



# Long-Range Financial Plan

**Financial Stewardship**

**2024**

# Notice and Disclaimer

**The City of Tacoma, Washington (City), is a municipal corporation under the Constitution and laws of the State of Washington. The Water Division of the City's Department of Public Utilities, doing business as Tacoma Water, operates the City's drinking water treatment, transmission, and distribution facilities.**

## **Disclaimer**

**The information included in this Long-Range Financial Plan (LRFP) is limited in scope, is dated and speaks only as of its date, and does not include all of the information relevant to bonds or notes issued by the City for Tacoma Water, or all of the financial information pertinent to Tacoma Water. This LRFP is being provided by Tacoma Water for informational and convenience purposes only, and nothing contained in this LRFP is, or should be construed to be, a representation by Tacoma Water that this information could be material to a decision to invest in, hold or dispose of Tacoma Water bonds or notes. It is not a guarantee of results, and is subject to revision at any time. Tacoma Water has not committed to updating, and expressly disclaims any duty to update, this document. Unaudited financial information used in this document, including for fiscal year 2024, is preliminary and subject to change. This LRFP makes forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "project," "forecast," "intent," "may," "will," "should," "expect," "believe," "anticipate," "estimate," and analogous expressions are intended to identify such forward-looking statements. However, any forward-looking statement or projection is subject to uncertainties. Actual results may differ materially. Inevitably some assumptions regarding future trends will not be realized and unanticipated events and circumstances may occur. A variety of risks and uncertainties affecting Tacoma Water's business and financial results – such as general economic and business conditions, public health emergencies and the resulting economic impacts, and other factors beyond Tacoma Water's control, some of which are discussed in this LRFP – could cause actual results to differ materially from the projected results stated in the forward-looking statements in this LRFP.**

**Further, this LRFP is not an offer to sell or solicit any offer to buy any bonds or notes. Any investment decisions regarding Tacoma Water bonds or notes should only be made after careful review of the complete official statements for those particular bonds or notes. Copies of official statements related to the City's outstanding bonds issued for Tacoma Water are available at <https://www.mytpu.org/about-tpu/investors/water-investor-information> or [www.emma.msrb.org](http://www.emma.msrb.org). The information in official statements relating to a specific series of bonds is dated and speaks only as of those dates, may become outdated due to the passage of time or subsequent events, and may include forward-looking statements. Tacoma Water is not undertaking to update and disclaims any duty to update the information contained therein.**

# Table of Contents

## 1. Introduction

Introducing our Long-Range Financial Plan and its highlights

## 2. Guiding our Long-Range Financial Plan

Policies and principles that guide our long-range financial planning

## 3. What's Changed

An overview of changes since our last LRFPP

## 4. Background

Learn about our utility and how we develop budget and rates

## 5. The Foundation

An overview of our expenses, revenue, credit, debt, and reserves

## 6. Regional Water Supply System

Learn about the Regional Water Supply System

## 7. Base Case Scenario Planning

The base case scenario models current assumptions and provides the most probable set of outcomes

## 8. Risk Factors and Scenario Planning

Includes internal and external factors potentially impacting our utility

## 9. Implementing the Plan

A summary and looking forward

## 10. Appendix

A little more detail about the contents of our scenarios

# The Value of our Long-Range Financial Plan

**As stewards for Tacoma Water, we have a responsibility to provide clean, reliable water for our customers, and to preserve and protect our water resources. This duty extends to ensuring that we develop a responsible Long-Range Financial Plan (LRFP) and implement it to support our system for the next few years and generations to come.**

**Our plan provides a road map for how to best fund ongoing expenses to keep the water system:**

- **Operating efficiently and effectively**
- **Provide for responsible renewal and replacement of our infrastructure**
- **Expand as needed to accommodate growth and system resiliency**
- **Invest in technology and data integrity**
- **Support the development of our employees**

**This LRFP strives to do all of this while keeping our rate adjustments stable and affordable for our customers.**





# Planning is Dynamic

**This document is for informational purposes only and is not a guarantee of results. Our financial position and assumptions used throughout the document will change as new information becomes known. Our forecast contained in the Appendix of this LRFP goes through 2034, but that does not mean that the annual projections have not changed by the time you read them.**

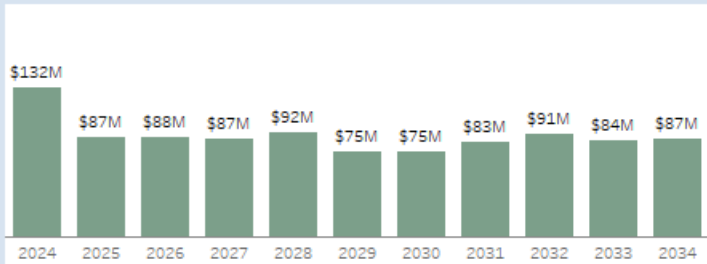
**This LRFP is dynamic and will change over time. We will update the plan at least every 2 years and will make it available online at [www.My.TPU.org](http://www.My.TPU.org).**

**To analyze past performance, we use [audited financial statements](#) through 2023. All unaudited financial information contained in this document is preliminary, and subject to change.**



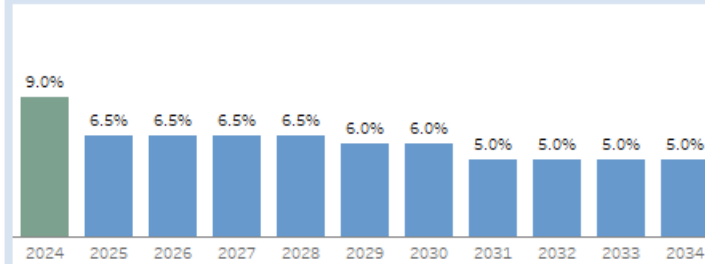
# The Highlights

Projected Total Liquidity



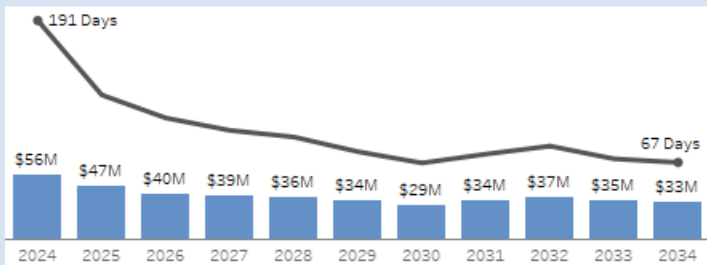
**Liquidity projections reflect planned, responsible spend down of reserves**

Actual & Projected System Average Rates



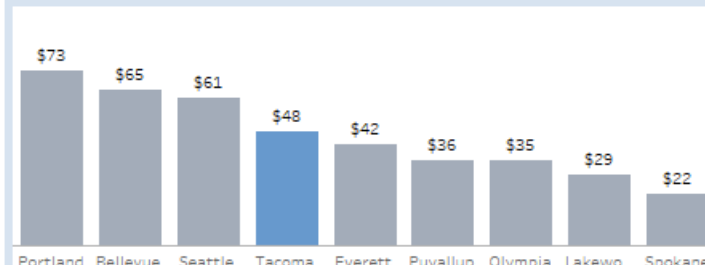
**Stable rate adjustments projected over the next 10 years**

Projected Operating Fund Balance



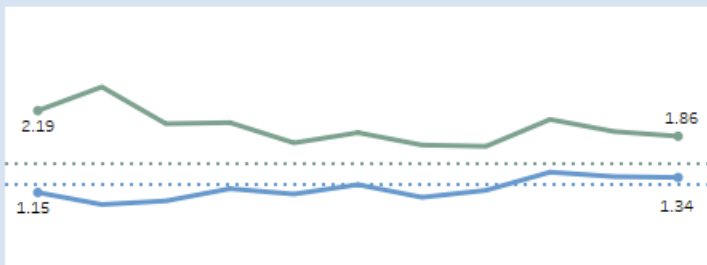
**Operating fund also reflects planned spend down**

2024 Comparison of Monthly Bills



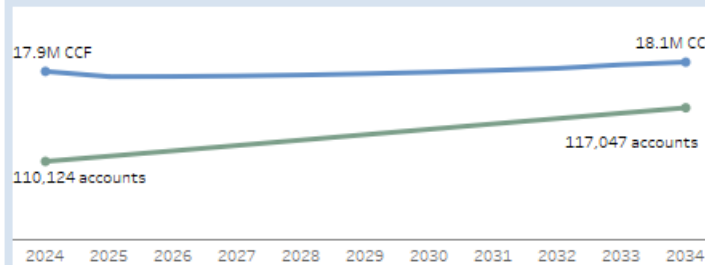
**Rates remain competitive among regional peers**

Projected Debt Service Coverage



**Coverage ratios exceed policy requirements**

Projected Demand & Account Growth



**Flat total demand despite customer growth**

# The Purpose of Sound Financial Policies

The Tacoma Public Utility (TPU) **Guiding Principles (GPs)** and our **Water Rate and Financial Policy** establish formal agreement among our managers, the TPU Board, and Tacoma City Council for how we manage the utility. They provide direction for managing our financial performance and a foundation for consistent financial and rate decisions. We have defined financial policy measures that support strong credit ratings, flexible financing options, and financial stability.





# TPU Board Guiding Principles

## TPU Board Guiding Principles

Along with Tacoma Power and Tacoma Rail, Tacoma Water is a part of Tacoma Public Utilities (TPU) governed by a five-member Public Utility Board (Board) that the Mayor and City Council appoints. The Board provides policy guidance and approves system expansion, bond and certain debt issues, and biennial budget and rate proposals with the subsequent approval of the Tacoma City Council.

In 2019-2020, the Board adopted Strategic Directives, now Guiding Principles (GPs), to capture the performance for which the Board will hold TPU accountable on behalf of its ratepayers.

These GPs provide us with policy direction that helps guide our decisions. Two of the GPs that most directly guide our LRFP are Financial Sustainability and Rates.



## Financial Sustainability

TPU is committed to providing safe, affordable, and reliable power, water, and rail services over the long term by maintaining sustainable budget, financial, and asset management practices.

## Rates

TPU rates for power, water, and rail services play an important role in securing a strong economy, establishing equity among customers, and producing revenue sufficient to provide safe, reliable, and environmentally-sensitive utility services with rates that are as low as they can responsibly be. TPU strives to ensure rates will be adequate, fair and just.



# Water Rate and Financial Policy

## **Purpose** | Supports Guiding Principle 2 | [Financial Sustainability](#)

The Water Rate and Financial Policy gives direction to planning decisions and helps ensure that Tacoma Water provides for an adequate supply of safe, clean water to all customers efficiently, reliably, and at the lowest possible cost consistent with prudent utility management.

