



20 Tacoma Water 21 Annual Financial Report

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

TACOMA  **WATER**
TACOMA PUBLIC UTILITIES

Public Utility Board

MARK PATTERSON

Chair

CHRISTINE COOLEY

Vice-Chair

CARLOS M. WATSON

Secretary

HOLLAND COHEN

Member

JOHN O'LOUGHLIN

Member

JACKIE FLOWERS

Director of Utilities

SCOTT DEWHIRST

Water 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, Water Division
Doing Business as

Tacoma Water

Table of Contents

Financial Data	1
Auditor’s Report	2
Management Discussion and Analysis	5
Financial Statements	13
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position.....	17
Statements of Cash Flows	18
Notes to Financial Statements	20
Required Supplementary Information	45
Proportionate Share of the Net Pension Liability Last 10 Years.....	46
Schedule of Contributions Last 10 Fiscal Years	46
Proportionate Share of the Collective OPEB Liability Last 10 Years.....	47
Statistical Data (Unaudited)	49
Ten-Year Financial Review	50
Ten-Year Financial Review (RWSS)	52
Statements of Net Position (RWSS).....	54
Statements of Revenues, Expenses, and Changes in Net Position (RWSS).....	56
Bond Debt Service Requirements.....	57
Funds Available for Debt Service.....	58
Summary of Water Sales – 2021	59
2021 Statistical Information	60
Taxes and Employee Welfare Contributions	61
2021 Water Rates	62
2021 Fire Protection Rates	63
Graphs	65

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, Water Division
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Water 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 Opinions

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 Water's (Utility) 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 the 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 Water's assets, deferred outflows of resources, liabilities, and deferred inflows 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, non-capital financing, capital and related 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 Water's presentation of financial position, results of operations and changes in cash flows.

Financial Highlights

- Tacoma Water reported an increase in net position of \$16.5 million or 2.6% in 2021 compared to an increase of \$33.2 million or 5.5% in 2020.
- Operating revenues increased of \$6.9 million or 6.6% in 2021. Operating revenues increased \$1.9 million or 1.9% in 2020.
- Utility Plant in Service increased \$11.8 million or 1.3% in 2021 and \$22.2 million or 2.5% in 2020.
- Construction work in progress decreased \$5.2 million or 20.3% in 2021 compared to an increase of \$14.2 million or 124.3% in 2020.

Overview of the Financial Statements

Tacoma Water reported net operating income of \$21.4, \$21.2, and \$21.7 million in 2021, 2020, and 2019, respectively. In 2021, operating revenues increased by \$6.9 million and operating expenses increased by \$6.7 million. For 2020, operating revenues increased by \$1.9 million and operating expenses increased by \$2.4 million.

The following tables highlight Tacoma Water's past three years' operating results and gallons billed.

Operating Results

(In thousands)

Category	2021	2020	2019	21/20 Increase (Decrease)	20/19 Increase (Decrease)
Operating Revenues	\$ 111,366	\$ 104,468	\$ 102,545	\$ 6,898	\$ 1,923
Operating Expenses	89,928	83,239	80,823	6,689	2,416
Net Operating Income	21,438	21,229	21,722	209	(493)
Net Non-Operating Expenses	(15,354)	(11,392)	(9,009)	(3,962)	(2,383)
Capital Contributions	14,919	16,459	12,776	(1,540)	3,683
Federal BAB Subsidies	3,630	3,651	3,609	(21)	42
Transfers	(8,103)	3,302	(8,020)	(11,405)	11,322
Change in Net Position	\$ 16,530	\$ 33,249	\$ 21,078	\$ (16,719)	\$ 12,171

Gallons Billed

(In millions)

Type of Customer	2021	2020	2019	21/20 Increase (Decrease)	20/19 Increase (Decrease)
Residential	9,353	8,912	8,250	441	662
Commercial & Industrial	9,266	9,047	9,079	219	(32)
Wholesale	922	728	889	194	(161)
Total	19,541	18,687	18,218	854	469

Net Position

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

Statements of Net Position

(In thousands)

				21/20	20/19
Description	2021	2020	2019	Increase (Decrease)	Increase (Decrease)
Net Utility & Non-Utility Plant	\$ 909,169	\$ 897,352	\$ 875,153	\$ 11,817	\$ 22,199
Current & Other Assets	231,587	243,589	242,004	(12,002)	1,585
Total Assets	1,140,756	1,140,941	1,117,157	(185)	23,784
Deferred Outflows	10,670	6,255	13,609	4,415	(7,354)
Total Assets & Deferred Outflows	\$ 1,151,426	\$ 1,147,196	\$ 1,130,766	\$ 4,230	\$ 16,430
Net Position:					
Net Investment in Capital Assets	\$ 512,097	\$ 484,405	\$ 457,157	\$ 27,692	\$ 27,248
Restricted for:					
Water Capital and Sys Dev Chg	73,158	79,233	71,829	(6,075)	7,404
Debt Service Funds	2,339	2,678	2,644	(339)	34
Net Pension Asset	-	1,637	-	(1,637)	1,637
Unrestricted	65,001	68,112	71,187	(3,111)	(3,075)
Total Net Position	652,595	636,065	602,817	16,530	33,248
Long-Term Debt	398,389	414,308	431,270	(15,919)	(16,962)
Current & Other LT Liabilities	63,205	54,659	59,384	8,546	(4,725)
Total Liabilities	461,594	468,967	490,654	(7,373)	(21,687)
Deferred Inflows	37,237	42,164	37,295	(4,927)	4,869
Total Net Position, Liabilities & Deferred Inflows	\$ 1,151,426	\$ 1,147,196	\$ 1,130,766	\$ 4,230	\$ 16,430

Revenues

Tacoma Water's operating revenues were \$111.4 million in 2021, an increase of \$6.9 million or 6.6% compared to 2020. Sales of water increased in 2021 by a net of \$6.3 million of which \$805,000 is due to an average service rate increase of 1.5% effective January 1, 2021 and \$5.5 million is due to an increase in consumption. In addition, other operating revenues increased by \$248,000 and an increase in contract resource obligations revenues of \$358,000 from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for O&M related expenses.

Tacoma Water's operating revenues were \$104.5 million in 2020, an increase of \$1.9 million or 1.9% compared to 2019. Sales of water increased in 2020 by \$2.5 million due to an average service rate increase of 2.5% effective January 1, 2020 and an increase in water consumption. This is offset by a decrease in other operating revenues of \$430,000 and a decrease in contract resource obligations revenues of \$112,000 from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for O&M related expenses.

The following table highlights water sales by type of customer for 2021, 2020 and 2019.

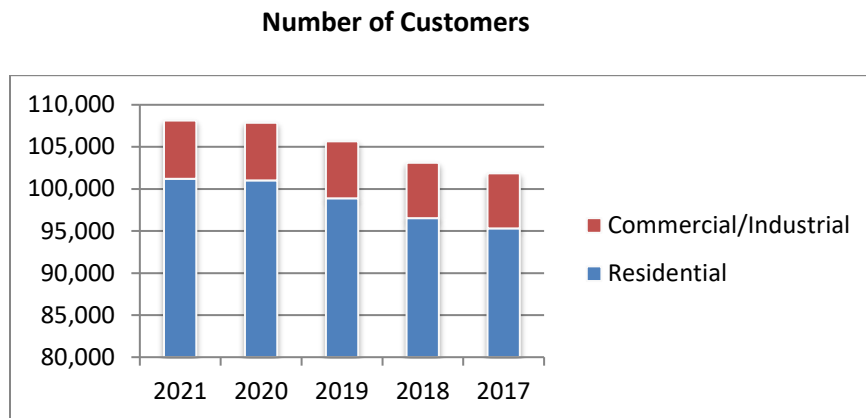
Water Sales (In thousands)					
Type of Customer	2021	2020	2019	21/20	20/19
				Increase (Decrease)	Increase (Decrease)
Residential & Domestic	\$ 67,702	\$ 64,487	\$ 60,848	\$ 3,215	\$ 3,639
Commercial & Industrial	20,816	18,725	19,836	2,091	(1,111)
Special Rate	7,284	7,109	6,883	175	226
Wholesale	2,711	2,283	2,787	428	(504)
Unbilled Revenue	486	104	(112)	382	216
Total	\$ 98,999	\$ 92,708	\$ 90,242	\$ 6,291	\$ 2,466

Approximately 68.4%, 69.6% and 67.4% of water sales were to residential and domestic customers in 2021, 2020, and 2019, respectively. Commercial and industrial sales were 21.0%, 20.2%, and 22.0% total sales for each year. Special rate sales were 7.4%, 7.7%, and 7.6% of sales respectively.

Customers

Over the last five years, the overall number of customers has remained relatively stable. In 2021, 2020, and 2019 93.6% of all customers were residential while 6.4% were commercial and industrial.

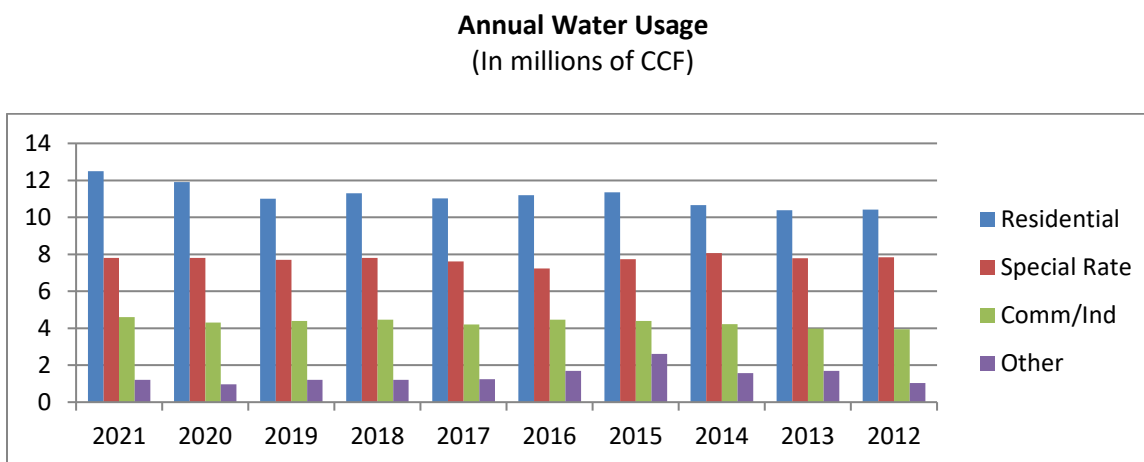
Below is a graphical representation of the number of customers by customer type for the last 5 years.



Water Users

Tacoma Water generates the majority of its revenues from its residential and domestic customer base. Consumption is measured in 100 cubic feet (CCF). In the years 2021, 2020, and 2019 residential customers used 12.5 million CCF or 47.8%, 11.9 million CCF or 47.7% and 11.0 million CCF or 45.3% of total consumption, respectively. Special Rate customers used approximately 7.8 million CCF or 29.7%, 7.8 million CCF or 31.0% and 7.7 million CCF or 31.8%, respectively. Commercial and industrial customers used 4.6 million CCF or 17.8%, 4.3 million CCF or 17.4% and 4.4 million CCF or 18.1%, respectively. The remaining 1.2 million CCF or 4.7%, 973,000 CCF or 4.0% and 1.2 million CCF or 4.8%, respectively was consumed by other customers.

Below is a graphical representation of the annual water usage by customer type for the last 10 years.



Expenses

2021 Compared to 2020

In 2021, operating expenses increased \$6.7 million or 8.0%, compared to an increase of \$2.4 million or 3.0% in 2020.

Personnel expenses increased \$2.3 million primarily due to 18 additional full time employees filled in 2021 and cost of living adjustments compared to 2020. Interns were hired in 2021, but the intern program was cancelled in 2020. Depreciation increased by \$2.0 million primarily due to the transfer of fleet division assets to Water in 2020. Assessments from internal service funds increased by \$867,000 compared to 2020. Bad debt expense increased \$839,000 due to an increase in aging accounts receivable. An increase of \$648,000 is attributed to general increases on electricity, insurance, rent, and credit card fees.

2020 Compared to 2019

In 2020, operating expenses increased \$2.4 million or 3.0%, compared to an increase of \$3.5 million or 4.6% in 2019.

Salaries and Wages increased \$2.0 million offset with a decrease in pension expense of \$480,000. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

The following table highlights Tacoma Water's operating expenses for 2021 – 2019.

Operating Expenses (In thousands)					
				21/20	20/19
Category	2021	2020	2019	Increase (Decrease)	Increase (Decrease)
Operations Expense					
Power Pumping Expense	\$ 653	\$ 737	\$ 803	\$ (84)	\$ (66)
Transmission & Storage Expense	3,953	1,715	2,153	2,238	(438)
Distribution Expense	16,324	17,359	15,462	(1,035)	1,897
Total Operations Expense	20,930	19,811	18,418	1,119	1,393
Production Expense					
Source of Supply	3,355	4,684	7,351	(1,329)	(2,667)
Water Treatment	9,914	9,637	7,472	277	2,165
Total Production Expense	13,269	14,321	14,823	(1,052)	(502)
Administrative and General					
Customer Accounting & Service	5,438	5,375	5,304	63	71
Other Administrative & General	16,707	12,610	11,793	4,097	817
Total Administrative and General	22,145	17,985	17,097	4,160	888
Depreciation	27,728	25,724	25,296	2,004	428
Taxes	5,856	5,398	5,189	458	209
Total Operating Expenses	<u>\$ 89,928</u>	<u>\$ 83,239</u>	<u>\$ 80,823</u>	<u>\$ 6,689</u>	<u>\$ 2,416</u>

Non-Operating Revenues

Interest income decreased \$6.7 million primarily due to GASB 31 Investment Market Value significantly lower by \$5.0 million compared to 2020. Investment earnings went down by \$1.7 million due to lower interest rates in 2021.

Gain on Sale/Disposal of Capital Assets increased by \$2.0 million because of the sale of land to the Puyallup School District.

Capital Grant increased by \$479,000 represents the federal grant from the Department of Interior – Bureau of Reclamation for WaterSMART project (Sustain and Manage America's Resources for Tomorrow).

Transfers

In 2021, Transfer from/ (to) Other Funds decreased \$10.9 million compared to 2020. This was mainly due to the decrease of \$11.1 million in vehicles transfer from the Fleet Services Fund which was offset with the increase of \$203,000 federal funds from Neighborhood & Community Services to assist overdue utility accounts receivable. See Note 7 Fleet Services Fund for further discussion.

