

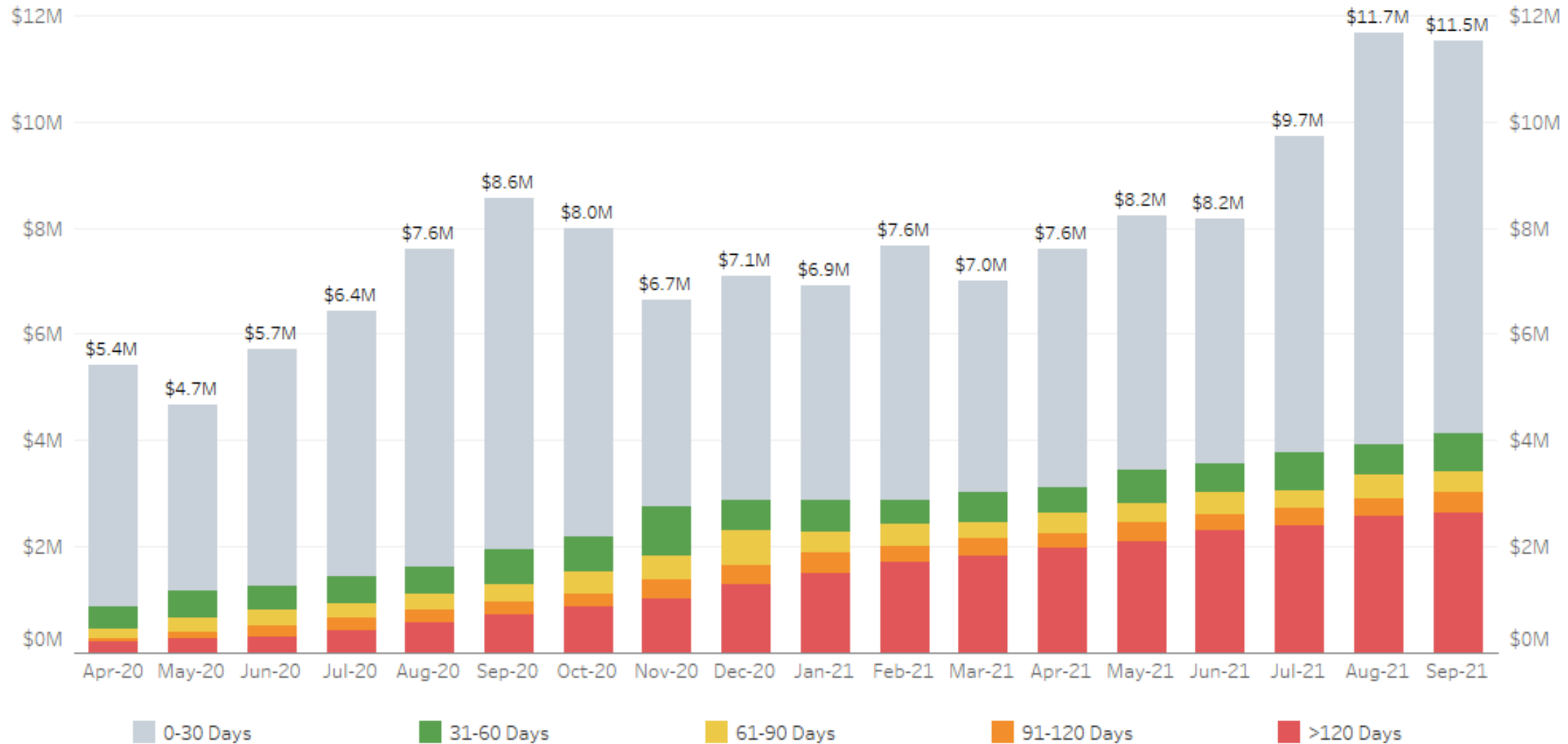
# Tacoma Public Utilities

Financial Outlook Update  
Quarter 3, 2021

# Summary of Financial Outlook

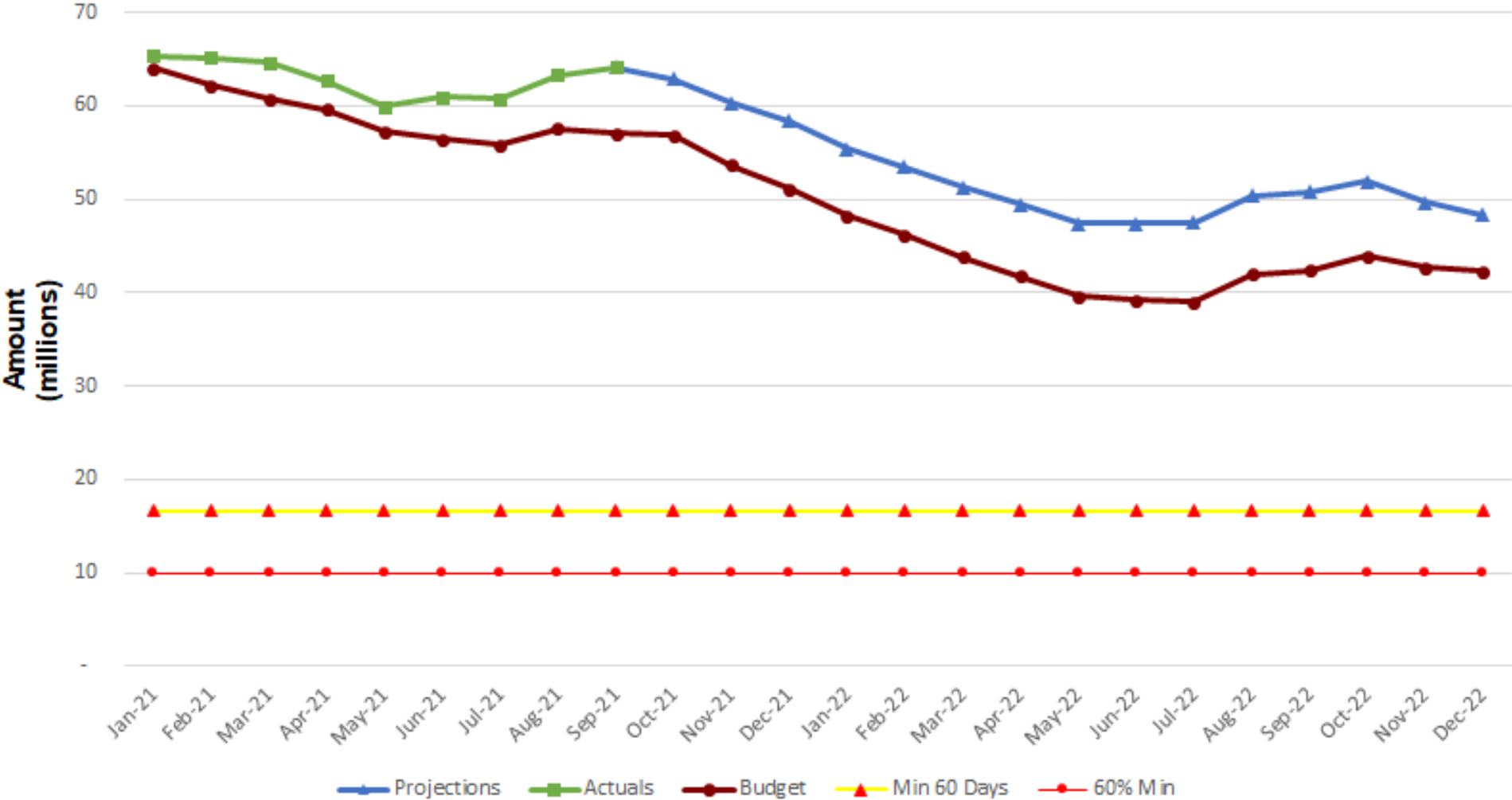
- *This report incorporates actual revenues and expenditures through September along with projected adjustments for the remainder of the biennium*
- **Forecast for total revenue is \$2.2M or 1% over budget**
  - Q3 challenges: Continued aging of accounts receivable, actual rate adjustment 0.5% or \$471,000 lower than budget assumption for 2021
  - Q3 strengths: Higher than budgeted billed residential demand in third quarter due to hot, dry summer weather, generally inelastic demand, revenue stability through rate design and strong beginning cash balances
  - Q4 outlook: Continuing to monitor and anticipate impacts of past due open items
- **Forecast for expenditures is \$1.6M or 1% under budget**
  - Q3 challenges: Workforce resource gaps, continuing increases in bad debt expense, increasing costs of construction materials and labor
  - Q3 strengths: New org structure, ability to shift timing of certain expenditures if needed
  - Q4 outlook: Mid-biennium request for additional 8 FTEs and \$1.23 million budget appropriation, ongoing supply chain disruptions and cost increases