## **Guiding Objectives** | Supports Guiding Principle 3 | [Rates](#)

- a. **Water Rates Should Ensure Water Quality and Robust Supply.**
- b. **Water Rates Should Be As Low As Is Responsible.**
- c. **Water Rates Shall Be Fair.**
- d. **Water Rates Should Be Stable and Understandable.**
- e. **Water Rates Should Be the Product of Customer Involvement.**

**WATER RATE AND FINANCIAL POLICY**  
TACOMA PUBLIC UTILITIES  
WATER DIVISION

November 2024

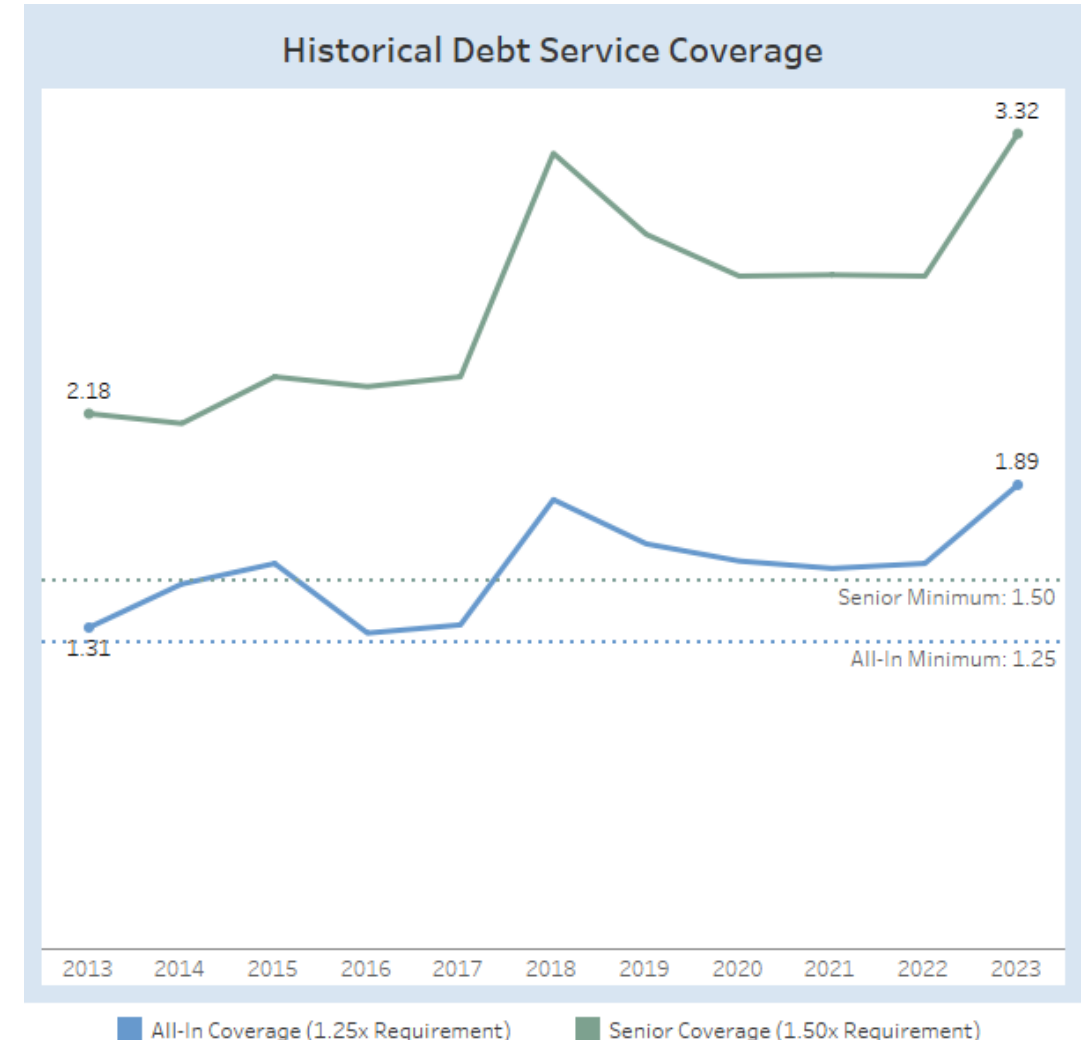
Adopted by Public Utility Board Resolution U-11485 on October 23, 2024  
Adopted by City Council Resolution No. 41559 on November 19, 2024

# Financial Policy Requirement: Debt Service

Our Water Rate and Financial Policy provides that we will secure the least costly financing for capital improvement projects based on our financial position and capital needs. Financing options for capital projects may include revenue funding, operating or capital reserves, low-interest loans, revenue bond funding, and other means.

The debt service coverage ratio measures our ability to use operating income to repay our debt obligations, including repayment of principal and interest on our outstanding debt. This measure helps us ensure that we comply with debt covenants and provides financing flexibility. Our policy requires that:

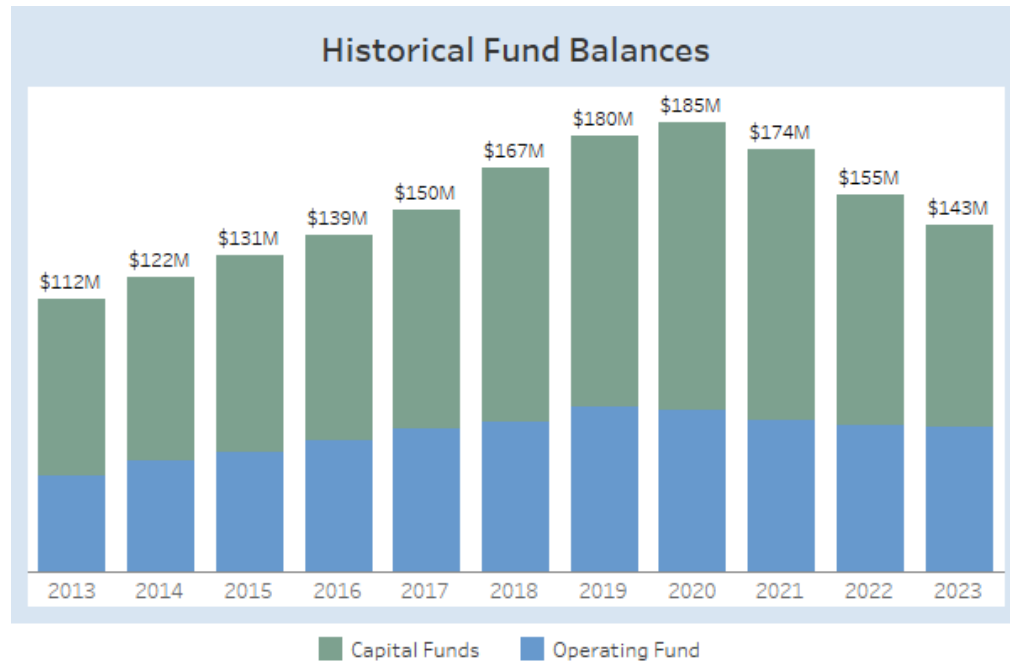
- “**Senior Debt Service Coverage** will be maintained above **1.50**, exceeding Tacoma Water’s bond covenant requirement of net revenue at least 1.25 times annual senior debt service.
- **All-In Debt Service Coverage** will be maintained above 1.25 except when cash reserves are budgeted to meet the annual revenue requirement, when it will be maintained above **1.00**.”



# Financial Policy Requirement: Reserves

## Operating and Capital Reserves

The Water Rate and Financial Policy defines minimum levels for each of our reserve funds. We may use these funds to offset the impact of rate increases during periods of intentional spend down of reserves.



## 2023 Reserve Requirements

Fund	Requirement	Purpose	2023
Operating (Current)	60 Days Budgeted Operating Expenses \$18M	<ul style="list-style-type: none"> <li>Day to Day O&amp;M</li> <li>Flexibility to manage risk</li> <li>Manage revenue fluctuations</li> <li>Meet working capital needs</li> </ul>	\$60M
Capital	1% Original Cost Plant-in-Service \$13M	<ul style="list-style-type: none"> <li>Capital funding for system projects</li> <li>Mitigate risk</li> <li>Financial stability</li> <li>Stable rate adjustments</li> </ul>	\$18M
System Development Charge (SDC)	\$2M	<ul style="list-style-type: none"> <li>\$33.6M Rate Stabilization Account</li> <li>Capital funding for system improvements</li> <li>Mitigate risk</li> <li>Financial stability</li> <li>Stable rate adjustments</li> </ul>	\$65M

Minimum requirements as of the 2023-2024 budget and current as of the year-end 2023.

# Testing the Reserve Policy Requirements

## Reserve Risk Modeling

We partnered with the Government Finance Officers Association (GFOA) in 2020 to develop a model that incorporates risks into our financial planning and tests the sufficiency of our current policy minimums.

This work provides financial insight into risks specific to our utility and quantitative analysis for long-range financial planning recommendations and potential financial policy changes.

The following provides an example of the risks considered as part of this process, and is not intended to be comprehensive or exhaustive.

Modeled Risks	Unquantified Risks Considered
<ul style="list-style-type: none"><li>• Retail demand</li><li>• Major customer demand</li><li>• Wholesale demand</li><li>• Drought conditions</li><li>• Cash flow restrictions</li><li>• Interest rate variability</li><li>• Floods</li><li>• Earthquakes</li><li>• Wildfires</li><li>• Pandemic</li></ul>	<ul style="list-style-type: none"><li>• Debt position</li><li>• Rate control</li><li>• Age and condition of assets</li><li>• Ice and snow storms</li><li>• Volcanoes and lahars</li><li>• Endangered species</li><li>• Climate change</li><li>• Historical artifacts and sacred land</li><li>• Partner default on shared expenses</li><li>• Hazardous materials spills and cleanup</li></ul>



# Decision-Making Tools

In addition to our financial policies, other sources guide our decision-making and help inform our LRFP:

- We finalized our [2020-2025 Strategic Plan](#) in 2020, which provided a foundation for our business strategy and focuses on our customers, workforce and operations.
- Our [Budget Development Decision-Making Framework](#) provides systematic tools and processes to ensure that budgeting decisions are based on analysis, using the best data available. This framework provides a foundation for transparent, well-documented, and durable decisions.
- Our [Integrated Resource Plan](#) focuses on the ability to manage available water supplies, plan for new supplies as needed and protect stream flow for fish in the Green River.
- Our [Comprehensive Water System Plan](#), approved by the Washington State Department of Health in January 2020, serves as a tool to assist us in making the best use of available resources in order to provide quality water services and protect the health of our customers.
- Our [Commitment to Asset Management](#) demonstrates an organization-wide pledge to apply strategic asset management principles, such as ensuring asset decisions are well informed and documented, incorporating environmental, economic, social and equitable outcomes in long-term investment decisions, and seeking transparency and inclusion through stakeholder and customer engagement.

