



# 20 Tacoma Water 24 Annual Financial Report

FOR THE FISCAL YEAR ENDED  
**DECEMBER 31, 2024**  
PREPARED BY THE FINANCE DEPARTMENT

**TACOMA**  **WATER**  
TACOMA PUBLIC UTILITIES

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# Public Utility Board

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DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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City of Tacoma, Washington  
Department of Public Utilities, Water Division  
Doing Business as

# Tacoma Water

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# 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

#### ***Opinion***

We have audited the financial statements of the City of Tacoma, Department of Public Utilities, Water Division (the Division), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Financial Reporting Entity***

As discussed in Note 1, the financial statements present only the Division and do not purport to, and do not, present fairly the financial position of City of Tacoma, Washington, as of December 31, 2024 and 2023, 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 the 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 required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic 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 basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 27, 2025, 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 of the Division's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Tacoma, Washington

May 27, 2025

# 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, 2024, 2023 and 2022. 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, 2024 and 2023, 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 \$27.5 million or 3.9% in 2024 compared to an increase of \$30.4 million or 4.5% in 2023, as restated.
- Operating revenues decreased by \$2.8 million or 2.2% in 2024. Operating revenues increased \$8.5 million or 7.4% in 2023.
- Net Utility Plant increased \$9.7 million or 1.0% in 2024 and \$23.6 million or 2.5% in 2023.
- Construction work in progress decreased \$4.9 million or 17.2% in 2024 compared to an increase of \$12.2 million or 75.5% in 2023.

## Overview of the Financial Statements

Tacoma Water reported net operating income of \$2.8, \$6.8, and \$17.2 million respectively in 2024, 2023, and 2022, as restated, respectively. In 2024, operating revenues decreased by \$2.8 million and operating expenses increased by \$1.3 million. For 2023, operating revenues increased by \$8.5 million and operating expenses increased by \$18.8 million, as restated.

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

### Operating Results

(In thousands)

Category	2024	2023 (As Restated)	2022	24/23	23/22
				Increase (Decrease)	Increase (Decrease)
Operating Revenues	\$ 120,920	\$ 123,695	\$ 115,218	\$ (2,775)	\$ 8,477
Operating Expenses <sup>(*)</sup>	118,168	116,901	98,056	1,267	18,845
Net Operating Income	2,752	6,794	17,162	(4,042)	(10,368)
Net Non-Operating Revenues (Expenses)	3,193	(3,058)	(20,603)	6,251	17,545
Capital Grants and Contributions	17,856	22,715	20,742	(4,859)	1,973
Federal BAB Subsidies	3,619	3,622	3,622	(3)	-
Transfers <sup>(*)</sup>	114	331	2,143	(217)	(1,812)
Change in Net Position	\$ 27,534	\$ 30,404	\$ 23,066	\$ (2,870)	\$ 7,338

<sup>(\*)</sup> Gross Earning Tax expense was reclassified from Transfers to Operating Expenses for comparative purpose.

### Gallons Billed

(In millions)

Type of Customer	2024	2023	2022	24/23	23/22
				Increase (Decrease)	Increase (Decrease)
Residential	8,959	9,131	8,568	(172)	563
Commercial & Industrial	3,626	7,976	8,950	(4,350)	(974)
Wholesale	652	753	696	(101)	57
Total	13,237	17,860	18,214	(4,623)	(354)

## Net Position

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

### Statements of Net Position (In thousands)

Description				24/23	23/22
	2024	2023 (As Restated)	2022	Increase (Decrease)	Increase (Decrease)
Net Utility & Non-Utility Plant	\$ 966,755	\$ 957,033	\$ 933,447	\$ 9,722	\$ 23,586
Current & Other Assets	192,995	204,844	227,346	(11,849)	(22,502)
Total Assets	1,159,750	1,161,877	1,160,793	(2,127)	1,084
Deferred Outflows	17,297	18,622	10,016	(1,325)	8,606
Total Assets & Deferred Outflows	\$ 1,177,047	\$ 1,180,499	\$ 1,170,809	\$ (3,452)	\$ 9,690
Net Position:					
Net Investment in Capital Assets	\$ 627,907	\$ 592,677	\$ 554,162	\$ 35,230	\$ 38,515
Restricted for:					
Water Capital and Sys Dev Chg	37,299	45,414	56,719	(8,115)	(11,305)
Net Pension Asset	-	-	14,153	-	(14,153)
Unrestricted	68,636	68,217	50,870	419	17,347
Total Net Position <sup>(*)</sup>	733,842	706,308	675,904	27,534	30,404
Long-Term Debt	335,869	367,597	383,331	(31,728)	(15,734)
Current & Other LT Liabilities	65,887	69,588	59,479	(3,701)	10,109
Total Liabilities	401,756	437,185	442,810	(35,429)	(5,625)
Deferred Inflows	41,449	37,006	52,095	4,443	(15,089)
Total Net Position, Liabilities & Deferred Inflows	\$ 1,177,047	\$ 1,180,499	\$ 1,170,809	\$ (3,452)	\$ 9,690

(\*) The Debt Service Funds under Restricted Net Position was reclassified from Restricted to Net Investment in Capital Assets and Unrestricted Net Position in 2023 and 2022 (see Note 3).

## Revenues

Tacoma Water's operating revenues were \$120.9 million in 2024, decrease of \$2.8 million or 2.2% compared to 2023. Sales of water decreased in 2024 by \$4.1 million, including an increase of \$8.7 million due to an average service rate increase off-set with a decrease of \$12.8 million due to consumption. The average rate increase was 9.0%, effective January 1, 2024. In addition, other operating revenues increased by \$400,000 and there was an increase in contract resource obligations revenues of \$946,000 from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for operating and maintenance related expenses.

Tacoma Water's operating revenues were \$123.7 million in 2023, an increase of \$8.5 million or 7.4% compared to 2022. Sales of water increased in 2023 by a net of \$7.6 million, of which \$1.2 million is due to an average service rate increase and \$6.4 million increase is due to consumption. There was an average rate increase of 4.0% effective January 1, 2023. In addition, other operating revenues increased by \$57,000 and there was an increase in contract resource obligations revenues of \$819,000 from RWSS Partners to reimburse Tacoma Water for operating and maintenance related expenses.

The following table highlights water sales by type of customer for 2024, 2023 and 2022.

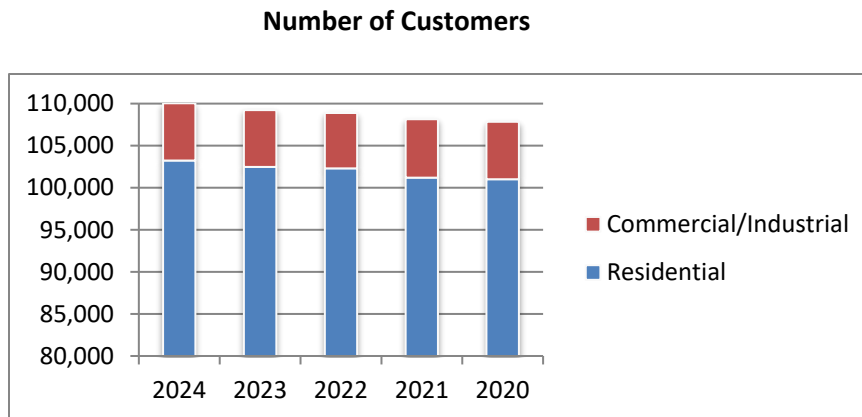
<b>Water Sales</b> (In thousands)					
Type of Customer	2024	2023	2022	24/23	23/22
				Increase (Decrease)	Increase (Decrease)
Residential & Domestic	\$ 79,843	\$ 74,069	\$ 69,127	\$ 5,774	\$ 4,942
Commercial & Industrial	24,696	23,572	21,919	1,124	1,653
Special Rate	913	7,069	7,344	(6,156)	(275)
Wholesale	2,518	2,522	2,434	(4)	88
Unbilled Revenue	(3,301)	1,558	364	(4,859)	1,194
<b>Total</b>	<b>\$ 104,669</b>	<b>\$ 108,790</b>	<b>\$ 101,188</b>	<b>\$ (4,121)</b>	<b>\$ 7,602</b>

Approximately 76.3%, 68.1% and 68.3% of water sales were to residential and domestic customers in 2024, 2023, and 2022, respectively. Commercial and industrial sales were 23.6%, 21.7%, and 21.7% total sales for each year. Special rate sales were 0.9%, 6.5%, and 7.3% of sales respectively.

### Customers

Over the last five years, the overall number of customers has remained relatively stable. In 2024 and 2023, 93.8% of all customers were residential compared 94.0% in 2022. Commercial and industrial customers were 6.2% in 2024 and 2023 and 6.0% in 2022.

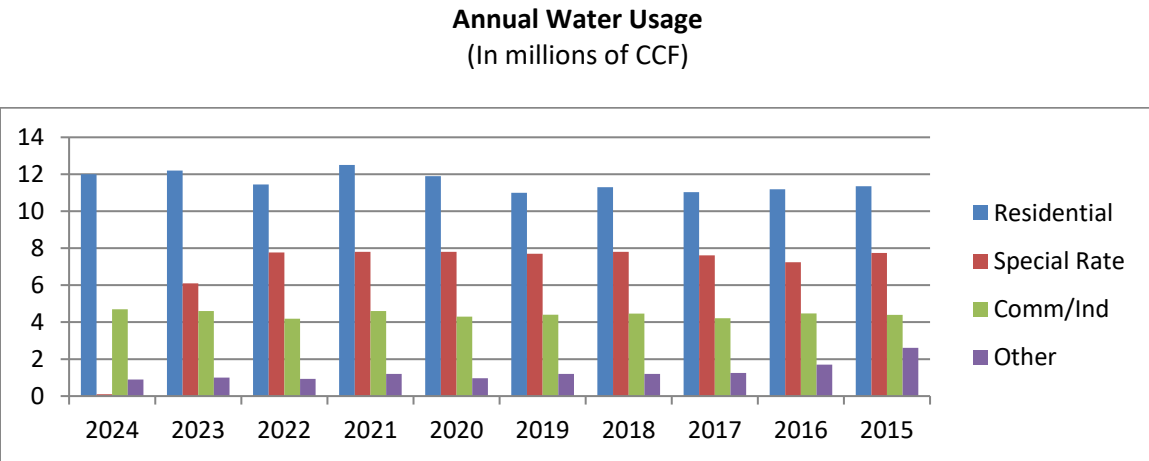
Below is a graphical representation of the number of customers by customer type for the last 5 years.



### 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 2024, 2023, and 2022 residential customers used 12.0 million CCF or 67.8%, 12.2 million CCF or 51.1% and 11.5 million CCF or 47.1% of total consumption, respectively. Commercial and industrial customers used 4.7 million CCF or 26.6%, 4.6 million CCF or 19.2% and 4.2 million CCF or 17.2%, respectively. Special Rate customers used approximately 120,000 CCF or 0.7%, 6.1 million CCF or 25.5% and 7.8 million CCF or 31.9%, respectively. The remaining 871,000 CCF or 4.9%, 1.0 million CCF or 4.2% and 931,000 CCF or 3.8%, 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

### 2024 Compared to 2023

In 2024, operating expenses increased \$1.3 million or 1.1%, compared to an increase of \$18.8 million or 19.2% in 2023, as restated.

Personnel expenses increased \$1.8 million due to general wage increases, and 10 additional positions filled and cost of living adjustments in 2024. Software and license maintenance increased by \$532,000 compared to 2023. Public liability Self Insurance increased \$500,000 due to additional contributions related to main break. Legal services and external contract services increased \$324,000 and \$250,000, respectively. These increases were partly offset with decreases of \$1.1 million in gross earnings tax, \$631,000 in Green River Filtration Facility (GRFF) treatment chemicals and \$504,000 decrease in operating supplies.

### 2023 Compared to 2022

In 2023, operating expenses increased \$18.8 million or 19.2%, compared to a decrease of \$178,000 or 0.2% in 2022, as restated.

The increases are mainly \$7.1 million increase for the annual pension adjustment and \$1.1 million increase in gross earning tax expenses. Personnel expenses increased \$2.8 million due to classification and compensation adjustments for non-represented employees that took effect January 2, 2023, and 12 additional positions filled and cost of living adjustments in 2023. Assessments from internal service funds increased by \$1.3 million compared to 2022. Professional services increased \$1.1 million and other external services increased by \$1.1 million compared to 2022. Bad debt expense increased by \$1.2 million due to significantly lower bad debt recoveries of \$279,000 in 2023 compared to \$1.5 million in 2022. Depreciation increased by \$787,000 in 2023 due to a net increase in depreciable assets of \$24.2 million in 2022, as restated. Taxes increased by \$577,000 due to increase in Sales of Water by 7.5% in 2023.

In addition to the above changes, at the end of 2023, compensated absences increased by \$512,768 due to the implementation of GASB No. 101 *Compensated absences*. The 2023 ending net position, compensated absences expense, and liabilities were restated for the year ended 2023. Additional information can be found in Note 3 of the financial statements.

The following table highlights Tacoma Water's operating expenses for 2024 – 2022.

<b>Operating Expenses</b> (In thousands)					
Category	2024	2023 (As Restated)	2022	24/23 Increase (Decrease)	23/22 Increase (Decrease)
Operations Expense					
Power Pumping Expense	\$ 720	\$ 840	\$ 668	\$ (120)	\$ 172
Transmission & Storage Expense	4,788	5,247	3,669	(459)	1,578
Distribution Expense	22,341	21,828	15,747	513	6,081
Total Operations Expense	27,849	27,915	20,084	(66)	7,831
Production Expense					
Source of Supply	3,741	4,185	2,763	(444)	1,422
Water Treatment	12,624	13,346	10,641	(722)	2,705
Total Production Expense	16,365	17,531	13,404	(1,166)	4,127
Administrative and General					
Customer Accounting & Service	6,680	6,455	5,886	225	569
Other Administrative & General	21,654	18,480	14,722	3,174	3,758
Total Administrative and General	28,334	24,935	20,608	3,399	4,327
Depreciation and Amortization	29,992	29,579	28,657	413	922
Taxes (*)	15,628	16,941	15,303	(1,313)	1,638
Total Operating Expenses	\$ 118,168	\$ 116,901	\$ 98,056	\$ 1,267	\$ 18,845

(\*) Gross Earning Tax expense was reclassified from Transfers to Operating Expenses for comparative purpose.

#### **Non-Operating Revenues (Expenses)**

In 2024, Interest income increased \$1.5 million, \$1.0 million from higher interest rates and \$376,000 from buying securities at a discount. Unrealized net gain (loss) on fair value investment decreased by \$2.6 million due to lower market value of investments as of December 31, 2024 compared to 2023.

Gain on Sale/Disposal of Capital Assets decreased by \$3.7 million mostly because of the \$4.0 million sale of land located in Federal Way to King County in 2023.

Other revenues/(expenses) decreased by \$1.1 million mainly due to \$773,000 debt issuance cost and underwriter's discount of 2024 Tacoma Water and Regional Water Supply System (RWSS) Revenue Refunding Bonds and \$376,000 decrease in surplus scrap sales. In addition, the expense to assist utility accounts receivable in 2024 decreased by \$217,000 compared to 2023. In 2024, the Division received \$114,000 in pass through federal funds from Neighborhood and Community Services (NCS) as part of the Family Clean Energy Program. The funding was applied to utility accounts receivable at a credit of \$200 per customer that applied and met the requirements for the funding. In 2023, the Division received \$331,000 in federal funding as discussed in 2023 section below.

Transfer from other Governments increased by \$10.6 million which represents the reduction of Covington Water District's debt service obligation in 2013 RWSS Bonds. On February 14, 2024, Tacoma Water issued the Regional Water Supply System RWSS Revenue Refunding Bonds, Series 2024 (Green Bonds) in the amount of \$32.4 million. Proceeds of the 2024 Bond Series were used to refund the 2013 RWSS Revenue and Refunding Bonds. RWSS is a partnership between the City of Tacoma, the City of Kent, Covington Water District and Lakehaven Water and Sewer District.

In 2023, Interest income increased \$2.9 million; \$1.6 million due to higher interest rates and \$1.3 million for buying securities at a discount. Unrealized net gain (loss) on fair value investment increased by \$8.8 million due to higher market value of investments as of December 31, 2023.

Grants revenue increased by \$188,000 in 2023 compared to 2022.

Other revenues/(expenses) increased by \$1.8 million mainly due to the reduction of \$1.5 million in expenses in crediting overdue utility accounts receivable in 2023 compared to 2022. The Division received \$331,000 in pass-through federal funding from Neighborhood and Community Services (NCS) as part of the Corona virus state fiscal recovery fund federal appropriation program compared to \$1.8 million in 2022. The funding was applied to overdue utility accounts receivable for customers impacted by COVID-19.

### **Capital Grants and Contributions**

In 2024, Capital Grants decreased by \$2.2 million, of which \$1.9 million represents an indirect federal grant from Pierce County Planning and Public Works in 2023 as discussed below.

Cash contributions in aid of construction decreased \$3.1 million including \$2.6 million from private contracts and \$534,000 from the Curran Road project in 2024, while donated assets increased by \$410,000 from 2023 due to more donations of mains and hydrants. These resulted in a total net decrease of \$2.7 million in contributions in aid of construction in 2024 compared to 2023.

