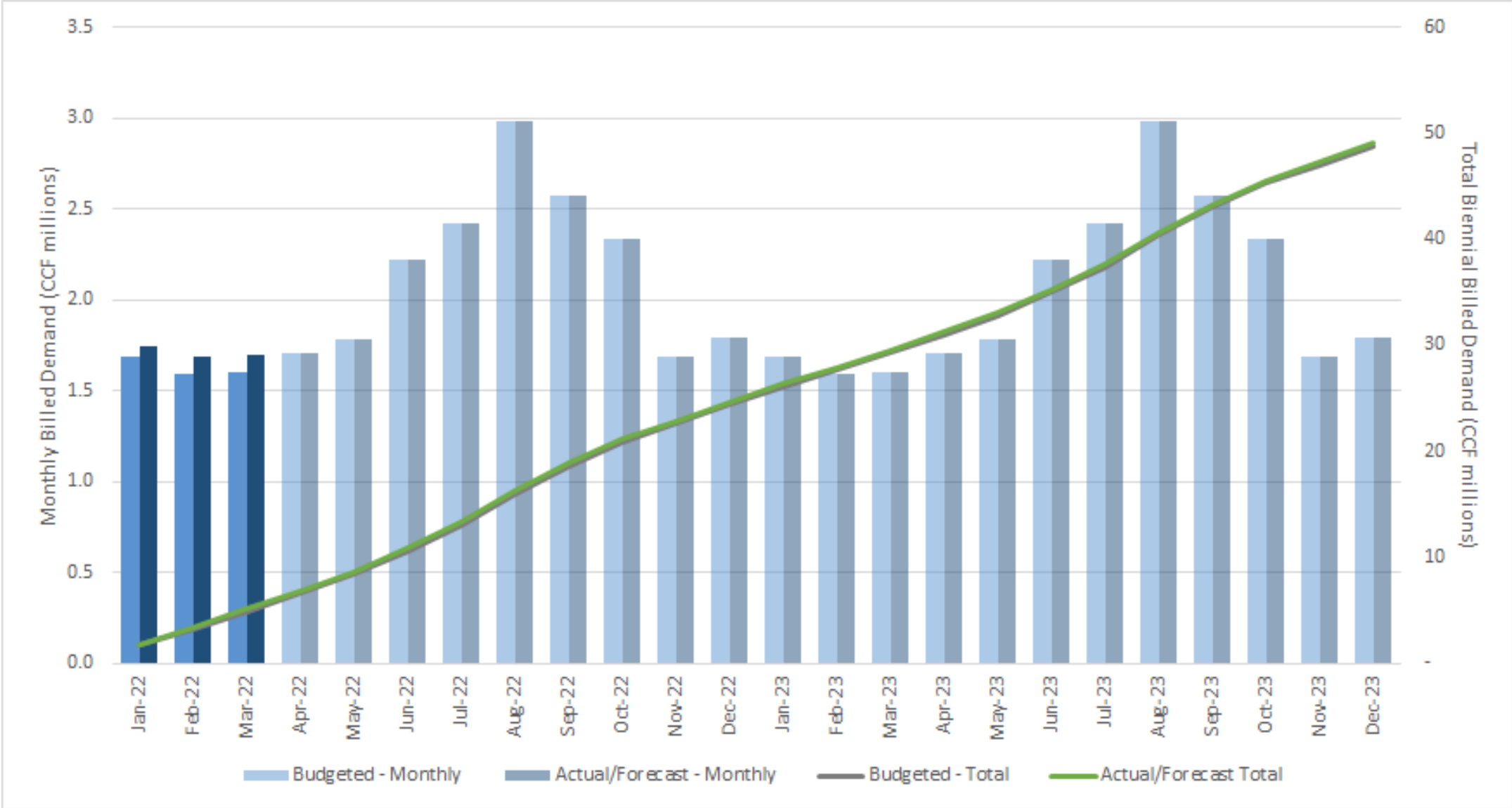
2023/2024 Biennium Summary of Financial Outlook

- *This report incorporates actual revenues and expenditures through March with projections for the remainder of the biennium*
- **Forecast for total revenue is \$1.5M or 1% over budget**
 - Q1 challenges: No significant challenges in the first quarter
 - Q1 strengths: Total demand slightly higher than budget each month
 - Q2 outlook: WestRock shut-down in May has been included in the projection, weather in June can have large impacts to summer water sales and may adjust projection
- **Forecast for operating expenditures is \$364,000 under budget**
 - Q1 challenges: Impacts from implementation of Class & Comp study, hiring, and retention
 - Q1 strengths: Capital program moving forward as planned and is supported by the implementation of new planning tools and processes
 - Q2 outlook: May see personnel expenses over budget as positions are filled and appeals are approved, savings from 2013 bond refundings may offset some of this overage

Billed Revenue



Billed Demand



2023/2024 Biennium Forecast vs. Budget

1. Total Revenue

- Billed Water Sales were about \$1.1 million over budget during the first quarter, primarily due to increased demand from Commercial, and Large Volume customers
- Non-Operating revenue is about \$400,000 over budget due to higher than planned interest earned on cash balances (plan is conservative)

2. Personnel Expenses

- \$342,000 under budget biennium to date, this low variance includes about \$800,000 planned reduction for vacancy factor (variance \$1.3 million under without factor)
- At the end of the first quarter there were 42 vacancies, or a 13% vacancy rate
- This projection will be updated with results from Class & Comp appeals and the savings to date are likely to be used as positions are filled and appeals approved

3. Supplies, Services and Other Charges

- This expense category is projected to be \$110,000 under budget in total
- Assessments are only about \$220,000 under budget overall
- Bad Debt Expense is back to normal levels and is slightly under budget this quarter
- These and other items that are slightly under budget are mostly offset by several other items, including operating supplies, that are slightly over budget

2023/2024 Biennium Forecast vs. Budget

4. Total Revenue less Total Expenditures

- Projected to be \$1.9 million over budget based on these updates

5. Capital Outlay

- The 2023/24 capital plan is funded entirely from operating and capital reserves and include a carryforward factor reduction to account for projects that span biennia
- We are monitoring the capital plan and several projects are forecast to be higher than budgeted, currently we expect that these increases will be offset by lower spending in other projects including contingency

6. Projected Cash Ending Cash Balance

- Operating reserve spend down is projected to be \$20.3 million this biennium
- The cash balance projection includes adjustments for working capital to date to reflect changes in accounts receivables, payables and accruals

