

Tacoma Water Budget & Rate Proposal 2021-2022 Biennium

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September 9, 2020

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**Budget Development &
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Next Steps

Budget Development & Strategy

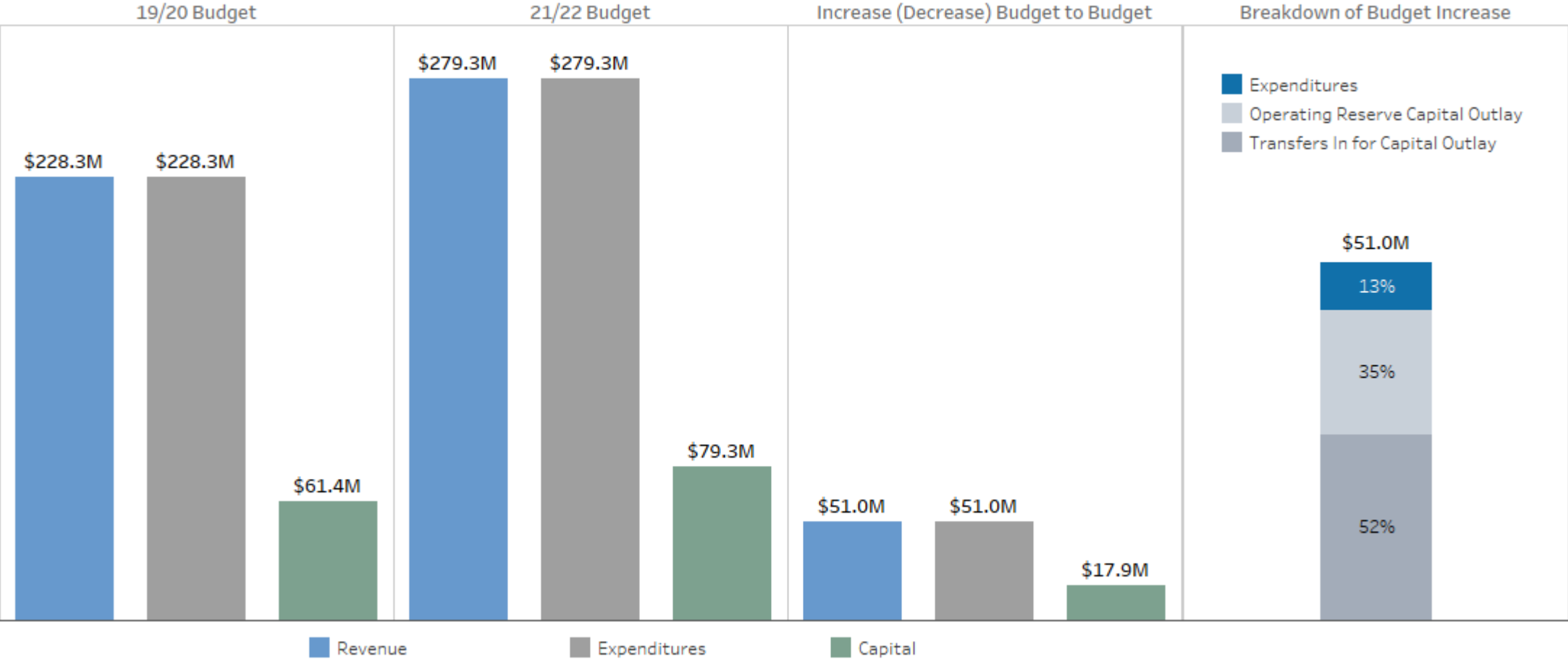


- Strategic plan was shared with PUB in January 2020
- Aligns with Strategic Directives
- Implementation has begun
 - Scoping for 4 of the 6 initiatives
 - Developing measures for objectives and initiatives
- Strategic plan embedded in budget

Budget Development

- Continuing to Partner with departments across the City
- Water service for micro shelter village
- AML and long-term loan/grant program
- Commercial Conservation Rebate Program
- Racial equity action plan for TPU/Water

Budget Comparisons



Budget Assumptions

- Updated Short Term Demand Forecast
- Capital funded with reserves, no remaining bond funds
- Commodity rates remain at assumed levels
- Staffing to support our plan
- Additional support for Low-Income Assistance Programs

Budget Risks

- Ongoing Pandemic impacts
- Uncertain economic conditions
- Commercial and pulp mill forecast
- Timeliness of bill payments (cash flow and bad debt expense)
- Demand forecast assumptions
 - Weather
 - Recession
 - Account growth
- Housing growth and development
- Projects of opportunity

Mitigation

- Continue to work with other utilities in the region and market surplus capacity
- Continue to implement operational efficiencies and actively manage expenditures
- Draw down built up reserves to reduce rate increases
- FTE vacancy factor
- Stakeholder engagement
- Additional dollars being budgeted for assistance programs
- Mid-biennium adjustment if needed



Mitigation: Managed Expenditures



- **\$17.8M in reduced or deferred capital expenses**

- \$9.4M in CIP reduction/deferral
- \$6.4M in deferred meter exchanges to align with AMI
- \$1.6M savings with meter box lids
- \$430,000 savings with meter box survey



- **\$2.8M in reduced controllable O&M**

- \$1.2M decrease in professional services
- \$1.0M decrease in supplies, services & other charges
- \$600,000 savings in debt service

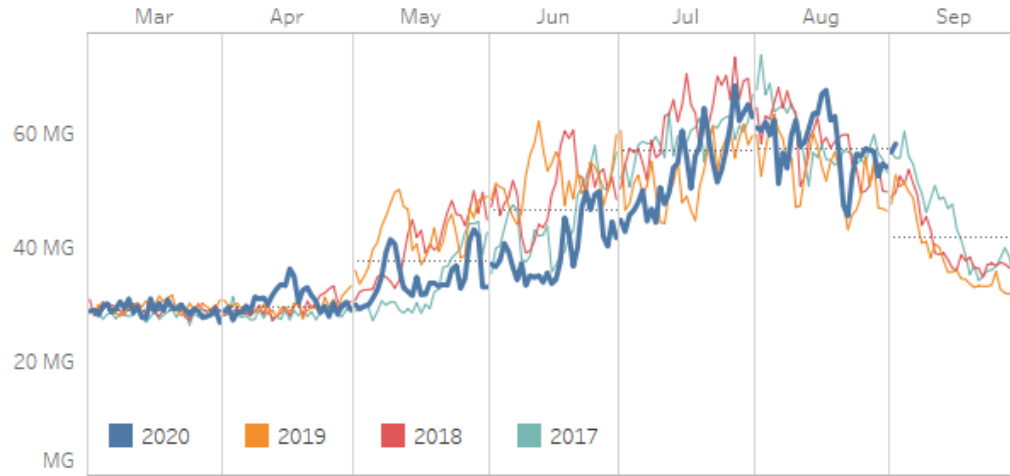


- **Uncontrollable O&M increases**

- Customer assistance program funding
- Bad debt expense and credit card fees
- Employee benefits
- Technology projects

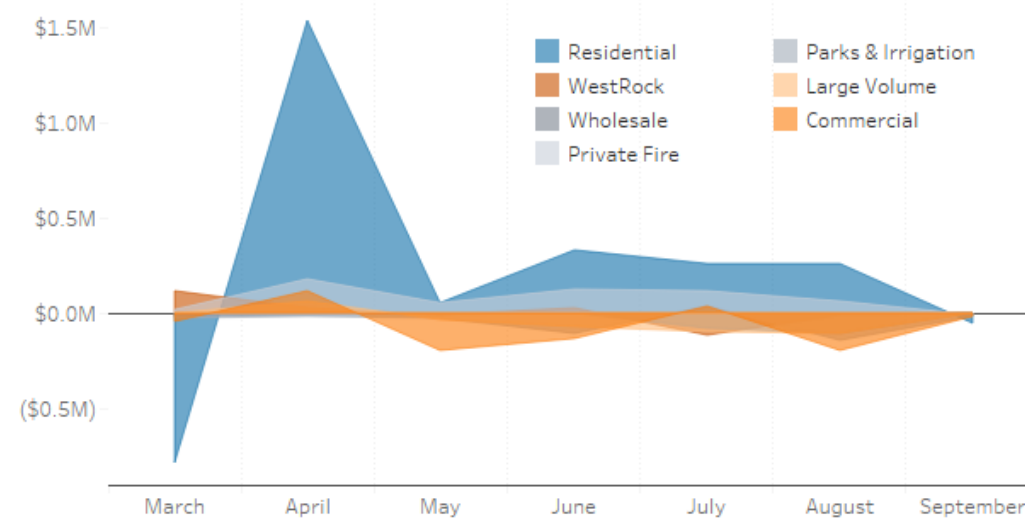
Risks: COVID Impact & Monitoring

Daily Delivery to System



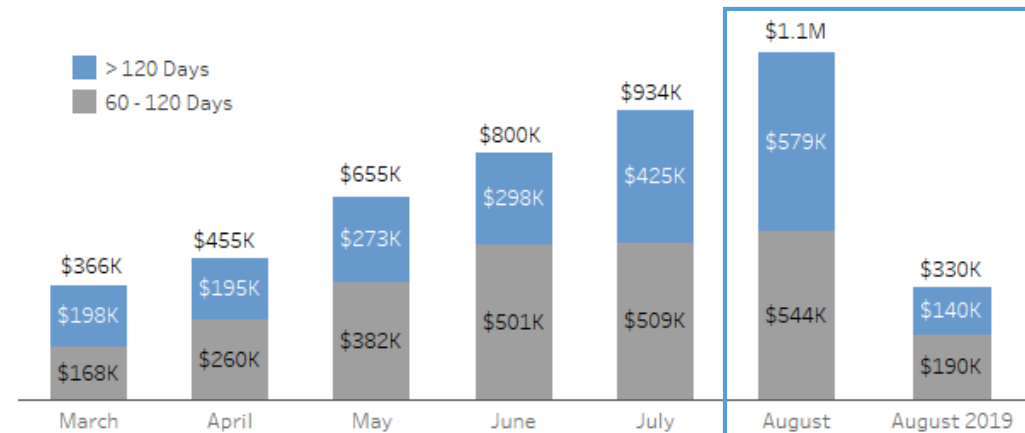
Daily water delivery to system excluding WestRock.