Capital Assets

Tacoma Water invests in a broad range of utility assets and at the end of 2021 had \$908.7 million in net utility plant, an increase of \$11.8 million from 2020.

Plant in Service increased \$36.7 million compared to 2020. This increase is primarily due to the increase of \$11.3 million in cast iron mains, \$3.5 million in services, pipes and accessories, \$9.1 million in meters, \$1.8 million in hydrants, and \$6.4 million in miscellaneous intangible assets. Intangible assets additions mainly included advanced meter modules and software, workforce management software, and easements. Also in 2021, 13.56 miles of water main were added or replaced, 2.69 miles of water main were retired and construction was completed on 27 private contracts resulting in 10.87 net miles.

At the end of 2020, Tacoma Water had \$896.9 million in net utility plant, an increase of \$22.2 million compared to 2019.

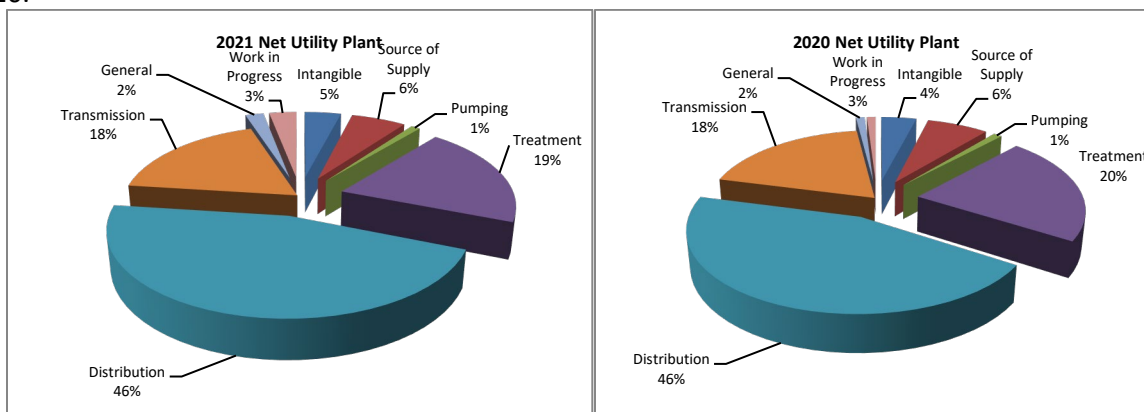
Plant in Service increased \$40.4 million compared to 2019. This increase is primarily due to the increase of \$16.4 million in cast iron mains, \$3.8 million in services, pipes and accessories, \$1.4 million in hydrants, \$16.4 million in assets transferred from Fleet, and \$1.6 million primarily in easements. These increases were offset with \$271,000 net decrease in meters (net of \$2.3 million additions and \$2.6 million retirements). Also in 2020, 11.3 net miles of water main were added or replaced and construction was completed on 29 private contracts resulting in 10.91 net miles.

The following table summarizes Tacoma Water's capital assets, net of accumulated depreciation, for 2021 – 2019.

Capital Assets, Net of Accumulated Depreciation
(In thousands)

Net Utility Plant	2021	2020	2019	21/20 Increase (Decrease)	20/19 Increase (Decrease)
Intangible Plant	\$ 45,495	\$ 38,971	\$ 37,567	\$ 6,524	\$ 1,404
Source of Supply Plant	52,878	54,171	56,111	(1,293)	(1,940)
Pumping Plant	5,216	5,389	5,323	(173)	66
Water Treatment Plant	175,000	183,532	191,946	(8,532)	(8,414)
Transmission Plant	161,850	165,638	169,458	(3,788)	(3,820)
Distribution Plant	430,184	406,452	390,998	23,732	15,454
General Plant	17,583	17,010	11,799	573	5,211
Construction Work In Progress	20,470	25,696	11,458	(5,226)	14,238
Total	\$ 908,676	\$ 896,859	\$ 874,660	\$ 11,817	\$ 22,199

The following graphs provide a visual presentation of the allocation of Tacoma Water's capital investments in 2021 and 2020.



Additional information on capital assets can be found in Note 4 of the financial statements.

Debt Administration

At December 31, 2021 Tacoma Water had outstanding revenue bond obligations of \$348.3 million (inclusive of unamortized bond premiums), a decrease of \$9.5 million compared to 2020. As of year-end 2020, the Utility had outstanding revenue bond obligations of \$357.8 million (inclusive of unamortized bond premiums), a decrease of \$9.7 million compared to 2019.

All outstanding bonds are rated Aa2 by Moody's Investors Service and AA by Standard & Poor's.

Tacoma Water is required by bond covenants to maintain a debt service coverage ratio of 1.25 for principal and interest. Debt service coverage ratios (excluding RWSS) were 2.74, 2.78, and 2.91 in 2021, 2020 and 2019, respectively.

At the end of 2021, Tacoma Water had an outstanding State loan balance of \$64.8 million compared to \$71.8 million in 2020 and \$78.7 million in 2019.

Additional information on Tacoma Water's long-term debt can be found in Note 5 of the financial statements and in the supplementary statistical data.

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 Water'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 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 internal 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

Water 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 Water

Statements of Net Position

	DECEMBER 31,	
	2021	2020
ASSETS AND DEFERRED OUTFLOWS		
UTILITY PLANT		
In Service, at Original Cost	\$1,221,697,392	\$1,184,997,878
Less - Accumulated Depreciation	(333,491,315)	(313,835,003)
Total	888,206,077	871,162,875
Construction Work In Progress	20,469,919	25,696,433
Net Utility Plant	908,675,996	896,859,308
NON-UTILITY PROPERTY	492,963	492,963
SPECIAL FUNDS		
Construction Funds	-	570,107
Debt Service Funds	3,970,318	4,352,835
Bond Reserve Funds	21,692,269	21,694,239
System Development Charge Fund	78,768,249	77,260,181
Other Cash & Equity in Pooled Investments	39,456,220	48,120,960
Total Special Funds	143,887,056	151,998,322
CURRENT ASSETS		
Operating Funds Cash and Equity in		
Pooled Investments	63,099,465	67,341,688
Grant Receivable	482,056	-
Accounts Receivable	7,920,878	5,771,485
(Net of Allowance for Doubtful Accounts		
of \$3,599,687 in 2021 and \$1,612,430 in 2020)		
BABs Interest Subsidies Receivable	301,820	2,112,742
Accrued Unbilled Revenues	6,407,783	5,922,259
Materials and Supplies	3,167,556	2,774,230
Prepayments	2,868,389	2,387,752
Total Current Assets	84,247,947	86,310,156
OTHER ASSETS		
Regulatory Asset-Surcharges	3,451,604	3,643,866
Net Pension Asset	-	1,636,678
Total Other Assets	3,451,604	5,280,544
TOTAL ASSETS	1,140,755,566	1,140,941,293
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	614,449	801,694
Deferred Outflows for Pensions	8,570,873	4,855,703
Deferred Outflows for OPEB	1,484,797	597,712
Total Deferred Outflows of Resources	10,670,119	6,255,109
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$1,151,425,685</u>	<u>\$1,147,196,402</u>

The accompanying notes are an integral part of these financial statements

	DECEMBER 31,	
NET POSITION, LIABILITIES AND DEFERRED INFLOWS	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$512,096,811	\$484,404,848
Restricted for:		
Water Capital and System Development Charge	73,158,293	79,233,223
Debt Service Funds	2,339,098	2,678,494
Net Pension Asset	-	1,636,678
Unrestricted	65,000,909	68,112,195
Total Net Position	652,595,111	636,065,438
LONG-TERM DEBT		
Revenue Bonds	339,675,968	349,467,800
Public Works Trust Fund Loans	9,864,297	11,920,923
Drinking Water State Revolving Fund Loan	48,848,868	52,919,062
Total Long-Term Debt	398,389,133	414,307,785
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	14,745,235	15,292,775
Current Portion of Long-Term Liabilities	164,300	168,406
Accrued Taxes	1,842,017	1,768,082
Accrued Expenses and Contracts Payable	3,434,544	3,844,373
Salaries, Wages and Fringe Benefits Payable	1,469,408	1,266,513
Interest Payable	1,631,220	1,674,341
Customers' Deposits	186,085	249,105
Total Current Liabilities	23,472,809	24,263,595
LONG-TERM LIABILITIES		
Muckleshoot Agreements	6,080,198	6,244,496
Customer Advances for Construction	12,163,597	9,321,423
Unearned Revenue	6,048,610	7,377,233
Long-Term Accrued Compensated Absences	2,942,578	2,700,222
Net Pension Liability	6,337,863	-
Net OPEB Liability	4,780,773	3,675,963
Other Long-Term Liabilities	1,378,409	1,075,944
Total Long-Term Liabilities	39,732,028	30,395,281
TOTAL LIABILITIES	461,593,970	468,966,661
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	1,356,280	6,237,055
Deferred Inflows for OPEB	304,877	351,801
Total Deferred Inflows of Resources	37,236,604	42,164,303
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$1,151,425,685	\$1,147,196,402

This page has been left blank intentionally

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2021	2020
OPERATING REVENUES		
Sale of Water	\$98,999,183	\$92,707,740
Other Operating Revenues	7,213,114	6,965,265
Contract Resource Obligation Revenues	5,153,589	4,795,189
Total Operating Revenues	111,365,886	104,468,194
OPERATING EXPENSES		
Operations	20,930,455	19,810,342
Production	13,268,765	14,321,400
Administrative and General	22,144,964	17,984,937
Depreciation	27,727,624	25,723,865
Taxes	5,856,255	5,398,410
Total Operating Expenses	89,928,063	83,238,954
Net Operating Income	21,437,823	21,229,240
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	(1,182,910)	5,522,409
CARES Grant	-	120,419
Operating and Capital Grants	482,056	-
Other	323,496	367,418
Gain on Sale/Disposal of Capital Asset	2,118,197	163,372
Interest on Long-Term Debt	(18,080,563)	(18,675,405)
Amortization of Premium and Loss on Refunding	986,172	1,109,581
Total Non-Operating Expenses	(15,353,552)	(11,392,206)
Net Income Before Capital Contributions and Transfers	6,084,271	9,837,034
Capital Contributions		
Cash	7,636,173	7,239,179
Donated Capital Assets	7,283,053	9,219,883
Federal BAB Subsidies	3,629,294	3,651,006
Transfers		
City of Tacoma Gross Earnings Tax	(8,305,896)	(7,816,103)
Transfer from/(to) Other Funds	202,778	11,117,877
CHANGE IN NET POSITION	16,529,673	33,248,876
NET POSITION - BEGINNING OF YEAR	636,065,438	602,816,562
TOTAL NET POSITION - END OF YEAR	<u>\$652,595,111</u>	<u>\$636,065,438</u>

The accompanying notes are an integral part of these financial statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$108,844,693	\$102,453,323
Cash Paid to Suppliers	(25,981,245)	(20,519,372)
Cash Paid to Employees	(31,636,565)	(28,124,564)
Taxes Paid	(5,782,320)	(5,305,359)
NET CASH FROM OPERATING ACTIVITIES	45,444,563	48,504,028
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from (to) Other Funds	202,778	4,843,778
Grants	-	120,419
Transfer Out for Gross Earnings Tax	(8,305,896)	(7,816,103)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(8,103,118)	(2,851,906)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, Net	(32,271,853)	(32,430,744)
Proceeds from Sales of Capital Assets	2,020,080	125,013
Proceeds from Sale of Bonds	-	17,466,514
Debt Issuance Costs	-	(102,476)
Principal Payments on Long-Term Debt	(15,292,775)	(14,927,015)
Principal Payments on Muckleshoot Long-Term Liability	(168,406)	(172,616)
Principal Payments on Early Extinguishment of Debt	-	(17,790,000)
Interest Paid	(18,123,684)	(18,767,281)
BABs Federal Interest Subsidies	5,440,217	1,839,444
Contributions in Aid of Construction (Cash)	7,636,173	7,239,179
System Development Charges & Other Long-Term Liabilities	1,816,017	1,857,417
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(48,944,231)	(55,662,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income (Loss)	(1,182,910)	5,522,409
Other Net Non-Op Revenues and Expenses	432,207	509,487
NET CASH FROM INVESTING ACTIVITIES	(750,703)	6,031,896
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	(12,353,489)	(3,978,547)
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	219,340,010	223,318,557
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31	<u>\$206,986,521</u>	<u>\$219,340,010</u>

The accompanying notes are an integral part of these financial statements

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Cash Flows

	YEAR ENDED DECEMBER 31,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$21,437,823	\$21,229,240
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation	27,727,624	25,723,865
Pension (Credits) Expense	(621,404)	280,175
OPEB (Credits) Expense	170,801	(35,211)
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(2,634,917)	(326,557)
Regulatory Asset-Surcharges	192,262	(1,585,314)
Materials and Supplies	(393,326)	6,699
Prepayments	(480,637)	(210,207)
Accrued Taxes	73,935	93,051
Salaries, Wages and Fringe Benefits Payable	202,895	356,653
Long-Term Accrued Compensated Absences	242,356	564,005
Customers' Deposits	(63,020)	(102,996)
Accrued Expenses and Contracts Payable	(409,829)	2,510,625
Total Adjustments	24,006,740	27,274,788
NET CASH FROM OPERATING ACTIVITIES	\$45,444,563	\$48,504,028
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$143,887,056	\$151,998,322
Cash and Equity in Pooled Investments in Operating Funds	\$63,099,465	\$67,341,688
Cash and Equity in Pooled Investments at December 31	\$206,986,521	\$219,340,010
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$7,283,053	\$9,219,883
Fixed Assets Transferred from/(to) Other Funds	-	\$6,274,099

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

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

NOTE 1 OPERATIONS

OPERATIONS OF TACOMA WATER – The Division, doing business as Tacoma Water, is a division of the City of Tacoma, Washington (the City), Department of Public Utilities (the Department) and is included as an enterprise fund in the Annual Comprehensive Financial Report (Annual Report) of the City. The Department consists of Tacoma Power, Tacoma Water and Tacoma Rail and is governed by a five-member Public Utility Board (the Board) appointed by the City Council. Certain matters relating to utility operations such as system expansion, issuance of bonds and fixing of utility rates and charges are initiated and executed by the Board, but also require formal City Council approval.

Tacoma Water owns and operates the City's Water System which includes a surface water supply source (the Watershed); several extensive well fields; a water transmission system consisting of several pipelines, water treatment and quality facilities; various reservoirs, standpipes and pump stations; and an extensive distribution system. Tacoma Water had supplied water to approximately 108,165 customers and had 278 employees as of December 31, 2021. Tacoma Water's service area includes the City of Tacoma and urbanized areas of Pierce and South King Counties. Water service outside the City limits is provided under franchises granted by both Pierce and King Counties and multiple other cities.