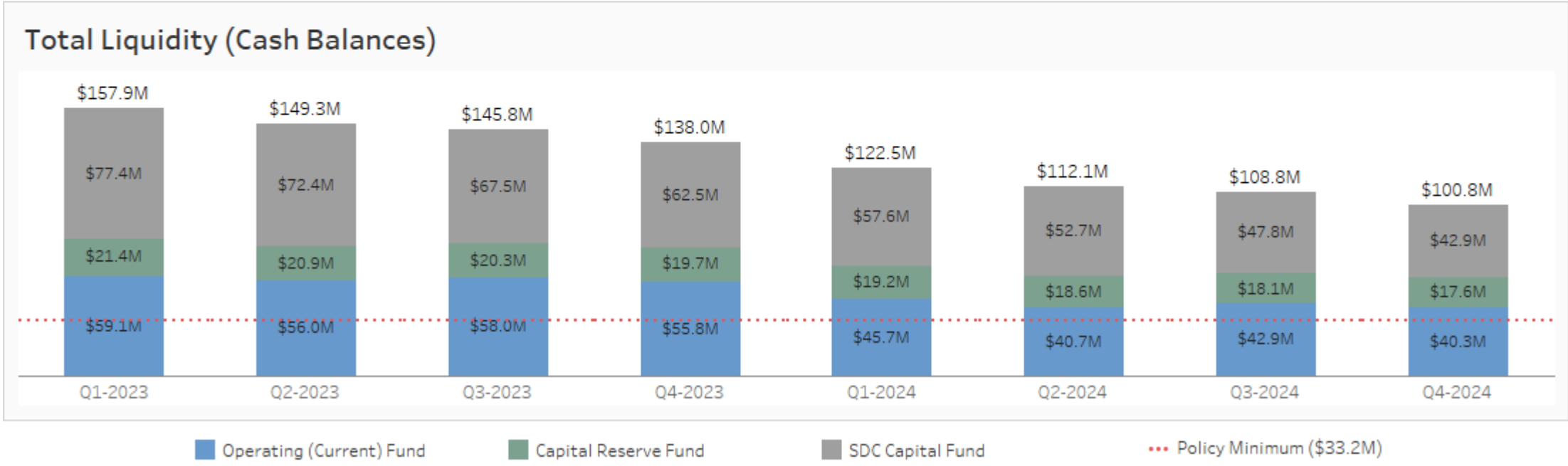
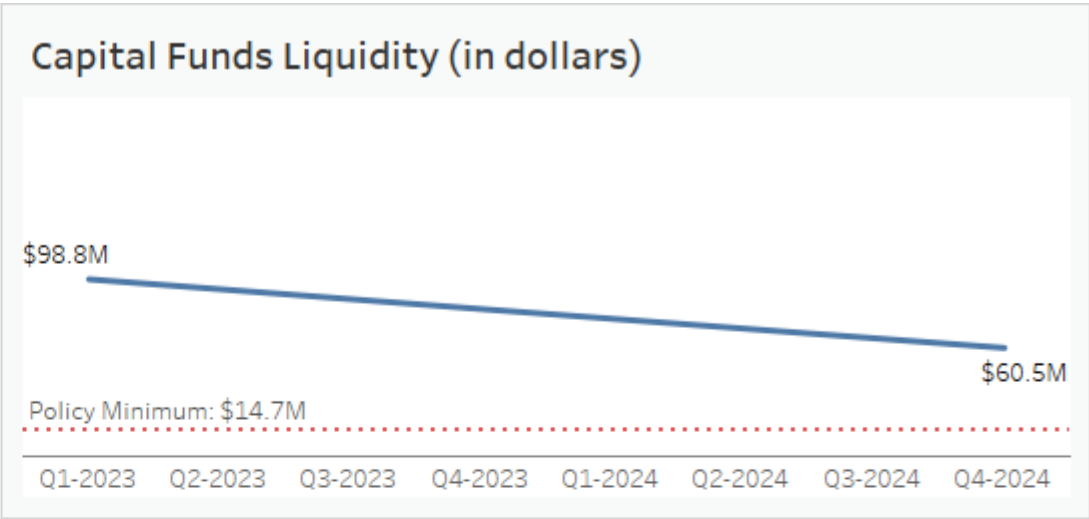
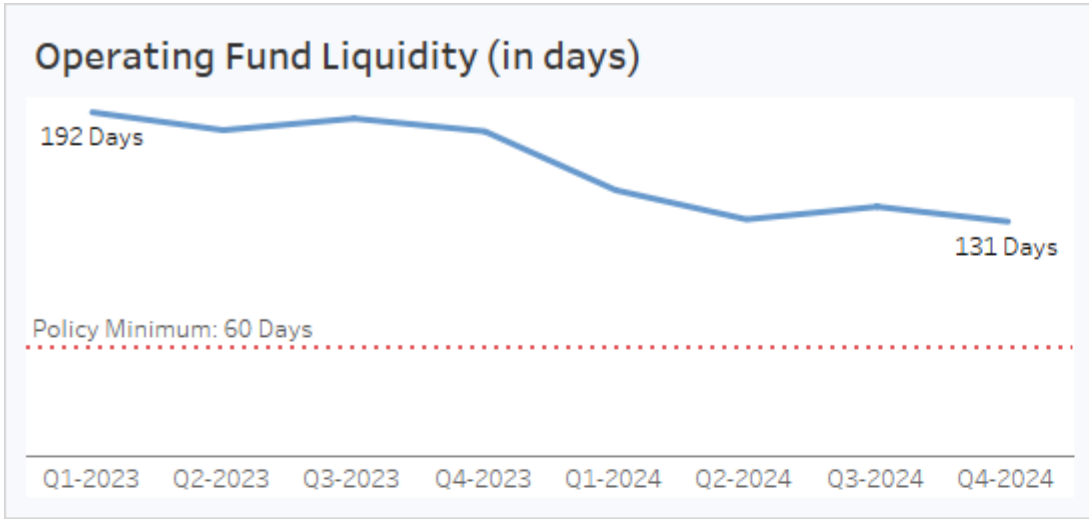
2023/2024 Biennium Forecast vs. Budget

