



20 Tacoma Rail 21 Annual Financial Report

FOR THE FISCAL YEAR ENDING
DECEMBER 31, 2021
PREPARED BY THE FINANCE DEPARTMENT

TACOMA RAIL
TACOMA PUBLIC UTILITIES

Public Utility Board

MARK PATTERSON
Chair

CHRISTINE COOLEY
Vice-Chair

CARLOS M. WATSON
Secretary

JOE BUSHNELL
Member

HOLLAND COHEN
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	5
Financial Statements	11
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position.....	15
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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Rail Division (the Division) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2021 and 2020, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Division’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management’s discussion and analysis, Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Proportionate Share of the Collective OPEB Liability Last 10 Years (“the supplementary information”), as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, 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 basic 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

Management is responsible for the other information included in the table of contents. The other information comprises the statistical data and graphs but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the 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 the Division's 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 19, 2022

Management Discussion and Analysis

The following management discussion and analysis of Tacoma Rail's financial performance provides an overview of the financial activities for the years ended December 31, 2021, 2020, and 2019. 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, 2021 and 2020, 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 being 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

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 2021 indicate an increase in intermodal and decrease in non-intermodal traffic. Of Tacoma Rail's top 15 customers, nine of them experienced at least some growth from the prior year. Despite the growth, volumes have not recovered to pre-pandemic levels. Tacoma Rail has responded to the continually distressed line haul revenue with necessary expenses and capital investment controls. While stakeholders' prospects for continued turnarounds in business volumes remain guarded, Tacoma Rail is positioned to handle the return of traffic to pre-COVID-19 equivalents.

Overview of the Financial Statements

Tacoma Rail is reporting a change in net position of \$0.9 million in 2021, compared to \$4.8 million in 2020, a decrease of \$3.9 million. The decrease in net position is predominately due to an increase of \$0.6 million in operating revenues, offset with an increase of \$2.0 million in operating expenses, a decrease of \$1.0 million in non-operating revenues, and a decrease in net transfers of \$1.5 million.

In 2020, Tacoma Rail realized a change in net position of \$4.8 million, compared to \$5.3 million in 2019, a decrease of \$0.5 million. The decrease in net position was 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 revenue, offset with an increase of \$1.1 million in contributions, and an increase in net transfers of \$1.9 million.

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

OPERATING RESULTS					
(in thousands)					
<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>21/20 Increase (Decrease)</u>	<u>20/19 Increase (Decrease)</u>
Operating Revenues	\$34,088	\$33,508	\$36,812	\$580	(\$3,304)
Operating Expenses	31,877	29,912	29,823	1,965	89
Operating Income	2,211	3,596	6,989	(1,385)	(3,393)
Net Non-Operating Revenues	360	1,352	1,493	(992)	(141)
Contributions	1,141	1,156	46	(15)	1,110
Transfers Out	(2,766)	(1,304)	(3,241)	(1,462)	1,937
Change in Net Position	<u>\$946</u>	<u>\$4,800</u>	<u>\$5,287</u>	<u>(\$3,854)</u>	<u>(\$487)</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.

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>21/20 Increase (Decrease)</u>	<u>20/19 Increase (Decrease)</u>
Net Capital Assets	\$33,137	\$30,811	\$27,166	\$2,326	\$3,645
Total Current Assets	22,813	23,714	22,857	(901)	857
Deferred Outflows	2,054	1,599	739	455	860
Total Assets and Deferred Outflows	<u>\$58,004</u>	<u>\$56,124</u>	<u>\$50,762</u>	<u>\$1,880</u>	<u>\$5,362</u>
Invested in Capital Assets, Net of Related Debt	\$29,807	\$26,872	\$22,763	\$2,935	\$4,109
Unrestricted Net Position	2,040	4,029	3,338	(1,989)	691
Total Net Position	31,847	30,901	26,101	946	4,800
Long-Term Debt	2,486	3,096	3,583	(610)	(487)
Current Liabilities	3,467	4,061	4,057	(594)	4
Long-Term Liabilities	17,387	15,635	14,655	1,752	980
Total Liabilities	23,340	22,792	22,295	548	497
Deferred Inflows	2,817	2,431	2,366	386	65
Total Net Position, Liabilities, and Deferred Inflows	<u>\$58,004</u>	<u>\$56,124</u>	<u>\$50,762</u>	<u>\$1,880</u>	<u>\$5,362</u>

Revenues

2021 Compared to 2020

In 2021, Tacoma Rail operating revenues of \$34.1 million were \$0.6 million higher than the \$33.5 million in 2020. Overall switching revenues increased \$0.4 million or 1.5%, from 2020. The following table summarizes the switching revenues by activity type for the last two years.

Activity Types	Rail Cars				Switching Revenues (in thousands)			
	2021	2020	Var	%Chg	2021	2020	Var	%Chg
Intermodal Line Hauls	62,449	57,308	5,141	9.0%	\$ 10,132	\$ 9,440	692	7.3%
Commercial Line Hauls	27,219	28,920	(1,701)	-5.9%	14,219	15,248	(1,029)	-6.7%
Capital Div. Line Hauls	738	771	(33)	-4.3%	433	439	(6)	-1.4%
Miscellaneous Switches	6,623	8,965	(2,342)	-26.1%	2,442	1,705	737	43.2%
Total Line Hauls	97,029	95,964	1,065	1.1%	\$ 27,226	\$ 26,832	\$ 394	1.5%

Demurrage and other operating revenues increased \$186,000. Demurrage revenue decreased by \$330,000 and locomotive servicing revenue and other revenue increased \$516,000. This is due to an increase in locomotive servicing and a decrease in allowing customers railcars to dwell in transit longer than in 2020.

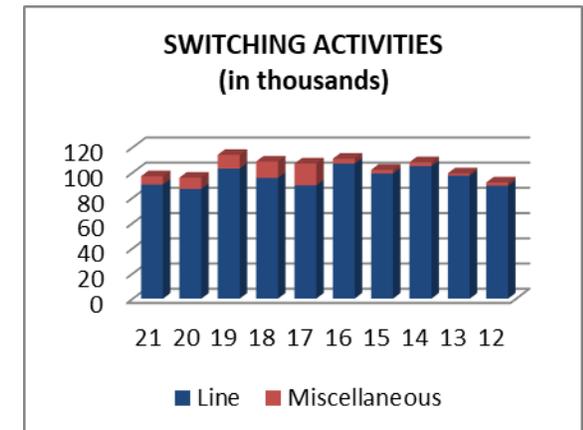
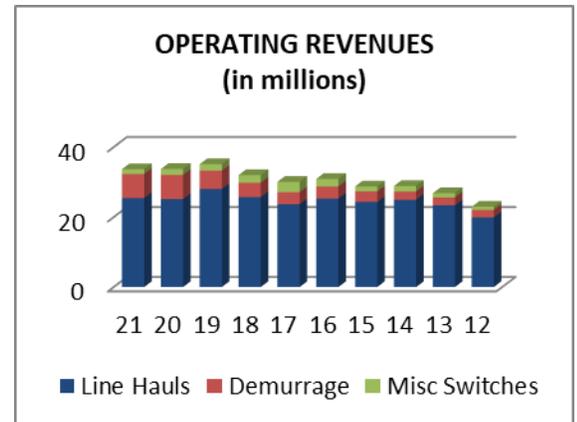
2020 Compared to 2019

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.

Switching Activities

Switching activities increased in 2021 by 1,065 cars or 1.1% to 97,029, from 95,964 in 2020. The most significant increase in switching activity can be seen in intermodal line-hauls which were up by 5,141 cars or 9.0% due to an increase in intermodal line haul rail traffic. The average number of cars switched over the last ten years is 103,559.

During 2020, total switching activities decreased by 18,072 cars or 15.8% from 2019. The decrease in intermodal line haul rail traffic was the dominant factor. Intermodal line-hauls were down by 13,188 cars or 18.7% in 2020.