Prior to 2020, Tacoma Water was organized as Water Distribution Engineering, Water Distribution Operations, Water Quality, Water Supply, Water Asset and Information Management, and Water Finance and Analytics. In 2020, Tacoma Water reorganized to combine groups by functions in support of a 2020-2025 strategic plan. An overview of the functions included in each of the new sections follows:

The Superintendent Office is responsible for all utility operations includes Enterprise Safety and Strategy. Safety is a high priority for the organization. The Safety Team is focused on the development, delivery, and administration of all safety program elements supporting Tacoma Water employees with safe work practices and compliance with all applicable regulations. The Strategy Manager oversees the development and management of the Tacoma Water Strategic Plan.

Customer & Employee Experience is responsible for supporting new and existing Tacoma Water customers including development in our service area, facilitating services received, enterprise communications, education, and conservation activities. This section supports employee workforce development, workforce management, payroll administration, and knowledge management.

Business Services delivers customer value through integrated, strategic capabilities across the domains of finance, operational technology, project and portfolio management, data management and analytics. This section owns Tacoma Water's long-range financial planning strategy, cost of service ratemaking, special pricing development, debt management, financial reporting, and internal controls; it is responsible for managing Tacoma Water's data through governance and stewardship, deploying advanced analytics tools and associated training, process development, and data/technology/analytics project delivery; it owns Tacoma Water's technology strategy, and is responsible for application development, support, and solution architecture. Project and Portfolio Management is a new area of deliberate focus for this group, and this capability is responsible for connecting our project portfolio to Tacoma Water's strategy, and enabling portfolio-level capabilities like prioritization, portfolio health visibility, and enterprise resource management.

Source Water and Treatment Operations produces, delivers, and balances potable water across transmission and distribution systems to meet seasonal and short-term demand while protecting source water and providing natural resource stewardship. This section also ensures water quality and treatment meet all regulatory requirements through monitoring and reporting and cross-connection control.

Maintenance and Construction maintains and repairs all parts of the water system through effective logistics (including fleet and warehouse) and planning. This section supports economic development through the installation of new service connections and water quality by performing system flushing.

Planning & Engineering is responsible for all aspects of comprehensive strategic development and engineering planning across all technical and operational functions of Tacoma Water. This section provides technical support for system operations and maintenance and manages the planning, design, and construction of projects to improve the water system.

The Regional Water Supply System (RWSS) is a partnership formed by Tacoma, the City of Kent, Covington Water District and Lakehaven Water and Sewer District (the “Participants”) to permit, design, finance, construct, operate, maintain and receive delivery of water from the Second Supply Project. The Second Supply Project consists of the following components: (i) water from the exercise of Tacoma Water’s Second Diversion Water Right, (ii) the Second Supply Pipeline, (iii) improvements made at the Headworks diversion dam and intake, (iv) Second Supply Project fisheries and environmental enhancements, (v) the right to store water as a result of the Howard Hanson Dam Additional Storage Project, and (vi) associated Treatment Facilities. Participants’ rights and obligations with regard to the Second Supply Project are called out in the Second Supply Project Agreement. Tacoma has a 15/36 Participant Share and each of the others have a 7/36 Participant Share. A Participant Share represents a Participant’s proportional right to receive water delivered by the Second Supply Project and represents a Participant’s obligation to pay project costs, including Fixed and Variable Operation & Maintenance Costs, Initial Project Construction Costs and ongoing Capital Expenditures. Tacoma, consistent with the Project Agreement, is the owner and operator of the Second Supply Project.

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 business 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.

The Division follows the provisions set forth in regulatory accounting guidance. In general, regulatory accounting permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

The Division generally follows the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners and the Division of Audits of the Washington State Auditor’s Office.

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 fund 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 to be 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 and in certificates of deposit with Home Street Bank, and Opus Bank.

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 of the portfolio 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 Federal Deposit Insurance Corporation (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.

ACCOUNTS RECEIVABLE AND ACCRUED UNBILLED REVENUES – 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. The Division accrues an estimated amount for services that have been provided but not billed as of December 31, 2021 and 2020.

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 either 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. Generally, restricted assets include bond construction, reserve and debt service funds, system development charges funds, notes and contracts receivable, and customer deposits.

BOND PREMIUM AND LOSS ON REFUNDING – Bond premiums are amortized over the life of the bonds using the weighted average of the bonds outstanding, are presented as an offset to the long-term debt balance in the statement of net position. Losses on refunding are amortized on a straight-line basis over the applicable bond period, and are presented as deferred outflows in the statement of net position.

RATE STABILIZATION – The Division has established a rate stabilization account to reduce significant year-to-year variations in rates. Amounts deposited into the account are excluded from the statement of revenues, expenses and changes in net position in accordance with regulated operations. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions and debt service covenants.

UTILITY PLANT AND DEPRECIATION – Utility plant is 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 is capitalized. Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation is recorded using a straight-line composite method based on National Association of Regulatory Utility Commissioners (NARUC) recommended economic asset lives from 13 to 60 years for related operating assets placed in service at the beginning of the year. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service.

The economic lives for plant in service are as follows:

Source of Supply Plant	34 years
Pumpling Plant	40 years
Water Treatment Plant	28 years
Transmission Plant	60 years
Distribution Plant	53 years
General Plant	13 years

CONSTRUCTION WORK IN PROGRESS – Capitalizable costs incurred on projects which are not in service or ready for use are held in construction 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.

ASSET VALUATION – The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows.

CONTRIBUTIONS IN AID OF CONSTRUCTION AND SYSTEM DEVELOPMENT CHARGES – GASB Statement No. 33, which addresses accounting for contributed capital, requires that contributed capital be recognized as change in net position. Capital contributions include new service connections and system development charges. System development charges are collected on all new services prior to installation to ensure required new source, transmission and storage facilities needed to meet new demands are funded.

The charge was developed using a cost-of-service approach and includes a share of historical plant investment and projected future outlays that will increase system capacity. Because the funds collected for this charge can only be used for system expansion projects, the balance is reflected as restricted in the Division's net position.

System development charges on uncompleted projects are recorded in other long term liabilities.

REGULATORY ASSETS – The Division has deferred Public Fire Protection Fees, Hyada Surcharges, Andrain Surcharges and Curran Road Surcharges to future periods matching the time when the revenues and expenses are included in rates. The deferred balance is reduced as fees and surcharges are recovered and amortized as expenses on the statements of revenues, expenses and changes in net position.

INTANGIBLE ASSETS – In accordance with GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*, land use rights such as easements and right-of-ways are recorded as intangible assets.

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 a liability and 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 REVENUE – 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. Utility revenues are derived primarily from the sale and transmission of water. Utility revenue from water sales is recognized when the water is delivered to and received by the customer.

Tacoma Water receives contract resource obligation revenue and debt service payments from our partners in the Second Supply Project Agreement which are recorded as operating revenue.

NON-OPERATING REVENUES AND EXPENSES – These are items that do not qualify as operating defined above such as interest and gain (loss) on disposition of property.

TAXES – The City charges the Division a Gross Earnings Tax at the rate of 8.0%. In addition, the Division pays a 5.029% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Division also pays business and occupation tax to the State at the rate of 1.75% on certain other non-utility 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, less outstanding construction funds 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.

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

ARBITRAGE REBATE REQUIREMENT – The Division is subject to the Internal Revenue Code (“IRC”), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the fund would record such a rebate as a liability. The Division had no liability in the current or prior year.

ENVIRONMENTAL REMEDIATION COSTS - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

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 unbilled revenues, allowance for doubtful accounts, accrued compensated absences, depreciation, Other Post Employment Benefit (OPEB), pension, self-insurance liabilities and other contingencies. Actual results may differ from these estimates.

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 Other Long-Term Liabilities on the 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, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations and federal government regulations.

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

NOTE 3 INVESTMENTS MEASURED AT FAIR VALUE

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

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

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

The fair value evaluations are provided by Interactive Data.

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

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

	As of			
	12/31/2021	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>

	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 Water's share of the City Investments shown in the table above is 17.22% and 19.09% for 2021 and 2020.

NOTE 4 UTILITY PLANT

A summary of the balances and changes in utility plant for 2021 and 2020 follows:

	Balance					Balance	
	December 31,				Transfers &	December 31,	
	2020	Additions	Retirements	Adjustments		2021	
Intangible Plant	\$ 39,027,963	\$ 393,887	\$ (198,343)	\$ 6,364,409	\$ 45,587,916		
Source of Supply Plant	87,375,103	-	-	759,800	88,134,903		
Pumping Plant	10,491,629	-	-	95,651	10,587,280		
Water Treatment Plant	243,424,754	-	-	119,642	243,544,396		
Transmission Facilities	232,656,909	-	-	45,381	232,702,290		
Distribution Facilities	515,540,055	6,889,166	(4,839,769)	23,839,326	541,428,778		
General Plant	56,481,464	-	(524,657)	3,755,022	59,711,829		
Total Water Plant in Service	1,184,997,877	7,283,053	(5,562,769)	34,979,231	1,221,697,392		
Less Accumulated Depreciation	(313,835,003)	(27,727,624)	5,364,426	2,706,886	(333,491,315)		
	871,162,874	(20,444,571)	(198,343)	37,686,117	888,206,077		
Construction Work in Progress	25,696,434	35,138,858	-	(40,365,373)	20,469,919		
Net Utility Plant	\$ 896,859,308	\$ 14,694,287	\$ (198,343)	\$ (2,679,256)	\$ 908,675,996		

	Balance December 31, 2019		Additions	Retirements	Transfers & Adjustments	Balance December 31, 2020				
Intangible Plant	\$	37,588,628	\$	1,302,537	\$	(251,367)	\$	388,165	\$	39,027,963
Source of Supply Plant		87,261,593		-		-		113,510		87,375,103
Pumping Plant		10,165,146		-		-		326,483		10,491,629
Water Treatment Plant		243,194,030		-		-		230,724		243,424,754
Transmission Facilities		232,642,722		-		-		14,187		232,656,909
Distribution Facilities		494,034,051		7,917,346		(2,853,100)		16,441,758		515,540,055
General Plant		39,718,288		-		(160,968)		16,924,145		56,481,465
<hr/>										
Total Water Plant in Service		1,144,604,458		9,219,883		(3,265,435)		34,438,972		1,184,997,878
Less Accumulated Depreciation		(281,402,926)		(25,723,865)		3,014,068		(9,722,280)		(313,835,003)
		863,201,532		(16,503,982)		(251,367)		24,716,692		871,162,875
<hr/>										
Construction Work in Progress		11,458,149		33,846,905		-		(19,608,620)		25,696,433
Net Utility Plant	\$	874,659,681	\$	17,342,923	\$	(251,367)	\$	5,108,072	\$	896,859,308

Total Water Plant in Service includes non-depreciable assets of \$61,848,171 for 2021 and \$61,383,283 for 2020.

NOTE 5 LONG-TERM DEBT

The Division's Long-term Liabilities are primarily for the purpose of capital improvements. 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
Revenue Bonds	\$ 350,017,516	\$ -	\$ (8,364,758)	\$ 341,652,758	\$ 8,618,415
Plus: Unamortized Premium	7,815,042	-	(1,173,417)	6,641,625	-
Net Revenue Bonds	357,832,558	-	(9,538,175)	348,294,383	8,618,415
Public Works Trust Fund Loans	14,617,694	-	(2,696,771)	11,920,923	2,056,626
Drinking Water State Revolving Fund Loans	57,150,308	-	(4,231,246)	52,919,062	4,070,194
Total Long-Term Debt	<u>\$ 429,600,560</u>	<u>\$ -</u>	<u>\$ (16,466,192)</u>	<u>\$ 413,134,368</u>	<u>\$ 14,745,235</u>

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Revenue Bonds	\$ 358,340,000	\$ 17,466,514	\$ (25,788,998)	\$ 350,017,516	\$ 8,364,758
Plus: Unamortized Premium	9,111,868	-	(1,296,826)	7,815,042	-
Net Revenue Bonds	367,451,868	17,466,514	(27,085,824)	357,832,558	8,364,758
Public Works Trust Fund Loans	17,314,465	-	(2,696,771)	14,617,694	2,696,771
Drinking Water State Revolving Fund Loans	61,381,554	-	(4,231,246)	57,150,308	4,231,246
Total Long-Term Debt	<u>\$ 446,147,887</u>	<u>\$ 17,466,514</u>	<u>\$ (34,013,841)</u>	<u>\$ 429,600,560</u>	<u>\$ 15,292,775</u>

Notes to the Financial Statements (continued)

Tacoma Water's long-term debt at December 31 consists of the following payable from revenues of Tacoma Water:

	2021	2020
2005 Water System Revenue and Refunding Bonds, with interest rate of 5.0%, due in 2025. Original Issue: \$46,550,000 Current Portion: \$0	\$ 5,000	\$ 5,000
2009 Water System Revenue Bonds, with interest rate at 5.751%, with Build America Bond (BAB) rebate ranging from 32.45% to 32.62%, due in yearly installments starting in 2033 ranging from \$9,800,000 to \$12,210,000 through 2039. Original Issue: \$76,775,000 Current Portion: \$0	76,775,000	76,775,000
2010B Water System Revenue Bonds, with interest rates ranging from 4.581% to 5.621%, with Build America Bond (BAB) Rebate ranging from 32.45% to 32.62% of interest, due in yearly installments starting in 2024 ranging from \$2,115,000 to \$15,390,000 through 2040. Original Issue: \$74,985,000 Current Portion: \$0	74,985,000	74,985,000
2010A Regional Water Supply System Revenue Bonds, with interest rates ranging from 3.0% to 4.0%, due in yearly installments ranging from \$330,000 to \$355,000 through 2024. (See Note 6) Original Issue: \$3,595,000 Current Portion: \$330,000	1,030,000	1,345,000
2010B Regional Water Supply System Revenue Bonds, with interest rates ranging from 5.371% to 5.621%, with Build America Bond (BAB) rebate ranging from 32.45% to 32.62% of interest, due in yearly installments starting in 2025 ranging from \$370,000 to \$5,775,000 through 2040. (See Note 6) Original Issue: \$44,245,000 Current Portion: \$0	44,245,000	44,245,000

SENIOR LIEN BONDS CONTINUED

	2021	2020
2013 Water System Revenue and Refunding Bonds, with interest rates of 4.0%, due in yearly installments starting in 2041 ranging from \$23,820,000 to \$25,765,000 through 2043. Original Issue: \$78,305,000 Current Portion: \$0	74,355,000	74,355,000
2013 Regional Water Supply System Revenue and Refunding Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments ranging from \$1,985,000 to \$6,425,000 through 2032. (See Note 6) Original Issue: \$64,795,000 Current Portion: \$1,985,000	54,030,000	55,920,000
2015A Water System Refunding Bonds with interest rates ranging from 4.0% to 5.0%, due in yearly installments ranging from \$1,755,000 to \$2,025,000 through 2025. Original Issue: \$16,645,000 Current Portion: \$1,755,000	7,560,000	9,230,000
2020 Water System Refunding Bonds with interest of 1.4% due in yearly installments ranging from \$4,119,343 to \$4,548,415 through 2023. Original Issue: \$17,466,514 Current Portion: \$4,548,415	8,667,758	13,157,516
Subtotal Sr. Lien Debt	\$ 341,652,758	\$ 350,017,516
Unamortized Premium	6,641,625	7,815,042
Less Current Portion of Revenue Bond Debt	(8,618,415)	(8,364,758)
Long-term Portion of Revenue Bond Debt	<u>\$ 339,675,968</u>	<u>\$ 349,467,800</u>

Scheduled principal maturities on the bonds and interest payments are as follows:

Year	Principal	Interest
2022	\$ 8,618,415	\$ 17,002,418
2023	8,419,343	16,738,540
2024	9,230,000	16,469,319
2025	9,655,000	16,021,278
2026	10,350,000	15,544,923
2027-2031	58,715,000	69,381,686
2032-2036	82,085,000	52,278,699
2037-2041	104,045,000	26,442,615
2042-2043	50,535,000	3,052,000
	<u>\$ 341,652,758</u>	<u>\$ 232,931,478</u>

Tacoma Water's revenue bonds are secured by the net revenue of Tacoma Water and all cash and investments held in the bond funds and construction funds. The bonds are also subject to certain financial and non-financial covenants. The Division was in compliance with all debt covenants at December 31, 2021.