# Aging of Accounts Receivable



# Biennium Cash Projection

**TACOMAWATER**  
**CURRENT FUND CASH PROJECTIONS**  
Actual & Estimated Cash for 2021/2022



# Summary of Financial Outlook

## Forecasting Practices



- Sept 2021 Actuals
- Adverse water conditions
- New 2021 load forecast
- Budgeted Personnel and O&M expenditures with forecasted adjustments
- Project estimates of capital spending

## • **Forecast for total revenue is \$69 million more than budget**

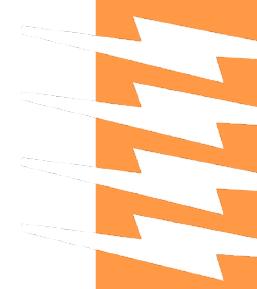
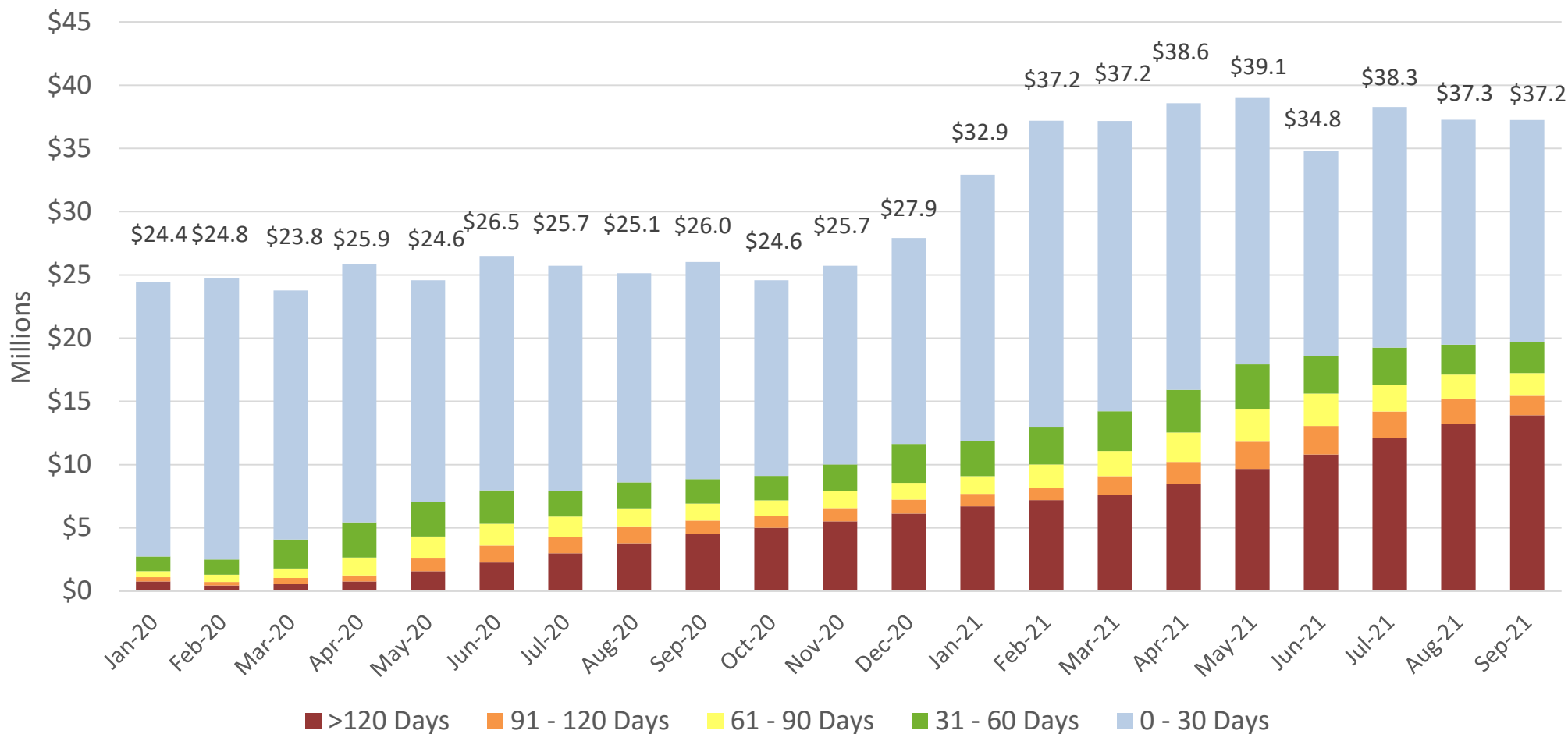
- Q3 Strengths: Retail sales above projections, Wholesale market prices were 180% higher than budgeted.
- Q3 Challenges: Slightly below adverse inflows to our hydroprojects in Q3 2021.
- Q4 Outlook: Wholesale market prices expected to remain high through year-end.