In 2023, Capital Grants increased by \$898,000 representing an indirect federal grant from Pierce County Planning and Public Works. This grant was funded by the American Rescue Plane (ARPA) of the Department of Treasury for the Main Replacement Project of Madison District Green Infrastructure Project.

Cash contributions in aid of construction increased \$3.0 million including \$2.4 million from private contracts and \$590,000 from the Curran Road Regulatory asset in 2023, while donated assets decreased by \$1.9 million from 2022 due to less donations of cast iron mains and hydrants. These resulted in a total net increase of \$1.1 million in contributions in aid of construction in 2023 compared to 2022.

### **Transfers**

In 2024, Transfers from/(to) Other Funds decreased by \$217,000 mainly due to the federal funds from NCS as discussed in the Non-operating Revenues (Expenses) section.

In 2023, Transfers from/(to) Other Funds decreased by \$1.8 million mainly due to the federal funds from NCS as discussed in the Non-operating Revenues (Expenses) section.

### **Capital Assets**

At the end of 2024, Tacoma Water had \$966.3 million in net utility plant, an increase of \$9.7 million compared to 2023.

Plant in Service increased \$40.8 million compared to 2023. This increase is primarily due to increase of \$11.9 million in reservoir tanks, \$8.8 million in mains, \$3.9 million in services, pipes, and accessories, \$2.5 million in meters, \$1.2 million in hydrants, and \$2.2 million in pumping station, and \$1.9 million in vehicles. Intangible asset additions mainly included \$2.3 million in advanced meter modules, and \$3.7 million in water easements. Also in 2024, 9.24 miles of water main were added or replaced, 0.65 miles of water main were retired, and construction was completed on 35 private contracts resulting in 8.58 net miles.

Tacoma Water invested in a broad range of utility assets and at the end of 2023 had \$956.5 million in net utility plant, an increase of \$23.6 million from 2022.

Plant in Service increased \$34.1 million in 2023 compared to 2022. This increase is primarily due to the increase of \$16.5 million in cast iron mains, \$3.4 million in services, pipes and accessories, \$4.6 million in meters, \$1.5 million in hydrants, and \$2.6 million in AMI (Advance Metering Infrastructure) modules, \$2.0 million in water easements, and \$700,000 in software assets. Also in 2023, 12.07 miles of water mains were added or replaced, 3.99 miles of water mains were retired, and construction was completed on 21 private contracts resulting in 8.08 net miles.

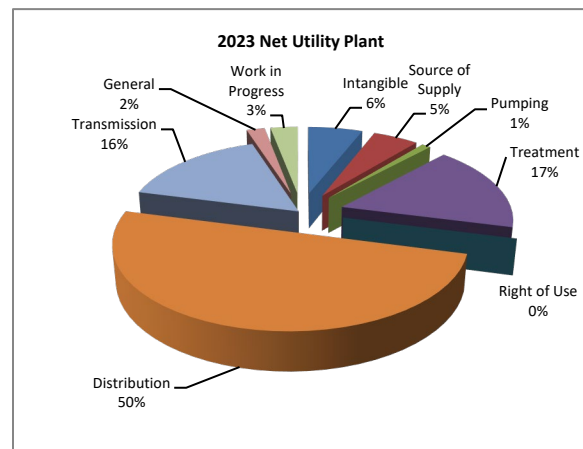
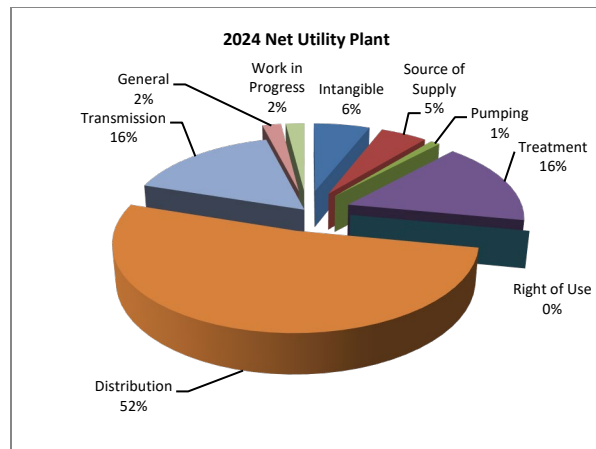
Right to use subscription assets increased \$417,000 in 2023 compared to 980,000 in 2022 due to the implementation of GASB No. 96, *Subscription-based information technology agreement*.

The following table summarizes Tacoma Water's capital assets, net of accumulated depreciation, for 2024 – 2022.

**Capital Assets, Net of Accumulated Depreciation**  
(In thousands)

				24/23 Increase (Decrease)	23/22 Increase (Decrease)
Net Utility Plant	2024	2023	2022		
Intangible Plant	\$ 60,990	\$ 56,109	\$ 51,114	\$ 4,881	\$ 4,995
Right to Use Lease and Subscription Assets	550	725	699	(175)	26
Source of Supply Plant	47,727	49,573	51,185	(1,846)	(1,612)
Pumping Plant	10,640	7,865	7,665	2,774	200
Water Treatment Plant	149,268	157,728	166,385	(8,460)	(8,657)
Transmission Plant	151,106	154,626	158,485	(3,520)	(3,859)
Distribution Plant	502,071	481,729	460,422	20,342	21,307
General Plant	20,513	19,913	20,886	600	(973)
Construction Work In Progress	23,397	28,271	16,113	(4,874)	12,158
Total	\$ 966,262	\$ 956,540	\$ 932,954	\$ 9,722	\$ 23,586

The following graphs provide a visual presentation of the allocation of Tacoma Water's capital investments in 2024 and 2023.



Additional information on capital assets can be found in Note 5 of the financial statements.

### Debt Administration

At December 31, 2024 Tacoma Water had outstanding revenue bond obligations of \$301.8 million (inclusive of unamortized bond premiums), a decrease of \$27.5 million compared to 2023. As of year-end 2023, the Utility had outstanding revenue bond obligations of \$329.3 million (inclusive of unamortized bond premiums), a decrease of \$9.3 million compared to 2022.

All outstanding bonds are rated Aa1 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 2.66, 3.32, and 2.74 in 2024, 2023 and 2022, as restated, respectively.

At the end of 2024, Tacoma Water had an outstanding State loans balance of \$47.5 million compared to \$53.1 million in 2023 and \$58.7 million in 2022.

Additional information on Tacoma Water's long-term debt can be found in Note 6 of the financial statements and in the supplementary statistical data.

### **Economic Factors Affecting Next Year**

On January 1, 2025, rate increases for drinking water customers increased by 6.5%. The rate increases are expected to bring an additional \$7.1 million in operating revenues for 2025. The rate increases remain competitive with surrounding jurisdictions.

Inflation decreased to 2.95% in 2024 from 4.10% in 2023 and a recent high of 7.99% in 2022. If this trend continues, and the unemployment rate remains low, Tacoma Water does not expect excessive customer account delinquencies.

Similarly, increases in the Material Price Index (weighted price movement of structural steel, Portland cement, and 2x4 lumber) decreased from highs of 27.1% in 2022 to 5.52% in 2023 and 4.86% in 2024. If this trend continues, costs for Tacoma Water capital projects will remain within expected ranges, however threats of tariffs could drive prices higher as approximately 25% of steel used in the United States is imported.

### **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 accurate, 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.

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# Financial Statements

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

Statements of Net Position

	DECEMBER 31,	
	2024	2023 (As Restated)
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>UTILITY PLANT</b>		
In Service	\$1,347,716,592	\$1,306,923,190
Less - Accumulated Depreciation	(405,401,991)	(379,379,448)
Total	942,314,601	927,543,742
Right to Use Lease and Subscription Assets	1,473,668	1,450,336
Less - Accumulated Amortization	(923,546)	(725,389)
Total	550,122	724,947
Construction Work In Progress	23,396,930	28,271,325
Net Utility Plant	966,261,653	956,540,014
<b>NON-UTILITY PROPERTY</b>	492,963	492,963
<b>SPECIAL FUNDS</b>		
Debt Service Funds	1,268,509	1,863,040
Bond Reserve Funds	17,444,489	21,702,601
System Development Charge Fund	57,504,252	65,005,436
Other Cash & Equity in Pooled Investments	24,912,611	23,981,480
Total Special Funds	101,129,861	112,552,557
<b>CURRENT ASSETS</b>		
Operating Funds Cash and Equity in		
Pooled Investments	64,723,546	60,493,187
Grant Receivable	11,490	1,890,057
Accounts Receivable	7,520,164	6,821,774
(Net of Allowance for Doubtful Accounts of \$1,599,443 in 2024 and \$1,772,148 in 2023)		
BABs Interest Subsidies Receivable	2,109,762	2,112,742
Accrued Unbilled Revenues	5,028,292	8,329,250
Materials and Supplies	6,001,996	5,860,855
Prepayments	2,937,301	3,090,257
Total Current Assets	88,332,551	88,598,122
<b>OTHER ASSETS</b>		
Regulatory Asset-Surcharges	3,532,984	3,693,630
Total Other Assets	3,532,984	3,693,630
<b>TOTAL ASSETS</b>	1,159,750,012	1,161,877,286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized Losses on Refunding Bonds	50,706	249,612
Deferred Outflows for Pensions	16,158,573	17,038,690
Deferred Outflows for OPEB	1,087,940	1,333,332
Total Deferred Outflows of Resources	17,297,219	18,621,634
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$1,177,047,231</u>	<u>\$1,180,498,920</u>

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

	DECEMBER 31,	
	2024	2023 (As Restated)
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$627,906,966	\$592,677,411
Restricted for:		
Water Capital and System Development Charge	37,299,189	45,413,524
Unrestricted	68,635,671	68,217,288
Total Net Position	733,841,826	706,308,223
<b>LONG-TERM DEBT</b>		
Revenue Bonds	293,889,364	320,074,943
Public Works Trust Fund Loans	5,341,531	6,813,545
Drinking Water State Revolving Fund Loan	36,638,286	40,708,480
Total Long-Term Debt	335,869,181	367,596,968
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	13,442,208	14,825,570
Current Maturities of Long-Term Liabilities	183,081	938,292
Accrued Taxes	1,628,752	2,072,761
Accrued Expenses and Contracts Payable	4,745,248	4,742,311
Salaries, Wages and Fringe Benefits Payable	2,735,038	2,022,579
Interest Payable	1,459,290	1,549,361
Customers' and Contractors' Deposits	363,298	337,269
Current OPEB Liability	90,678	118,965
Current Lease and Subscription Liability	135,039	340,952
Total Current Liabilities	24,782,632	26,948,060
<b>LONG-TERM LIABILITIES</b>		
Muckleshoot Agreements	4,798,533	4,981,614
Customer Advances for Construction	7,636,064	8,332,504
Unearned Revenue	6,083,506	6,813,723
Long-Term Accrued Compensated Absences	3,537,889	3,218,319
Net Pension Liability	13,037,823	13,200,837
Net OPEB Liability	3,675,154	4,145,257
Long Term Lease and Subscription Liability	152,871	220,080
Other Long-Term Liabilities	2,182,905	1,726,970
Total Long-Term Liabilities	41,104,745	42,639,304
<b>TOTAL LIABILITIES</b>	401,756,558	437,184,332
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized Gains on Refunding of Bonds	4,220,117	-
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	194,467	312,516
Deferred Inflows for OPEB	1,458,816	1,118,402
Total Deferred Inflows of Resources	41,448,847	37,006,365
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS</b>	<b>\$1,177,047,231</b>	<b>\$1,180,498,920</b>

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City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

Statements of Revenues, Expenses and Changes in Net Position

	YEAR ENDED DECEMBER 31,	
	2024	2023 (As Restated)
<b>OPERATING REVENUES</b>		
Sale of Water	\$104,669,245	\$108,790,163
Other Operating Revenues	8,658,451	8,258,324
Contract Resource Obligation Revenues	7,592,202	6,646,303
Total Operating Revenues	120,919,898	123,694,790
<b>OPERATING EXPENSES</b>		
Operations	27,847,882	27,915,115
Production	16,365,208	17,530,433
Administrative and General	28,334,067	24,935,584
Depreciation and Amortization	29,992,925	29,579,169
Taxes	15,628,010	16,940,680
Total Operating Expenses	118,168,092	116,900,981
Net Operating Income	2,751,806	6,793,809
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	6,947,232	5,478,172
Unrealized Net Gain(Loss) on Fair Value Investment	948,410	3,506,674
Operating Grants	11,490	204,133
Others	(683,178)	553,365
Gain on Sale/Disposal of Capital Asset	153,200	3,892,402
Interest on Long-Term Debt	(16,768,461)	(17,422,549)
Amortization of Premium and Loss on Refunding	2,003,816	730,420
Transfer from Other Government	10,580,728	-
Total Non-Operating Expenses	3,193,237	(3,057,383)
Net Income Before Capital Contributions and Transfers	5,945,043	3,736,426
Capital Grants and Contributions		
Cash	8,600,092	11,715,340
Capital Grants	-	2,154,460
Donated Capital Assets	9,255,723	8,845,403
Federal BAB Subsidies	3,618,863	3,621,843
Transfers		
Transfer from/(to) Other Funds	113,882	330,979
<b>CHANGE IN NET POSITION</b>	27,533,603	30,404,451
<b>NET POSITION - BEGINNING OF YEAR</b>	706,308,223	675,903,772
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$733,841,826</u>	<u>\$706,308,223</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,	
	2024	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$125,473,825	\$121,718,319
Cash Paid to Suppliers	(30,636,309)	(31,817,593)
Cash Paid to Employees	(40,177,598)	(37,164,062)
Taxes Paid	(16,072,019)	(17,106,901)
Cash from /(to) Other Revenues (Expenses)	214,476	573,503
NET CASH FROM OPERATING ACTIVITIES	38,802,377	36,203,266
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Other Funds	113,882	330,979
Operating Grants	11,490	204,133
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	125,372	535,112
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, net	(30,061,146)	(44,355,109)
Principal and Interest Payments for Subscriptions and Leases	(464,905)	(336,922)
Proceeds from Sale of Capital Assets	153,200	3,996,150
Proceeds from Sale of Bonds	96,150,000	-
Debt Issuance Costs	(772,792)	-
Premium on Sale of Bonds	14,762,054	-
Principal Payments on Long-term (LT) Debt	(13,630,570)	(14,014,913)
Principal Payments on Muckleshoot LT Liability	(938,291)	(160,291)
Principal Payments on Early Extinguishment of Debt	(113,714,272)	-
Interest Paid on LT Debt	(16,547,994)	(17,475,276)
Federal BABs Subsidies	3,621,843	3,621,843
Capital Grant	-	264,403
Contributions in Aid of Construction (Cash)	8,600,092	11,715,340
System Development Charges & Other LT Liabilities	(1,172,947)	(2,727,933)
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(54,015,728)	(59,472,708)
CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup>		
Investments Income (Loss)	7,895,642	8,984,846
NET CASH FROM INVESTING ACTIVITIES	7,895,642	8,984,846
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	(7,192,337)	(13,749,484)
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	173,045,744	186,795,228
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31	\$165,853,407	\$173,045,744

<sup>a</sup> Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long term-term investments. Information on the increases and decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

*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,	
	2024	2023 (As Restated)
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$2,751,806	\$6,793,809
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation and Amortization	29,992,925	29,579,169
Pension (Credits) Expense	599,054	2,220,249
OPEB (Credits) Expense	87,416	174,545
Other Revenues (Expenses)	100,594	573,503
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	4,481,135	(1,671,084)
Regulatory Asset-Surcharges	160,646	(409,430)
Materials and Supplies	(141,141)	(571,595)
Prepayments	152,956	(858,451)
Accrued Taxes	(444,009)	(166,221)
Salaries, Wages and Fringe Benefits Payable	712,459	541,808
Long-Term Accrued Compensated Absences	319,570	22,031
Customers' Deposits	26,029	104,043
Accrued Expenses and Contracts Payable	2,938	(129,110)
Total Adjustments	36,050,571	29,409,457
NET CASH FROM OPERATING ACTIVITIES	\$38,802,377	\$36,203,266
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$101,129,861	\$112,552,557
Cash and Equity in Pooled Investments in Operating Funds	\$64,723,546	\$60,493,187
Cash and Equity in Pooled Investments at December 31	\$165,853,407	\$173,045,744
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$9,255,723	\$8,845,403
Unrealized Net Gain(Loss) on Fair Value Investment	948,410	3,506,674
Transfer from Other Government	10,580,728	-
Additions in Right to Use Subscription Assets	\$52,049	\$323,611

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

Notes to Financial Statements  
Years Ended December 31, 2024 and 2023

**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 Comprehensive Annual 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 110,053 customer accounts and had 302 employees as of December 31, 2024. 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.

Tacoma Water is organized functionally with five sections including Customer and Financial Services, Business Services, Source Water and Treatment Operations, Maintenance and Construction, and Planning and Engineering.

**The Superintendent Office** is responsible for all utility operations including Enterprise Safety, Strategy and Employee Experience. 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. Employee Experience supports employee workforce development, workforce management, payroll administration, and knowledge management.

**Customer & Financial Services** 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 owns Tacoma Water's long-range financial planning strategy, cost of service ratemaking, special pricing development, debt management, financial reporting, and internal controls.

**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 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 system and asset management and engineering 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. The activities of the RWSS are consolidated with the Division’s.