Actual & Projected Impact to Revenue

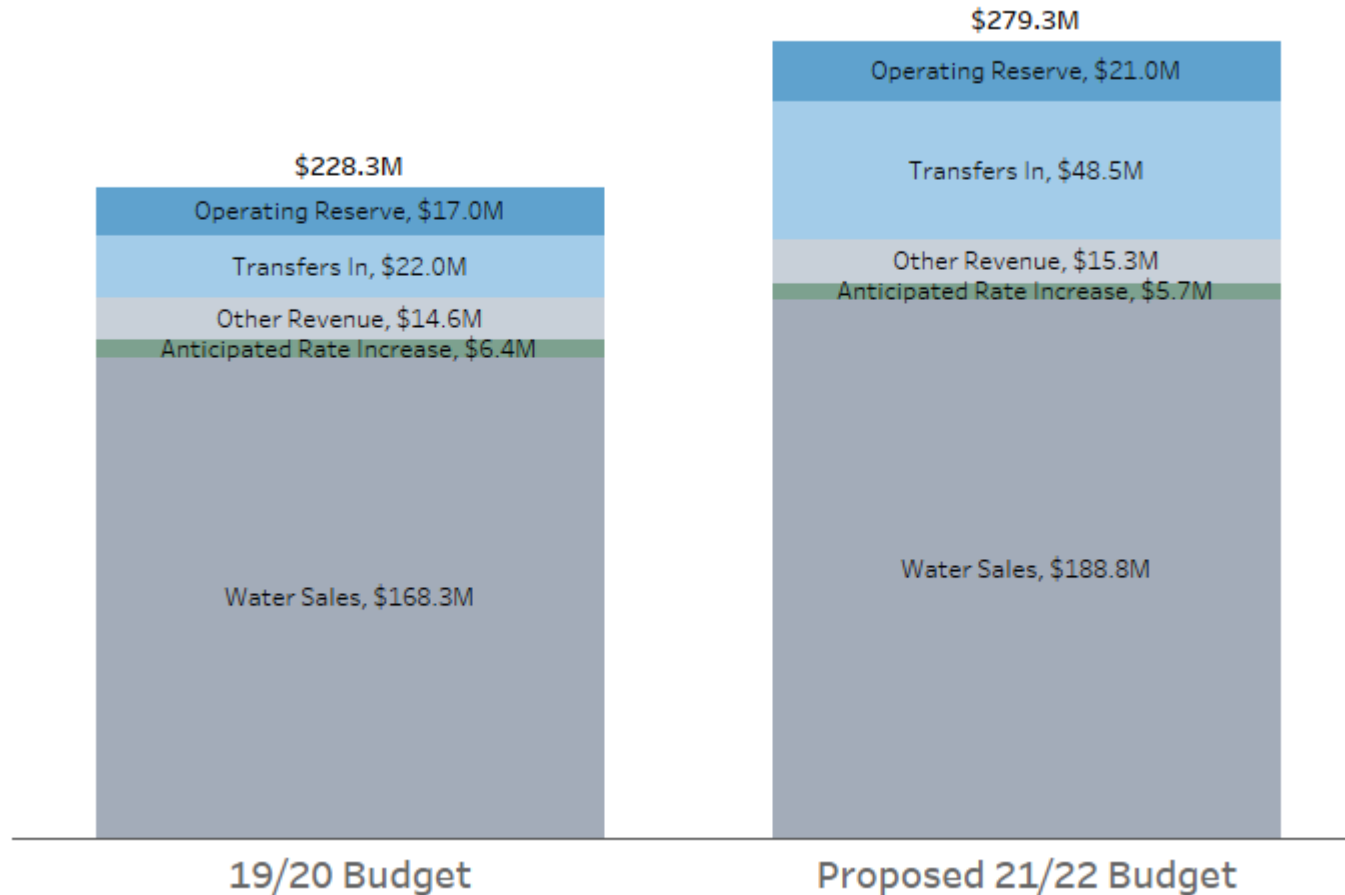


- **Delivery of Water:** Total water delivered is within normal range; fluctuations appear to be impacted more by warm, dry weather than pandemic
- **Revenue Projections:** Increased Residential & Decreased Commercial actual water sales
- **Accounts Receivable & Bad Debt:** Significant increase in outstanding bills past 60 days, over 120 days included as bad debt expense

Water Sales Accounts Receivable (> 60 Days)

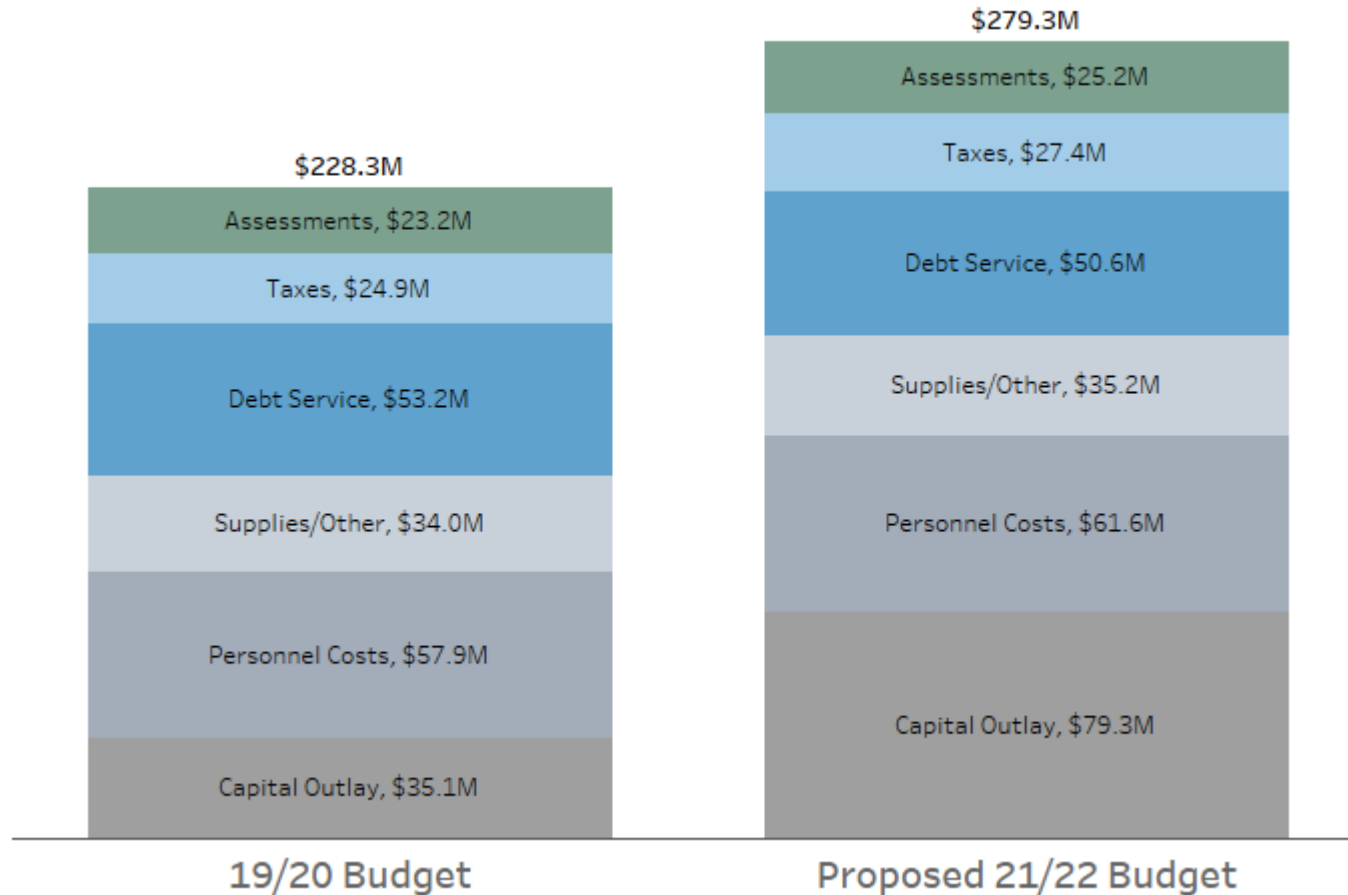


Preliminary Budget: Revenue



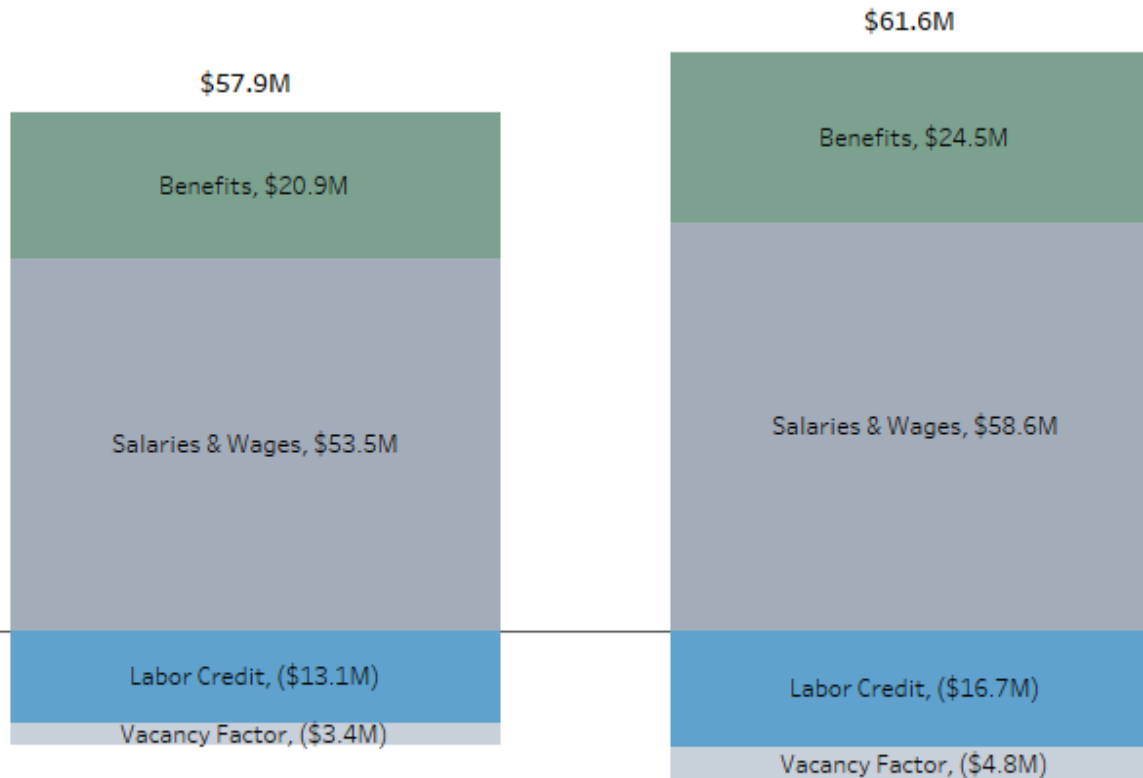
- Proposed Water Sales budget incorporates updated demand forecast at existing rates
- Anticipated rate increase is based on **2%** system average increase each year
- Transfers in includes pass through from capital reserves to fund capital work
- Operating reserve includes additional funding for capital projects

