



20 Tacoma Rail 20 Annual Financial Report

FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2020
PREPARED BY THE FINANCE DEPARTMENT

TACOMA  RAIL
TACOMA PUBLIC UTILITIES

Public Utility Board

BRYAN FLINT

Chair

MARK PATTERSON

Vice-Chair

CHRISTINE COOLEY

Secretary

CARLOS M. WATSON

Member

JOE BUSHNELL

Member

JACKIE FLOWERS

Director of Utilities

DALE KING

Rail Superintendent

ANDREW CHERULLO

Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

This page has been left blank intentionally.

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

TACOMA RAIL

Table of Contents

Financial Data	1
Auditor's Report	2
Management Discussion and Analysis	4
Financial Statements	11
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	16
Notes to Financial Statements	18
Required Supplementary Information	33
Proportionate Share of the Collective OPEB Liability Last 10 Years	34
Statistical Data (Unaudited)	35
Ten-Year Financial Review	36
Ten-Year Switching Statistics	38
Comparison of Cars Switched and Switching Revenues	40
Funds Available for Debt Service	41
Taxes and Employee Welfare Contributions	42
Graphs	43

This page has been left blank intentionally.

Financial Data

Report of Independent Auditors

The Chair and Members of the Public Utility Board
City of Tacoma, Department of Public Utilities, Rail Division
Tacoma, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Department of Public Utilities, Rail Division (the Division), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Tacoma, Department of Public Utilities, Rail Division as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, and Schedule of Proportionate Share of the Collective OPEB Liability Last 10 Years, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The statistical data, graphs and the superintendent's report are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, on our consideration of City of Tacoma, Department of Public Utilities, Rail Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.



Tacoma, Washington
May 14, 2021

Management Discussion and Analysis

The following discussion and analysis of Tacoma Rail's financial performance provides an overview of the financial activities for the years ended December 31, 2020, 2019, and 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the financial activities, and identify changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2020 and 2019, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of Tacoma Rail's assets and deferred outflow of resources and liabilities and deferred inflow of resources, with the difference between the two reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, capital and related financing, non-capital financing and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of Tacoma Rail's presentation of financial position, results of operations and changes in cash flow.

Financial Highlights

In 2020, Tacoma Rail continued to meet its goal of providing efficient, cost-effective rail service in its service territory. Doing so requires a continued investment in infrastructure and enforcing a disciplined tactical plan to respond to fluctuations in local, national and world economies as they pertain to the rail industry.

The operating results for Tacoma Rail in 2020 indicate a decrease in both intermodal and non-intermodal traffic. Only three of Tacoma Rail's top 15 customers experienced growth from the prior year likely due to the COVID-19 pandemic. Tacoma Rail responded to the loss of line haul revenue with decreased expenses and deferred capital investment where appropriate. While stakeholders' prospects for a rapid turnaround in business volumes remains guarded, Tacoma Rail is positioned to handle the inevitable return of traffic to pre-COVID-19 levels.

Overview of the Financial Statements

Tacoma Rail is reporting a change in net position of \$4.8 million in 2020, compared to \$5.3 million in 2019, a decrease of \$0.5 million. The change in net position is predominately due to a decrease of \$3.3 million in operating revenues, an increase of \$89,000 in operating expenses, a decrease of \$141,000 in non-operating revenues, offset with an increase of \$1.1 million in contributions, and an increase in transfers of \$1.9 million.

In 2019, Tacoma Rail realized a change in net position of \$5.3 million, compared to \$2.0 million in 2018, an increase of \$3.3 million. The increase in net position was due to an increase of \$3.6 million in operating revenues, an increase of \$36,000 in operating expenses, an increase in non-operating revenue of \$279,000, and a decrease of \$66,000 in contributions.

The following table highlights Tacoma Rail's past three years' operating results.

OPERATING RESULTS
(in thousands)

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>20/19 Increase (Decrease)</u>	<u>19/18 Increase (Decrease)</u>
Operating Revenues	\$33,508	\$36,812	\$33,165	(\$3,304)	\$3,647
Operating Expenses	29,912	29,823	29,786	89	37
Operating Income	3,596	6,989	3,379	(3,393)	3,610
Net Non-Operating Revenues	1,352	1,493	1,215	(141)	278
Contributions	1,156	46	112	1,110	(66)
Transfers Out	(1,304)	(3,241)	(2,751)	1,937	(490)
Change in Net Position	<u>\$4,800</u>	<u>\$5,287</u>	<u>\$1,955</u>	<u>(\$487)</u>	<u>\$3,332</u>

Net position may serve over time as a useful indicator of an entity's financial position. The following analysis highlights net position for the last three years.

STATEMENTS OF NET POSITION
(in thousands)

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>20/19 Increase (Decrease)</u>	<u>19/18 Increase (Decrease)</u>
Net Capital Assets	\$30,811	\$27,166	\$26,113	\$3,645	\$1,053
Total Current Assets	23,714	22,857	18,694	857	4,163
Deferred Outflows	1,599	739	994	860	(255)
Total Assets and Deferred Outflows	<u>\$56,124</u>	<u>\$50,762</u>	<u>\$45,801</u>	<u>\$5,362</u>	<u>\$4,961</u>
Invested in Capital Assets, Net of Related Debt	\$26,872	\$22,763	\$20,890	\$4,109	\$1,873
Unrestricted Net Position	4,029	3,338	(76)	691	3,414
Total Net Position	30,901	26,101	20,814	4,800	5,287
Long-Term Debt	3,096	3,583	4,403	(487)	(820)
Current Liabilities	4,061	4,057	3,421	4	636
Long-Term Liabilities	15,635	14,655	16,873	980	(2,218)
Total Liabilities	22,792	22,295	24,697	497	(2,402)
Deferred Inflows	2,431	2,366	290	65	2,076
Total Net Position, Liabilities, and Deferred Inflows	<u>\$56,124</u>	<u>\$50,762</u>	<u>\$45,801</u>	<u>\$5,362</u>	<u>\$4,961</u>

Revenues

2020 Compared to 2019

In 2020, Tacoma Rail operating revenues of \$33.5 million were \$3.3 million lower than the \$36.8 million in 2019. Overall switching revenues decreased \$3.1 million or 10.2% from 2019. The following table summarizes the switching revenues by activity type for the last two years.

Activity Types	Rail Cars				Switching Revenues (in thousands)			
	2020	2019	Var	%Chg	2020	2019	Var	%Chg
Intermodal Line Hauls	57,308	70,496	(13,188)	-18.7%	\$ 9,440	\$ 11,953	(2,513)	-21.0%
Commercial Line Hauls	28,920	31,864	(2,944)	-9.2%	15,248	15,603	(355)	-2.3%
Capital Div. Line Hauls	771	841	(70)	-8.3%	439	479	(40)	-8.4%
Miscellaneous Switches	8,965	10,835	(1,870)	-17.3%	1,705	1,856	(151)	-8.1%
Total Line Hauls	95,964	114,036	(18,072)	-15.8%	\$ 26,832	\$ 29,891	\$ (3,059)	-10.2%

Demurrage and other operating revenues decreased \$244,000. Demurrage revenue increased by \$265,000 and locomotive servicing revenue and other revenue decreased \$509,000. This is due to a decrease in locomotive servicing and an increase in allowing customers' railcars to dwell in transit longer than in 2019.

2019 Compared to 2018

In 2019, Tacoma Rail operating revenues of \$36.8 million were \$3.6 million higher than the \$33.2 million in 2018. Overall switching revenues increased \$1.9 million or 7.0% from 2018.

Switching Activities

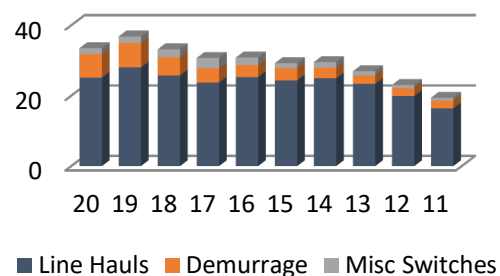
Switching activities decreased in 2020 by 18,072 cars or 15.8%, to 95,964, from 114,036 in 2019. The most significant decrease in switching activity can be seen in intermodal line-hauls which were down by 13,188 cars or 18.7% due to a decrease in intermodal line haul rail traffic. The average number of cars switched over the last ten years is 100,752.

During 2019, total switching activities increased by 5,317 cars or 4.9% from 2018. The increase in intermodal line haul rail traffic was the dominant factor. Intermodal line-hauls were up by 3,835 cars or 5.8% in 2019.

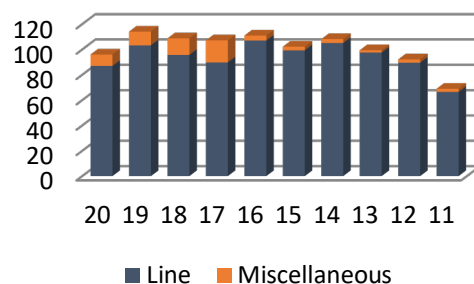
The table below shows the changes in switching volumes for the last three years.