## • **Forecast for total expenditures is \$19.5 million more than budget**

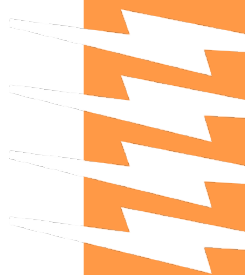
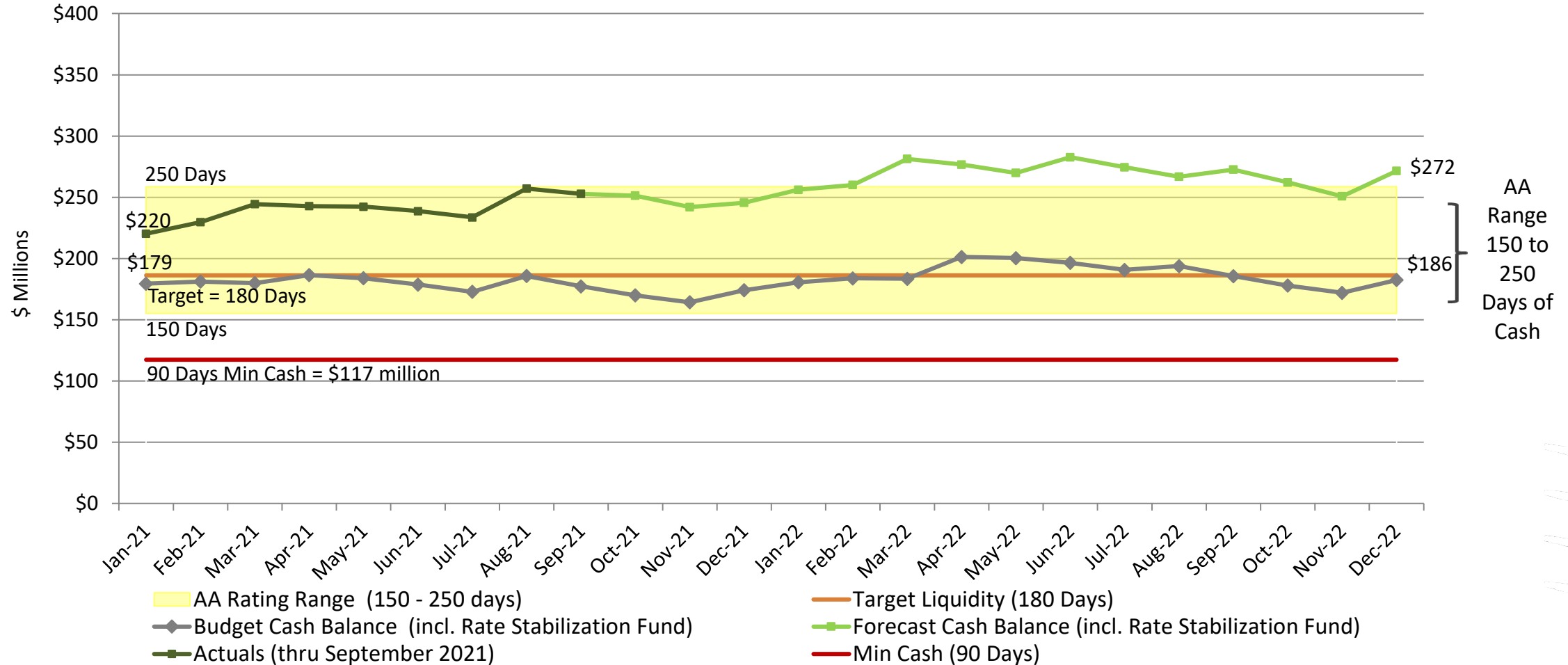
- Q3 Strengths: Debt service below projections and revenue-funded capital spending is close to budget.
- Q3 Challenges: Bad debt expenses are \$5.3 million over budget and personnel and power purchase expenses expected to be over budget by the end of the biennium.
- Q4 Outlook: Continue to monitor spending and bad debt expenses.

