



20 Tacoma Water 23 Annual Financial Report

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023
PREPARED BY THE FINANCE DEPARTMENT

TACOMA WATER
TACOMA PUBLIC UTILITIES

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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 and for the years ended December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows 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, 2023 and 2022, 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 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, 2023 and 2022, 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 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 29, 2024, on our consideration of 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 29, 2024

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, 2023, 2022 and 2021. 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, 2023 and 2022, 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 \$30.9 million or 4.6% in 2023 compared to an increase of \$23.1 million or 3.5% in 2022, as restated.
- Operating revenues increased by \$8.5 million or 7.4% in 2023. Operating revenues increased \$3.9 million or 3.5% in 2022.
- Utility Plant in Service increased \$23.6 million or 2.5% in 2023 and \$24.2 million or 2.7% in 2022, as restated.
- Construction work in progress increased \$12.2 million or 75.5% in 2023 compared to a decrease of \$4.4 million or 21.3% in 2022.

Overview of the Financial Statements

Tacoma Water reported net operating income of \$17.1, \$25.9, and \$21.4 million respectively in 2023, 2022, as restated, and 2021, as restated. In 2023, operating revenues increased by \$8.5 million and operating expenses increased by \$17.3 million. For 2022, operating revenues increased by \$3.9 million and operating expenses decreased by \$601,000, as restated.

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

Operating Results

(In thousands)

Category	2023	2022 (As Restated)	2021 (As Restated)	23/22	22/21
				Increase (Decrease)	Increase (Decrease)
Operating Revenues	\$ 123,695	\$ 115,218	\$ 111,366	\$ 8,477	\$ 3,852
Operating Expenses	106,599	89,327	89,928	17,272	(601)
Net Operating Income	17,096	25,891	21,438	(8,795)	4,453
Net Non-Operating Expenses	(3,058)	(20,603)	(15,833)	17,545	(4,770)
Capital Grants and Contributions	22,715	20,742	15,398	1,973	5,344
Federal BAB Subsidies	3,622	3,622	3,630	-	(8)
Transfers	(9,458)	(6,586)	(8,103)	(2,872)	1,517
Change in Net Position	\$ 30,917	\$ 23,066	\$ 16,530	\$ 7,851	\$ 6,536

Gallons Billed

(In millions)

Type of Customer	2023	2022	2021	23/22	22/21
				Increase (Decrease)	Increase (Decrease)
Residential	9,131	8,568	9,353	563	(785)
Commercial & Industrial	7,976	8,950	9,266	(974)	(316)
Wholesale	753	696	922	57	(226)
Total	17,860	18,214	19,541	(354)	(1,327)

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	2022		2021	23/22	22/21
	2023	(As Restated)	(As Restated)	Increase (Decrease)	Increase (Decrease)
Net Utility & Non-Utility Plant	\$ 957,033	\$ 933,447	\$ 909,208	\$ 23,586	\$ 24,239
Current & Other Assets	204,844	227,346	231,587	(22,502)	(4,241)
Total Assets	1,161,877	1,160,793	1,140,795	1,084	19,998
Deferred Outflows	18,622	10,016	10,670	8,606	(654)
Total Assets & Deferred Outflows	<u>\$ 1,180,499</u>	<u>\$ 1,170,809</u>	<u>\$ 1,151,465</u>	<u>\$ 9,690</u>	<u>\$ 19,344</u>
Net Position:					
Net Investment in Capital Assets	\$ 590,082	\$ 551,663	\$ 512,097	\$ 38,419	\$ 39,566
Restricted for:					
Water Capital and Sys Dev Chg	45,413	56,719	73,158	(11,306)	(16,439)
Debt Service Funds	314	2,057	2,339	(1,743)	(282)
Net Pension Asset	-	14,153	-	(14,153)	14,153
Unrestricted	71,012	51,312	65,001	19,700	(13,689)
Total Net Position	<u>706,821</u>	<u>675,904</u>	<u>652,595</u>	<u>30,917</u>	<u>23,309</u>
Long-Term Debt	367,597	383,331	398,389	(15,734)	(15,058)
Current & Other LT Liabilities	69,075	59,479	63,244	9,596	(3,765)
Total Liabilities	436,672	442,810	461,633	(6,138)	(18,823)
Deferred Inflows	37,006	52,095	37,237	(15,089)	14,858
Total Net Position, Liabilities & Deferred Inflows	<u>\$ 1,180,499</u>	<u>\$ 1,170,809</u>	<u>\$ 1,151,465</u>	<u>\$ 9,690</u>	<u>\$ 19,344</u>

Revenues

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 Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for operating and maintenance related expenses.

Tacoma Water's operating revenues were \$115.2 million in 2022, an increase of \$3.9 million or 3.5% compared to 2021. Sales of water increased in 2022 by a net of \$2.2 million of which \$10.7 million is due to an average service rate increase and \$8.5 million decrease is due to consumption. There was an average rate increase of 2.0% effective January 1, 2022. In addition, other operating revenues increased by \$989,000 and there was an increase in contract resource obligations revenues of \$674,000 from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for operating and maintenance related expenses.

The following table highlights water sales by type of customer for 2023, 2022 and 2021.

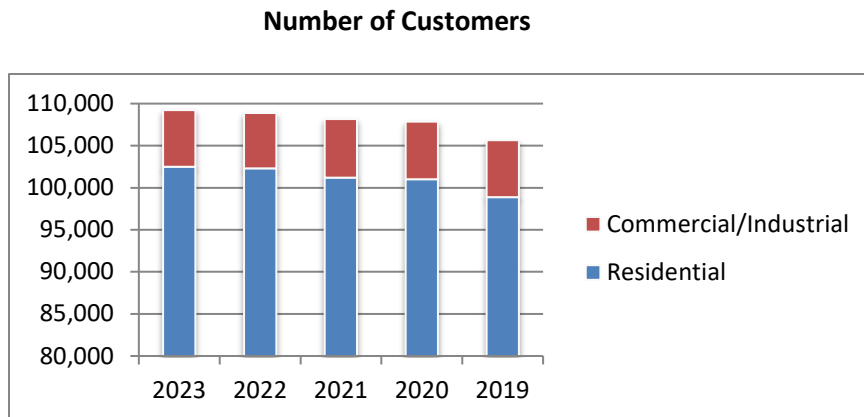
Type of Customer	Water Sales (In thousands)			23/22	22/21
	2023	2022	2021	Increase (Decrease)	Increase (Decrease)
Residential & Domestic	\$ 74,069	\$ 69,127	\$ 67,702	\$ 4,942	\$ 1,425
Commercial & Industrial	23,572	21,919	20,816	1,653	1,103
Special Rate	7,069	7,344	7,284	(275)	60
Wholesale	2,522	2,434	2,711	88	(277)
Unbilled Revenue	1,558	364	486	1,194	(122)
Total	\$ 108,790	\$ 101,188	\$ 98,999	\$ 7,602	\$ 2,189

Approximately 68.1%, 68.3% and 68.4% of water sales were to residential and domestic customers in 2023, 2022, and 2021, respectively. Commercial and industrial sales were 21.7%, 21.7%, and 21.0% total sales for each year. Special rate sales were 6.5%, 7.3%, and 7.4% of sales respectively.

Customers

Over the last five years, the overall number of customers has remained relatively stable. In 2023, 93.8% of all customers were residential compared to 94.0% in 2022 and 93.6% in 2021. Commercial and industrial customers were 6.2% in 2023 and at 6.0% in 2022 and 6.4% in 2021.

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

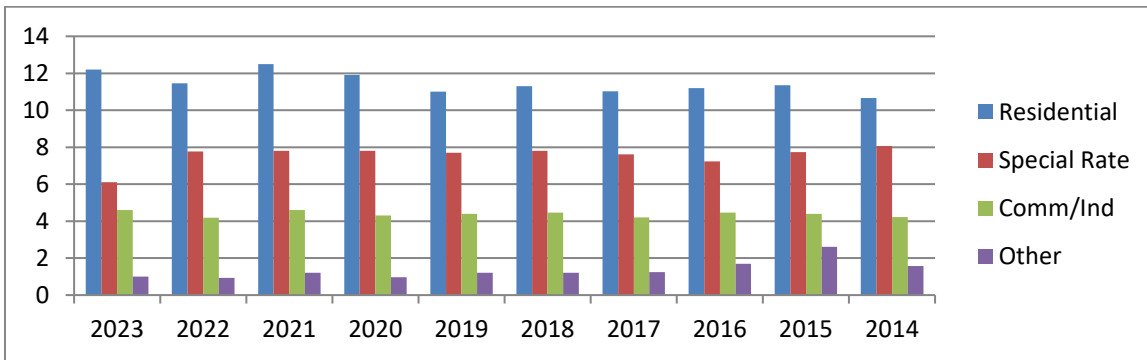


Water Users

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 2023, 2022, and 2021 residential customers used 12.2 million CCF or 51.1%, 11.5 million CCF or 47.1% and 12.5 million CCF or 47.8% of total consumption, respectively. Special Rate customers used approximately 6.1 million CCF or 25.5%, 7.8 million CCF or 31.9% and 7.8 million CCF or 29.7%, respectively. Commercial and industrial customers used 4.6 million CCF or 19.2%, 4.2 million CCF or 17.2% and 4.6 million CCF or 17.8%, respectively. The remaining 1.0 million CCF or 4.2%, 931,000 CCF or 3.8% and 1.2 million CCF or 4.7%, respectively was consumed by other customers.

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

Annual Water Usage
(In millions of CCF)



Expenses

2023 Compared to 2022

In 2023, operating expenses increased \$17.3 million or 19.3%, compared to a decrease of \$601,000 or 0.7% in 2022, as restated.

The increases are mainly \$7.1 million increase for annual pension adjustment. Personnel expenses increased \$2.8 million due to classification and compensation adjustment for non-represented employees that took effect January 02, 2023, and 12 additional filled positions 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.

2022 Compared to 2021

In 2022, operating expenses decreased \$601,000 or 0.7%, as restated, compared to an increase of \$6.7 million or 8.0% in 2021, as restated.

The decreases are mainly \$3.5 million decrease in bad debt expense due to lower aging accounts receivable and \$4.2 million decrease for annual pension adjustment. These decreases are off-set with the increases of \$2.3 million in labor costs due to general wage increases as well as additional filled positions, and \$3.5 million increase due to price increases, inflation, and supply chain issues. Taxes increased by \$718,000 due to University Place franchise administrative rate increase from 3% to 6% in 2022. Depreciation increased by \$673,000 due to a net increase in depreciable assets of \$12.7 million in 2021, as restated.

The following table highlights Tacoma Water’s operating expenses for 2023 – 2021.

Operating Expenses
(In thousands)

Category	2023	2022 (As Restated)	2021 (As Restated)	23/22 Increase (Decrease)	22/21 Increase (Decrease)
Operations Expense					
Power Pumping Expense	\$ 840	\$ 668	\$ 653	\$ 172	\$ 15
Transmission & Storage Expense	5,185	3,669	3,953	1,516	(284)
Distribution Expense	21,624	15,747	16,324	5,877	(577)
Total Operations Expense	27,649	20,084	20,930	7,565	(846)
Production Expense					
Source of Supply	4,087	2,763	3,355	1,324	(592)
Water Treatment	13,255	10,641	9,914	2,614	727
Total Production Expense	17,342	13,404	13,269	3,938	135
Administrative and General					
Customer Accounting & Service	6,455	5,886	5,438	569	448
Other Administrative & General	18,422	14,722	16,693	3,700	(1,971)
Total Administrative and General	24,877	20,608	22,131	4,269	(1,523)
Depreciation	29,188	28,400	27,728	788	672
Lease Amortization	392	257	14	135	243
Taxes	7,151	6,574	5,856	577	718
Total Operating Expenses	\$ 106,599	\$ 89,327	\$ 89,928	\$ 17,272	\$ (601)

Non-Operating Revenues (Expenses)

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 \$0.3 million expenses to assist overdue utility accounts receivable in 2023 compared to \$1.8 million in 2022. The Division received \$0.3 million in pass-through federal funding from Neighborhood and Community Services (NCS) as part of the Corona virus state fiscal recovery fund federal appropriation program. The funding was applied to overdue utility accounts receivable for customers impacted by COVID-19.

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

In 2022, Interest income decreased \$1.5 million in 2022 primarily due to significant decrease in fair value of investments by \$2.2 million and lower interest rates brought down investment earnings by \$220,000. The City bought securities at a discount in 2022 compared to buying securities at a premium in 2021 and this partly offset decrease in income by \$910,000.

Other revenues/(expenses) decreased by \$1.6 million in 2022, primarily due to \$1.8 million expenses to assist overdue utility accounts receivable. The Division received \$1.8 million federal funds as pass-through federal funds from Neighborhood and Community Services (NCS) as part of Emergency Rental Assistance, Tenant Utility Assistance, and the Corona virus state fiscal recovery fund federal appropriation programs. The funding was applied to overdue utility accounts receivable for customers impacted by COVID-19.

Gain on Sale/Disposal of Capital Assets decreased by \$1.9 million because of the sale of land to the Puyallup School District in 2021.

Capital Grants and Contribution

In 2023, Capital Grants increased by \$898,000 representing 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 received in aid of construction increased \$3.0 million including \$2.4 million from private contracts and \$590,000 from 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.

In 2022, Capital Grants increased by \$778,000 representing the federal grant from the Department of Interior – Bureau of Reclamation for WaterSMART project (Sustain and Manage America’s Resources for Tomorrow).

Transfers

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.

In 2022, Transfers from/(to) Other Funds increased by \$1.9 million mainly due to the federal funds from NCS as discussed in the Non-operating Revenues (Expenses) section.

Capital Assets

Tacoma Water invests 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 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 main were added or replaced, 3.99 miles of water main were retired and construction was completed on 21 private contracts resulting in 8.08 net miles.

The Division implemented GASB Statement No. 96, *Subscription-based information technology agreement (SBITA)*, effective January 1, 2022. The implementation of GASB 96 required the recognition of a right to use of another entity’s information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a specific period in an exchange or exchange-like transactions. Further information can be found in Note 5 and Note 6. The Division restated the 2022 financials for the adoption of GASB Statement No. 96. Additions to right to use lease and subscription assets were \$417,000 in 2023 which were subscription additions.

At the end of 2022, Tacoma Water had \$933.0 million in net utility plant, as restated, an increase of \$24.2 million compared to 2021.