Description	SWITCHING ACTIVITIES			20/19 Increase (Decrease)	19/18 Increase (Decrease)
	2020	Rail Cars 2019	2018		
Line Hauls	86,999	103,201	95,678	(16,202)	7,523
Miscellaneous Switches	8,965	10,835	13,041	(1,870)	(2,206)
Total Cars Switched	95,964	114,036	108,719	(18,072)	5,317

OPERATING REVENUES
(in millions)



SWITCHING ACTIVITIES
(in thousands)



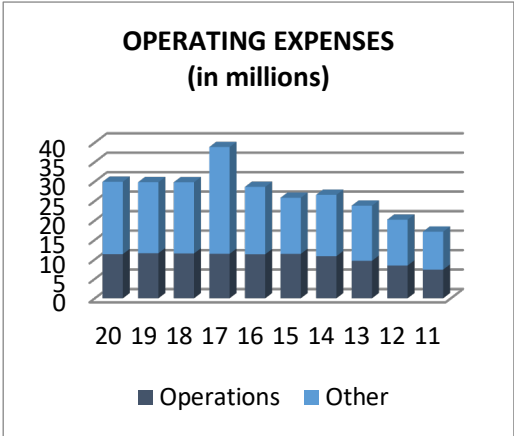
Expenses

2020 Compared to 2019

In 2020, Tacoma Rail operating expenses of \$29.9 million were \$0.1 million higher than \$29.8 million in 2019. This was primarily due to an increase of \$1.1 million in repair and maintenance materials and services. This increase was off-set by a decrease of \$0.7 million in fuel usage and prices and a \$0.9 million decrease in volume incentive accrual for railcar volumes with Port of Tacoma.

2019 Compared to 2018

In 2019, Tacoma Rail operating expenses were \$29.8 million which was consistent with 2018. This was primarily due to recognizing a \$2.3 million pension expense related to the early withdrawal from the Western Metal Industry Pension Fund (WMIPF) in 2018. In 2019, Tacoma Rail recognized \$34,440 in additional pension expense related to the withdrawal from WMIPF. The decrease in overall pension expense was offset with IBNR claims credit adjustment of \$1.0 million and an increase in fuel prices of \$1.4 million.



Transfers

In 2020, Transfer from/ (to) Other Funds increased \$1.7 million compared to 2019. This was primarily due to the increase of \$1.9 million in vehicles transferred from the Fleet Services Fund (net between cost of \$3.2 million and accumulated depreciation of \$1.3 million). See Note 7 Fleet Services Fund for further discussion. The increase from Fleet was offset with \$250,000 increase in transfer to Public Works for Taylor Way Project.

In 2019, net transfers out of \$3.2 million was \$0.5 million higher than \$2.7 million in 2018. The increase was mainly due to the increase in Gross Earning tax due to higher revenues in 2019 compared to 2018.

Capital Assets

Net Capital Assets increased \$3.6 million during 2020. The increase was primarily due to the additions of \$3.2 million in machinery equipment from the vehicles transferred from Fleet, a \$1.8 million addition in road and buildings in service, and \$1.6 million of new activities in Construction Work in Progress, off-set with the increase in accumulated depreciation of \$3.0 million. The road and building increases during the year were on the Marine View Drive, Tote Yard and Mazda Siding Track Rehab projects. In 2020, Construction Work in Progress additions were \$3.5 million versus \$2.9 million in 2019.

During 2019, net Capital Assets increased \$1.1 million. This increase was reflected primarily in \$1.5 million of new activities in Construction Work in Progress. Road and equipment property increased \$1.3 million, which included the Buffelen Curve Upgrade and additional work on the at-grade crossing on Alexander Avenue and the Milwaukee Way project to remove existing and worn 112 pound rail and replace with new 115 pound rail. These increases were off-set with the increase in accumulated depreciation of \$1.7 million.

The following table summarizes Tacoma Rail's capital assets, net of accumulated depreciation, for the last three years.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
(in thousands)

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>20/19 Increase (Decrease)</u>	<u>19/18 Increase (Decrease)</u>
Land	\$ 172	\$ 172	\$ 160	\$ -	\$ 12
Road Property Plant	16,420	16,079	15,733	341	346
Building	1,902	1,612	1,772	290	(160)
Machinery Equipment	7,350	7,063	7,649	287	(586)
Office and Fixture	28	36	64	(8)	(28)
Vehicles	1,154	-	-	1,154	-
Construction Work In Progress	3,785	2,204	735	1,581	1,469
Total Net Capital Assets	<u>\$ 30,811</u>	<u>\$ 27,166</u>	<u>\$ 26,113</u>	<u>\$ 3,645</u>	<u>\$ 1,053</u>

Additional information on Tacoma Rail's capital assets can be found in Note 4 to the Financial Statements.

Debt Administration

In 2020, no new Washington State loans from the Department of Transportation were obtained. Draws were taken in 2020 on Mazda Siding Upgrade and Tote Yard Rehabilitation in the amounts of \$232,000 and \$125,000, respectively.

In 2019, Tacoma Rail obtained two new Washington State loans from the Department of Transportation for the following capital track projects: Mazda Siding Upgrade \$240,000 and Tote Yard Rehabilitation \$400,000. No funds were drawn on these loans in 2019.

The following table shows the outstanding long-term debt balances for the past three years. Additional information on Tacoma Rail's long-term debt can be found in Note 5 to the Financial Statements.

LONG-TERM DEBT
(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>20/19 Increase (Decrease)</u>	<u>19/18 Increase (Decrease)</u>
Long-Term Debt Balance, December 31	\$ 3,940	\$ 4,403	\$ 5,223	\$ (463)	\$ (820)

Debt Service Coverage

Tacoma Rail is required by its bond covenants to maintain a 1.25 times debt service coverage. In 2020, 2019 and 2018, Tacoma Rail had no bonds, only interest free loans.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray Tacoma Rail's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information.

The financial statements have been independently audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and reliable, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

Rail financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

This page has been left blank intentionally.

Financial Statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Net Position

ASSETS	DECEMBER 31,	
	2020	2019
CAPITAL ASSETS		
Road and Equipment Property	\$53,541,159	\$48,447,692
Less Accumulated Depreciation	(26,514,486)	(23,485,969)
Total	27,026,673	24,961,723
Construction Work in Progress	3,784,893	2,204,627
Net Capital Assets	30,811,566	27,166,350
CURRENT ASSETS		
Cash and Equity in Pooled Investments	14,780,447	15,614,302
Customer Accounts Receivable (Net of Allowance for Doubtful Accounts of \$172,880 in 2020 and \$196,224 in 2019)	4,453,748	4,075,367
Grants Receivable	1,132,203	-
Prepayments	2,088,988	1,943,289
Materials and Supplies Inventory	1,258,609	1,224,340
Total Current Assets	23,713,995	22,857,298
DEFERRED OUTFLOWS		
Deferred Outflows for OPEB	1,598,608	738,535
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$56,124,169	\$50,762,183

The accompanying notes are an integral part of these financial statements.

NET POSITION AND LIABILITIES	DECEMBER 31,	
	2020	2019
NET POSITION		
Net Investment in Capital Assets	\$26,871,951	\$22,763,111
Unrestricted	4,029,411	3,338,034
TOTAL NET POSITION	30,901,362	26,101,145
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
State Loans	3,096,059	3,582,991
Total Long-Term Debt	3,096,059	3,582,991
CURRENT LIABILITIES		
Accounts Payable	2,259,606	2,076,748
Customer Deposits	100,000	40,000
Wages Payable	370,475	296,426
Unemployment and Other Tax Payables	351,255	371,548
Volume Incentive Payable	-	333,333
Current Portion of Long-Term Debt	843,555	820,250
Current Portion of Compensated Absences	136,156	118,329
Total Current Liabilities	4,061,047	4,056,634
LONG-TERM LIABILITIES		
On the Job Injury Reserve	733,757	824,032
Long-Term Portion of Compensated Absences	1,225,403	1,110,871
Pension Withdrawal Liability	2,354,440	2,354,440
OPEB Liability	10,987,505	9,947,627
Incurred but not Reported Claims	334,081	417,958
Total Long-Term Liabilities	15,635,186	14,654,928
TOTAL LIABILITIES	22,792,292	22,294,553
DEFERRED INFLOWS		
Deferred Inflows for OPEB	2,430,515	2,366,485
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	<u>\$56,124,169</u>	<u>\$50,762,183</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2020	2019
OPERATING REVENUES		
Switching Revenues	\$26,831,756	\$29,891,207
Demurrage and Other Operating Revenues	6,676,326	6,920,393
Total Operating Revenues	33,508,082	36,811,600
OPERATING EXPENSES		
Maintenance of Way and Structures	2,785,081	2,323,103
Mechanical	7,076,814	7,390,437
Operations	11,339,788	11,584,362
Administration	6,410,299	6,177,898
Taxes - State	515,803	506,359
Depreciation	1,784,227	1,840,439
Total Operating Expenses	29,912,012	29,822,598
Net Operating Income	3,596,070	6,989,002
NON-OPERATING REVENUES		
Interest Income	368,330	426,085
Loss from Disposition of Property	(16,969)	-
CARES Grant	38,202	-
Miscellaneous	962,302	1,067,223
Total Non-Operating Revenues	1,351,865	1,493,308
Contributions - Grants	1,156,230	45,680
Total Contributions	1,156,230	45,680
Transfers		
City of Tacoma Gross Earnings Tax	(2,773,643)	(3,042,980)
Transfers from/(to) Other Funds	1,469,695	(197,578)
Total Transfers	(1,303,948)	(3,240,558)
CHANGE IN NET POSITION	4,800,217	5,287,432
TOTAL NET POSITION - BEGINNING OF YEAR	26,101,145	20,813,713
TOTAL NET POSITION - END OF YEAR	<u>\$30,901,362</u>	<u>\$26,101,145</u>

This page has been left blank intentionally.