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

Description	SWITCHING ACTIVITIES			21/20	20/19
	2021	2020	2019	Increase (Decrease)	Increase (Decrease)
Line Hauls	90,406	86,999	103,201	3,407	(16,202)
Miscellaneous Switches	6,623	8,965	10,835	(2,342)	(1,870)
Total Cars Switched	97,029	95,964	114,036	1,065	(18,072)

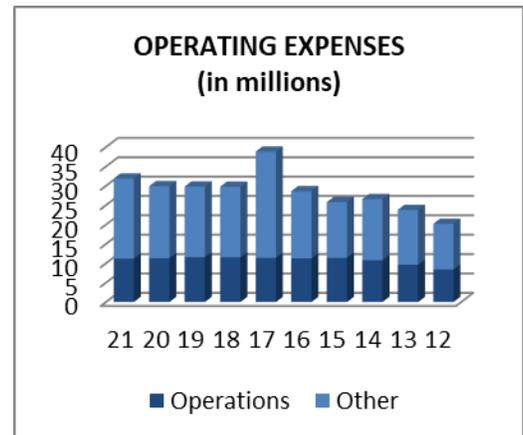
Expenses

2021 Compared to 2020

In 2021, Tacoma Rail operating expenses of \$31.9 million were \$2.0 million higher than \$29.9 million in 2020. This was primarily due to an increase of \$0.8 million in fuel usage and prices, a \$0.5 million increase in depreciation expenses. This increase was also influenced by a \$0.3 million increase in car hire for 2021, an increase in volume incentive accrual for railcar volumes with Port of Tacoma of \$0.3 million and a \$0.1 million increase in salaries and wages.

2020 Compared to 2019

In 2020, Tacoma Rail operating expenses of \$29.9 million which 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 usages and prices and a \$0.9 million decrease in volume incentive accrual for railcar volumes with Port of Tacoma.



Transfers

In 2021, transfer from/(to) Other Funds decreased \$1.5 million compared to 2020. The decrease was mainly due to the decrease in vehicles transfer from the Fleet Services Fund which occurred in 2020.

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. This transfer from was offset with \$250,000 transfer to Public Works for Taylor Way Project.

Capital Assets

Net Capital Assets increased \$2.3 million during 2021. The increase was primarily due to the additions of \$4.8 million in road and building in service, and \$2.7 million in machinery equipment. These increases were offset with the decrease of \$3.1 million of Construction Work In Progress for assets placed into service and the increase in accumulated depreciation of \$2.1 million. The road and building increases during the year were on the Marine View Drive Track and Crossing, Tote Yard and Taylor Way Curve projects. The machinery and equipment increases during the year were placing two locomotives into service.

During 2020, Net Capital Assets increased \$3.6 million. This increase was reflected primarily in \$1.6 million of new activities in Construction Work in Progress. Machinery equipment and the vehicles transferred from Fleet were \$3.2 million, \$1.8 million additions in road and building in service. These increases were offset 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.

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

<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>21/20 Increase (Decrease)</u>	<u>20/19 Increase (Decrease)</u>
Land	\$ 172	\$ 172	\$ 172	\$ -	\$ -
Road Property Plant	19,983	16,420	16,079	3,563	341
Building	1,764	1,902	1,612	(138)	290
Machinery Equipment	9,479	7,350	7,063	2,129	287
Office and Fixture	125	28	36	97	(8)
Vehicles	968	1,154	-	(186)	1,154
Construction Work In Progress	646	3,785	2,204	(3,139)	1,581
Total Net Capital Assets	<u>\$ 33,137</u>	<u>\$ 30,811</u>	<u>\$ 27,166</u>	<u>\$ 2,326</u>	<u>\$ 3,645</u>

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

Debt Administration

In 2021, draws were taken from Washington State loans from the Department of Transportation on Tote Yard Rehabilitation in the amount of \$271,000. Tacoma Rail obtained three new Washington State loans from the Department of Transportation for the following capital track projects: East Locomotive Service Facility \$840,000, Lincoln Track Upgrade \$310,000 and Tacoma Rail Yard Track Upgrades \$450,000. No funds have been drawn on these three new projects.

In 2020, draws were taken from Washington State loans from the Department of Transportation on Mazda Siding Upgrade and Tote Yard Rehabilitation in the amounts of \$231,616 and \$125,000, respectively. There were no new Washington State loans from the Department of Transportation were obtained.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>21/20 Increase (Decrease)</u>	<u>20/19 Increase (Decrease)</u>
Long-Term Debt Balance, December 31	\$ 3,330	\$ 3,940	\$ 4,403	\$ (610)	\$ (463)

Debt Service Coverage

Tacoma Rail is required by its bond covenants to maintain a 1.25 times debt service coverage. In 2021, 2020 and 2019, 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.

Financial Statements

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

ASSETS	DECEMBER 31,	
	2021	2020
CAPITAL ASSETS		
Road and Equipment Property	\$61,129,538	\$53,541,159
Less Accumulated Depreciation	(28,638,002)	(26,514,486)
Total	32,491,536	27,026,673
Construction Work in Progress	645,992	3,784,893
Net Capital Assets	33,137,528	30,811,566
CURRENT ASSETS		
Cash & Equity in Pooled Investments	14,085,843	14,780,447
Customer Accounts Receivable (Net of Allowance for Doubtful Accounts of \$191,331 in 2021 and \$172,880 in 2020)	3,565,036	4,453,748
Grants Receivable	427,680	1,132,203
Prepayments	3,379,759	2,088,988
Materials and Supplies Inventory	1,354,458	1,258,609
Total Current Assets	22,812,776	23,713,995
DEFERRED OUTFLOWS		
Deferred Outflows for OPEB	2,053,980	1,598,608
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$58,004,284	\$56,124,169

These statements should be read with the Notes to the Financial Statements contained in the previous year-end Financial Report.

NET POSITION AND LIABILITIES	DECEMBER 31,	
	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$29,807,250	\$26,871,951
Unrestricted	2,040,195	4,029,411
TOTAL NET POSITION	31,847,445	30,901,362
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
State Loans	2,486,723	3,096,059
Total Long-Term Liabilities	2,486,723	3,096,059
CURRENT LIABILITIES		
Accounts Payable	1,430,528	2,259,606
Customer Deposits	100,000	100,000
Wages Payable	400,872	370,475
Unemployment and Other Tax Payables	315,356	351,255
Current Portion of Long-Term Debt	843,555	843,555
Current Portion of Compensated Absences	145,672	136,156
Current Portion of Pension Withdrawal Liability	229,581	-
Total Current Liabilities	3,465,564	4,061,047
LONG-TERM LIABILITIES		
On the Job Injury Reserve	715,702	733,757
Long-Term Portion of Compensated Absences	1,311,048	1,225,403
Pension Withdrawal Liability	2,749,743	2,354,440
OPEB Liability	11,164,478	10,987,505
Incurred but not Reported Claims	1,446,149	334,081
Total Long-Term Liabilities	17,387,120	15,635,186
TOTAL LIABILITIES	23,339,407	22,792,292
DEFERRED INFLOWS		
Deferred Inflows for OPEB	2,817,432	2,430,515
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS	\$58,004,284	\$56,124,169

This page has been left blank intentionally.