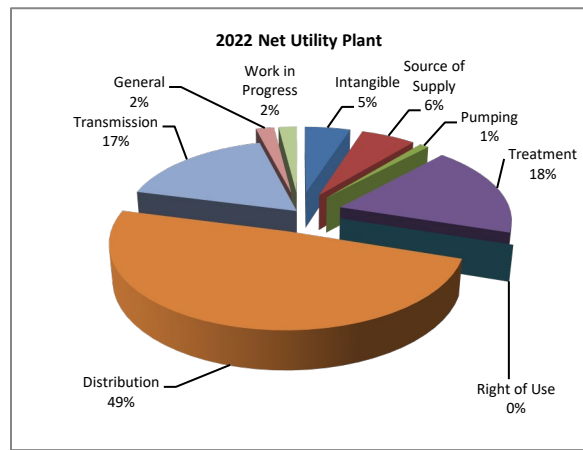
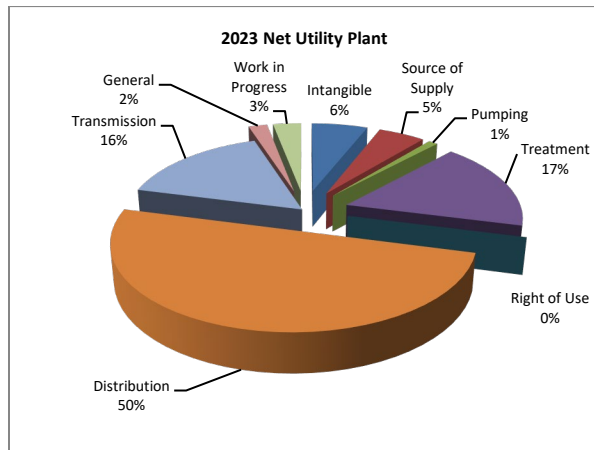
Plant in Service increased \$51.1 million compared to 2021. This increase is primarily due to the increase of \$18.9 million in cast iron mains, \$3.4 million in services, pipes and accessories, \$139,000 in meters, \$18.1 million in AMI, \$1.7 million in hydrants, and \$6.2 million in miscellaneous intangible assets. Intangible assets additions mainly included advanced meter modules and software, workforce management software, and easements. Also in 2022, 15.77 miles of water main were added or replaced, 2.94 miles of water main were retired and construction was completed on 31 private contracts resulting in 12.83 net miles.

The following table summarizes Tacoma Water’s capital assets, net of accumulated depreciation, for 2023 – 2021.

Capital Assets, Net of Accumulated Depreciation
(In thousands)

		2022	2021	23/22	22/21
	2023	(As Restated)	(As Restated)	Increase	Increase
Net Utility Plant				(Decrease)	(Decrease)
Intangible Plant	\$ 56,109	\$ 51,114	\$ 45,495	\$ 4,995	\$ 5,619
Right to Use Lease and Subscription Assets	725	699	39	26	660
Source of Supply Plant	49,573	51,185	52,878	(1,612)	(1,693)
Pumping Plant	7,865	7,665	5,216	200	2,449
Water Treatment Plant	157,728	166,385	175,000	(8,657)	(8,615)
Transmission Plant	154,626	158,485	161,850	(3,859)	(3,365)
Distribution Plant	481,729	460,422	430,184	21,307	30,238
General Plant	19,913	20,886	17,583	(973)	3,303
Construction Work In Progress	28,271	16,113	20,470	12,158	(4,357)
Total	\$ 956,540	\$ 932,954	\$ 908,715	\$ 23,586	\$ 24,239

The following graphs provide a visual presentation of the allocation of Tacoma Water’s capital investments in 2023 and 2022.



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

Debt Administration

At December 31, 2023 Tacoma Water had outstanding revenue bond obligations of \$329.3 million (inclusive of unamortized bond premiums), a decrease of \$9.3 million compared to 2022. As of year-end 2022, the Utility had outstanding revenue bond obligations of \$338.6 million (inclusive of unamortized bond premiums), a decrease of \$9.7 million compared to 2021.

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

Tacoma Water is required by bond covenants to maintain a debt service coverage ratio of 1.25 for principal and interest. Debt service coverage ratios (excluding RWSS) were 3.32, 2.74, and 2.74 in 2023, 2022 (as restated) and 2021, respectively.

At the end of 2023, Tacoma Water had an outstanding State loans balance of \$53.1 million compared to \$58.7 million in 2022 and \$64.8 million in 2021.

Additional information on Tacoma Water’s long-term debt can be found in Note 7 of the financial statements and in the supplementary statistical data.

Economic Factors Affecting Next Year

On January 1, 2024, rate increases for drinking water customers increased by an already approved 4% system average as well as an additional 5% increase related to the closure and unprecedented loss of revenue from the Tacoma WestRock mill. These rate increases are projected to provide about \$12.5 million in operating revenues in 2024 potentially leaving a gap of about \$2.9 million that will be made up through the use of existing operating reserves.

Also in January, S&P affirmed the strong AA+ credit rating for Tacoma Water's water system revenue bonds and regional supply system bonds and Moody's upgraded the bonds to Aa1. The rating agencies cited an excellent rate-setting record with rate increases to maintain strong financial metrics, as well as equitable and affordable customer rates. Tacoma Water's rates are some of the lowest in the region and, as part of the WestRock rate increase, the utility provided enhanced residential assistance to offset the rate increase for qualifying customers. Tacoma Water has a broad and diverse customer base that is larger than the city and augmented by a regional second water supply, with ample capacity and high-quality, long-lived supply.

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

ASSETS AND DEFERRED OUTFLOWS	DECEMBER 31,	
	2023	2022 (As Restated)
UTILITY PLANT		
In Service, at Original Cost	\$1,306,923,190	\$1,272,776,387
Less - Accumulated Depreciation	(379,379,448)	(356,634,343)
Total	927,543,742	916,142,044
Right to Use Lease and Subscription Assets	1,450,336	1,032,960
Less - Accumulated Amortization	(725,389)	(333,830)
Total	724,947	699,130
Construction Work In Progress	28,271,325	16,113,019
Net Utility Plant	956,540,014	932,954,193
NON-UTILITY PROPERTY	492,963	492,963
SPECIAL FUNDS		
Debt Service Funds	1,863,040	3,646,592
Bond Reserve Funds	21,702,601	21,687,280
System Development Charge Fund	65,005,436	80,044,101
Other Cash & Equity in Pooled Investments	23,981,480	20,419,709
Total Special Funds	112,552,557	125,797,682
CURRENT ASSETS		
Operating Funds Cash and Equity in Pooled Investments	60,493,187	60,997,546
Grant Receivable	1,890,057	348,108
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$1,772,148 in 2023 and \$2,064,440 in 2022)	6,821,774	6,360,358
BABs Interest Subsidies Receivable	2,112,742	2,112,742
Accrued Unbilled Revenues	8,329,250	6,771,474
Materials and Supplies	5,860,855	5,289,260
Prepayments	3,090,257	2,231,806
Total Current Assets	88,598,122	84,111,294
OTHER ASSETS		
Regulatory Asset-Surcharges	3,693,630	3,284,200
Net Pension Asset	-	14,152,644
Total Other Assets	3,693,630	17,436,844
TOTAL ASSETS	1,161,877,286	1,160,792,976
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Losses on Refunding Bonds	249,612	427,204
Deferred Outflows for Pensions	17,038,690	7,782,163
Deferred Outflows for OPEB	1,333,332	1,806,572
Total Deferred Outflows of Resources	18,621,634	10,015,939
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$1,180,498,920	\$1,170,808,915

The accompanying notes are an integral part of these financial statements

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	DECEMBER 31,	
	2023	2022 (As Restated)
NET POSITION		
Net Investment in Capital Assets	\$590,081,714	\$551,663,311
Restricted for:		
Water Capital and System Development Charge	45,413,524	56,719,126
Debt Service Funds	313,679	2,056,732
Net Pension Asset	-	14,152,644
Unrestricted	71,012,074	51,311,959
Total Net Position	706,820,991	675,903,772
LONG-TERM DEBT		
Revenue Bonds	320,074,943	330,212,955
Public Works Trust Fund Loans	6,813,545	8,338,921
Drinking Water State Revolving Fund Loan	40,708,480	44,778,674
Total Long-Term Debt	367,596,968	383,330,550
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	14,825,570	14,014,913
Current Maturities of Long-Term Liabilities	938,292	160,291
Accrued Taxes	2,072,761	2,238,982
Accrued Expenses and Contracts Payable	4,742,311	5,220,571
Salaries, Wages and Fringe Benefits Payable	1,425,491	1,480,771
Interest Payable	1,549,361	1,589,860
Customers' Deposits	337,269	233,226
Current OPEB Liability	118,965	238,191
Current Lease and Subscription Liability	340,952	245,324
Total Current Liabilities	26,350,972	25,422,129
LONG-TERM LIABILITIES		
Muckleshoot Agreements	4,981,614	5,919,906
Customer Advances for Construction	8,332,504	12,093,103
Unearned Revenue	6,813,723	6,037,349
Long-Term Accrued Compensated Absences	3,302,639	3,196,288
Net Pension Liability	13,200,837	-
Net OPEB Liability	4,145,257	5,112,460
Long Term Lease and Subscription Liability	220,080	227,344
Other Long-Term Liabilities	1,726,970	1,470,678
Total Long-Term Liabilities	42,723,624	34,057,128
TOTAL LIABILITIES	436,671,564	442,809,807
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	35,575,447	35,575,447
Deferred Inflows for Pensions	312,516	16,189,221
Deferred Inflows for OPEB	1,118,402	330,668
Total Deferred Inflows of Resources	37,006,365	52,095,336
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$1,180,498,920	\$1,170,808,915

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Department of Public Utilities
Tacoma Water

Statements of Revenues, Expenses and Changes in Net Position

	2023	2022 (As Restated)
OPERATING REVENUES		
Sale of Water	\$108,790,163	\$101,188,399
Other Operating Revenues	8,258,324	8,201,778
Contract Resource Obligation Revenues	6,646,303	5,827,521
Total Operating Revenues	123,694,790	115,217,698
 OPERATING EXPENSES		
Operations	27,649,652	20,083,968
Production	17,341,954	13,403,935
Administrative and General	24,876,758	20,607,517
Depreciation and Amortization	29,579,169	28,657,162
Taxes	7,151,456	6,574,082
Total Operating Expenses	106,598,989	89,326,664
 Net Operating Income	17,095,801	25,891,034
 NON-OPERATING REVENUES (EXPENSES)		
Interest Income	5,478,172	2,571,289
Unrealized Net Gain(Loss) on Fair Value Investment	3,506,674	(5,259,007)
Operating Grants	204,133	16,500
Others	553,365	(1,265,722)
Gain on Sale/Disposal of Capital Asset	3,892,402	230,072
Interest on Long-Term Debt	(17,422,549)	(17,752,684)
Amortization of Premium and Loss on Refunding	730,420	856,425
Total Non-Operating Expenses	(3,057,383)	(20,603,127)
 Net Income Before Capital Contributions and Transfers	14,038,418	5,287,907
 Capital Grants and Contributions		
Cash	11,715,340	8,671,125
Capital Grants	2,154,460	1,256,942
Donated Capital Assets	8,845,403	10,813,613
Federal BAB Subsidies	3,621,843	3,621,843
Transfers		
City of Tacoma Gross Earnings Tax	(9,789,224)	(8,728,920)
Transfer from/(to) Other Funds	330,979	2,142,998
 CHANGE IN NET POSITION	30,917,219	23,065,508
 NET POSITION - BEGINNING OF YEAR	675,903,772	652,838,264
 TOTAL NET POSITION - END OF YEAR	\$706,820,991	\$675,903,772

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,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from Customers	\$121,718,319	\$117,111,128
Cash Paid to Suppliers	(31,817,593)	(24,113,051)
Cash Paid to Employees	(37,164,062)	(34,011,352)
Taxes Paid	(7,317,677)	(6,177,117)
Cash from /(to) Other Net Non-Op Revenues (Expenses)	573,503	(1,187,217)
NET CASH FROM OPERATING ACTIVITIES	45,992,490	51,622,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	330,979	2,142,998
Operating Grant	204,133	16,500
Transfer Out for Gross Earnings Tax	(9,789,224)	(8,728,920)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(9,254,112)	(6,569,422)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Expenditures, net	(44,355,109)	(41,178,122)
Principal and Interest Payments for Subscriptions and Leases	(336,922)	(242,627)
Proceeds from Sale of Capital Assets	3,996,150	179,150
Principal Payments on Long-term (LT) Debt	(14,014,913)	(14,745,235)
Principal Payments on Muckleshoot LT Liability	(160,291)	(164,299)
Interest Paid on LT Debt	(17,475,276)	(17,806,804)
BABs Federal Interest Subsidies	3,621,843	1,810,921
Capital Grant	264,403	908,834
Contributions in Aid of Construction (Cash)	11,715,340	8,671,125
System Development Charges & Other LT Liabilities	(2,727,933)	10,513
NET CASH FROM CAPITAL FINANCING ACTIVITIES	(59,472,708)	(62,556,544)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Investments Income (Loss)	8,984,846	(2,687,718)
NET CASH FROM INVESTING ACTIVITIES	8,984,846	(2,687,718)
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	(13,749,484)	(20,191,293)
CASH AND EQUITY IN POOLED INVESTMENTS AT JANUARY 1	186,795,228	206,986,521
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31	\$173,045,744	\$186,795,228

^a 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,	
	2023	2022
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Operating Income	\$17,095,801	\$25,891,034
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities:		
Depreciation and Amortization	29,579,169	28,657,162
Pension (Credits) Expense	2,220,249	(4,868,856)
OPEB (Credits) Expense	174,545	273,894
Other Net Non-Op Revenues (Expenses)	573,503	(1,187,217)
Cash from Changes in Operating Assets and Liabilities:		
Accounts Receivable and Unbilled Revenue	(1,671,084)	1,678,885
Regulatory Asset-Surcharges	(409,430)	167,404
Materials and Supplies	(571,595)	(2,121,704)
Prepayments	(858,451)	636,583
Accrued Taxes	(166,221)	396,965
Salaries, Wages and Fringe Benefits Payable	(55,280)	11,363
Long-Term Accrued Compensated Absences	106,351	253,710
Customers' Deposits	104,043	47,141
Accrued Expenses and Contracts Payable	(129,110)	1,786,027
Total Adjustments	28,896,689	25,731,357
NET CASH FROM OPERATING ACTIVITIES	\$45,992,490	\$51,622,391
Reconciliation of Cash and Equity in Pooled Investments to Balance Sheet:		
Cash and Equity in Pooled Investments in Special Funds	\$112,552,557	\$125,797,682
Cash and Equity in Pooled Investments in Operating Funds	\$60,493,187	\$60,997,546
Cash and Equity in Pooled Investments at December 31	\$173,045,744	\$186,795,228
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated Assets	\$8,845,403	\$10,813,613
Unrealized Net Gain(Loss) on Fair Value Investment	\$3,506,674	(\$5,259,007)

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

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 109,235 customer accounts and had 293 employees as of December 31, 2023. Tacoma Water's service area includes the City of Tacoma and urbanized areas of Pierce and South King Counties. Water service outside the City limits is provided under franchises granted by both Pierce and King Counties and multiple other cities.

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

The Superintendent Office is responsible for all utility operations including Enterprise Safety and Strategy and an Assigned Projects Team. 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. The Assigned Projects Team currently leads the Advanced Meter Project.

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION – The financial statements of the Division are prepared 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 2023, the Division implemented the following new accounting and reporting standard issued by the GASB):

GASB Statement No. 94 – *Public-Private and Public-Public Partnership and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Under this Statement, a transferor is required to recognize the receivables for installment payments to be submitted by the operator and a deferred inflow of resources, while an operator is required to recognize a liability for installment payments to be submitted and a deferred outflow of resources, which taken together enhance the relevance and consistency of information about governments' outsourcing of functions to external operators. The Division did not have any agreements covered by GASB Statement No. 94 in the fiscal year ended December 31, 2023. Therefore, there are no effects on the Division's financial statements upon implementation.