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$32,057,497	\$36,265,312
Cash Paid to Suppliers	(11,181,979)	(11,200,238)
Cash Paid to Employees	(16,484,356)	(16,251,983)
Taxes Paid	(536,096)	(469,764)
Net Cash From Operating Activities	3,855,066	8,343,327
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(3,268,670)	(3,240,558)
CARES Grant Received	38,202	-
Net Cash From Non-Capital Financing Activities	(3,230,468)	(3,240,558)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets acquisitions	(3,481,688)	(2,893,390)
Principal Payments on Long-Term Debt	(820,243)	(820,243)
Proceeds from Capital Contributions	1,156,230	45,680
Proceeds from Long-Term Debt	356,616	-
Proceeds from Other Non-Operating Revenues	962,302	1,067,223
Net Cash From Capital and Related Financing Activities	(1,826,783)	(2,600,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	368,330	426,085
Net Cash From Investing Activities	368,330	426,085
Net Change in Cash and Equity in Pooled Investments	(833,855)	2,928,124
Cash and Equity in Pooled Investments at January 1	15,614,302	12,686,178
Cash and Equity in Pooled Investments at December 31	\$14,780,447	\$15,614,302

The accompanying notes are an integral part of these financial statements.

	YEAR ENDED DECEMBER 31,	
	2020	2019
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Operating Income	\$3,596,070	\$6,989,002
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities:		
Depreciation Expense	1,784,227	1,840,439
Pension Withdrawal Expense	-	34,440
Net OPEB Expense	243,835	99,354
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable	(1,510,586)	(603,074)
Interfund Receivable	-	16,786
Materials and Supplies Inventory	(34,269)	(11,488)
Prepayments	(145,699)	(637,604)
Accounts Payable	182,858	802,771
Customer Deposits	60,000	40,000
Unemployment and Other Tax Payables	(20,293)	36,595
Wages Payable and Compensated Absences	91,876	41,077
Volume Incentive Payable	(333,333)	41,665
Interfund Payable	-	(326,936)
Long-Term Portion of Compensated Absences	114,532	45,906
On the Job Injury Reserve	(90,275)	13,120
Incurred but not Reported Claims	(83,877)	(78,726)
Total Adjustments	258,996	1,354,325
Net Cash From Operating Activities	<u>\$3,855,066</u>	<u>\$8,343,327</u>
Noncash Investing, Capital, and Financing activities		
Fixed assets transferred from/ (to) Other Funds	\$1,964,722	-

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Notes to Financial Statements
Years Ended December 31, 2020 and 2019

NOTE 1 OPERATIONS

Operations of Tacoma Rail – Tacoma Rail (the Division) is a division of the City of Tacoma (City), Department of Public Utilities, which also operates the Power and the Water Divisions and is included as an enterprise fund in the Annual Financial Report (Annual Report) of the City. Tacoma Rail provides rail switching services to the Port of Tacoma and major Tacoma industries under its Tidelands Division. Tacoma Rail also provides rail service from its Capital Division. The Capital Division interchanges rail cars with BNSF in East Olympia. No traffic for the Capital Division enters Tacoma Rail's Tidelands infrastructure. In addition, Tacoma Rail manages the Mountain Division, which is a reporting unit within Public Works and is included in the City's Annual Report. An operating agreement between Tacoma Rail and the Mountain Division is in place through 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The financial statements of the Division are prepared under the accrual basis of accounting in accordance with GAAP issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting principles used are similar to those applicable to businesses in the private sector and are maintained on the accrual basis of accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

Accounting Changes – Effective for the fiscal year 2020, the Division implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective for reporting periods beginning after June 15, 2018, and later. Where applicable the Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 95.

Cash and Equity in Pooled Investments – The Division's cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances, which are their equity in the TIP. Accordingly, balances are considered cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the LGIP.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2020 and 2019 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer-term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions are maturing over time to provide cash flow and liquidity needed for operations.

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasures LGIP is authorized by RCW 43.250. The LGIP is operated like a 2A7 fund and is collateralized by short-term legal investments.

Customer Accounts Receivable – Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts.

Allowance for Doubtful Accounts – A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable are considered past due after 30 days.

Interfund and Intergovernmental Transactions – Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

Materials and Supplies Inventory – Materials and supplies consist primarily of items for maintenance of Division assets and are valued at the lower of average cost or fair market value.

Restricted Assets – In accordance with bond resolutions, agreements and laws, separate restricted funds have been established. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. As of December 31, 2020 and 2019, there were zero funds in restricted assets.

Capital Assets and Depreciation – Capital assets are stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments are capitalized. Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation is recorded using the straight-line method at the beginning of the year and based on estimated economic lives of operating assets placed in service as follows:

Roads and bridges	7 – 20 years
Building	10 – 25 years
Machinery Equipment	10 – 25 years
Office and Fixture	5 – 20 years

Construction Work in Progress – Capitalizable costs incurred on projects which are not in service or ready for use are held in construction work in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

Contributions – In accordance with Generally Accepted Accounting Principles, Accounting and Financial Reporting for Non-exchange Transactions, grants and contributions are recorded as contribution revenue.

Compensated Absences – The City has two different policies for compensated absences. The City’s original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours ^(*), and upon termination, employees are entitled to compensation for unused PTO at 100%. Vacation pay and PTO are recorded as a liability and expense in the year earned.

^(*) When the federal Families First Coronavirus Response Act (FFCRA) legislation was enacted on April 1, 2020, and communicated to employees, an updated Emergency Leave Guidance Document was also provided. One of the changes made was in the “Other City Leave” section relating to employees being able to exceed the Personal Time Off (PTO) and Vacation maximum accrual caps by up to 20% through December 31, 2020. Thereafter, employees have 90 calendar days to use the excess leave accruals or they will be forfeited.

Employees in the original policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value. Sick leave pay is recorded as an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

Operating Revenues – Service rates are authorized by the Tacoma City Council. Revenues are recognized as earned and include an estimate of revenue earned but not billed to customers as of year-end. Revenues are based on services rendered through the end of the year.

Non-Operating Revenues and Expenses – These are items that do not qualify as operating defined above.

Taxes – The City charges the Division Gross Earnings Tax at the rate of 8.0%. In addition, the Division pays business and occupation tax to the State at the rate of 1.5% on service revenues. The Division is exempt from payment of federal income tax.

Net Position – The Statement of Net Position reports all financial and capital resources. The difference between assets and deferred outflows and liabilities and deferred inflows is net position. There are three components of net position: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets less accumulated depreciation reduced by the outstanding balances of any bonds, loans or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Net position components are restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. As of December 31, 2020, and 2019, there were no restricted components of Net Position.

Unrestricted net position components are those that are not “net investment in capital assets” or “restricted.”

Shared Services – The Division receives certain services from other departments and agencies of the City including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported allowance for doubtful accounts, accrued compensated absences, depreciation, Other Post-Employment Benefits (OPEB) liability, self-insurance liabilities and other contingencies. Actual results may differ from these estimates.

On the Job Injury Reserve – Liabilities for claims are initially recorded when the expected loss is both probable and reasonably estimated. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. Liabilities recorded for unasserted on the job injury claims are based on information currently available. Estimates of liabilities for on the job injury claims are undiscounted.

Significant Risks and Uncertainties – The Division is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, general economic conditions, fuel supply availability and rising fuel prices, weather and natural disaster-related disruptions, collective bargaining labor disputes, federal government regulations such as Federal Railroad Administration and Environmental Protection Agency or orders concerning the operation, maintenance and/or licensing of facilities, transportation of chemicals and other hazardous materials, acts of terrorism, war, or risk of war.

Reclassifications – Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

NOTE 3 INVESTMENTS MEASURED AT FAIR VALUE

The City measures and records its investments within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2 – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves/ and other corroborated inputs.
- Level 3 – Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data.

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Data regarding the City's investments, valued and categorized according to the above outlined levels, is below:

	As of 12/31/2020	Level 1	Level 2	Level 3
Securities				
U.S. Treasury Securities	\$ 371,578,276	\$ -	\$ 371,578,276	\$ -
U.S. Agency Securities	491,827,203	-	491,827,203	-
Supranational Securities	10,065,910	-	10,065,910	-
Municipal Bonds	11,664,518	-	11,664,518	-
Corporate Securities	62,803,670	-	62,803,670	-
	<u>\$ 947,939,577</u>	<u>\$ -</u>	<u>\$ 947,939,577</u>	<u>\$ -</u>

	As of 12/31/2019	Level 1	Level 2	Level 3
Securities				
U.S. Treasury Securities	\$ 394,034,439	\$ -	\$ 394,034,439	\$ -
U.S. Agency Securities	449,502,580	-	449,502,580	-
Supranational Securities	20,035,790	-	20,035,790	-
Municipal Bonds	17,764,606	-	17,764,606	-
Corporate Securities	63,736,264	-	63,736,264	-
	<u>\$ 945,073,679</u>	<u>\$ -</u>	<u>\$ 945,073,679</u>	<u>\$ -</u>

Tacoma Rail's share of the City Investments shown in the table above is 1.54% and 1.44% as of December 31, 2020 and 2019, respectively.