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

	YEAR ENDED DECEMBER 31,	
	2021	2020
OPERATING REVENUES		
Switching Revenues	\$27,225,671	\$26,831,756
Demurrage and Other Operating Revenues	6,862,697	6,676,326
Total Operating Revenues	34,088,368	33,508,082
OPERATING EXPENSES		
Maintenance of Way and Structures	3,342,125	2,785,081
Mechanical	7,096,085	7,076,814
Operations	11,192,223	11,339,788
Administration	7,440,670	6,410,299
Taxes - State	536,765	515,803
Depreciation	2,269,298	1,784,227
Total Operating Expenses	31,877,166	29,912,012
Net Operating Income	2,211,202	3,596,070
NON-OPERATING REVENUES		
Investment Income/ (Loss)	(97,905)	368,330
Gain (Loss) from Disposition of Property	20,897	(16,969)
CARES Grant	-	38,202
Miscellaneous	437,332	962,302
Total Non-Operating Revenues	360,324	1,351,865
Contributions - Grants	1,140,933	1,156,230
Total Contributions	1,140,933	1,156,230
Transfers		
City of Tacoma Gross Earnings Tax	(2,769,194)	(2,773,643)
Transfers from/(to) Other Funds	2,818	1,469,695
Total Transfers	(2,766,376)	(1,303,948)
CHANGE IN NET POSITION	946,083	4,800,217
TOTAL NET POSITION - BEGINNING OF YEAR	30,901,362	26,101,145
TOTAL NET POSITION - END OF YEAR	\$31,847,445	\$30,901,362

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

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

	YEAR ENDED DECEMBER 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Customers	\$34,977,080	\$32,057,497
Cash Paid to Suppliers	(12,477,564)	(11,181,979)
Cash Paid to Employees	(16,853,051)	(16,484,356)
Taxes Paid	(572,664)	(536,096)
Net Cash From Operating Activities	5,073,801	3,855,066
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	(2,766,376)	(3,268,670)
CARES Grant Received	-	38,202
Net Cash From Non-Capital Financing Activities	(2,766,376)	(3,230,468)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets acquisitions	(4,666,681)	(3,481,688)
Principal Payments on Long-Term Debt	(883,549)	(820,243)
Proceeds from Capital Contributions	1,845,456	1,156,230
Proceeds from Long-Term Debt	271,000	356,616
Proceeds from sale of capital assets	92,318	-
Net Cash From Capital and Related Financing Activities	(3,341,456)	(2,789,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income (Loss)	(97,905)	368,330
Proceeds from Other Non-Operating Revenues	437,332	962,302
Net Cash From Investing Activities	339,427	1,330,632
Net Change in Cash and Equity in Pooled Investments	(694,604)	(833,855)
Cash and Equity in Pooled Investments at January 1	14,780,447	15,614,302
Cash and Equity in Pooled Investments at December 31	\$14,085,843	\$14,780,447

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

	YEAR ENDED DECEMBER 31,	
	2021	2020
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Operating Income	\$2,211,202	\$3,596,070
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities:		
Depreciation Expense	2,269,298	1,784,227
Pension Withdrawal Expense	624,884	-
Net OPEB Expense	108,518	243,835
Cash provided from changes in operating assets and liabilities:		
Accounts Receivable	888,712	(1,510,586)
Materials and Supplies Inventory	(95,849)	(34,269)
Prepayments	(1,290,771)	(145,699)
Accounts Payable	(825,865)	182,858
Customer Deposits	-	60,000
Unemployment and other Tax Payables	(35,899)	(20,293)
Wages Payable and Compensated Absences	39,913	91,876
Volume Incentive Payable	-	(333,333)
Long-Term Portion of Compensated Absences	85,645	114,532
On the Job Injury Reserve	(18,055)	(90,275)
Incurred but not Reported Claims	1,112,068	(83,877)
Total Adjustments	2,862,599	258,996
Net Cash From Operating Activities	\$5,073,801	\$3,855,066
Noncash Investing, Capital, and Financing activities		
Fee adjustments - Department of Transportation State Loans	\$3,213	-

City of Tacoma, Washington
Department of Public Utilities
Tacoma Rail

Notes to Financial Statements
Years Ended December 31, 2021 and 2020

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 2022.

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 2021, the Division implemented the following new accounting and reporting standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 98.

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, 2021 and 2020 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, 2021 and 2020, 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.

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, 2021, and 2020, 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, pension withdrawal 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.

Incurred but not Reported Claims – Liabilities for incurred but not reported claims are initially recorded when the expected loss is both probable and reasonably estimated in Self-Insurance Fund. Equity in the Self-Insurance Fund is transferred to the Division in accordance with GASB 10 and reported under Prepayments and Incurred but not Reported Claims on Statement of Net Position.

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:

Debt Securities	As of			
	12/31/2021	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 549,528,777	\$ -	\$ 549,528,777	\$ -
U.S. Agency Securities	375,740,028	-	375,740,028	-
Supranational Securities	25,416,670	-	25,416,670	-
Municipal Bonds	5,094,110	-	5,094,110	-
Corporate Securities	56,527,275	-	56,527,275	-
	<u>\$ 1,012,306,860</u>	<u>\$ -</u>	<u>\$ 1,012,306,860</u>	<u>\$ -</u>

Debt Securities	As of			
	12/31/2020	Level 1	Level 2	Level 3
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>

Tacoma Rail’s share of the City Investments shown in the table above is 1.17% and 1.54% as of December 31, 2021 and 2020, respectively.

NOTE 4 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2021 and 2020 follows:

	Balance December 31, 2020	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2021
Land	\$ 172,186	\$ -	\$ -	\$ -	\$ 172,186
Road Property Plant	31,877,181	-	-	4,748,926	36,626,107
Building	4,950,926	-	-	61,761	5,012,687
Machinery Equipment	15,855,151	-	(217,203)	2,894,273	18,532,221
Office and Fixtures	685,715	-	-	100,622	786,337
Total Capital Assets In Service	53,541,159	-	(217,203)	7,805,582	61,129,538
Less Accumulated Depreciation	(26,514,486)	(2,269,298)	145,782	-	(28,638,002)
	27,026,673	(2,269,298)	(71,421)	7,805,582	32,491,536
Construction Work In Progress	3,784,893	4,785,768	-	(7,924,669)	645,992
Net Capital Assets	<u>\$ 30,811,566</u>	<u>\$ 2,516,470</u>	<u>\$ (71,421)</u>	<u>\$ (119,087)</u>	<u>\$ 33,137,528</u>

	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>

NOTE 5 LONG-TERM DEBT

Long-Term debt activities for 2021 and 2020 were as follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Department of Transportation State Loans	\$ 3,939,614	\$ 274,213	\$ (883,549)	\$ 3,330,278	\$ 843,555
Total Long-Term Debt	<u>\$ 3,939,614</u>	<u>\$ 274,213</u>	<u>\$ (883,549)</u>	<u>\$ 3,330,278</u>	<u>\$ 843,555</u>

	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>

Notes to the Financial Statements (continued)

Washington State Department of Transportation Loans (WSDOT)	2021	2020
2009 WSDOT loan for locomotive idling improvement, with 0% interest, due in yearly installments of \$1,759 from 2010 through 2024.	\$ 5,278	\$ 7,037
2009 WSDOT loan for locomotive servicing facility upgrades, with 0% interest, due in yearly installments of \$16,630 from 2011 through 2025.	66,523	83,153
2011 WSDOT loan for locomotive repower, with 0% interest, due in yearly installments of \$45,000 from 2013 through 2022.	45,000	90,000
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.	61,200	122,400
2012 WSDOT loan for Yard Tracks 2, 3 & 4, with 0% interest, due in yearly installments of \$34,859 from 2013 through 2022.	34,861	69,720
2013 WSDOT loan for East 11th Street Crossing, with 0% interest, due in yearly installments of \$34,732 from 2014 through 2023.	69,464	104,198
2013 WSDOT loan for Yard Tracks 5 & 6, with 0% interest, due in yearly installments of \$36,394 from 2014 through 2023.	72,788	109,180
2013 WSDOT loan for Yard Tracks 8 & 9, with 0% interest, due in yearly installments of \$61,863 from 2015 through 2024.	185,588	247,448
2013 WSDOT loan for Port Pass West, with 0% interest, due in yearly installments of \$25,000 from 2015 through 2024.	74,998	99,998
2013 WSDOT loan for N. Intermodal Yard lead track, with 0% interest, due in yearly installments of \$36,639 from 2016 through 2025.	146,555	183,192
2013 WSDOT loan for East Loop 17th St., with 0% interest, due in yearly installments of \$77,307 from 2016 through 2025.	309,228	386,536
2013 WSDOT loan for Taylor Way Track Rehabilitation, with 0% interest, due in yearly installments of \$110,506 from 2016 through 2025.	442,023	552,528
2013 WSDOT loan for West Loop, with 0% interest, due in yearly installments of \$51,577 from 2016 through 2025.	206,308	257,886
2014 WSDOT loan for SR509 Track Improvements, with 0% interest, due in yearly installments of \$91,000 from 2016 through 2025.	364,002	455,006
2015 WSDOT loan for Edwards Crossover Rehabilitation, with 0% interest, due in yearly installments of \$12,112 from 2017 through 2026.	60,559	72,672
2015 WSDOT loan for East Lead Low Side Rebuild, with 0% interest, due in yearly installments of \$40,574 from 2017 through 2026.	202,872	243,452