# Aging of Accounts Receivable

## Receivables Balances >120 days continues to grow



# Biennium Cash Projection

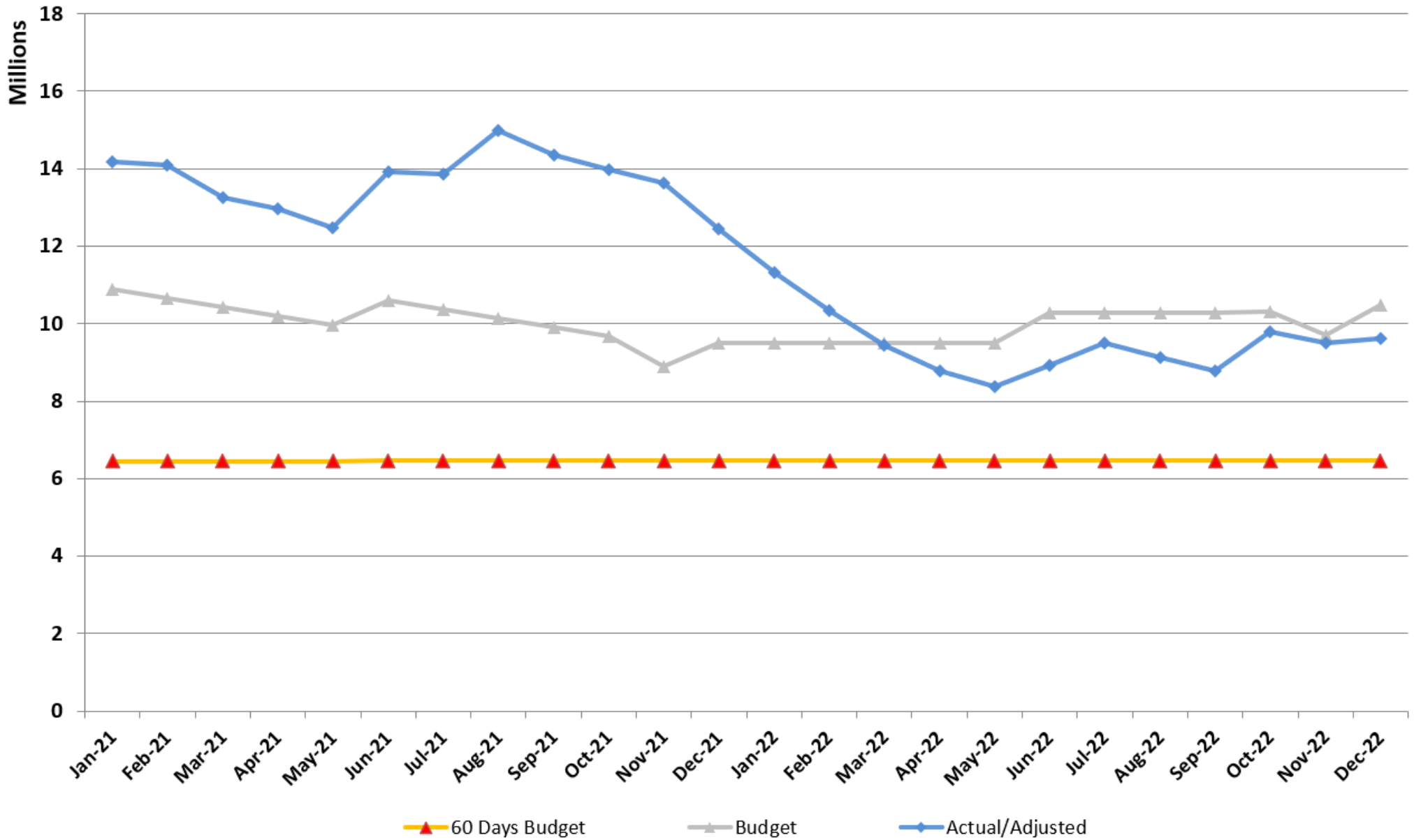


# Summary of Financial Outlook

- *This report incorporates actual revenues and expenditures to date along with projected adjustments for the remainder of the biennium.*
- **Forecast for total revenue is \$4.7 million under budget**
  - Q3 Challenges: Rail volumes are under budget by an estimated \$6.5 million for the biennium.
  - Q3 Strengths: Locomotive servicing and demurrage revenues are over budget due to actuals and an updated locomotive servicing forecast by \$1.9 million.
  - Q4 Outlook: Rail volumes have dropped from Q2 to Q3. They are anticipated to remain at Q3 levels through Q4. At this time, rail volumes are projected to be under budgeted volumes by 5% in 2022.
- **Forecast for total expenditures is \$0.6 million under budget**
  - Q3 Challenges: Forecasting biennium capital outlay increases over budget of \$3.8 million due to estimated cost increases and projects from the prior biennium.
  - Q3 Strengths: Budgeted FTE's left unfilled until volumes are picking up. Cost saving initiatives and deferment of operating expenditure activities.
  - Q4 Outlook: Filling budgeted FTE's as needed for rail volume growth. Tacoma Rail continues to manage expenses relative to revenue.



# Biennium Cash Projection



# Tacoma Public Utilities

Performance Metrics Update

Quarter 3, 2021

# Performance Metrics Summary



Quarter 3, 2021 Performance Metrics Report Tacoma Public Utilities		
TACOMA POWER	TACOMA WATER	TACOMA RAIL
<b>Financial Performance</b> - Supports Strategic Directive: 2 (Financial Stability)		