## **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING AND PRESENTATION** – The financial statements of the Division are prepared 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 2024, the Division implemented the following new accounting and reporting standard issued by the GASB):

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. This statement was issued in June 2022 as an amendment to GASB Statement No. 62 to enhance accounting and financial reporting requirements for accounting changes and error corrections. The goal is to provide clearer, more reliable, relevant, consistent, and comparable information to support decision-making and accountability assessments. This statement categorizes accounting changes into three types: (1) Changes in accounting principles, (2) Changes in accounting estimates, and (3) Changes to or within the financial reporting entity. The statement defines the transactions or events that constitute these changes and specifies that for certain changes in accounting principles and measurement methodologies, the new principle or methodology must be justified as preferable to the previous one. This preferability should align with the qualitative characteristics of financial reporting: understandability, reliability, relevance, timeliness, consistency, and comparability. Additionally, this statement provides guidance for correcting errors in previously issued financial statements. The Division implemented GASB Statement No. 100 for the fiscal year ended December 31, 2024 and included a change in accounting principle from GASB No. 101 as discussed below on Statements of Revenues, Expenses and Changes in Net Position.

GASB Statement No. 101 – *Compensated Absences*. This statement superseded the requirements of GASB Statement No. 16, Accounting for Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosure. The implementation of this standard requires a liability to be recorded for compensated absences and reported in the government-wide and proprietary financial statements for (a) leave that has not been used and (b) leave that has been used but not yet paid or settled through noncash means. Compensated absence liability is recognized for leave that has not been used if (i) the leave is attributable to services already rendered, (ii) the leave accumulates, and (iii) the leave is more likely than not to be used for time off or settled through noncash means. The City implemented the provisions of GASB Statement No. 101 effective January 1, 2023, and restated financial results for the year ended December 31, 2023, as required by the standard (see Note 3).

**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. Pooled investments are reported on the Statement of Net Position as Cash and equity in pooled investments. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund’s daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances which are their equity in the TIP. Accordingly, balances are considered cash equivalents and the equity in pooled investments is considered cash for cash flow reporting purposes.

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, 2024 and 2023 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 Treasurer's LGIP is authorized by RCW 43.250. The LGIP is operated like a money market fund and is collateralized by short-term legal investments.

**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.

**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, 2024 and 2023.

**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.

**BOND PREMIUM AND GAIN/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. Gains or 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.

**REGULATORY ASSETS** – The Division has deferred Andrain Road Surcharges and Curran Road Surcharges to future periods matching the time when the revenues 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.

**UTILITY PLANT, DEPRECIATION AND AMORTIZATION** – 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 additions, replacements and betterments is capitalized. Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation and amortization are 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
Pumping Plant	40 years
Water Treatment Plant	28 years
Transmission Plant	60 years
Distribution Plant	53 years
General Plant	13 years
Right to Use	Depends on the life of the lease or subscription

**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 expensed.

**ASSET IMPAIRMENT** – 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. There was no impairment existed in 2024 or 2023.

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

**CAPITAL CONTRIBUTIONS AND SYSTEM DEVELOPMENT CHARGES** – In accordance with GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants and capital contributions are recorded as capital contributions and 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.

**COMPENSATED ABSENCES** – The City has two different policies for compensated absences.

The vacation and sick leave 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. Employees in this 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.

The personal time off (PT) policy allows employees to earn PTO without distinction between vacation and sick leave. 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%.

The accrued liability is computed using the applicable pay rates at year end for leave and associated salary-related payments when leave is earned. Short term compensated absences include sick leave balances more likely than not to be used as time off in future reporting periods, and 10% of vacation, PTO, and sick leave at pay-out based on historical information.

**DEFERRED OUTFLOWS OF RESOURCES** – Deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred outflows of resources consist of balances related to losses on refunding of bonds, pensions, and other post-employment benefits other than pensions.

**DEFERRED INFLOWS OF RESOURCES** – Deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources consist of balances related to gains on refunding of bonds, rate stabilization, pensions, other post-employment benefits other than pensions, and leases.

**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 its 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”.

#### **LEASES – Division as a lessor and Division as a lessee**

**Division as a lessor** – A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Division, as is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to future periods which were received prior to the lease commencement. These deferred inflows of resources are amortized over the life of the lease. Key estimates and judgments related to lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of future payments to be received from the lessee. The Division monitors change in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The Division has no lease receivable or deferred inflow of resources as of December 31, 2024 and 2023.

**Division as a lessee** – A Lessee is required to recognize a lease payable and an intangible right to use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments, based on index or rate, and reasonably certain residual guarantees. The right to use lease asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement, and is subsequently amortized over the life of the lease. Key estimates and judgments related to lease include how the Division determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Division uses the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expect to significantly affect the amount of the lease liability.

**SBITA** – Subscription-based information technology arrangements (SBITAs) are recognized in accordance with GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. This statement defines a SBITA as a contract that conveys control of the right to use another party’s (the SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

A subscriber is required to recognize a subscription liability and an intangible right to use subscription asset at the commencement of the subscription term. The Division uses various SBITA assets that it contracts through cloud computing arrangements such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the net present value of future subscription payments and is adjusted over time by payments and interest. Future subscription payments are discounted using the Daily Treasury Par Yield Curve Rates published by the U.S. Department of Treasury plus 1% spread. Payments for future subscription may be fixed or variable, based on the terms of the agreement between the subscriber and the vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription. Subscription and capitalizable implementation cost payments made prior to the commencement of the subscription are classified as assets under construction until the subscription commences; after the subscription commences, the assets under construction are reclassified as an intangible right to use subscription asset.

**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, right to use lease and subscription assets, accrued compensated absences, depreciation and amortization, Other Post Employment Benefit (OPEB), pension, self-insurance liabilities, lease and subscription liability, 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 RESTATEMENTS

The Division restated the December 31, 2023, financial statements for the adoption of GASB Statement No. 101 – *Compensated Absences*, which increased total liabilities and decreased Unrestricted Net Position in the amount of \$512,768. In addition, during 2024, the Division determined that gross earnings tax levied by the City, which was reported under Transfers, should have been reported as an operating expense. Therefore, transfers were overstated by \$9.8 million and operating expenses were understated in the same amount for the year ended December 31, 2023. Also, the Division corrected misclassification of restricted net position in the amount of \$313,679 and Net Investment in Capital Assets category of Net Position in the amount of \$2.6 million resulting in the decrease in Unrestricted Net Position in the amount of \$2.3 million.

The effects of correcting these errors are shown in column Restatement of the table below.

STATEMENT OF NET POSITION	DECEMBER 31,		
	2023		2023
NET POSITION, LIABILITIES AND DEFERRED INFLOWS	(As previously	Restatement	(As Restated)
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$590,081,714	\$2,595,697	\$592,677,411
Restricted for:			
Water Capital and System Development Charge	45,413,524	-	45,413,524
Debt Service Funds	313,679	(313,679)	-
Unrestricted	71,012,074	(2,794,786)	68,217,288
Total Net Position	706,820,991	(512,768)	706,308,223
<b>CURRENT LIABILITIES</b>			
Salaries, Wages and Fringe Benefits Payable	1,425,491	597,088	2,022,579
<b>LONG-TERM LIABILITIES</b>			
Long-term Compensated Absences	3,302,639	(84,320)	3,218,319
<b>TOTAL LIABILITIES</b>	\$436,671,564	\$512,768	\$437,184,332

Notes to Financial Statements (continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	YEAR ENDED DECEMBER 31,		
	2023 (As previously reported)	Restatement	2023 (As Restated)
<b>OPERATING EXPENSES</b>			
Operations	\$27,649,652	\$265,463	\$27,915,115
Production	17,341,954	188,479	17,530,433
Administrative and General	24,876,758	58,826	24,935,584
Depreciation and Amortization	29,579,169	-	29,579,169
Taxes	7,151,456	9,789,224	16,940,680
Total Operating Expenses	106,598,989	10,301,992	116,900,981
Net Operating Income	17,095,801	(10,301,992)	6,793,809
<b>Transfers</b>			
City Gross Earnings Tax	(9,789,224)	9,789,224	-
<b>CHANGE IN NET POSITION</b>	30,917,219	(512,768)	30,404,451
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 706,820,991</b>	<b>\$ (512,768)</b>	<b>\$ 706,308,223</b>

STATEMENT OF CASH FLOWS	YEAR ENDED DECEMBER 31,		
	2023 (As previously reported)	Restatement	2023 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Taxes Paid	(\$7,317,677)	(\$9,789,224)	(\$17,106,901)
Net Cash From Operating Activities	45,992,490	(9,789,224)	36,203,266
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer Out for Gross Earnings Tax	(9,789,224)	9,789,224	-
Net Cash From Noncapital Financing Activities	(9,254,112)	9,789,224	535,112
Net Change In Cash And Equity In Pooled Investments	(13,749,484)	-	(13,749,484)
Cash And Equity In Pooled Investments At January 1	186,795,228	-	186,795,228
Cash And Equity In Pooled Investments At December 31	<u>\$173,045,744</u>	<u>-</u>	<u>\$173,045,744</u>

RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:	YEAR ENDED DECEMBER 31,		
	2023 (As previously reported)	Restatement	2023 (As Restated)
Net Operating Income	\$17,095,801	(\$10,301,992)	\$6,793,809
Cash from Changes in Operating			
Salaries, Wages and Fringe Benefits Payable	(55,280)	597,088	541,808
Long-Term Accrued Compensated Absences	106,351	(84,320)	22,031
Total Adjustments	28,896,689	512,768	29,409,457
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$45,992,490</b>	<b>(\$9,789,224)</b>	<b>\$36,203,266</b>

#### NOTE 4 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 section in the below schedule.

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

Debt Securities	As of 12/31/2024	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Cash	\$ 5,671	\$ -	\$ -	\$ -	\$ -	\$ 5,671
Money Market Fund	3,153,160	-	-	-	3,153,160	-
U.S. Treasury Securities	808,114,725	-	808,114,725	-	-	-
U.S. Agency Securities	449,364,653	-	449,364,653	-	-	-
Supranational Securities	16,351,475	-	16,351,475	-	-	-
Municipal Bonds	41,275,075	-	41,275,075	-	-	-
Corporate Securities	108,469,338	-	108,469,338	-	-	-
	<u>\$ 1,426,734,097</u>	<u>\$ -</u>	<u>\$1,423,575,266</u>	<u>\$ -</u>	<u>\$ 3,153,160</u>	<u>\$ 5,671</u>

Debt Securities	As of 12/31/2023	Fair Value Measurements Using			Not Measured at Fair Value	
		Level 1	Level 2	Level 3	Amortized Cost	Cost
Money Market Fund	\$ 1,199,500	\$ -	\$ -	\$ -	\$ 1,199,500	\$ -
U.S. Treasury Securities	643,384,888	-	643,384,888	-	-	-
U.S. Agency Securities	673,735,766	-	673,735,766	-	-	-
Supranational Securities	32,104,066	-	32,104,066	-	-	-
Municipal Bonds	22,877,649	-	22,877,649	-	-	-
Corporate Securities	77,539,603	-	77,539,603	-	-	-
	<u>\$ 1,450,841,472</u>	<u>\$ -</u>	<u>\$1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,199,500</u>	<u>\$ -</u>

Tacoma Water's share of the City Investments shown in the table above is 10.69% and 10.96% for 2024 and 2023.

**NOTE 5 UTILITY PLANT**

A summary of the balances and changes in utility plant for 2024 and 2023 follows:

	Balance December 31, 2023	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2024
Intangible Plant	\$ 56,835,741	\$ 2,231,444	\$ (938,292)	\$ 4,016,534	\$ 62,145,427
Source of Supply Plant	88,801,500	-	-	110,403	88,911,903
Pumping Plant	13,846,494	-	-	3,130,362	16,976,856
Water Treatment Plant	243,584,915	-	-	196,759	243,781,674
Transmission Facilities	234,141,497	-	-	343,587	234,485,084
Distribution Facilities	603,050,299	7,024,278	(1,363,662)	23,338,314	632,049,229
General Plant	66,662,744	-	(701,520)	3,405,195	69,366,419
Total	1,306,923,190	9,255,722	(3,003,474)	34,541,154	1,347,716,592
Right to Use Lease and Subscription Assets	1,450,336	195,471	(172,139)	-	1,473,668
Total Water Plant in Service	1,308,373,526	9,451,193	(3,175,613)	34,541,154	1,349,190,260
Less Accumulated					
Depreciation	(379,379,448)	(29,622,629)	2,065,183	1,534,903	(405,401,991)
Amortization	(725,389)	(370,296)	172,139	-	(923,546)
	928,268,689	(20,541,732)	(938,291)	36,076,057	942,864,723
Construction Work in Progress	28,271,325	38,751,234	-	(43,625,629)	23,396,930
Net Utility Plant	\$ 956,540,014	\$ 18,209,502	\$ (938,291)	\$ (7,549,572)	\$ 966,261,653

	Balance December 31, 2022	Additions	Retirements	Transfers & Adjustments	Balance December 31, 2023
Intangible Plant	\$ 51,493,647	\$ 1,918,531	\$ (299,563)	\$ 3,723,126	\$ 56,835,741
Source of Supply Plant	88,510,316	-	-	291,184	88,801,500
Pumping Plant	13,307,300	-	-	539,194	13,846,494
Water Treatment Plant	243,584,915	-	-	-	243,584,915
Transmission Facilities	234,142,741	-	(76,185)	74,941	234,141,497
Distribution Facilities	577,025,187	7,066,144	(3,918,228)	22,877,196	603,050,299
General Plant	64,712,281	-	(97,329)	2,047,792	66,662,744
Total	1,272,776,387	8,984,675	(4,391,305)	29,553,433	1,306,923,190
Right to Use Lease and Subscription Assets	1,032,960	417,376	-	-	1,450,336
Total Water Plant in Service	1,273,809,347	9,402,051	(4,391,305)	29,553,433	1,308,373,526
Less Accumulated					
Depreciation	(356,634,343)	(29,187,609)	3,987,993	2,454,511	(379,379,448)
Amortization	(333,829)	(391,560)	-	-	(725,389)
	916,841,175	(20,177,118)	(403,312)	32,007,944	928,268,689
Construction Work in Progress	16,113,019	46,051,839	-	(33,893,533)	28,271,325
Net Utility Plant	\$ 932,954,194	\$ 25,874,721	\$ (403,312)	\$ (1,885,589)	\$ 956,540,014

Total Water Plant in Service includes non-depreciable assets of \$67,763,825 for 2024 and \$64,968,472 for 2023.

## Right to Use Lease and Subscription Assets

A summary of the balance and changes in right to use lease and subscription assets for 2024 and 2023 follows:

	2023	Additions	Retirements	Transfers & Adjustments	2024
Right to Use Lease and Subscription Assets					
Buildings	\$ 52,613	\$ -	\$ (52,613)	\$ -	-
Subscription	1,397,723	195,471	(119,526)	-	1,473,668
Total Right to Use Lease and Subscription Assets	1,450,336	195,471	(172,139)	-	1,473,668
Less: accumulated amortization					
Buildings	(41,371)	(11,242)	52,613	-	-
Subscription	(684,018)	(359,054)	119,526	-	(923,546)
Total accumulated amortization	(725,389)	(370,296)	172,139	-	(923,546)
Total Right to Use Lease and Subscription assets, net	\$ 724,947	\$ (174,825)	\$ -	\$ -	\$ 550,122

	2022	Additions	Retirements	Transfers & Adjustments	2023
Right to Use Lease and Subscription Assets					
Buildings	\$ 52,613	\$ -	\$ -	\$ -	52,613
Subscription	980,347	417,376	-	-	1,397,723
Total Right to Use Lease and Subscription Assets	1,032,960	417,376	-	-	1,450,336
Less: accumulated amortization					
Buildings	(27,548)	(13,823)	-	-	(41,371)
Subscription	(306,281)	(377,737)	-	-	(684,018)
Total accumulated amortization	(333,829)	(391,560)	-	-	(725,389)
Total Right to Use Lease and Subscription assets, net	\$ 699,131	\$ 25,816	\$ -	\$ -	\$ 724,947

## NOTE 6 LEASES AND SUBSCRIPTION LIABILITY

### Lease Liability

In December 2009, the Division entered into a real estate lease for space within an existing communications building, and space on an existing communications tower at the Grass Mountain Communication Site located in King County, Washington. The lease term was 15 years which ended October 31, 2024. Tacoma Water was required to make an annual rent payment of \$14,098 for the duration of the lease. At December 31, 2024, this lease agreement became a short-term lease.

There was no new lease in the year ended December 31, 2024 and 2023. The Division used 2.671% as the discount rates to calculate the lease liability as of December 31, 2023, as the interest rate was not stated in the agreement.

Lease liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Lease Liability
Beginning balance, January 1, 2024	\$ (11,654)
Additions	(77)
Reductions	11,731
Ending Balance, December 31, 2024	\$ -

	Lease Liability
Beginning balance, January 1, 2023	\$ (25,477)
Additions	(275)
Reductions	14,098
Ending Balance, December 31, 2023	\$ (11,654)

There is no future annual lease payment as of December 31, 2024.

### Subscription Liability

The Division has entered into nine (9) qualified SBITA agreements as the subscriber for software. These subscriptions have various length terms through 2029. The Division is required to make annual principal and interest payments ranging from \$4,181 to \$147,420. The subscription liability was \$287,910 including \$6,113 in interest accrual as of December 31, 2024, compared to \$549,378 including \$9,800 in interest accrual as of December 31, 2023.