Notes to the Financial Statements (continued)

Junior Lien Debt continued	2021	2020
2015 WSDOT loan for Transfer Yard Connection (Phase 3), with 0% interest, due in yearly installments of \$15,000 from 2017 through 2026.	75,000	90,000
2015 WSDOT loan for West Lead High Side Rebuild, with 0% interest, due in yearly installments of \$36,952 from 2017 through 2026.	184,776	221,716
2015 WSDOT loan for Taylor Wye Rehabilitation, with 0% interest, due in yearly installments of \$31,146 from 2017 through 2026.	155,729	186,876
2019 WSDOT loan for Mazda Siding Rehabilitation, with 0% interest, due in yearly installments of \$23,305 from 2021 through 2030.	209,746	231,616
2019 WSDOT loan for Tote Yard Rehabilitation, with 0% interest, due in yearly installments of \$39,753 from 2021 through 2030.	357,780	125,000
Subtotal Junior Lien Debt	3,330,278	3,939,614
Less Current Portion of Debt	(843,555)	(843,555)
Long-term Portion of Junior Lien Debt	\$ 2,486,723	\$ 3,096,059

As of December 31, 2021, scheduled principal maturities on junior lien debts and interest payments are as follows:

	Principal	Interest
2022	\$ 843,555	\$ -
2023	781,996	-
2024	671,117	-
2025	582,495	-
2026	198,887	-
2027-2030	252,228	-
	\$ 3,330,278	\$ -

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 36%, 38%, and 15% of total revenues, respectively, in 2021. Revenue in 2020 was 33%, 37% and 17%, respectively. Accounts receivable from UP, BNSF, and U.S. Oil in 2021 represented 32%, 32%, and 23% of total customer accounts receivable, whereas in 2020 it was 32%, 28%, and 26% 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 Department vehicles and related equipment.

Tacoma Rail pays the Fleet Services Fund to cover fleet operating expenses. Per Ordinance No. 28688, in 2020 Fleet Services Fund transferred operating division fleet assets to Power, Rail, and Water for funding flexibility. Fleet Services Fund maintains the purchasing and maintenance responsibilities. Starting Jan 1, 2021, Tacoma Rail no longer pays operating capital assets recovery revenues to Fleet Services Fund, but still pays for capital recovery revenues on pool vehicles and other operating revenues including maintenance, administrative overhead, fuel and fuel loading, and pool car rentals. Payments made by Tacoma Rail in 2021 and 2020 were \$324,712 and \$435,395, respectively.

Fleet Services' management makes an annual assessment of the capital replacement reserve balance for appropriate funding levels. It is the Fund's policy to maintain the Fund's maximum balance at a level that will provide adequate purchasing power for a three-year cycle. The solvency of the Replacement Fund allowed Fleet Services to return a portion of interest earned on Fund investments for the year to their customers. Per Ordinance No. 28688, there was no amount refunded in 2021 and \$47,741 was refunded in 2020 to offset the corresponding year's fleet expenses.

Per Ordinance No. 28688, Fleet Services Fund transferred \$1.9 million of net book value in assets (net between cost of \$3.2 million and accumulated depreciation of \$1.3 million) to the Division in 2020. In 2021, \$2,818 of Construction Work in progress was transferred to the Division.

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 \$240,000 and \$600,000 in 2021 and 2020, respectively. Assets in the Self-Insurance Fund total \$11.0 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 \$5.0 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 \$5.0 million limit and \$200,000 deductible for employee dishonesty and for fraudulent or dishonest act 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 \$2.0 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 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 \$2.25 million for each wrongful act and a \$2.25 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. These policies have a limit of \$52.5 million each occurrence with a \$52.5 million aggregate in excess of a \$2.5 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 2021 and 2020, Tacoma Rail contributed \$2,205,787 and \$2,286,792 respectively, per structures set forth by the United States Railroad Retirement Board shown as follows:

	<u>EARNINGS BASE</u>	
	<u>2021</u>	<u>2020</u>
Employer Tier I	\$ 142,800	\$ 137,700
Employer Tier II	106,200	102,300
Employer Medicare	No Limit	No Limit

	<u>TAX RATE</u>	
	<u>2021</u>	<u>2020</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 \$56.4 billion as of December, 2019. 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.

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 Plan. 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. 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 2021 and 2020. There were no contributions in 2021 and 2020.

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. The City's obligation is to pay, in full, the payroll withholdings to the system.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from the Plan. The actuaries for the Plan determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total, but the liability was recorded for 20-year limitation liability of \$17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as at December 31, 2021. The initial \$337,619 payment was due on or before January 1, 2022 which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments will be due quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028, for a total of \$4,276,732, the last payment amount will be \$81,982.

As of December 31, 2021, the Division reported a liability of \$2,979,324 for its proportionate share of the collective total withdrawal liability of \$17,525,433 compared to \$2,354,440 at December 31, 2020. The current portion of the withdrawal liability is \$229,581 as of December 31, 2021 and there was no current liability as of December 31, 2020. At December 31, 2021 and 2020, the Division's proportion was 17.0% and 16.8%, respectively. For the year ended December 31, 2021, the Division recognized a withdrawal expense of \$682,279.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). The outcome of the appeal is uncertain at the time of the report issuance and may affect the liability amount.

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, 2021 for non-LEOFF 1 members includes 3,531 active participants, 562 vested terminated participants, 192 retirees and surviving spouses, and 130 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, 2021 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, 2020. 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, 2021.

The H.R. 1865 Further Consolidated Appropriations Act, 2020 became Law on December 20, 2019. This act repeals the excise tax for high cost or "Cadillac" health plans completely and removes the Health Insurer Fee permanently beginning in 2021. The total OPEB liability as of the December 31, 2020, measurement date reflects this change.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2021, 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, 2021
Census Date:	January 1, 2021
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:	2.12% for pay-as-you-go funding
Medical Cost Trend:	2021 6.00%
	2022 5.50%
	2023 5.00%
	2030 4.70%
	2040 4.90%
	2050 4.90%
	2060 4.70%

Note that the trend for year 2021 reflects the percent by which 2022 medical costs are expected to exceed 2021 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.00% in 2074 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

Economic Assumptions -
Discount Rate (Liabilities):

2.12%

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 2.12% from 2.74%. 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, 2021 the Division reported a liability of \$11,164,478 for its proportionate share of the collective total OPEB liability of \$229.3 million compared to \$10,987,505 at December 31, 2020. At December 31, 2021 the participating Division's proportion was 4.86973% as compared to 5.27176% at December 31, 2020. For the year ended December 31, 2021, the participating Division recognized an OPEB expense of \$108,518.

Notes to the Financial Statements (continued)

At December 31, 2021, 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	\$ (119,470)	\$ 16,823
Changes of assumptions	(468,857)	1,246,657
Changes in Employer Proportion	(1,427,574)	741,805
Differences in Contributions	(801,531)	-
Contributions Made Subsequent to the Measurement Date	-	48,695
Total	<u>\$ (2,817,432)</u>	<u>\$ 2,053,980</u>

The Division reported \$48,695 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (243,967)
2023	(243,967)
2024	(330,593)
2025	35,789
2026	(13,148)
Thereafter	<u>(16,261)</u>
	<u>\$ (812,147)</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 2.12%, 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, 1.12%, or one percentage point higher, 3.12%, than the current rate.

	1% Decrease 1.12%	Current Discount Rate 2.12%	1% Increase 3.12%
Net OPEB liability	\$ 12,633,598	\$ 11,164,478	\$ 9,936,864

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	\$ 9,819,495	\$ 11,164,478	\$ 12,764,986

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, 2021.

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 2022. The agreement states that Public Works would fund Tacoma Rail for any operations on the Mountain Division.