Preliminary Budget: Expenditures



- Assessments are not finalized
- Supplies expense is about **\$1.2M** higher than 2019/2020 budget
- Personnel expense is **\$3.7M** higher than 2019/2020
- All capital for 2021/2022 will be funded with either capital or operating fund reserves

Preliminary Budget: Personnel

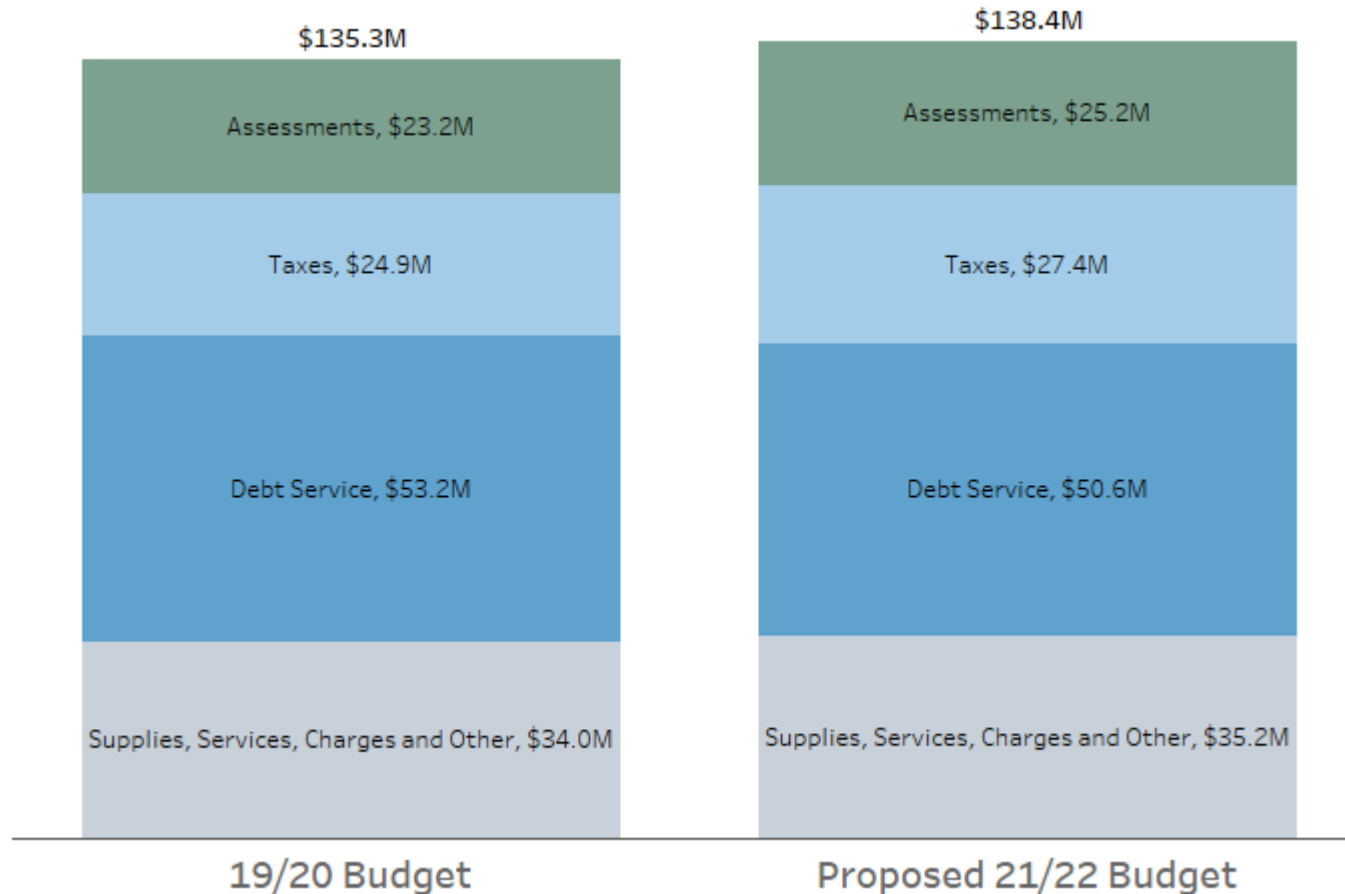


19/20 Budget

Proposed 21/22 Budget

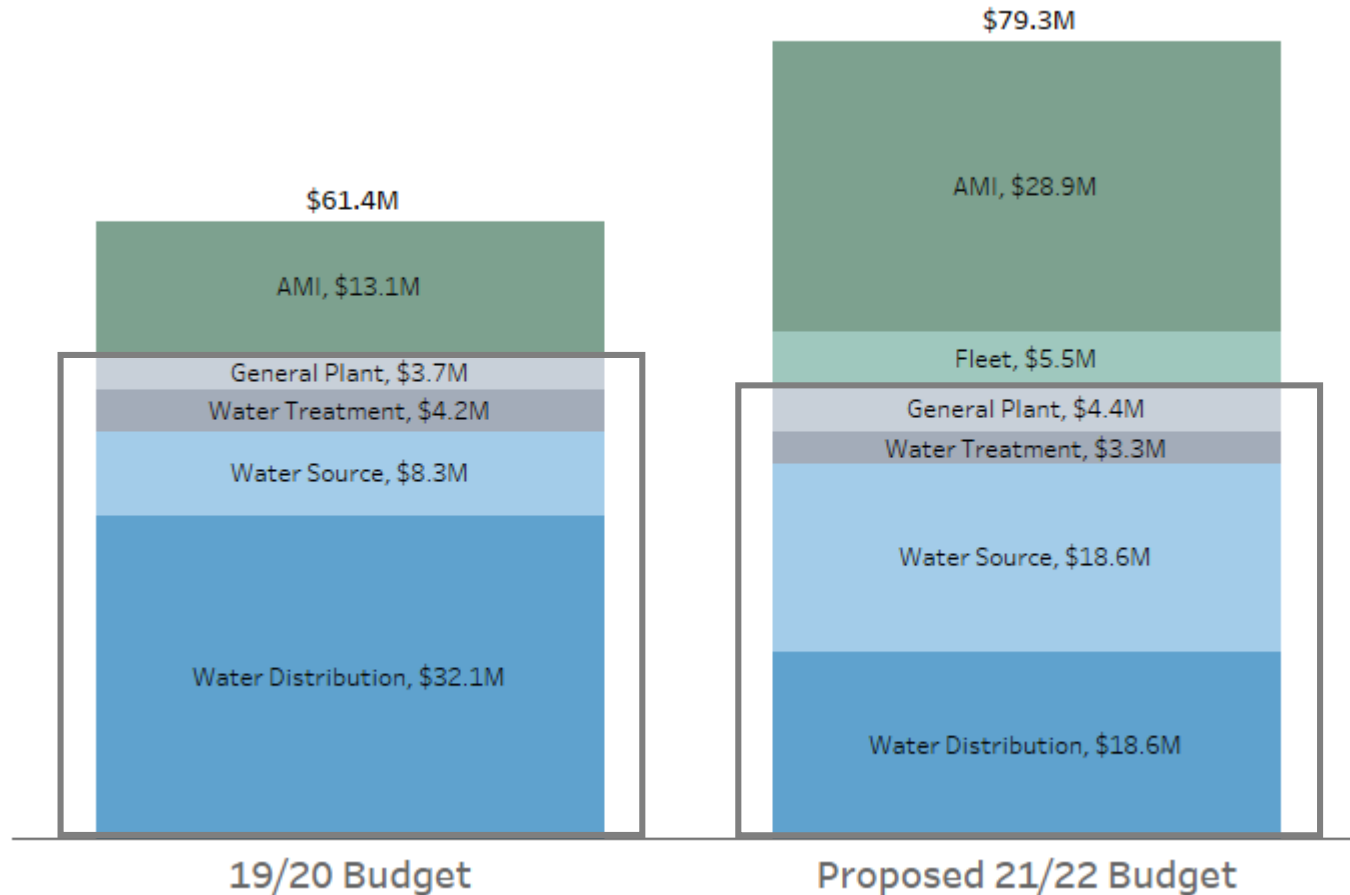
- Overall personnel expense is about **\$3.7M** higher than 2019/2020
 - Incorporates cost of living and negotiated contract increases
 - Includes **6** additional FTE's
- Benefits (net of vacancy factor) are **\$3.1M** higher or nearly \$11,000 per FTE over the biennium
- Budget includes **\$4.8M** deduction to salaries and benefits for vacancy factor