GASB Statement No. 96 – *Subscription-based information technology arrangements (SBITAs)*. The objective of this statement is to better meet the information needs of financial statement users by establishing a definition for SBITAs and prescribing accounting and financial reporting for SBITAs by governments. Prior to the issuance of GASB Statement No. 96, there was no accounting or financial reporting guidance specifically for SBITAs. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right to use subscription asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities. The Division implemented the provisions of GASB Statement No. 96 effective January 1, 2022, and restated financial results for the year ended December 31, 2022, as required by the standard (see Note 3).

GASB Statement No. 99 – *Omnibus 2022*. This statement is to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, nonmonetary transactions, public-private and public-public partnerships and availability payment arrangements, subscription-based information technology arrangements, LIBOR, SNAP and other terminology updates. Specifically, the paragraphs implemented for the fiscal year ended December 31, 2023 address the following topics:

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives (paragraphs 11-17)
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset (paragraphs 18-22)
- Clarification of provisions in Statement No. 96 SBITAs related to terms and definitions: subscription termination, short-term SBITAs, and measurement of subscription liabilities (paragraphs 23-25)

GASB Statement No. 99 paragraphs 11-17, 18-22, and 23-25 were implemented by the Division for the fiscal year ended December 31, 2023. There is no effect on the Division's financial statements as a result of the implementation. Additionally, the Division does not have derivative or hedging instruments as defined by Statement No. 99.

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, 2023 and 2022 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, 2023 and 2022.

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

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

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 charged to expense.

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 2023 or 2022.

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 City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours, and upon termination, employees are entitled to compensation for unused PTO at 100%. Vacation pay and PTO are recorded as a liability and expense in the year earned.

Employees in the original policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value. Sick leave pay is recorded as a liability and an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

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 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 City, 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 City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses an average incremental borrowing rate as the discount rate for leases. 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 City 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, 2023 and 2022.

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 City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses an average incremental borrowing rate 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*.

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 City 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 City’s average incremental borrowing rate. 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 RESTATEMENT

The Division restated the December 31, 2022, financial statements for the adoption of GASB Statement No. 96 – SBITAs as summarized below.

Notes to Financial Statements (continued)

	2022 (As previously reported)	Effect of Restatement related to adoption of GASB No. 96	2022 (As Restated)
Statement of Net Position			
UTILITY PLANT & NON-UTILITY PROPERTY			
Utility Plant & Non-Utility Property, excluding lease and subscription assets	\$ 932,748,026	\$ -	\$ 932,748,026
Right to Use Lease and Subscription Assets	52,613	980,347	1,032,960
Less - Accumulated Amortization	(27,548)	(306,282)	(333,830)
SPECIAL FUNDS, CURRENT & OTHER ASSETS	227,345,820	-	227,345,820
TOTAL ASSETS	1,160,118,911	674,065	1,160,792,976
DEFERRED OUTFLOWS OF RESOURCES	10,015,939	-	10,015,939
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,170,134,850	674,065	1,170,808,915
NET POSITION			
Net Investment in Capital Assets	\$551,436,437	226,874	551,663,311
Restricted for:			
Water Capital and System Development Charge	56,719,126	-	56,719,126
Debt Service Funds	2,056,732	-	2,056,732
Net Pension Asset	14,152,644	-	14,152,644
Unrestricted	51,311,959	-	51,311,959
Total Net Position	675,676,898	226,874	675,903,772
LONG-TERM DEBT	383,330,550	-	383,330,550
CURRENT LIABILITIES			
Current Liabilities, excluding Lease and Subscription Liability	24,938,614	-	24,938,614
Current Leases Liability	14,098	231,226	245,324
LONG-TERM LIABILITIES			
Long-term Liabilities, excluding Lease and Subscription Liability	34,067,975	-	34,067,975
Long-term Lease and Subscription Liability	11,379	215,965	227,344
TOTAL LIABILITIES	442,362,616	447,191	442,809,807
DEFERRED INFLOWS OF RESOURCES	52,095,336	-	52,095,336
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	\$ 1,170,134,850	\$ 674,065	\$ 1,170,808,915

Notes to Financial Statements (continued)

	2022 (As previously reported)	December Year-to-Date Effect of Restatement related to adoption of GASB No. 96	2022 (As Restated)
Statement of Revenues, Expenses, and Changes in Net Position			
OPERATING REVENUES	\$ 115,217,698	\$ -	\$ 115,217,698
OPERATING EXPENSES			
Operating Expenses, excluding Depreciation and Amortization	60,910,791	(241,289)	60,669,502
Depreciation and Amortization	28,414,013	243,149	28,657,162
Net Operating Income	25,892,894	(1,860)	25,891,034
NON-OPERATING REVENUES (EXPENSES)			
Nonoperating expenses, excluding Others	(19,337,405)	-	(19,337,405)
Others	(1,251,072)	(14,650)	(1,265,722)
Net Income Before Capital Contributions and Transfers	5,304,417	(16,510)	5,287,907
Capital Grants and Contributions	20,741,680	-	20,741,680
Federal BAB Subsidies	3,621,843	-	3,621,843
Transfers	(6,585,922)	-	(6,585,922)
CHANGE IN NET POSITION	23,082,018	(16,510)	23,065,508
NET POSITION - BEGINNING OF YEAR	652,594,880	243,384	652,838,264
TOTAL NET POSITION - END OF YEAR	\$ 675,676,898	\$ 226,874	\$ 675,903,772

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 schedule.

Notes to Financial Statements (continued)

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

	As of			
	12/31/2023	Level 1	Level 2	Level 3
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>\$ 1,449,641,972</u>	<u>\$ -</u>	<u>\$ 1,449,641,972</u>	<u>\$ -</u>

	As of			
	12/31/2022	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 683,653,733	\$ -	\$ 683,653,733	\$ -
U.S. Agency Securities	555,411,908	-	555,411,908	-
Supranational Securities	19,561,285	-	19,561,285	-
Municipal Bonds	20,114,217	-	20,114,217	-
Corporate Securities	61,142,820	-	61,142,820	-
	<u>\$ 1,339,883,963</u>	<u>\$ -</u>	<u>\$ 1,339,883,963</u>	<u>\$ -</u>

Tacoma Water's share of the City Investments shown in the table above is 10.96% and 12.81% for 2023 and 2022.

NOTE 5 UTILITY PLANT

A summary of the balances and changes in utility plant for 2023 and 2022 follows:

	Balance			Transfers & Adjustments	Balance
	December 31, 2022 (Restated)	Additions	Retirements		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	<u>1,272,776,387</u>	<u>8,984,675</u>	<u>(4,391,305)</u>	<u>29,553,433</u>	<u>1,306,923,190</u>
Right to Use Lease and Subscription Assets	<u>1,032,960</u>	<u>417,375</u>	<u>-</u>	<u>-</u>	<u>1,450,335</u>
Total Water Plant in Service	<u>1,273,809,347</u>	<u>9,402,050</u>	<u>(4,391,305)</u>	<u>29,553,433</u>	<u>1,308,373,525</u>
Less Accumulated					
Depreciation	(356,634,343)	(29,187,610)	3,987,994	2,454,511	(379,379,448)
Amortization	(333,829)	(391,559)	-	-	(725,388)
	<u>916,841,175</u>	<u>(20,177,119)</u>	<u>(403,311)</u>	<u>32,007,944</u>	<u>928,268,689</u>
Construction Work in Progress	16,113,019	46,051,839	-	(33,893,534)	28,271,325
Net Utility Plant	<u>\$ 932,954,194</u>	<u>\$ 25,874,720</u>	<u>\$ (403,311)</u>	<u>\$ (1,885,590)</u>	<u>\$ 956,540,014</u>

Notes to Financial Statements (continued)

	Balance December 31, 2021 (Restated)	Additions (*)	Retirements	Transfers & Adjustments	Balance December 31, 2022 (Restated)
Intangible Plant	\$ 45,587,916	\$ 546,455	\$ (164,300)	\$ 5,523,576	\$ 51,493,647
Source of Supply Plant	88,134,903	-	(2,894)	378,307	88,510,316
Pumping Plant	10,587,280	-	-	2,720,020	13,307,300
Water Treatment Plant	243,544,396	-	-	40,519	243,584,915
Transmission Facilities	232,702,290	-	-	1,440,451	234,142,741
Distribution Facilities	541,428,778	10,267,158	(2,329,960)	27,659,211	577,025,187
General Plant	59,711,829	-	(1,331,383)	6,331,835	64,712,281
Total	1,221,697,392	10,813,613	(3,828,537)	44,093,919	1,272,776,387
Right to Use Lease and Subscription Assets	52,613	980,347	-	-	1,032,960
Total Water Plant in Service	1,221,750,005	11,793,960	(3,828,537)	44,093,919	1,273,809,347
Less Accumulated					
Depreciation	(333,491,315)	(28,400,190)	3,651,758	1,605,404	(356,634,343)
Amortization	(13,725)	(320,104)	-	-	(333,829)
	888,244,965	(16,926,334)	(176,779)	45,699,323	916,841,175
Construction Work in Progress	20,469,919	42,332,006	-	(46,688,906)	16,113,019
Net Utility Plant	\$ 908,714,884	\$ 25,405,672	\$ (176,779)	\$ (989,583)	\$ 932,954,194

(*) Restated for the impacts of the implementation of GASB Statement No. 96 SBITA

Total Water Plant in Service includes non-depreciable assets of \$64,968,472 for 2023 and \$63,136,826 for 2022.

Right to Use Lease and Subscription Assets

A lease is defined as a contract that conveys control of the right to use of another entity's nonfinancial assets as specified in a contract for a specific period in an exchange or exchange-like transactions. The City is party to a variety of lease contracts as lessee for which this right to use has been recognized as an asset on the statement of net position.

A subscription-based information technology agreement (SBITA) is defined as a contract that conveys control of the right to use of another entity'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. The City is party to a variety of SBITA contracts as a subscriber for which this right to use has been recognized as an asset on the statement of net position. This recognition is effective January 1, 2022, due to the implementation of GASB 96.

A summary of the balance and changes in right to use lease and subscription assets for 2023 and 2022 follows:

	2022 (Restated)	Additions	Retirements	Transfers & Adjustments	2023
Right to Use Lease and Subscriptions Assets					
Buildings	\$ 52,613	\$ -	\$ -	\$ -	\$ 52,613
Subscription	980,347	417,375	-	-	1,397,722
Total Right to Use Lease and Subscription Assets	1,032,960	417,375	-	-	1,450,335
Less: accumulated amortization					
Buildings	(27,548)	(13,823)	-	-	(41,371)
Subscription	(306,281)	(377,736)	-	-	(684,017)
Total accumulated amortization	(333,829)	(391,559)	-	-	(725,388)
Total Lease and Subscription Assets, net of accumulated amortization	\$ 699,131	\$ 25,816	\$ -	\$ -	\$ 724,947

Notes to Financial Statements (continued)

	2021	Additions (*)	Retirements	Transfers & Adjustments	2022 (Restated)
Right to Use Lease and Subscriptions Assets					
Buildings	\$ 52,613	\$ -	\$ -	\$ -	\$ 52,613
Subscription	-	980,347	-	-	980,347
Total Right to Use Lease and Subscription Assets	<u>52,613</u>	<u>980,347</u>	<u>-</u>	<u>-</u>	<u>1,032,960</u>
Less: accumulated amortization					
Buildings	(13,725)	(13,823)	-	-	(27,548)
Subscription	-	(306,281)	-	-	(306,281)
Total accumulated amortization	<u>(13,725)</u>	<u>(320,104)</u>	<u>-</u>	<u>-</u>	<u>(333,829)</u>
Total Lease and Subscription Assets, net of accumulated amortization	<u>\$ 38,888</u>	<u>\$ 660,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,131</u>

(*) Restated for the impacts of the implementation of GASB Statement No. 96 SBITA

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 is 15 years which will end October 31, 2024. Tacoma Water is required to make an annual rent payment of \$14,098 for the duration of the lease.

The City's average incremental borrowing rate of 2.671% and 2.264% as of December 31, 2023 and 2022, respectively are considered as the discounts rates, as the interest rate is not stated in the agreement. There is no new lease in the year ended December 31, 2023.

Lease liability for the year ended December 31, 2023 and 2022 is as follows:

	<u>Lease Liability</u>
Beginning balance, January 1, 2023	\$ (25,477)
Additions	(275)
Reductions	14,098
Ending Balance, December 31, 2023	<u>\$ (11,654)</u>
	<u>Lease Liability</u>
Beginning balance, January 1, 2022	\$ (39,119)
Additions	(456)
Reductions	14,098
Ending Balance, December 31, 2022	<u>\$ (25,477)</u>

Current lease liability as of December 31, 2023 is \$11,654 compared to \$14,098 as of December 31, 2022.

Interest expense on lease activity of \$275 was recorded in 2023 and \$456 in 2022 under Other item of other non-operating revenues (expenses).

Future annual lease liability as of December 31, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 11,654</u>	<u>\$ 77</u>	<u>\$ 11,731</u>

Subscription Liability

The Division has entered into six (6) qualified SBITA agreements as the subscriber for software. All six (6) had payments included in the measurement of the subscription liability with periods covering various ranges and the latest expiring on December 31, 2026. An initial subscription liability was recorded in the amount of \$631,294 as of January 1, 2022. The subscription liability was \$549,378 as of December 31, 2023, compared to \$447,191 as of December 31, 2022.

The City used its average incremental borrowing rate of 2.671% in 2023 and 2.264% in 2022 in calculation of net present value of lease liability.

Subscription Liability for the year ended December 31, 2023 and 2022, is as follows:

	Subscription Liability
Beginning balance, Januray 1, 2023	\$ (447,191)
Additions	(427,177)
Reductions	324,990
Ending balance, December 31, 2023	<u>\$ (549,378)</u>
Beginning balance, Januray 1, 2022	\$ (631,294)
Additions	(44,427)
Reductions	228,530
Ending balance, December 31, 2022	<u>\$ (447,191)</u>

Current subscription liability as of December 31, 2023 was \$329,298 including \$9,800 interest accrual compared to \$231,226 including \$1,891 interest accrual as of December 31, 2022. Interest expense on subscription activity of \$19,862 was recorded in 2023 and \$14,650 in 2022 under Other item of other non-operating revenue (expenses).