# WestRock

## WestRock was Tacoma Water's largest customer

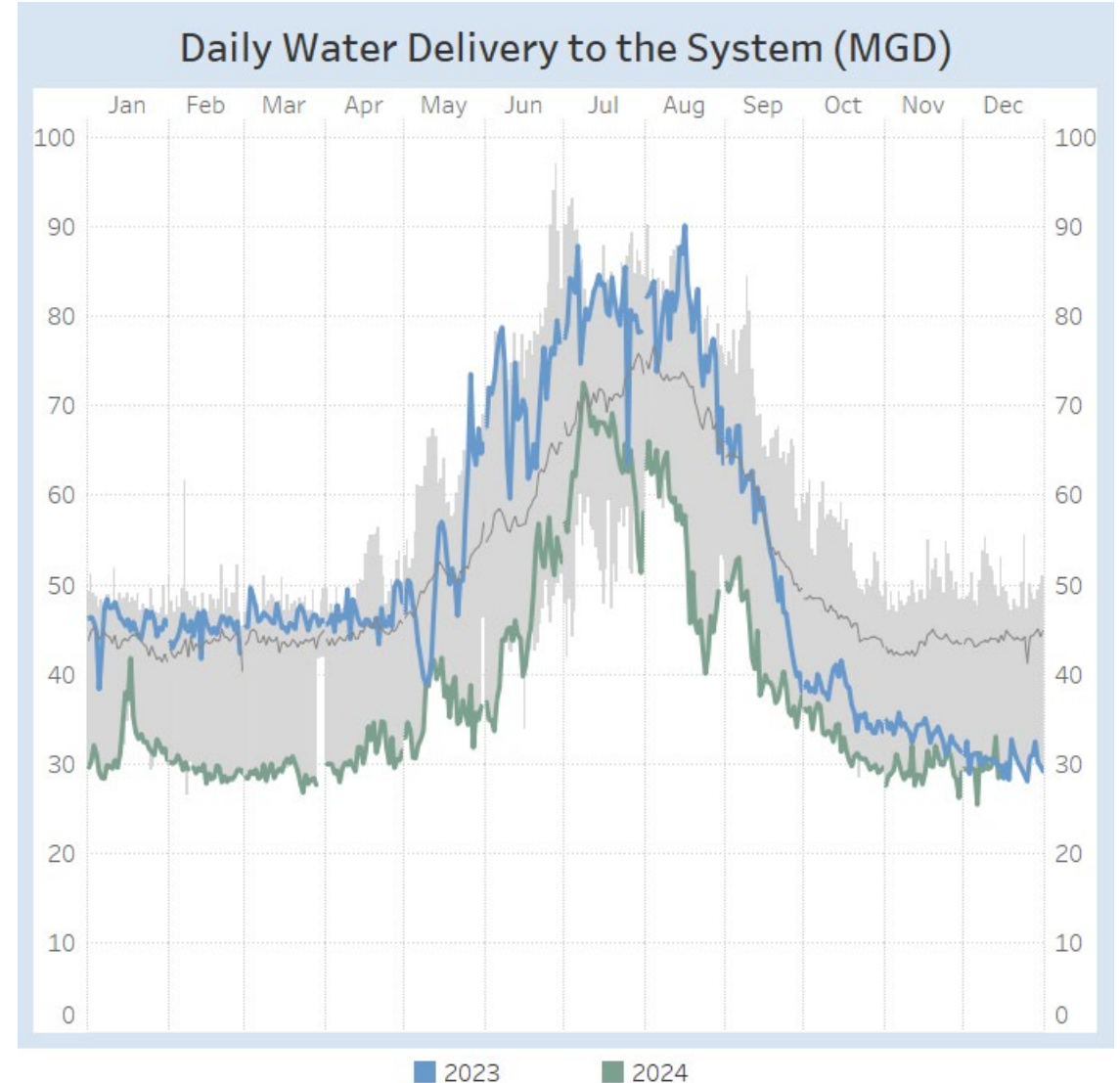
- **7.3% of water sales revenue in 2022 and 6.6% of sales revenue in 2023**
- **Consumed ~1/3 of total water in 2022 (~100K households)**
- **Loss of demand will require changes and reconfiguration of our system to maintain water quality**
- **Staff are analyzing what system improvements and changes may be needed due to this loss**

## Our costs won't change significantly

- **The whole system needs to be maintained to continue providing clean, reliable drinking water**
- **The amount of water we sell does not directly translate to the amount of costs we have to pay, most of our expenses are fixed in the short term**

## Rate increase was necessary

- **A 5% system average rate increase was approved for 2024 in addition to the 4% that was already approved in 2022**
- **Use of cash reserves helps mitigate near term impacts; we must make up for on-going loss of income**
- **Maintain financial stability and favorable credit ratings providing access to low-cost borrowing**



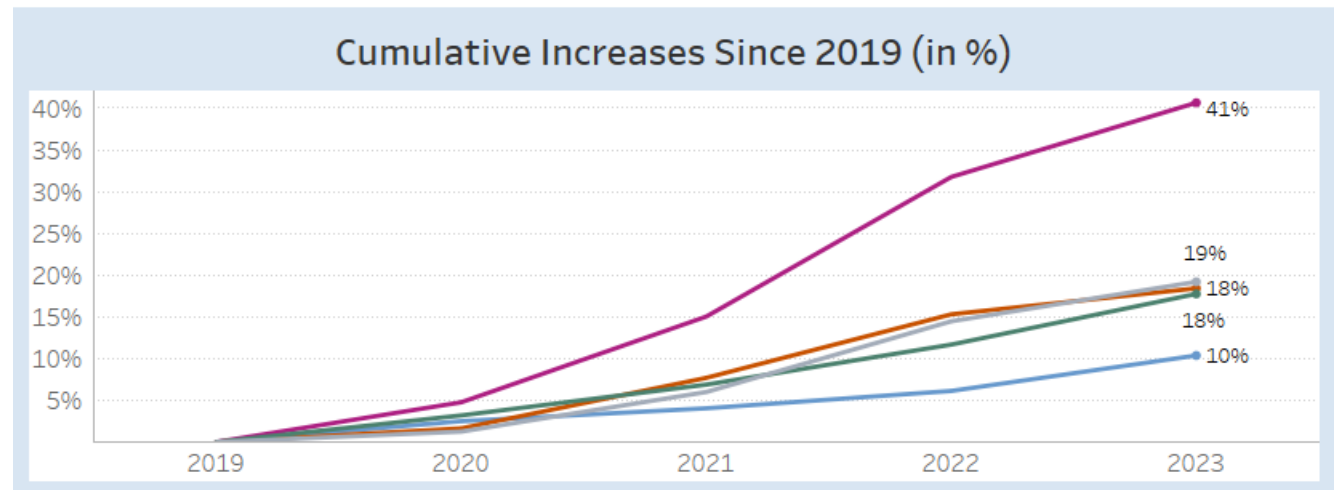
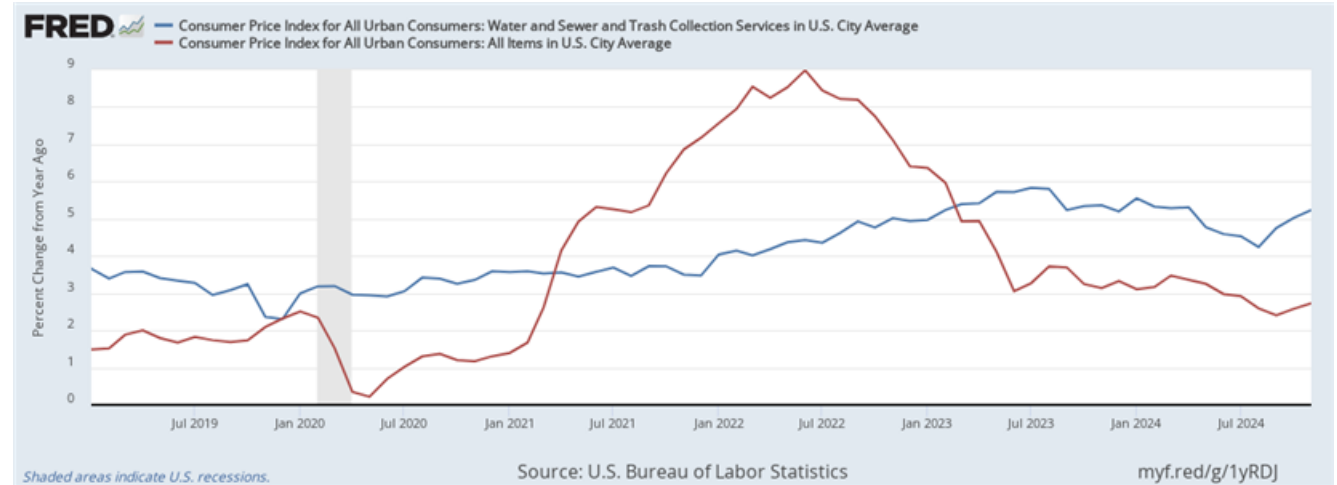
# Inflation and Supply Chain Impacts to Expenses

## Inflation

The utility generally faces different inflationary pressures than consumers. While customers primarily observe the Consumer Price Index (CPI) as an indicator for inflation, the Handy Whitman index is a better indicator for a capital-intensive utility. Long-term financial planning allows the utility to weather periods of high costs in the short term and spread the impact over time.

## Supply Chain Delays

Tacoma Water continues to experience challenges related to supply chain delays. Delivery timeframes were much longer for many of our needs. We have conducted additional analyses to ensure that the projects we undertake are still the right projects at the right time given the longer lead times or higher prices.



- Consumer Price Index (CPI)
- Consumer Price Index - Water, Sewer, Trash (CPI-WST)
- Engineering News Record Construction Cost Index (CCI)
- Handy Whitman - Cost Trends of Wtr Utlty Cnstrctn (Pacfic)
- Tacoma Water System Average Annual Rate Adjustments

# Enhancements to Customer Assistance

## Program Design for More Direct Assistance

In **2025**, qualifying customers enrolled in our **Bill Credit Assistance Plan (BCAP)** will receive monthly bill credits in two ways:

- **\$8 Automatic credit.** Customers would receive an automatic credit regardless of payment.
- **\$5 Achievable credit.** Additional BCAP Plus credit could be achieved with full, on-time payments and participation in a financial education program.

## Rate Impact and Equity

We estimate approximately **23,000 residential customers** are eligible for automatic credits, which would help mitigate 2025-2026 rate impacts for qualifying customers while addressing equity needs within our service area.

2024 Comparison of Average Monthly Bills  
(with and without TPU Customer Assistance Programs)



*For BCAP customers, the monthly average is 6 CCF in winter months & 7 CCF in summer months. For Discount Rate customers, the monthly average is 4 CCF in winter months & 6 CCF in summer months.*



# Completion of Advanced Meter Infrastructure (AMI) Deployment

## Advanced Meter Project

The Advanced Meter Project will provide customers with greater control, choice, and convenience. Starting in mid-2020, TPU began upgrading its electric and water meters with modern digital technology and bring many new customer benefits over time, including monthly billing, remote service reconnection, more options for customers to control costs, improved reliability through faster outage and leak detection, and more flexible payment options in a safe and secure way. Tacoma Water completed water meter upgrades in 2024.

## Economic impacts

- **Cost:** It's more expensive to maintain aging meters and continue manual reads than to replace them with advanced meters. These meters will also provide more accurate meter reads, invoices, and provide better customer data to support long-term planning.
- **Rates:** Costs for advanced meters are already factored into the current rates.
- **Low-income customers:** Advanced meters will provide many options over time to better manage monthly budgets, custom due dates, and monthly billing.
- **Utility jobs:** TPU is retraining and transitioning meter readers to different roles where possible, adding short-term project staff, and hiring a few new long-term positions.
- **Water Grant & Loan program:** Grants and deferred loans to help customers pay for their leaking water line repairs.

## Your benefits over time



### Your Control, Choice, and Convenience

Access more usage data anytime to manage your use and costs.



### Automated Meter Reading

More accurate, timely bills based on real-time data.



### Monthly Billing

Advanced meters will allow a switch to monthly utility bills, which most people prefer.



### Enhanced Personal Privacy

No need for regular physical access to read your meter.



### Easier Move In, Out, and Reconnection

Remote turn on and off of electric service saves you time.



### Expanded Ways to Save

Providing data about your use increases your ability to save money, water, and energy.



### Faster Outage and Leak Detection

Locating and fixing issues helps us restore service to you sooner.



### Flexible Payment Options

More options over time include prepay for electric service and custom due dates.



### Improved Operational Efficiency

Better information about our systems helps us manage costs.



### Reduced Environmental Impact

Fewer vehicle miles traveled for meter reading, basic field services, and outage detection lowers our carbon footprint.

# Rate Projections Higher, Financial Metrics Similar

## System Average Rates

The PUB and Council approved 6.5% annual rate adjustments for 2025 and 2026 in order to meet budgetary requirements and maintain the utility's financial strength and stability.