NOTE 13 – COVID-19 PANDEMIC

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. During the 2021-2022 budget development process the City took quick action to reduce the expenses through program eliminations, reduced hiring, and temporary furloughs to address the projected revenue losses. In 2021, the City's tax revenues performed better than projections and the City was able to return funding for a limited number of one-time programs and investments. The City and the Division will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

The Division and the City has been operating under a utility shut-off moratorium since March 2020 due to the COVID-19 pandemic. In March 2020, the City Mayor issued an emergency rule that prohibits utility shutoff due to nonpayment of fees and charges for residential and commercial customers during the City Mayor's emergency proclamation. The State issued a similar moratorium on disconnecting electric, water and other utility services due to nonpayment and charging fees for late payment or reconnection for certain utilities. The State-wide moratorium on disconnections for nonpayment terminated on September 30, 2021. The City moratorium ended on March 31, 2022. Effective April 1, 2022, late fees and other collection processes resumed.

Subsequent to the moratorium end date on March 31, 2022, City utility customer with an outstanding balance incurred during the months of the COVID-19 pandemic was placed on an automatic, interest-free, 24-month installment plan. The City continues to encourage customers to take advantage of current relief assistance dollars and is developing long-term payment programs. The City anticipates that it will be able to address delinquencies using those tools and does not expect that accounts receivable will be a primary driver for future rate increases.

While the aggregate amount of outstanding receivables is greater than prior years, the amount is not expected to have a material impact on the Division and the City.

NOTE 14 SUBSEQUENT EVENTS

In Mid-May of 2022, the City expects to receive approximately \$30.4 million, the second tranche of funds from the total of \$60.9 million from the American Rescue Plan Act ("ARPA"). 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 expects to receive approximately \$60.9 million in ARPA assistance, of which approximately \$30.5 million was received in May of 2021. 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.

Required Supplementary Information

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,				
	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	4.87%	5.27%	4.87%	5.52%	5.28%
Employer's proportion share of collective OPEB liability	\$11,164,478	\$10,987,505	\$9,947,627	\$12,179,967	\$11,048,417
Employer's covered-employee payroll**	\$11,723,243	\$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	95.23%	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, 2021**

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 2.12% from 2.74%. 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

	2021	2020	2019	2018
STATEMENTS OF NET POSITION				
ASSETS AND DEFERRED OUTFLOWS				
Railway Plant - Net	\$33,137,528	\$30,811,566	\$27,166,350	\$26,113,399
Other Property and Special Funds	-	-	-	-
Current and Accrued Assets	22,812,776	23,713,995	22,857,298	18,693,794
Deferred Outflows	2,053,980	1,598,608	738,535	993,546
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>58,004,284</u>	<u>56,124,169</u>	<u>50,762,183</u>	<u>45,800,739</u>
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	2,486,723	3,096,059	3,582,991	4,403,234
Current and Accrued Liabilities	3,465,564	4,061,047	4,056,634	3,421,462
Long-Term Liabilities	17,387,120	15,635,186	14,654,928	16,872,528
Total Liabilities	23,339,407	22,792,292	22,294,553	24,697,224
Deferred Inflows	2,817,432	2,430,515	2,366,485	289,802
NET POSITION	<u>31,847,445</u>	<u>30,901,362</u>	<u>26,101,145</u>	<u>20,813,713</u>
TOTAL LIABILITIES AND NET POSITION AND DEFERRED INFLOWS	<u>\$58,004,284</u>	<u>\$56,124,169</u>	<u>\$50,762,183</u>	<u>\$45,800,739</u>
STATEMENTS OF INCOME				
OPERATING REVENUES				
Switching Revenues	\$27,225,671	\$26,831,756	\$29,891,207	\$27,933,469
Other Operating Revenues	6,862,697	6,676,326	6,920,393	5,231,761
Total Operating Revenues	34,088,368	33,508,082	36,811,600	33,165,230
OPERATING EXPENSES				
Operation and Maintenance	29,071,103	27,611,982	27,475,800	27,582,675
Taxes	536,765	515,803	506,359	465,808
Depreciation	2,269,298	1,784,227	1,840,439	1,737,714
Total Operating Expenses	31,877,166	29,912,012	29,822,598	29,786,197
NET OPERATING INCOME (LOSS)	2,211,202	3,596,070	6,989,002	3,379,033
NON-OPERATING REVENUES (EXPENSE)				
Net Other Income	1,599,162	2,139,765	1,112,903	1,174,556
Interest Earned on Investments	(97,905)	368,330	426,085	152,072
Interest on Unfunded Debt	-	-	-	-
Total Non-Operating Revenues	1,501,257	2,508,095	1,538,988	1,326,628
TRANSFERS				
City Gross Earnings Tax	(2,769,194)	(2,773,643)	(3,042,980)	(2,750,860)
Transfers from/ (to) Other Funds	2,818	1,469,695	(197,578)	-
CHANGE IN NET POSITION	<u>\$946,083</u>	<u>\$4,800,217</u>	<u>\$5,287,432</u>	<u>\$1,954,801</u>

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.

2017 (As Restated)	2016	2015	2014	2013	2012
\$26,705,711	\$28,216,744	\$24,748,388	\$21,058,809	\$18,015,675	\$16,258,926
-	64,974	64,861	65,104	65,110	397,381
13,964,325	13,960,977	14,843,745	15,964,236	12,961,818	11,397,915
114,073	-	-	-	-	-
<u>40,784,109</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>
5,223,477	5,397,028	5,556,302	4,482,801	2,764,959	2,166,751
2,240,256	3,793,795	3,443,589	4,096,245	3,232,279	3,920,067
<u>14,461,464</u>	<u>4,017,974</u>	<u>3,615,442</u>	<u>4,278,913</u>	<u>2,827,186</u>	<u>1,617,434</u>
21,925,197	13,208,797	12,615,333	12,857,959	8,824,424	7,704,252
-	-	-	-	-	-
<u>18,858,912</u>	<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>\$40,784,109</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>
\$26,648,873	\$27,417,653	\$25,690,797	\$26,495,108	\$24,570,867	\$20,793,364
<u>4,068,008</u>	<u>3,409,347</u>	<u>3,474,443</u>	<u>2,962,289</u>	<u>2,372,435</u>	<u>2,250,434</u>
30,716,881	30,827,000	29,165,240	29,457,397	26,943,302	23,043,798
36,761,179	26,696,068	24,168,168	25,063,534	22,348,268	18,962,149
432,081	439,317	417,135	429,875	437,282	404,105
<u>1,644,373</u>	<u>1,472,955</u>	<u>1,220,882</u>	<u>1,069,265</u>	<u>996,782</u>	<u>824,549</u>
38,837,633	28,608,340	25,806,185	26,562,674	23,782,332	20,190,803
(8,120,752)	2,218,660	3,359,055	2,894,723	3,160,970	2,852,995
426,311	2,287,330	1,878,109	1,830,033	1,004,957	1,282,274
68,420	86,126	51,379	72,535	21,155	81,907
<u>(6)</u>	<u>(8,542)</u>	<u>(21,678)</u>	<u>(34,122)</u>	<u>(45,941)</u>	<u>(62,090)</u>
494,725	2,364,914	1,907,810	1,868,446	980,171	1,302,091
(2,548,959)	(2,591,337)	(2,410,016)	(2,440,631)	(2,240,525)	(1,931,338)
-	-	(45,378)	(310,527)	(32,407)	(20,577)
<u>(\$10,174,986)</u>	<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>