Preliminary Budget: Other O&M



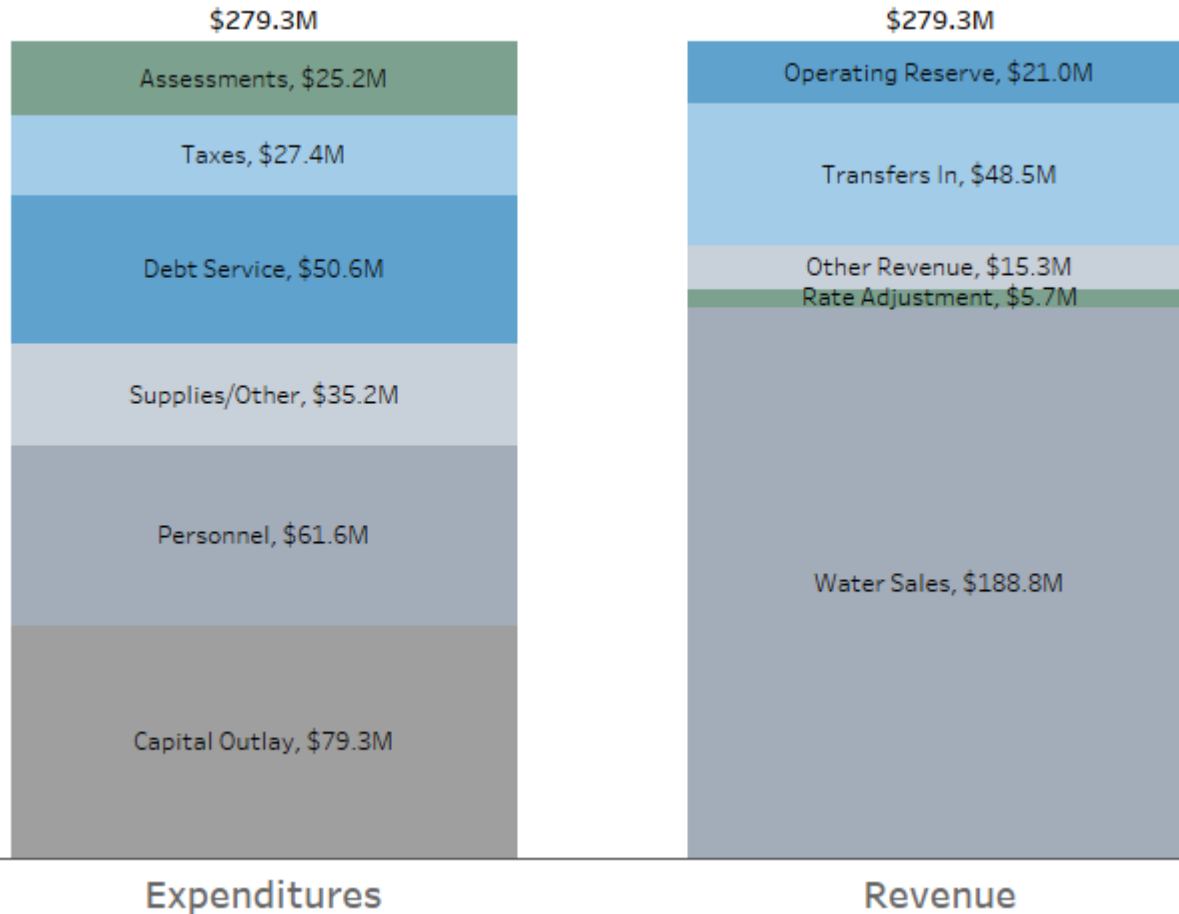
- Assessments are not finalized
- Taxes in 2021/2022 includes **\$16.2M** to the General Fund and **\$11.2M** to State and other local governments
- Supplies expense is about **\$1.2M** higher than 2019/2020 budget
 - Reductions include: **\$2.0M** due to Fleet funding change, **\$1.2M** in professional services, and **\$0.8M** in other supplies & services
 - Increases include: **\$2.1M** in technology support, **\$1.2M** in customer service portal and other technology projects, **\$1.5M** in bad debt & credit card fees, **\$0.5M** in rent & electricity
- Debt service is **\$2.6M** lower than 2019/2020 due to Bank Loan Refunding of 2010 Bonds in 2020 and final payment of several PWTF and DWSRF loans in 2021

Preliminary Budget: Capital



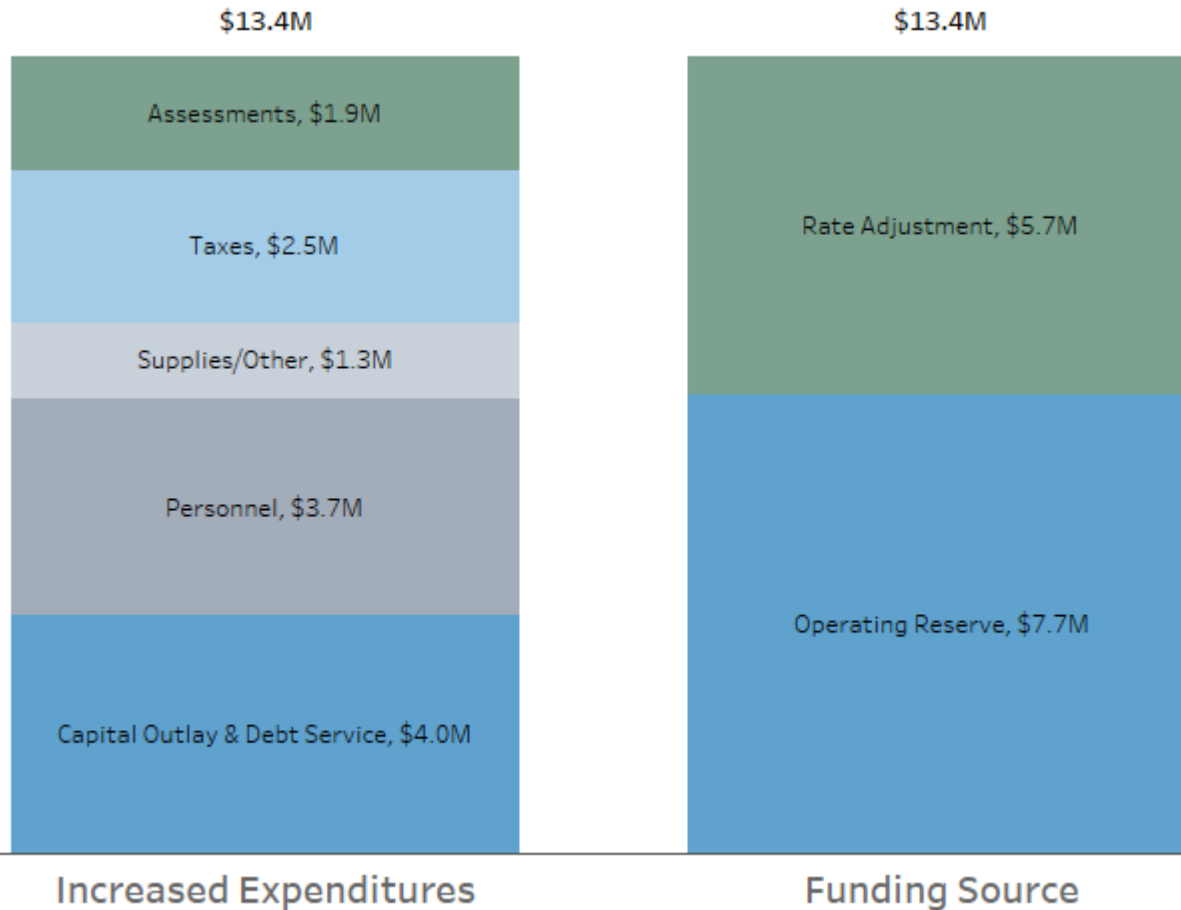
- Capital budget based on business case evaluations and prioritized to reflect resource constraints
- AMI budget for 21/22 includes **\$5.1M** re-appropriated from 19/20 and **\$5.2M** non-program costs, including deferred meter exchanges
- Capital budget excluding AMI & Fleet:
 - **\$48.3M** 19/20
 - **\$44.9M** 21/22 proposed
 - **\$3.4M or 7%** reduction

Preliminary Expenditures & Revenue



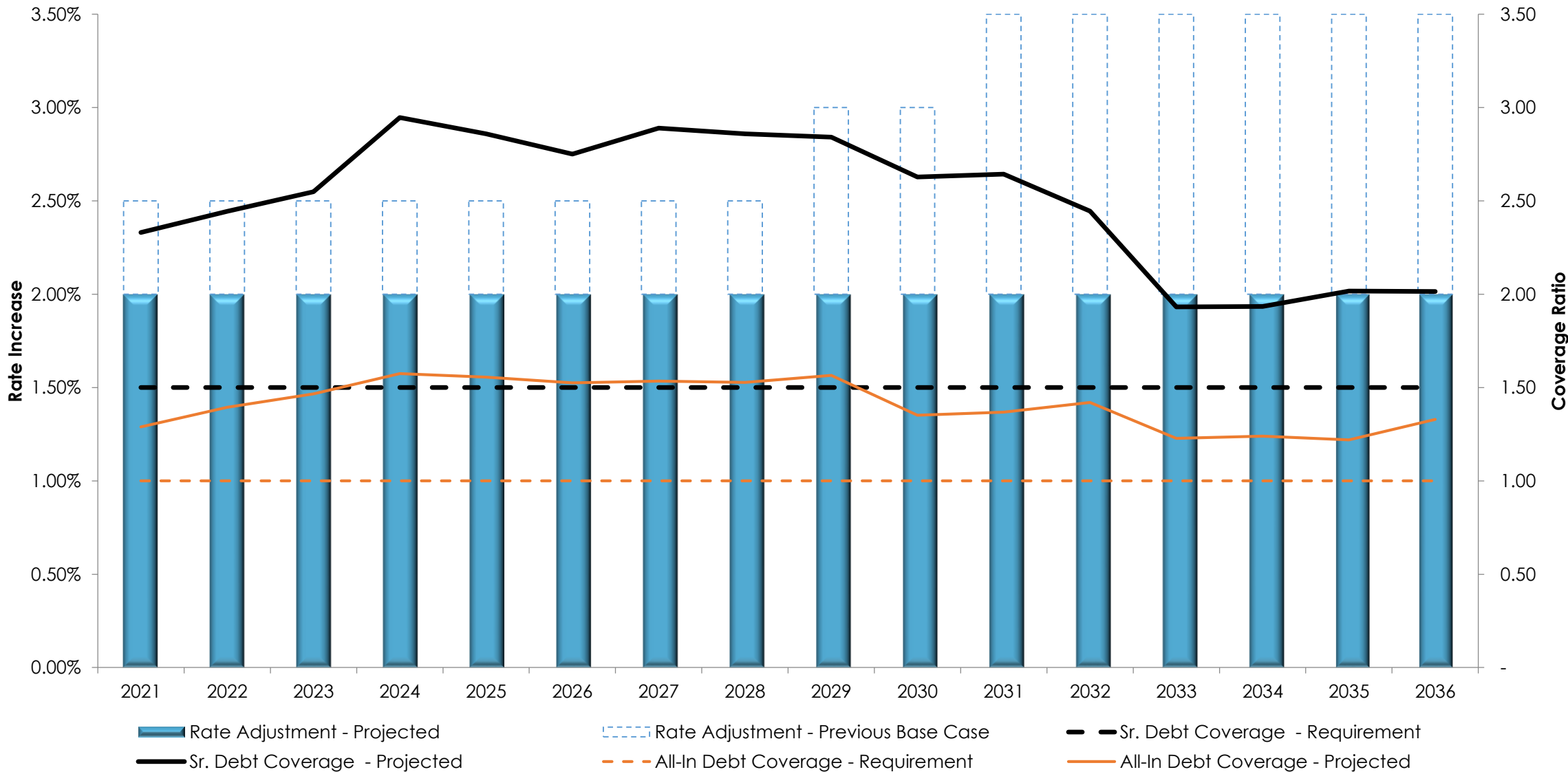
- This chart gives a side-by-side view of how proposed revenue and reserves are planned to be devoted during the 2021/2022 biennium
- Nearly **70%** of total expenditures are planned to be paid with revenue from water sales
- About **25%** of total expenditures are planned to be paid with existing reserves and the remaining **5%** from other miscellaneous revenue