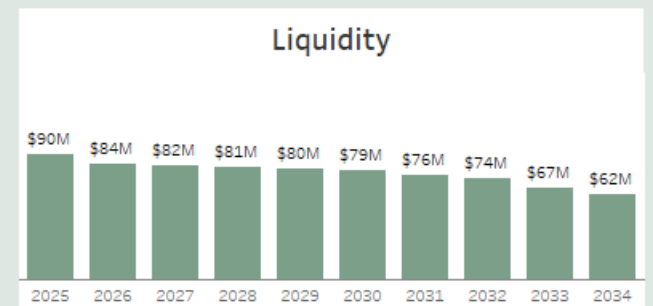
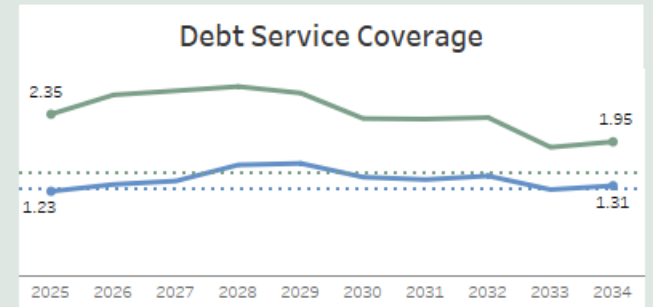
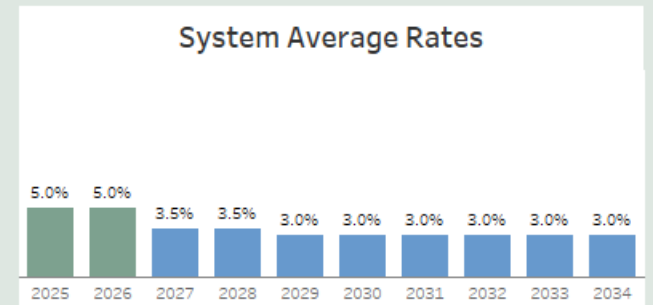
## Debt Service Coverage

Our debt service coverage remains above policy levels throughout the planning period and is projected to be similar to previous modeling at the end of the horizon.

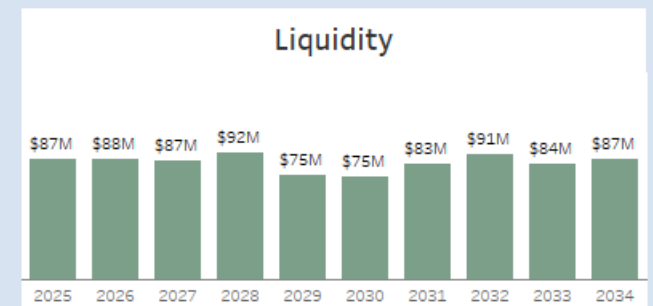
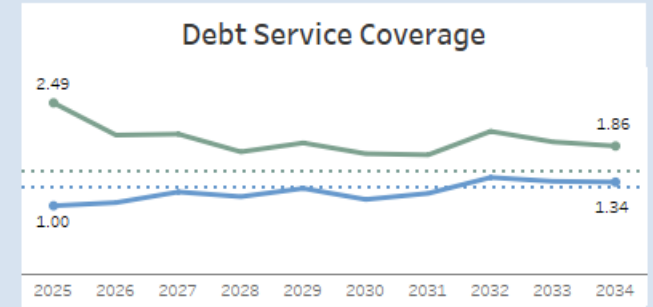
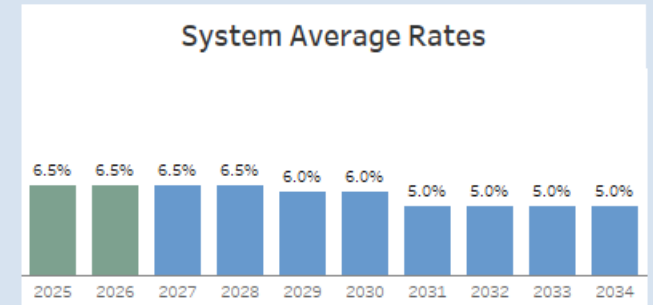
## Liquidity

Cash reserves are drawn down a little faster in the early years, but gradually build up in the later years to ensure enough funding for significant capital that was deferred beyond 2034.

2023-2024 Updated Base Case Projections



2025-2026 Base Case Projections



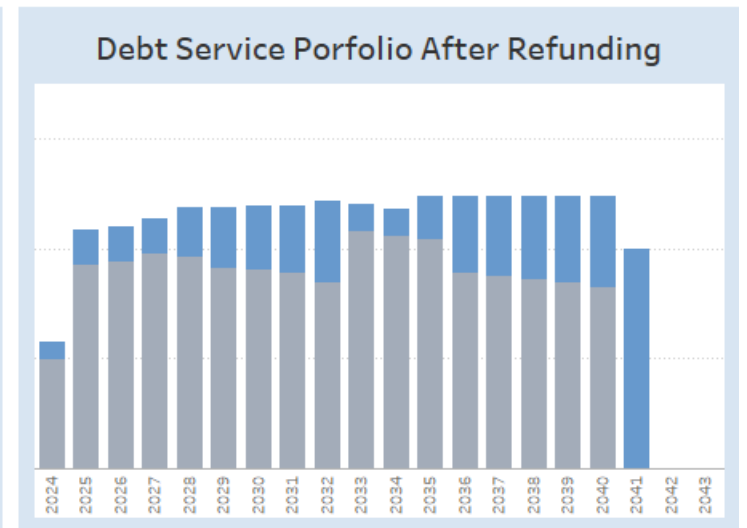
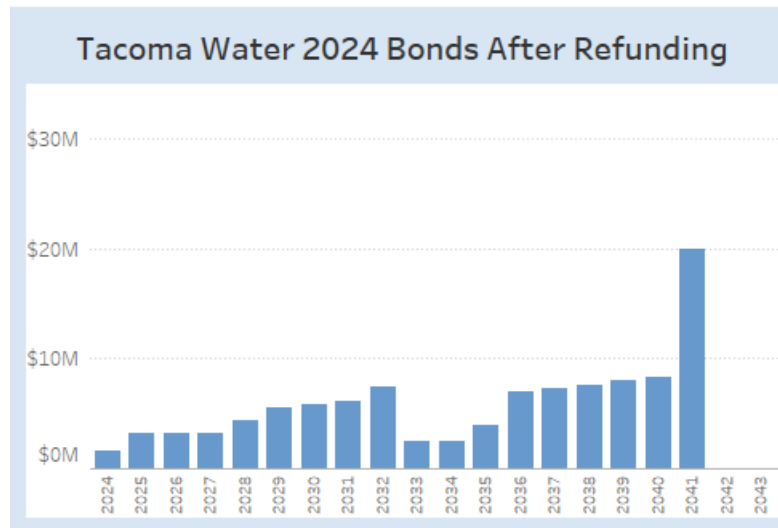
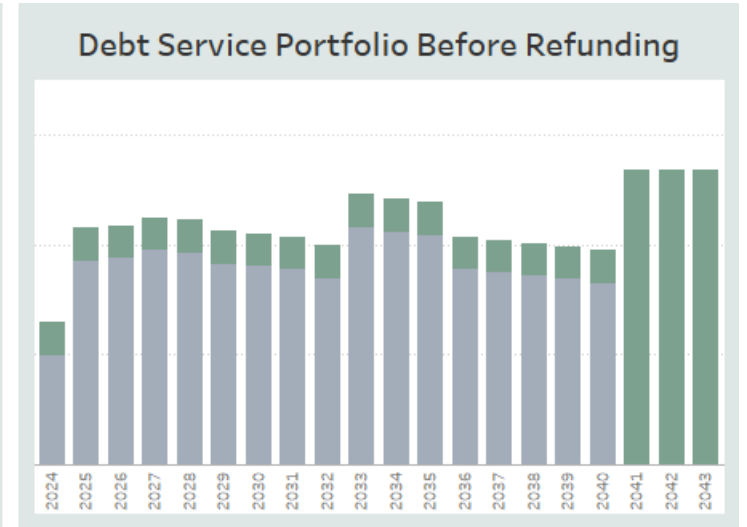
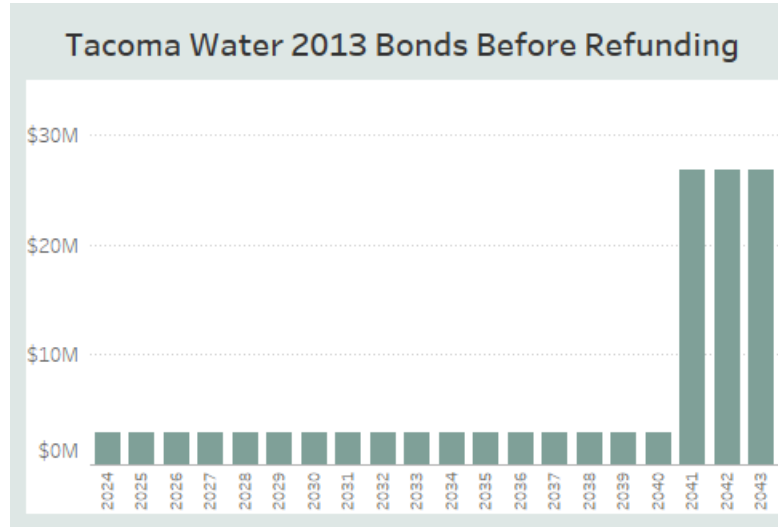
# 2024 Water Refunding

## Active Debt Management

We actively manage our debt profile and make changes to achieve debt service savings or reshape our debt service payments to provide level debt service payments or financial flexibility.

In January 2024, we refunded the 2013 Tacoma Water System Refunding Bonds, eliminated restricted reserve requirements, and defeased the 2005 Tacoma Water System Refunding Bonds, saving \$5.8 million in NPV.

In addition to refunding for savings, we reshaped the 2024 Tacoma Water System Refunding Bonds structure and reduced maturity by 2 years. These bonds have been designed as Green Bonds by a second party opinion.