NOTE 4 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2020 and 2019 follows:

	Balance December 31, 2019	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2020
Land	\$ 172,186	\$ -	\$ -	\$ -	\$ 172,186
Road Property Plant	30,422,473	-	-	1,454,708	31,877,181
Building	4,504,209	-	-	446,717	4,950,926
Machinery Equipment	12,663,109	-	(33,382)	3,225,424	15,855,151
Office and Fixtures	685,715	-	-	-	685,715
Total Capital Assets In Service	48,447,692	-	(33,382)	5,126,849	53,541,159
Less Accumulated Depreciation	(23,485,969)	(1,784,227)	16,413	(1,260,703)	(26,514,486)
	24,961,723	(1,784,227)	(16,969)	3,866,146	27,026,673
Construction Work In Progress	2,204,627	3,507,066	-	(1,926,800)	3,784,893
Net Capital Assets	<u>\$ 27,166,350</u>	<u>\$ 1,722,839</u>	<u>\$ (16,969)</u>	<u>\$ 1,939,346</u>	<u>\$ 30,811,566</u>

	Balance December 31, 2018	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2019
Land	\$ 160,456	\$ -	\$ -	\$ 11,730	\$ 172,186
Road Property Plant	29,010,587	-	-	1,411,886	30,422,473
Building	4,504,209	-	-	-	4,504,209
Machinery Equipment	12,813,816	-	-	(150,707)	12,663,109
Office and Fixtures	685,715	-	-	-	685,715
Total Capital Assets In Service	47,174,783	-	-	1,272,909	48,447,692
Less Accumulated Depreciation	(21,796,237)	(1,840,439)	-	150,707	(23,485,969)
	25,378,546	(1,840,439)	-	1,423,616	24,961,723
Construction Work In Progress	734,853	2,895,936	-	(1,426,162)	2,204,627
Net Capital Assets	<u>\$ 26,113,399</u>	<u>\$ 1,055,497</u>	<u>\$ -</u>	<u>\$ (2,546)</u>	<u>\$ 27,166,350</u>

Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. \$1.9 million of net book value of assets (net between cost of \$3.2 million and accumulated depreciation of \$1.3 million) were transferred to the Division in 2020.

NOTE 5 LONG-TERM DEBT

Long-Term debt activities for 2020 and 2019 were as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Department of					
Transportation State Loans	\$ 4,403,241	\$ 356,616	\$ (820,243)	\$ 3,939,614	\$ 843,555
Total Long-Term Debt	<u>\$ 4,403,241</u>	<u>\$ 356,616</u>	<u>\$ (820,243)</u>	<u>\$ 3,939,614</u>	<u>\$ 843,555</u>

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Department of					
Transportation State Loans	\$ 5,223,484	\$ -	\$ (820,243)	\$ 4,403,241	\$ 820,250
Total Long-Term Debt	<u>\$ 5,223,484</u>	<u>\$ -</u>	<u>\$ (820,243)</u>	<u>\$ 4,403,241</u>	<u>\$ 820,250</u>

Washington State Department of Transportation Loans (WSDOT)	2020	2019
2009 WSDOT loan for locomotive idling improvement, with 0% interest, due in yearly installments of \$1,759 from 2010 through 2024.	\$ 7,037	\$ 8,795
2009 WSDOT loan for locomotive servicing facility upgrades, with 0% interest, due in yearly installments of \$16,630 from 2011 through 2025.	83,153	99,782
2011 WSDOT loan for locomotive repower, with 0% interest, due in yearly installments of \$45,000 from 2013 through 2022.	90,000	135,000
2012 WSDOT loan for Tacoma Rail Annie Tracks 1 & 2 Rail Relay, with 0% interest, due in yearly installments of \$61,200 from 2013 through 2022.	122,400	183,600
2012 WSDOT loan for Yard Tracks 2, 3 & 4, with 0% interest, due in yearly installments of \$34,859 from 2014 through 2023.	69,720	104,579
2013 WSDOT loan for East 11th Street Crossing, with 0% interest, due in yearly installments of \$34,732 from 2014 through 2023.	104,198	138,930
2013 WSDOT loan for Yard Tracks 5 & 6, with 0% interest, due in yearly installments of \$36,394 from 2014 through 2023.	109,180	145,574
2013 WSDOT loan for Yard Tracks 8 & 9, with 0% interest, due in yearly installments of \$61,863 from 2015 through 2024.	247,448	309,311
2013 WSDOT loan for Port Pass West, with 0% interest, due in yearly installments of \$25,000 from 2015 through 2024.	99,998	124,997
2013 WSDOT loan for N. Intermodal Yard lead track, with 0% interest, due in yearly installments of \$36,639 from 2016 through 2025.	183,192	219,831
2013 WSDOT loan for East Loop 17th St., with 0% interest, due in yearly installments of \$77,307 from 2016 through 2025.	386,536	463,842
2013 WSDOT loan for Taylor Way Track Rehabilitation, with 0% interest, due in yearly installments of \$110,506 from 2016 through 2025.	552,528	663,034
2013 WSDOT loan for West Loop, with 0% interest, due in yearly installments of \$51,577 from 2016 through 2025.	257,886	309,462
2014 WSDOT loan for SR509 Track Improvements, with 0% interest, due in yearly installments of \$91,000 from 2016 through 2025.	455,006	546,005
2015 WSDOT loan for Edwards Crossover Rehabilitation, with 0% interest, due in yearly installments of \$12,112 from 2017 through 2026.	72,672	84,784
2015 WSDOT loan for East Lead Low Side Rebuild, with 0% interest, due in yearly installments of \$40,574 from 2017 through 2026.	243,452	284,025

Junior Lien Debt continued	2020	2019
2015 WSDOT loan for Transfer Yard Connection (Phase 3), with 0% interest, due in yearly installments of \$15,000 from 2017 through 2026.	90,000	105,000
2015 WSDOT loan for West Lead High Side Rebuild, with 0% interest, due in yearly installments of \$36,952 from 2017 through 2026.	221,716	258,669
2015 WSDOT loan for Taylor Wye Rehabilitation, with 0% interest, due in yearly installments of \$31,146 from 2017 through 2026.	186,876	218,021
2019 WSDOT loan for Mazda Siding Rehabilitation, with 0% interest, due in yearly installments of \$23,305 from 2021 through 2030.	231,616	-
2019 WSDOT loan for Tote Yard Rehabilitation, with 0% interest ^(*)	125,000	-
Subtotal Junior Lien Debt	3,939,614	4,403,241
Less Current Portion of Debt	(843,555)	(820,250)
Long-term Portion of Junior Lien Debt	<u>\$ 3,096,059</u>	<u>\$ 3,582,991</u>

As of December 31, 2020, scheduled principal maturities on junior lien debts and interest payments are as follows:

	Principal	Interest
2021	\$ 843,555	\$ -
2022	843,555	-
2023	717,488	-
2024	616,365	-
2025	542,742	-
2026-2030	250,909	-
Pending debt schedule ^(*)	125,000	-
	<u>\$ 3,939,614</u>	<u>\$ -</u>

^(*) The debt schedule for 2019 WSDOT loan for Tote Yard Rehabilitation is not available for disclosure as of December 31, 2020

NOTE 6 SIGNIFICANT CUSTOMERS

Tacoma Rail's predominate sources of revenue are Union Pacific (UP), Burlington Northern Santa Fe (BNSF) and U.S. Oil & Refining Co. Revenue from UP, BNSF, and U.S. Oil represented 33%, 37%, and 17% of total revenues, respectively, in 2020. Revenue in 2019 was 36%, 41% and 15%, respectively. Accounts receivable from UP, BNSF, and U.S. Oil in 2020 represented 32%, 28%, and 26% of total customer accounts receivable, whereas in 2019 it was 37%, 39%, and 13%, respectively.

NOTE 7 FLEET SERVICES FUND

The Department of Public Utilities has established a Fleet Services Fund to perform scheduled maintenance, repair and replacement of the Department vehicles and related equipment. Tacoma Rail pays the Fleet Services Fund for the use of the vehicles and equipment to cover fleet operating expenses. Payments made by Tacoma Rail in 2020 and 2019 were \$435,395 and \$259,148, respectively.

Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. \$1.9 million of net book value in assets (net between cost of \$3.2 million and accumulated depreciation of \$1.3 million) was transferred to Rail in 2020. Fleet Services Fund maintains the purchasing and maintenance responsibilities.

NOTE 8 SELF-INSURANCE FUND

The Department of Public Utilities maintains a self-insurance program and insurance policies. The Department has established a self-insurance fund to insure Tacoma Rail and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Rail are flooding, wind damage, chemical spills and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

Tacoma Rail is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Rail and administrative expenses of the Fund. Tacoma Rail's premium payments totaled \$600,000 in both 2020 and 2019. Assets in the Self-Insurance Fund total \$9.1 million which exceeds accrued and incurred but not reported (IBNR) liabilities. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB 10. Management believes Tacoma Rail's investment in the Self-Insurance Fund is more than adequate to settle all its known or estimated claims.

The City purchased a Fiduciary Liability policy with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee retirement plans. The coverage also provides a Government Crime policy with a \$1.0 million limit and \$75,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.0 million per occurrence and an additional \$250,000 of total loss in excess of the self-insured retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. Coverage also has a Cybersecurity policy with a limit of \$5.0 million.

Separate from General Government, the Department of Public Utilities maintains Property insurance and Excess Liability insurance. The Property insurance policy has a deductible of \$250,000 per occurrence that applies to the buildings and contents while a deductible of \$10,000 per vehicle applies to motor vehicles. Coverage also provides a Wrongful Acts Liability policy with a limit of \$1.25 million for each wrongful act and a \$2.5 million aggregate. Excess Liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage with a \$1.5 million retention. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

NOTE 9 PENSION PLAN

Employees of Tacoma Rail are members of the United States Railroad Retirement System, in lieu of participating in Social Security and Tacoma Employees' Retirement System. The Railroad Retirement System is a payroll-based system. In 2020 and 2019, Tacoma Rail contributed \$2,286,792 and \$2,264,180, respectively, per structures set forth by the United States Railroad Retirement Board shown as follows:

	<u>EARNINGS BASE</u>	
	<u>2020</u>	<u>2019</u>
Employer Tier I	\$ 137,700	\$ 132,900
Employer Tier II	102,300	98,700
Employer Medicare	No Limit	No Limit

	<u>TAX RATE</u>	
	<u>2020</u>	<u>2019</u>
Employer Tier I	6.20%	6.20%
Employer Tier II	13.10%	13.10%
Employer Medicare	1.45%	1.45%

Information was unavailable to determine if an actuarial liability exists for the City, but the entire Federal system has an unfunded actuarial liability of \$51.3 billion as of December 31, 2016. There is currently no schedule to amortize the unfunded liability and the system is currently functioning on a pay-as-you-go basis. Rates are determined based on actuarial valuations, which occur every three years. The City's obligation is to pay, in full, the payroll withholdings to the system.