All \$'s in 1000's	2023			2024			Total Biennium		Biennium	
	Budget	Forecast	Difference	Budget	Forecast	Difference	Budget	Forecast	Difference \$	Difference %
Revenue										
Residential Water Sales	71,451	71,478	27	74,621	74,621	-	146,072	146,099	27	0%
Pulp Mill Water Sales	7,607	7,678	71	7,912	7,912	-	15,519	15,590	71	0%
Wholesale Water Sales	2,812	2,784	(28)	2,937	2,937	-	5,749	5,721	(28)	0%
Other Water Sales	20,327	21,327	1,000	21,229	21,229	-	41,556	42,556	1,000	2%
Other Operating Revenue	3,652	3,676	24	3,711	3,711	-	7,363	7,387	24	0%
Total Operating Revenue	105,849	106,943	1,094	110,410	110,410	-	216,259	217,353	1,094	1%
Non-Operating Revenue (includes BAB's subsidy)	3,737	4,146	409	3,387	3,387	-	7,124	7,533	409	6%
Total Revenue	109,586	111,089	1,503	113,797	113,797	-	223,383	224,886	1,503 (1)	1%
Expenditures										
Personnel Costs	35,596	35,254	(342)	37,547	37,547	-	73,143	72,801	(342) (2)	0%
Supplies, Other Services & Charges	36,678	36,568	(110)	38,215	38,215	-	74,893	74,783	(110) (3)	0%
Debt Service	23,928	23,928	-	22,171	22,171	-	46,099	46,099	-	0%
Taxes	14,961	15,049	88	15,520	15,520	-	30,481	30,569	88	0%
Total Expenditures	111,163	110,799	(364)	113,453	113,453	-	224,616	224,252	(364)	0%
Total Revenue less Total Expenditures	(1,577)	290	1,867	344	344	-	(1,233)	634	1,867 (4)	
Reconciling Cash Items		3,645								
Appropriation from Current Fund	(1,577)	290	1,867	344	344	-	(1,235)	634	1,867	
Capital Outlay Financing Detail										
Funded from Operating Reserve	12,692	8,905	(3,787)	12,692	15,655	2,963	25,384	24,560	(824)	-3%
Funded from Capital Reserves	23,684	25,190	1,506	23,684	22,178	(1,506)	47,368	47,368	-	0%
Total Capital Outlay	36,376	34,095	(2,283)	36,376	37,833	1,457	72,752	71,928	(824) (5)	-1%
Debt Service Coverage Ratio		2.21x			2.09x			2.09x		
EOY Current Fund (Jan 2023 Beg Balance \$60,380)		55,409			40,097			40,097	(6)	