■ 2013 Bonds      ■ Other Bonds and Loans      ■ 2024 Bonds

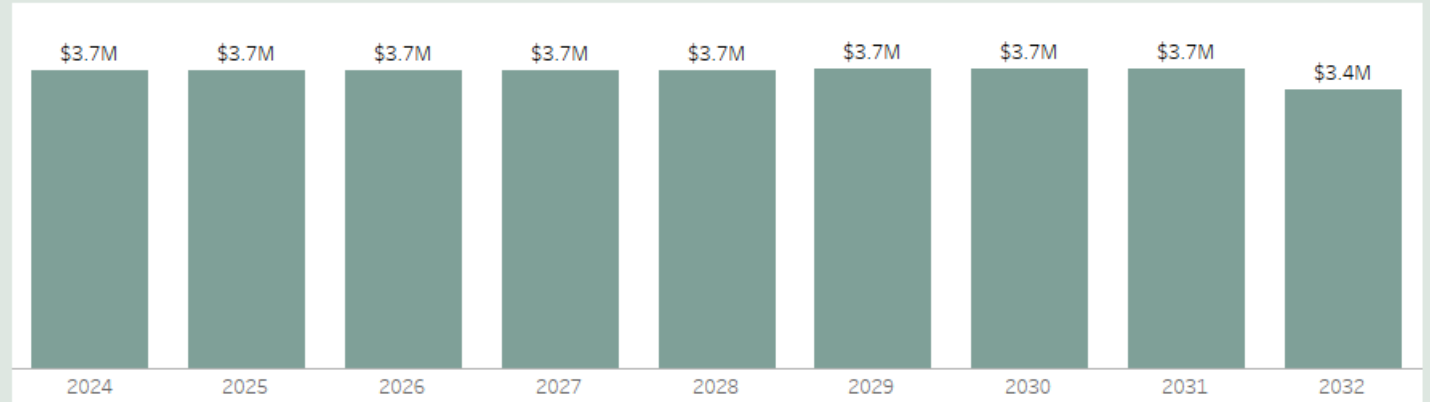
# 2024 RWSS Refunding

## Active Debt Management

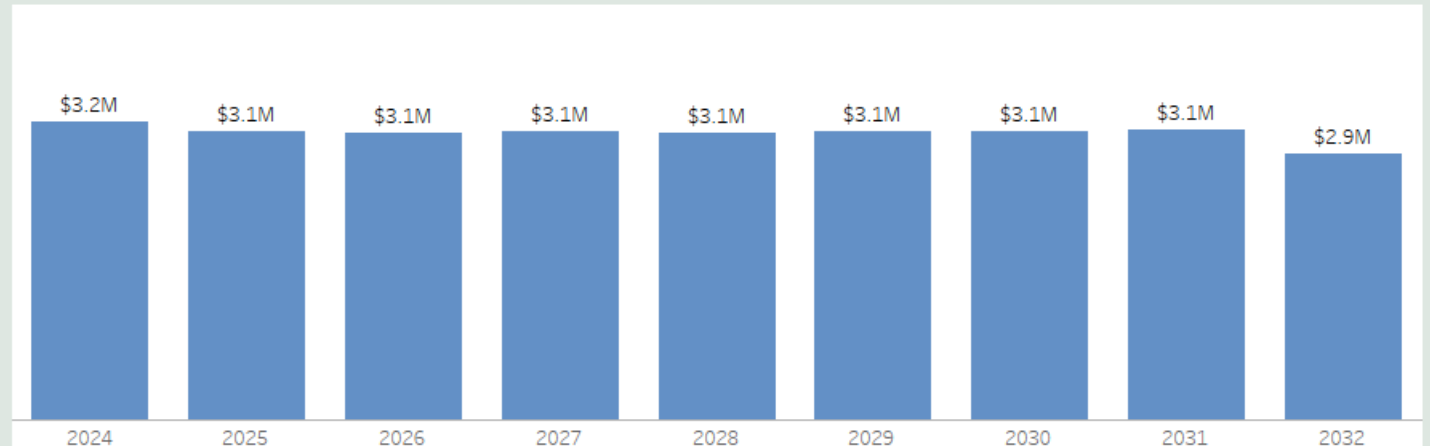
In January 2024, we also refunded the 2013 Regional Water Supply System (RWSS) Refunding Bonds for a total of \$2.0 million in savings over the life of the bonds and freeing up \$2.28 million in reserves for Tacoma Water's share. This also allowed Covington to payoff their portion of the 2013 bonds in lieu of refunding. More information on the 2024 refunding and RWSS debt portfolio is detailed in the RWSS section of the LRFP.

Since RWSS debt service is a contract resource obligation (CRO), it is an O&M expense. Refunding the 2013 bonds reduced our expenses by \$2 million, which is approximately 2% in rates over the next 8 years.

RWSS 2013 Bonds Before Refunding (Tacoma's Share)



RWSS 2024 Bonds After Refunding (Tacoma's Share)





# Moody's Ratings Upgrade

## Sound financial stewardship reflected in strong bond ratings

**Moody's upgraded Tacoma Water's water system revenue bonds and Regional Water Supply System bonds from Aa2 to Aa1. This increase is particularly remarkable, especially given the recent loss of WestRock, Tacoma Water's largest customer. In their Rating Action press release dated January 2, 2024, Moody's wrote of Tacoma Water:**

- **Excellent rate-setting record which was demonstrated following the recent closure announcement by its largest customer, with rate increases to maintain financial metrics, as well as equitable and affordable customer rates**
- **Long-term financial stability, including sustained strong liquidity and debt service coverage**
- **Sophisticated management of regulatory compliance and ten-year capital program**
- **Strong system characteristics, including ample capacity and water resources (high-quality, long-lived water supply)**
- **Broad and diverse customer base, served by a local system larger than the city and augmented by a regional second water supply**
- **Growing service area and improving resident income levels**

# TPU Strategic Plan

In 2023, our Executive Leadership Team developed a unified TPU Strategic Plan that refined our shared mission, vision, and values to guide our organization in the coming years.

Our mission explains why we exist, our vision describes where we want to go, and our values determine the traits we will need to get from our mission to our vision. To outline the steps we need to take, we also established near-term objectives and identified initiatives we will undertake to accomplish those objectives.



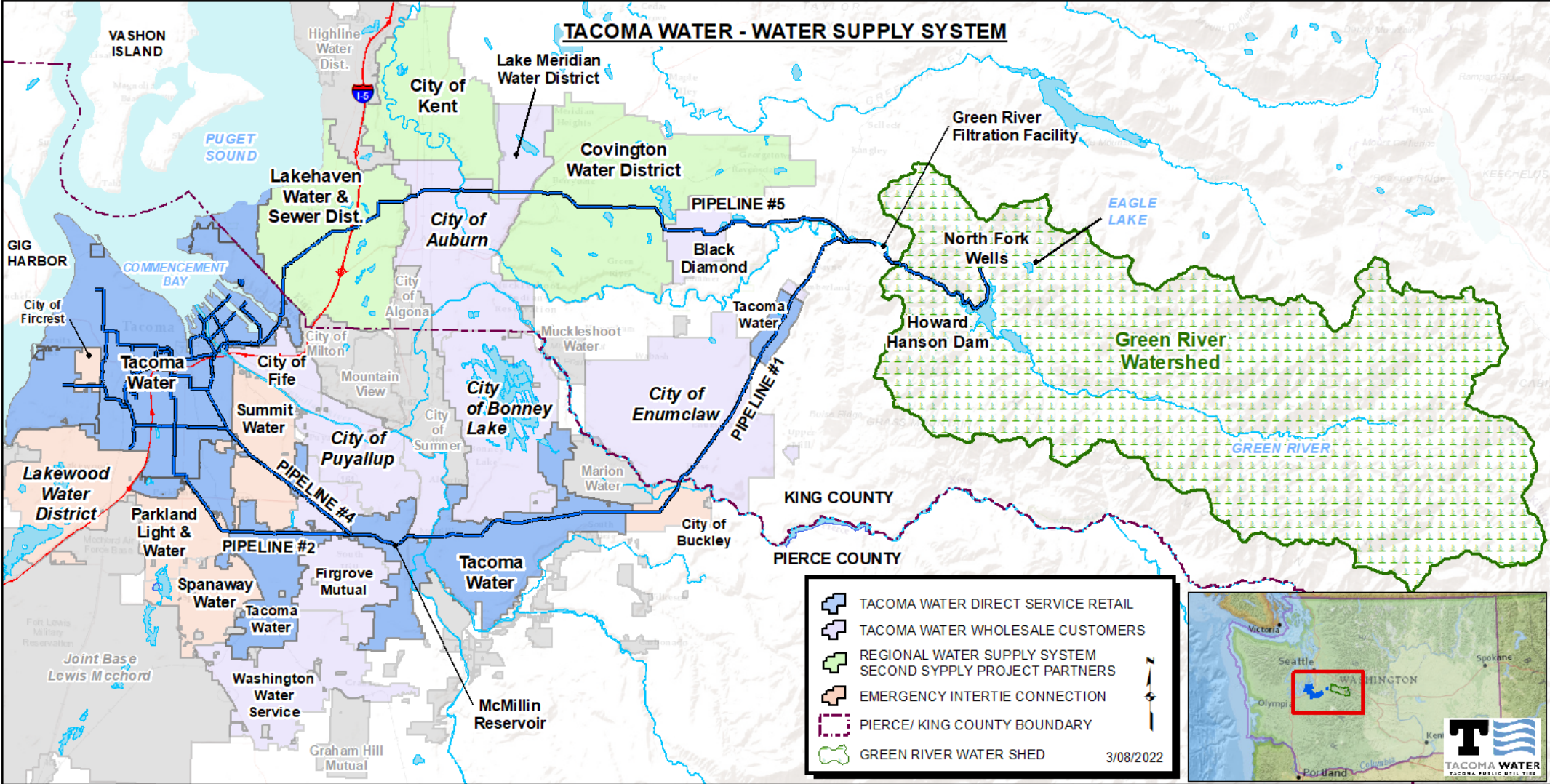
# About Us

Tacoma Water has a proud tradition of operating and maintaining one of the country’s oldest municipally-owned water systems. We provide high-quality water at very competitive prices to more than 300,000 people throughout Pierce and King counties.

HISTORY	ORGANIZATION	WATER SYSTEM	CUSTOMERS	FINANCIAL
<p><b>Founded</b> July 1, 1883</p> <p><b>Regional Water Supply System</b> Second water system added for additional supply and storage in 2002</p> <p><b>Mission</b> Providing clean, reliable water</p>	<p><b>Public Utility Board</b></p> <ul style="list-style-type: none"> <li>Appointed by Tacoma City Council</li> <li>Provides policy direction</li> <li>Approves system expansion, bond issues, budget and rates</li> </ul> <p><b>Tacoma City Council</b></p> <ul style="list-style-type: none"> <li>Approves system expansion, bond issues, budget and rates</li> </ul> <p><b>Tacoma Public Utilities</b></p> <ul style="list-style-type: none"> <li>Led by Director as appointed by Board and approved by Council</li> <li>Includes Power, Water, and Rail managed by Superintendents under Director supervision</li> </ul> <p><b>Tacoma Water</b></p> <ul style="list-style-type: none"> <li>Water Superintendent</li> <li>Deputy Superintendent</li> <li>Five division managers</li> </ul>	<p><b>Mains</b></p> <ul style="list-style-type: none"> <li>1,326 miles of distribution</li> <li>150 miles of transmission</li> </ul> <p><b>Supply</b></p> <ul style="list-style-type: none"> <li>150 mgd Green River</li> <li>40 mgd wells</li> </ul> <p><b>Storage</b></p> <ul style="list-style-type: none"> <li>15 locations</li> <li>10 concrete tanks</li> <li>12 steel standpipes</li> <li>68 mg McMillin Reservoir</li> <li>73 mg other reservoirs/standpipes</li> </ul>	<p><b>Customers</b> 109,235 accounts</p> <p><b>Average Household Use</b> 169 gallons per day</p> <p><b>Average Household Bill</b> \$48 per month</p>	<p><b>Bond Ratings</b></p> <ul style="list-style-type: none"> <li>Moody's: Aa1</li> <li>Standard and Poor's: AA+</li> </ul> <p><b>Capital Assets</b> \$1.3 billion in original cost</p> <p><b>Operating Revenue</b> \$124 million</p>

*Data as of year-end 2023.*

# Service Territory





# Supporting Employees and Customers

## Prioritizing People

Our commitment to providing clean, reliable water extends to how we care for our employees and customers. For employees, we provide training and resources to ensure safety, support morale, and development opportunities. We provide education and outreach in conservation for our customers, offer financial assistance to low-income customers, and provide grants and loans to repair aged or leaking water lines. Our Strategic Plan prioritizes how we do this:

### Customer Focused

- We want to provide exceptional service through every engagement and experience.
- Listen to and respect our customers, stakeholders, and community.
- Build and maintain trust through consistent, reliable, transparent interactions and services.
- Share our story.

### Employee Safety and Equity

- We want to help build our utility's strength at all levels of the organization.
- Ensure people clearly understand the roles and expectations of their positions so employees can lead our utility.
- Provide training and development opportunities that will help people excel in their positions.
- Support efforts relating to recruitment and retention, career path development, succession planning, and cultivating an equitable workplace.