Future annual lease liability as of December 31, 2023, is as follows:

	Principal	Interest	Total
2024	\$ 319,498	\$ 13,711	\$ 333,209
2025	97,691	6,212	103,903
2026	122,389	3,309	125,698
<u>Total</u>	<u>\$ 539,578</u>	<u>\$ 23,232</u>	<u>\$ 562,810</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, 2023 and 2022, were as follows:

	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

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Revenue Bonds	\$ 341,652,758	\$ -	\$ (8,618,415)	\$ 333,034,343	\$ 8,419,343
Plus: Unamortized Premium	6,641,625	-	(1,043,670)	5,597,955	-
Net Revenue Bonds	348,294,383	-	(9,662,085)	338,632,298	8,419,343
Public Works Trust Fund Loans	11,920,923	-	(2,056,626)	9,864,297	1,525,376
Drinking Water State Revolving Fund Loans	52,919,062	-	(4,070,194)	48,848,868	4,070,194
Total Long-Term Debt	\$ 413,134,368	\$ -	\$ (15,788,905)	\$ 397,345,463	\$ 14,014,913

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

SENIOR LIEN BONDS

	2023	2022
2005 Water System Revenue and Refunding Bonds, with interest rate of 5.0%, due in 2025. Original Issue: \$46,550,000 Current Portion: \$0	\$ 5,000	\$ 5,000
2009 Water System Revenue Bonds, with interest rate at 5.751%, with Build America Bond (BAB) rebate ranging from 32.45% to 32.62%, due in yearly installments starting in 2033 ranging from \$9,800,000 to \$12,210,000 through 2039. Original Issue: \$76,775,000 Current Portion: \$0	76,775,000	76,775,000

Notes to Financial Statements (continued)

	2023	2022
<p>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.</p> <p>Original Issue: \$74,985,000 Current Portion: \$2,365,000</p>	74,985,000	74,985,000
<p>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)</p> <p>Original Issue: \$3,595,000 Current Portion: \$355,000</p>	355,000	700,000
<p>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)</p> <p>Original Issue: \$44,245,000 Current Portion: \$0</p>	44,245,000	44,245,000
<p>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.</p> <p>Original Issue: \$78,305,000 Current Portion: \$0</p>	74,355,000	74,355,000
<p>2013 Regional Water Supply System Revenue and Refunding Bonds, with interest rates ranging from 4.0% to 5.0%, due in yearly installments ranging from \$1,985,000 to \$6,425,000 through 2032. (See Note 8)</p> <p>Original Issue: \$64,795,000 Current Portion: \$4,575,000</p>	49,935,000	52,045,000
<p>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.</p> <p>Original Issue: \$16,645,000 Current Portion: \$1,935,000</p>	3,960,000	5,805,000
<p>2020 Water System Refunding Bonds with interest of 1.4% due in yearly installments ranging from \$4,119,343 to \$4,548,415 through 2023.</p> <p>Original Issue: \$17,466,514 Current Portion: \$0</p>	-	4,119,343

Notes to Financial Statements (continued)

SENIOR LIEN BONDS CONTINUED

	2023	2022
Subtotal Sr. Lien Debt	\$ 324,615,000	\$ 333,034,343
Unamortized Premium	4,689,943	5,597,955
Less Current Portion of Revenue Bond Debt	(9,230,000)	(8,419,343)
Long-term Portion of Revenue Bond Debt	\$ 320,074,943	\$ 330,212,955

As of December 31, 2023, scheduled principal maturities on the bonds and interest payments are as follows:

Year	Principal	Interest
2024	\$ 9,230,000	\$ 16,469,319
2025	9,655,000	16,021,278
2026	10,350,000	15,544,923
2027	10,785,000	15,031,862
2028	11,235,000	14,472,262
2029-2033	65,815,000	63,457,699
2034-2038	91,620,000	42,676,369
2039-2043	115,925,000	15,516,808
	\$ 324,615,000	\$ 199,190,520

Tacoma Water’s revenue bonds are secured by the net revenue of Tacoma Water and all cash and investments held in the bond funds and construction funds. The bonds are also subject to certain financial and non-financial covenants. The Division was in compliance with all debt covenants at December 31, 2023.

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.

	2023	2022
Public Works Trust Fund Loans		
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	\$ 106,725
2006 Public Works Trust Fund construction loan for the Green River Ozone Treatment Plant, with interest of .5% per annum, due in yearly installments of \$370,588 through 2026.	1,111,765	1,482,353
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.	2,729,349	3,275,219
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.	4,444,444	5,000,000

Notes to Financial Statements (continued)

	2023	2022
Drinking Water State Revolving Fund Loans		
2008 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$215,108 through 2028.	\$ 1,075,542	\$ 1,290,651
2009 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.0% per annum, due in yearly installments of \$367,088 through 2032.	3,303,791	3,670,879
2010 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$303,000 through 2032.	2,727,000	3,030,000
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.	3,350,368	3,654,947
2011 construction loan for the McMillin Reservoir Reconstruction, with interest of 1.5% per annum, due in yearly installments of \$121,524 through 2033.	1,215,236	1,336,760
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.	3,636,000	3,939,000
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.	7,272,000	7,878,000
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.	7,272,000	7,878,000
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.	7,272,000	7,878,000
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.	7,654,737	8,292,631
Subtotal Junior Lien Debt	\$ 53,117,595	\$ 58,713,165
Less Current Portion of Debt	(5,595,570)	(5,595,570)
Long-term Portion of Junior Lien Debt	<u>\$ 47,522,025</u>	<u>\$ 53,117,595</u>

Notes to Financial Statements (continued)

As of December 31, 2023, scheduled principal maturities of junior lien debt and interest payments are as follows:

Year	Principal	Interest
2024	\$ 5,595,570	\$ 658,582
2025	5,542,207	594,927
2026	5,542,207	531,539
2027	5,171,619	468,151
2028	5,171,619	406,616
2029-2033	20,272,005	1,172,391
2034-2035	5,822,368	119,150
	<u>\$ 53,117,595</u>	<u>\$ 3,951,356</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.

NOTE 9 SIGNIFICANT CUSTOMER

Contracted sales to WestRock CP LLC accounted for 6.6% of Tacoma Water's total water sales in 2023 and 7.2% in 2022. There were no outstanding accounts receivables from WestRock at year-end 2023 or 2022.

On August 1, 2023, WestRock CP LLC announced the closure of the Tacoma WestRock Paper Mill. Tacoma will continue to bill WestRock at the approved rates through the contract period, ending July 31, 2024. Continued operations beyond the end of the contract period will be assessed at the large volume rate included in TMC 12.10.400.

NOTE 10 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 2023 and 2022 were \$2,689,583 and \$2,273,442, respectively.

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

NOTE 11 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 \$240,000 in 2023 and 2022. As of December 31, 2023, assets in the Self-Insurance Fund total \$12.6 million which exceeds accrued and incurred but not reported liabilities of \$4.3 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 policy 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 \$200,000 deductible for employee dishonesty and for fraudulent or dishonest act by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.25 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.

Separate from General Government, the Department of Public Utilities maintains Property insurance and Excess Liability insurance. The Property insurance policy has a deductible of \$250,000 per occurrence applies to the buildings and contents. For loss due to earthquake, a limit of \$10.0 million applies with a deductible of 5% of the value of the property that is damaged 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 policy with a limit of \$2.25 million for each wrongful act and a \$2.25 million aggregate. Excess Liability policies provide coverage in excess of the previously noted Wrongful Acts liability policy and include General liability and Automobile liability coverage. These policies have a limit of \$57.5 million each occurrence with a \$57.5 million aggregate in excess of a \$2.5 million retention. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

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

	2023	2022	2021
Balance 01/01	\$ 596,449	\$ 468,793	\$ 188,238
New Claims	458,671	688,993	315,746
Adjustments to Claims	(37,669)	(306,371)	231,090
Claims Payment	(188,181)	(254,967)	(266,280)
Balance 12/31	<u>\$ 829,270</u>	<u>\$ 596,449</u>	<u>\$ 468,793</u>

Tacoma Water's share of the Self-Insurance Fund shown in the table above is 19.37%, 20.76%, and 15.27% as of December 31, 2023, 2022, and 2021, 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.

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, 2022 and 2021 (measurement dates) is as follows:

	Measurement date as of December 31,	
	2022	2021
Retirees and beneficiaries currently receiving benefits	2,765	2,695
Terminated vested and other terminated participants	918	842
Active members:		
City of Tacoma	2,877	2,790
Pierce Transit	17	12
South Sound 911	2	2
Tacoma-Pierce County Health Department	305	292
Total active members	<u>3,201</u>	<u>3,096</u>
Total membership	<u>6,884</u>	<u>6,633</u>

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, 2022
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution (ADC). The amortization method for the ADC is as follows*:
	<ul style="list-style-type: none"> • Level percent • Open periods • 25 year amortization period* • 3.25% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	105% of the Male and 100% of the 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, 2023, valuation date and December 31, 2022, the measurement date. Therefore, no adjustments were needed from the January 1, 2023, actuarial valuation date to the calculated liabilities as of December 31, 2022, measurement date for reporting date of December 31, 2023. There were no changes between the January 1, 2022, and January 1, 2023, valuation dates.

Target Allocations - The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's (the System's actuary) investment consulting practice as of December 31, 2022 and 2021 for reporting date December 31, 2023 and 2022, respectively. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated November 2022 and November 2021 for reporting date December 31, 2023, and 2022, respectively.

Asset Class	Reporting date			
	December 31, 2023		December 31, 2022	
	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	2.35%	19.5%	2.00%
US Bank/ Leveraged Loans	3.0%	3.75%	3.0%	3.14%
US Long Government Bonds	3.0%	2.38%	3.0%	2.30%
High Yield Bonds	6.0%	4.28%	6.0%	3.60%
Emerging Market Debt	5.0%	4.04%	5.0%	3.20%
Global Equity	34.5%	5.08%	34.5%	5.15%
Private Real Estate	10.0%	3.35%	10.0%	5.90%
Private Equity	10.0%	7.78%	10.0%	8.10%
Master Limited Partnerships	4.0%	5.73%	4.0%	6.60%
Timber	-	-	1.5%	3.88%
Infrastructure	5.0%	4.12%	2.0%	7.55%
Agriculture	-	-	1.5%	4.23%
Assumed Inflation - Mean		2.50%		2.50%
Assumed Inflation - Standard Deviation		1.41%		1.23%
Portfolio 30 year Arithmetic Rate of Return		-		7.26%
Portfolio 30 year Geometric Rate of Return		-		6.71%
Portfolio 10 year Geometric Rate of Return		7.04%		-
Portfolio Standard Deviation		11.04%		10.97%
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, 2023 and 2022, 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, 2023	5.75%	6.75%	7.75%
Net pension liability (asset)	\$37,527,076	\$13,200,837	\$(7,070,793)
As of December 31, 2022	5.75%	6.75%	7.75%
Net pension liability (asset)	\$9,391,856	\$(14,152,644)	\$(33,773,289)

Notes to Financial Statements (continued)

As of December 31, 2023 and 2022, the deferred inflows and outflows of resources are as follows:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred of Outflows Resources	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (297,584)	\$ 913,551	\$ (511,727)	\$ 1,146,869
Changes of assumptions	-	2,594,448	-	3,618,007
Net Difference Between Projected and Actual Earnings	-	10,274,630	(15,665,822)	-
Changes in Employer Proportion	(14,932)	40	(11,672)	66
Contributions Made Subsequent to the Measurement Date	-	3,256,021	-	3,017,221
Total	\$ (312,516)	\$17,038,690	\$ (16,189,221)	\$ 7,782,163

The Division reported \$3.3 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, 2024.

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:

2024	\$ 1,210,864
2025	3,904,891
2026	2,498,195
2027	5,839,014
2028	17,189
	<u>\$ 13,470,153</u>

At December 31, 2023, the Division reported a pension liability of \$13,200,837 for its proportionate share of the Water System, compared to a pension asset of \$14,152,644 at December 31, 2022. The proportionate share of the Water Division is 9.56% of total System's pension liability as of December 31, 2023, and 9.65% as of December 31, 2022. The proportionate share was based on the actual contributions for the year as of December 31, 2023 and 2022.

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, 2023, for non-LEOFF 1 members includes 3,819 active participants, 584 vested terminated participants, 176 retirees and surviving spouses, and 115 spouses of current retirees. The membership as of January 1, 2023, for LEOFF 1 members includes 1 active participant and 348 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, 2022, 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, 2022. 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, 2023 and 2022.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2022, furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Valuation Date:	January 1, 2022
Census Date:	January 1, 2022
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 border="0" style="margin-left: 20px;"> <tr><td>2023</td><td>6.50%</td></tr> <tr><td>2024</td><td>6.90%</td></tr> <tr><td>2030</td><td>4.60%</td></tr> <tr><td>2040</td><td>4.30%</td></tr> <tr><td>2050</td><td>4.30%</td></tr> <tr><td>2060</td><td>4.40%</td></tr> <tr><td>2070</td><td>4.10%</td></tr> <tr><td>2080</td><td>3.90%</td></tr> </table>	2023	6.50%	2024	6.90%	2030	4.60%	2040	4.30%	2050	4.30%	2060	4.40%	2070	4.10%	2080	3.90%
2023	6.50%																
2024	6.90%																
2030	4.60%																
2040	4.30%																
2050	4.30%																
2060	4.40%																
2070	4.10%																
2080	3.90%																

Note that the trend for year 2023 reflects the percent by which 2024 medical costs are expected to exceed 2023 medical costs. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase.

Discount Rate (Liabilities):	3.75%		
Demographic Assumptions:	<table border="0" style="margin-left: 20px;"> <tr><td>Eligibility:</td></tr> <tr><td>Disability - Five years of service are required for non-service connected disability.</td></tr> </table>	Eligibility:	Disability - Five years of service are required for non-service connected disability.
Eligibility:			
Disability - Five years of service are required for non-service connected disability.			

Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes of Assumptions: The discount rate was updated to 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. 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, 2023 the Division reported a total liability of \$4,264,222 for its proportionate share of the collective total OPEB liability of \$192.1 million compared to \$5,350,651 at December 31, 2022. At December 31, 2023 the Division reported a current liability of \$118,965 compared to \$238,191 at December 31, 2022. At December 31, 2023, the participating Division's proportion was 2.22015% as compared to 2.35274% at December 31, 2022. For the year ended December 31, 2023, the participating Division recognized an OPEB expense of \$174,545 compared to \$273,894 in 2022.

At December 31, 2023 and 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2023		December 31, 2022	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ (27,898)	\$ 47,307	\$ (43,638)	61,232
Changes of assumptions	(779,620)	313,307	(217,833)	467,120
Changes in Employer Proportion	(244,619)	810,713	-	1,032,099
Differences in Contributions	(66,265)	49,881	(69,197)	68,598
Contributions Made Subsequent to the Measurement Date	-	112,124	-	177,523
Total	\$ (1,118,402)	\$ 1,333,332	\$ (330,668)	\$ 1,806,572

The Division reported \$112,124 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, 2024.

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

2024	\$ 68,375
2025	124,605
2026	104,655
2027	47,655
2028	(101,805)
Thereafter	(140,679)
	<u>\$ 102,806</u>

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

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, 4.75%, than the current rate.

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

As of December 31, 2022, the following presents the Division’s proportionate share of the OPEB liability, calculated using the discount rate of 2.00%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 1.00%, or one percentage point higher, 3.00%, than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
As of December 31, 2022	1.00%	2.00%	3.00%
Net OPEB liability	\$ 6,032,560	\$ 5,350,651	\$ 4,778,945

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

As of December 31, 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	Current Trend Rates	1% Increase
As of December 31, 2023	5.50%	6.50%	7.50%
Net OPEB liability	\$ 3,805,529	\$ 4,264,222	\$ 4,801,569

As of December 31, 2022, 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	Current Trend Rates	1% Increase
As of December 31, 2022	4.50%	5.50%	6.50%
Net OPEB liability	\$ 4,574,128	\$ 5,350,651	\$ 6,056,133

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, 2023 the remaining financial requirement for Capital Improvement Programs relating to the current biennium is approximately \$39.4 million.