Aging of Accounts Receivable



2023/2024 Projected Liquidity & Cash Balance as of 3/31/23



Tacoma Power Financial Outlook

1st Quarter 2023

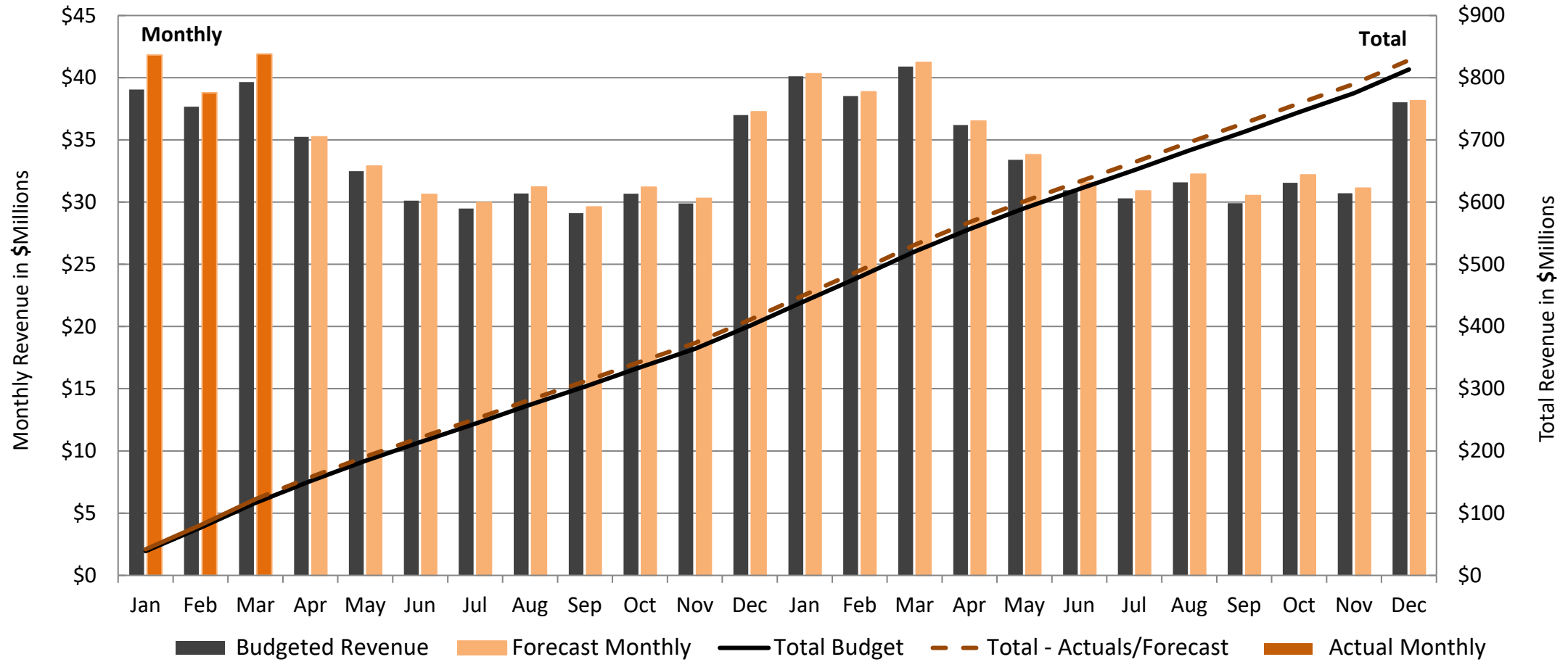
May 24, 2023

Forecasting Practices

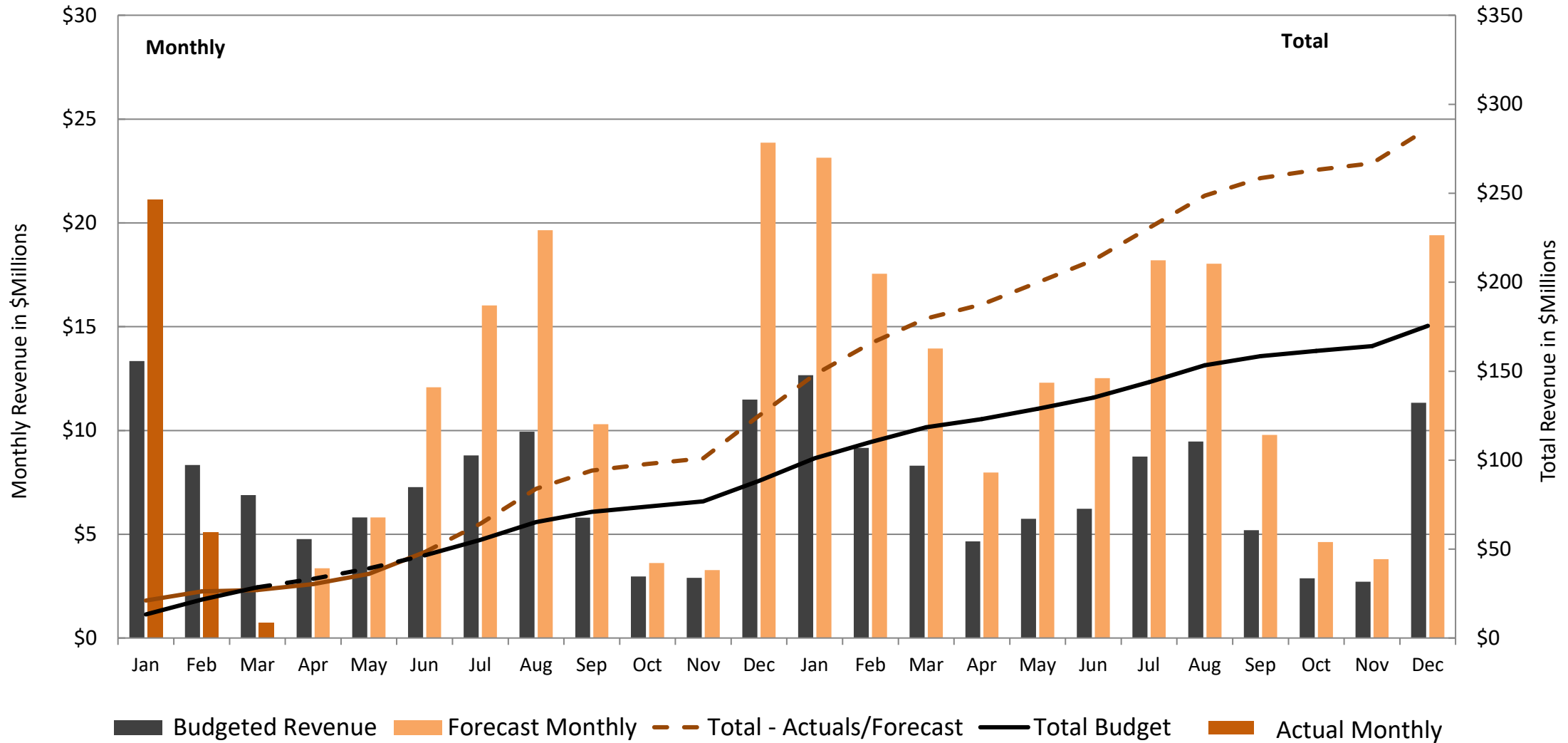


- March 2023 Actuals
 - Adverse water conditions
 - 2022 load forecast
 - Budgeted Personnel and O&M expenditures
 - Project estimates of capital spending
- **Forecast for total revenue is \$132.3 million more than budget**
 - Q1 Strengths: Retail sales above projections, Wholesale market prices were 1.4 times the budgeted prices.
 - Q1 Challenges: Inflows to our hydro projects were below average due to a dry first quarter.
 - Q2 Outlook: High wholesale market prices projected through year-end.
 - **Forecast for total expenditures is \$38 million more than budget**
 - Q1 Strengths: Bad debt expenses are reduced. Most expenses are currently under budget through Q1.
 - Q1 Challenges: None.
 - Q2 Outlook: High wholesale power prices may increase wholesale power purchase expenses and taxes.

2023/2024 Electric Retail Revenues



2023/2024 Gross Wholesale Revenues



2023/2024 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Revenue More Than Budget: \$132.3 million (12.4%)

1. Retail Revenues: forecast to be \$15 million more than budget (1.8%).
 - First quarter retail revenues were \$6.1 million more than budget due to colder than normal weather which increased heating loads and retail sales.
2. Gross Wholesale Revenues: forecast is \$110.8 million more than budget (63.2%).
 - Gross biennium wholesale revenue in first quarter very close to budget due to very high wholesale prices despite poor water conditions.
 - Wholesale power prices in Q1 were approximately 144% higher than what was assumed in the budget.
 - Water conditions at our hydro projects were very dry through March 2023 but are expected to improve once the heavy snowpack melts.
 - Forecasts reflect higher wholesale sales and projected power market prices vs. budgeted values in future months.

2023/2024 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Expenditures More Than Budget: \$38.0 million (3.5%)

3. Purchased power expenses: forecast is \$36.5 million more than budget (10.4%)
 - Overall, purchased power expenses were \$4.4 million under budget in Q1 2023.
 - BPA contract purchases are \$1.5 million under budget due to a rate reduction credit we will receive over the next year.
 - Purchased power expenses through the end of the biennium are forecasted higher than budget due to high wholesale market prices, resulting in high wholesale purchase expenses.
4. Personnel expenses: forecast is \$1.0 million less than budget (-0.4%)
 - Actual personnel expenses were under budget in Q1 2023 by approximately \$1 million.
 - Future personnel expense forecasts reflect approved budget.
5. Supplies, Other Services, & Charges: forecast is \$8.4 million less than budget (-4.2%)
 - Other O&M biennium spending in Q1 2023 is under budget by \$8.4 million.
 - First quarter 2023 Other O&M underspending is related to timing differences between planned spending and when actual costs occurred, primarily in external contracts and professional services.

2023/2024 Biennium Forecast vs. Budget

Notes listed on this slide correlate to the subsequent chart.

Forecast for Expenditures, More Than Budget: \$38.0 million (cont.)

6. Revenue funded capital expenses: forecast to be \$1.1 million less than budget (-1.3%)
 - Actual biennium revenue-funded capital spending is \$1.7 million less than budget in Q1 2023.
 - However, this may be off-set by bond-funded capital which is forecast to be \$15 million more than budget.
7. Taxes: forecast is \$11.7 million more than budget (9.5%)
 - Our Q1 Gross Earnings Taxes are slightly higher than budget due to higher wholesale revenues.
8. Overall, we are forecasting total expenditures to be over budget by \$38 million, not including bond-funded capital spending.