The Division used the average incremental borrowing rates ranging between 2.264% and 5.320% in calculating the net present value of subscription liabilities, as the interest rates are not stated in the agreements.

Subscription Liability activities for the year ended December 31, 2024 and 2023 are as follows:

	Subscription Principal Payable
Beginning balance, January 1, 2024	\$ 539,578
Additions	195,471
Reductions	(453,252)
Ending Balance, December 31, 2024	281,797
Less: Current Subscription Liability	(128,926)
Total Long-term Subscription Liability	<u>\$ 152,871</u>
Beginning balance, January 1, 2023	\$ 445,300
Additions	417,376
Reductions	(323,098)
Ending Balance, December 31, 2023	539,578
Less: Current Subscription Liability	(319,498)
Total Long-term Subscription Liability	<u>\$ 220,080</u>

As of December 31, 2024, future scheduled annual subscription principal and interest payments are as follows:

	Principal	Interest	Total
2025	128,926	9,045	137,971
2026	145,130	4,968	150,098
2027	3,768	420	4,188
2028	3,973	215	4,188
<u>Total</u>	<u>\$ 281,797</u>	<u>\$ 14,648</u>	<u>\$ 296,445</u>

**NOTE 7 LONG-TERM DEBT**

The Division's Long-term Liabilities are primarily for capital improvements. Long-term debt activities for the years ended December 31, 2024 and 2023, were as follows:

	Balance December 31, 2023	Additions	Reductions <sup>(*)</sup>	Balance December 31, 2024	Due Within One Year
Revenue Bonds	\$ 324,615,000	\$ 96,150,000	\$ (132,330,000)	\$ 288,435,000	\$ 7,900,000
Plus: Unamortized Premium	4,689,943	14,762,054	(6,097,633)	13,354,364	-
Net Revenue Bonds	329,304,943	110,912,054	(138,427,633)	301,789,364	7,900,000
Public Works Trust Fund Loans	8,338,921	-	(1,525,376)	6,813,545	1,472,014
Drinking Water State Revolving Fund Loans	44,778,674	-	(4,070,194)	40,708,480	4,070,194
Total Long-Term Debt	\$ 382,422,538	\$ 110,912,054	\$ (144,023,203)	\$ 349,311,389	\$ 13,442,208

(\*) Included is a reduction of \$10,580,728 of Covington Water District's debt service obligation which Covington paid directly and not through the Division.

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Revenue Bonds	\$ 333,034,343	\$ -	\$ (8,419,343)	\$ 324,615,000	\$ 9,230,000
Plus: Unamortized Premium	5,597,955	-	(908,012)	4,689,943	-
Net Revenue Bonds	338,632,298	-	(9,327,355)	329,304,943	9,230,000
Public Works Trust Fund Loans	9,864,297	-	(1,525,376)	8,338,921	1,525,376
Drinking Water State Revolving Fund Loans	48,848,868	-	(4,070,194)	44,778,674	4,070,194
Total Long-Term Debt	\$ 397,345,463	\$ -	\$ (14,922,925)	\$ 382,422,538	\$ 14,825,570

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

**SENIOR LIEN BONDS**

	2024	2023
2005 Water System Revenue and Refunding Bonds, with interest rate of 5.0%, refunded in 2024. These were refunded with proceeds from 2024 Water System Revenue and Refunding Bonds		
Original Issue: \$46,550,000	\$ -	\$ 5,000
Current Portion: \$0		
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	76,775,000	76,775,000
Current Portion: \$0		

**SENIOR LIEN BONDS CONTINUED**

	2024	2023
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	72,620,000	74,985,000
Current Portion: \$2,435,000		
2010A Regional Water Supply System Revenue Bonds, with interest rates ranging from 3.0% to 4.0%, due in yearly installments ranging from \$345,000 to \$355,000 through 2024. (See Note 8)		
Original Issue: \$3,595,000	-	355,000
Current Portion: \$0		
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 8)		
Original Issue: \$44,245,000	44,245,000	44,245,000
Current Portion: \$370,000		
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. These were refunded with proceeds from 2024 Water System Revenue and Refunding Bonds.		
Original Issue: \$78,305,000	-	74,355,000
Current Portion: \$0		
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. These were refunded with proceeds from 2024 Regional Water Supply System Revenue and Refunding Bonds.		
Original Issue: \$64,795,000	-	49,935,000
Current Portion: \$0		

**SENIOR LIEN BONDS CONTINUED**

	2024	2023
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	2,025,000	3,960,000
Current Portion: \$2,025,000		
2024 Water System Revenue and Refunding Bonds, with interest rates of 5.0%, due in yearly installments starting in 2028 ranging from \$1,230,000 to \$19,005,000 through 2041.		
Original Issue: \$63,800,000	63,800,000	-
Current Portion: \$0		
2024 Regional Water Supply System Revenue and Refunding Bonds, with interest of 5.0%, due in yearly installments starting in 2024 ranging from \$3,070,000 to \$4,140,000 through 2032.		
Original Issue: \$32,350,000	28,970,000	-
Current Portion: \$3,070,000		
Subtotal Sr. Lien Debt	\$ 288,435,000	\$ 324,615,000
Unamortized Premium	13,354,364	4,689,943
Less Current Portion of Revenue Bond Debt	(7,900,000)	(9,230,000)
Long-term Portion of Revenue Bond Debt	<u>\$ 293,889,364</u>	<u>\$ 320,074,943</u>

As of December 31, 2024, scheduled principal maturities on the bonds and interest payments are as follows:

Year	Principal	Interest
2025	\$ 7,900,000	\$ 15,605,028
2026	8,520,000	15,216,424
2027	8,860,000	14,794,861
2028	10,450,000	14,331,512
2029	11,980,000	13,787,958
2030-2034	75,145,000	58,473,118
2035-2039	118,465,000	33,126,962
2040-2043	47,115,000	3,437,435
	<u>\$ 288,435,000</u>	<u>\$ 168,773,298</u>

**BOND REFUNDING** – On January 25, 2024, Tacoma Water issued \$63.8 million Water System Revenue Refunding Bonds, Series 2024 (Green Bonds), at a premium of \$11.2 million. The proceeds of the issuance, along with \$5,000 equity contribution, were used to refund \$74.3 million and \$5,000 of 2013 and 2005 outstanding Water system revenue and refunding bonds, respectively. The Green Bonds have been independently verified by Kestrel for conformity with Green Bond Principals (2021) and are in complete alignment with the Sustainable Water Management eligible project categories. Major projects financed by the refunded bonds include improvements to the drinking water system, upgrades and improvements for water conservation, environmental protection and restoration and improvements for aging infrastructure. The refunded bonds also include water transmission and distribution infrastructure to maintain efficient operations and reliable water supply for customers and regional partners. The refunded amounts of the 2013 and 2005 bonds are considered to be defeased and the liability for those bonds have been removed from the Statement of Net Position. Tacoma Water paid 2013 and 2005 bonds in full to reduce its total combined debt service payments over the next 19 years by \$22.2 million and to obtain a net present value savings of approximately \$5.8 million. The funding resulted in a difference between the net reacquisition price and the net carrying amount of the old debt of \$1.8 million. This amount, reported in the Statement of Net Position as a deferred inflow of resources, is being charged to operations through the year 2041 using the straight-line method. As of December 31, 2024, the deferred inflows for gain on refunding balance is \$1.7 million.

On February 14, 2024, Tacoma Water issued \$32.4 million Regional Water Supply System Revenue Refunding Bonds, Series 2024 (Green Bonds), at a premium of \$3.6 million. The proceeds of the issuance, along with \$10.6M equity contribution from the City of Covington, and \$4.3M from the Bond Reserve fund were used to refund \$49.9 million 2013 RWSS outstanding revenue and refunding bonds. The Green Bonds have been independently verified by Kestrel for conformity with Green Bond Principals (2021) and are in complete alignment with the Sustainable Water Management eligible project categories. The projects financed by the refunded bonds increase water availability during the dry summer months and provide reliable drinking water for the region, address climate transition risks by planning for variability in water supply and adding redundancy in a region experiencing unique water resource challenges amidst regional population growth. The refunded amounts of the 2013 RWSS bonds are considered to be defeased and, the liability for this bond has been removed from the Statement of Net Position. Tacoma Water paid 2013 RWSS bonds in full to reduce its total combined debt service payments over the next 8 years by \$21.1 million and to obtain a-net present value savings of approximately \$3.7 million. The funding resulted in a difference between the net reacquisition price and the net carrying amount of the old debt of \$2.8 million. This amount, reported in the Statement of Net Position as a deferred inflow of resources, is being charged to operations through the year 2032 using the straight-line method. As of December 31, 2024, the deferred inflows for gain on refunding balance is \$2.5 million.

Tacoma Water's revenue bonds are secured by the net revenue of Tacoma Water and all cash and investments held in the bond 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, 2024.

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.

**JUNIOR LIEN DEBT**

	2024	2023
<b>Public Works Trust Fund Loans</b>		
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.	\$ -	\$ 53,363
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.	741,176	1,111,765
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.	2,183,480	2,729,349
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.	3,888,889	4,444,444
<b>Drinking Water State Revolving Fund Loans</b>		
2008 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$215,108 through 2028.	860,433	1,075,542
2009 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.0% per annum, due in yearly installments of \$367,088 through 2032.	2,936,703	3,303,791
2010 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$303,000 through 2032.	2,424,000	2,727,000
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.	3,045,789	3,350,368
2011 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$121,524 through 2033.	1,093,713	1,215,236

**JUNIOR LIEN DEBT CONTINUED**

	2024	2023
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.	3,333,000	3,636,000
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.	6,666,000	7,272,000
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.	6,666,000	7,272,000
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.	6,666,000	7,272,000
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.	7,016,842	7,654,737
Subtotal Junior Lien Debt	\$ 47,522,025	\$ 53,117,595
Less Current Portion of Debt	(5,542,208)	(5,595,570)
Long-term Portion of Junior Lien Debt	<u>\$ 41,979,817</u>	<u>\$ 47,522,025</u>

As of December 31, 2024, scheduled principal maturities of junior lien debt and interest payments are as follows:

Year	Principal	Interest
2025	\$ 5,542,208	594,927
2026	5,542,207	531,539
2027	5,171,619	468,151
2028	5,171,619	406,616
2029	4,410,641	345,081
2030-2034	18,924,838	908,265
2035	2,758,893	38,196
	<u>\$ 47,522,025</u>	<u>\$ 3,292,775</u>

**NOTE 8 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 following municipalities 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. Debt service payments by participants on outstanding parity bonds, as applicable, are defined in the applicable repayment agreements and paid to Tacoma Water semi-annually in advance of when the payments are due. 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.

In 2024, the Division issued 2024 Regional Water Supply System Revenue and Refunding Bonds (2024 RWSS Bonds). The proportional debt service obligation for 2024 RWSS Bonds of Tacoma Water and City of Kent is 69.13% and 30.87%, respectively. Covington Water District and Lakehaven Utility District did not participate in 2024 RWSS Bonds issuance. The proceeds, combined with equity reserves, were used to refund 2013 RWSS outstanding revenue and refunding bonds (2013 RWSS Bonds). As a participating partner in 2013 RWSS Bonds, City of Covington paid \$10.6 million directly to fulfill its remaining obligations related to the outstanding 2013 RWSS bonds (See Note 7). The transfer from City of Covington is recorded as Transfer from Other Government under Non-operating Revenues (Expenses) and as a non-cash transaction on Statement of Cash Flows.

**NOTE 9 FLEET SERVICES FUND**

The Department of Public Utilities has established a Fleet Services Fund to provide administration, repair and maintenance of the vehicles and related equipment for all Departments, and replacements for the service divisions.

Tacoma Water pays Fleet Services Fund to cover fleet operating expenses related to administration overhead, repair and maintenance, fuel and fuel loading of the Division-owned vehicles and related equipment. The Division also pays Fleet Services Fund the replacements for pool cars in the service divisions. Payments made by Tacoma Water in 2024 and 2023 were \$2,749,231 and \$2,689,583, respectively.

Fleet Services' management makes an annual assessment of the capital replacements for pool cars in the service divisions.

**NOTE 10 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 ensure 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 \$740,000 and \$240,000 in 2024 and 2023, respectively. As of December 31, 2024, assets in the Self-Insurance Fund total \$12.2 million which exceeds accrued and incurred but not reported liabilities of \$4.2 million. 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 coverage with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee benefit programs. The coverage also provides a Government Crime policy with a \$5.0 million limit and a \$200,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.25 million per occurrence. Coverage also has a Cybersecurity policy with a limit of \$2.0 million and a deductible of \$250,000. An Excess Cyber policy is maintained with a limit of \$2.0 million in excess of the primary policy. The City also has an Aviation Liability – Unmanned Aircraft Liability coverage for drones with a limit of \$3.0 million. There is no deductible for this coverage.

Separate from General Government, the Department of Public Utilities maintains Property insurance and coverage, Wrongful Acts Liability coverage, and Excess General Liability insurance policies. The Property insurance policy has a deductible of \$250,000 per occurrence applies to the buildings and contents. For loss due to earthquake, a limit of \$10.0 million applies with a deductible of 5% of the value of the damaged property subject to a \$250,000 minimum. For loss due to flood, a limit of \$15.0 million applies for property in Flood Zones A & V, while a limit of \$50.0 million applies to property in all other Flood Zones. A \$250,000 deductible applies to loss due to flood. Coverage also provides a Wrongful Acts Liability coverage with a deductible of \$150,000 and a limit of \$2.35 million for each wrongful act and a \$2.35 million aggregate. Excess General 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 \$55.0 million each occurrence with a \$55.0 million aggregate in excess of a \$2.5 million retention.

Changes in the Division's estimated claims settlements liability under self-insurance fund for the past three years were as follows:

	2024	2023	2022
Balance 01/01	\$ 829,270	\$ 596,449	\$ 468,793
New Claims	636,642	458,671	688,993
Adjustments to Claims	(66,710)	(37,669)	(306,371)
Claims Payment	(148,138)	(188,181)	(254,967)
Balance 12/31	<u>\$ 1,251,064</u>	<u>\$ 829,270</u>	<u>\$ 596,449</u>

Tacoma Water's share of the Self-Insurance Fund shown in the table above is 29.48%, 19.37%, and 20.76% as of December 31, 2024, 2023, and 2022, respectively.

**NOTE 12 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](http://www.cityoftacoma.org/retirement).

**Administration of The System** – TERS 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, 2023 and 2022 (measurement dates) is as follows:

	Measurement date as of	
	December 31,	
	2023	2022
Retirees and beneficiaries currently receiving benefits	2,836	2,765
Terminated vested and other terminated participants	948	918
Active members:		
City of Tacoma	2,982	2,877
Pierce Transit	15	17
South Sound 911	-	2
Tacoma-Pierce County Health Department	328	305
Total active members	3,325	3,201
Total membership	7,109	6,884

**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, 2023
Valuation Date	January 1, 2024
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"> <li>• Level percent</li> <li>• Open periods</li> <li>• 25 year amortization period*</li> <li>• 3.25% amortization growth rate</li> </ul>
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 Female 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, 2024, valuation date and December 31, 2023, the measurement date. Therefore, no adjustments were needed from the January 1, 2024, actuarial valuation date to the calculated liabilities as of December 31, 2023, measurement date for reporting date of December 31, 2024. There were no changes between the January 1, 2023, and January 1, 2024, 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 advisors as of December 31, 2023 and 2022 for reporting date December 31, 2024 and 2023, respectively. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated August 2023 and November 2022 for reporting date December 31, 2024, and 2023, respectively.

Asset Class	Reporting date			
	December 31, 2024		December 31, 2023	
	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	21.5%	2.28%	19.5%	2.35%
US Bank/ Leveraged Loans	2.0%	4.12%	3.0%	3.75%
US Long Government Bonds	3.0%	2.43%	3.0%	2.38%
High Yield Bonds	5.0%	3.93%	6.0%	4.28%
Emerging Market Debt	5.0%	2.80%	5.0%	4.04%
Global Equity	19.0%	4.35%	34.5%	5.08%
Low Volatility Global Equity	9.5%	4.47%	-	-
Private Real Estate	10.0%	3.53%	10.0%	3.35%
Private Equity	15.0%	7.15%	10.0%	7.78%
Private Credit	3.0%	5.90%	-	-
Master Limited Partnerships	-	-	4.0%	5.73%
Infrastructure	7.0%	5.28%	5.0%	4.12%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.44%		1.41%
Portfolio 10 year Geometric Rate of Return		6.60%		7.04%
Portfolio 30 year Arithmetic Rate of Return		7.89%		-
Portfolio 30 year Geometric Rate of Return		7.28%		-
Portfolio Standard Deviation		11.55%		11.04%
Long-Term Expected Rate of Return, net of investment expenses		6.75%		6.75%

**Sensitivity Analysis** - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75% as of December 31, 2024 and 2023, as well as what the System's net pension liability (asset) 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	Current Discount Rate	1% Increase
As of December 31, 2024	5.75%	6.75%	7.75%
Net pension liability (asset)	\$ 38,859,610	\$ 13,037,823	\$ (8,477,958)
	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2023	5.75%	6.75%	7.75%
Net pension liability (asset)	\$37,527,076	\$13,200,837	\$(7,070,793)

## Notes to Financial Statements (continued)

As of December 31, 2024 and 2023, the deferred inflows and outflows of resources are as follows:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (183,663)	\$ 2,767,611	\$ (297,584)	\$ 913,551
Changes of assumptions	-	1,601,238	-	2,594,448
Net Difference Between Projected and Actual Earnings	-	8,138,225	-	10,274,630
Changes in Employer Proportion	(10,804)	578	(14,932)	40
Contributions Made Subsequent to the Measurement Date	-	3,650,921	-	3,256,021
Total	<u>\$ (194,467)</u>	<u>\$ 16,158,573</u>	<u>\$ (312,516)</u>	<u>\$ 17,038,690</u>

The Division reported \$3.7 million 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 pension liability in the fiscal year ending December 31, 2025.