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Rail

Ten-Year Switching Statistics

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SWITCHING REVENUES				
Line Hauls	\$24,784,022	\$25,126,836	\$28,035,621	\$25,713,116
Local and Miscellaneous	<u>2,441,649</u>	<u>1,704,920</u>	<u>1,855,586</u>	<u>2,220,353</u>
TOTAL SWITCHING REVENUES	<u><u>\$27,225,671</u></u>	<u><u>\$26,831,756</u></u>	<u><u>\$29,891,207</u></u>	<u><u>\$27,933,469</u></u>
NUMBER OF CARS SWITCHED				
Line Hauls	90,406	86,999	103,201	95,678
Local and Miscellaneous	<u>6,623</u>	<u>8,965</u>	<u>10,835</u>	<u>13,041</u>
TOTAL NUMBER OF CARS SWITCHED	<u><u>97,029</u></u>	<u><u>95,964</u></u>	<u><u>114,036</u></u>	<u><u>108,719</u></u>
SWITCHING STATISTICS (AVERAGE)				
Revenue/Line Haul Car	\$274.14	\$288.82	\$271.66	\$268.75
Revenue/Local & Miscellaneous Car	\$368.66	\$190.18	\$171.26	\$170.26

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$23,704,622	\$25,683,614	\$24,334,649	\$24,933,732	\$23,358,089	\$19,913,410
<u>2,944,251</u>	<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><u>\$26,648,873</u></u>	<u><u>\$27,417,653</u></u>	<u><u>\$25,690,797</u></u>	<u><u>\$26,495,108</u></u>	<u><u>\$24,570,867</u></u>	<u><u>\$20,793,364</u></u>
89,748	107,059	99,277	105,079	97,536	89,554
<u>17,382</u>	<u>3,863</u>	<u>2,896</u>	<u>3,058</u>	<u>1,830</u>	<u>2,563</u>
<u><u>107,130</u></u>	<u><u>110,922</u></u>	<u><u>102,173</u></u>	<u><u>108,137</u></u>	<u><u>99,366</u></u>	<u><u>92,117</u></u>
\$264.12	\$239.90	\$245.12	\$237.29	\$239.48	\$222.36
\$169.39	\$448.88	\$468.28	\$510.59	\$662.72	\$343.33

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Rail

Comparison of Cars Switched and Switching Revenues

	December 2021	December 2020	YEAR ENDED	
			December 31, 2021	December 31, 2020
SWITCHING REVENUES				
LINE HAULS--INTERMODAL	\$723,871	\$761,025	\$10,132,295	\$9,439,494
LINE HAULS--COMMERCIAL	1,180,334	1,482,668	14,218,420	15,247,872
LINE HAULS--CAPITAL DIVISION	35,255	48,450	433,307	439,470
MISCELLANEOUS SWITCHES	<u>13,850</u>	<u>154,864</u>	<u>2,441,649</u>	<u>1,704,920</u>
TOTAL SWITCHING REVENUES	<u>\$2,077,980</u>	<u>\$2,447,007</u>	<u>\$27,225,671</u>	<u>\$26,831,756</u>
SWITCHING ACTIVITIES (CARS)				
LINE HAULS--INTERMODAL	4,399	4,813	62,449	57,308
LINE HAULS--COMMERCIAL	2,159	2,889	27,219	28,920
LINE HAULS--CAPITAL DIVISION	60	85	738	771
MISCELLANEOUS SWITCHES	<u>607</u>	<u>705</u>	<u>6,623</u>	<u>8,965</u>
TOTAL CARS SWITCHED	<u>7,225</u>	<u>8,492</u>	<u>97,029</u>	<u>95,964</u>

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Rail

Funds Available for Debt Service

	2021	2020	2019	2018	2017 (As Restated)
Total Income	\$ 34,448,692	\$ 34,859,947	\$ 38,304,908	\$ 34,379,552	\$ 31,175,358
Less: Operating Exp	<u>29,607,868</u>	<u>28,127,785</u>	<u>27,982,159</u>	<u>28,048,483</u>	<u>37,193,260</u>
Income Available for Debt Service	<u>\$ 4,840,824</u>	<u>\$ 6,732,162</u>	<u>\$ 10,322,749</u>	<u>\$ 6,331,069</u>	<u>\$ (6,017,902)</u>
Bond Redemption	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Interest	-	-	-	-	-
Debt Service Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Time Debt Service Covered	-	-	-	-	-

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Rail

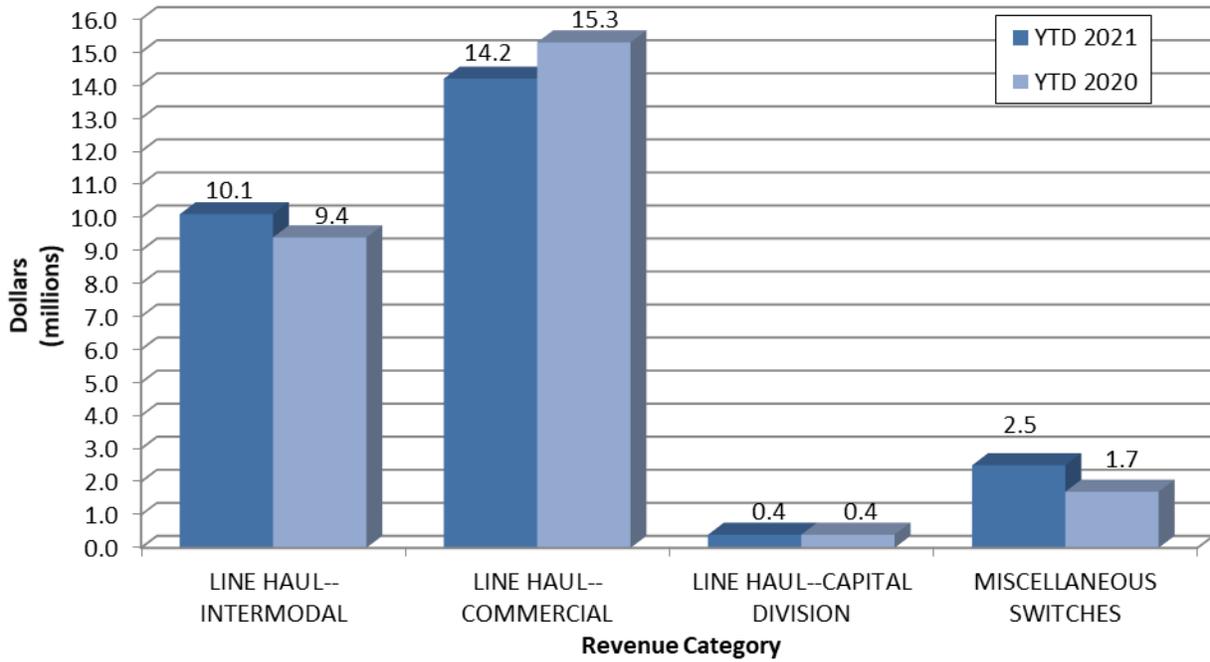
Taxes and Employee Welfare Contributions
 For the Year 2021

FEDERAL		
Railroad Retirement	\$2,205,787	
Railroad Unemployment Insurance	<u>72,028</u>	
Total		2,277,815
STATE OF WASHINGTON		
Retail Sales & Use Tax	712,440	
Utility and Business Occupation Tax	<u>536,765</u>	
Total		1,249,205
CITY OF TACOMA		
Gross Earnings Tax		<u>2,769,194</u>
TOTAL TAXES		<u>\$6,296,214</u>
Taxes as a % of Total Operating Revenues of \$34,088,368		18.47%
EMPLOYEE WELFARE CONTRIBUTIONS		
Pierce County Medical Bureau	\$2,238,093	
Washington Dental Service	176,702	
Other Contributions	<u>32,513</u>	
TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		<u>\$2,447,308</u>