Forecast for Net Revenues More Than Budget: \$94.3 million

9. Net Revenue forecast to be \$94.3 million more than budget, not including our bond-funded capital spending.

2023/2024 Biennium Forecast vs. Budget

Tacoma Power

2023/2024 Biennium Adjusted Estimates Comparison to Budget

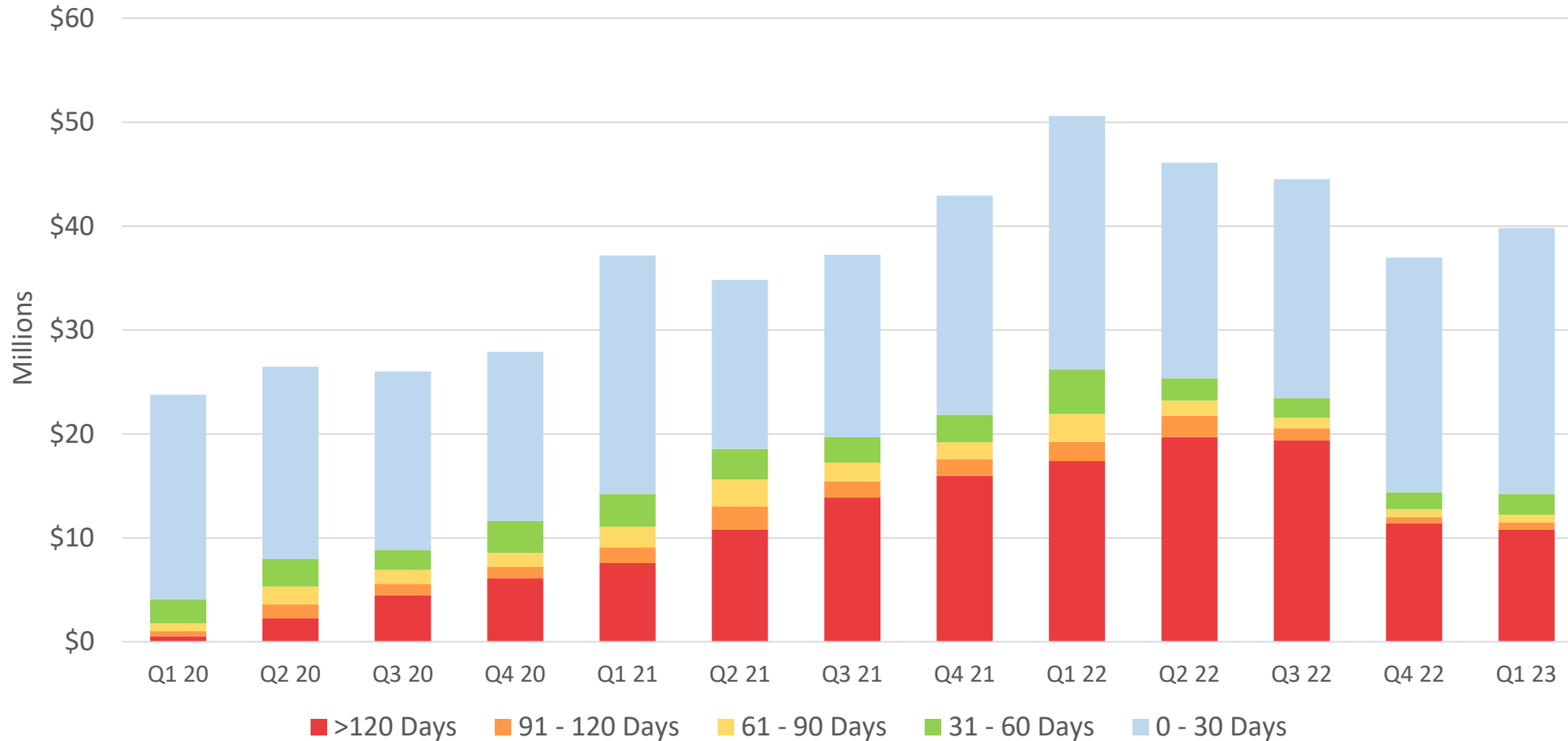
as of 3/31/2023

All \$'s in 1000's

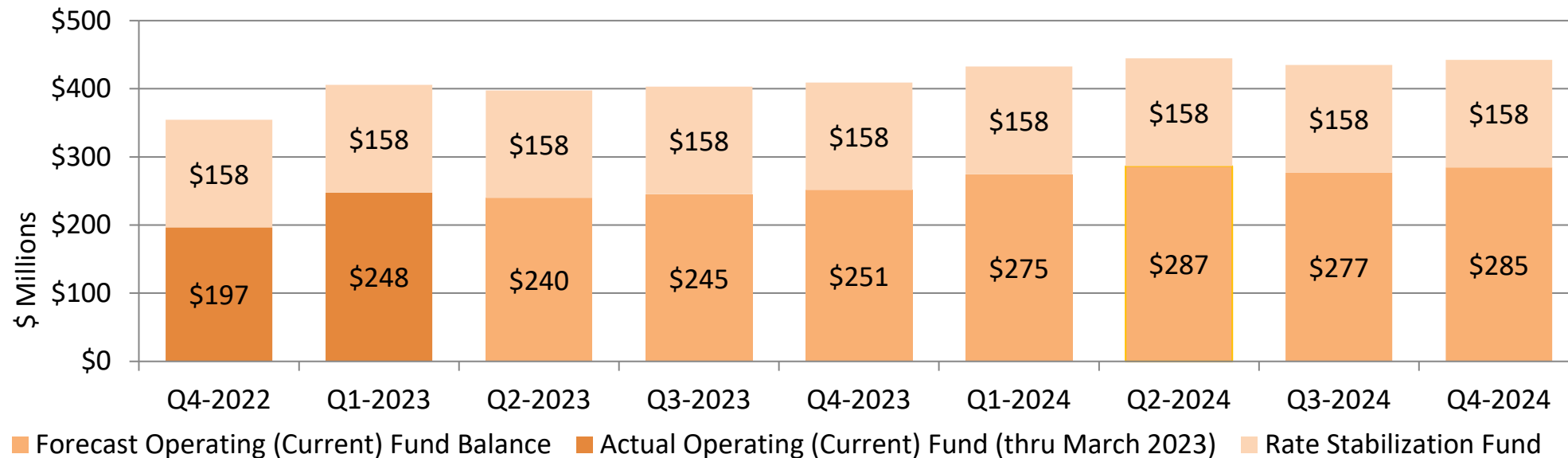
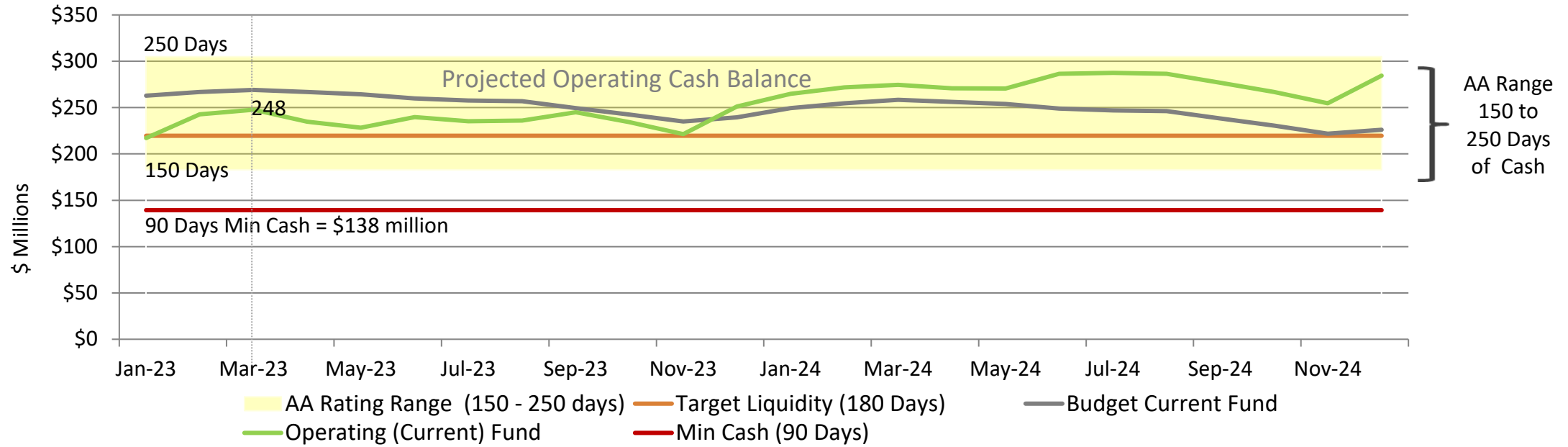
	2023 Budget	2023 Actual / Forecast	2023 Difference	2024 Budget	2024 Forecast	2024 Difference	Total Biennium Budget	Total Biennium Actual	Biennium Difference	Note	Biennium Diff. (%)
Revenue											
Retail Sales	\$401,034	\$410,763	\$9,728	\$412,109	\$417,394	\$5,285	\$813,143	\$828,157	\$15,014	(1)	1.8%
Bulk Power (wholesale) Sales	\$88,337	\$124,974	\$36,636	\$87,109	\$161,316	\$74,207	\$175,446	\$286,290	\$110,843	(2)	63.2%
Transfer to Rate Stabilization Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Other Electric Revenue	\$24,047	\$27,537	\$3,491	\$28,428	\$28,428	\$0	\$52,475	\$55,965	\$3,491		6.7%
Total Operating Revenue	\$513,418	\$563,274	\$49,856	\$527,646	\$607,138	\$79,492	\$1,041,064	\$1,170,412	\$129,348		12.4%
Other Income	\$11,494	\$12,830	\$1,336	\$12,295	\$13,923	\$1,628	\$23,788	\$26,753	\$2,965		12.5%
Total Revenue	\$524,912	\$576,104	\$51,192	\$539,940	\$621,061	\$81,121	\$1,064,852	\$1,197,165	\$132,312		12.4%
Expenses											
Purchased Power & RECs	\$175,354	\$191,232	\$15,878	\$176,643	\$197,304	\$20,661	\$351,997	\$388,536	\$36,539	(3)	10.4%
Personnel Costs	\$126,681	\$125,668	(\$1,013)	\$136,522	\$136,522	\$0	\$263,204	\$262,190	(\$1,013)	(4)	-0.4%
Supplies, Other Services & Charges	\$103,339	\$94,937	(\$8,402)	\$98,555	\$98,555	\$0	\$201,894	\$193,492	(\$8,402)	(5)	-4.2%
Revenue Funded Capital Outlay	\$41,319	\$35,691	(\$5,627)	\$41,319	\$45,839	\$4,520	\$82,637	\$81,530	(\$1,107)	(6)	-1.3%
Debt Service	\$32,137	\$32,416	\$279	\$35,922	\$35,922	\$0	\$68,059	\$68,338	\$279		0.4%
Taxes	\$60,797	\$64,864	\$4,067	\$62,696	\$70,328	\$7,632	\$123,493	\$135,192	\$11,699	(7)	9.5%
Total Expenses	\$539,628	\$544,809	\$5,181	\$551,657	\$584,470	\$32,813	\$1,091,285	\$1,129,279	\$37,994		3.5%
Total Revenues less Expenses	(\$14,716)	\$31,295	\$46,011	(\$11,717)	\$36,591	\$48,308	(\$26,432)	\$67,886	\$94,319	(9)	