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:

2025	\$ 3,868,812
2026	2,458,016
2027	5,808,579
2028	(30,214)
2029	207,992
	<u>\$ 12,313,185</u>

At December 31, 2024, the Division reported a pension liability of \$13,037,823 for its proportionate share of the Water System, compared to \$13,200,837 at December 31, 2023. The proportionate share of the Water Division is 9.61% of total System's pension liability as of December 31, 2024 and 9.56% as of December 31, 2023. The proportionate share was based on the actual contributions for the year as of December 31, 2024 and 2023.

### NOTE 13 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, 2024, for non-LEOFF 1 members includes 4,038 active participants, 639 vested terminated participants, 255 retirees and surviving spouses, and spouses of current retirees. The membership as of January 1, 2024, for LEOFF 1 members includes 1 active participant and 227 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, 2024 for both non-LEOFF 1 and 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, 2023. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2024 and 2023.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2024, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2024
Census Date:	January 1, 2024
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:	2.00% for pay-as-you-go funding																		
Medical Cost Trend:	<table> <tr><td>2024</td><td>6.90%</td></tr> <tr><td>2025</td><td>6.10%</td></tr> <tr><td>2026</td><td>5.40%</td></tr> <tr><td>2030</td><td>4.80%</td></tr> <tr><td>2040</td><td>4.20%</td></tr> <tr><td>2050</td><td>4.30%</td></tr> <tr><td>2060</td><td>4.30%</td></tr> <tr><td>2070</td><td>4.00%</td></tr> <tr><td>2080</td><td>3.90%</td></tr> </table>	2024	6.90%	2025	6.10%	2026	5.40%	2030	4.80%	2040	4.20%	2050	4.30%	2060	4.30%	2070	4.00%	2080	3.90%
2024	6.90%																		
2025	6.10%																		
2026	5.40%																		
2030	4.80%																		
2040	4.20%																		
2050	4.30%																		
2060	4.30%																		
2070	4.00%																		
2080	3.90%																		

Note that the trend for year 2024 reflects the percent by which 2025 medical costs are expected to exceed 2024 medical costs. 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):	3.25%
Demographic Assumptions:	<p>Eligibility:</p> <p>Disability - Five years of service are required for non-service connected disability.</p>

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 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. 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, 2024 the Division reported a total liability of \$3,765,832 for its proportionate share of the collective total OPEB liability of \$181.7 million compared to \$4,264,222 at December 31, 2023. At December 31, 2024 the Division reported a current liability of \$90,678 compared to \$118,965 at December 31, 2023. At December 31, 2024, the participating Division's proportion was 2.07306% as compared to 2.2015% at December 31, 2023. For the year ended December 31, 2024, the participating Division recognized an OPEB expense of \$87,416 compared to \$174,545 in 2023.

At December 31, 2024 and 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2024		December 31, 2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (313,586)	\$ 34,388	\$ (27,898)	\$ 47,307
Changes of assumptions	(550,178)	310,578	(779,620)	313,307
Changes in Employer Proportion	(470,692)	602,675	(244,619)	810,713
Differences in Contributions	(124,360)	31,163	(66,265)	49,881
Contributions Made Subsequent to the Measurement Date	-	109,136	-	112,124
Total	<u>\$ (1,458,816)</u>	<u>\$ 1,087,940</u>	<u>\$ (1,118,402)</u>	<u>\$ 1,333,332</u>

The Division reported \$109,136 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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	\$	37,420
2026		17,706
2027		(37,808)
2028		(184,012)
2029		(223,695)
Thereafter		(89,623)
	\$	<u>(480,012)</u>

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

As of December 31, 2024, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.25%, 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, 2.25%, or one percentage point higher, 4.25%, than the current rate.

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
As of December 31, 2024			
Net OPEB liability	\$ 4,182,386	\$ 3,765,832	\$ 3,409,013

As of December 31, 2023, the following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 3.75%, 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, 2.75%, or one percentage point higher, 4.750%, than the current rate.

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
As of December 31, 2023			
Net OPEB liability	\$ 4,730,645	\$ 4,264,222	\$ 3,864,624

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

As of December 31, 2024 and 2023, 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 5.90%	Current Trend Rates 6.90%	1% Increase 7.90%
As of December 31, 2024			
Net OPEB liability	\$ 3,388,790	\$ 3,765,832	\$ 4,205,414
	1% Decrease 5.50%	Current Trend Rates 6.50%	1% Increase 7.50%
As of December 31, 2023			
Net OPEB liability	\$ 3,805,529	\$ 4,264,222	\$ 4,801,569

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Capital Improvements** - The financial requirement for Tacoma Water's 2023-2024 biennial Capital Improvement program is \$76.3 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2024 the remaining financial requirement for Capital Improvement Programs relating to the current biennium is approximately \$13.6 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. As of December 31, 2024, total liability for item number 4 above relating to the trust fund payable, was \$5.0 million compared to \$5.9 million as of December 31, 2023. Current payable portion in the amount of \$183,000 and \$938,000 for 2024 and 2023, respectively, were recorded under Current Portion of Long-Term Debt.

**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.

# Required Supplementary Information

## Proportionate Share of the Net Pension Liability Last 10 Years

	As of Measurement Date December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	9.61%	9.56%	9.65%	9.14%	8.80%	8.77%	8.74%	8.91%	8.99%	9.17%
Employer's proportion share of net pension liability (asset)	\$ 13,037,823	\$ 13,200,837	\$ (14,152,644)	\$ 6,337,863	\$ (1,636,678)	\$ 10,264,957	\$ (3,438,481)	\$ 8,278,522	\$ 7,788,151	\$ (881,279)
Employer's covered payroll	\$30,932,126	\$28,341,901	\$ 26,693,208	\$ 24,449,314	\$ 23,537,115	\$ 21,819,996	\$ 20,914,658	\$ 20,220,795	\$ 21,148,347	\$ 20,099,527
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	42.15%	46.58%	-53.02%	25.92%	-6.95%	47.04%	-16.44%	40.94%	36.83%	-4.17%
Plan fiduciary net position as a percentage the total pension liability	93.49%	93.02%	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

## Schedule of Contributions Last 10 Fiscal Years

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$3,650,921	\$3,256,021	\$3,017,221	\$2,710,397	\$2,518,860	\$2,451,307	\$2,309,710	\$2,150,205	\$2,124,252	\$2,086,719
Contributions in relation to the contractually required employer contribution	(3,650,921)	(3,256,021)	(3,017,221)	(2,710,397)	(2,518,860)	(2,451,307)	(2,309,710)	(2,150,205)	(2,124,252)	(2,086,719)
Employer contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	\$33,148,236	\$30,932,126	\$28,341,901	\$26,693,208	\$24,449,314	\$23,537,115	\$21,819,996	\$20,914,658	\$20,220,795	\$21,148,347
Employer contribution as a percentage of covered-employee payroll	11.01%	10.53%	10.65%	10.15%	10.30%	10.41%	10.59%	10.28%	10.51%	9.87%

## Proportionate Share of the Collective OPEB Liability Last 10 Years\*

	As of Measurement Date December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	2.07%	2.22%	2.35%	2.09%	1.76%	1.75%	1.71%	1.67%
Employer's proportion share of collective OPEB liability	\$3,765,832	\$4,264,222	\$5,350,651	\$4,780,773	\$3,675,963	\$3,565,886	\$3,780,897	\$3,492,067
Employer's covered-employee payroll**	\$30,932,126	\$28,341,901	\$26,693,208	\$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	12.17%	15.05%	20.04%	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, 2024

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 3.25% in 2024 from 3.75% in 2023. The medical cost discount rate was updated to 6.9% in 2024 from 6.5% in 2023. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

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# Statistical Data (Unaudited)

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

	2024	2023 (As Restated)	2022	2021
<b>STATEMENTS OF NET POSITION</b>				
ASSETS AND DEFERRED OUTFLOWS				
Utility Plant - Net	\$966,261,653	\$956,540,014	\$932,954,193	\$908,714,884
Non-Utility Plant	492,963	492,963	492,963	492,963
Special Funds	101,129,861	112,552,557	125,797,682	143,887,056
Current Assets	88,332,551	88,598,122	84,111,294	84,247,947
Other Assets	3,532,984	3,693,630	17,436,844	3,451,604
Total Assets	1,159,750,012	1,161,877,286	1,160,792,976	1,140,794,454
Deferred Outflows	17,297,219	18,621,634	10,015,939	10,670,119
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,177,047,231	1,180,498,920	1,170,808,915	1,151,464,573
NET POSITION	733,841,826	706,308,223	675,903,772	652,594,880
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	335,869,181	367,596,968	383,330,550	398,389,133
Current Liabilities	24,782,632	26,948,060	25,422,129	23,486,907
Long-Term Liabilities	41,104,745	42,639,304	34,057,128	39,757,049
Total Liabilities	401,756,558	437,184,332	442,809,807	461,633,089
Deferred Inflows	41,448,847	37,006,365	52,095,336	37,236,604
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$1,177,047,231	\$1,180,498,920	\$1,170,808,915	\$1,151,464,573
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>				
OPERATING REVENUES				
Residential and Domestic	\$79,842,501	\$74,069,318	\$69,127,333	\$67,702,012
Commercial and Industrial	24,696,212	23,571,686	21,918,842	20,816,460
Special Rate-WestRock/Other	913,260	7,069,491	7,344,132	7,283,918
Wholesale	2,518,230	2,521,892	2,434,401	2,711,269
Unbilled	(3,300,958)	1,557,776	363,691	485,524
Total Water Sales	104,669,245	108,790,163	101,188,399	98,999,183
Other Operating Revenues	16,250,653	14,904,627	14,029,299	12,366,703
Total Operating Revenues	120,919,898	123,694,790	115,217,698	111,365,886
OPERATING EXPENSES				
Operation and Maintenance	72,547,157	70,381,132	54,095,420	56,330,086
Taxes	15,628,010	16,940,680	15,303,002	14,162,151
Depreciation and Amortization	29,992,925	29,579,169	28,657,162	27,741,349
Total Operating Expenses	118,168,092	116,900,981	98,055,584	98,233,586
NET OPERATING INCOME (LOSS)	2,751,806	6,793,809	17,162,114	13,132,300
NON-OPERATING REVENUES (EXPENSES)				
Other Income	10,062,240	4,649,900	(1,019,150)	2,444,489
Interest Income	7,895,642	8,984,846	(2,687,718)	(1,182,910)
Interest Charges (Net)	(14,764,645)	(16,692,129)	(16,896,259)	(17,094,391)
Net Income (Loss) Before Contributions & Transfers	5,945,043	3,736,426	(3,441,013)	(2,700,512)
Total Capital Grants and Contributions	17,855,815	22,715,203	20,741,680	15,397,882
Federal BABs Subsidies	3,618,863	3,621,843	3,621,843	3,629,294
Transfers In/ (Out)	113,882	330,979	2,142,998	202,778
CHANGE IN NET POSITION	\$27,533,603	\$30,404,451	\$23,065,508	\$16,529,442

2020	2019	2018	2017	2016	2015
\$896,859,308	\$874,659,681	\$871,008,433	\$873,518,773	\$879,547,650	\$884,721,107
492,963	492,963	492,963	492,963	492,963	492,963
151,998,322	155,002,719	160,004,945	153,962,378	156,827,483	143,309,769
86,310,156	84,942,679	79,459,959	73,857,244	68,927,643	64,476,112
5,280,544	2,058,552	4,669,297	1,810,430	2,866,478	4,689,200
1,140,941,293	1,117,156,594	1,115,635,597	1,103,641,788	1,108,662,217	1,097,689,151
6,255,109	13,609,381	5,881,479	10,113,888	10,623,174	4,002,699
1,147,196,402	1,130,765,975	1,121,517,076	1,113,755,676	1,119,285,391	1,101,691,850
636,065,438	602,816,562	581,738,357	556,846,481	549,652,226	542,501,823
414,307,785	431,269,870	447,562,815	463,619,285	478,617,199	478,400,742
24,263,595	21,087,589	23,031,002	20,524,364	20,986,727	18,261,548
30,395,281	38,297,146	27,703,192	35,406,357	33,932,418	26,021,937
468,966,661	490,654,605	498,297,009	519,550,006	533,536,344	522,684,227
42,164,303	37,294,808	41,481,710	37,359,189	36,096,821	36,505,800
\$1,147,196,402	\$1,130,765,975	\$1,121,517,076	\$1,113,755,676	\$1,119,285,391	\$1,101,691,850
\$64,487,335	\$60,847,540	\$59,624,491	\$52,539,643	\$50,742,135	\$48,263,128
18,724,562	19,836,364	19,225,528	17,408,529	17,558,905	17,233,617
7,109,384	6,883,021	6,873,675	6,322,195	5,845,719	5,951,348
2,282,638	2,787,239	3,253,029	3,069,448	3,971,839	5,192,149
103,821	(111,782)	472,999	660,078	(137,857)	318,945
92,707,740	90,242,382	89,449,722	79,999,893	77,980,741	76,959,187
11,760,454	12,302,372	12,491,739	14,644,528	14,820,869	21,179,637
104,468,194	102,544,754	101,941,461	94,644,421	92,801,610	98,138,824
52,116,679	50,339,168	45,892,214	48,921,970	46,894,363	41,804,233
13,214,513	13,208,520	12,969,163	11,920,025	11,392,092	11,459,254
25,723,865	25,295,078	26,117,843	24,038,103	23,822,527	17,102,664
91,055,057	88,842,766	84,979,220	84,880,098	82,108,982	70,366,151
13,413,137	13,701,988	16,962,241	9,764,323	10,692,628	27,772,673
651,209	1,802,296	3,215,049	1,216,295	(221,125)	(30,042)
5,522,409	7,370,377	3,876,762	1,762,813	1,826,299	1,112,850
(17,565,824)	(18,181,445)	(19,269,514)	(18,321,085)	(19,000,536)	(16,677,645)
2,020,931	4,693,216	4,784,538	(5,577,654)	(6,702,734)	12,177,836
16,459,062	12,775,630	16,440,749	9,138,434	10,274,030	9,052,674
3,651,006	3,609,359	3,596,241	3,582,475	3,579,107	3,609,706
11,117,877	-	70,350	51,000	-	(95,327)
\$33,248,876	\$21,078,205	\$24,891,878	\$7,194,255	\$7,150,403	\$24,744,889

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

Ten-Year Financial Review (RWSS)

<b>STATEMENTS OF NET POSITION</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
Utility Plant - Net	\$223,771,017	\$230,460,114	\$237,965,466	\$245,786,121
Current Assets	8,995,890	10,518,711	10,099,311	9,766,278
Total Assets	232,766,907	240,978,825	248,064,777	255,552,399
Deferred Outflows	-	143,590	159,693	175,797
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>232,766,907</b>	<b>241,122,415</b>	<b>248,224,470</b>	<b>255,728,196</b>
<b>NET POSITION</b>	<b>152,409,522</b>	<b>142,065,781</b>	<b>146,220,643</b>	<b>150,738,557</b>
<b>LIABILITIES AND EQUITY</b>				
Long-Term Debt	72,649,637	92,644,117	98,177,211	101,259,957
Current Liabilities	3,840,040	5,330,839	2,870,245	2,743,499
Total Liabilities	76,489,677	97,974,956	101,047,456	104,003,456
Deferred Inflows and Long-term Liabilities	3,867,708	1,081,678	956,371	986,183
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS</b>	<b>232,766,907</b>	<b>241,122,415</b>	<b>248,224,470</b>	<b>255,728,196</b>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>				
<b>OPERATING REVENUES</b>				
CRO - Debt Service	\$8,126,163	\$6,619,274	\$6,459,139	\$6,445,519
CRO - O&M	5,565,264	6,369,245	5,044,883	4,191,992
CRO - Capital	2,193,934	910,450	698,283	233,873
Other Operating Revenue	-	-	-	-
Total Operating Revenues	15,885,361	13,898,969	12,202,305	10,871,384
<b>OPERATING EXPENSES</b>				
Operation and Maintenance	5,306,996	6,441,218	4,712,030	4,218,612
Depreciation	8,560,067	8,554,127	8,542,323	8,524,386
Total Operating Expenses	13,867,063	14,995,345	13,254,353	12,742,998
<b>NET OPERATING INCOME (LOSS)</b>	<b>2,018,298</b>	<b>(1,096,376)</b>	<b>(1,052,048)</b>	<b>(1,871,614)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Other Income	10,264,936	-	-	6,586
Interest Income	403,531	452,777	(110,285)	(39,563)
Interest Charges (Net)	(3,161,857)	(4,328,215)	(4,416,196)	(4,500,797)
Net Income (Loss) Before Contributions & Transfers	9,524,908	(4,971,814)	(5,578,529)	(6,405,388)
Total Capital Contributions	-	(1,881)	241,782	151,393
Grants & Federal BABs Subsidies	818,833	818,833	818,833	818,833
Transfers Out	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$10,343,741</b>	<b>(\$4,154,862)</b>	<b>(\$4,517,914)</b>	<b>(\$5,435,162)</b>