**2020-2025 STRATEGIC PLAN**

**Mission**  
Providing clean, reliable water

**Vision**  
To be an exceptional community resource empowering employees to deliver life-sustaining value

**Values**  
Safety  
Customer-driven  
Employee invested  
Stewardship  
Adaptability

**Objectives**

- Providing customers increased value
- Preparing our workforce for the future
- Improving our systems, processes, and use of resources

**Initiatives**

- Develop and implement a customer engagement program
- Inventory and document core business processes
- Support key technology projects
- Establish and implement a risk management program
- Enhance project management competencies
- Create and implement a workforce development system

**TACOMA WATER**  
TACOMA PUBLIC UTILITIES

**T**  
TACOMA PUBLIC UTILITIES

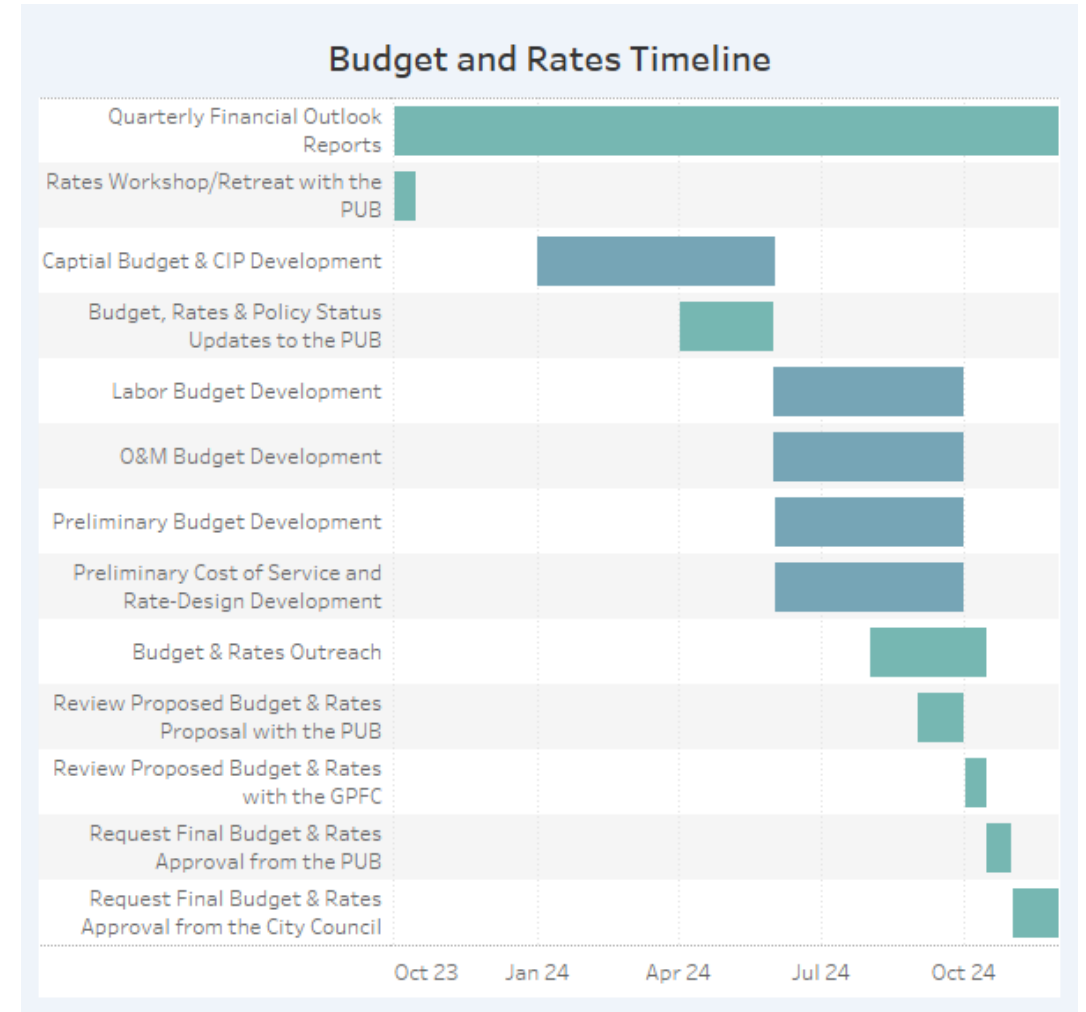
# Budget and Rate Development and Approvals

## Developing our Budget and Rates

The Board provides policy guidance and approves our biennial budget and rate proposals with subsequent approval by the City Council.

We represent biennial budget and rate recommendations in the first two years of the LRFP. Although rate adjustments are approved biennially along with the budget, the rate proposals are developed as part of the LRFP and include projections through the planning period. This long-term approach to budget and rate planning ensures we are in alignment with our Rate and Financial Policy and our projected rate adjustments are as low as is responsible as well as stable and understandable.

Budget and rate development is an ongoing process for the utility. Quarterly financial outlook reports provide Tacoma Water Management and the Board with projections for how we expect to perform relative to the current budget. These projections will inform updates for the LRFP, including developing the expense assumptions for the next budget proposal.



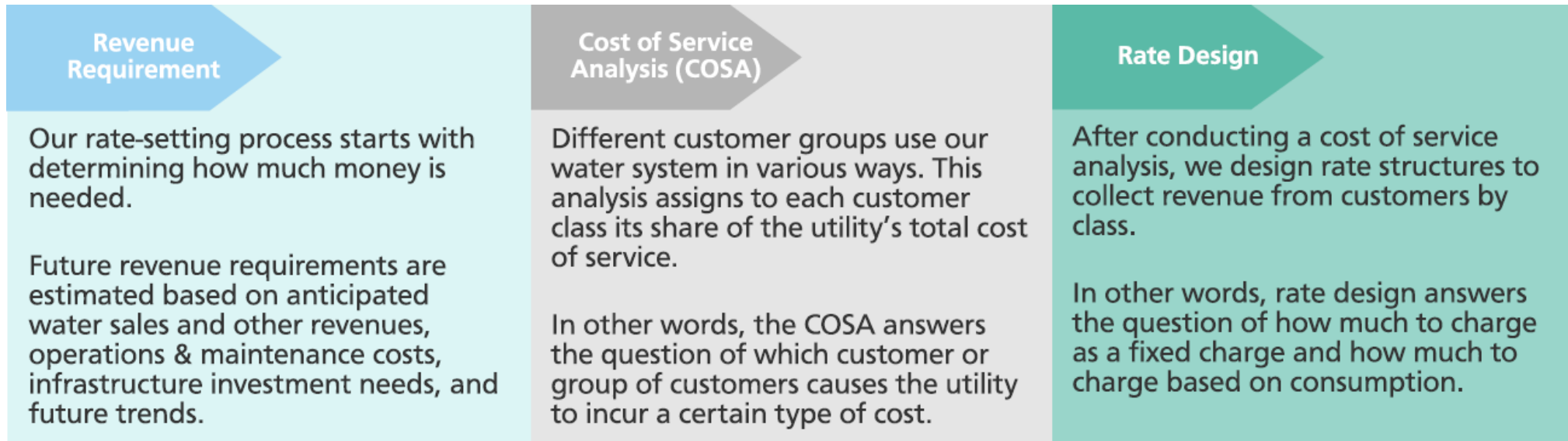
*This gantt chart categorizes typical work in developing budget and rates for an upcoming biennium.*

# Revenue Requirement, COSA, and Rate Design

## Developing our Rates

Nearly everything we do is paid through water rates and charges. These rates need to be adjusted periodically to ensure recovery of costs relating to change in conditions and to continue investing in our infrastructure, technology, and employees.

Planning for necessary adjustments to water rates is not a simple task, and it begins with creating a LRF. The plan identifies revenue requirements needed for the planning horizon and is the foundation for the rate-setting process. The LRF emphasizes balancing affordability with stewardship of our resources. Financial modeling informs how to pay for future expenses with gradual revenue increases over the long term.



# Rates

## Setting Rates

We set the price of water our retail customers pay to recover all operating and maintenance expenses, debt service, taxes, and a portion of capital additions and improvements made to the water system.

We recommend rate adjustments to minimize impacts to customers while maintaining the safety and reliability of our water system.

## Comparing our Rates

A metric often used for comparison is the cost of service in terms of an average monthly bill for a single-family home. We generally use the profile of an average City of Tacoma family and apply it to current rates from other utilities for comparison.

When comparing our residential rates to peer utilities within our region, we are relatively average. Peer utilities chosen for comparison are most similar in size and governance but may have different water sources and rate structures.

2024 Regional Comparison of Monthly Bills



*This comparison assumes a single family in Tacoma consumes a monthly average of 6 CCF (4,488 gallons) in winter months and 9 CCF (6,732 gallons) in summer months, with a 5/8" meter.*

■ 2024 ■ 2025 ■ 2026

# Affordability

## Forecasting our Rates

Our long-range planning currently forecasts stable annual rate adjustments over the next 10 years: this plan factors many cost escalating assumptions and growth projections.

Although annual costs and expected capital projects vary annually, our goal in applying gradualism minimizes peaks and valleys in rate adjustments, providing customers with reasonable expectations of rate impact as much as possible.

## Planning for Customer Assistance

As we project annual rate adjustments, we also project the anticipated impact on an average monthly bill for a residential customer. Planning for increased assistance in parallel with our rate adjustments helps customers understand how their monthly bills could be impacted and, hopefully, mitigated.

We designed our bill credit assistance program to provide monthly credits set at approximately 20% of an average residential bill. Tying bill credit projections to rate adjustments is important in allowing policymakers to anticipate when additional customer assistance will be budgeted and for our customers when more customer assistance could be available. In 2025, the BCAP increases by \$1 per month from \$12 to \$13.

Projected Average Monthly Bill and Customer Assistance



# The Foundation

**These elements form the foundation of the LRFP and are used to inform our base case. Actual performance is likely to vary from these assumptions and may result in changes to our projected rate adjustments.**

**We've grouped the elements into three subsections:**

## Expense Assumptions

**It costs a lot to maintain our infrastructure and deliver clean, reliable water to our customers. We invest in our employees, asset management, data, analytics, and technology as we continue to innovate and strive to become more efficient and effective.**

## Revenue Assumptions

**Our revenue primarily comes from water sales. In addition, we have several sources of miscellaneous revenue to help reduce the amount of revenue that we need to collect from our customers.**

## Credit, Debt, and Reserves

**Our plan provides a balanced approach to managing reserves, revenue bonds, and low-interest loan or grant opportunities. Strong financial metrics and credit ratings allow us to provide the lowest costs for our customers and ensure our long-term financial sustainability.**



# Expense Overview

## Capital

We fund capital projects through a combination of bonds, low-interest loans, and operating and capital reserves. The financing plan is developed as part of the LRFP and budgeted for each biennium.

## Personnel

Personnel costs include wages and benefits such as medical coverage. We partially offset the expense by employees who charge their time to projects funded by developers or other entities outside of our utility.

## Taxes

Tacoma Water is subject to several taxes and franchise fees. The largest is Gross Earnings Tax (GET) paid to the City of Tacoma, and State Public Utility Tax (SPUT) paid to the State of Washington.