The carrying amounts of the Washington State Public Works Board Loans and Drinking Water State Revolving Fund Loans approximate the fair value since such loans are exclusive and have no market.

	2021	2020
Public Works Trust Fund Loans		
2001 Public Works Trust Fund pre-construction loan for the Second Supply Project (SSP) Howard Hanson Dam Additional Storage Project, with interest of .5% per annum, due in yearly installments of \$52,632 through 2021.	\$ -	\$ 52,632
2001 Public Works Trust Fund construction loan for the SSP, with interest of .5% per annum, due in yearly installments of \$533,333 through 2021.	-	533,333
2002 Public Works Trust Fund pre-construction loan for Middle and Headworks section of the SSP, with interest of .5% per annum, due in yearly installments of \$54,180 through 2021.	-	54,180
2002 Public Works Trust Fund construction loan for the Middle and Headworks section of the SSP, with interest of .5% per annum, due in yearly installments of \$531,250 through 2022.	531,250	1,062,500
2004 Public Works Trust Fund pre-construction loan for the design of the Green River Ozone Facility with interest of .5% per annum, due in yearly installments of \$53,363 through 2024.	160,088	213,450

JUNIOR LIEN DEBT CONTINUED

	2021	2020
2006 Public Works Trust Fund construction loan for the Green River Ozone Treatment Plant, with interest of .5% per annum, due in yearly installments of \$370,588 through 2026.	1,852,941	2,223,529
2008 Public Works Trust Fund construction loan for the McMillin Reservoir Reconstruction, with interest of .5% per annum, due in yearly installments of \$545,870 through 2028.	3,821,089	4,366,959
2012 Public Works Trust Fund construction loan for the Green River Filtration Facility, with interest of .5% per annum, due in yearly installments of \$555,555 through 2031.	5,555,555	6,111,111
Drinking Water State Revolving Fund Loans		
2002 construction loan for the Portland Avenue Reservoir, with interest of 2.5% per annum, due in yearly installments of \$161,052 through 2021.	-	161,053
2008 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$215,108 through 2028.	1,505,759	1,720,867
2009 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.0% per annum, due in yearly installments of \$367,088 through 2032.	4,037,967	4,405,055
2010 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$303,000 through 2032.	3,333,000	3,636,000
2010 construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$304,579 through 2034.	3,959,526	4,264,105
2011 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$121,524 through 2033.	1,458,284	1,579,807

JUNIOR LIEN DEBT CONTINUED

	2021	2020
2011 construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$303,000 through 2035.	4,242,000	4,545,000
2012 construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$606,000 through 2035.	8,484,000	9,090,000
2013 construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$606,000 through 2035.	8,484,000	9,090,000
2013F construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$606,000 through 2035.	8,484,000	9,090,000
2015 construction loan for the Green River Water Treatment Plant Filtration Facility, with interest of 1.5% per annum, due in yearly installments of \$637,895 through 2035.	8,930,526	9,568,421
Subtotal Junior Lien Debt	64,839,985	71,768,002
Less Current Portion of Debt	(6,126,820)	(6,928,017)
Long-term Portion of Junior Lien Debt	<u>\$ 58,713,165</u>	<u>\$ 64,839,985</u>

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

Year	Principal	Interest
2022	\$ 6,126,820	\$ 788,548
2023	5,595,570	722,237
2024	5,595,570	658,582
2025	5,542,207	594,927
2026	5,542,207	531,539
2027-2031	23,575,160	1,743,272
2032-2035	12,862,451	423,036
	<u>\$ 64,839,985</u>	<u>\$ 5,462,141</u>

NOTE 6 SECOND SUPPLY PROJECT AGREEMENT

Four Washington municipalities are the Participants in the Second Supply Project under the terms of the Second Supply Project Agreement, which defines their rights and obligations with regard to the Second Supply Project. Tacoma Water has a 15/36 Participant Share and each of the City of Kent, Covington Water District and Lakehaven Utility District has a 7/36 Participant Share in the Second Supply Project. Each Participant has contractual rights under the Second Supply Project Agreement (i) to use an undivided share of the Project equal to its project capacity share and to use available excess project capacity; (ii) to schedule for delivery and receive its Participant Share of Second Diversion Water at its points of delivery; (iii) to schedule for delivery and receive additional water at its points of delivery; and (iv) to its Participant Share of storage. Each Participant has a contractual obligation (i) to receive Second Diversion Water and additional water scheduled for delivery and delivered to it, and (ii) to pay its Participant Share of Project Costs, including but not limited to Fixed and Variable O & M Costs, Initial Project Construction Costs and Capital Expenditures. Kent and Covington, in the "Repayment Agreement", pledge to pay Tacoma Water a defined share of the principal and interest debt service on the Regional Water Supply System Bonds. The term of the Second Supply Project Agreement extends through the operating life of the Second Supply Project including all renewals and replacements thereof and additions thereto. The Second Supply Project Agreement provides that all obligations incurred during its term will survive its termination or expiration and will survive until satisfied.

NOTE 7 SIGNIFICANT CUSTOMER

Contracted sales to WestRock CP LLC accounted for 7.4% of Tacoma Water's total water sales in 2021 and 8.0% in 2020. There were no outstanding accounts receivables from WestRock at year-end 2021 or 2020.

Tacoma Water has contracted with WestRock to supply certain quantities of water at a specified rate through July 31, 2022.

NOTE 8 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 Water 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 Water 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 Water in 2021 and 2020 were \$2,093,971 and \$2,915,310, 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 \$4.8 million of unspent capital fund and \$6.3 million of net book value in assets (net between cost of \$16.4 million and accumulated depreciation of \$10.1 million) to the Division in 2020. \$120 of Construction Work in progress was transferred to the Division in 2021.

NOTE 9 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 Water and other divisions within the Department for certain losses arising from personal and property damage claims by third parties. The major risks to Tacoma Water 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 Water is required to make payments to the Self-Insurance Fund to cover claims incurred by Tacoma Water and administrative expenses of the Fund. Tacoma Water's premium payments were \$240,000 in 2021 and 2020. Assets in the Self-Insurance Fund total \$11.0 million which exceeds accrued and incurred but not reported liabilities. Equity in the Self-Insurance Fund is transferred to the appropriate operating divisions in accordance with GASB 10. Management believes Tacoma Water'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 10 TACOMA EMPLOYEES' RETIREMENT SYSTEM FUND (TERS OR THE SYSTEM)

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available ACFR that includes financial statements and required supplementary information may be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS ACFR may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

Administration of The System - The "Tacoma Employees' Retirement System" is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as, certain employees of the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, are also members.

The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 RCW and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are: the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

The breakdown of membership as of December 31, 2020 (measurement date) is as follows:

Retirees and beneficiaries currently receiving benefits	2,653
Terminated vested and other terminated participants	790
Active members:	
City of Tacoma	2,740
Pierce Transit	10
South Sound 911	2
Tacoma-Pierce County Health Department	285
Total active members	3,037
Total membership	6,480

Membership - Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighters, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments.

Benefits - There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member's age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

Any active member who has not retired, and has five or more years of service as a member may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 4154 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

Contributions - The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

Significant Assumptions - The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2020
Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution (ADC). The amortization method for the ADC is as follows*:
	<ul style="list-style-type: none"> • Level percent • Open periods • 25 year amortization period* • 3.25% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the Femal PubG-2010 Amount-Weighted Mortality Tables, sex distinct. Generational improvements with unisex projection scale based on Social Security Administration Data 1957-2017.

**The actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL. Note that the UAAL amortization period is 30 years for years 2017 and earlier and 25 for years beginning January 1, 2018 and later.*

Benefit and Assumption Changes - The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. There have been no significant changes between the January 1, 2021, valuation date and December 31, 2020, the measurement date. Therefore, no adjustments were needed from the January 1, 2021, actuarial valuation date to the calculated liabilities as of December 31, 2020, measurement date for reporting date of December 31, 2021. There were no changes between the January 1, 2020, and January 1, 2021, valuation dates.

Target Allocations - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2020. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated March 2019.

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	1.30%
US Bank/ Leveraged Loans	3.0%	2.39%
US Long Government Bonds	3.0%	1.75%
High Yield Bonds	6.0%	3.10%
Emerging Market Debt	5.0%	2.65%
Global Equity	34.5%	5.55%
Private Real Estate	10.0%	6.20%
Private Equity	10.0%	6.95%
Master Limited Partnerships	4.0%	7.30%
Timber	1.5%	6.15%
Infrastructure	2.0%	6.25%
Agriculture	1.5%	3.72%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.65%
Portfolio 30 year Arithmetic Rate of Return		7.13%
Portfolio 30 year Geometric Rate of Return		6.58%
Portfolio Standard Deviation		10.89%
Long-Term Expected Rate of Return, net of investment expenses		6.75%

Sensitivity Analysis - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower, 5.75%, or 1 percentage point higher, 7.75%, than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	\$28,056,796	\$6,337,863	\$(11,762,666)

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (887,406)	\$ 1,147,061
Changes of assumptions	-	4,713,329
Net Difference Between Projected and Actual Earnings	(464,683)	-
Changes in Employer Proportion	(4,191)	86
Contributions Made Subsequent to the Measurement Date	-	2,710,397
Total	\$ (1,356,280)	\$ 8,570,873

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next five years.

Amounts will be recognized in pension expense as follows:

2022	\$ 661,572
2023	2,204,996
2024	(726,545)
2025	1,856,447
2026	507,726
	<u>\$ 4,504,196</u>

At December 31, 2021, the Division reported a pension liability of \$6,337,863 for its proportionate share of the total System, compared to a pension asset of \$1,636,678 at December 31, 2020. The proportionate share of the Water Division is 9.14% of total System's pension liability as of December 31, 2021, and 8.80% as of December 31, 2020. The proportionate share was based on the actual contributions for the year as of December 31, 2021 and 2020.

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.

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 \$4,780,773 for its proportionate share of the collective total OPEB liability of \$229.3 million compared to \$3,675,963 at December 31, 2020. At December 31, 2021, the participating Division's proportion was 2.08528% as compared to 1.76371% at December 31, 2020. For the year ended December 31, 2021, the participating Division recognized an OPEB expense of \$170,801.

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	\$ (51,158)	\$ 7,204
Changes of assumptions	(200,771)	533,835
Changes in Employer Proportion	-	677,828
Differences in Contributions	(52,948)	87,316
Contributions Made Subsequent to the Measurement Date	-	178,614
Total	<u>\$ (304,877)</u>	<u>\$ 1,484,797</u>

The Division reported \$178,614 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	\$ 177,627
2023	177,627
2024	145,785
2025	198,456
2026	178,723
Thereafter	123,088
	<u>\$ 1,001,306</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	\$ 5,409,869	\$ 4,780,773	\$ 4,255,093

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	\$ 4,204,834	\$ 4,780,773	\$ 5,466,132

NOTE 12 COMMITMENTS AND CONTINGENCIES

Capital Improvements - The financial requirement for Tacoma Water's 2021-2022 biennial Capital Improvement program is approximately \$79.3 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2021 the remaining financial requirement for Capital Improvement Programs relating to the current biennium is \$55.2 million.

Muckleshoot Indian Tribe Settlement - A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately \$30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing \$12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water's historical operations on the river, gain the Tribe's support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

General Legal Matters - The Water Division has received several other miscellaneous claims or litigation that either do not allege material amounts or that the Legal Department has determined do not pose a risk of liability to the Utility.

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 of 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 Net Pension Liability Last 10 Years*

	As of Measurement Date December 31,					
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset) as a percentage	9.14%	8.80%	8.77%	8.74%	8.91%	8.99%
Employer's proportion share of net pension liability (asset)	\$ 6,337,863	(\$1,636,678)	\$10,264,957	(\$3,438,481)	\$8,278,522	\$7,788,151
Employer's covered payroll	\$24,449,314	\$23,537,115	\$21,819,996	\$20,914,658	\$20,220,795	\$21,148,347
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	25.92%	-6.95%	47.04%	-16.44%	40.94%	36.83%
Plan fiduciary net position as a percentage the total pension liability	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%

Schedule of Contributions Last 10 Fiscal Years*

	Fiscal Year Ended December 31,					
	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	\$2,710,397	\$2,518,860	\$2,451,307	\$2,309,710	\$2,150,205	\$2,124,252
Contributions in relation to the contractually required employer contribution	(2,710,397)	(2,518,860)	(2,451,307)	(2,309,710)	(2,150,205)	(2,124,252)
Employer contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered employee payroll	\$26,693,208	\$24,449,314	\$23,537,115	\$21,819,996	\$20,914,658	\$20,220,795
Employer contribution as a percentage of covered-employee payroll	10.15%	10.30%	10.41%	10.59%	10.28%	10.51%

** The above schedules are 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.*

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	2.09%	1.76%	1.75%	1.71%	1.67%
Employer's proportion share of collective OPEB liability	\$4,780,773	\$3,675,963	\$3,565,886	\$3,780,897	\$3,492,067
Employer's covered-employee payroll**	\$24,449,314	\$23,537,115	\$21,819,996	\$20,914,658	\$20,432,705
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	19.55%	15.62%	16.34%	18.08%	17.09%

* 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.