Preliminary Rate Adjustment

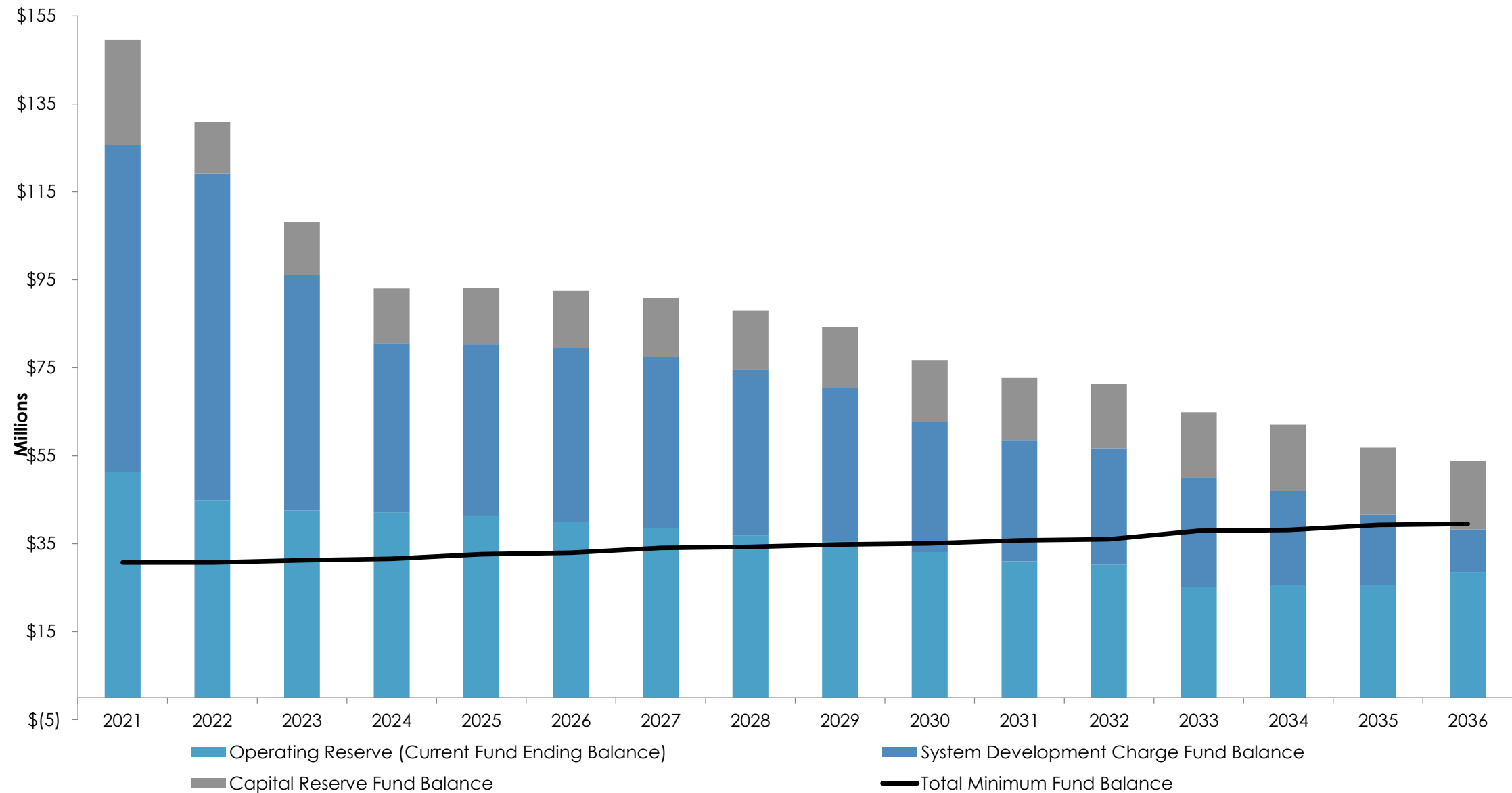


- This chart illustrates how increased planned expenditures are proposed to be funded
- About **43%** of the increase is planned to be funded with the rate adjustment
- Remaining increases proposed to be paid from operating reserves
- Pass through from Capital Reserve and System Development Charge Funds are not included

Long-Range Financial Planning



Long-Range Financial Planning

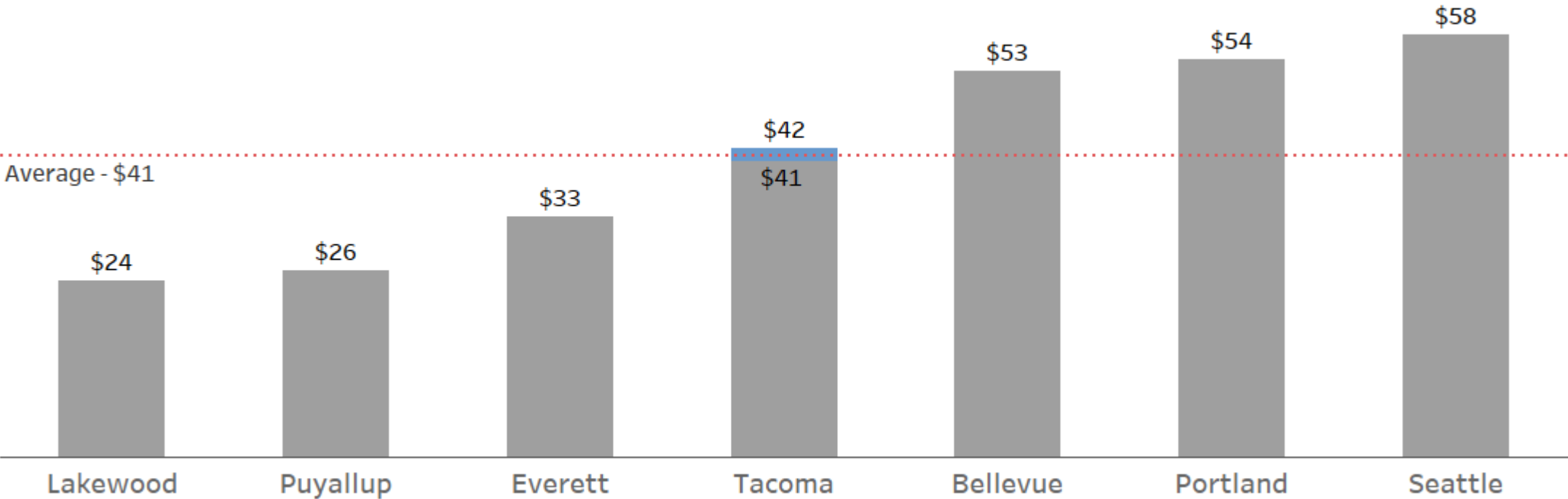


Preliminary Rate Proposal: System Average

- We recommend applying the **overall system average of 2.0%** annually to all customer rate classes
- The adjustment would apply proportionately to both **fixed and variable rates**
- There are two exceptions:
 - **Parks & Irrigation** continue with phasing out the fixed charge
 - **Wholesale** continues phasing in a higher fixed charge

Preliminary Rate Proposal: Residential Comparison

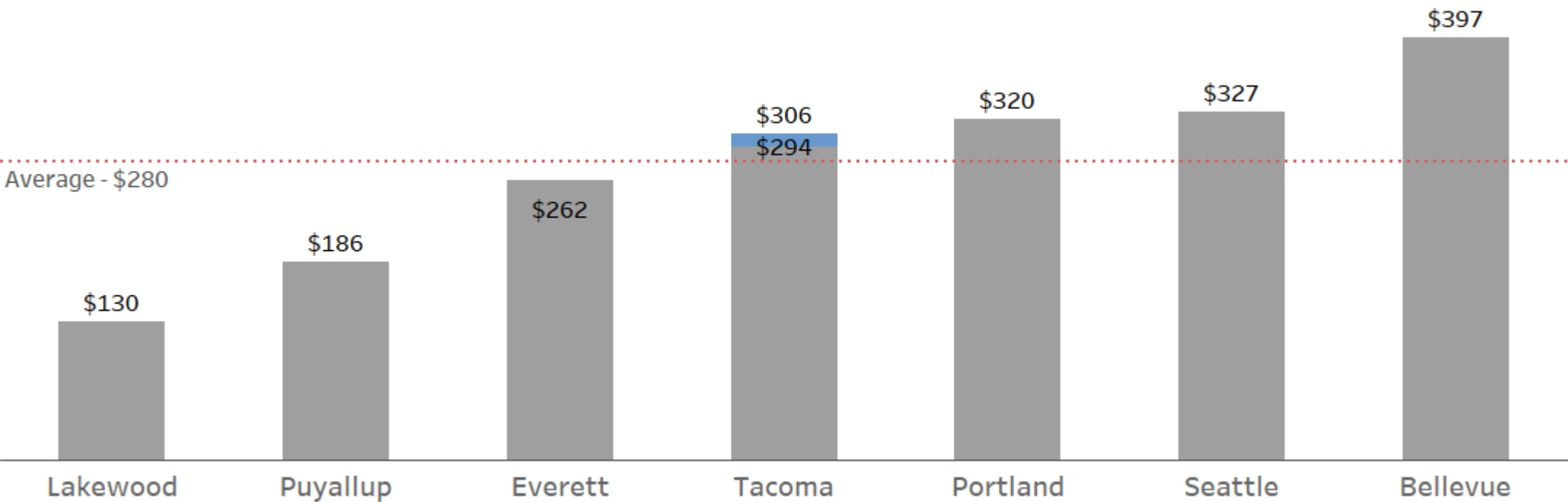
2020 Average Monthly Water Bill for a Single Family Residential Customer



Assumptions for an average single family customer are 6 CCF in winter months and 9 CCF in summer months with 5/8" meter inside the City of Tacoma.
The blue bar projects the impact of 2% annual rate adjustments in 2021 -2022.