NOTE 10 WESTERN METAL INDUSTRY PENSION FUND

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

Information was unavailable to determine if an actuarial liability exists for the City in 2020, however, the Plan was in "critical" status in the Plan Year beginning January 1, 2019. The Plan fell into critical status following the 2009 Plan Year and was certified as "critical" in 2010. In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the Plan's funded status. The Trustees have adopted the "free look" rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

On December 11, 2018, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma Rail Mechanics and Track Workers. Contained in these agreements were a call for cessation of the participation in the Western Metal Industry Pension Fund (WMIPF). The contributions submitted for the December 31, 2018 payroll were the final contributions made on behalf of the employees in those two units.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma Rail Yard Clerks. Contained in this agreement was a call for cessation of the participation in the Western Metal Industry Pension Fund (WMIPF). The contributions submitted for the December 31, 2019 payroll were the final contributions made on behalf of the employees in this unit. As December 31, 2020, there were no employees participating in the plan nor were there any contributions made. Rail had 26 employees who participated in the plan, those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2020. The contribution rates for 2019 by classification were as follows:

	January 1, 2019 - June 30, 2019	July 1, 2019 - December 31, 2019
	\$1.48 per	\$1.60 per
Yard Clerks	compensable hour	compensable hour

There was no contribution in 2020. In 2019 the Division contributed \$20,421.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the Plan and the system is currently functioning on a pay-as-you-go basis.

At this time, WMIPF has not provided a withdrawal liability estimate. The City utilized employee data from 2017, the last year in which all units were actively contributing to WMIPF to estimate the City's withdrawal liability. The Rail Division has recognized a liability in the amount of \$2,354,440 as of December 31, 2020, and December 31, 2019.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma Human Resources Department. The membership as of January 1, 2019 for non-LEOFF 1 members includes 3,525 active participants, 171 retirees and surviving spouses, and 139 spouses of current retirees. The membership as of January 1, 2020 for LEOFF 1 members includes 1 active participant and 370 retirees.

This plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Actuarial Assumptions and Other Inputs - The valuation date is January 1, 2019 for non-LEOFF 1 members and January 1, 2020 for LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The measurement date is December 31, 2019. This is the date as of which the total OPEB liability is determined. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2020.

Subsequent to the January 1, 2019, valuation date for non-LEOFF 1 members, H.R. 1865 Further Consolidated Appropriations Act of 2020 was passed into Law on December 20, 2019. This law repealed the excise tax completely and removed the Health Insurer Fee permanently beginning in 2021. The total OPEB liability as of the December 31, 2019, measurement date reflects this change.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2019, and January 1, 2020, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2019
Census Date:	January 1, 2019
Actuarial Cost Method:	Individual Entry Age Normal Cost Method
Demographic Assumptions:	Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.
Actuarial Assumptions:	
Discount Rate:	2.74% for pay-as-you-go funding
Medical Cost Trend:	2019 9.10%
	2020 6.00%
	2021 5.50%
	2030 5.00%
	2040 5.10%
	2050 5.10%
	2060 5.00%

Note that the trend for year 2019 reflects the percent by which 2020 medical costs are expected to exceed 2019 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.30% in 2073 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase. The trends above do not reflect increases in costs due to the excise tax.

Economic Assumptions -
Discount Rate (Liabilities): 2.74%

Demographic Assumptions: Eligibility:
Disability - Five years of service are required for non-service connected disability.

Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

Rail - Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 years of service.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 2.74% from 4.10%. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

At December 31, 2020, the Division reported a liability of \$10,987,505 for its proportionate share of the collective total OPEB liability of \$208.4 million, compared to \$9,947,627 at December 31, 2019. The OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2020. At December 31, 2019, the participating Division's proportion was 4.87358% as compared to 5.27176% at December 31, 2020. For the year ended December 31, 2020, the participating Division recognized an OPEB expense of \$243,835.

At December 31, 2020, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (160,877)	\$ 1,905
Changes of assumptions	(671,295)	544,187
Changes in Employer Proportion	(920,726)	962,120
Differences in Contributions	(677,617)	-
Contributions Made Subsequent to the Measurement Date	-	90,396
Total	\$ (2,430,515)	\$ 1,598,608

The Division reported \$90,396 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (225,117)
2022	(225,117)
2023	(225,117)
2024	(317,117)
2025	59,874
Thereafter	10,291
	<u>\$ (922,303)</u>

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 2.74%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 1.74%, or one percentage point higher, 3.74%, than the current rate.

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Net OPEB liability	\$ 12,445,246	\$ 10,987,505	\$ 9,772,410

Sensitivity of the Division's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.00%	Current Trend Rates 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 9,721,271	\$ 10,987,505	\$ 12,490,113

NOTE 12 COMMITMENTS AND CONTINGENCIES

General Legal Matters - Tacoma Rail is involved in various litigations in the normal course of business. In the opinion of management, the ultimate outcome of these claims will not have a material effect on Tacoma Rail's financial position beyond amounts already accrued as of December 31, 2020.

Tacoma Rail Operation of City of Tacoma, Department of Public Works ("Public Works"), Mountain Division - Public Works owns approximately 142 miles of track, called Mountain Division, that connects to Tacoma Rail track in Tacoma, Washington. Tacoma Rail is under contract with Public Works to perform as its operator through 2021. The agreement states that Public Works would fund Tacoma Rail for any operations on the Mountain Division.

NOTE 13 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the deadly new virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City and the Division took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. Other actions the City took in response to COVID-19 included, but are not limited to, the following: instituted telework for all non-frontline service staff, health screening for employees reporting to City facilities, implemented an Emergency Leave Program for employees impacted by COVID-19, provided additional funding for Rental Assistance programs, and provided additional funding for utility bill assistance. The City and the Division will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

In 2020, the Division received \$38,202 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to use for COVID-19 related expenses.

NOTE 14 SUBSEQUENT EVENTS

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City anticipates receiving approximately \$63.0 million in ARPA assistance. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

While the full impact of the COVID-19 pandemic on the City, the Division and the regional economy is currently uncertain, the City and the Division currently believe that the measures they have taken will help mitigate its anticipated revenue shortfall. The City and the Division, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City and the Division. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the full financial impact.

Required Supplementary Information

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,			
	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	5.27%	4.87%	5.52%	5.28%
Employer's proportion share of collective OPEB liability	\$10,987,505	\$9,947,627	\$12,179,967	\$11,048,417
Employer's covered-employee payroll**	\$11,607,990	\$11,191,578	\$10,999,962	\$11,033,203
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	94.65%	88.88%	110.73%	100.14%

* The above schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, the Division will present information for available years.

** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2020

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 2.74% from 4.10%. The actuarial cost method is the individual entry age normal actuarial cost method to be in compliance with GASB 75.

Statistical Data (Unaudited)

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail
Ten-Year Financial Review

	2020	2019	2018	2017 (As Restated)
STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS				
Railway Plant - Net	\$30,811,566	\$27,166,350	\$26,113,399	\$26,705,711
Other Property and Special Funds	-	-	-	-
Current and Accrued Assets	23,713,995	22,857,298	18,693,794	13,964,325
Deferred Outflows	1,598,608	738,535	993,546	114,073
TOTAL ASSETS AND DEFERRED OUTFLOWS	56,124,169	50,762,183	45,800,739	40,784,109
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	3,096,059	3,582,991	4,403,234	5,223,477
Current and Accrued Liabilities	4,061,047	4,056,634	3,421,462	2,240,256
Long-Term Liabilities	15,635,186	14,654,928	16,872,528	14,461,464
Total Liabilities	22,792,292	22,294,553	24,697,224	21,925,197
Deferred Inflows	2,430,515	2,366,485	289,802	-
NET POSITION	30,901,362	26,101,145	20,813,713	18,858,912
TOTAL LIABILITIES AND NET POSITION AND DEFERRED INFLOWS	\$56,124,169	\$50,762,183	\$45,800,739	\$40,784,109
STATEMENTS OF INCOME				
OPERATING REVENUES				
Switching Revenues	\$26,831,756	\$29,891,207	\$27,933,469	\$26,648,873
Other Operating Revenues	6,676,326	6,920,393	5,231,761	4,068,008
Total Operating Revenues	33,508,082	36,811,600	33,165,230	30,716,881
OPERATING EXPENSES				
Operation and Maintenance	27,611,982	27,475,800	27,582,675	36,761,179
Taxes	515,803	506,359	465,808	432,081
Depreciation	1,784,227	1,840,439	1,737,714	1,644,373
Total Operating Expenses	29,912,012	29,822,598	29,786,197	38,837,633
NET OPERATING INCOME (LOSS)	3,596,070	6,989,002	3,379,033	(8,120,752)
NON-OPERATING REVENUES (EXPENSE)				
Net Other Income	2,139,765	1,112,903	1,174,556	426,311
Interest Earned on Investments	368,330	426,085	152,072	68,420
Interest on Unfunded Debt	-	-	-	(6)
Total Non-Operating Revenues	2,508,095	1,538,988	1,326,628	494,725
TRANSFERS				
City Gross Earnings Tax	(2,773,643)	(3,042,980)	(2,750,860)	(2,548,959)
Transfers from/ (to) Other Funds	1,469,695	(197,578)	-	-
CHANGE IN NET POSITION	\$4,800,217	\$5,287,432	\$1,954,801	(\$10,174,986)

In accordance with Governmental Accounting Standards Board Statement No. 65 both 2012 and 2011 were restated for comparative purposes. Years prior to 2011 are shown as originally reported.