This page has been left blank intentionally.

Statistical Data (Unaudited)

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

STATEMENTS OF NET POSITION	2021	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS				
Utility Plant - Net	\$908,675,996	\$896,859,308	\$874,659,681	\$871,008,433
Non-Utility Plant	492,963	492,963	492,963	492,963
Special Funds	143,887,056	151,998,322	155,002,719	160,004,945
Current Assets	84,247,947	86,310,156	84,942,679	79,459,959
Other Assets	3,451,604	5,280,544	2,058,552	4,669,297
Total Assets	1,140,755,566	1,140,941,293	1,117,156,594	1,115,635,597
Deferred Outflows	10,670,119	6,255,109	13,609,381	5,881,479
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,151,425,685	1,147,196,402	1,130,765,975	1,121,517,076
NET POSITION	652,595,111	636,065,438	602,816,562	581,738,357
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	398,389,133	414,307,785	431,269,870	447,562,815
Current Liabilities	23,472,809	24,263,595	21,087,589	23,031,002
Long-Term Liabilities	39,732,028	30,395,281	38,297,146	27,703,192
Total Liabilities	461,593,970	468,966,661	490,654,605	498,297,009
Deferred Inflows	37,236,604	42,164,303	37,294,808	41,481,710
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$1,151,425,685	\$1,147,196,402	\$1,130,765,975	\$1,121,517,076
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
Residential and Domestic	\$67,702,012	\$64,487,335	\$60,847,540	\$59,624,491
Commercial and Industrial	20,816,460	18,724,562	19,836,364	19,225,528
Special Rate-WestRock/Other	7,283,918	7,109,384	6,883,021	6,873,675
Municipal	-	-	-	-
Wholesale	2,711,269	2,282,638	2,787,239	3,253,029
Unbilled	485,524	103,821	(111,782)	472,999
Total Water Sales	98,999,183	92,707,740	90,242,382	89,449,722
Other Operating Revenues	12,366,703	11,760,454	12,302,372	12,491,739
Total Operating Revenues	111,365,886	104,468,194	102,544,754	101,941,461
OPERATING EXPENSES				
Operation and Maintenance	56,344,184	52,116,679	50,339,168	45,892,214
Taxes	5,856,255	5,398,410	5,188,882	5,273,751
Depreciation	27,727,624	25,723,865	25,295,078	26,117,843
Total Operating Expenses	89,928,063	83,238,954	80,823,128	77,283,808
NET OPERATING INCOME (LOSS)	21,437,823	21,229,240	21,721,626	24,657,653
NON-OPERATING REVENUES (EXPENSES)				
Other Income	2,923,749	651,209	1,802,296	3,215,049
Interest Income	(1,182,910)	5,522,409	7,370,377	3,876,762
Interest Charges (Net)	(17,094,391)	(17,565,824)	(18,181,445)	(19,269,514)
Net Income (Loss) Before Contributions & Transfers	6,084,271	9,837,034	12,712,854	12,479,950
Total Capital Contributions	14,919,226	16,459,062	12,775,630	16,440,749
Federal BAB Subsidies	3,629,294	3,651,006	3,609,359	3,596,241
Transfers In/ (Out)	(8,103,118)	3,301,774	(8,019,638)	(7,625,062)
CHANGE IN NET POSITION	\$16,529,673	\$33,248,876	\$21,078,205	\$24,891,878

In accordance with Governmental Accounting Standards Board Statement No. 65 2012 was restated for comparative purposes.

2017 (As Restated)	2016	2015	2014	2013	2012
\$873,518,773	\$879,547,650	\$884,721,107	\$872,083,357	\$813,050,518	\$722,852,270
492,963	492,963	492,963	492,963	492,963	547,480
153,962,378	156,827,483	143,309,769	146,440,207	156,819,016	161,315,595
73,857,244	68,927,643	64,476,112	58,737,269	63,568,675	56,407,560
1,810,430	2,866,478	4,689,200	3,769,208	4,679,599	5,300,185
1,103,641,788	1,108,662,217	1,097,689,151	1,081,523,004	1,038,610,771	946,423,090
10,113,888	10,623,174	4,002,699	1,587,851	1,813,858	1,764,332
1,113,755,676	1,119,285,391	1,101,691,850	1,083,110,855	1,040,424,629	948,187,422
556,846,481	549,652,226	542,501,823	516,673,245	480,288,973	449,858,136
463,619,285	478,617,199	478,400,742	483,542,005	455,876,975	401,465,338
20,524,364	20,986,727	18,261,548	20,767,576	42,478,805	35,106,590
35,406,357	33,932,418	26,021,937	26,552,582	26,204,429	26,181,911
519,550,006	533,536,344	522,684,227	530,862,163	524,560,209	462,753,839
37,359,189	36,096,821	36,505,800	35,575,447	35,575,447	35,575,447
\$1,113,755,676	\$1,119,285,391	\$1,101,691,850	\$1,083,110,855	\$1,040,424,629	\$948,187,422
\$52,539,643	\$50,742,135	\$48,263,128	\$44,655,076	\$40,928,355	\$38,737,505
17,408,529	17,558,905	17,233,617	15,406,078	13,507,899	12,478,932
6,322,195	5,845,719	5,951,348	5,801,842	5,242,359	5,031,760
-	-	-	-	445,844	383,385
3,069,448	3,971,839	5,192,149	3,718,315	3,519,409	2,090,430
660,078	(137,857)	318,945	121,346	468,030	416,986
79,999,893	77,980,741	76,959,187	69,702,657	64,111,896	59,138,998
14,644,528	14,820,869	21,179,637	28,617,297	32,007,524	21,541,733
94,644,421	92,801,610	98,138,824	98,319,954	96,119,420	80,680,731
48,921,970	46,894,363	41,804,233	37,993,563	35,906,356	32,602,452
4,776,164	4,639,031	4,681,114	3,779,373	3,918,944	3,485,243
24,038,103	23,822,527	17,102,664	16,783,698	16,072,243	15,262,686
77,736,237	75,355,921	63,588,011	58,556,634	55,897,543	51,350,381
16,908,184	17,445,689	34,550,813	39,763,320	40,221,877	29,330,350
1,216,295	(221,125)	(30,042)	537,052	(1,246,053)	288,182
1,762,813	1,826,299	1,112,850	1,718,226	807,466	2,320,753
(18,321,085)	(19,000,536)	(16,677,645)	(11,911,850)	(14,141,036)	(14,462,441)
1,566,207	50,327	18,955,976	30,106,748	25,642,254	17,476,844
9,138,434	10,274,030	9,052,674	8,670,639	7,175,575	7,834,345
3,582,475	3,579,107	3,609,706	3,959,446	3,535,426	3,840,767
(7,092,861)	(6,753,061)	(6,873,467)	(6,352,561)	(5,922,418)	(5,226,630)
\$7,194,255	\$7,150,403	\$24,744,889	\$36,384,272	\$30,430,837	\$23,925,326

City of Tacoma, Washington
Department of Public Utilities
Regional Water Supply System

Ten-Year Financial Review (RWSS)

STATEMENTS OF NET POSITION	2021	2020	2019	2018
ASSETS				
Utility Plant - Net	\$245,786,121	\$253,438,437	\$261,815,181	\$270,292,252
Current Assets	9,766,278	10,343,200	10,493,887	10,420,340
Total Assets	255,552,399	263,781,637	272,309,068	280,712,592
Deferred Outflows	175,797	191,900	208,004	224,106
TOTAL ASSETS AND DEFERRED OUTFLOWS	255,728,196	263,973,537	272,517,072	280,936,698
NET POSITION	150,738,557	156,173,719	161,888,944	167,469,986
LIABILITIES AND EQUITY				
Long-Term Debt	101,259,957	104,226,180	107,104,701	109,899,314
Current Liabilities	2,743,499	2,633,541	2,544,840	2,558,764
Total Liabilities	104,003,456	106,859,721	109,649,541	112,458,078
Deferred Inflows	986,183	940,097	978,587	1,008,634
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	255,728,196	263,973,537	272,517,072	280,936,698
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
CRO - Debt Service	\$6,445,519	\$6,359,276	\$6,365,634	\$5,610,671
CRO - O&M	4,191,992	4,044,665	3,869,205	3,764,605
CRO - Capital	233,873	108,780	266,010	93,191
Other Operating Revenue	-	-	-	-
Total Operating Revenues	10,871,384	10,512,721	10,500,849	9,468,467
OPERATING EXPENSES				
Operation and Maintenance	4,218,612	4,261,822	3,928,423	3,718,890
Depreciation	8,524,386	8,521,426	8,507,090	9,199,706
Total Operating Expenses	12,742,998	12,783,248	12,435,513	12,918,596
NET OPERATING INCOME (LOSS)	(1,871,614)	(2,270,527)	(1,934,664)	(3,450,129)
NON-OPERATING REVENUES (EXPENSES)				
Other Income	6,586	-	-	-
Interest Income	(39,563)	252,531	346,329	182,850
Interest Charges (Net)	(4,500,797)	(4,579,890)	(4,645,692)	(4,907,255)
Net Income (Loss) Before Contributions & Transfers	(6,405,388)	(6,597,886)	(6,234,027)	(8,174,534)
Total Capital Contributions	151,393	57,235	(163,022)	129,958
Grants & Federal BAB Subsidies	818,833	825,426	816,007	813,046
Transfers Out	-	-	-	-
CHANGE IN NET POSITION	(\$5,435,162)	(\$5,715,225)	(\$5,581,042)	(\$7,231,530)

In accordance with Governmental Accounting Standards Board Statement No. 65 2012 was restated for comparative purposes.

2017	2016	2015	2014	2013	2012
\$279,190,310	\$287,187,547	\$295,780,351	\$293,110,553	\$264,883,717	\$223,896,711
10,442,765	10,395,435	9,274,080	11,321,557	20,473,681	41,256,611
289,633,075	297,582,982	305,054,431	304,432,110	285,357,398	265,153,322
240,210	256,313	272,417	288,520	304,624	-
289,873,285	297,839,295	305,326,848	304,720,630	285,662,022	265,153,322
174,701,516	180,852,158	186,712,448	183,898,541	154,285,209	136,200,206
112,594,314	114,364,416	116,113,730	117,798,157	120,006,348	122,882,652
1,564,360	1,601,549	1,496,773	1,993,880	10,436,851	5,253,742
114,158,674	115,965,965	117,610,503	119,792,037	130,443,199	128,136,394
1,013,095	1,021,172	1,003,897	1,030,052	933,614	816,722
289,873,285	297,839,295	305,326,848	304,720,630	285,662,022	265,153,322
\$5,554,208	\$5,582,030	\$6,047,314	\$6,008,599	\$6,208,432	\$6,272,476
3,858,622	3,858,714	2,840,435	2,706,023	2,740,645	2,478,238
202,255	483,498	7,621,901	15,132,508	18,535,695	5,665,557
-	-	1,675	-	-	-
9,615,085	9,924,242	16,511,325	23,847,130	27,484,772	14,416,271
3,881,686	3,871,737	2,864,326	2,735,246	2,895,385	2,510,085
8,266,685	8,263,267	4,582,300	4,542,912	4,505,158	4,495,971
12,148,371	12,135,004	7,446,626	7,278,158	7,400,543	7,006,056
(2,533,286)	(2,210,762)	9,064,699	16,568,972	20,084,229	7,410,215
-	-	(120,564)	(18,732)	(373,899)	-
91,554	87,696	64,497	114,387	51,743	407,622
(4,697,999)	(4,715,565)	(4,072,780)	(880,966)	(2,665,310)	(4,901,784)
(7,139,731)	(6,838,631)	4,935,852	15,783,661	17,096,763	2,916,053
179,156	456,685	(2,924,135)	13,024,297	148,865	(414,376)
809,933	808,775	802,190	805,374	799,296	868,328
-	(287,119)	-	-	40,079	112
(\$6,150,642)	(\$5,860,290)	\$2,813,907	\$29,613,332	\$18,085,003	\$3,370,117

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Net Position (RWSS)

ASSETS AND DEFERRED OUTFLOWS	WATER W/O RWSS	RWSS	ADJUSTMENTS	TACOMA WATER STATEMENTS
UTILITY PLANT				
In Service, at Original Cost	\$ 876,820,348	\$ 344,877,044	\$ -	\$ 1,221,697,392
Less - Accumulated Depreciation	(233,017,813)	(100,473,502)	-	(333,491,315)
Total	643,802,535	244,403,542	-	888,206,077
Construction Work In Progress	19,087,340	1,382,579	-	20,469,919
Net Utility Plant	662,889,875	245,786,121	-	908,675,996
NET UTILITY PROPERTY	492,963	-	-	492,963
SPECIAL FUNDS				
Debt Service Funds	3,595,418	374,900	-	3,970,318
Bond Reserve Funds	13,227,327	8,464,942	-	21,692,269
System Development Charge Fund	78,768,249	-	-	78,768,249
Other Cash & Equity in Pooled Investments	39,264,420	-	191,800	39,456,220
Total Special Funds	134,855,414	8,839,842	191,800	143,887,056
CURRENT ASSETS				
Operating Funds Cash & Equity in				
Pooled Investments	63,099,465	191,800	(191,800)	63,099,465
Grant Receivable	482,056	-	-	482,056
Accounts Receivable	7,374,816	546,062	-	7,920,878
(Net of Allowance for Doubtful Accounts of \$1,612,430 in 2020)				
BABs Interest Subsidies Receivable	233,584	68,236	-	301,820
Accrued Unbilled Revenues	6,407,783	-	-	6,407,783
Materials and Supplies	3,167,556	-	-	3,167,556
Prepayments	2,748,051	120,338	-	2,868,389
	83,513,311	926,436	(191,800)	84,247,947
OTHER ASSETS				
Regulatory Asset - Surcharges	3,451,604	-	-	3,451,604
Total Other Assets	3,451,604	-	-	3,451,604
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized Losses on Refunding Bonds	438,652	175,797	-	614,449
Pension Contributions	8,570,873	-	-	8,570,873
OPEB	1,484,797	-	-	1,484,797
Total Deferred Outflows	10,494,322	175,797	-	10,670,119
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 895,697,489</u>	<u>\$ 255,728,196</u>	<u>\$ -</u>	<u>\$ 1,151,425,685</u>