2020	2019	2018	2017	2016	2015
\$253,438,437	\$261,815,181	\$270,292,252	\$279,190,310	\$287,187,547	\$295,780,351
10,343,200	10,493,887	10,420,340	10,442,765	10,395,435	9,274,080
263,781,637	272,309,068	280,712,592	289,633,075	297,582,982	305,054,431
191,900	208,004	224,106	240,210	256,313	272,417
263,973,537	272,517,072	280,936,698	289,873,285	297,839,295	305,326,848
156,173,719	161,888,944	167,469,986	174,701,516	180,852,158	186,712,448
104,226,180	107,104,701	109,899,314	112,594,314	114,364,416	116,113,730
2,633,541	2,544,840	2,558,764	1,564,360	1,601,549	1,496,773
106,859,721	109,649,541	112,458,078	114,158,674	115,965,965	117,610,503
940,097	978,587	1,008,634	1,013,095	1,021,172	1,003,897
263,973,537	272,517,072	280,936,698	289,873,285	297,839,295	305,326,848
\$6,359,276	\$6,365,634	\$5,610,671	\$5,554,208	\$5,582,030	\$6,047,314
4,044,665	3,869,205	3,764,605	3,858,622	3,858,714	2,840,435
108,780	266,010	93,191	202,255	483,498	7,621,901
-	-	-	-	-	1,675
10,512,721	10,500,849	9,468,467	9,615,085	9,924,242	16,511,325
4,261,822	3,928,423	3,718,890	3,881,686	3,871,737	2,864,326
8,521,426	8,507,090	9,199,706	8,266,685	8,263,267	4,582,300
12,783,248	12,435,513	12,918,596	12,148,371	12,135,004	7,446,626
(2,270,527)	(1,934,664)	(3,450,129)	(2,533,286)	(2,210,762)	9,064,699
-	-	-	-	-	(120,564)
252,531	346,329	182,850	91,554	87,696	64,497
(4,579,890)	(4,645,692)	(4,907,255)	(4,697,999)	(4,715,565)	(4,072,780)
(6,597,886)	(6,234,027)	(8,174,534)	(7,139,731)	(6,838,631)	4,935,852
57,235	(163,022)	129,958	179,156	456,685	(2,924,135)
825,426	816,007	813,046	809,933	808,775	802,190
-	-	-	-	(287,119)	-
(\$5,715,225)	(\$5,581,042)	(\$7,231,530)	(\$6,150,642)	(\$5,860,290)	\$2,813,907

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
<b>UTILITY PLANT</b>				
In Service, at Original Cost	\$ 1,001,267,374	\$ 346,449,218	\$ -	\$ 1,347,716,592
Less - Accumulated Depreciation	(279,278,315)	(126,123,676)	-	(405,401,991)
Total	721,989,059	220,325,542	-	942,314,601
Right to Use Lease and Subscription Assets	1,473,668	-	-	1,473,668
Less - Accumulated Amortization	(923,546)	-	-	(923,546)
Total	550,122	-	-	550,122
Construction Work In Progress	19,951,455	3,445,475	-	23,396,930
Net Utility Plant	742,490,636	223,771,017	-	966,261,653
<b>NET UTILITY PROPERTY</b>	492,963	-	-	492,963
<b>SPECIAL FUNDS</b>				
Debt Service Funds	1,677,925	(409,416)	-	1,268,509
Bond Reserve Funds	13,227,326	4,217,163	-	17,444,489
System Development Charge Fund	57,504,252	-	-	57,504,252
Other Cash & Equity in Pooled Investments	22,328,435	-	2,584,176	24,912,611
Total Special Funds	94,737,938	3,807,747	2,584,176	101,129,861
<b>CURRENT ASSETS</b>				
Operating Funds Cash & Equity in				
Pooled Investments	64,723,546	2,584,176	(2,584,176)	64,723,546
Grant Receivable	11,490	-	-	11,490
Accounts Receivable	5,631,846	1,888,318	-	7,520,164
(Net of Allowance for Doubtful Accounts of \$1,599,443 in 2024)				
BABs Interest Subsidies Receivable	1,632,109	477,653	-	2,109,762
Accrued Unbilled Revenues	5,028,292	-	-	5,028,292
Materials and Supplies	6,001,996	-	-	6,001,996
Prepayments	2,699,305	237,996	-	2,937,301
	85,728,584	5,188,143	(2,584,176)	88,332,551
<b>OTHER ASSETS</b>				
Regulatory Asset - Surcharges	3,532,984	-	-	3,532,984
Pension Asset	-	-	-	-
Total Other Assets	3,532,984	-	-	3,532,984
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized Losses on Refunding Bonds	50,706	-	-	50,706
Pension Contributions	16,158,573	-	-	16,158,573
OPEB	1,087,940	-	-	1,087,940
Total Deferred Outflows	17,297,219	-	-	17,297,219
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 944,280,324</u>	<u>\$ 232,766,907</u>	<u>\$ -</u>	<u>\$ 1,177,047,231</u>

	WATER W/O RWSS	RWSS	ADJUSTMENTS	WATER STATEMENTS
<b>NET POSITION, LIABILITIES AND DEFERRED INFLOWS</b>				
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$ 476,008,423	\$ 151,898,543	\$ -	\$ 627,906,966
Restricted for:				
Water Capital and System Development Charge	37,299,189	-	-	37,299,189
Debt Service Funds	-	-	-	-
Net Pension Asset	-	-	-	-
Unrestricted	68,124,692	510,979	-	68,635,671
Total Net Position	581,432,304	152,409,522	-	733,841,826
<b>LONG-TERM DEBT</b>				
Revenue Bonds	221,239,727	72,649,637	-	293,889,364
Public Works Trust Fund Loans	5,341,531	-	-	5,341,531
Drinking Water State Revolving Fund Loan	36,638,286	-	-	36,638,286
Total Long-Term Debt	263,219,544	72,649,637	-	335,869,181
<b>CURRENT LIABILITIES</b>				
Current Maturities of Long-Term Debt	10,002,208	3,440,000	-	13,442,208
Current Maturities of Long-Term Liabilities	183,081	-	-	183,081
Accrued Taxes	1,628,752	-	-	1,628,752
Accrued Expenses and Contracts Payable	4,672,660	72,588	-	4,745,248
Salaries, Wages and Fringe Benefits Payable	2,735,038	-	-	2,735,038
Interest Payable	1,131,838	327,452	-	1,459,290
Customers' Deposits	363,298	-	-	363,298
Current OPEB Liability	90,678	-	-	90,678
Current Lease and Subscription Liability	135,039	-	-	135,039
Total Current Liabilities	20,942,592	3,840,040	-	24,782,632
<b>LONG-TERM LIABILITIES</b>				
Muckleshoot Agreements	4,798,533	-	-	4,798,533
Customer Advances for Construction	7,636,064	-	-	7,636,064
Unearned Revenue	4,747,625	1,335,881	-	6,083,506
Long-Term Accrued Compensated Absences	3,537,889	-	-	3,537,889
Pension Liability	13,037,823	-	-	13,037,823
OPEB Liability	3,675,154	-	-	3,675,154
Long Term Lease and Subscription Liability	152,871	-	-	152,871
Other Long-Term Liabilities	2,182,905	-	-	2,182,905
Total Long-Term Liabilities	39,768,864	1,335,881	-	41,104,745
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unamortized Gains on Refunding of Bonds	1,688,290	2,531,827	-	4,220,117
Rate Stabilization	35,575,447	-	-	35,575,447
Pension Contribution	194,467	-	-	194,467
OPEB Contribution	1,458,816	-	-	1,458,816
Total Inflows of Resources	38,917,020	2,531,827	-	41,448,847
<b>TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS</b>	<b>\$ 944,280,324</b>	<b>\$ 232,766,907</b>	<b>\$ -</b>	<b>\$ 1,177,047,231</b>

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
<b>OPERATING REVENUES</b>				
Sale of Water	\$ 104,669,245	\$ -	\$ -	\$ 104,669,245
Other Operating Revenues	8,658,451	-	-	8,658,451
Contract Resource Obligation Revenues	-	15,885,361	(8,293,159)	7,592,202
Total Operating Revenues	113,327,696	15,885,361	(8,293,159)	120,919,898
<b>OPERATING EXPENSES</b>				
Operations	27,601,789	246,093	-	27,847,882
Production	11,987,856	4,377,352	-	16,365,208
Administrative and General	35,943,675	683,551	(8,293,159)	28,334,067
Depreciation and Amortization	21,432,858	8,560,067	-	29,992,925
Taxes	15,628,010	-	-	15,628,010
Total Operating Expenses	112,594,188	13,867,063	(8,293,159)	118,168,092
Net Operating Income	733,508	2,018,298	-	2,751,806
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Income/(Loss)	7,492,111	403,531	-	7,895,642
Operating Grant	11,490	-	-	11,490
Other	(214,186)	(315,792)	-	(529,978)
Interest on Long-Term Debt	(12,551,708)	(4,216,753)	-	(16,768,461)
Amortization of Premium and Loss on Refunding	948,920	1,054,896	-	2,003,816
Transfer from Other Government	-	10,580,728	-	10,580,728
Total Non-Operating Expenses	(4,313,373)	7,506,610	-	3,193,237
Net Income Before Capital Contributions and Transfers	(3,579,865)	9,524,908	-	5,945,043
Capital Grants and Contributions				
Cash	8,600,092	-	-	8,600,092
Capital Grant	-	-	-	-
Donated Fixed Assets	9,255,723	-	-	9,255,723
Federal BABs Subsidies	2,800,030	818,833	-	3,618,863
Transfer from/(to) Other Funds	113,882	-	-	113,882
<b>CHANGE IN NET POSITION</b>	17,189,862	10,343,741	-	27,533,603
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	564,242,442	142,065,781	-	706,308,223
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 581,432,304	\$ 152,409,522	\$ -	\$ 733,841,826

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

Bond Debt Service Requirements  
December 31, 2024

YEAR	WATER W/O RWSS		RWSS		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2025	\$ 4,460,000	\$ 11,675,592	\$ 3,440,000	\$ 3,929,436	\$ 23,505,028
2026	4,930,000	11,460,360	3,590,000	3,756,064	23,736,424
2027	5,085,000	11,219,726	3,775,000	3,575,135	23,654,861
2028	6,495,000	10,946,611	3,955,000	3,384,901	24,781,512
2029	7,810,000	10,602,328	4,170,000	3,185,630	25,767,958
2030	8,455,000	10,191,627	4,365,000	2,975,554	25,987,181
2031	9,110,000	9,747,952	4,595,000	2,755,671	26,208,623
2032	10,760,000	9,256,217	4,435,000	2,523,096	26,974,313
2033	11,915,000	8,680,647	4,495,000	2,298,427	27,389,074
2034	12,360,000	7,998,164	4,655,000	2,045,763	27,058,927
2035	14,325,000	7,290,194	4,830,000	1,784,105	28,229,299
2036	17,965,000	6,480,624	5,005,000	1,512,611	30,963,235
2037	18,985,000	5,485,590	5,185,000	1,231,280	30,886,870
2038	20,055,000	4,435,955	5,375,000	939,831	30,805,786
2039	21,170,000	3,329,070	5,570,000	637,702	30,706,772
2040	22,335,000	2,162,572	5,775,000	324,613	30,597,185
2041	19,005,000	950,250	-	-	19,955,250
	<u>\$ 215,220,000</u>	<u>\$131,913,479</u>	<u>\$73,215,000</u>	<u>\$36,859,819</u>	<u>\$457,208,298</u>

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

Funds Available for Debt Service

	2024	2023 (As Restated)	2022	2021	2020
Total Income	\$125,001,809	\$136,387,542	\$112,331,475	\$113,860,266	\$110,377,311
Less: Operating Exp	82,482,285	78,344,036	62,332,256	63,705,835	58,970,799
Income Available for Debt Service	<u>\$42,519,524</u>	<u>\$58,043,506</u>	<u>\$49,999,219</u>	<u>\$50,154,431</u>	<u>\$51,406,512</u>
Bond Redemption	4,313,334	5,825,647	6,275,159	6,171,729	6,279,811
Bond Interest	11,650,925	11,802,560	11,953,863	12,100,641	12,502,629
Tacoma Water	11,650,925	11,802,560	11,953,863	12,100,641	12,502,629
Debt Service Payable	<u>\$15,964,259</u>	<u>\$17,628,207</u>	<u>\$18,229,022</u>	<u>\$18,272,370</u>	<u>\$18,782,440</u>
Times Debt Service Covered	2.66	3.29	2.74	2.74	2.74

Bond covenants requires debt service coverage of 1.25

All In Debt Service Coverage  
(In thousands)

	2024	2023 (As Restated)	2022	2021	2020
Operating Revenue	\$113,328	\$117,048	\$109,390	\$106,206	\$99,673
Non-Operating Revenue (Expense)	7,403	13,329	(1,770)	1,298	5,801
Build America Bond Subsidy	2,800	2,803	2,803	2,810	2,825
System Development Charge	1,471	3,207	1,908	3,546	2,078
<b>Total Revenue Available</b>	<b>\$125,002</b>	<b>\$136,387</b>	<b>\$112,331</b>	<b>\$113,860</b>	<b>\$110,377</b>
Tacoma Share of RWSS Debt Service (CRO Operating Expense)	5,299	3,826	3,754	3,734	3,683
Other Operating Expenses less Depreciation	77,183	74,518	58,578	59,972	55,288
<b>Net Revenue Available for Debt Service Senior Lien</b>	<b>\$42,520</b>	<b>\$58,043</b>	<b>\$49,999</b>	<b>\$50,154</b>	<b>\$51,406</b>
<b>Senior Debt Service (Water Bonds)</b>	<b>15,964</b>	<b>17,628</b>	<b>18,229</b>	<b>18,272</b>	<b>18,782</b>
Gross Earnings Tax Transfer to City of Tacoma	8,679	9,789	8,729	8,307	7,816
Tacoma Share of RWSS Debt Service (CRO Operating Expense)	5,299	3,826	3,754	3,734	3,683
Net Revenue Available for Debt Service All-In	39,140	52,080	45,024	45,581	47,273
Subordinate Debt Service	6,210	6,300	6,630	7,408	7,438
Total All-In Debt Service (Senior + Tacoma Share of RWSS Debt Service + Subordinate)	27,473	27,754	28,613	29,414	29,903
<b>Debt Service Coverage - Senior Lien</b>	<b>2.66</b>	<b>3.29</b>	<b>2.74</b>	<b>2.74</b>	<b>2.74</b>
Debt Service Coverage - All-In	1.42	1.88	1.57	1.55	1.58

As stated in the Tacoma Water Rate and Financial Policy, Senior Debt Service Coverage will be maintained above 1.50, exceeding Tacoma Water's bond covenant requirement of net revenue at least 1.25 times annual senior debt service. This calculation excludes transfers to the City of Tacoma and subordinate debt, and includes transfers from the Rate Stabilization Account and Tacoma Share of RWSS debt service payments as a CRO operating expense.

The Policy also states that All-In Debt Service Coverage will be maintained above 1.25 except when cash reserves are budgeted to meet the annual revenue requirement, when it will be maintained above 1.00. This calculation includes transfers to the City of Tacoma and subordinate debt, and excludes transfers from the Rate Stabilization Account. Tacoma Share of RWSS debt service payments are included as debt service rather than CRO operating expense.