2016	2015	2014	2013	2012	2011
<u>\$28,216,744</u>	<u>\$24,748,388</u>	<u>\$21,058,809</u>	<u>\$18,015,675</u>	<u>\$16,258,926</u>	<u>\$13,958,818</u>
64,974	64,861	65,104	65,110	397,381	399,607
13,960,977	14,843,745	15,964,236	12,961,818	11,397,915	8,867,794
-	-	-	-	-	-
<u>42,242,695</u>	<u>39,656,994</u>	<u>37,088,149</u>	<u>31,042,603</u>	<u>28,054,222</u>	<u>23,226,219</u>
5,397,028	5,556,302	4,482,801	2,764,959	2,166,751	2,001,568
3,793,795	3,443,589	4,096,245	3,232,279	3,920,067	1,762,532
4,017,974	3,615,442	4,278,913	2,827,186	1,617,434	1,315,320
13,208,797	12,615,333	12,857,959	8,824,424	7,704,252	5,079,420
-	-	-	-	-	-
<u>29,033,898</u>	<u>27,041,661</u>	<u>24,230,190</u>	<u>22,218,179</u>	<u>20,349,970</u>	<u>18,146,799</u>
<u>\$42,242,695</u>	<u>\$39,656,994</u>	<u>\$37,088,149</u>	<u>\$31,042,603</u>	<u>\$28,054,222</u>	<u>\$23,226,219</u>
\$27,417,653	\$25,690,797	\$26,495,108	\$24,570,867	\$20,793,364	\$17,250,227
3,409,347	3,474,443	2,962,289	2,372,435	2,250,434	2,153,392
30,827,000	29,165,240	29,457,397	26,943,302	23,043,798	19,403,619
26,696,068	24,168,168	25,063,534	22,348,268	18,962,149	16,117,560
439,317	417,135	429,875	437,282	404,105	339,525
1,472,955	1,220,882	1,069,265	996,782	824,549	641,315
28,608,340	25,806,185	26,562,674	23,782,332	20,190,803	17,098,400
2,218,660	3,359,055	2,894,723	3,160,970	2,852,995	2,305,219
2,287,330	1,878,109	1,830,033	1,004,957	1,282,274	3,836,348
86,126	51,379	72,535	21,155	81,907	132,196
(8,542)	(21,678)	(34,122)	(45,941)	(62,090)	(80,959)
2,364,914	1,907,810	1,868,446	980,171	1,302,091	3,887,585
(2,591,337)	(2,410,016)	(2,440,631)	(2,240,525)	(1,931,338)	(1,632,180)
-	(45,378)	(310,527)	(32,407)	(20,577)	(13,049)
<u>\$1,992,237</u>	<u>\$2,811,471</u>	<u>\$2,012,011</u>	<u>\$1,868,209</u>	<u>\$2,203,171</u>	<u>\$4,547,575</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Ten-Year Switching Statistics

	2020	2019	2018	2017
SWITCHING REVENUES				
Line Hauls	\$25,126,836	\$28,035,621	\$25,713,116	\$23,704,622
Local and Miscellaneous	1,704,920	1,855,586	2,220,353	2,944,251
TOTAL SWITCHING REVENUES	<u>\$26,831,756</u>	<u>\$29,891,207</u>	<u>\$27,933,469</u>	<u>\$26,648,873</u>
NUMBER OF CARS SWITCHED				
Line Hauls	86,999	103,201	95,678	89,748
Local and Miscellaneous	8,965	10,835	13,041	17,382
TOTAL NUMBER OF CARS SWITCHED	<u>95,964</u>	<u>114,036</u>	<u>108,719</u>	<u>107,130</u>
SWITCHING STATISTICS (AVERAGE)				
Revenue/Line Haul Car	\$288.82	\$271.66	\$268.75	\$264.12
Revenue/Local & Miscellaneous Car	\$190.18	\$171.26	\$170.26	\$169.39

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$25,683,614	\$24,334,649	\$24,933,732	\$23,358,089	\$19,913,410	\$16,395,640
<u>1,734,039</u>	<u>1,356,148</u>	<u>1,561,376</u>	<u>1,212,778</u>	<u>879,954</u>	<u>854,587</u>
<u>\$27,417,653</u>	<u>\$25,690,797</u>	<u>\$26,495,108</u>	<u>\$24,570,867</u>	<u>\$20,793,364</u>	<u>\$17,250,227</u>
107,059	99,277	105,079	97,536	89,554	66,440
<u>3,863</u>	<u>2,896</u>	<u>3,058</u>	<u>1,830</u>	<u>2,563</u>	<u>2,513</u>
<u>110,922</u>	<u>102,173</u>	<u>108,137</u>	<u>99,366</u>	<u>92,117</u>	<u>68,953</u>
\$239.90	\$245.12	\$237.29	\$239.48	\$222.36	\$246.77
\$448.88	\$468.28	\$510.59	\$662.72	\$343.33	\$340.07

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Comparison of Cars Switched and Switching Revenues

	December 2020	December 2019	YEAR ENDED	
			December 31, 2020	December 31, 2019
SWITCHING REVENUES				
LINE HAULS--INTERMODAL	\$761,025	\$1,000,528	\$9,439,494	\$11,953,243
LINE HAULS--COMMERCIAL	1,482,668	1,571,238	15,247,872	15,603,008
LINE HAULS--CAPITAL DIVISION	48,450	53,580	439,470	479,370
MISCELLANEOUS SWITCHES	<u>154,864</u>	<u>117,753</u>	<u>1,704,920</u>	<u>1,855,586</u>
TOTAL SWITCHING REVENUES	<u><u>\$2,447,007</u></u>	<u><u>\$2,743,099</u></u>	<u><u>\$26,831,756</u></u>	<u><u>\$29,891,207</u></u>
 SWITCHING ACTIVITIES (CARS)				
LINE HAULS--INTERMODAL	4,813	5,794	57,308	70,496
LINE HAULS--COMMERCIAL	2,889	3,087	28,920	31,864
LINE HAULS--CAPITAL DIVISION	85	94	771	841
MISCELLANEOUS SWITCHES	<u>705</u>	<u>454</u>	<u>8,965</u>	<u>10,835</u>
TOTAL CARS SWITCHED	<u><u>8,492</u></u>	<u><u>9,429</u></u>	<u><u>95,964</u></u>	<u><u>114,036</u></u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Funds Available for Debt Service

	2020	2019	2018	2017 (As Restated)	2016
Total Income	\$ 34,859,947	\$ 38,304,908	\$ 34,379,552	\$ 31,175,358	\$ 32,260,821
Less: Operating Exp	<u>28,127,785</u>	<u>27,982,159</u>	<u>28,048,483</u>	<u>37,193,260</u>	<u>27,135,385</u>
Income Available for Debt Service	<u>\$ 6,732,162</u>	<u>\$ 10,322,749</u>	<u>\$ 6,331,069</u>	<u>\$ (6,017,902)</u>	<u>\$ 5,125,436</u>
Bond Redemption	\$ -	\$ -	\$ -	\$ -	\$ 248,525
Bond Interest	-	-	-	-	11,891
Debt Service Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,416</u>
Time Debt Service Covered	-	-	-	-	19.68

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Taxes and Employee Welfare Contributions
For the Year 2020

FEDERAL

Railroad Retirement	\$2,286,792	
Railroad Unemployment Insurance	<u>14,932</u>	
Total		2,301,724

STATE OF WASHINGTON

Retail Sales & Use Tax	686,893	
Utility and Business Occupation Tax	<u>515,803</u>	
Total		1,202,696

CITY OF TACOMA

Gross Earnings Tax		<u>2,773,643</u>
--------------------	--	------------------

TOTAL TAXES		<u><u>\$6,278,063</u></u>
-------------	--	---------------------------