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

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

NOTE 15 SUBSEQUENT EVENTS

On January 25, 2024, Tacoma Water issued the Water System Revenue Refunding Bonds, Series 2024 (Green Bonds) in the amount of \$63.8 million. Proceeds of the Series 2024 Bonds will be used to refund the 2013 Water System Revenue and Refunding Bonds. In addition, the 2005 Water System Revenue and Refunding Bonds were defeased on the same date.

On February 14, 2024, Tacoma Water issued the Regional Water Supply System Revenue Refunding Bonds, Series 2024 (Green Bonds) in the amount of \$32.35 million. Proceeds of the Series 2024 Bonds will be used to refund the 2013 Regional Water Supply System Revenue and Refunding Bonds.

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Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years*

	As of Measurement Date December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	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)	\$13,200,837	\$ (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	\$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	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	93.02%	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,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$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	(3,256,021)	(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	\$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	10.53%	10.65%	10.15%	10.30%	10.41%	10.59%	10.28%	10.51%	9.87%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,						
	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	2.22%	2.35%	2.09%	1.76%	1.75%	1.71%	1.67%
Employer's proportion share of collective OPEB liability	\$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**	\$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	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, 2023**

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 3.75% in 2023 from 2.00% in 2022. The medical cost discount rate was updated to 6.5% in 2023 from 5.5% in 2022. 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

STATEMENTS OF NET POSITION	2023	2022 (As Restated)	2021 (As Restated)	2020
ASSETS AND DEFERRED OUTFLOWS				
Utility Plant - Net	\$956,540,014	\$932,954,193	\$908,714,884	\$896,859,308
Non-Utility Plant	492,963	492,963	492,963	492,963
Special Funds	112,552,557	125,797,682	143,887,056	151,998,322
Current Assets	88,598,122	84,111,294	84,247,947	86,310,156
Other Assets	3,693,630	17,436,844	3,451,604	5,280,544
Total Assets	<u>1,161,877,286</u>	<u>1,160,792,976</u>	<u>1,140,794,454</u>	<u>1,140,941,293</u>
Deferred Outflows	<u>18,621,634</u>	<u>10,015,939</u>	<u>10,670,119</u>	<u>6,255,109</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>1,180,498,920</u>	<u>1,170,808,915</u>	<u>1,151,464,573</u>	<u>1,147,196,402</u>
NET POSITION	706,820,991	675,903,772	652,594,880	636,065,438
LIABILITIES AND DEFERRED INFLOWS				
Long-Term Debt	367,596,968	383,330,550	398,389,133	414,307,785
Current Liabilities	26,350,972	25,422,129	23,486,907	24,263,595
Long-Term Liabilities	42,723,624	34,057,128	39,757,049	30,395,281
Total Liabilities	<u>436,671,564</u>	<u>442,809,807</u>	<u>461,633,089</u>	<u>468,966,661</u>
Deferred Inflows	<u>37,006,365</u>	<u>52,095,336</u>	<u>37,236,604</u>	<u>42,164,303</u>
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	<u>\$1,180,498,920</u>	<u>\$1,170,808,915</u>	<u>\$1,151,464,573</u>	<u>\$1,147,196,402</u>
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
Residential and Domestic	\$74,069,318	\$69,127,333	\$67,702,012	\$64,487,335
Commercial and Industrial	23,571,686	21,918,842	20,816,460	18,724,562
Special Rate-WestRock/Other	7,069,491	7,344,132	7,283,918	7,109,384
Wholesale	2,521,892	2,434,401	2,711,269	2,282,638
Unbilled	1,557,776	363,691	485,524	103,821
Total Water Sales	<u>108,790,163</u>	<u>101,188,399</u>	<u>98,999,183</u>	<u>92,707,740</u>
Other Operating Revenues	<u>14,904,627</u>	<u>14,029,299</u>	<u>12,366,703</u>	<u>11,760,454</u>
Total Operating Revenues	<u>123,694,790</u>	<u>115,217,698</u>	<u>111,365,886</u>	<u>104,468,194</u>
OPERATING EXPENSES				
Operation and Maintenance	69,868,364	54,095,420	56,330,086	52,116,679
Taxes	7,151,456	6,574,082	5,856,255	5,398,410
Depreciation and Amortization	29,579,169	28,657,162	27,741,349	25,723,865
Total Operating Expenses	<u>106,598,989</u>	<u>89,326,664</u>	<u>89,927,690</u>	<u>83,238,954</u>
NET OPERATING INCOME (LOSS)	17,095,801	25,891,034	21,438,196	21,229,240
NON-OPERATING REVENUES (EXPENSES)				
Other Income	4,670,038	(1,004,044)	2,445,093	651,209
Interest Income	8,984,846	(2,687,718)	(1,182,910)	5,522,409
Interest Expense on Lease Activity	(20,138)	(15,106)	(604)	-
Interest Charges (Net)	<u>(16,692,129)</u>	<u>(16,896,259)</u>	<u>(17,094,391)</u>	<u>(17,565,824)</u>
Net Income (Loss) Before Contributions & Transfers	14,038,418	5,287,907	5,605,384	9,837,034
Total Capital Grants and Contributions	22,715,203	20,741,680	15,397,882	16,459,062
Federal BAB Subsidies	3,621,843	3,621,843	3,629,294	3,651,006
Transfers In/ (Out)	<u>(9,458,245)</u>	<u>(6,585,922)</u>	<u>(8,103,118)</u>	<u>3,301,774</u>
CHANGE IN NET POSITION	<u>\$30,917,219</u>	<u>\$23,065,508</u>	<u>\$16,529,442</u>	<u>\$33,248,876</u>

2019	2018	2017 (As Restated)	2016	2015	2014
\$874,659,681	\$871,008,433	\$873,518,773	\$879,547,650	\$884,721,107	\$872,083,357
492,963	492,963	492,963	492,963	492,963	492,963
155,002,719	160,004,945	153,962,378	156,827,483	143,309,769	146,440,207
84,942,679	79,459,959	73,857,244	68,927,643	64,476,112	58,737,269
2,058,552	4,669,297	1,810,430	2,866,478	4,689,200	3,769,208
1,117,156,594	1,115,635,597	1,103,641,788	1,108,662,217	1,097,689,151	1,081,523,004
13,609,381	5,881,479	10,113,888	10,623,174	4,002,699	1,587,851
1,130,765,975	1,121,517,076	1,113,755,676	1,119,285,391	1,101,691,850	1,083,110,855
602,816,562	581,738,357	556,846,481	549,652,226	542,501,823	516,673,245
431,269,870	447,562,815	463,619,285	478,617,199	478,400,742	483,542,005
21,087,589	23,031,002	20,524,364	20,986,727	18,261,548	20,767,576
38,297,146	27,703,192	35,406,357	33,932,418	26,021,937	26,552,582
490,654,605	498,297,009	519,550,006	533,536,344	522,684,227	530,862,163
37,294,808	41,481,710	37,359,189	36,096,821	36,505,800	35,575,447
\$1,130,765,975	\$1,121,517,076	\$1,113,755,676	\$1,119,285,391	\$1,101,691,850	\$1,083,110,855
\$60,847,540	\$59,624,491	\$52,539,643	\$50,742,135	\$48,263,128	\$44,655,076
19,836,364	19,225,528	17,408,529	17,558,905	17,233,617	15,406,078
6,883,021	6,873,675	6,322,195	5,845,719	5,951,348	5,801,842
2,787,239	3,253,029	3,069,448	3,971,839	5,192,149	3,718,315
(111,782)	472,999	660,078	(137,857)	318,945	121,346
90,242,382	89,449,722	79,999,893	77,980,741	76,959,187	69,702,657
12,302,372	12,491,739	14,644,528	14,820,869	21,179,637	28,617,297
102,544,754	101,941,461	94,644,421	92,801,610	98,138,824	98,319,954
50,339,168	45,892,214	48,921,970	46,894,363	41,804,233	37,993,563
5,188,882	5,273,751	4,776,164	4,639,031	4,681,114	3,779,373
25,295,078	26,117,843	24,038,103	23,822,527	17,102,664	16,783,698
80,823,128	77,283,808	77,736,237	75,355,921	63,588,011	58,556,634
21,721,626	24,657,653	16,908,184	17,445,689	34,550,813	39,763,320
1,802,296	3,215,049	1,216,295	(221,125)	(30,042)	537,052
7,370,377	3,876,762	1,762,813	1,826,299	1,112,850	1,718,226
-	-	-	-	-	-
(18,181,445)	(19,269,514)	(18,321,085)	(19,000,536)	(16,677,645)	(11,911,850)
12,712,854	12,479,950	1,566,207	50,327	18,955,976	30,106,748
12,775,630	16,440,749	9,138,434	10,274,030	9,052,674	8,670,639
3,609,359	3,596,241	3,582,475	3,579,107	3,609,706	3,959,446
(8,019,638)	(7,625,062)	(7,092,861)	(6,753,061)	(6,873,467)	(6,352,561)
\$21,078,205	\$24,891,878	\$7,194,255	\$7,150,403	\$24,744,889	\$36,384,272

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

Ten-Year Financial Review (RWSS)

STATEMENTS OF NET POSITION	2023	2022	2021	2020
ASSETS				
Utility Plant - Net	\$230,460,114	\$237,965,466	\$245,786,121	\$253,438,437
Current Assets	10,518,711	10,099,311	9,766,278	10,343,200
Total Assets	240,978,825	248,064,777	255,552,399	263,781,637
Deferred Outflows	143,590	159,693	175,797	191,900
TOTAL ASSETS AND DEFERRED OUTFLOWS	241,122,415	248,224,470	255,728,196	263,973,537
NET POSITION	142,065,781	146,220,643	150,738,557	156,173,719
LIABILITIES AND EQUITY				
Long-Term Debt	92,644,117	98,177,211	101,259,957	104,226,180
Current Liabilities	5,330,839	2,870,245	2,743,499	2,633,541
Total Liabilities	97,974,956	101,047,456	104,003,456	106,859,721
Deferred Inflows	1,081,678	956,371	986,183	940,097
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	241,122,415	248,224,470	255,728,196	263,973,537
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
OPERATING REVENUES				
CRO - Debt Service	\$6,619,274	\$6,459,139	\$6,445,519	\$6,359,276
CRO - O&M	6,369,245	5,044,883	4,191,992	4,044,665
CRO - Capital	910,450	698,283	233,873	108,780
Other Operating Revenue	-	-	-	-
Total Operating Revenues	13,898,969	12,202,305	10,871,384	10,512,721
OPERATING EXPENSES				
Operation and Maintenance	6,441,218	4,712,030	4,218,612	4,261,822
Depreciation	8,554,127	8,542,323	8,524,386	8,521,426
Total Operating Expenses	14,995,345	13,254,353	12,742,998	12,783,248
NET OPERATING INCOME (LOSS)	(1,096,376)	(1,052,048)	(1,871,614)	(2,270,527)
NON-OPERATING REVENUES (EXPENSES)				
Other Income	-	-	6,586	-
Interest Income	452,777	(110,285)	(39,563)	252,531
Interest Charges (Net)	(4,328,215)	(4,416,196)	(4,500,797)	(4,579,890)
Net Income (Loss) Before Contributions & Transfers	(4,971,814)	(5,578,529)	(6,405,388)	(6,597,886)
Total Capital Contributions	(1,881)	241,782	151,393	57,235
Grants & Federal BAB Subsidies	818,833	818,833	818,833	825,426
Transfers Out	-	-	-	-
CHANGE IN NET POSITION	(\$4,154,862)	(\$4,517,914)	(\$5,435,162)	(\$5,715,225)

2019	2018	2017	2016	2015	2014
\$261,815,181	\$270,292,252	\$279,190,310	\$287,187,547	\$295,780,351	\$293,110,553
10,493,887	10,420,340	10,442,765	10,395,435	9,274,080	11,321,557
272,309,068	280,712,592	289,633,075	297,582,982	305,054,431	304,432,110
208,004	224,106	240,210	256,313	272,417	288,520
272,517,072	280,936,698	289,873,285	297,839,295	305,326,848	304,720,630
161,888,944	167,469,986	174,701,516	180,852,158	186,712,448	183,898,541
107,104,701	109,899,314	112,594,314	114,364,416	116,113,730	117,798,157
2,544,840	2,558,764	1,564,360	1,601,549	1,496,773	1,993,880
109,649,541	112,458,078	114,158,674	115,965,965	117,610,503	119,792,037
978,587	1,008,634	1,013,095	1,021,172	1,003,897	1,030,052
272,517,072	280,936,698	289,873,285	297,839,295	305,326,848	304,720,630
\$6,365,634	\$5,610,671	\$5,554,208	\$5,582,030	\$6,047,314	\$6,008,599
3,869,205	3,764,605	3,858,622	3,858,714	2,840,435	2,706,023
266,010	93,191	202,255	483,498	7,621,901	15,132,508
-	-	-	-	1,675	-
10,500,849	9,468,467	9,615,085	9,924,242	16,511,325	23,847,130
3,928,423	3,718,890	3,881,686	3,871,737	2,864,326	2,735,246
8,507,090	9,199,706	8,266,685	8,263,267	4,582,300	4,542,912
12,435,513	12,918,596	12,148,371	12,135,004	7,446,626	7,278,158
(1,934,664)	(3,450,129)	(2,533,286)	(2,210,762)	9,064,699	16,568,972
-	-	-	-	(120,564)	(18,732)
346,329	182,850	91,554	87,696	64,497	114,387
(4,645,692)	(4,907,255)	(4,697,999)	(4,715,565)	(4,072,780)	(880,966)
(6,234,027)	(8,174,534)	(7,139,731)	(6,838,631)	4,935,852	15,783,661
(163,022)	129,958	179,156	456,685	(2,924,135)	13,024,297
816,007	813,046	809,933	808,775	802,190	805,374
-	-	-	(287,119)	-	-
(\$5,581,042)	(\$7,231,530)	(\$6,150,642)	(\$5,860,290)	\$2,813,907	\$29,613,332

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

Statements of Net Position (RWSS)

ASSETS AND DEFERRED OUTFLOWS	WATER W/O RWSS	RWSS	ADJUSTMENTS	TACOMA WATER STATEMENTS
UTILITY PLANT				
In Service, at Original Cost	\$ 961,117,410	\$ 345,805,780	\$ -	\$ 1,306,923,190
Less - Accumulated Depreciation	(261,813,724)	(117,565,724)	-	(379,379,448)
Total	699,303,686	228,240,056	-	927,543,742
Right to Use Lease and Subscription Assets	1,450,336	-	-	1,450,336
Less - Accumulated Amortization	(725,389)	-	-	(725,389)
Total	724,947	-	-	724,947
Construction Work In Progress	26,051,267	2,220,058	-	28,271,325
Net Utility Plant	726,079,900	230,460,114	-	956,540,014
NET UTILITY PROPERTY	492,963	-	-	492,963
SPECIAL FUNDS				
Debt Service Funds	1,698,788	164,252	-	1,863,040
Bond Reserve Funds	13,227,327	8,475,274	-	21,702,601
System Development Charge Fund	65,005,436	-	-	65,005,436
Other Cash & Equity in Pooled Investments	23,894,111	-	87,369	23,981,480
Total Special Funds	103,825,662	8,639,526	87,369	112,552,557
CURRENT ASSETS				
Operating Funds Cash & Equity in				
Pooled Investments	60,493,187	87,369	(87,369)	60,493,187
Grant Receivable	1,890,057	-	-	1,890,057
Accounts Receivable	5,673,263	1,148,511	-	6,821,774
(Net of Allowance for Doubtful Accounts of \$1,772,148 in 2023)				
BABs Interest Subsidies Receivable	1,635,089	477,653	-	2,112,742
Accrued Unbilled Revenues	8,329,250	-	-	8,329,250
Materials and Supplies	5,860,855	-	-	5,860,855
Prepayments	2,924,605	165,652	-	3,090,257
	86,806,306	1,879,185	(87,369)	88,598,122
OTHER ASSETS				
Regulatory Asset - Surcharges	3,693,630	-	-	3,693,630
Pension Asset	-	-	-	-
Total Other Assets	3,693,630	-	-	3,693,630
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized Losses on Refunding Bonds	106,022	143,590	-	249,612
Pension Contributions	17,038,690	-	-	17,038,690
OPEB	1,333,332	-	-	1,333,332
Total Deferred Outflows	18,478,044	143,590	-	18,621,634
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 939,376,505	\$ 241,122,415	\$ -	\$ 1,180,498,920