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

Summary of Water Sales – 2024

	AVERAGE MONTHS BILLED	CONSUMPTION (CCF)	REVENUE	% of TOTAL REVENUE	MGD	% of TOTAL MGD
<b>RESIDENTIAL AND DOMESTIC SERVICE</b>						
<b>Inside City</b>						
<i>Single and Multiple House</i>	56,525	4,516,273	\$ 31,509,265	30.2%	9.26	25.6%
<i>Multiple Unit Dwellings</i>	3,694	1,820,616	8,682,821	8.3%	3.73	10.3%
<i>Parks &amp; Irrigation Services</i>	236	196,844	619,415	0.6%	0.40	1.1%
<i>Private Fire Services</i>	120	676	124,679	0.1%	0.00	0.0%
	<b>60,575</b>	<b>6,534,409</b>	<b>40,936,180</b>	<b>39.2%</b>	<b>13.39</b>	<b>37.0%</b>
<b>Outside City</b>						
<i>Single and Multiple Houses</i>	40,244	4,218,753	31,491,319	30.2%	8.65	23.9%
<i>Multiple Unit Dwellings</i>	1,987	1,048,813	6,381,918	6.1%	2.15	5.9%
<i>Parks &amp; Irrigation Services</i>	358	173,858	983,620	0.9%	0.36	1.0%
<i>Private Fire Services</i>	78	13	49,464	0.0%	0.00	0.0%
	<b>42,667</b>	<b>5,441,437</b>	<b>38,906,321</b>	<b>37.2%</b>	<b>11.15</b>	<b>30.8%</b>
<b>COMMERCIAL AND INDUSTRIAL SERVICE</b>						
<b>Inside City</b>						
<i>Large Volume Service</i>	3	354,361	769,897	0.7%	0.73	2.0%
<i>General Service</i>	3,724	2,057,213	8,942,670	8.5%	4.22	11.6%
<i>Parks &amp; Irrigation Services</i>	455	338,644	1,493,002	1.4%	0.69	1.9%
<i>Private Fire Services</i>	1,175	24,585	3,244,971	3.1%	0.05	0.1%
	<b>5,357</b>	<b>2,774,803</b>	<b>14,450,540</b>	<b>13.7%</b>	<b>5.69</b>	<b>15.6%</b>
<b>Outside City</b>						
<i>Large Volume Service</i>	5	1,044,235	2,720,961	2.6%	2.14	5.9%
<i>General Service</i>	959	561,738	4,085,467	3.9%	1.15	3.2%
<i>Parks &amp; Irrigation Services</i>	188	338,139	1,886,136	1.8%	0.69	1.9%
<i>Private Fire Services</i>	286	7,690	1,553,108	1.5%	0.02	0.0%
	<b>1,438</b>	<b>1,951,802</b>	<b>10,245,672</b>	<b>9.8%</b>	<b>4.00</b>	<b>11.0%</b>
<b>WESTROCK</b>	<b>1</b>	<b>120,162</b>	<b>913,260</b>	<b>0.9%</b>	<b>0.25</b>	<b>0.7%</b>
<b>WHOLESALE</b>	<b>15</b>	<b>871,478</b>	<b>2,518,230</b>	<b>2.4%</b>	<b>1.79</b>	<b>4.9%</b>
<i>Unbilled Revenue</i>			(3,300,958)	-3.2%		
<b>TOTAL WATER SALES</b>	<b>110,053</b>	<b>17,694,091</b>	<b>\$ 104,669,245</b>	<b>100.0%</b>	<b>36.26</b>	<b>100.0%</b>

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

2024 Statistical Information  
As of December 31, 2024

Tacoma Water System:			
Average daily delivery exclusive of pulp mill		37.79	MG
Average daily delivery of pulp mill		<u>0.07</u>	MG
Total average daily delivery		37.86	MG
Maximum daily production	7/8/2024	72.54	MG
Minimum daily production	12/9/2024	24.16	MG
Total water produced in 2024*		13,887	MG
Regional Water Supply System (RWSS):			
Total average daily delivery		12.29	MG
Average daily consumption per single family residential service (Inside City)		163.2	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		1,333.90	mi
Fire Hydrants (Inside)		6,232	
Fire Hydrants (Outside)		5,545	

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 2024

**FEDERAL**

Social Security (FICA)	\$2,498,277	
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**STATE OF WASHINGTON**

Retail Sales Tax	1,074,950	
Utilities and Business Activities Tax	<u>5,285,288</u>	
Total		6,360,238

**COUNTY**

Real Property	<u>125,768</u>	
Total		125,768

**MUNICIPALITIES**

City of Tacoma Gross Earnings Tax	8,679,045	
City of Fircrest Administrative Fee	9,305	
City of Lakewood Administrative Fee	6,986	
City of Puyallup Administrative Fee	26,761	
City of University Place Administrative Fee	829,979	
City of University Place Utility Tax	<u>668,174</u>	
		<u>10,220,250</u>

TOTAL TAXES		<u>\$19,204,533</u>
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Taxes as a % of Non-CRO Revenues of \$113,327,696		16.95%
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**EMPLOYEE WELFARE CONTRIBUTIONS**

Industrial Insurance and Medical Aid	\$631,991	
Pensions	3,536,357	
Medical Insurance	6,116,546	
Dental Insurance	<u>472,537</u>	

TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		<u>\$10,757,431</u>
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City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

2024 Water Rates

	READY TO SERVE CHARGE PER MONTH		
	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
METER SIZE (Residential, Commercial, Large Volume)			
5/8 inch	\$28.95	\$34.94	\$37.53
3/4 inch	\$41.92	\$50.51	\$54.24
1 inch	\$67.84	\$81.62	\$87.66
1-1/2 inch	\$132.65	\$159.38	\$171.17
2 inch	\$210.42	\$252.70	\$271.44
3 inch	\$391.89	\$470.47	\$505.33
4 inch	\$651.14	\$781.57	\$839.49
6 inch	\$1,299.25	\$1,559.30	\$1,674.84
8 inch	\$2,076.98	\$2,492.58	\$2,677.29
10 inch	\$2,984.34	\$3,581.41	\$3,846.80
12 inch	\$4,377.79	\$5,253.55	\$5,642.84

	READY TO SERVE CHARGE PER MONTH		
	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
METER SIZE (Irrigation)			
Any	\$0.00	\$0.00	\$0.00

	CHARGE FOR WATER USED PER MONTH PER 100 CUBIC FEET		
	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	\$2.575	\$3.089	\$3.318
First 500 cubic ft of water consumption per month during the summer months of June through September	\$2.575	\$3.089	\$3.318
Each 100 cubic ft of water consumption over 500 cubic ft during the summer months of June through September	\$3.218	\$3.862	\$4.148
<u>Commercial and Industrial</u>			
General Service	\$2.606	\$3.127	\$3.359
Large Volume Service (over 65,000 cubic feet annually)	\$2.027	\$2.432	\$2.612
<u>Parks and Irrigation Service</u>			
Each 100 cubic feet of water consumption	\$5.322	\$6.387	\$6.861

City of Tacoma water services are 100% metered.

Water rates were established by Ordinance No. 28912 and were effective January 1, 2024.

Service rates for outside Tacoma does not include University Place.

City of Tacoma, Washington  
Department of Public Utilities  
Tacoma Water

2024 Fire Protection Rates

RATES FOR PRIVATE FIRE PROTECTION SERVICE ON A SEPARATE METER INSIDE THE CITY OF TACOMA ARE AS FOLLOWS:

METER SIZE	READY TO SERVE CHARGE PER MONTH			WATER INCLUDED FOR MONTHLY LEAKAGE AND TESTING PURPOSES (100 Cubic Feet)
	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE	
2 inch	\$31.70	\$38.04	\$40.86	2.99
3 inch	\$46.17	\$55.44	\$59.50	2.99
4 inch	\$77.13	\$92.56	\$99.41	2.99
6 inch	\$173.02	\$207.63	\$223.01	2.99
8 inch	\$308.00	\$369.60	\$396.98	2.99
10 inch	\$481.74	\$578.09	\$620.93	2.99
12 inch	\$770.54	\$924.65	\$993.16	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:

CHARGE FOR WATER USED PER MONTH PER 100 CUBIC FEET		
INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
\$4.158	\$4.990	\$5.359

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.

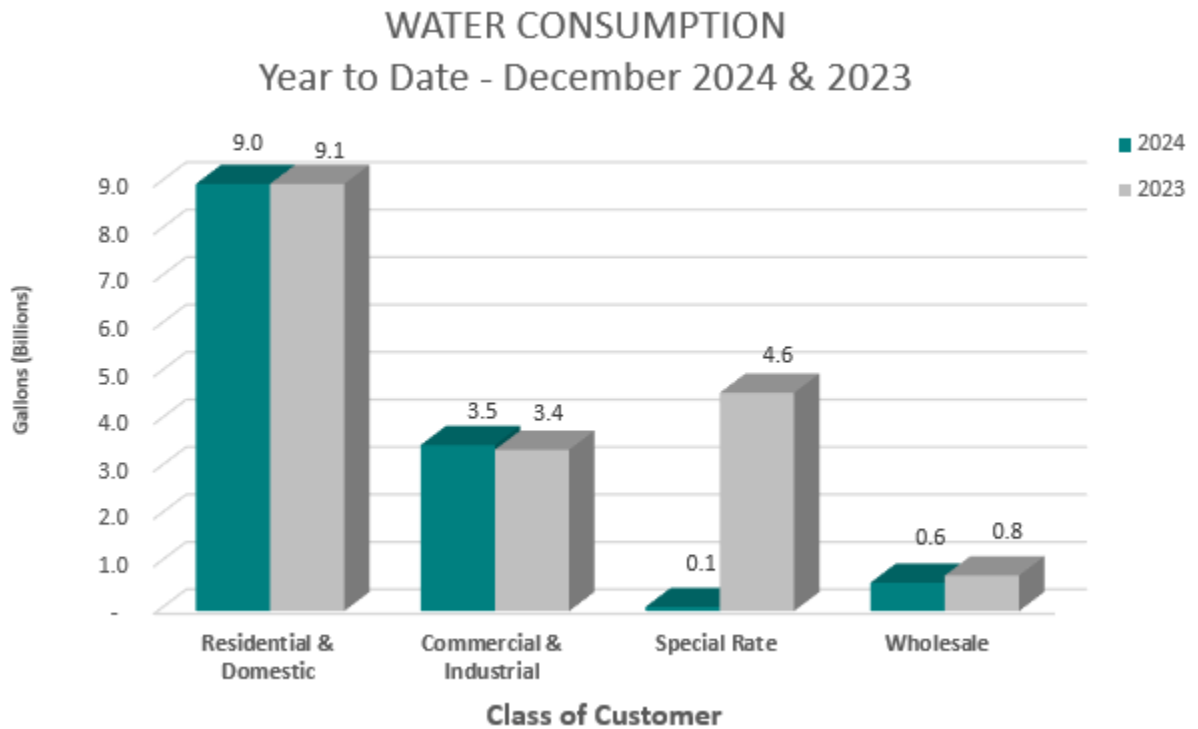
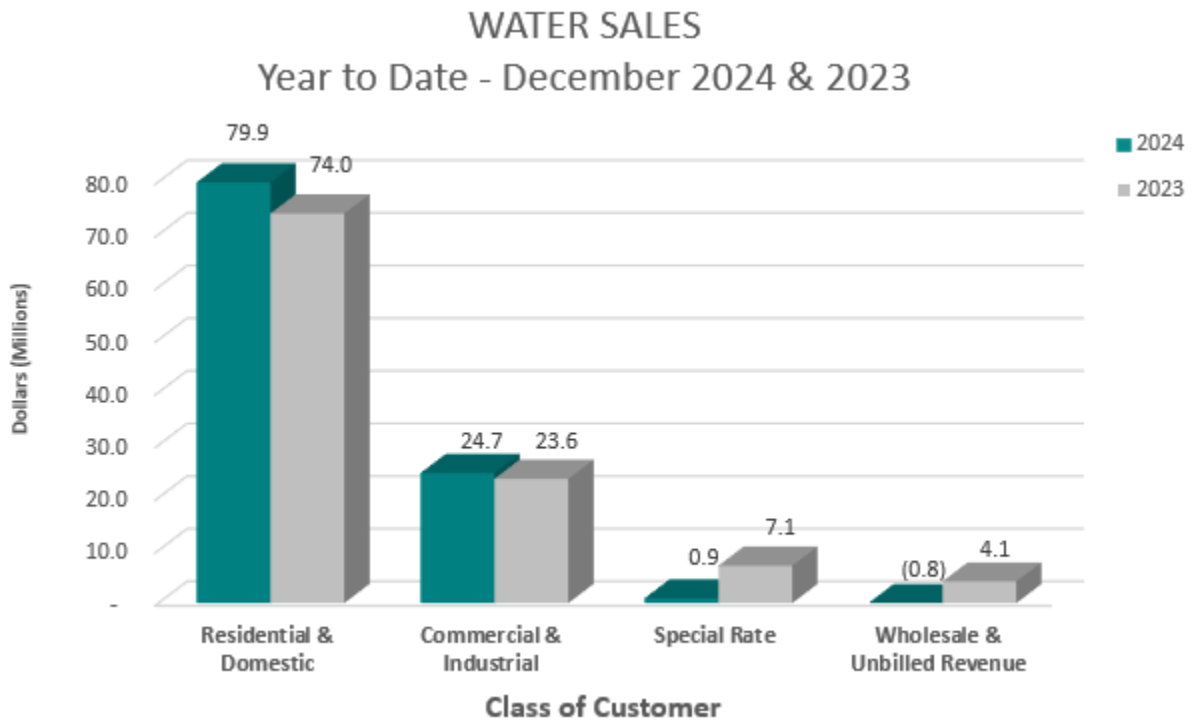
Costs associated with fire hydrant services are currently recovered from customers via the monthly Ready-to-Serve charge. Below are the monthly rates associated with hydrant services based on jurisdiction.

HYDRANT FEE CHARGE PER MONTH		
INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
\$3.02	\$3.83	\$4.12

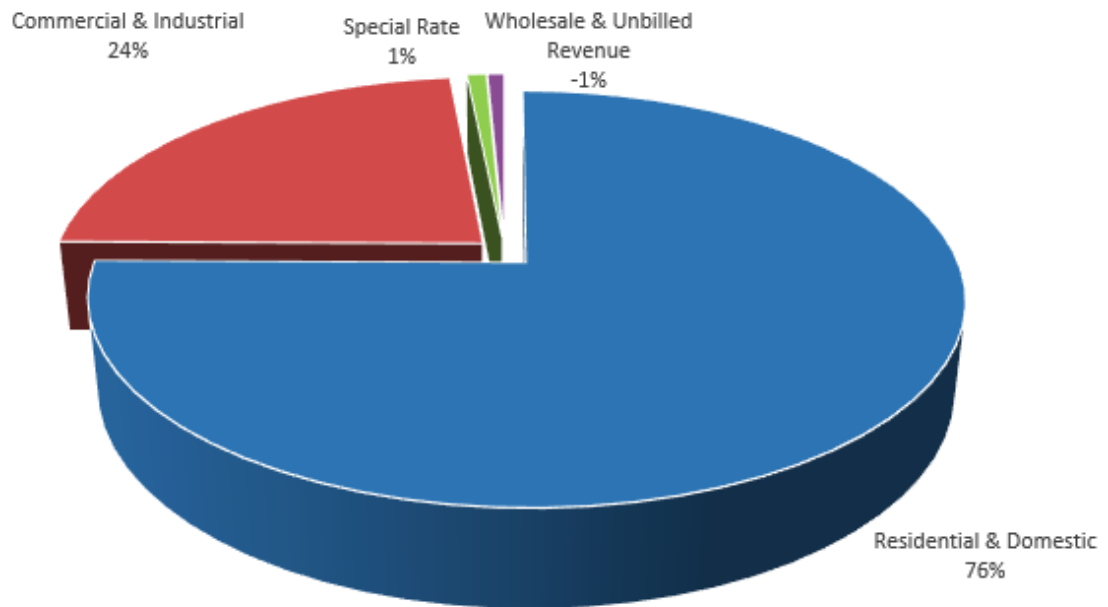
Water rates were established by Ordinance No. 28912 and were effective January 1, 2024.

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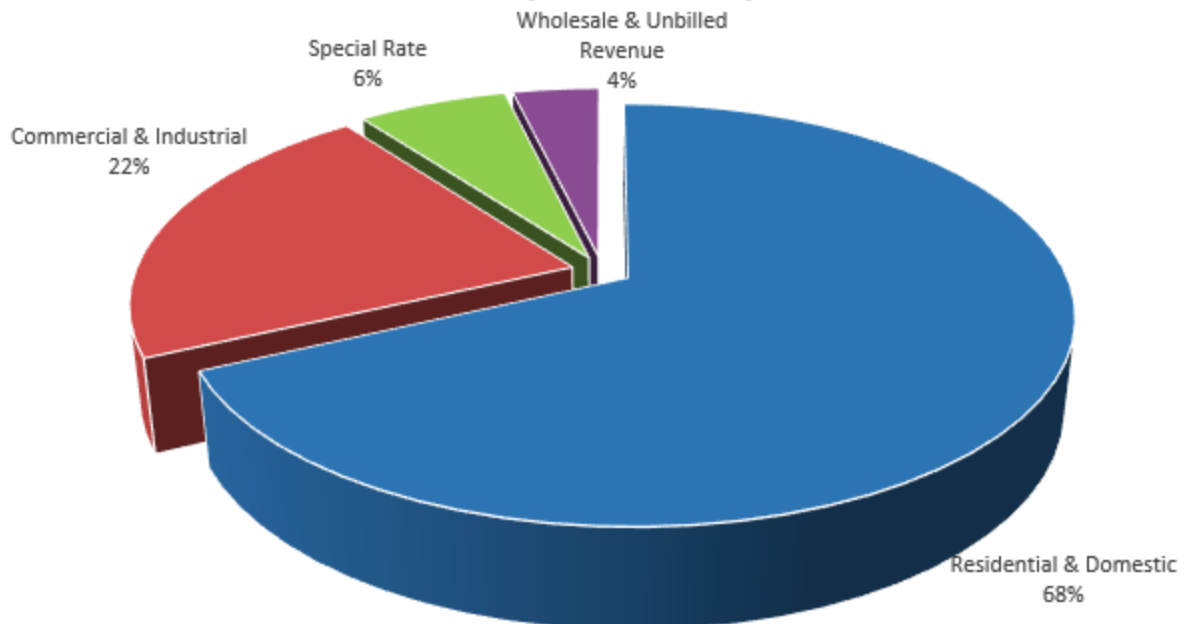
# Graphs