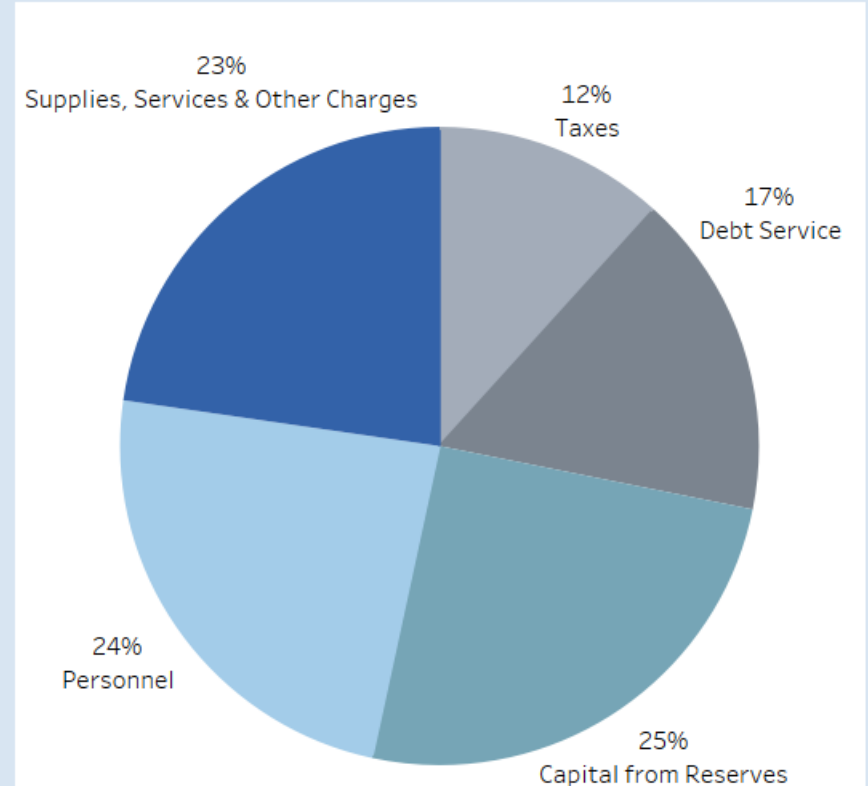
## Debt Service

We partially fund capital projects with revenue bonds and low-interest loans. These principal amounts, along with interest payments, make up our total annual debt service. The federal interest subsidies for the Build America Bonds are not deducted from gross debt service and are instead included as non-operating revenue as provided in our bond covenants.

## Other O&M

Other Operations and Maintenance costs include materials and supplies to maintain the system, safety equipment, legal and professional service contracts, internal service assessments, non-capital project expenses, and administrative costs not directly attributed to personnel.

2023 Actual Expenses by Type



*As of year end 2023, excluding depreciation.*

# Capital Expenditures

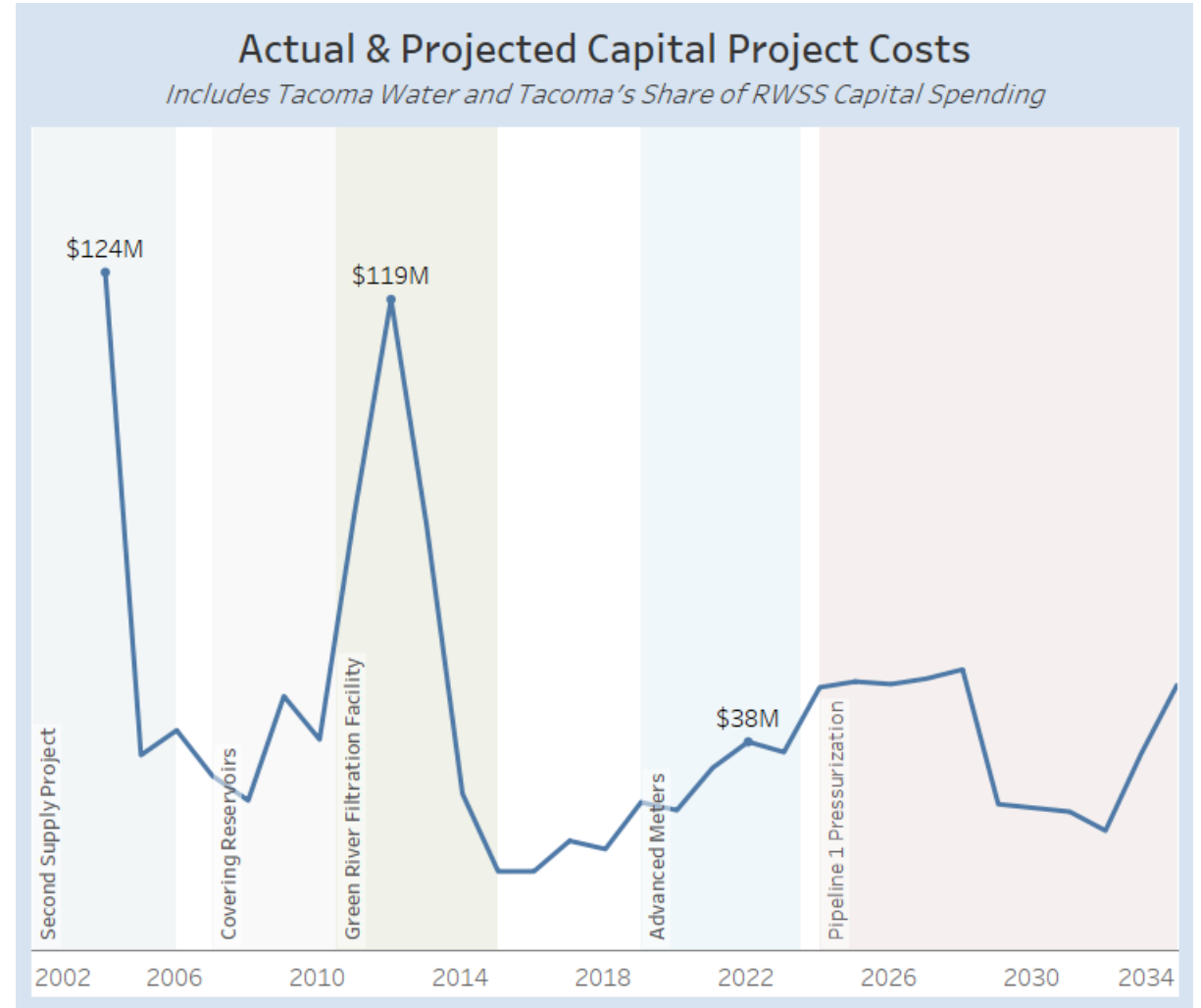
## Building and Maintaining our Infrastructure

We design our Capital Improvement Program to provide a prioritized schedule of projects to meet the water system's future needs.

For the LRFP, we used placeholders in instances where we identified a need due to the long planning horizon but had not developed a specific solution. We create business case evaluations, alternatives analysis as the project moves from conceptualization into the planning, and design phases and the two-year budget cycle.

As you can see in the chart, we have had several significant capital investments during the last 15 years as we developed our second supply and responded to regulatory requirements.

Although we don't foresee capital spending at those levels over the planning horizon, maintaining and reinvesting in the system is a responsible and necessary part of being financially sound.



*The blue line represents actual annual capital expenses from 2004 - 2023, budgeted annual capital expenses for 2024, and projected annual capital expenses for 2025-2034 from the 2025-2026 budget development.*

# Capital Projects

## Planning for Capital Projects

All proposed projects follow Tacoma Water’s budget development decision-making framework. This process ensures transparency, provides risk analysis, and promotes consistency and documentation for all projects included in the two-year capital budget request.

## Developer Funded Capital Projects

In addition to the capital projects we plan, we also have projects initiated by private developers who fund the cost to add the additional infrastructure. As of 2023, developers have funded about \$251 million of our assets. This is shown as contributions in aid of construction (CIAC) revenue in our financial statements.

Project Type	Est. Cost	Project Description Goals for 2025-2026
Water Operations Warehouse	24,700,000	Expanding warehouse operations with an additional building that is seismically sound and adequate for staff and equipment.
Water Distribution	18,405,000	Ensures our existing distribution system remains robust and reliable as we develop our service territory and serve new accounts. These costs are ongoing.
Pipeline 1 Pressurization Program	12,400,000	Pressurizing Pipeline 1 to meet regulatory requirements. These costs are one-time and ongoing.
Fleet	8,609,000	Ongoing replacement of Tacoma Water vehicles to maintain employee safety and help reduce the utility’s carbon impact. These costs are ongoing.
Technology Projects	6,784,000	Prepares our utility for the future by investing in tools and upgraded technologies that make us more efficient and help drive our analytical capabilities. These costs are ongoing.
Water Source	6,579,000	Ensures our water is protected and ample to serve our customers. These costs are ongoing.
RWSS	5,346,000	Tacoma’s share of RWSS related projects. These costs are ongoing.
Water Treatment	2,163,000	Our commitment to investing in treatment equipment and capabilities helps us keep our water safe by protecting the watershed. These costs are ongoing.
Contingency	1,800,000	Allows the utility to pay for unanticipated capital projects or significant equipment failures without deferring planned projects. These costs are ongoing.
Carry Forward	(7,471,000)	The Carry Forward Factor assumes some capital projects are carried from one year to the next by applying a 10% reduction to the capital budget.
<b>Total</b>	<b>\$79,315,000</b>	

# Capital Assets

## Plant In Service (PinS)

Capital expenditures are a large part of our biennial budget. When we capitalize the costs of a project, we record an asset on our balance sheet, recognizing that we will receive value over its life. We expect our capital assets will last for more than a year (sometimes even more than 100 years) but will not last forever. The value of most assets decreases over time due to use, new regulatory mandates, or obsolescence. We measure this decrease as annual depreciation.

These assets include water mains, pipes and accessories, easements, and meters. We show PinS at original cost, including all the costs necessary to bring them into service.