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	WATER W/O RWSS	RWSS	ADJUSTMENTS	WATER STATEMENTS
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$ 361,244,908	\$ 150,851,903	\$ -	\$ 512,096,811
Restricted for:				
Water Capital and System Development Charge	73,158,293	-	-	73,158,293
Debt Service Funds	2,339,098	-	-	2,339,098
Unrestricted	65,114,255	(113,346)	-	65,000,909
Total Net Position	501,856,554	150,738,557	-	652,595,111
LONG-TERM DEBT				
Revenue Bonds	238,416,011	101,259,957	-	339,675,968
Public Works Trust Fund Loans	9,864,297	-	-	9,864,297
Drinking Water State Revolving Fund Loan	48,848,868	-	-	48,848,868
Total Long-Term Debt	297,129,176	101,259,957	-	398,389,133
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	12,430,235	2,315,000	-	14,745,235
Current Maturities of Long-Term Liabilities	164,300	-	-	164,300
Accrued Taxes	1,842,017	-	-	1,842,017
Accrued Expenses and Contracts Payable	3,425,660	8,884	-	3,434,544
Salaries, Wages and Fringe Benefits Payable	1,469,408	-	-	1,469,408
Interest Payable	1,211,605	419,615	-	1,631,220
Customers' Deposits	186,085	-	-	186,085
Total Current Liabilities	20,729,310	2,743,499	-	23,472,809
LONG-TERM LIABILITIES				
Muckleshoot Agreements	6,080,198	-	-	6,080,198
Customer Advances for Construction	12,163,597	-	-	12,163,597
Unearned Revenue	5,062,427	986,183	-	6,048,610
Long-Term Accrued Compensated Absences	2,942,578	-	-	2,942,578
Pension Liability	6,337,863	-	-	6,337,863
OPEB Liability	4,780,773	-	-	4,780,773
Other Long-Term Liabilities	1,378,409	-	-	1,378,409
Total Long-Term Liabilities	38,745,845	986,183	-	39,732,028
DEFERRED INFLOWS OF RESOURCES				
Rate Stabilization	35,575,447	-	-	35,575,447
Pension Contribution	1,356,280	-	-	1,356,280
OPEB Contribution	304,877	-	-	304,877
Total Inflows of Resources	37,236,604	-	-	37,236,604
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$ 895,697,489	\$ 255,728,196	\$ -	\$ 1,151,425,685

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Revenues, Expenses, and Changes in Net Position (RWSS)

	WATER W/O RWSS	RWSS	ADJUSTMENTS	TACOMA WATER STATEMENTS
OPERATING REVENUES				
Sale of Water	\$ 98,999,183	\$ -	\$ -	\$ 98,999,183
Other Operating Revenues	7,213,114	-	-	7,213,114
Contract Resource Obligation Revenues	-	10,871,384	(5,717,795)	5,153,589
Total Operating Revenues	106,212,297	10,871,384	(5,717,795)	111,365,886
OPERATING EXPENSES				
Operations	20,480,002	450,453	-	20,930,455
Production	9,846,053	3,422,712	-	13,268,765
Administrative and General	27,517,312	345,447	(5,717,795)	22,144,964
Depreciation	19,203,238	8,524,386	-	27,727,624
Taxes	5,856,255	-	-	5,856,255
Total Operating Expenses	82,902,860	12,742,998	(5,717,795)	89,928,063
Net Operating Income	23,309,437	(1,871,614)	-	21,437,823
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	(1,143,347)	(39,563)	-	(1,182,910)
Operating Grant	3,400	-	-	3,400
Capital Grant	478,656	-	-	478,656
Other	2,435,107	6,586	-	2,441,693
Interest on Long-Term Debt	(12,944,647)	(5,135,916)	-	(18,080,563)
Amortization of Premium and Loss on Refunding	351,053	635,119	-	986,172
Total Non-Operating Expenses	(10,819,778)	(4,533,774)	-	(15,353,552)
Net Income Before Capital Contributions and Transfers	12,489,659	(6,405,388)	-	6,084,271
Capital Contributions				
Cash	7,484,780	151,393	-	7,636,173
Donated Fixed Assets	7,283,053	-	-	7,283,053
Federal BABs Subsidies	2,810,461	818,833	-	3,629,294
City of Tacoma Gross Earnings Tax	(8,305,896)	-	-	(8,305,896)
Transfer to/from Other Funds	202,778	-	-	202,778
CHANGE IN NET POSITION	21,964,835	(5,435,162)	-	16,529,673
TOTAL NET POSITION - BEGINNING OF YEAR	479,891,719	156,173,719	-	636,065,438
TOTAL NET POSITION - END OF YEAR	<u>\$ 501,856,554</u>	<u>\$ 150,738,557</u>	<u>\$ -</u>	<u>\$ 652,595,111</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Bond Debt Service Requirements
December 31, 2021

YEAR	WATER W/O RWSS		RWSS		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2022	6,303,415	11,966,482	2,315,000	5,035,936	25,620,833
2023	5,964,343	11,815,054	2,455,000	4,923,486	25,157,883
2024	4,300,000	11,665,133	4,930,000	4,804,186	25,699,319
2025	4,465,000	11,460,042	5,190,000	4,561,236	25,676,278
2026	4,930,000	11,244,560	5,420,000	4,300,364	25,894,924
2027	5,085,000	11,003,926	5,700,000	4,027,935	25,816,861
2028	5,265,000	10,730,810	5,970,000	3,741,451	25,707,261
2029	5,445,000	10,448,028	6,300,000	3,441,430	25,634,458
2030	5,640,000	10,155,577	6,595,000	3,124,854	25,515,431
2031	5,835,000	9,852,652	6,880,000	2,855,021	25,422,673
2032	6,050,000	9,524,668	6,660,000	2,572,446	24,807,114
2033	11,915,000	9,184,597	4,495,000	2,298,427	27,893,024
2034	12,360,000	8,502,114	4,655,000	2,045,763	27,562,877
2035	12,820,000	7,794,145	4,830,000	1,784,105	27,228,250
2036	13,295,000	7,059,824	5,005,000	1,512,611	26,872,435
2037	13,790,000	6,298,290	5,185,000	1,231,280	26,504,570
2038	14,305,000	5,508,406	5,375,000	939,831	26,128,237
2039	14,835,000	4,689,021	5,570,000	637,702	25,731,723
2040	15,390,000	3,839,272	5,775,000	324,613	25,328,885
2041	23,820,000	2,974,200	-	-	26,794,200
2042	24,770,000	2,021,400	-	-	26,791,400
2043	25,765,000	1,030,600	-	-	26,795,600
	<u>\$242,347,758</u>	<u>\$178,768,801</u>	<u>\$99,305,000</u>	<u>\$54,162,677</u>	<u>\$574,584,236</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water
Without RWSS

Funds Available for Debt Service

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 (As Restated)</u>
Total Income	\$113,860,266	\$111,195,420	\$111,675,882	\$113,090,167	\$98,305,474
Less: Operating Exp	<u>63,706,208</u>	<u>58,970,799</u>	<u>57,193,541</u>	<u>52,488,595</u>	<u>54,846,779</u>
Income Available for Debt Service	<u>\$50,154,058</u>	<u>\$52,224,621</u>	<u>\$54,482,341</u>	<u>\$60,601,572</u>	<u>\$43,458,695</u>
 Bond Redemption	 6,171,729	 6,279,811	 5,639,167	 5,413,750	 5,216,251
Bond Interest	<u>12,100,641</u>	<u>12,502,629</u>	<u>13,072,833</u>	<u>13,290,645</u>	<u>13,447,439</u>
Debt Service Payable	<u>\$18,272,370</u>	<u>\$18,782,440</u>	<u>\$18,712,000</u>	<u>\$18,704,395</u>	<u>\$18,663,690</u>
 Times Debt Service Covered	 2.74	 2.78	 2.91	 3.24	 2.33

Bond covenants requires debt service coverage of 1.25

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Summary of Water Sales – 2021

	AVERAGE MONTHS BILLED	CONSUMPTION (CCF)	REVENUE	% of TOTAL REVENUE	MGD	% of TOTAL MGD
RESIDENTIAL AND DOMESTIC SERVICE						
Inside City						
Single and Multiple House	56,871	4,897,850	\$ 27,756,303	28.1%	10.04	18.7%
Multiple Unit Dwellings	3,465	1,837,771	\$ 7,115,040	7.2%	3.77	7.0%
Parks & Irrigation Services	211	102,709	\$ 427,229	0.4%	0.21	0.4%
Private Fire Services	115	10,251	\$ 107,295	0.1%	0.02	0.0%
	60,662	6,848,581	\$ 35,405,867	35.8%	14.04	26.1%
Outside City						
Single and Multiple Houses	38,223	4,324,669	\$ 25,912,319	26.2%	8.85	16.5%
Multiple Unit Dwellings	1,931	1,142,676	\$ 5,398,628	5.5%	2.34	4.4%
Parks & Irrigation Services	303	187,505	\$ 944,550	1.0%	0.38	0.7%
Private Fire Services	79	11	\$ 40,648	0.0%	0.00	0.0%
	40,536	5,654,861	\$ 32,296,145	32.7%	11.58	21.6%
COMMERCIAL AND INDUSTRIAL SERVICE						
Inside City						
Large Volume Service	2	353,859	\$ 638,455	0.6%	0.74	1.4%
General Service	3,956	2,220,671	\$ 8,142,006	8.2%	4.55	8.5%
Parks & Irrigation Services	428	388,296	\$ 1,702,603	1.7%	0.80	1.5%
Private Fire Services	1,193	58,617	\$ 2,663,298	2.7%	0.12	0.2%
	5,579	3,021,443	\$ 13,146,362	13.2%	6.20	11.6%
Outside City						
Large Volume Service	4	754,744	\$ 1,700,781	1.7%	1.55	2.9%
General Service	954	651,165	\$ 3,679,949	3.7%	1.34	2.5%
Parks & Irrigation Services	139	204,923	\$ 1,100,040	1.1%	0.42	0.8%
Private Fire Services	268	4,828	\$ 1,189,328	1.2%	0.01	0.0%
	1,365	1,615,660	\$ 7,670,098	7.7%	3.31	6.2%
WESTROCK	1	7,749,840	\$ 7,283,918	7.4%	15.88	29.7%
WHOLESALE	22	1,232,283	\$ 2,711,269	2.7%	2.53	4.7%
Unbilled Revenue			\$ 485,524	0.5%		
TOTAL WATER SALES	108,165	26,122,668	\$ 98,999,183	100.0%	53.54	99.9%

MGD defined as Millions of Gallons Per Day

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

2021 Statistical Information
As of December 31, 2021

Tacoma Water System:		
Average daily delivery exclusive of pulp mill	39.82	MG
Average daily delivery of pulp mill	15.88	MG
Total average daily delivery	55.70	MG
Maximum daily production	6/28/2021	97.44 MG
Minimum daily production	11/4/2021	31.62 MG
Total water produced in 2021*	20,330	MG
Regional Water Supply System (RWSS):		
Total average daily delivery	12.96	MG
Average daily consumption per single family residential service (Inside City)	167.6	GPD
Miles of transmission and wells supply mains - 28" to 96" diameter (includes North Fork wells system)	150	mi
Miles of distribution mains - 2" to 24" in diameter	1,305.19	mi
Fire Hydrants (Inside)	6,200	
Fire Hydrants (Outside)	5,208	

The primary source of Tacoma's water supply is the Green River. Additionally the North Fork well field provides blending options during periods of excessive river turbidity. The Green River source consists of a 73 million gallons per day (MGD) water right. Tacoma is also partner in the Regional Water Supply System (RWSS) and holds a 27 MGD average share of that 64.6 MGD interruptible, junior water right on the Green River. Tacoma also has ground water rights totaling 87 MGD with an installed pumping capacity of 47 MGD.

Tacoma's water supply is robust and of very high quality, benefiting from decades of source protection and substantial investment in treatment. City of Tacoma business and residents continued to receive extraordinary service reliability while meeting or exceeding all regulatory requirements of the United States Environmental Protection Agency and the Washington Department of Health.

Storage facilities are provided at 15 locations. These facilities consist of 10 concrete tanks and 12 steel standpipes. The combined storage capacity is equal to approximately 140.7 million gallons. Of this storage capacity 67.6 million gallons are located at the McMillin Reservoir approximately 14 miles southeast of Tacoma.

**Includes losses and water for self-consumption excludes RWSS
MG equals million gallons
GPD equals gallons per day
mi equals miles*

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Taxes and Employee Welfare Contributions
For the Year 2021

FEDERAL

Social Security (FICA)		<u>\$1,992,177</u>
------------------------	--	--------------------

STATE OF WASHINGTON

Retail Sales Tax	1,591,111	
Utilities and Business Activities Tax	<u>4,895,764</u>	
Total		6,486,875

COUNTY

Real Property	<u>81,364</u>	
Total		81,364

MUNICIPALITIES

City of Tacoma Gross Earnings Tax	8,305,896	
City of Fircrest Administrative Fee	6,093	
City of Lakewood Administrative Fee	6,245	
City of University Place Administrative Fee	692,361	
City of University Place Utility Tax	<u>208,875</u>	
		<u>9,219,470</u>

TOTAL TAXES	<u>\$17,779,886</u>
-------------	---------------------

Taxes as a % of Non-CRO Revenues of \$106,212,297	16.74%
---	--------

EMPLOYEE WELFARE CONTRIBUTIONS

Industrial Insurance and Medical Aid	\$370,853
Pensions	2,846,507
Medical Insurance	5,083,631
Dental Insurance	<u>406,058</u>

TOTAL EMPLOYEE WELFARE CONTRIBUTIONS	<u>\$8,707,049</u>
--------------------------------------	--------------------

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

2021 Water Rates

METER SIZE	READY TO SERVE CHARGE PER MONTH		Effective 4/1/21
	INSIDE TACOMA	OUTSIDE TACOMA	University Place
5/8 inch	\$25.32	\$30.67	\$31.76
3/4 inch	\$36.51	\$44.09	\$45.66
1 inch	\$58.89	\$70.95	\$73.48
1-1/2 inch	\$114.84	\$138.09	\$143.02
2 inch	\$181.98	\$218.66	\$226.47
3 inch	\$338.64	\$406.65	\$421.17
4 inch	\$562.44	\$675.21	\$699.33
6 inch	\$1,121.94	\$1,346.61	\$1,394.72
8 inch	\$1,793.34	\$2,152.29	\$2,229.18
10 inch	\$2,576.64	\$3,092.25	\$3,202.72
12 inch	\$3,779.57	\$4,535.77	\$4,697.81
	CHARGE FOR WATER USED PER MONTH PER 100 CUBIC FEET		Effective 4/1/21
	INSIDE TACOMA	OUTSIDE TACOMA	University Place
<u>Residential Service</u>			
Each 100 cubic ft of water consumption during the winter months of October through May	\$2.164	\$2.597	\$2.690
First 500 cubic ft of water consumption per month during the summer months of June through September	\$2.164	\$2.597	\$2.690
Each 100 cubic ft of water consumption over 500 cubic ft during the summer months of June through September	\$2.705	\$3.246	\$3.362
<u>Commercial and Industrial</u>			
General Service	\$2.330	\$2.800	\$2.900
Large Volume Service (over 65,000 cubic feet annually)	\$1.814	\$2.177	\$2.255
<u>Parks and Irrigation Service</u>	\$4.296	\$5.155	\$5.339
Each 100 cubic feet of water consumption			

City of Tacoma water services are 100% metered.