Preliminary Rate Proposal: Commercial Comparison

2020 Average Monthly Water Bill for a Commercial Customer



*Assumptions for an average commercial customer are 50 CCF per month with 2" meter inside the City of Tacoma.
The blue bar projects the impact of 2% annual rate adjustments in 2021 -2022.*

Preliminary Rate Proposal: Outreach



August – September
Schedule outreach activities



September – November
Virtual engagements



August – January
Communications

Budget & Rate Summary

- Strategic plan embedded in budget
- Continue to implement operational efficiencies and actively manage expenditures
- Supports the development of **AMI and monthly billing**
- Applies **gradualism** to minimize rate impact while preserving strong financial performance
- Projected rate impact for an average residential bill (inside Tacoma):
 - **\$0.81** per month in 2021 and **\$0.83** per month in 2022



Next Steps

SEP
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Budget & Rate Proposal
PUB Meeting

SEP
23

Public Hearing
PUB Meeting

OCT
6

TPU Budget & Rates
GPFC

OCT
13

TPU Budget & Rates
Joint Study Session

OCT
14

Preliminary TPU Budget & Rates
PUB Meeting

OCT
28

TPU Budget & Rates Adoption
PUB Meeting

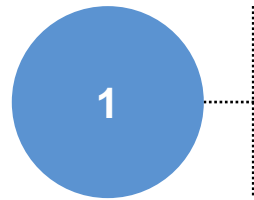
NOV
17

First Reading
City Council Meeting

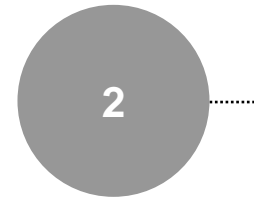
NOV
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Second Reading
City Council Meeting

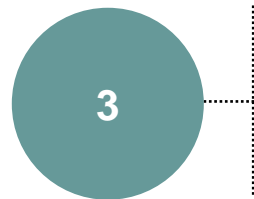
Appendix



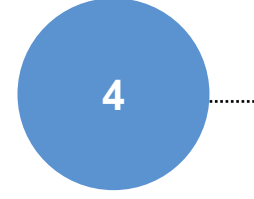
Revenue



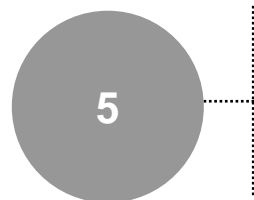
Expenses



Capital



Assessments & Taxes



Ready to Serve Charge



Variable Rates & Other

Revenue

Revenue (\$ in millions)	Current	Proposed	Increase (Decrease)	
	19/20 Budget	21/22 Budget	Budget to Budget	
Operating Revenue				
Residential Water Sales	111.2	126.8	15.6	14.0%
Commercial Water Sales	21.8	23.9	2.1	9.6%
Large Volume Water Sales	4.3	4.7	0.4	9.3%
Parks & Irrigation Water Sales	6.4	7.2	0.8	12.5%
Private Fire Protection Water Sales	5.6	6.8	1.2	21.4%
Wholesale Water Sales	5.6	5.5	-0.1	-1.8%
Pulp Mill Water Sales	13.3	13.9	0.6	4.5%
Other Operating Revenue	8.0	7.9	-0.1	-1.3%
Anticipated Rate Increase	6.4	5.7	-0.7	-10.9%
Operating Reserve Appropriation	17.0	21.0	4.0	23.5%
Total Operating Revenue	\$199.6	\$223.4	\$23.8	11.9%
Non-Operating Revenue				
Interest and Other	1.1	1.8	0.7	63.6%
Transfers in from Capital Reserve Fund	22.0	41.7	19.7	89.5%
Transfers in from SDC Fund	0.0	6.8	6.8	100.0%
BABs Subsidy	5.5	5.6	0.1	1.8%
Total Non-Operating Revenue	\$28.6	\$55.9	\$27.3	95.5%
Total Revenue & Available Funds	\$228.2	\$279.3	\$51.1	22.4%

Expenses

Expenses (\$ in millions)	Current	Proposed	Increase (Decrease)	
	19/20 Budget	21/22 Budget	Budget to Budget	
Expenditures				
Personnel Costs	57.9	61.6	3.7	6.4%
Supplies/Other	34.0	35.2	1.2	3.5%
Assessments	23.2	25.2	2.0	8.6%
Capital Outlay	35.1	79.3	44.2	125.9%
Debt Service	53.2	50.6	-2.6	-4.9%
Taxes	24.9	27.4	2.5	10.0%
Total Expenditures	\$228.3	\$279.3	\$51.0	22.3%
Capital Funding				
Transfers in from Capital Reserve Fund	22.0	41.7	19.7	89.6%
Transfers in from SDC Fund	0.0	6.8	6.8	100.0%
Operating Reserve	13.1	30.8	17.7	135.0%
Existing Bonds	26.3	0.0	-26.3	-100.0%
Total Capital Funding	\$61.4	\$79.3	\$17.9	29.2%

Capital

Capital (\$ in millions)	Current	Proposed	Increase (Decrease)	
	19/20 Budget	21/22 Budget	Budget to Budget	
Capital Projects				
AMI	13.1	28.9	15.8	120.5%
Fleet	0.0	5.5	5.5	100.0%
General Plant	3.7	4.4	0.7	19.3%
Water Treatment	4.2	3.3	-0.9	-20.9%
Water Source	8.3	18.6	10.3	123.3%
Water Distribution	32.1	18.6	-13.5	-42.0%
Total Capital Projects	\$61.4	\$79.3	\$17.9	29.2%
Capital Funding Sources				
Transfers in from Capital Reserve Fund	22.0	41.7	19.7	89.5%
Transfers in from SDC Fund	0.0	6.8	6.8	100.0%
Operating Reserve	13.1	30.8	17.7	135.0%
Existing Bonds	26.3	0.0	-26.3	-100.0%
Total Capital Funding Sources	\$61.4	\$79.3	\$17.9	29.2%

Assessments (not final) & Taxes

Assessments (\$ in millions)	Current	Proposed	Increase (Decrease)	
	19/20 Budget	21/22 Budget	Budget to Budget	
GG Assessments				
Information Technology	4.4		-4.4	-100.0%
Human Resources	1.3		-1.3	-100.0%
Legal	0.7		-0.7	-100.0%
Finance	1.6		-1.6	-100.0%
Other	0.4		-0.4	-100.0%
Total GG Assessments	\$8.4	\$0.0	-\$8.4	-100.0%
TPU Assessments				
Customer Services	9.8		-9.8	-100.0%
Public Affairs & Communication	2.4		-2.4	-100.0%
Administration & Support	2.7		-2.7	-100.0%
Total TPU Assessments	\$14.9	\$0.0	-\$14.9	-100.0%
Total Assessments	\$23.3	\$0.0	-\$23.3	-100.0%

Taxes (\$ in millions)	Current	Proposed	Increase (Decrease)	
	19/20 Budget	21/22 Budget	Budget to Budget	
Taxes to the General Fund	14.6	16.2	1.6	10.6%
State Utility Taxes	8.7	9.7	1.0	11.6%
Other Taxes (including Franchise Fees)	1.5	1.5	0.0	0.0%
Total Taxes	\$24.8	\$27.4	\$2.6	10.3%

Rate Schedule: Ready to Serve Charge

Residential, Commercial & Large Volume - Ready to Serve Charge				
Meter Size (Inches)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
5/8	\$25.45	\$25.96	\$30.82	\$31.43
3/4	\$36.70	\$37.43	\$44.32	\$45.19
1	\$59.19	\$60.37	\$71.31	\$72.72
1.5	\$115.41	\$117.72	\$138.77	\$141.54
2	\$182.88	\$186.54	\$219.73	\$224.12
3	\$340.31	\$347.12	\$408.65	\$416.82
4	\$565.21	\$576.52	\$678.53	\$692.10
6	\$1,127.46	\$1,150.02	\$1,353.23	\$1,380.30
8	\$1,802.16	\$1,838.22	\$2,162.87	\$2,206.14
10	\$2,589.31	\$2,641.12	\$3,107.45	\$3,169.62
12	\$3,798.15	\$3,874.15	\$4,558.06	\$4,649.26

Parks & Irrigation - Ready to Serve Charge				
Meter Size (Inches)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
5/8	\$3.68	\$0.00	\$3.68	\$0.00
3/4	\$5.51	\$0.00	\$5.51	\$0.00
1	\$9.19	\$0.00	\$9.19	\$0.00
1.5	\$18.38	\$0.00	\$18.38	\$0.00
2	\$29.40	\$0.00	\$29.40	\$0.00
3	\$55.13	\$0.00	\$55.13	\$0.00
4	\$91.88	\$0.00	\$91.88	\$0.00
6	\$183.75	\$0.00	\$183.75	\$0.00
8	\$294.00	\$0.00	\$294.00	\$0.00
10	\$422.63	\$0.00	\$422.63	\$0.00
12	\$620.16	\$0.00	\$620.16	\$0.00