NET POSITION, LIABILITIES AND DEFERRED INFLOWS	WATER W/O RWSS	RWSS	ADJUSTMENTS	WATER STATEMENTS
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$ 448,576,853	\$ 141,504,861	\$ -	\$ 590,081,714
Restricted for:				
Water Capital and System Development Charge	45,413,524	-	-	45,413,524
Debt Service Funds	313,679	-	-	313,679
Net Pension Asset	-	-	-	-
Unrestricted	<u>70,451,154</u>	<u>560,920</u>	<u>-</u>	<u>71,012,074</u>
Total Net Position	<u>564,755,210</u>	<u>142,065,781</u>	<u>-</u>	<u>706,820,991</u>
LONG-TERM DEBT				
Revenue Bonds	227,430,826	92,644,117	-	320,074,943
Public Works Trust Fund Loans	6,813,545	-	-	6,813,545
Drinking Water State Revolving Fund Loan	<u>40,708,480</u>	<u>-</u>	<u>-</u>	<u>40,708,480</u>
Total Long-Term Debt	<u>274,952,851</u>	<u>92,644,117</u>	<u>-</u>	<u>367,596,968</u>
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	9,895,570	4,930,000	-	14,825,570
Current Maturities of Long-Term Liabilities	938,292	-	-	938,292
Accrued Taxes	2,072,761	-	-	2,072,761
Accrued Expenses and Contracts Payable	4,741,820	491	-	4,742,311
Salaries, Wages and Fringe Benefits Payable	1,425,491	-	-	1,425,491
Interest Payable	1,149,013	400,348	-	1,549,361
Subscription Interest Payable	9,800	-	-	9,800
Customers' Deposits	337,269	-	-	337,269
Other Current Liabilities	118,965	-	-	118,965
Current Lease Liability	<u>331,152</u>	<u>-</u>	<u>-</u>	<u>331,152</u>
Total Current Liabilities	<u>21,020,133</u>	<u>5,330,839</u>	<u>-</u>	<u>26,350,972</u>
LONG-TERM LIABILITIES				
Muckleshoot Agreements	4,981,614	-	-	4,981,614
Customer Advances for Construction	8,332,504	-	-	8,332,504
Unearned Revenue	5,732,045	1,081,678	-	6,813,723
Long-Term Accrued Compensated Absences	3,302,639	-	-	3,302,639
Pension Liability	13,200,837	-	-	13,200,837
OPEB Liability	4,145,257	-	-	4,145,257
Long Term Lease Liability	220,080	-	-	220,080
Other Long-Term Liabilities	<u>1,726,970</u>	<u>-</u>	<u>-</u>	<u>1,726,970</u>
Total Long-Term Liabilities	<u>41,641,946</u>	<u>1,081,678</u>	<u>-</u>	<u>42,723,624</u>
DEFERRED INFLOWS OF RESOURCES				
Rate Stabilization	35,575,447	-	-	35,575,447
Pension Contribution	312,516	-	-	312,516
OPEB Contribution	<u>1,118,402</u>	<u>-</u>	<u>-</u>	<u>1,118,402</u>
Total Inflows of Resources	<u>37,006,365</u>	<u>-</u>	<u>-</u>	<u>37,006,365</u>
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	<u>\$ 939,376,505</u>	<u>\$ 241,122,415</u>	<u>\$ -</u>	<u>\$ 1,180,498,920</u>

City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

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

	WATER W/O RWSS	RWSS	ADJUSTMENTS	TACOMA WATER STATEMENTS
OPERATING REVENUES				
Sale of Water	\$ 108,790,163	\$ -	\$ -	\$ 108,790,163
Other Operating Revenues	8,258,324	-	-	8,258,324
Contract Resource Obligation Revenues	-	13,898,969	(7,252,666)	6,646,303
Total Operating Revenues	<u>117,048,487</u>	<u>13,898,969</u>	<u>(7,252,666)</u>	<u>123,694,790</u>
OPERATING EXPENSES				
Operations	27,288,564	361,088	-	27,649,652
Production	11,729,927	5,612,027	-	17,341,954
Administrative and General	31,661,321	468,103	(7,252,666)	24,876,758
Depreciation and Amortization	21,025,042	8,554,127	-	29,579,169
Taxes	7,151,456	-	-	7,151,456
Total Operating Expenses	<u>98,856,310</u>	<u>14,995,345</u>	<u>(7,252,666)</u>	<u>106,598,989</u>
Net Operating Income	18,192,177	(1,096,376)	-	17,095,801
NON-OPERATING REVENUES (EXPENSES)				
Investment Income/(Loss)	8,532,069	452,777	-	8,984,846
Interest Expense on Lease Activity	(20,138)	-	-	(20,138)
Operating Grant	204,133	-	-	204,133
Other	4,465,905	-	-	4,465,905
Interest on Long-Term Debt	(12,507,344)	(4,915,205)	-	(17,422,549)
Amortization of Premium and Loss on Refunding	143,430	586,990	-	730,420
Total Non-Operating Expenses	<u>818,055</u>	<u>(3,875,438)</u>	<u>-</u>	<u>(3,057,383)</u>
Net Income Before Capital Contributions and Transfers	19,010,232	(4,971,814)	-	14,038,418
Capital Grants and Contributions				
Cash	11,717,221	(1,881)	-	11,715,340
Capital Grant	2,154,460	-	-	2,154,460
Donated Fixed Assets	8,845,403	-	-	8,845,403
Federal BABs Subsidies	2,803,010	818,833	-	3,621,843
City of Tacoma Gross Earnings Tax	(9,789,224)	-	-	(9,789,224)
Transfer to/from Other Funds	<u>330,979</u>	<u>-</u>	<u>-</u>	<u>330,979</u>
CHANGE IN NET POSITION	35,072,081	(4,154,862)	-	30,917,219
TOTAL NET POSITION - BEGINNING OF YEAR	529,683,129	146,220,643	-	675,903,772
TOTAL NET POSITION - END OF YEAR	<u>\$ 564,755,210</u>	<u>\$ 142,065,781</u>	<u>\$ -</u>	<u>\$ 706,820,991</u>

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water

Bond Debt Service Requirements
 December 31, 2023

YEAR	WATER W/O RWSS		RWSS		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2024	\$ 4,300,000	\$ 11,665,133	\$ 4,930,000	\$ 4,804,186	\$ 25,699,319
2025	4,465,000	11,460,042	5,190,000	4,561,236	25,676,278
2026	4,930,000	11,244,560	5,420,000	4,300,363	25,894,923
2027	5,085,000	11,003,926	5,700,000	4,027,936	25,816,862
2028	5,265,000	10,730,810	5,970,000	3,741,452	25,707,262
2029	5,445,000	10,448,028	6,300,000	3,441,430	25,634,458
2030	5,640,000	10,155,577	6,595,000	3,124,853	25,515,430
2031	5,835,000	9,852,652	6,880,000	2,855,022	25,422,674
2032	6,050,000	9,524,668	6,660,000	2,572,445	24,807,113
2033	11,915,000	9,184,597	4,495,000	2,298,427	27,893,024
2034	12,360,000	8,502,114	4,655,000	2,045,763	27,562,877
2035	12,820,000	7,794,145	4,830,000	1,784,105	27,228,250
2036	13,295,000	7,059,824	5,005,000	1,512,611	26,872,435
2037	13,790,000	6,298,290	5,185,000	1,231,280	26,504,570
2038	14,305,000	5,508,406	5,375,000	939,831	26,128,237
2039	14,835,000	4,689,021	5,570,000	637,702	25,731,723
2040	15,390,000	3,839,272	5,775,000	324,613	25,328,885
2041	23,820,000	2,974,200	-	-	26,794,200
2042	24,770,000	2,021,400	-	-	26,791,400
2043	25,765,000	1,030,600	-	-	26,795,600
	<u>\$ 230,080,000</u>	<u>\$154,987,265</u>	<u>\$94,535,000</u>	<u>\$44,203,255</u>	<u>\$523,805,520</u>

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

Funds Available for Debt Service

	2023	2022 (As Restated)	2021 (As Restated)	2020 (As Restated)	2019
Total Income	\$136,387,542	\$112,331,475	\$113,860,266	\$110,377,311	\$111,675,882
Less: Operating Exp	<u>77,831,268</u>	<u>62,332,256</u>	<u>63,705,835</u>	<u>58,970,799</u>	<u>57,193,541</u>
Income Available for Debt Service	<u>\$58,556,274</u>	<u>\$49,999,219</u>	<u>\$50,154,431</u>	<u>\$51,406,512</u>	<u>\$54,482,341</u>
Bond Redemption	5,825,647	6,275,159	6,171,729	6,279,811	5,639,167
Bond Interest	<u>11,802,560</u>	<u>11,953,863</u>	<u>12,100,641</u>	<u>12,502,629</u>	<u>13,072,833</u>
Tacoma Water	11,802,560	11,953,863	12,100,641	12,502,629	13,072,833
Debt Service Payable	<u>\$17,628,207</u>	<u>\$18,229,022</u>	<u>\$18,272,370</u>	<u>\$18,782,440</u>	<u>\$18,712,000</u>
Times Debt Service Covered	3.32	2.74	2.74	2.74	2.91

Bond covenants requires debt service coverage of 1.25

All In Debt Service Coverage
(In thousands)

	2023	2022 (As Restated)	2021 (As Restated)	2020 (As Restated)	2019	2018
Operating Revenue	\$117,048	\$109,390	\$106,206	\$99,673	\$97,638	\$97,515
Non-Operating Revenue (Expense)	13,329	(1,770)	1,298	5,801	8,826	6,909
Build America Bond Subsidy	2,803	2,803	2,810	2,825	2,793	2,783
System Development Charge	3,207	1,908	3,546	2,078	2,418	5,883
Total Revenue Available	\$136,387	\$112,331	\$113,860	\$110,377	\$111,675	\$113,090
Tacoma Share of RWSS Debt Service (CRO Operating Expense)	3,826	3,754	3,734	3,683	3,669	3,274
Other Operating Expenses less Depreciation	74,005	58,578	59,972	55,288	53,525	49,215
Net Revenue Available for Debt Service Senior Lien	\$58,556	\$49,999	\$50,154	\$51,406	\$54,481	\$60,601
Senior Debt Service (Water Bonds)	17,628	18,229	18,272	18,782	18,712	18,704
Gross Earnings Tax Transfer to City of Tacoma	9,789	8,729	8,307	7,816	8,020	7,695
Tacoma Share of RWSS Debt Service (CRO Operating Expense)	3,826	3,754	3,734	3,683	3,669	3,274
Net Revenue Available for Debt Service All-In	52,593	45,024	45,581	47,273	50,130	56,180
Subordinate Debt Service	6,300	6,630	7,408	7,438	7,946	8,645
Total All-In Debt Service (Senior + Tacoma Share of RWSS Debt Service + Subordinate)	27,754	28,613	29,414	29,903	30,327	30,623
Debt Service Coverage - Senior Lien	3.32	2.74	2.74	2.74	2.91	3.24
Debt Service Coverage - All-In	1.89	1.57	1.55	1.58	1.65	1.83

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 – 2023

	AVERAGE MONTHS BILLED	CONSUMPTION (CCF)	REVENUE	% of TOTAL REVENUE	MGD	% of TOTAL MGD
RESIDENTIAL AND DOMESTIC SERVICE						
Inside City						
<i>Single and Multiple House</i>	56,343	4,660,192	\$ 29,321,049	27.1%	9.55	19.5%
<i>Multiple Unit Dwellings</i>	3,566	1,772,396	7,670,880	7.1%	3.63	7.4%
<i>Parks & Irrigation Services</i>	222	116,806	576,930	0.5%	0.24	0.5%
<i>Private Fire Services</i>	111	449	111,164	0.1%	0.00	0.0%
	60,242	6,549,843	37,680,023	34.8%	13.42	27.4%
Outside City						
<i>Single and Multiple Houses</i>	39,839	4,358,543	29,191,090	26.8%	8.93	18.3%
<i>Multiple Unit Dwellings</i>	1,974	1,101,308	5,970,516	5.5%	2.26	4.6%
<i>Parks & Irrigation Services</i>	351	197,287	1,179,638	1.1%	0.40	0.8%
<i>Private Fire Services</i>	78	5	48,051	0.0%	0.00	0.0%
	42,242	5,657,143	36,389,295	33.4%	11.59	23.7%
COMMERCIAL AND INDUSTRIAL SERVICE						
Inside City						
<i>Large Volume Service</i>	3	283,290	629,318	0.6%	0.58	1.2%
<i>General Service</i>	3,724	2,056,202	8,581,652	7.9%	4.21	8.6%
<i>Parks & Irrigation Services</i>	426	413,833	1,999,689	1.8%	0.85	1.7%
<i>Private Fire Services</i>	1,159	14,040	3,021,435	2.8%	0.03	0.1%
	5,312	2,767,365	14,232,094	13.1%	5.67	11.6%
Outside City						
<i>Large Volume Service</i>	4	933,790	2,418,303	2.2%	1.91	3.9%
<i>General Service</i>	965	619,986	4,144,957	3.8%	1.27	2.6%
<i>Parks & Irrigation Services</i>	176	252,398	1,467,825	1.3%	0.52	1.1%
<i>Private Fire Services</i>	275	5,818	1,308,507	1.2%	0.01	0.0%
	1,420	1,811,992	9,339,592	8.5%	3.71	7.6%
WESTROCK	1	6,082,664	7,069,491	6.5%	12.47	25.5%
WHOLESALE	18	1,006,046	2,521,892	2.3%	2.06	4.2%
<i>Unbilled Revenue</i>			1,557,776	1.4%		
TOTAL WATER SALES	109,235	23,875,053	\$ 108,790,163	100.0%	48.93	100.0%

MGD defined as Millions of Gallons Per Day

City of Tacoma, Washington
 Department of Public Utilities
 Tacoma Water

2023 Statistical Information
 As of December 31, 2023

Tacoma Water System:		
Average daily delivery exclusive of pulp mill		46.61 MG
Average daily delivery of pulp mill		12.47 MG
Total average daily delivery		59.08 MG
Maximum daily production	8/16/2023	90.27 MG
Minimum daily production	12/25/2023	28.13 MG
Total water produced in 2023*		21,613 MG
Regional Water Supply System (RWSS):		
Total average daily delivery		12.65 MG
Average daily consumption per single family residential service (Inside City)		169.4 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		1,326.26 mi
Fire Hydrants (Inside)		6,222
Fire Hydrants (Outside)		5,451