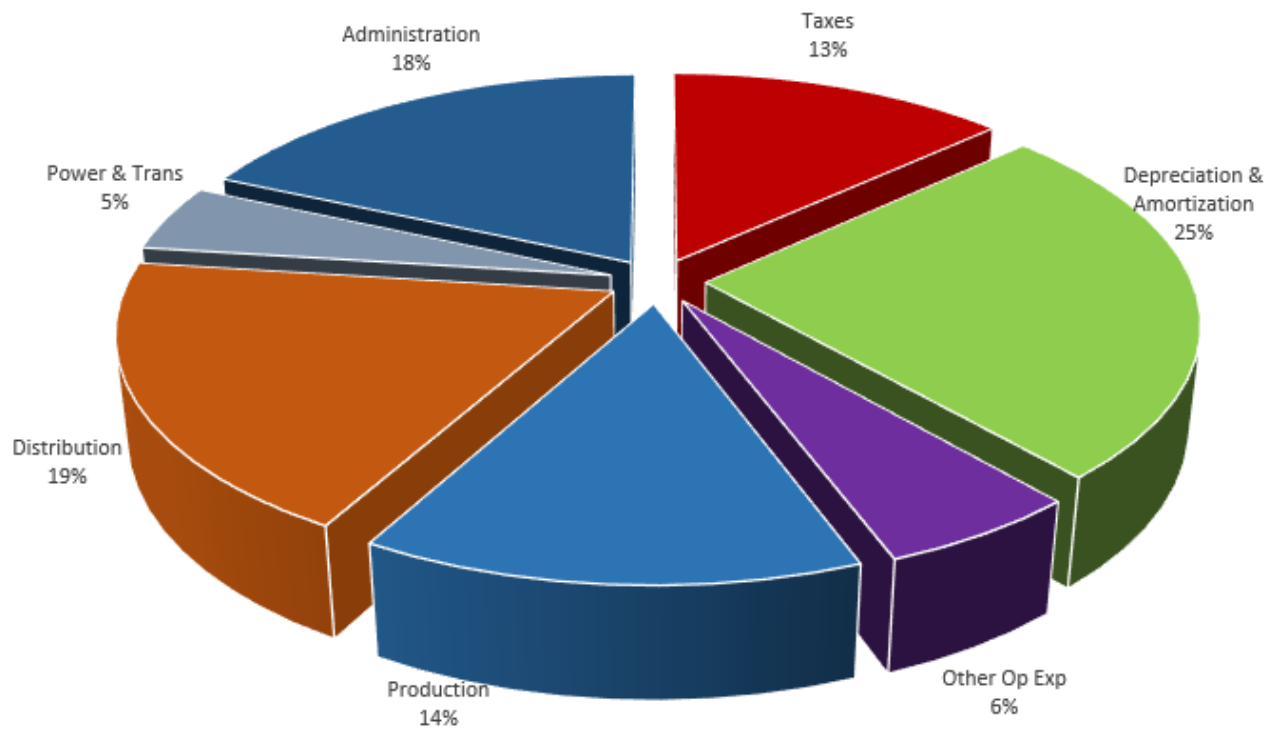
**WATER SALES**  
**Year to Date - December 2024**  
**(\$104,669,245)**



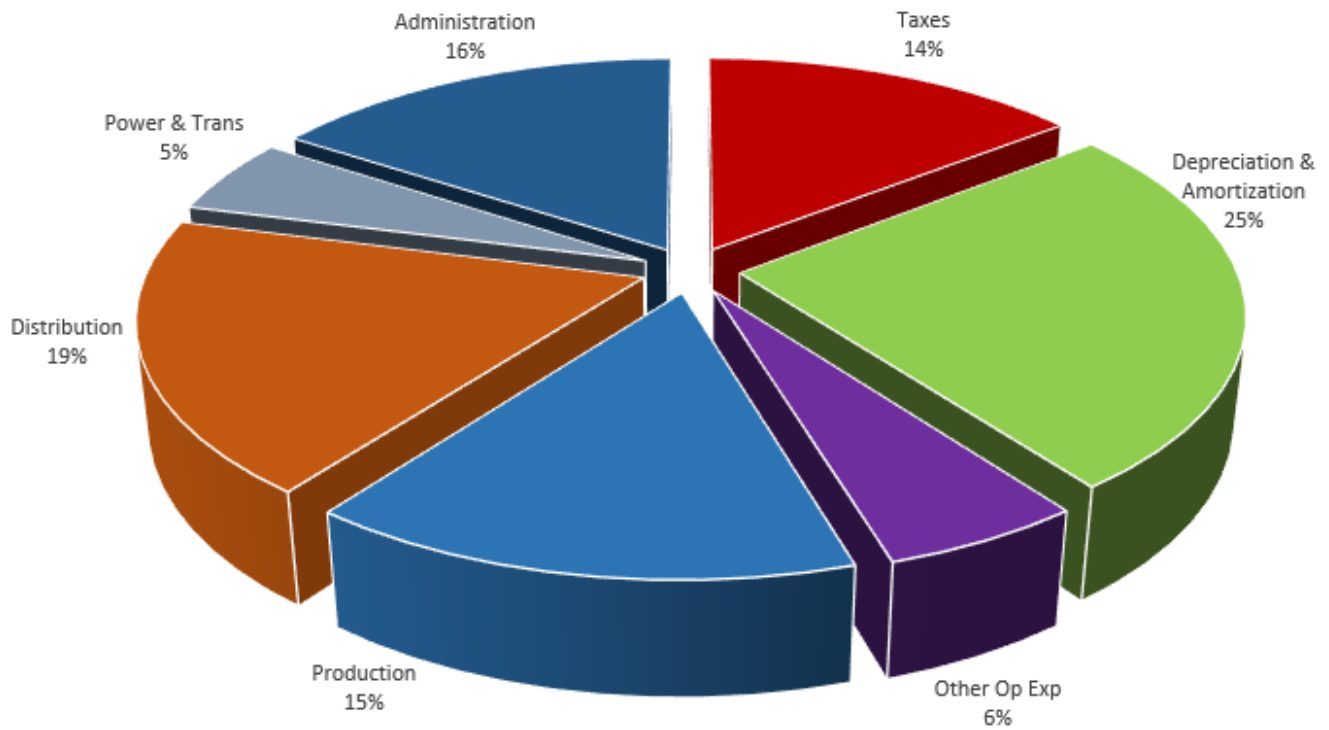
**WATER SALES**  
**Year to Date - December 2023**  
**(\$108,790,163)**



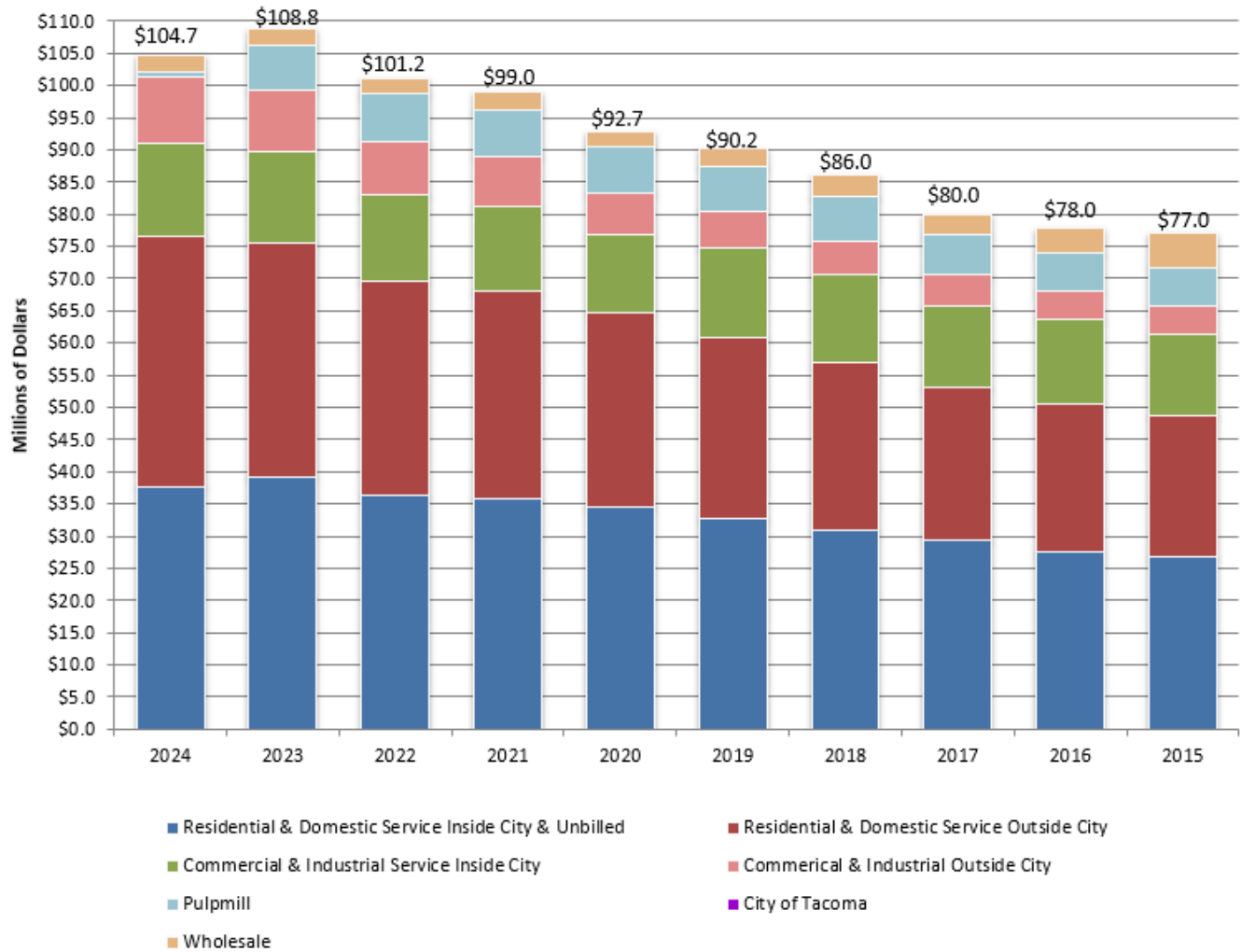
**TOTAL OPERATING EXPENSES**  
**Year to Date - December 2024**  
**(\$118,168,092)**



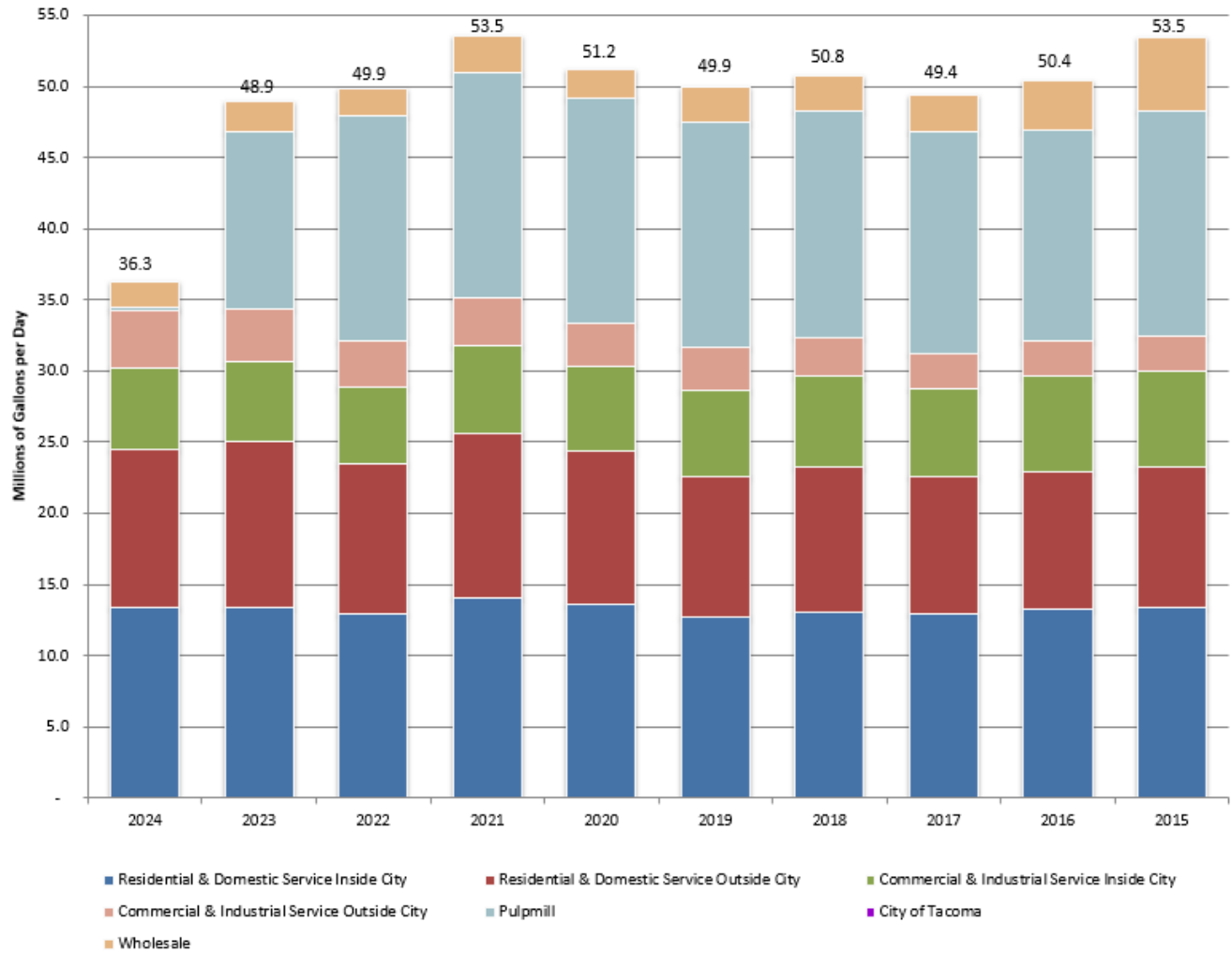
**TOTAL OPERATING EXPENSES**  
**Year to Date - December 2023**  
**(\$116,900,981)**



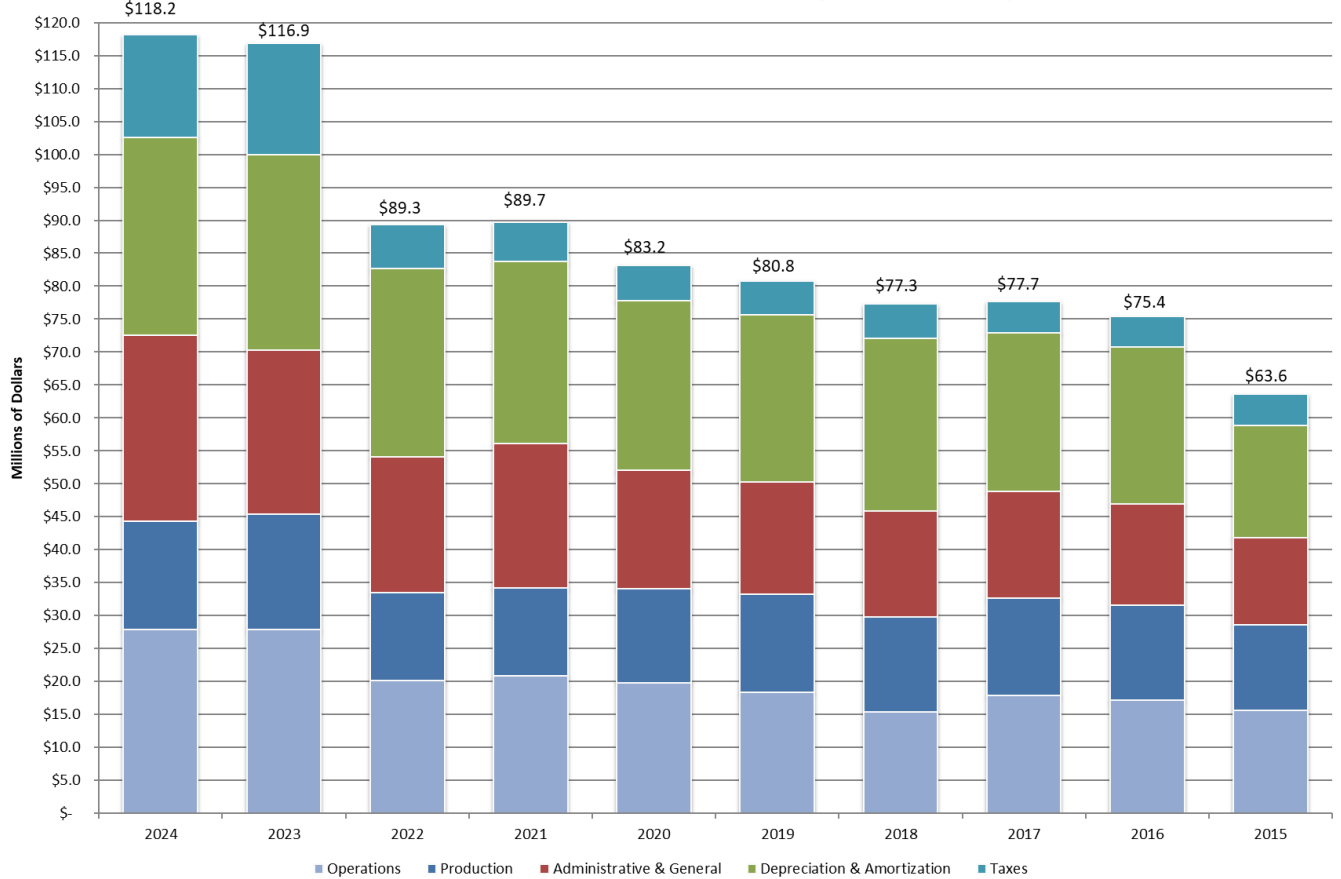
## TEN-YEAR SUMMARY OF WATER SALES (MILLIONS OF \$)



### TEN-YEAR SUMMARY OF WATER DEMAND (MGD)



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



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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.