Graphs

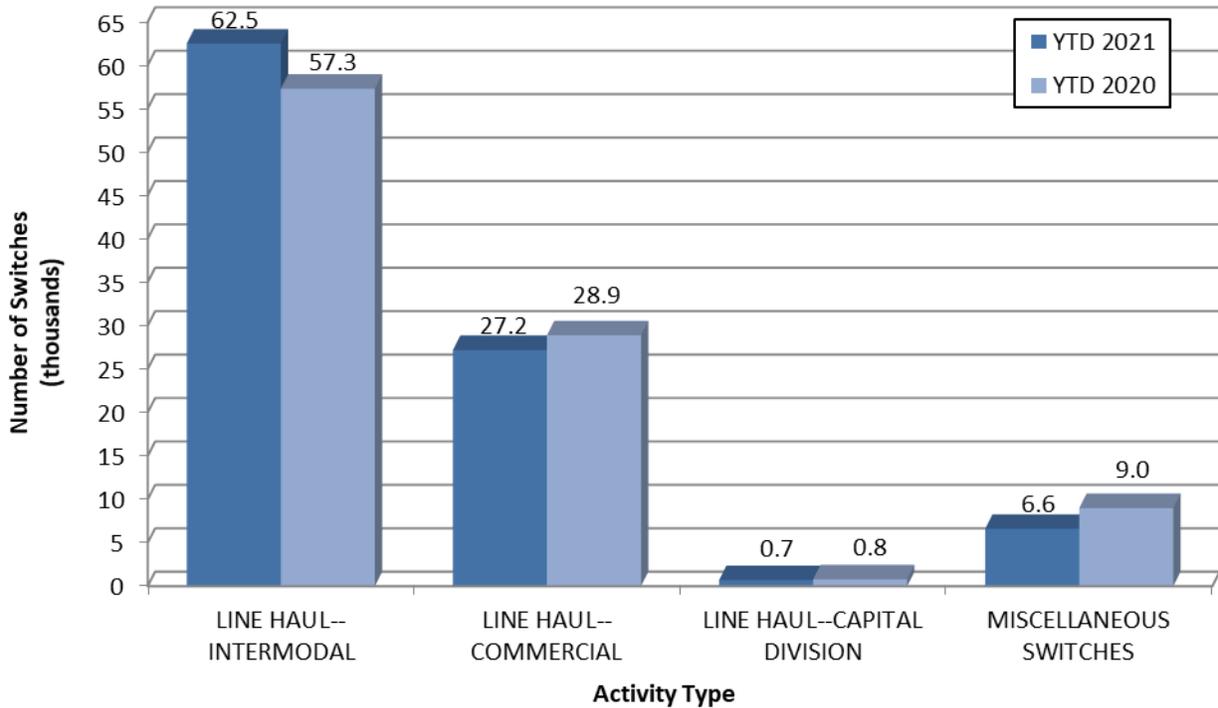
SWITCHING REVENUES

Year to Date - December 2021 & 2020

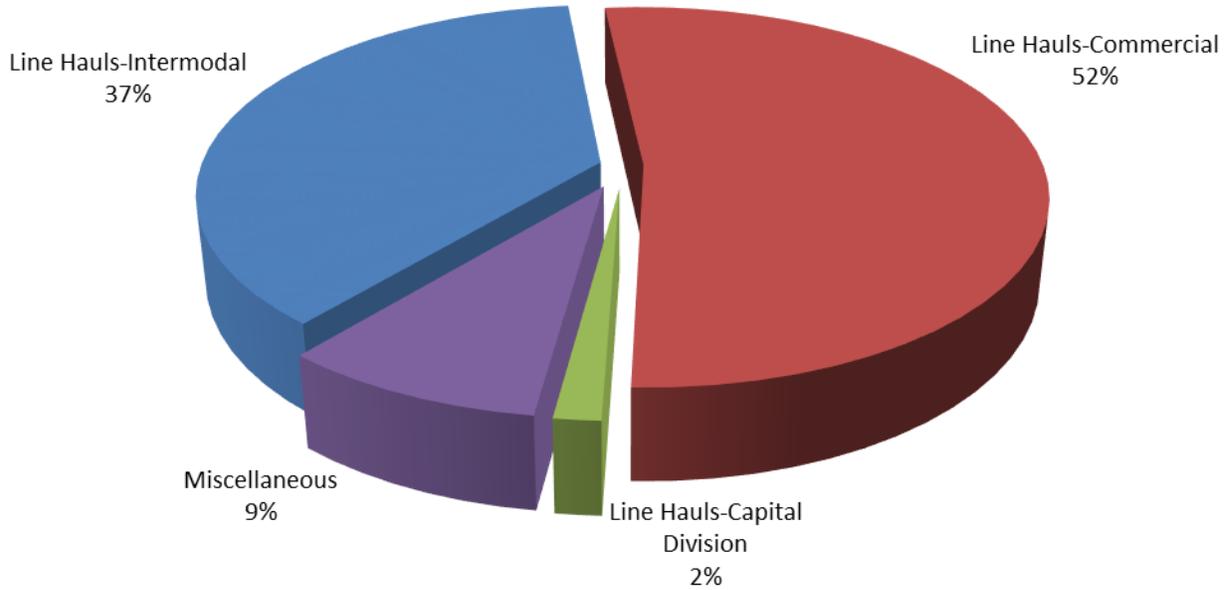


SWITCHING ACTIVITIES

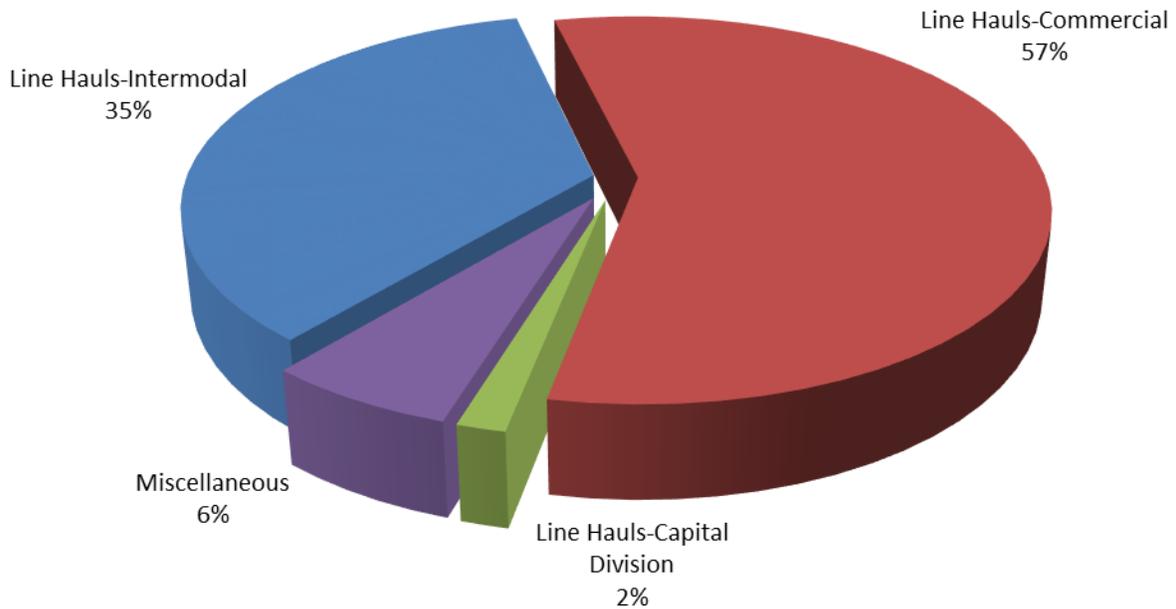
Year to Date - December 2021 & 2020



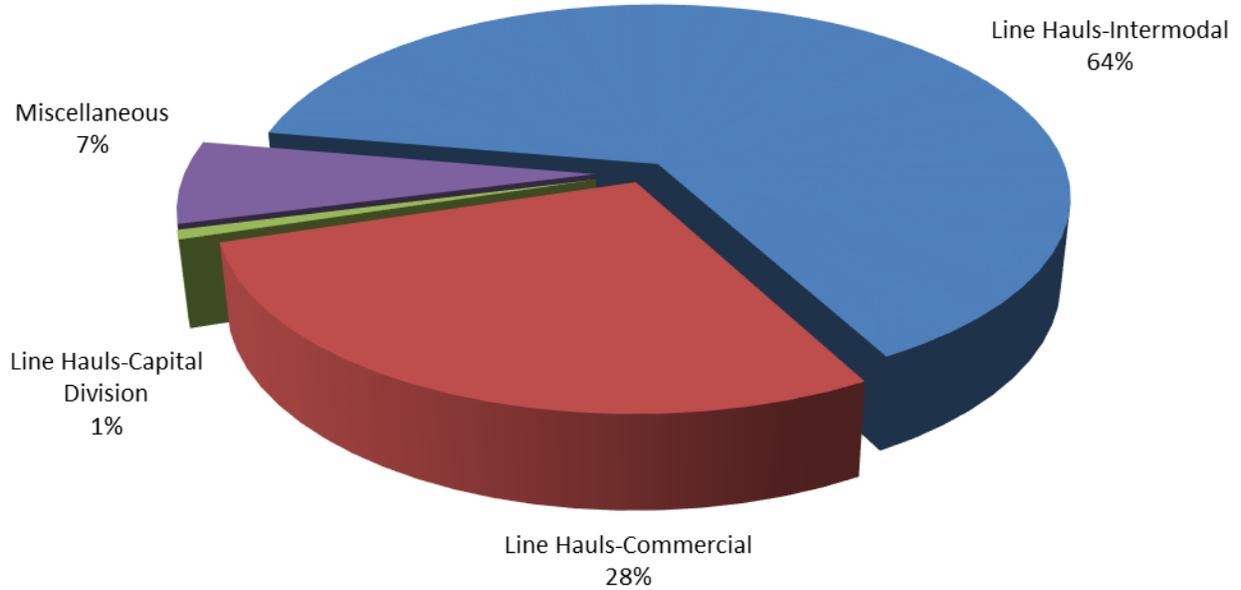
SWITCHING REVENUES
Year to Date - December 2021 (\$27,225,671)



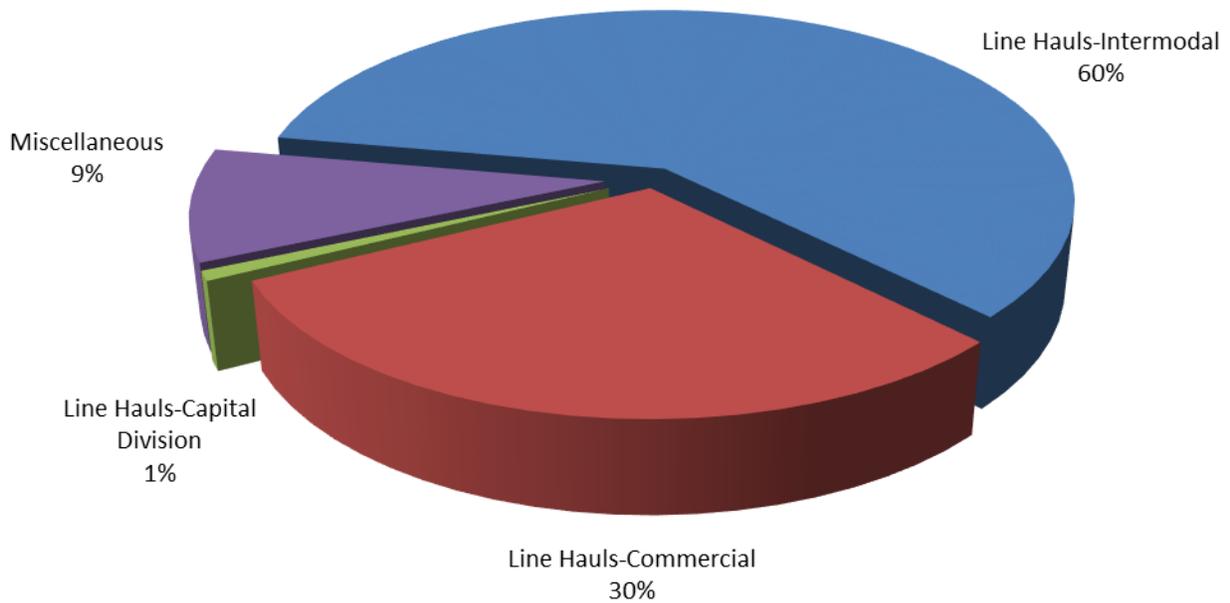
SWITCHING REVENUES