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 2023

FEDERAL

Social Security (FICA)		<u>\$2,321,424</u>
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STATE OF WASHINGTON

Retail Sales Tax	2,846,535	
Utilities and Business Activities Tax	5,563,511	
Other Taxes and Assessments	<u>61,584</u>	
Total		8,471,630

COUNTY

Real Property	<u>90,316</u>	
Total		90,316

MUNICIPALITIES

City of Tacoma Gross Earnings Tax	9,789,224	
City of Fircrest Administrative Fee	9,030	
City of Lakewood Administrative Fee	7,583	
City of Puyallup Administrative Fee	24,001	
City of University Place Administrative Fee	773,662	
City of University Place Utility Tax	<u>624,843</u>	
		<u>11,228,343</u>

TOTAL TAXES		<u>\$22,111,713</u>
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Taxes as a % of Non-CRO Revenues of \$117,048,487		18.89%
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EMPLOYEE WELFARE CONTRIBUTIONS

Industrial Insurance and Medical Aid	\$630,752	
Pensions	3,256,501	
Medical Insurance	5,645,486	
Dental Insurance	<u>430,241</u>	

TOTAL EMPLOYEE WELFARE CONTRIBUTIONS		<u>\$9,962,980</u>
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City of Tacoma, Washington
Department of Public Utilities
Tacoma Water

2023 Water Rates

METER SIZE (Residential, Commercial, Large Volume)	READY TO SERVE CHARGE PER MONTH		
	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
5/8 inch	\$26.68	\$32.28	\$34.67
3/4 inch	\$38.55	\$46.52	\$49.97
1 inch	\$62.29	\$75.01	\$80.57
1-1/2 inch	\$121.64	\$146.23	\$157.06
2 inch	\$192.86	\$231.69	\$248.86
3 inch	\$359.04	\$431.11	\$463.05
4 inch	\$596.44	\$715.99	\$769.04
6 inch	\$1,189.94	\$1,428.19	\$1,534.02
8 inch	\$1,902.14	\$2,282.83	\$2,451.99
10 inch	\$2,733.04	\$3,279.91	\$3,522.95
12 inch	\$4,009.07	\$4,811.15	\$5,167.65

METER SIZE (Irrigation)	READY TO SERVE CHARGE PER MONTH		
	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
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	\$2.327	\$2.792	\$2.999
First 500 cubic ft of water consumption per month during the summer months of June through September	\$2.327	\$2.792	\$2.999
Each 100 cubic ft of water consumption over 500 cubic ft during the summer months of June through September	\$2.909	\$3.490	\$3.749
<u>Commercial and Industrial</u>			
General Service	\$2.430	\$2.916	\$3.132
Large Volume Service (over 65,000 cubic feet annually)	\$1.890	\$2.268	\$2.436
<u>Parks and Irrigation Service</u>			
Each 100 cubic feet of water consumption	\$4.844	\$5.813	\$6.244

City of Tacoma water services are 100% metered.

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

Water rates were established by Ordinance No. 28848 and were effective January 1, 2023.

Service rates for outside Tacoma does not include University Place.

City of Tacoma, Washington
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2023 Fire Protection Rates

METER SIZE	READY TO SERVE CHARGE PER MONTH			WATER INCLUDED FOR MONTHLY LEAKAGE AND TESTING PURPOSES (100 Cubic Feet)
	INSIDE	OUTSIDE	UNIVERSITY	
	TACOMA	TACOMA	PLACE	
2 inch	\$29.99	\$35.99	\$38.65	2.99
3 inch	\$43.68	\$52.42	\$56.30	2.99
4 inch	\$72.97	\$87.56	\$94.05	2.99
6 inch	\$163.68	\$196.42	\$210.97	2.99
8 inch	\$291.38	\$349.66	\$375.57	2.99
10 inch	\$455.75	\$546.90	\$587.43	2.99
12 inch	\$728.97	\$874.76	\$939.58	2.99

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

MONTHLY CHARGE

12 times the monthly service charge (minimum).

CONSUMPTION	INSIDE TACOMA	OUTSIDE TACOMA	UNIVERSITY PLACE
Rates per 100 cubic feet per month	\$3.960	\$4.752	\$5.104

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.

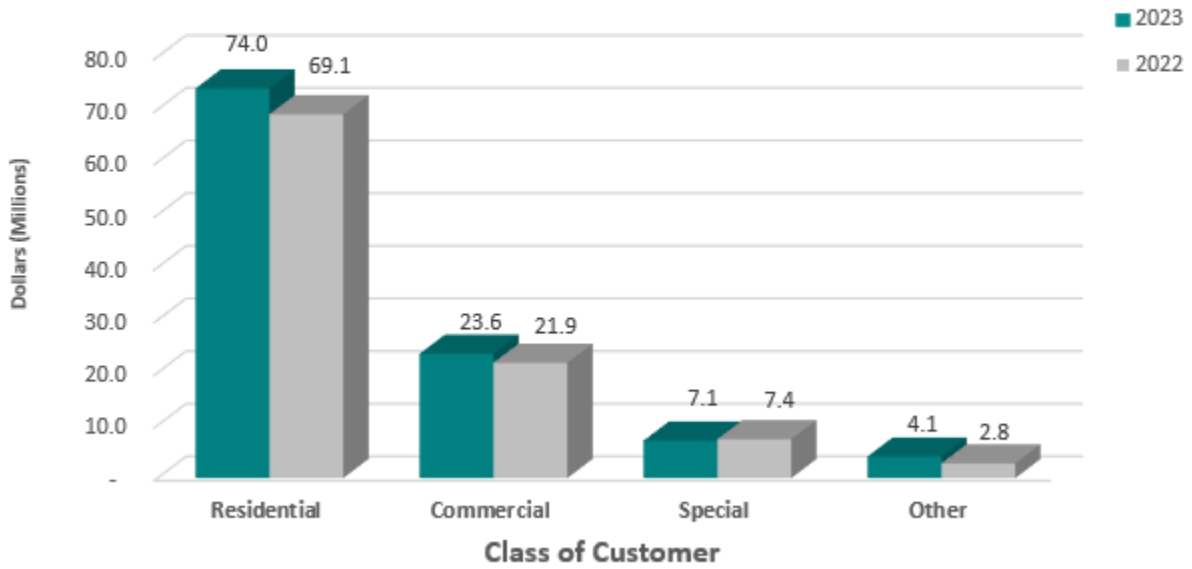
HYDRANT FEE CHARGE PER MONTH		
INSIDE	OUTSIDE	UNIVERSITY
TACOMA	TACOMA	PLACE
\$2.940	\$3.790	\$4.070

Water rates were established by Ordinance No. 28848 and were effective January 1, 2023.

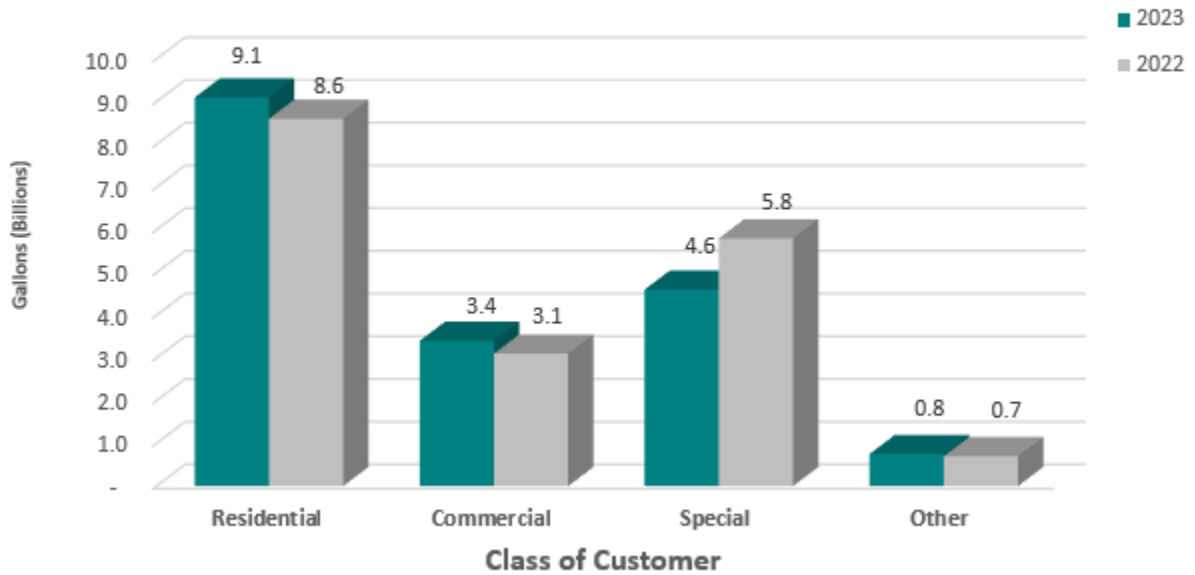
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Graphs

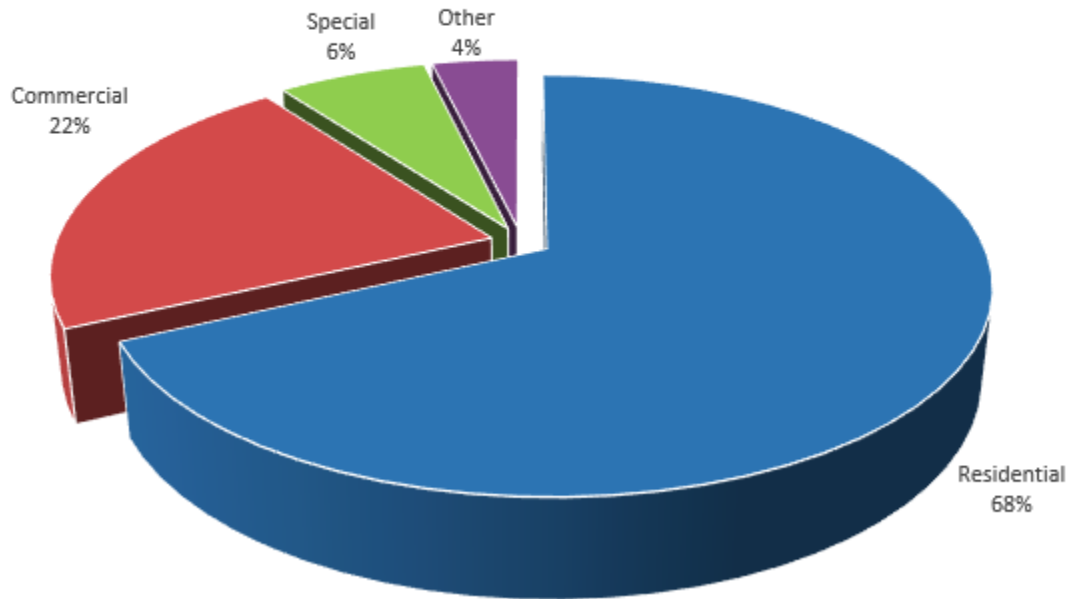
WATER SALES Year to Date - December 2023 & 2022



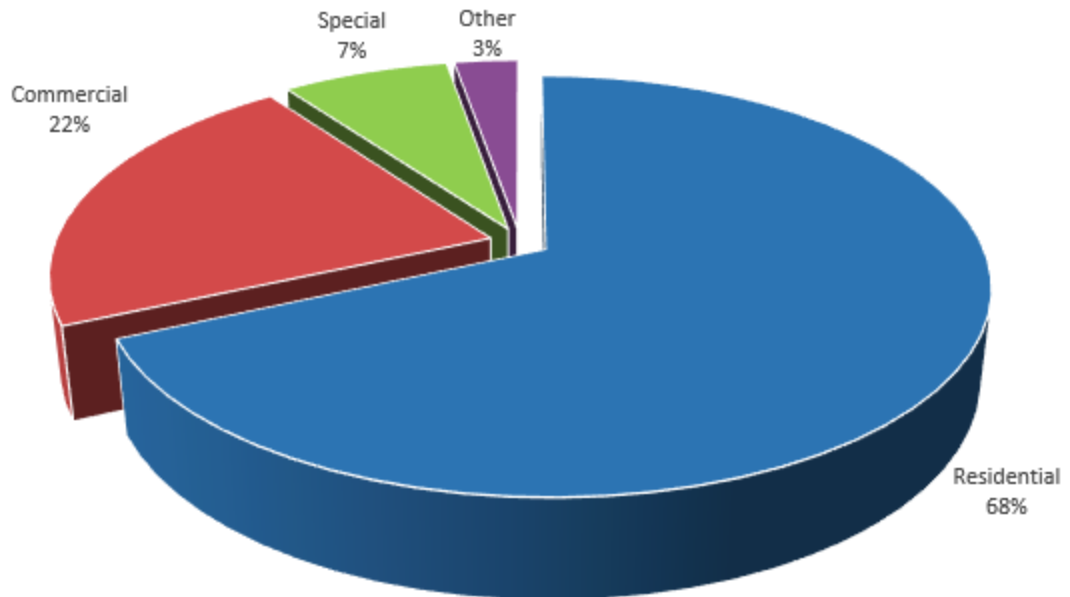
WATER CONSUMPTION Year to Date - December 2023 & 2022



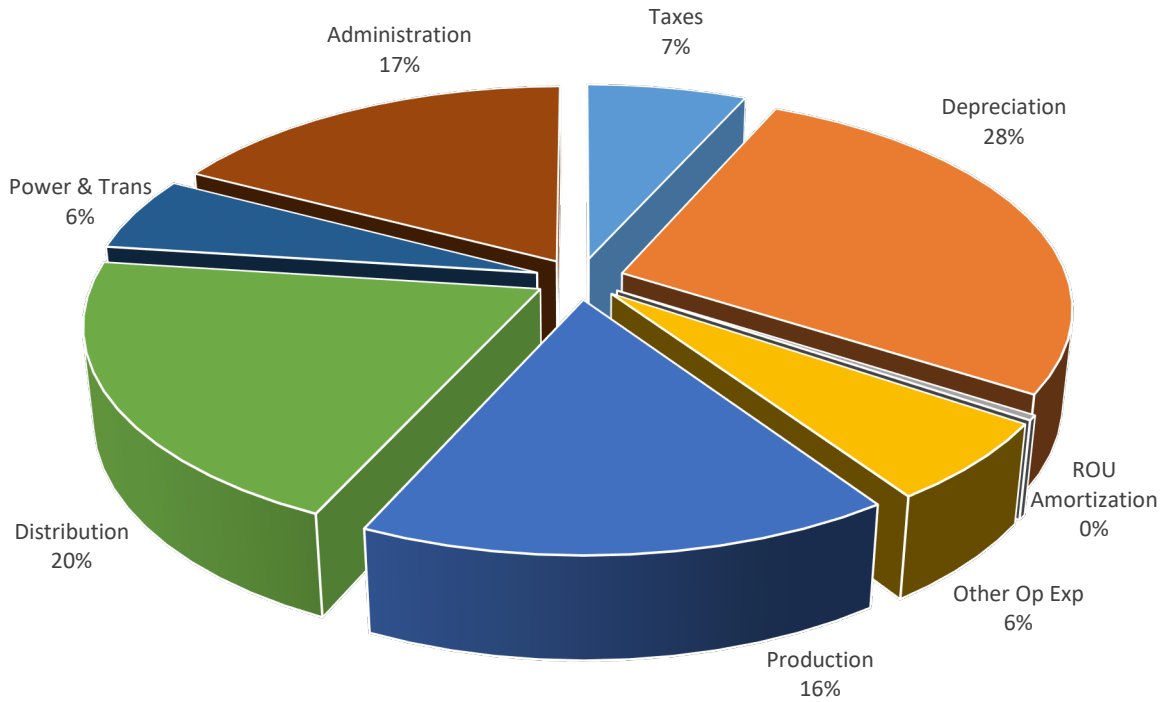
WATER SALES
Year to Date - December 2023
(\$108,790,163)