Where service conditions are considered extraordinary, the Water Division may, with City Council approval, enter into contracts for periods up to 20 years.

Water rates were established by Ordinance No. 28711 and were effective January 1, 2021.
Updated University Place rates were established by Ordinance No. 28736 and were effective April 1, 2021.

Residential service rate for outside Tacoma does not include University Place

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

2021 Fire Protection Rates

METER SIZE	READY TO SERVE		WATER INCLUDED FOR MONTHLY LEAKAGE	
	CHARGE PER MONTH		Effective 4/1/21	AND TESTING
	INSIDE TACOMA	OUTSIDE TACOMA	University Place	PURPOSES (100 Cubic Feet)
2 inch	\$29.21	35.05	36.30	2.99
3 inch	\$42.54	51.05	52.87	2.99
4 inch	\$71.06	85.27	88.33	2.99
6 inch	\$159.40	191.28	198.11	2.99
8 inch	\$283.76	340.51	352.68	2.99
10 inch	\$443.84	532.61	551.64	2.99
12 inch	\$709.92	851.90	882.34	2.99

No charge is made for water used through a fire service in extinguishing fires of incendiary or accidental origin if the customer, at the location where the use occurs, gives written notice to the Division within ten days from the time of such fire. Use of water through a fire service for purposes other than extinguishing fires of incendiary or accidental origin is charged as follows:

MONTHLY CHARGE

12 times the monthly service charge (minimum).

CONSUMPTION

Rates per 100 cubic feet per month \$3.960

The above rates for fire service shall apply where City water is used for all purposes on such premises exclusive of that amount allowed for testing and leakage.

Costs associated with fire hydrant services are currently recovered from customers in two different ways, depending on their location in the service area. Customers outside the City of Tacoma with residential and commercial accounts pay a flat monthly franchise "Franchise Hydrant Service Fee" as shown below:

Outside City, other contract	\$4.752	
University Place	\$4.922	Effective 4/1/21
Outside Including Lakewood, Puyallup, and Fircrest Franchises	\$4.752	

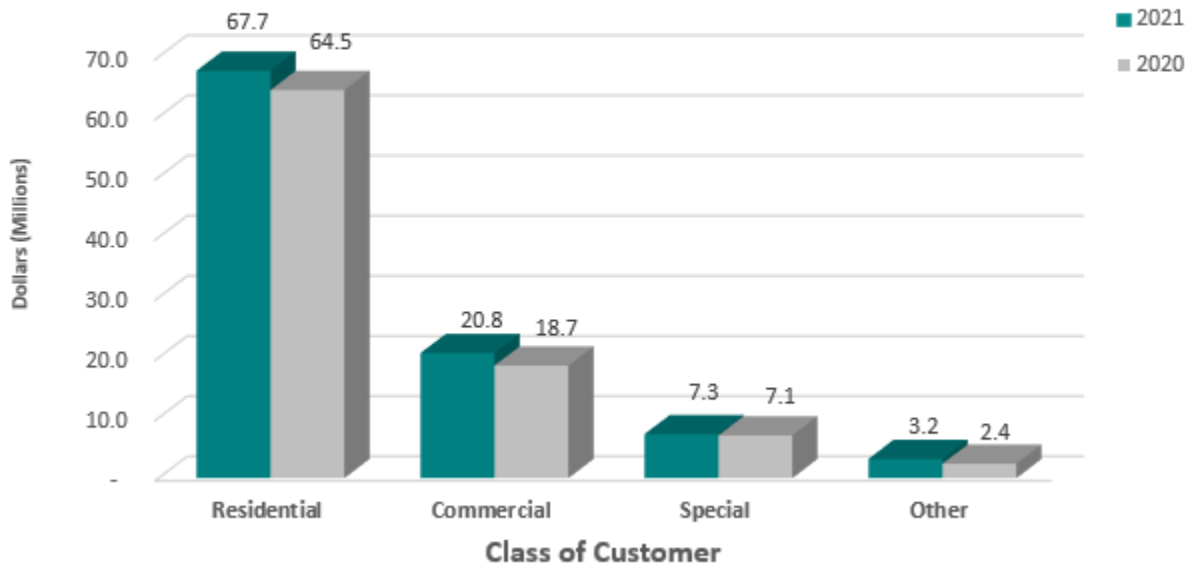
Water rates were established by Ordinance No. 28711 and were effective January 1, 2021.

Updated University Place rates were established by Ordinance No. 28736 and were effective April 1, 2021.

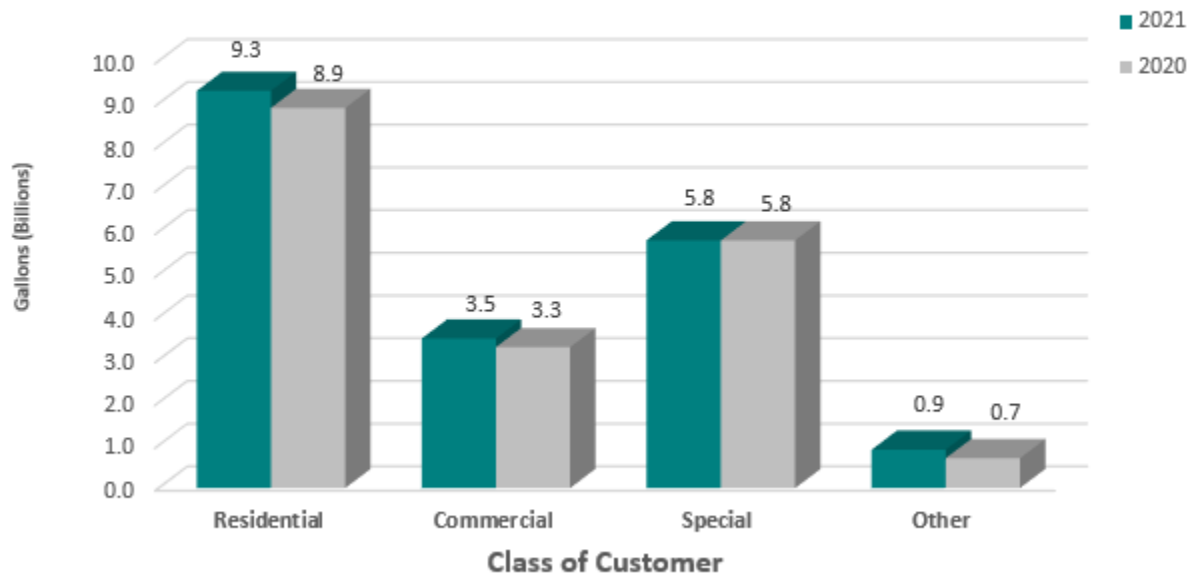
This page has been left blank intentionally.

Graphs

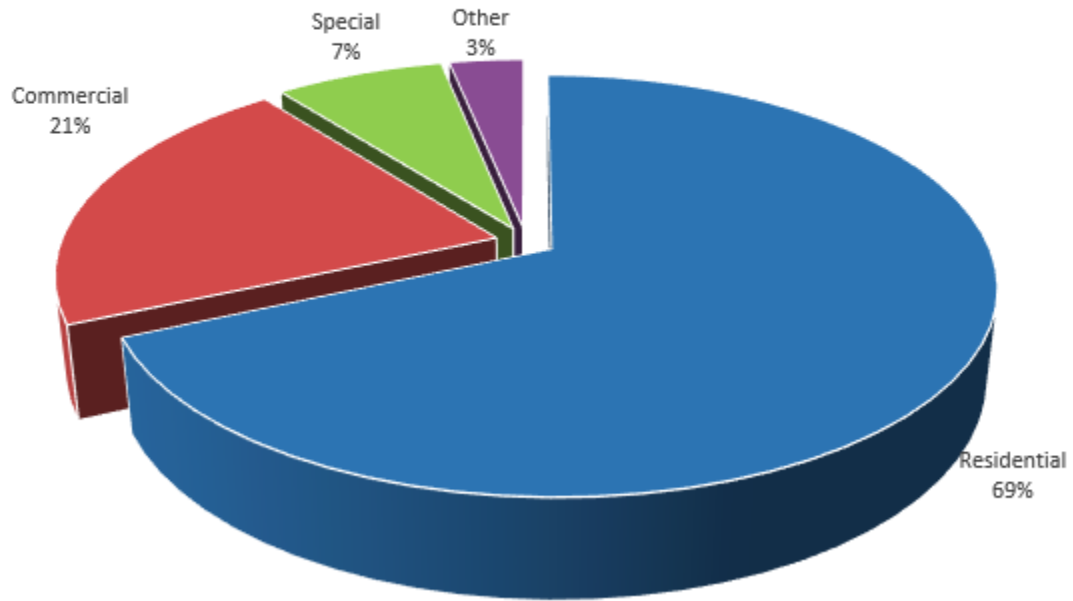
WATER SALES Year to Date - December 2021 & 2020



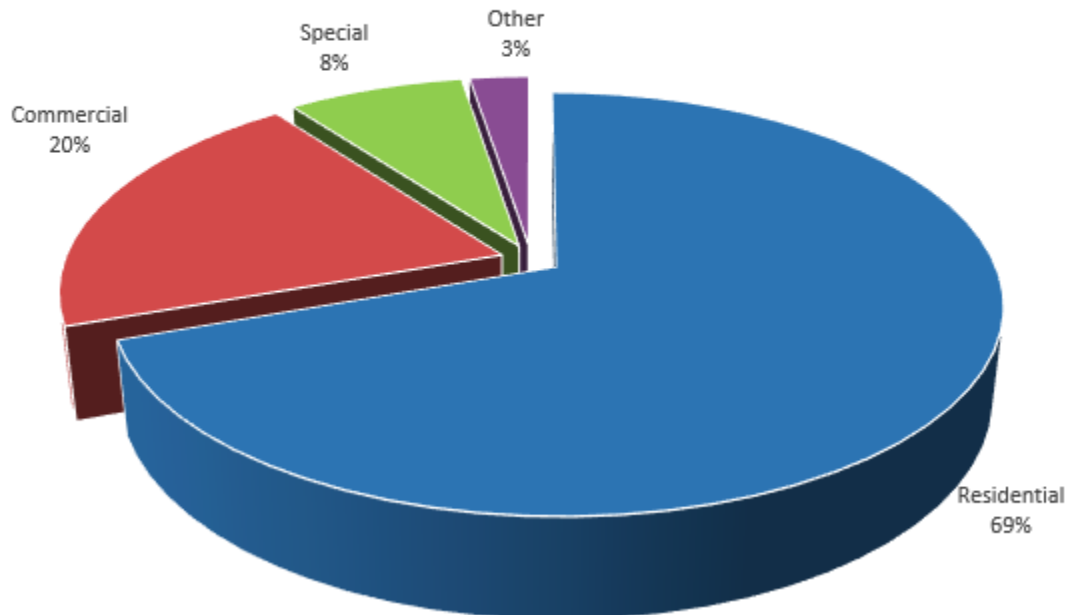
WATER CONSUMPTION Year to Date - December 2021 & 2020



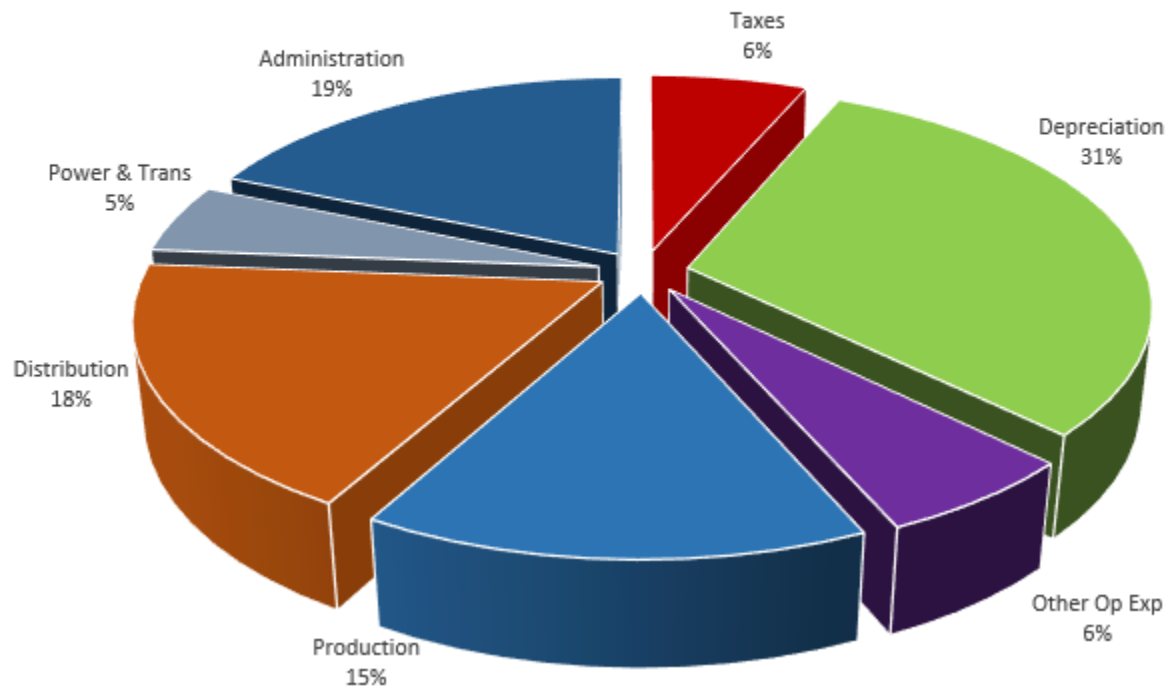
WATER SALES
Year to Date - December 2021
(\$98,999,183)