Fire Protection Service - Ready to Serve Charge					
Meter Size (Inches)	Inside City of Tacoma		Outside City of Tacoma		Maximum Allowable Monthly Water Usage for Testing and Leakage, CCF
	Rate Effective Dates				
	1/1/21	1/1/22	1/1/21	1/1/22	
2	\$29.36	\$29.95	\$35.23	\$35.94	2.99
3	\$42.75	\$43.61	\$51.30	\$52.33	2.99
4	\$71.42	\$72.86	\$85.70	\$87.43	2.99
6	\$160.20	\$163.42	\$192.24	\$196.10	2.99
8	\$285.20	\$290.93	\$342.24	\$349.12	2.99
10	\$446.10	\$455.06	\$535.32	\$546.07	2.99
12	\$713.52	\$727.86	\$856.22	\$873.43	2.99

Wholesale – Ready to Serve Charge		
Range in MGD (million gallons per day)	Rate Effective Dates	
	1/1/21	1/1/22
For each MGD of contracted peak capacity	\$2,597.13	\$2,649.07

Rate Schedule: Variable Rates & Other

Residential Service				
Range in CCF (100 cubic feet)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
For each CCF of water consumption during the winter months of October through and including May	\$2.175	\$2.218	\$2.610	\$2.662
For the first five CCF of water consumption per month during the summer months of June through and including September	\$2.175	\$2.218	\$2.610	\$2.662
For each CCF of water consumption over five CCF during the summer months of June through and including September	\$2.719	\$2.773	\$3.263	\$3.328

Commercial and Industrial - General Service				
Range in CCF (100 cubic feet)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
For each CCF of water consumption	\$2.344	\$2.391	\$2.813	\$2.869

Commercial and Industrial - Large Volume Service *				
Range in CCF (100 cubic feet)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
For each CCF of water consumption	\$1.823	\$1.859	\$2.188	\$2.231
* Customers may qualify for this rate based on an established consumption history greater than 65,000 CCF annually.				

Parks and Irrigation Service				
Range in CCF (100 cubic feet)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
For each CCF of water consumption	\$4.319	\$4.665	\$5.182	\$5.598

Fire Protection Service				
Range in CCF (100 cubic feet)	Inside City of Tacoma		Outside City of Tacoma	
	Rate Effective Dates			
	1/1/21	1/1/22	1/1/21	1/1/22
For each CCF of water consumption	\$3.960	\$3.960	\$4.752	\$4.752

Pulp Mill		
Billing Components	1/1/21	1/1/22
Distribution Charge per Month	\$86,041.46	\$87,762.29
Supply Charge/CCF	\$0.7966977	\$0.8126317
Daily or Monthly Excess Water Usage Charge (Commercial and Industrial - Large Volume Rate) per CCF	\$1.823	\$1.859

Wholesale Constant Use Customer		
Range in CCF (100 cubic feet)	Rate Effective Dates	
	1/1/21	1/1/22
Per CCF for winter months (October - May)	\$1.341	\$1.368
Per CCF for summer months (June - September)	\$1.677	\$1.710

Wholesale Summer Season, Peaking		
Range in CCF (100 cubic feet)	Rate Effective Dates	
	1/1/21	1/1/22
For each CCF of water consumption	\$2.515	\$2.565

Monthly Hydrant Service Fee		
	Rate Effective Dates	
	1/1/21	1/1/22
Inside City of Tacoma	\$2.96	\$3.02
Outside City of Tacoma	\$3.83	\$3.90

TACOMA PUBLIC UTILITY BOARD

**2021 - 2022 PROPOSED BUDGET
TACOMA WATER**

Wednesday September 9, 2020

Tacoma Water

Recap of Biennial Budget	1
Revenue	2
Division Consolidation	3
Taxes	4
Debt Service	5
Capital Outlay	6-8

Tacoma Water Recapitulation of Biennial Budget	2019-2020 Budget	2021-2022 Proposed Budget	2019-20 to 2021-22 Budget Comparison	
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REVENUE

Operating Revenue

Water Sales	\$ 168,370,780	\$ 188,769,850	\$ 20,399,070	12.1%
Anticipated Additional Revenue	6,363,724	5,704,357	(659,367)	(10.4%)
Other Operating Revenue	7,992,092	7,939,267	(52,825)	(0.7%)
Total Operating Revenue	182,726,596	202,413,474	19,686,878	10.8%

Non-Operating Revenue

Interest	600,000	600,000	0	0.0%
BABS Interest Federal Subsidy	5,540,624	5,594,130	53,506	1.0%
Miscellaneous	465,384	1,157,602	692,218	148.7%
Transfers from other Funds:				
Capital Reserve Fund	22,002,893	41,719,154	19,716,261	89.6%
System Development Charge Fund	-	6,760,852		

Appropriation from Fund Balance	16,956,044	21,045,022	4,088,978	24.1%
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Total Revenue & Available Funds	\$ 228,291,541	\$ 279,290,234	\$ 44,237,841	19.4%
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EXPENDITURES

Personnel Costs	\$ 57,949,725	\$ 61,608,322	\$ 3,658,597	6.3%
Supplies, Other Services & Charges	57,146,959	60,338,143	3,191,184	5.6%
Taxes - Current Revenue Estimate	24,037,673	26,671,744	2,634,071	11.0%
Taxes - Anticipated Additional Revenue	829,129	743,221	(85,908)	(10.4%)
Debt Service	53,216,486	50,597,583	(2,618,903)	(4.9%)
Capital Outlay	35,111,569	79,331,221	44,219,652	125.9%

Total Expenditures	\$ 228,291,541	\$ 279,290,234	\$ 50,998,693	22.3%
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CAPITAL OUTLAY FINANCING DETAIL

Funded from Existing Bonds	\$ 26,254,910	\$ -	\$ (26,254,910)	(100.0%)
Funded from Water Capital Reserve Fund	22,002,895	41,719,154	19,716,259	89.6%
Funded from System Development Charge Fund	-	6,760,852	6,760,852	0.0%
Funded from Operating Fund	13,108,674	30,851,215	17,742,541	135.3%

Total Capital Outlay	\$ 61,366,479	\$ 79,331,221	\$ 17,964,742	29.3%
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PERSONNEL - Budgeted FTE	287.8 / 290.8	300.8 / 300.8
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	2019-2020 Budget	2021-2022 Proposed Budget	2019-20 to 2021-22 Budget Comparison	
Tacoma Water Revenue				

REVENUE SUMMARY

Water Sales	\$ 168,370,780	\$ 188,769,850	\$ 20,399,070	12.1%
Anticipated Additional Revenue	6,363,724	5,704,357	(659,367)	(10.4%)
Other Operating Revenue	7,992,092	7,939,267	(52,825)	(0.7%)
Total Operating Revenue	182,726,596	202,413,474	19,686,878	10.8%
Non-Operating Revenue	28,608,901	55,831,738	27,222,837	95.2%
Appropriation from Fund Balance	16,956,044	21,045,022	4,088,978	24.1%
Total Revenue & Available Funds	\$ 228,291,541	\$ 279,290,234	\$ 50,998,693	22.3%

REVENUE DETAIL

Water Sales

Residential	\$ 111,573,358	\$ 126,791,008	\$ 15,217,650	13.6%
Paper Mills (WestRock)	13,305,108	13,916,764	611,656	4.6%
Wholesale	5,674,463	5,519,244	(155,219)	(2.7%)
Other Water Sales	37,817,851	42,542,834	4,724,983	12.5%
	168,370,780	188,769,850	20,399,070	12.1%
Anticipated Additional Revenue	6,363,724	5,704,357	(659,367)	(10.4%)
Total Water Sales	174,734,504	194,474,207	20,399,070	11.7%
Cascade Water Alliance	5,036,541	4,766,667	(269,874)	(5.4%)
Public Fire Protection	0	0	-	
Miscellaneous Water Revenue	2,955,551	3,172,600	217,049	7.3%
Total Other Operating Revenue	7,992,092	7,939,267	(52,825)	(0.7%)
Total Operating Revenue	182,726,596	202,413,474	19,686,878	10.8%
Other Income				
Interest	600,000	600,000	-	
BABS Interest Federal Subsidy	5,540,624	5,594,130	53,506	1.0%
Miscellaneous	465,384	1,157,602	692,218	148.7%
Transfers from Other Funds:				
Capital Reserve Fund	22,002,893	41,719,154	19,716,261	89.6%
System Development Charge	-	6,760,852	6,760,852	#DIV/0!
Total Non-Operating Revenue	28,608,901	55,831,738	27,222,837	95.2%
Appropriation from Fund Balance	16,956,044	21,045,022	4,088,978	24.1%
Total Revenue & Available Funds	\$ 228,291,541	\$ 279,290,234	\$ 50,998,693	22.3%

Tacoma Water	2019-2020 Budget	2021-2022 Proposed Budget	2019-20 to 2021-22 Budget Comparison	
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SUMMARY - Operation & Maintenance by Section

Water Administration	\$ 59,436,902	\$ -	\$ (59,436,902)	(100.0%)
Water Administration, Strategy & Safety	-	64,223,636	64,223,636	0.0%
Distribution Engineering	6,475,944	-	(6,475,944)	(100.0%)
Distribution Operations	26,275,717	-	(26,275,717)	(100.0%)
Quality	15,530,433	-	(15,530,433)	(100.0%)
Supply	19,345,826	-	(19,345,826)	(100.0%)
Asset & Information Management	8,264,560	-	(8,264,560)	(100.0%)
Finance & Analytics	4,634,104	-	(4,634,104)	(100.0%)
Maintenance & Construction	-	36,991,916	36,991,916	0.0%
Business Services	-	12,667,741	12,667,741	0.0%
Customer & Employee Experience	-	6,800,214	6,800,214	0.0%
Planning & Engineering	-	13,075,759	13,075,759	0.0%
Source Water & Treatment Ops	-	15,602,163	15,602,163	0.0%
Total for Division	\$ 139,963,486	\$ 149,361,430	\$ 9,397,944	6.7%