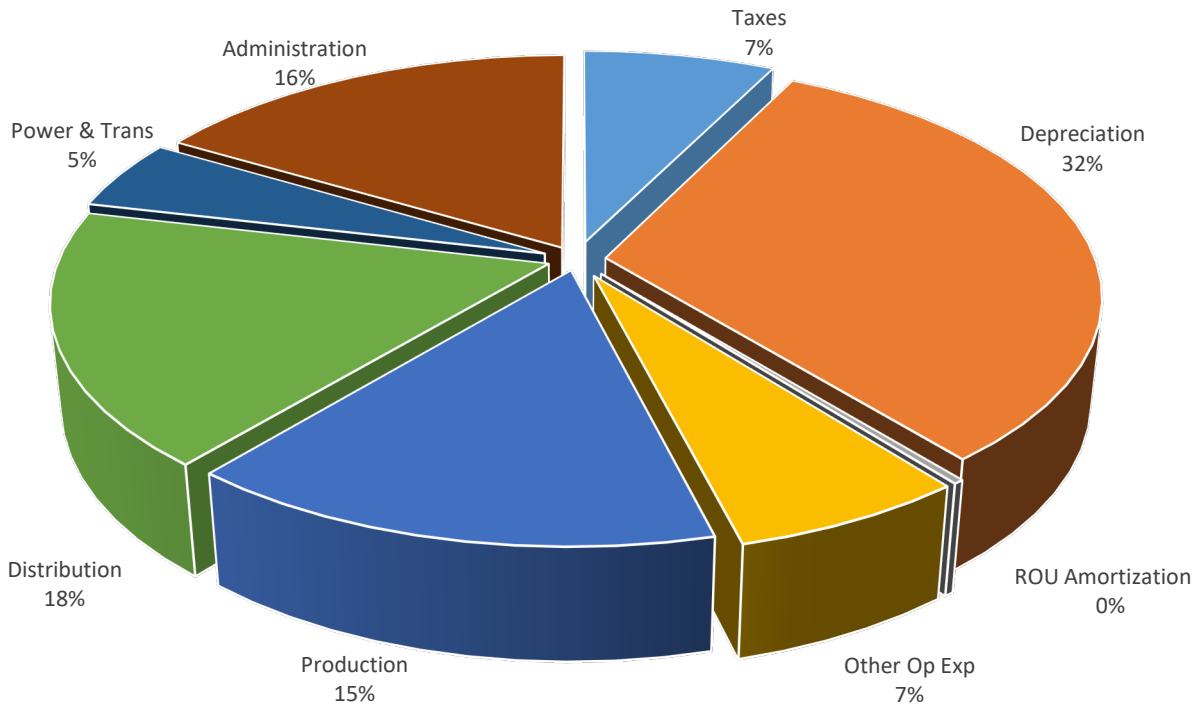
WATER SALES
Year to Date - December 2022
(\$101,188,399)



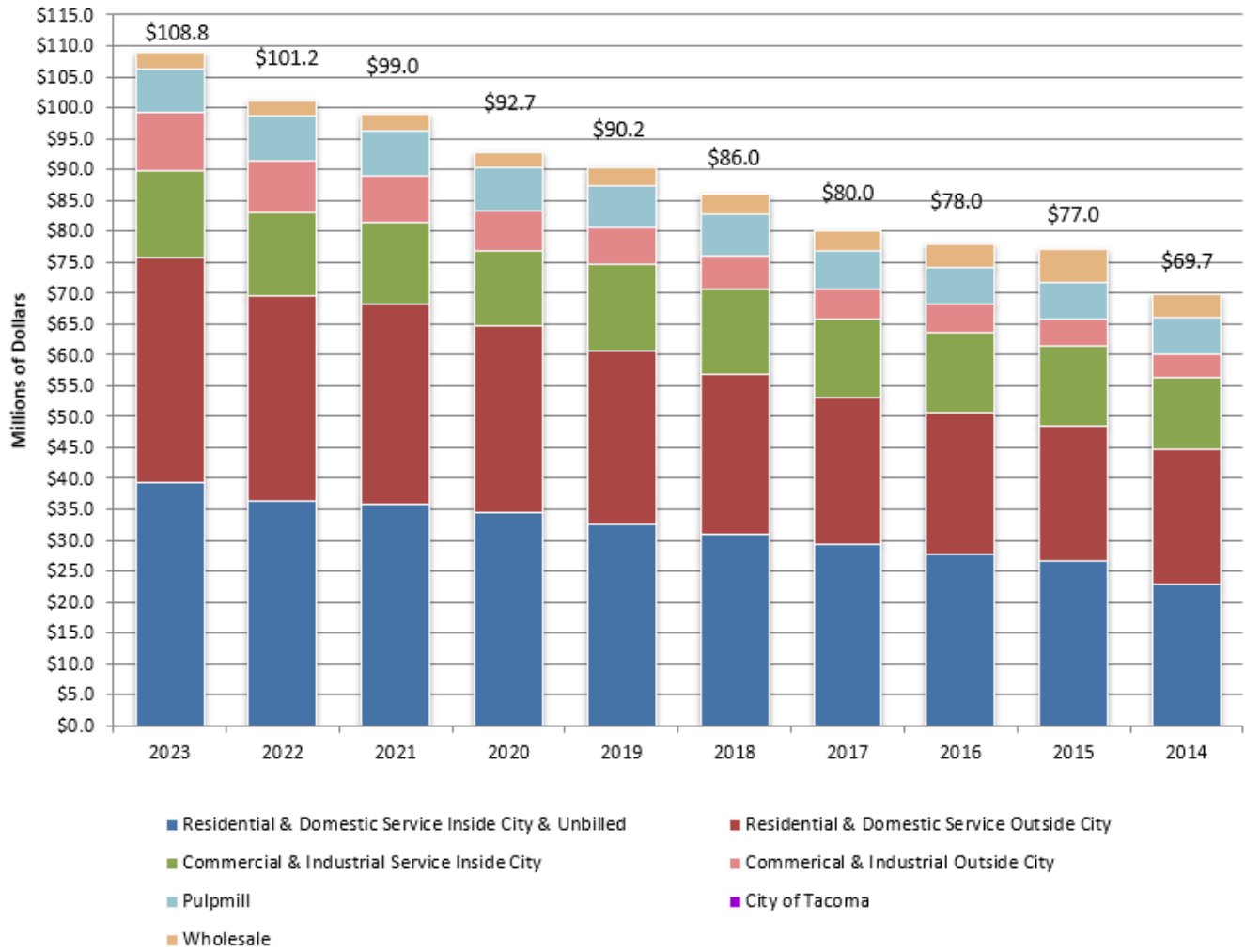
TOTAL OPERATING EXPENSES
Year to Date - December 2023
(\$106,598,989)



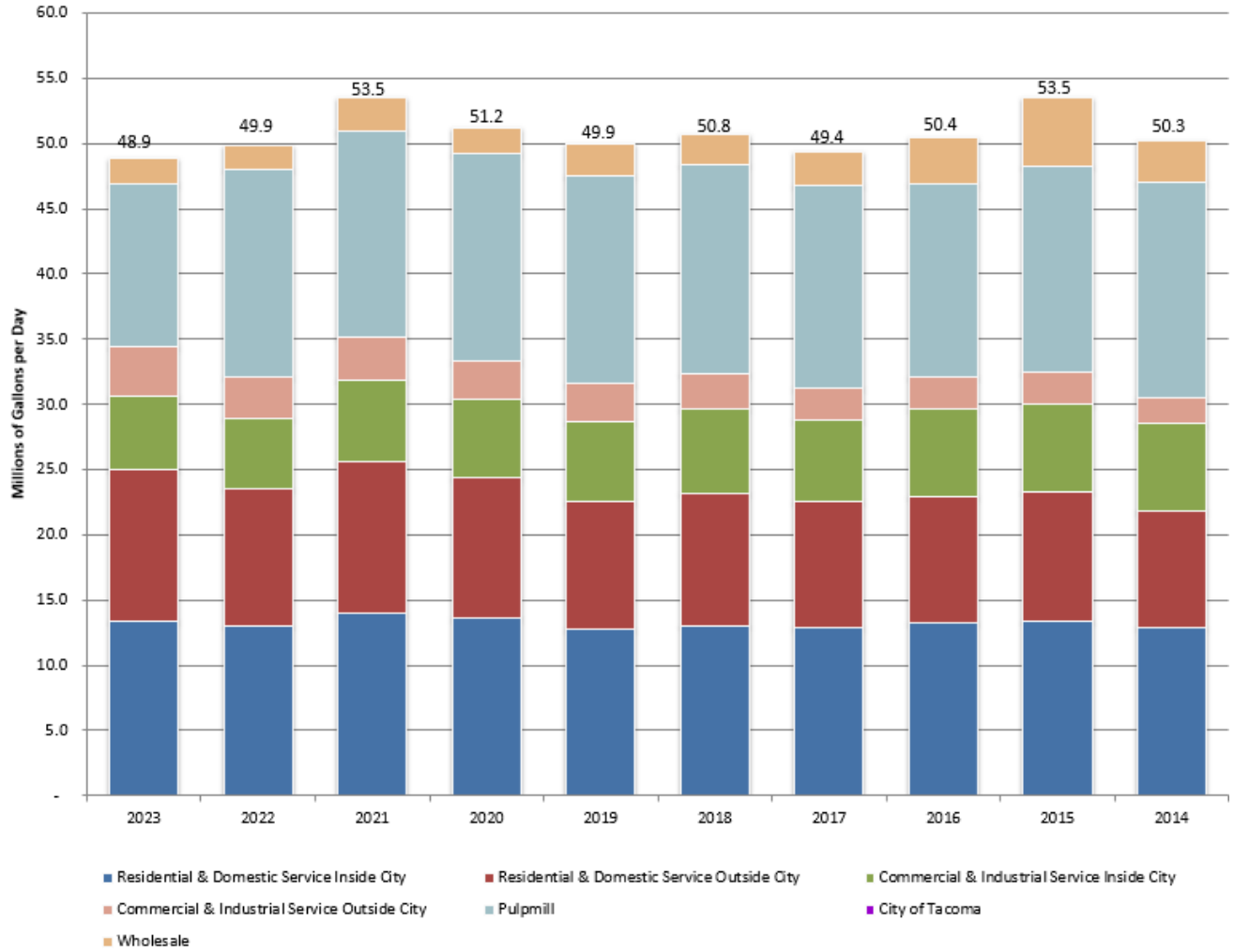
TOTAL OPERATING EXPENSES
Year to Date - December 2022
(\$89,326,664)



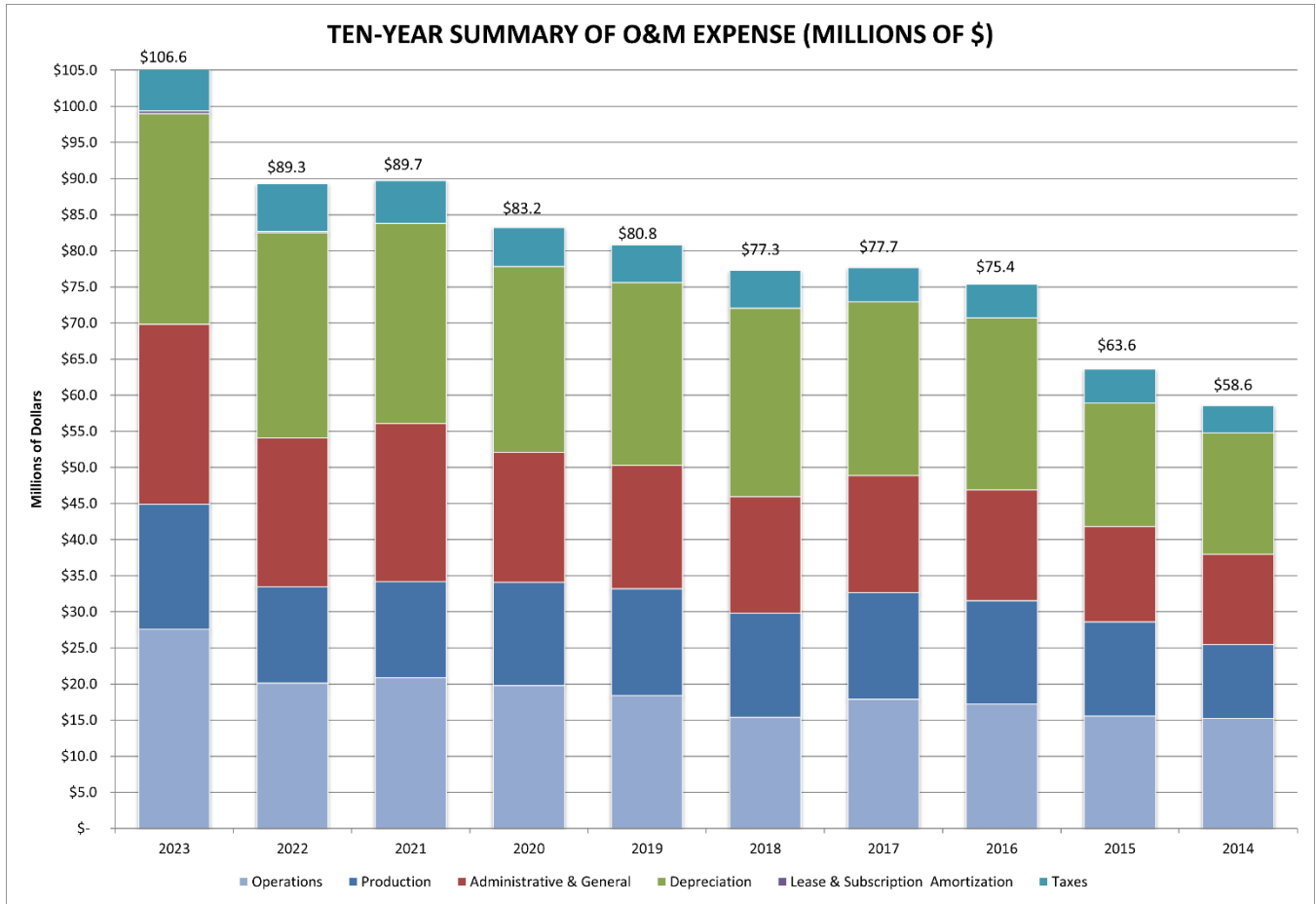
TEN-YEAR SUMMARY OF WATER SALES (MILLIONS OF \$)



TEN-YEAR SUMMARY OF WATER DEMAND (MGD)



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





The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.