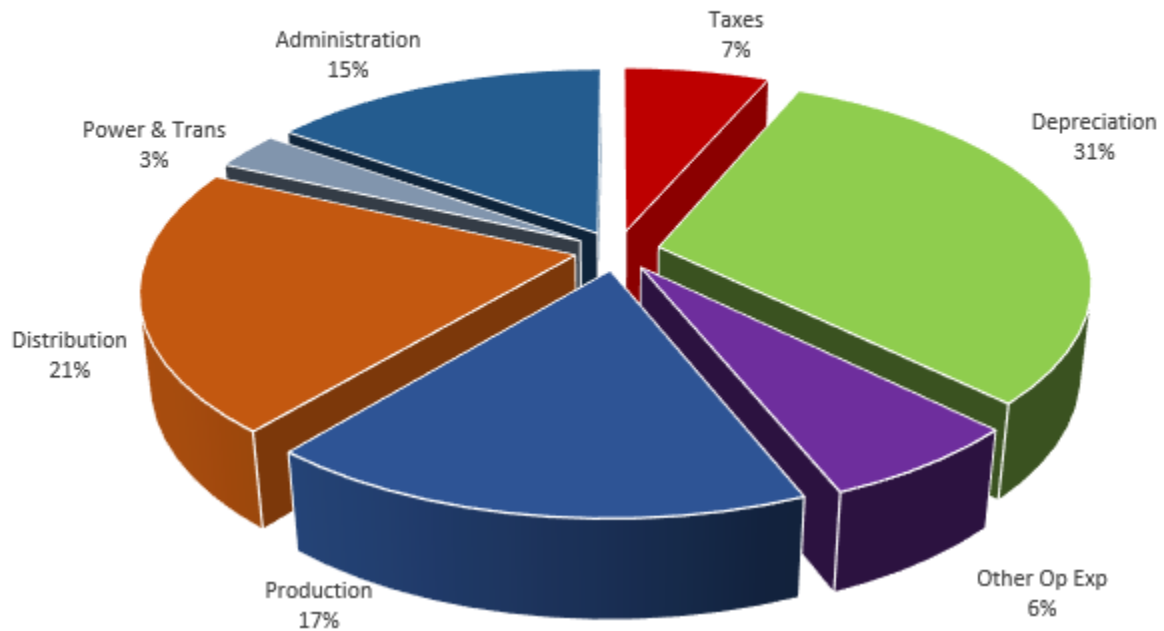
WATER SALES
Year to Date - December 2020
(\$92,707,740)



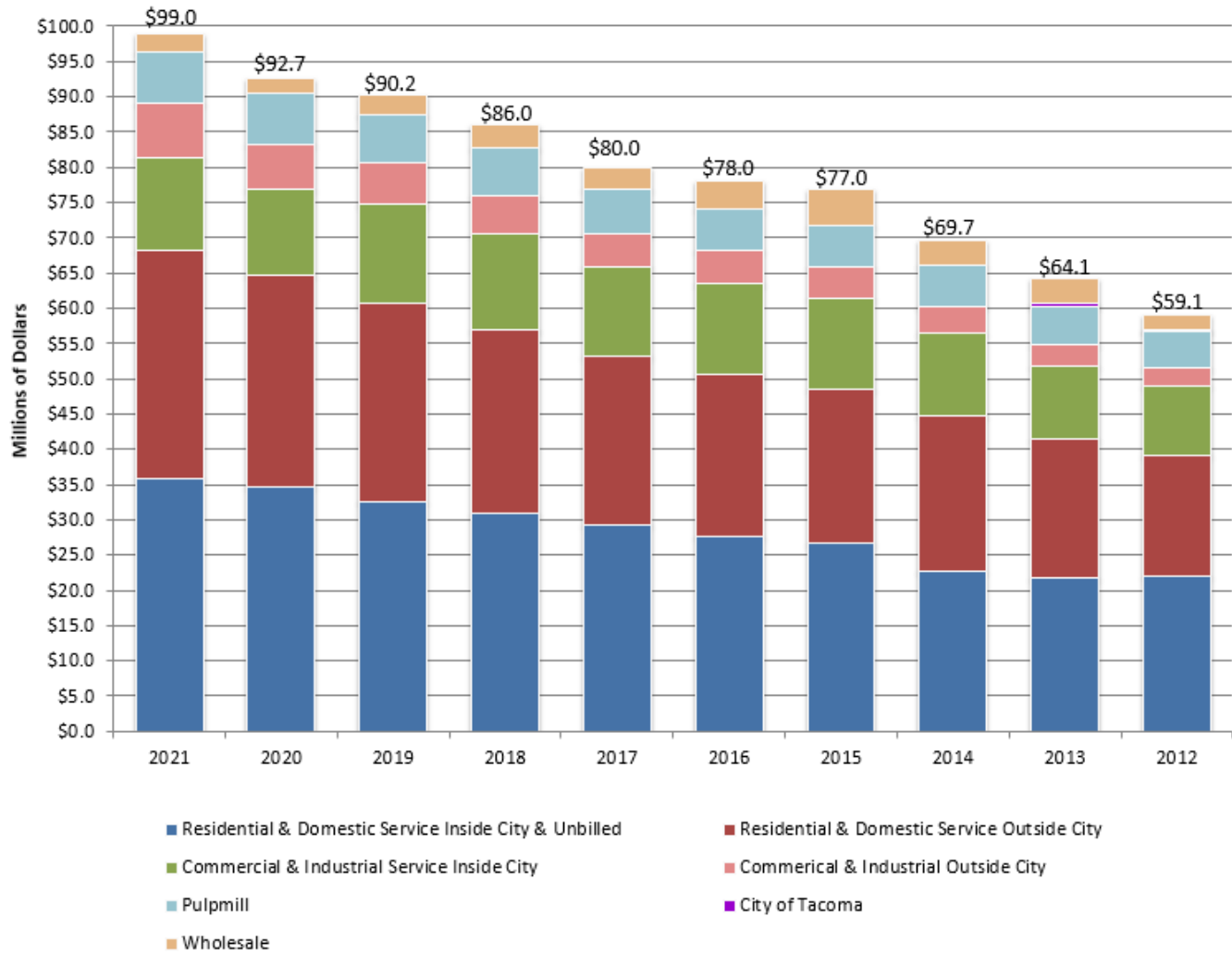
TOTAL OPERATING EXPENSES
Year to Date - December 2021
(\$89,928,063)



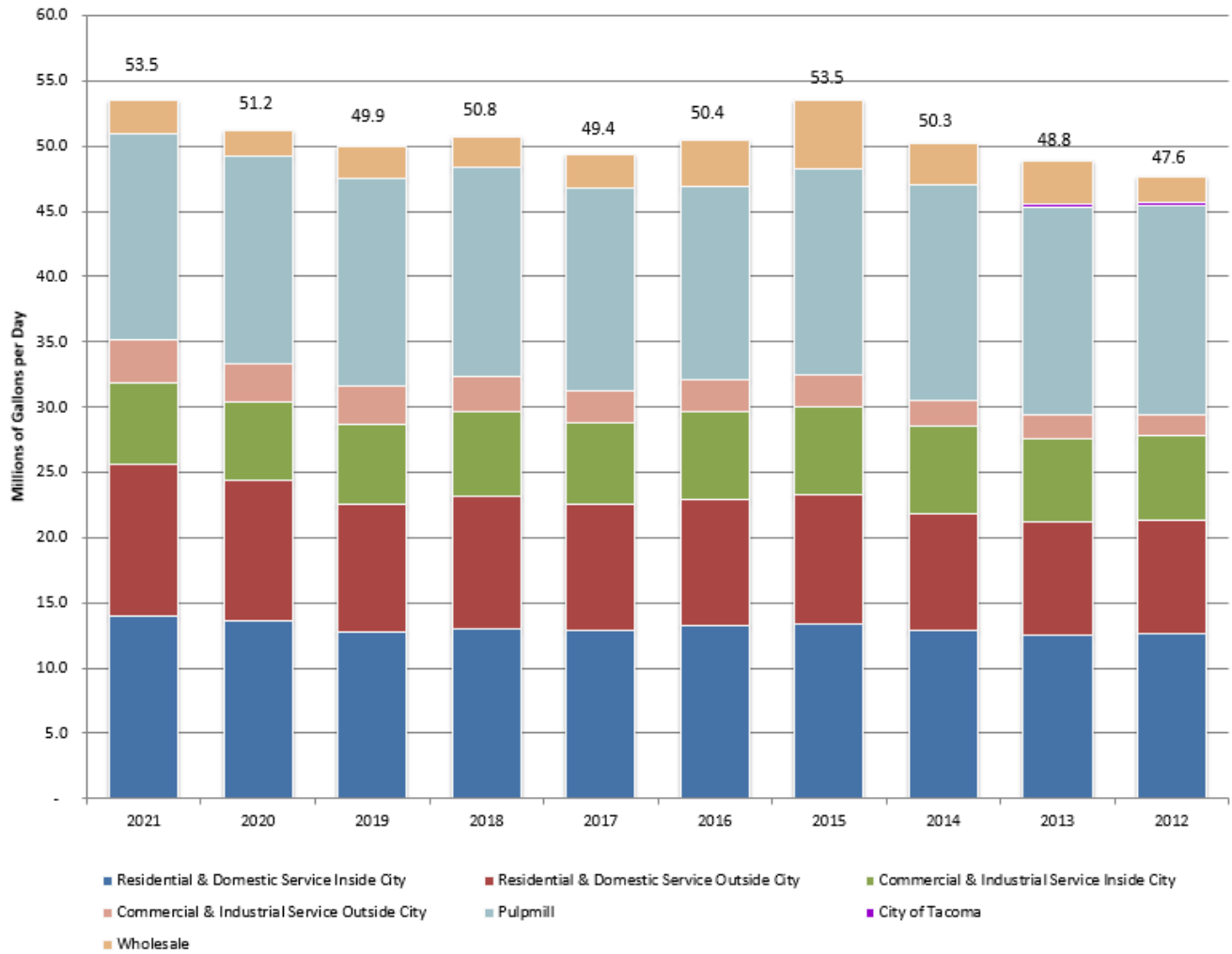
TOTAL OPERATING EXPENSES
Year to Date - December 2020
(\$83,238,954)



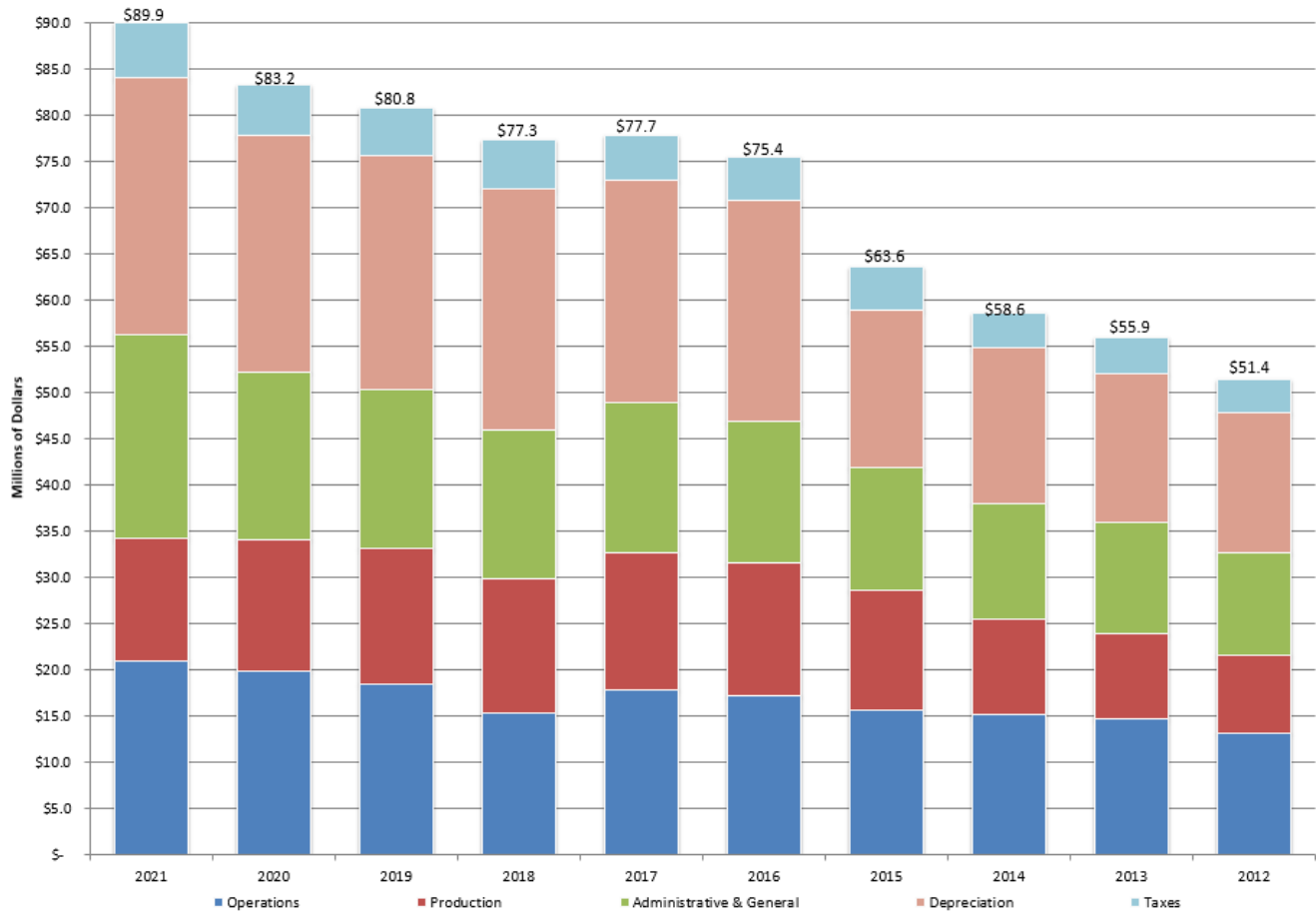
TEN-YEAR SUMMARY OF WATER SALES (MILLIONS OF \$)



TEN-YEAR SUMMARY OF WATER DEMAND (MGD)



TEN-YEAR SUMMARY OF O&M EXPENSE (MILLIONS OF \$)





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.