Capital Outlay Financing Detail											
Funded From Current Fund	\$41,319	\$35,691	(\$5,627)	\$41,319	\$45,839	\$4,520	\$82,637	\$81,530	(\$1,107)		-1.3%
Funded From Bond Fund	\$48,371	\$59,619	\$11,248	\$48,371	\$52,137	\$3,766	\$96,742	\$111,756	\$15,014		15.5%
Total Capital Outlay	\$89,690	\$95,310	\$5,620	\$89,690	\$97,976	\$8,287	\$179,379	\$193,286	\$13,907		7.8%
Ratios											
Debt Service Coverage Ratio	2023 Budget 1.83	2023 Forecast 3.07	2023 Diff. 1.24	2024 Budget 2.03	2024 Forecast 3.29	2024 Diff. 1.26					
Days Liquidity	339	344	5	322	354	32					
EOY Rate Stabilization Fund Balance	\$63,000	\$158,000	\$95,000	\$63,000	\$158,000	\$95,000					
EOY Current Fund Balance	\$239,410	\$251,079	\$11,669	\$226,213	\$284,533	\$58,320					
Total Liquidity	\$302,410	\$409,079		\$289,213	\$442,533						

Aging of Accounts Receivable

Receivables Balances >120 days reduced



2023/2024 Projected Liquidity Balance as of 3/31/23



Tacoma Rail Financial Outlook

1st Quarter 2023

May 24, 2023

2023/2024 Biennium Summary of Assumptions

- Incorporates actual revenues and expenditures through March 2023 with projections for the remainder of the biennium
- **Forecast for total revenues is \$1.3M or 2% above budget**
 - Q1 Challenges: Intermodal volumes are 3% above budget for Q1, however, April 2023 intermodal volumes are 7% below budget. Intermodal continues to be sporadic.
 - Q1 Strengths: Commercial railcar volume is 4% above budget for Q1 and continues to look strong. Demurrage revenue was 55% above budget.
 - Q2 Outlook: Railcar volumes to continue to increase, however, intermodal likely to be under budget with current projections.
- **Forecast for total expenditures is \$1.4M or 2% under budget**
 - Q1 Challenges: Supply chain constraints continue to affect expenses and capital project completions.
 - Q1 Strengths: Filling vacant budgeted FTE's needed for railroad service.
 - Q2 Outlook: Continue to work through supply chain challenges and associated costs.

2023/2024 Biennium Summary of Rail Volumes

Quarter	2021		2022		%	
	Intermodal	Commercial	Intermodal	Commercial	Intermodal	Commercial
1	41,275	12,485	39,562	11,350	-4%	-9%
2	55,680	14,124	29,870	13,593	-46%	-4%
3	47,453	13,496	33,437	13,442	-30%	0%
4						
Total	144,408	40,105	102,869	38,385	-29%	-4%