SUMMARY - Operation & Maintenance by Category

Salaries & Wages	\$ 51,164,691	\$ 55,264,073	\$ 4,099,382	8.0%
Employee Benefits	19,861,443	23,006,510	3,145,067	15.8%
Capital Credit & Labor To/From Others	(13,076,408)	(16,662,261)	(3,585,853)	(27.4%)
Total Personnel Costs	57,949,725	61,608,322	3,658,597	6.3%
Supplies	16,204,628	16,784,861	580,233	3.6%
Services	14,294,791	14,177,641	(117,150)	(0.8%)
Other Charges	3,464,542	4,261,037	796,495	23.0%
Total Assessments	23,182,998	25,114,604	1,931,606	8.3%
Taxes	24,866,802	27,414,965	2,548,163	10.2%
Total Supplies & Other Charges	82,013,761	87,753,108	5,739,347	7.0%
Total for Division	\$ 139,963,486	\$ 149,361,430	\$ 9,397,944	6.7%

Tacoma Water Taxes	2019-2020 Budget	2021-2022 Proposed Budget	2019-20 to 2021-22 Budget Comparison	
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TAX PAYMENTS

City of Tacoma:

Gross Earnings Tax (8.0%)	\$ 14,132,161	\$ 15,735,417	\$ 1,603,256	11.3%
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State of Washington:

Utility & Business Tax	8,380,257	9,426,027	1,045,770	12.5%
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Other*	1,525,255	1,510,300	(14,955)	(1.0%)
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Subtotal	24,037,673	26,671,744	2,634,071	11.0%
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Anticipated Additional Revenue**

Gross Earnings Tax (8.0%)	509,098	456,349	(52,749)	(10.4%)
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Utility & Business Tax	320,031	286,872	(33,159)	(10.4%)
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Other*	0	0	0	
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	829,129	743,221	(85,908)	(10.4%)
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Total City and Utility Tax	24,866,802	27,414,965	2,548,163	10.2%
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Federal Taxes (FICA)	3,825,955	4,192,055	366,100	9.6%
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Total Tacoma Water Taxes	\$ 28,692,757	\$ 31,607,020	\$ 5,376,517	18.7%
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Note: State Sales Tax is included in O & M budget line items for materials.

FICA tax is included in O & M budget line items for personnel costs/employee benefits.

*Other includes franchise, administrative and other fees paid to other cities and entities and fire patrol assessments paid to WA State DNR.

**Taxes on anticipated additional revenue due to rate increase.

Tacoma Water Debt Service	2019-2020 Budget	2021-2022 Proposed Budget	2019-20 to 2021-22 Budget Comparison	
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DEBT SERVICE SUMMARY

Interest	\$ 27,890,453	\$ 25,663,759	\$ (2,226,694)	(8.0%)
Principal	25,326,033	24,933,825	(392,208)	(1.5%)

Total Debt Service	\$ 53,216,486	\$ 50,597,583	\$ (2,618,903)	(4.9%)
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DEBT SERVICE DETAIL

BONDS

2005 Bonds	Interest	\$ 500	\$ 500	\$ 0	0.0%
\$5,000 remaining after refund	Principal	0	0	0	0.0%
2009 Build America Bonds	Interest	8,830,661	8,830,661	(0)	(0.0%)
\$76,775,000					
2010 Refunding of 2001 Bonds	Interest	1,853,400	0	(1,853,400)	(100.0%)
\$26,395,000	Principal	8,360,000	0	(8,360,000)	(100.0%)
2010 Build America Bonds	Interest	8,154,705	8,154,705	(0)	(0.0%)
\$74,985,000					
2013 Refunding of 2003 Bonds	Interest	5,948,400	5,948,400	0	0.0%
\$74,355,000	Principal	0	0	0	0.0%
2015 Refunding Bonds	Interest	1,158,000	825,230	(332,770)	(28.7%)
\$18,430,000	Principal	3,110,000	3,439,583	329,583	10.6%
2020 Bank Loan Refunding of 2010	Interest	0	295,000	295,000	0.0%
\$17,466,514	Principal	0	9,078,785	9,078,785	0.0%

LOANS

Public Works Trust Fund Loans	Interest	186,629	120,344	(66,285)	(35.5%)
	Principal	5,393,542	4,167,701	(1,225,841)	(22.7%)
State Drinking Water Fund Loans	Interest	1,758,158	1,488,919	(269,239)	(15.3%)
	Principal	8,462,492	8,247,756	(214,736)	(2.5%)

Total Debt Service	\$ 53,216,486	\$ 50,597,583	\$ (2,618,903)	(4.9%)
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Tacoma Water Capital Outlay	2019-2020 Budget	2021-2022 Proposed Budget
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SUMMARY

General Plant	\$ 16,795,574	\$ 38,867,535
Water Source	8,329,371	18,557,947
Water Treatment	4,173,620	3,296,359
Water Distribution	32,067,914	18,609,380

Sub-Total	\$ 61,366,479	\$ 79,331,221
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Projects Funded from Existing Bonds	(26,254,910)	-
Projects Funded from Water Operating Reserve Fund	(13,108,674)	(30,851,215)
Projects Funded from Water Capital Reserve Fund	(22,002,895)	(41,719,154)
Projects Funded from System Development Charge Fund	-	(6,760,852)

Total Operating & Reserve Fund Capital Outlay	\$ (35,111,569)	\$ (79,331,221)
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General Plant

UTS and Customer Service Projects	\$ 2,506,266	\$ 1,953,208
Advanced Meter Infrastructure (AMI)	13,108,675	23,762,856
Non-Program AMI Costs	-	5,176,800
Land Purchases and Contingency	500,000	1,374,000
Unanticipated Capital Project Contingency	680,633	1,200,000
Fleet Additions and Replacements	-	5,400,671

General Plant Total	\$ 16,795,574	\$ 38,867,535
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Water Source

Cathodic Protection	\$ 500,000	\$ 350,000
Well Renewal and Replacement	400,000	-
Supply Tools	50,000	-
Supply System Improvements	702,825	-
Hood Street Reservoir Seismic Improvements	1,047,600	3,056,700
Water Operations Building Renovations and Seismic Improvements	4,129,800	4,429,395
Replace PL1 at Puyallup River	200,000	-
Seismic Improvement to Steel Reservoirs	304,146	-
Addition of Isolation Valve at Indian Hill Reservoir	100,000	-
Well 12A Pipe Supports	100,000	-
Add Seismic Valves to Alaska Street Reservoir	195,000	-
McMillin PS#1 and McMillin Gate House Genset Replacement	200,000	-
Re-Architecture of SCADA Network for connection to TPU Ops LAN	400,000	-
South Tacoma Pump Station and Hood Street Facilities Improvements	-	1,540,000
Groundwater Prioritization	-	2,770,000
Pipeline 1 Pressurization	-	750,000
Tacoma Water SCADA Modernization	-	275,000
Tehlaeh 950 Reservoir and 1010 Pump Station	-	5,386,852

Source Total	\$ 8,329,371	\$ 18,557,947
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Tacoma Water Capital Outlay	2019-2020 Budget	2021-2022 Proposed Budget
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Water Treatment

Built Forestland Assets	\$ 75,000	\$ 50,000
Palmer Area Improvements	50,000	385,000
Muckleshoot Agreement	500,000	500,000
Corrosion Control GPL Wells	2,000,000	1,090,000
Portable Sample Stations	-	5,000
Dedicated Distribution System Sample Stations	48,000	32,000
MIT Kapowsin Remediation	594,902	457,433
Water Treatment Tools and Equipment	200,000	-
1st Diversion:		
North Fork Wells PFC Capacitors	-	51,448
North Fork Wells Renewal and Replacement	299,746	225,463
North Fork Wells Control Valves	53,052	23,873
North Fork 7 Motor	15,916	-
HCP Culvert Replacement	24,444	-
Watershed Tools and Equipment	43,452	43,450
Watershed Betterments	86,905	86,900
Major Treatment Equipment	123,839	141,864
Security Gates and Cameras	58,364	58,370
Fleet Additions and Replacements	-	145,558
Water Treatment Total	\$ 4,173,620	\$ 3,296,359

Tacoma Water Capital Outlay	2019-2020 Budget	2021-2022 Proposed Budget
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Water Distribution

FRP: Franchise Required Projects	\$ 200,000	\$ 350,000
MRP: Proposition 3/Proposition A Projects	200,000	200,000
MRP: Projects of Opportunity	-	7,866,243
WDP: Water Division Projects	1,867,250	200,000
MRP: Main Replacement Projects	9,333,398	-
MRP: Galvanized Main Replacement Projects	2,307,596	-
MRP: Sound Transit Light Rail Ext MLK	3,297,204	-
MRP: Curran Road Improvements	2,196,414	-
Main Retirements	100,000	50,000
LID/Contract Contributions	200,000	-
Lead Gooseneck Replacement Program	5,527,052	400,000
Hydrant Installation and Replacements	460,000	460,000
Service Renewal and Replacements	4,685,000	4,674,051
Valve Installation and Replacements	655,000	655,000
Capital Meters	650,000	260,000
Blowoff Installation and Replacements	335,000	335,000
Water Bottle Refill Stations	54,000	28,867
Portable Test Meter	-	10,000
MRP: Modern Driven Projects	-	381,533
Curran Road Acquisition	-	2,708,686
Large Meter Test Bench	-	30,000
Water Distribution Total	\$ 32,067,914	\$ 18,609,380

Total Capital Outlay	\$ 61,366,479	\$ 79,331,221
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NOTES

RWSS Capital*	RWSS Tacoma Share	Total RWSS Project Cost
North Fork Wells PFC Capacitors	18,973	45,532
North Fork Wells Renewal and Replacement	83,147	199,538
North Fork Wells Control Valves	8,804	21,128
Watershed Tools and Equipment	23,564	56,550
Watershed Betterments	47,129	113,100
Major Treatment Equipment	76,938	184,636
Security Gates and Cameras	29,848	71,630
Fleet Additions and Replacements	78,941	189,443
HH Additional Water Storage Project	16,668	40,000
	384,012	921,557

*Tacoma Share of RWSS to be paid by Capital Reserve Fund