1 Debt Service Coverage	1 Debt Service Coverage	1 Debt Service Coverage
2 Liquidity - Days Cash on Hand	2 Liquidity - Days Cash on Hand	2 Liquidity - Days Cash on Hand
3 Budget Performance	3 Budget Performance	3 Budget Performance
<b>Operational Excellence</b> - Supports Strategic Directives: 3 (Rates); 5 (Environmental Leadership); 7 (Reliability & Resiliency)		
4 Residential Bill Comparison	4 Residential Bill Comparison	4 Railroad Tariffs Comparison
5 O&M Cost per Customer	5 O&M Cost per Account	5 Operating Ratio
6 Outage Duration	6 Unplanned Service Disruptions	6 Revenue Moves per Shift
7 Outage Frequency	7 Distribution System Leakage	7 On-Time Switching
8 Non-Carbon Power Resources	8 Regulatory Compliance	8a Diesel Conversion
9 Power Conservation	9 Water Conservation	8b Storm Water Remediation
<b>Commitment to Cust &amp; Employees</b> - Supports Strategic Directives: 5 (Environ. Leadership); 7 (Reliability); 12 (Emp. Relations); 13 (Customer Svc)		
10 Customer Satisfaction	10 Customer Satisfaction	9 Customer Satisfaction
11 Employee Satisfaction	11 Employee Satisfaction	10 Employee Satisfaction
12 Employee Safety	12 Employee Safety	11 Employee Safety
13 Call Center Responsiveness	13 Call Center Responsiveness	
	14 Technical Service Complaints	

# Performance Metrics Highlights



## ❖ Financial & Operational Metrics

- Generally favorable
  - Water revenues remain very close to budget
  - Power revenues outperforming budget
- Rail managing lower expenditures in response to lower revenues

## ❖ Commitment to Customers & Employees

- Power's safety metric shows improvement
- Call center responsiveness consistently above target