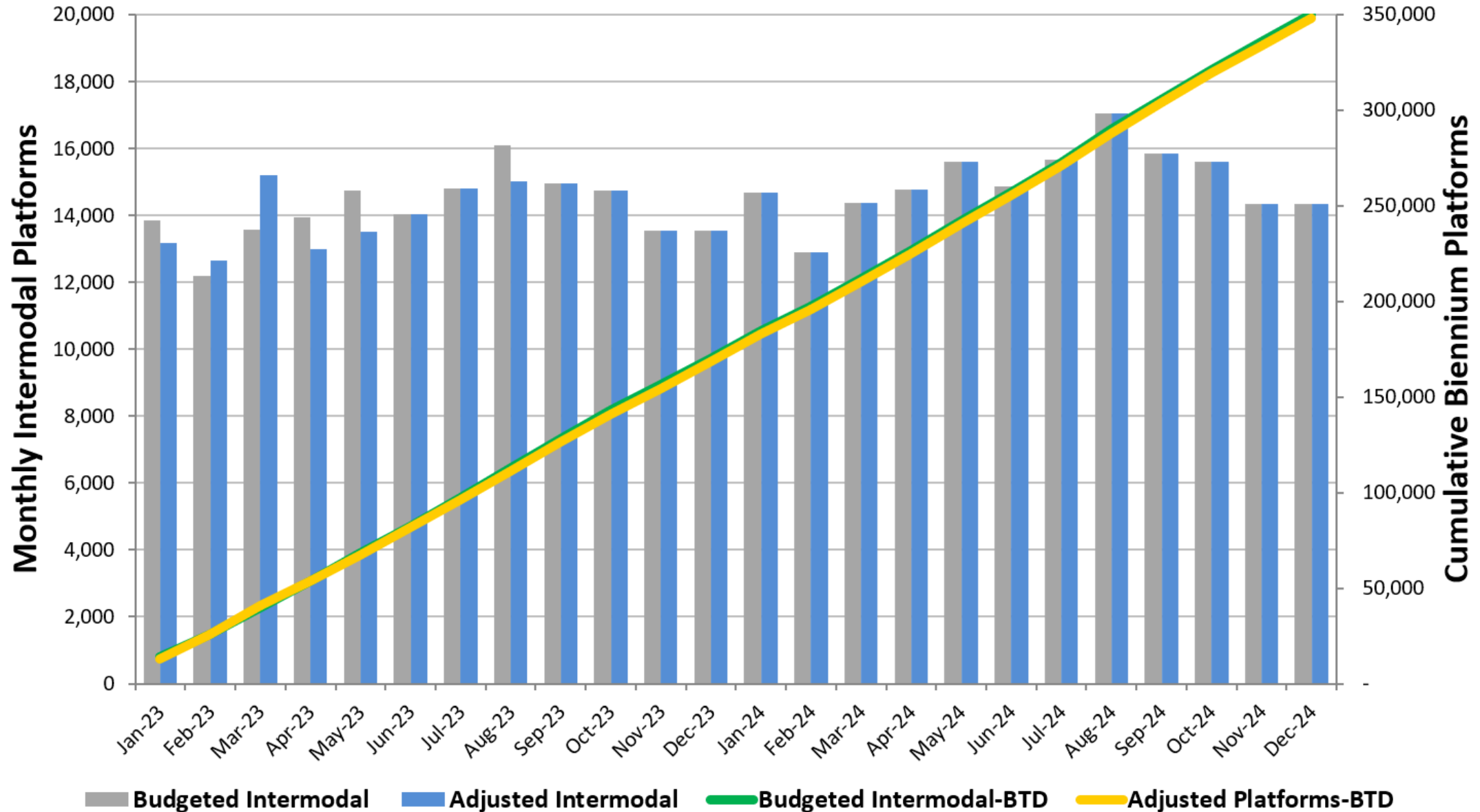
- Intermodal:

- Year over year: NIM **-11%**, PCT **14%**, WUT **5%**, SIM **+33%**
- Budgeted volumes: **3%**

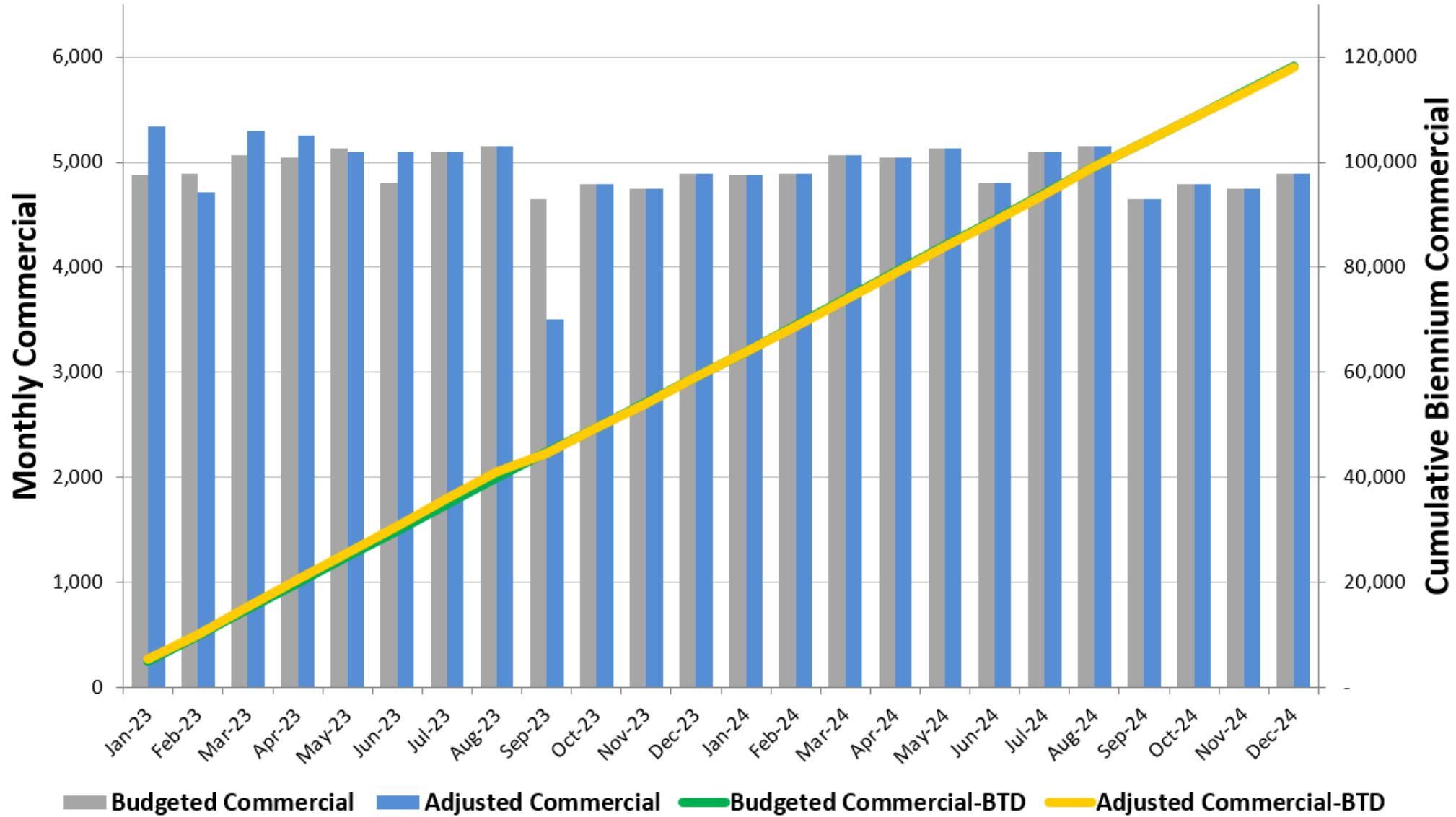
- Commercial:

- Year over year: US Oil **+38%**, SeaPort Sound **-1%**, AWC **+8%**, WWS **+695%**
- Budgeted volumes: **4%**

Intermodal Volumes



Commercial Volumes



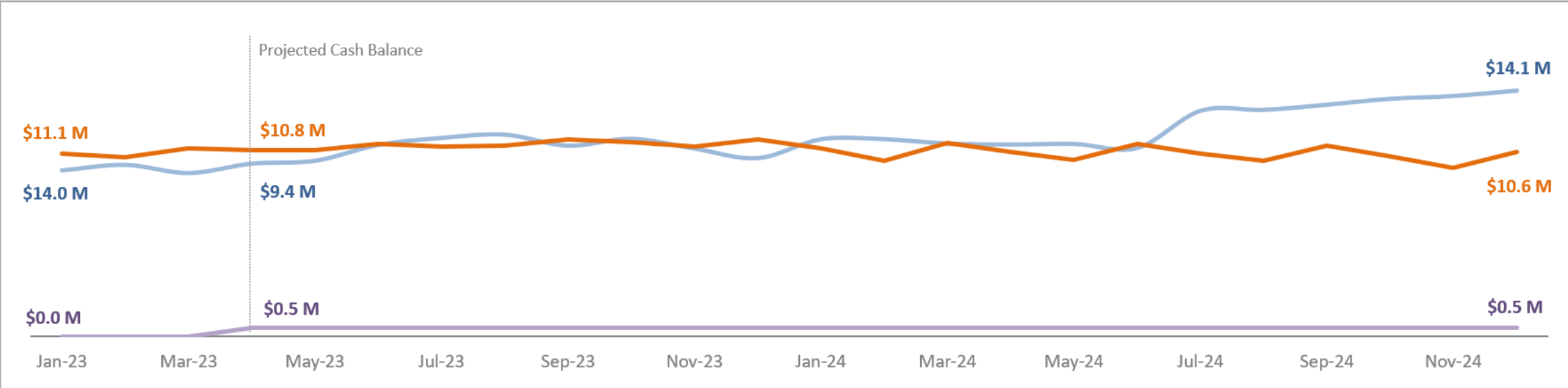
2023/2024 Biennium Forecast vs. Budget

1. Railcar volumes above budget for first quarter.
2. Railcar dwell above budgeted demurrage revenue
3. Unfilled budgeted positions
4. Capital outlay reduction due to battery electric locomotive grant funds not available until 2025. Projects shifting between 2023 and 2024 due to supply chain expectations.
5. Volume Investment Fund established with \$500K per approved Rail Rate Policy

2023/2024 Biennium Forecast vs. Budget

	2023 Budget	2023	2023 Difference	2024 Budget	2024 Forecast	2024 Difference	Budget Biennium	Adjusted Forecast	Biennium Difference	Biennium Diff. (%)
Revenue										
Switching Revenue	\$ 30,482	\$ 31,074	\$ 591	\$ 32,677	\$ 32,677	\$ -	\$ 63,159	\$ 63,751	\$ 591	1% (1)
Demurrage Fees	1,500	1,833	333	1,500	1,500	-	3,000	3,333	333	11% (2)
Locomotive Servicing	1,227	1,340	113	1,227	1,227	-	2,454	2,567	113	5%
Total Operating Revenue	\$ 33,422	\$ 34,763	\$ 1,340	\$ 35,617	\$ 35,617	\$ -	\$ 69,040	\$ 70,380	\$ 1,340	2%
Interest	118	132	14	118	118	-	235	249	14	6%
Rent & Misc Income	481	438	(43)	481	481	-	962	919	(43)	-4%
Total Revenue & Avail Funds	\$ 34,021	\$ 35,332	1,311	\$ 36,216	\$ 36,216	\$ -	\$ 70,238	\$ 71,549	\$ 1,311	2%
Expenditures										
Personnel Costs	\$ 17,887	\$ 17,492	\$ (395)	\$ 18,572	\$ 18,572	\$ -	\$ 36,459	\$ 36,064	\$ (395)	-1% (3)
Supplies, Other Services	9,787	10,624	837	9,686	9,686	-	19,473	20,309	837	4%
Current Fund Capital Outlay	1,355	3,133	1,778	4,365	670	(3,695)	5,720	3,803	(1,917)	-34% (4)
Debt Service	968	908	(61)	897	897	-	1,865	1,805	(61)	-3%
Taxes	3,309	3,398	89	3,432	3,508	76	6,741	6,906	165	2%
Total Expenditures	\$ 33,306	\$ 35,555	\$ 2,249	\$ 36,952	\$ 33,332	\$ (3,619)	\$ 70,258	\$ 68,887	\$ (1,371)	-2%
Total Revenues Less Expenditures	\$ 716	\$ (222)	\$ (938)	\$ (736)	\$ 2,884	\$ 3,619	\$ (20)	\$ 2,662	\$ 2,682	
Appropriation from Current Fund	\$ (716)	\$ 334	\$ 1,049	\$ 736	\$ (3,869)	\$ (4,604)	\$ 20	\$ (2,662)	\$ (2,682)	
Capital Outlay Financing Detail										
Funded from Current Fund	\$ 1,355	\$ 3,133	\$ 1,778	\$ 4,365	\$ 670	(3,695)	\$ 5,720	\$ 3,803	\$ (1,917)	-34%
Grants, Transfers & Pledges	1,715	1,125	(590)	4,645	1,400	(3,245)	6,360	2,525	(3,835)	-60%
Funded from New Debt	590	1,916	1,326	1,400	1,790	390	1,990	3,706	1,716	86%
Total Capital Outlay	\$ 3,660	\$ 6,174	\$ 2,514	\$ 10,410	\$ 3,860	\$ (6,550)	\$ 14,070	\$ 10,034	\$ (4,036)	-29%
Starting Cash Balance	\$ 10,589	\$ 10,589	-	\$ 11,305	\$ 10,255	(1,049)	\$ 10,589	\$ 10,589	0%	0%
EOY Current Fund Balance	\$ 11,305	\$ 10,255	(1,049)	\$ 10,569	\$ 14,124	3,555	\$ 10,569	\$ 14,124	34%	34%
Volume Investment Fund	\$ 500	\$ 500	-	\$ -	\$ -	-	\$ 500	\$ 500	0%	0% (5)

2023/2024 Projected Liquidity Balance as of 3/31/23



— Operating (Current) Fund — Budget — Volume Investment Fund

Projected days cash on hand: 147