Taxes as a % of Total Operating Revenues of \$33,508,082		18.74%
--	--	--------

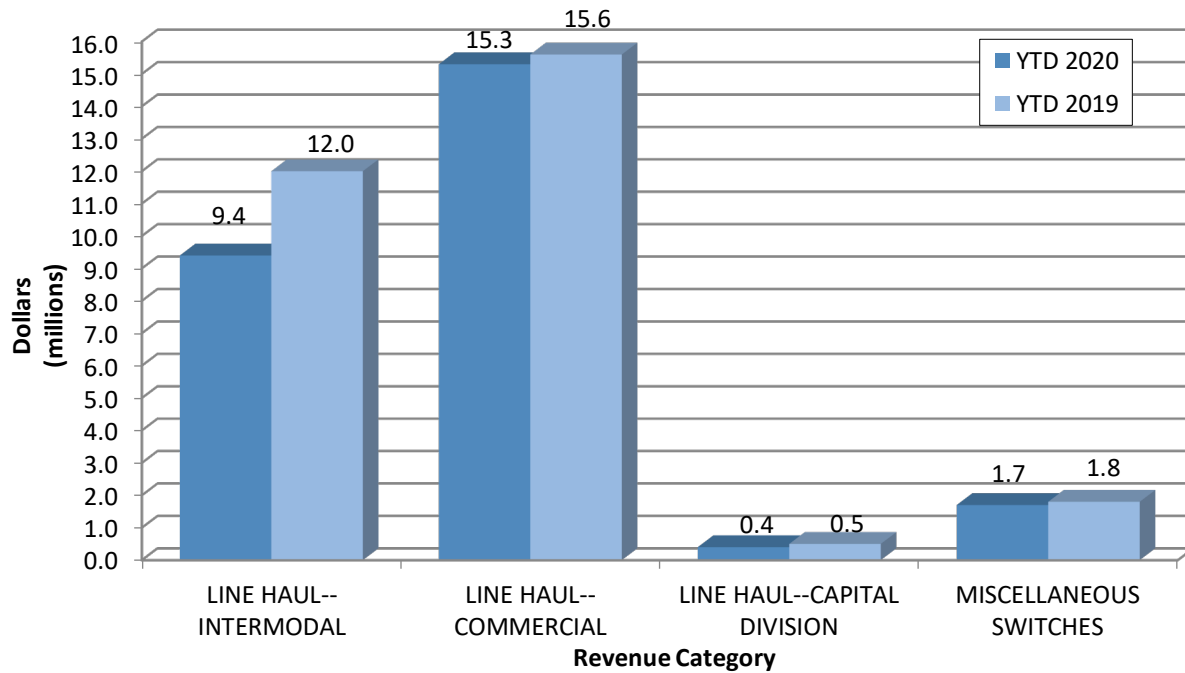
EMPLOYEE WELFARE CONTRIBUTIONS

Pierce County Medical Bureau	\$1,891,004	
Washington Dental Service	185,228	
Other Contributions	<u>316,633</u>	
TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		<u><u>\$2,392,865</u></u>