Year to Date - December 2020 (\$26,831,756)



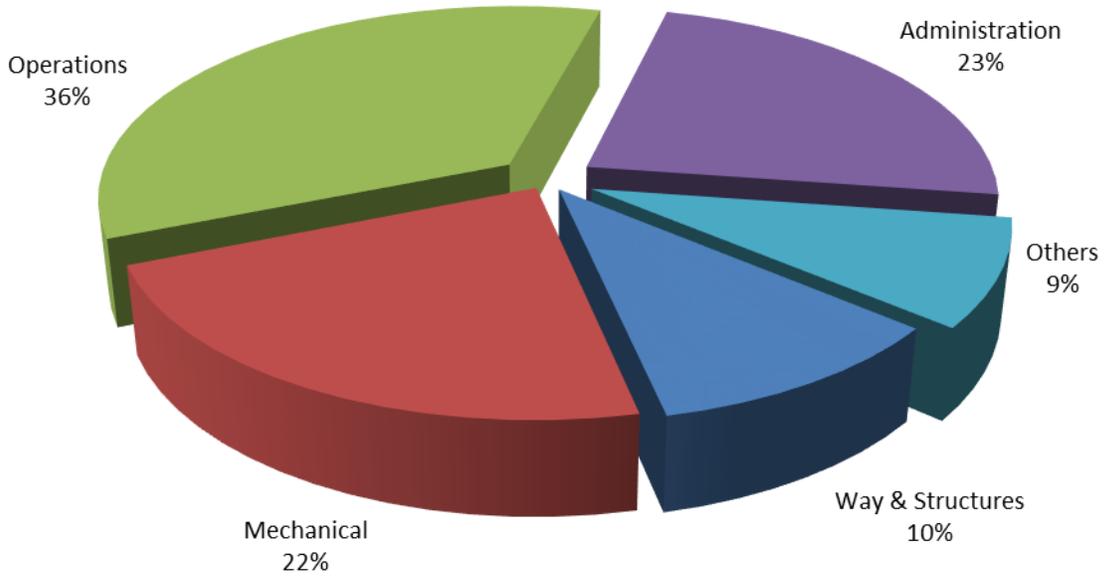
SWITCHING ACTIVITY
Year to Date - December 2021 (97,029 cars)



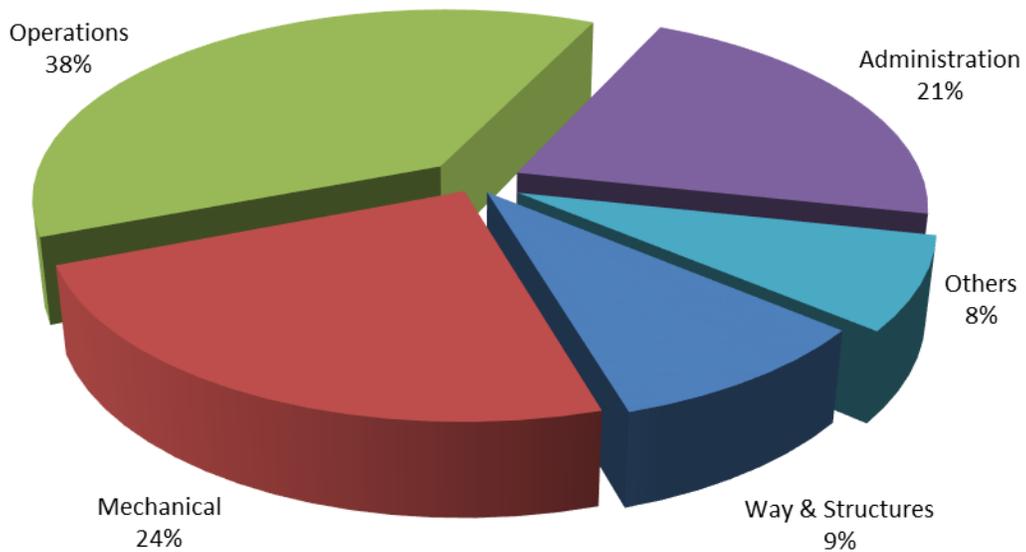
SWITCHING ACTIVITY
Year to Date - December 2020 (95,964 cars)



TOTAL OPERATING EXPENSES
Year to Date - December 2021 (\$31,877,166)



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





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.