Graphs

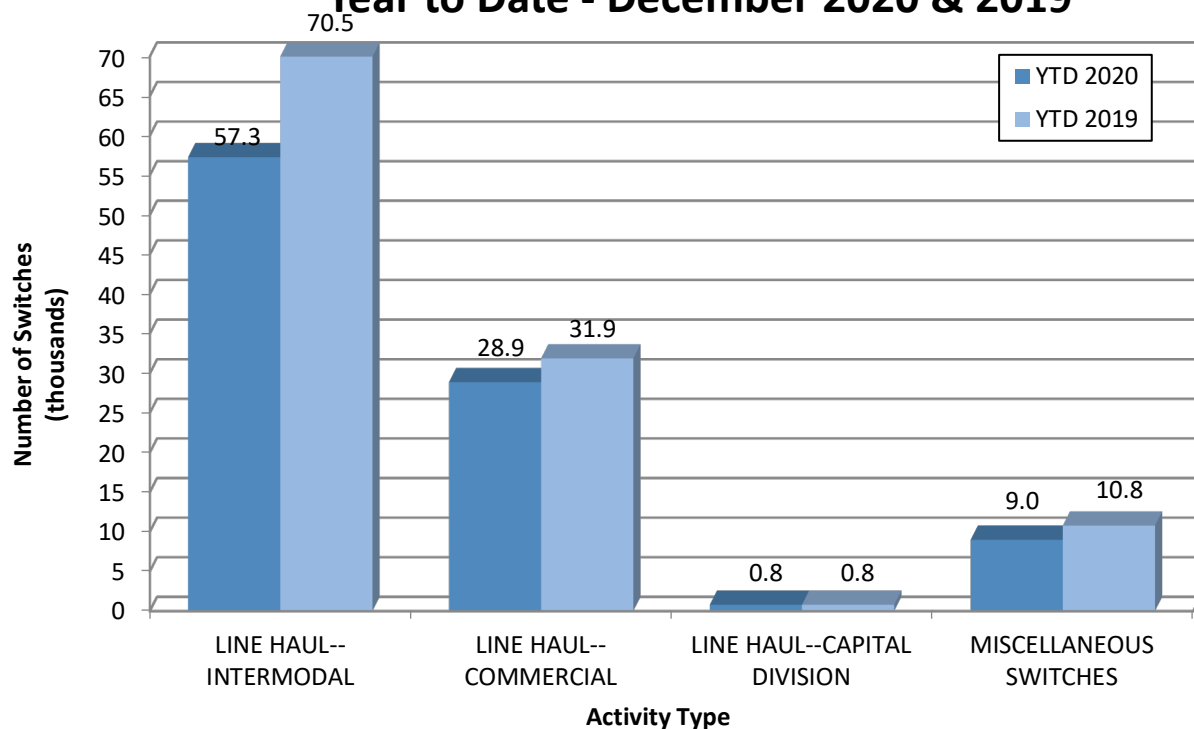
SWITCHING REVENUES

Year to Date - December 2020 & 2019

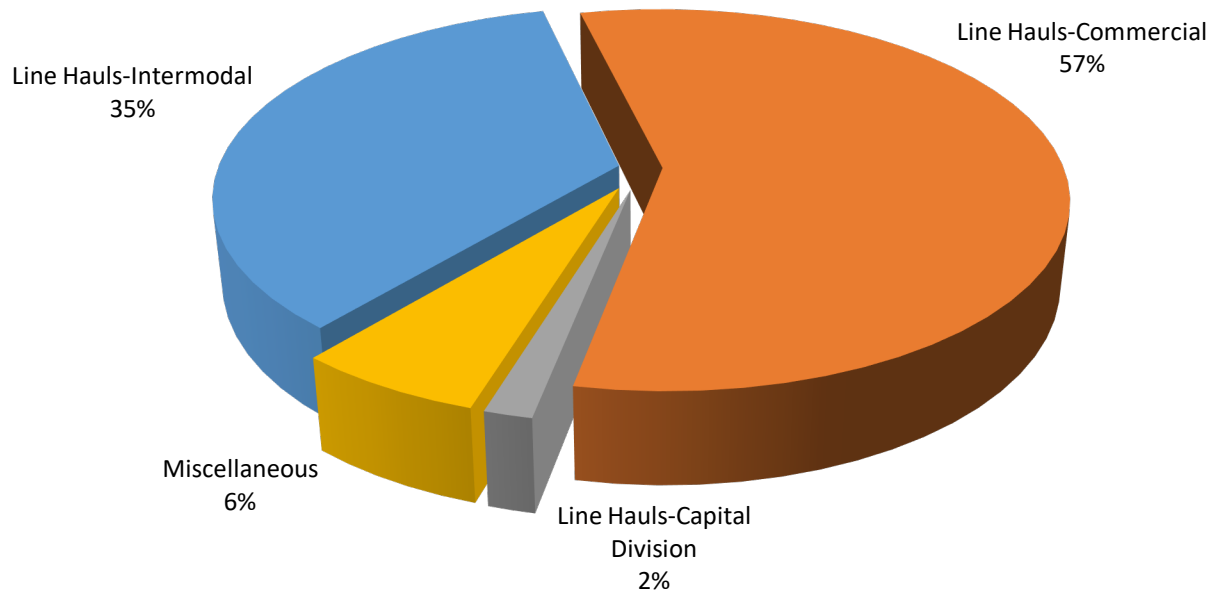


SWITCHING ACTIVITIES

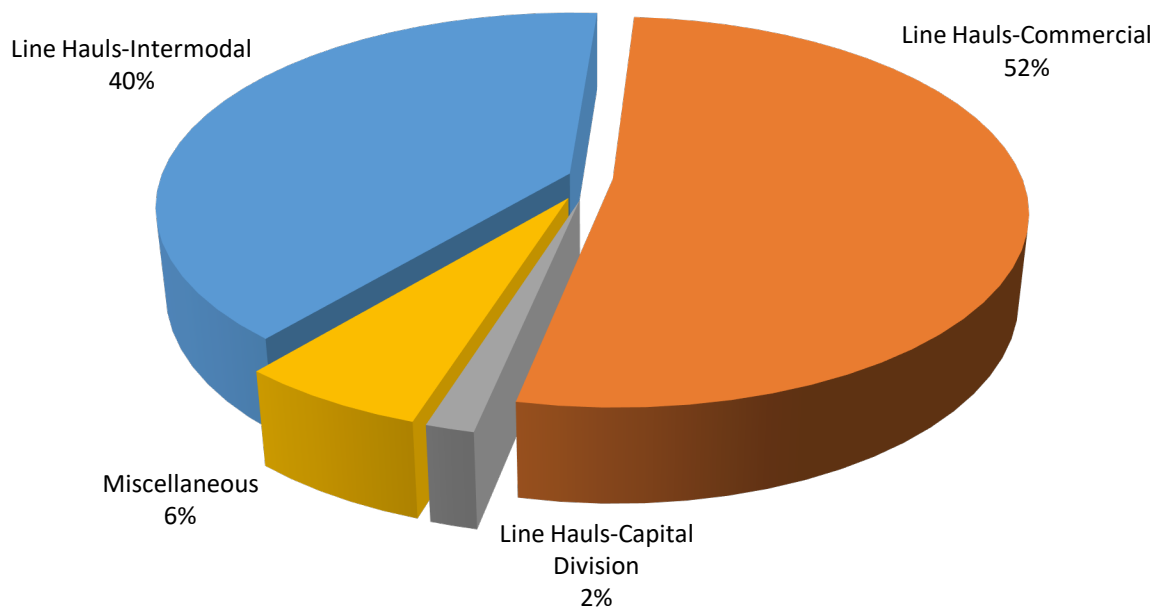
Year to Date - December 2020 & 2019



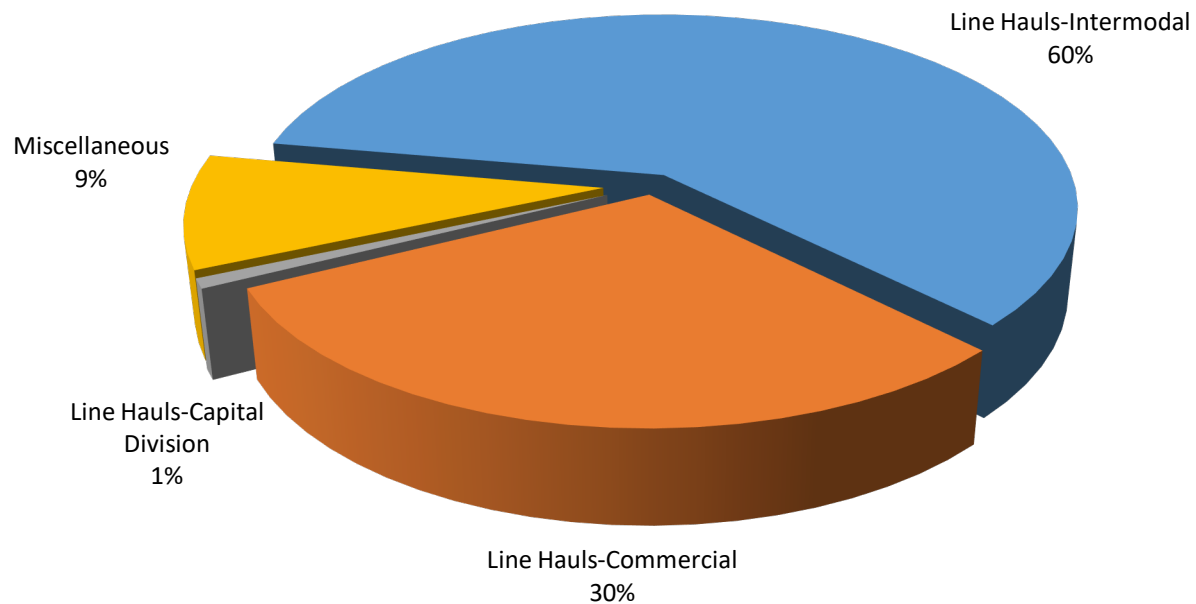
SWITCHING REVENUES
Year to Date - December 2020 (\$26,831,756)



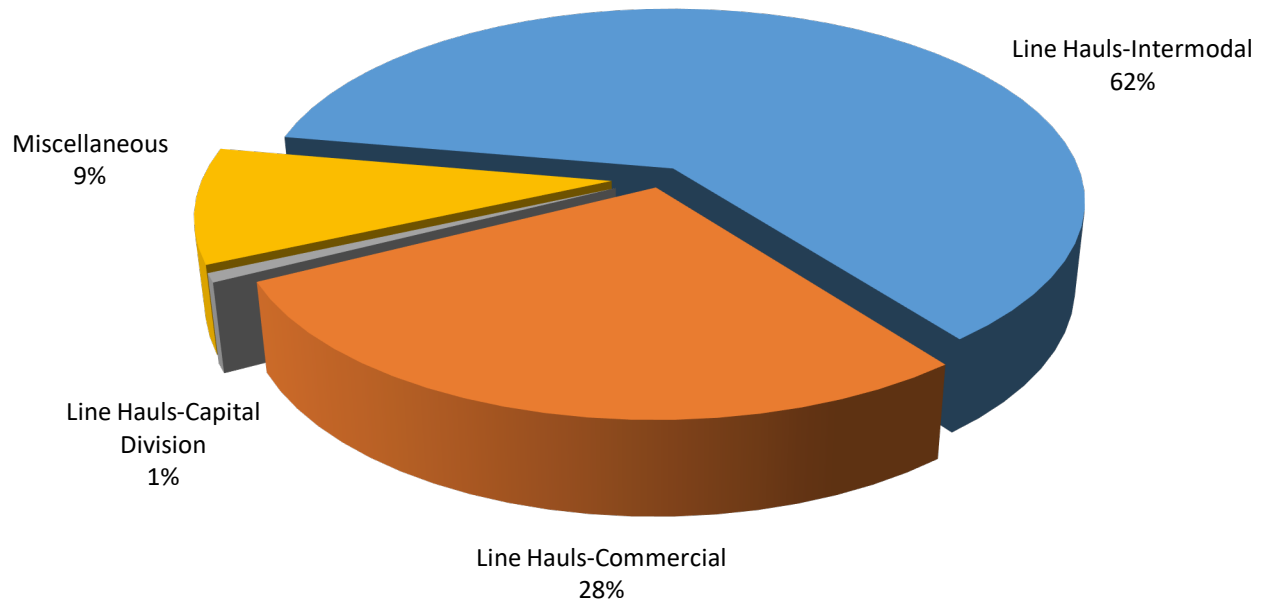
SWITCHING REVENUES
Year to Date - December 2019 (\$29,891,207)



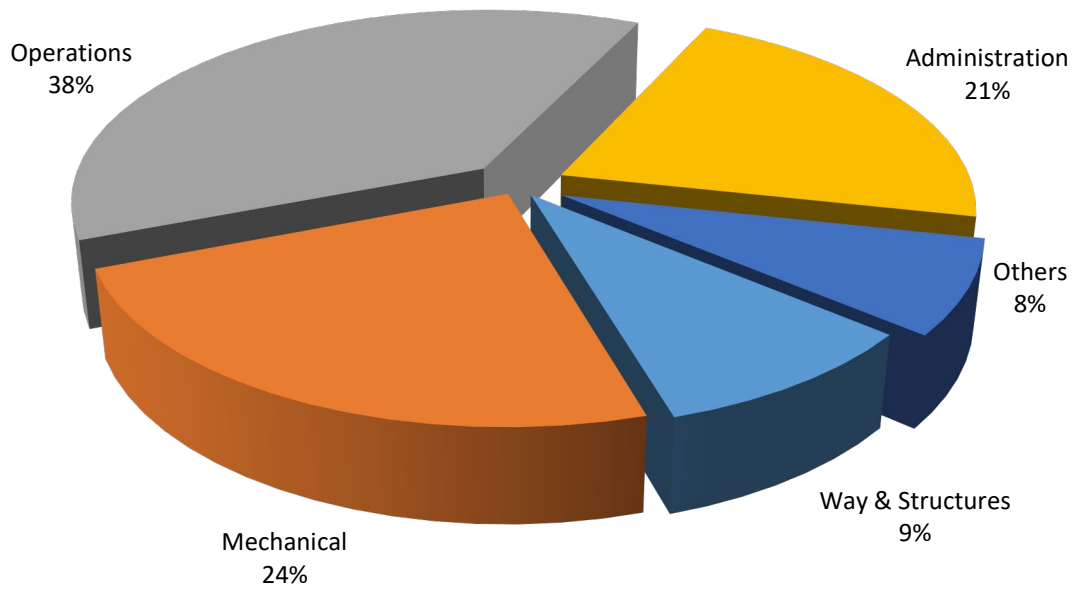
SWITCHING ACTIVITY
Year to Date - December 2020 (95,964 cars)



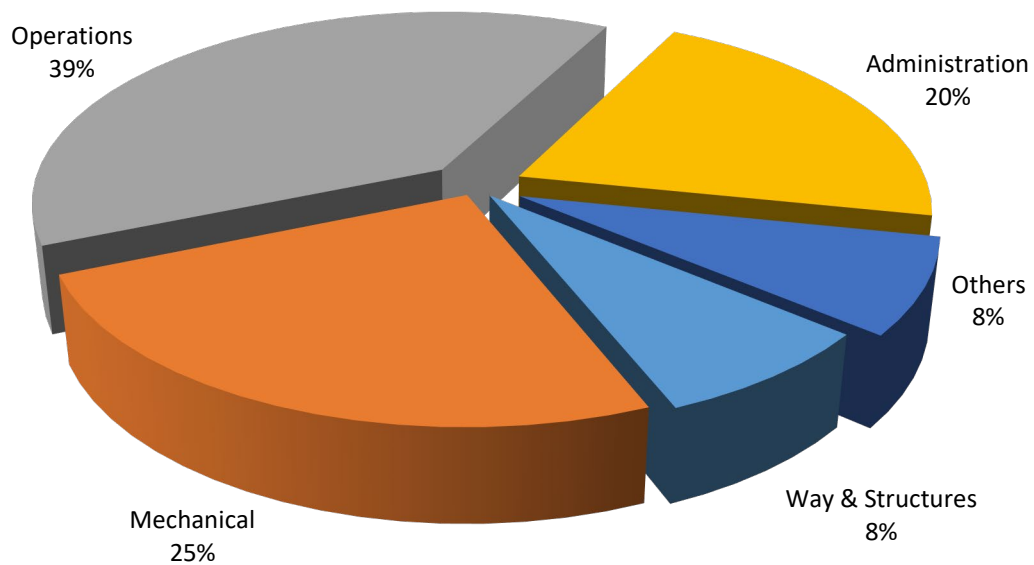
SWITCHING ACTIVITY
Year to Date - December 2019 (114,036 cars)



TOTAL OPERATING EXPENSES
Year to Date - December 2020 (\$29,912,012)



TOTAL OPERATING EXPENSES
Year to Date - December 2019 (\$29,822,598)





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.