### Types of assets in our water system include:

**Supply and Treatment**

**Distribution**

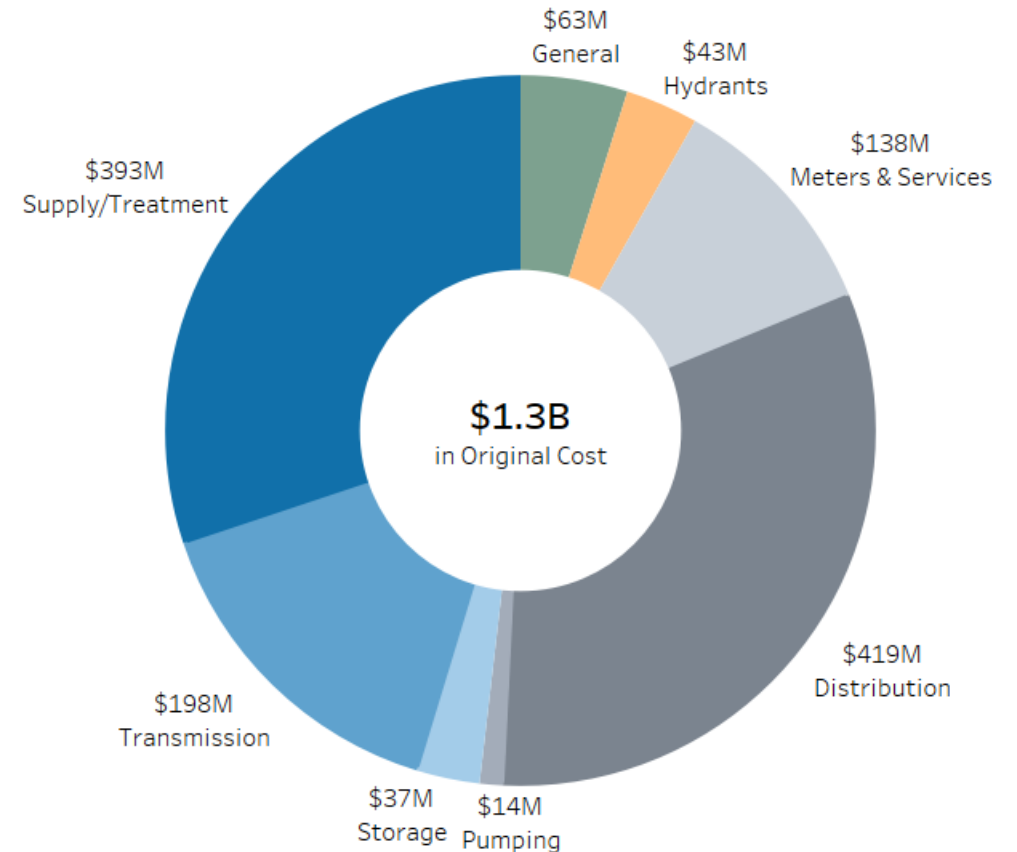
**Transmission**

**Meters and Services**

**Storage and Pumping**

**Hydrants**

2023 Original Cost Assets by Category



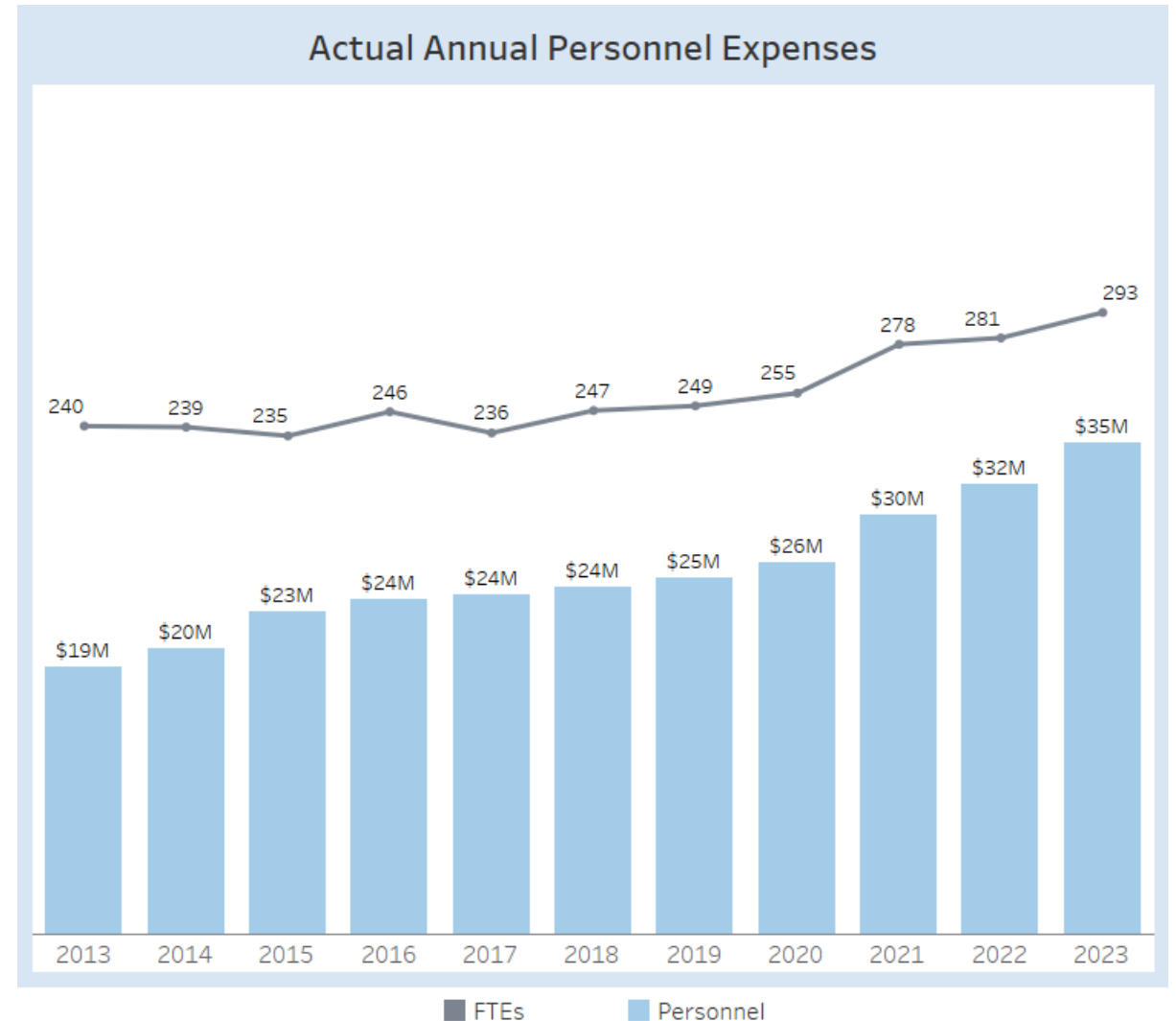
# Personnel Expenses

## Personnel

Operating and maintaining our water system takes hundreds of employees to keep the system healthy and delivering clean, reliable, and affordable water to more than 300,000 people.

Our biennial personnel budget includes employees' salaries and benefits. We expect these costs to rise with cost-of-living adjustments and labor contract changes.

In addition, we expect to make investments in personnel to support the implementation of our strategic plan to improve access to data, enhance analytics, and increase business process development. This work supports our ability to innovate and ensures that we are using our resources effectively and efficiently.



Personnel includes salaries, wages, and benefits net of labor charged out (secondary labor).

# Other Operations and Maintenance Expenses

## Operations and Maintenance (O&M)

O&M expenses reflect the day-to-day activities and costs necessary to run the utility. These include expenses such as supplies, services, and other charges, internal service assessments, and labor not related to a capital project.

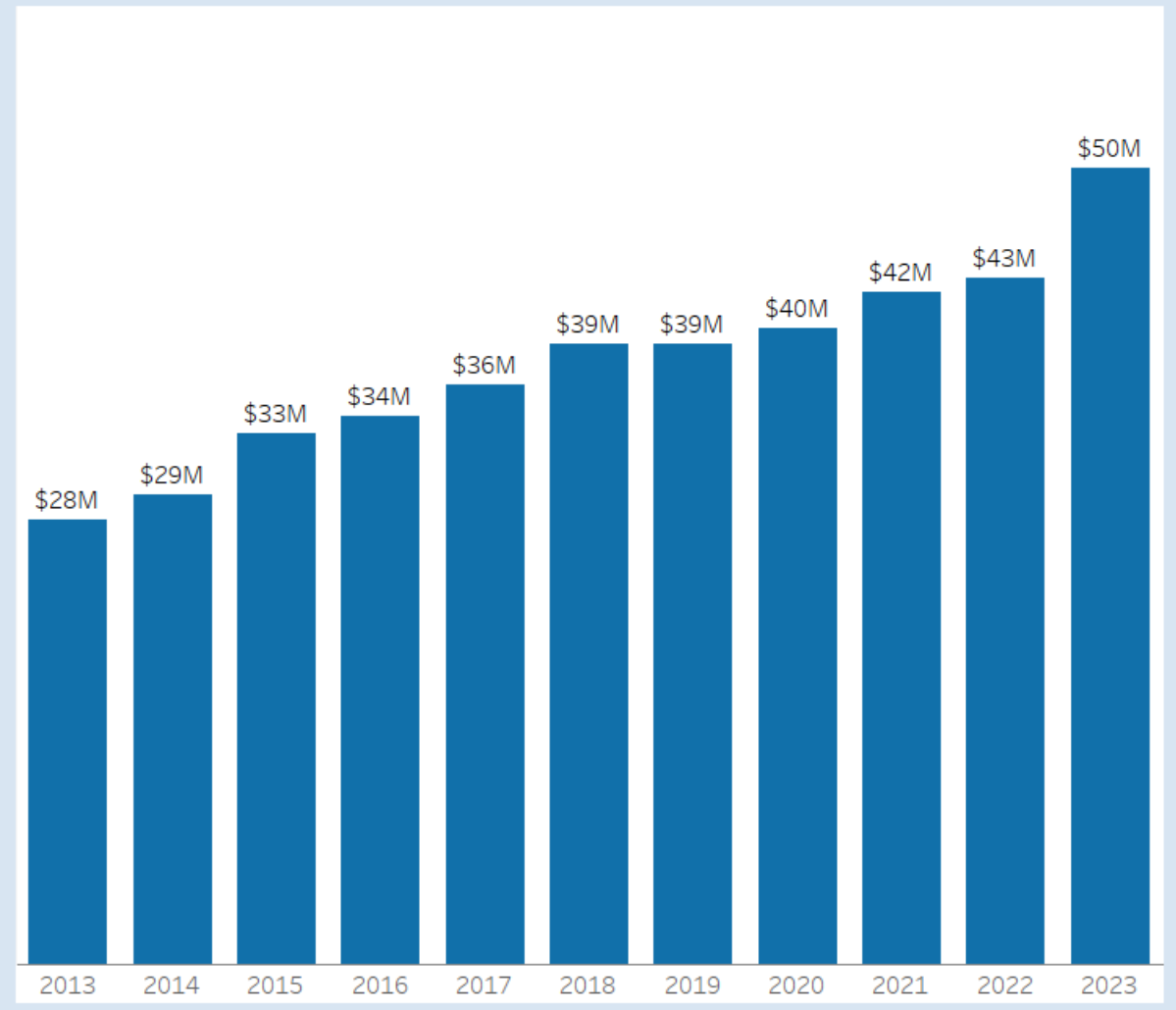
Budgeting for operations and maintenance includes two categories: Personnel and Other O&M.

## Other O&M

Other O&M includes expenses like fleet fuel and maintenance, technology support, customer service activities, bad debt expense, training, credit card fees, rent, electricity, and water treatment supplies.

Projects prioritized for the two-year budget cycle influence these expenses.

Actual Annual Other O&M Expenses





# Taxes & Franchise Fees

## Gross Earnings Tax

Based on a percentage of the utility's gross earnings paid to the City of Tacoma, which is currently 8.0% for Water.

## Business and Occupation Tax

The utility pays B&O tax on its gross income from activities exempt from other taxes such as the Public Utility Tax.

The utility pays 1.75% of its gross earnings from these activities to the State of Washington for B&O tax.

## State Public Utility Tax

The utility must also pay a tax on the public service of supplying water.

The utility pays 5.029% of its gross earnings on sales to consumers to the State of Washington for Public Utility tax.

## Utility Tax

This tax is based on a percentage of the utility's gross earnings in a particular jurisdiction and paid to that jurisdiction, which is currently the City of University Place at 6.0%.

Since we are a cost-of-service utility, taxes are a part of the rates we charge. The University Place Utility Tax is assessed directly to University Place customers through their rates.

2023 Taxes		
	Rate	Personnel
Gross Earnings Tax	8.000%	\$9.8M
State Public Utility Tax	5.029%	\$5.2M
Utility Tax	6.000%	\$0.6M
B&O Tax	1.750%	\$0.3M

Taxes paid as of year end 2023.



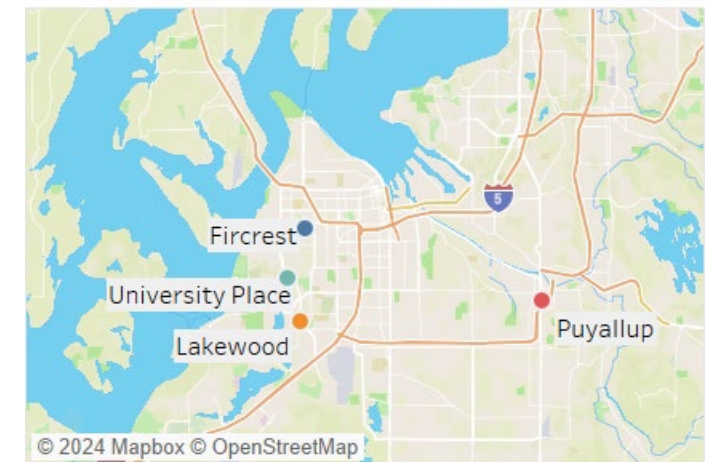
## Franchise Fees

The utility pays franchise fees to operate in nearby jurisdictions.

We negotiate franchise fees as part of franchise agreements with the respective jurisdictions.

2023 Franchise Fees	
Fircrest	\$9,030
Lakewood	\$7,583
Puyallup	\$24,001
University Place	\$773,662

Annual franchise fees paid as of year end 2023.



# Revenue Sources

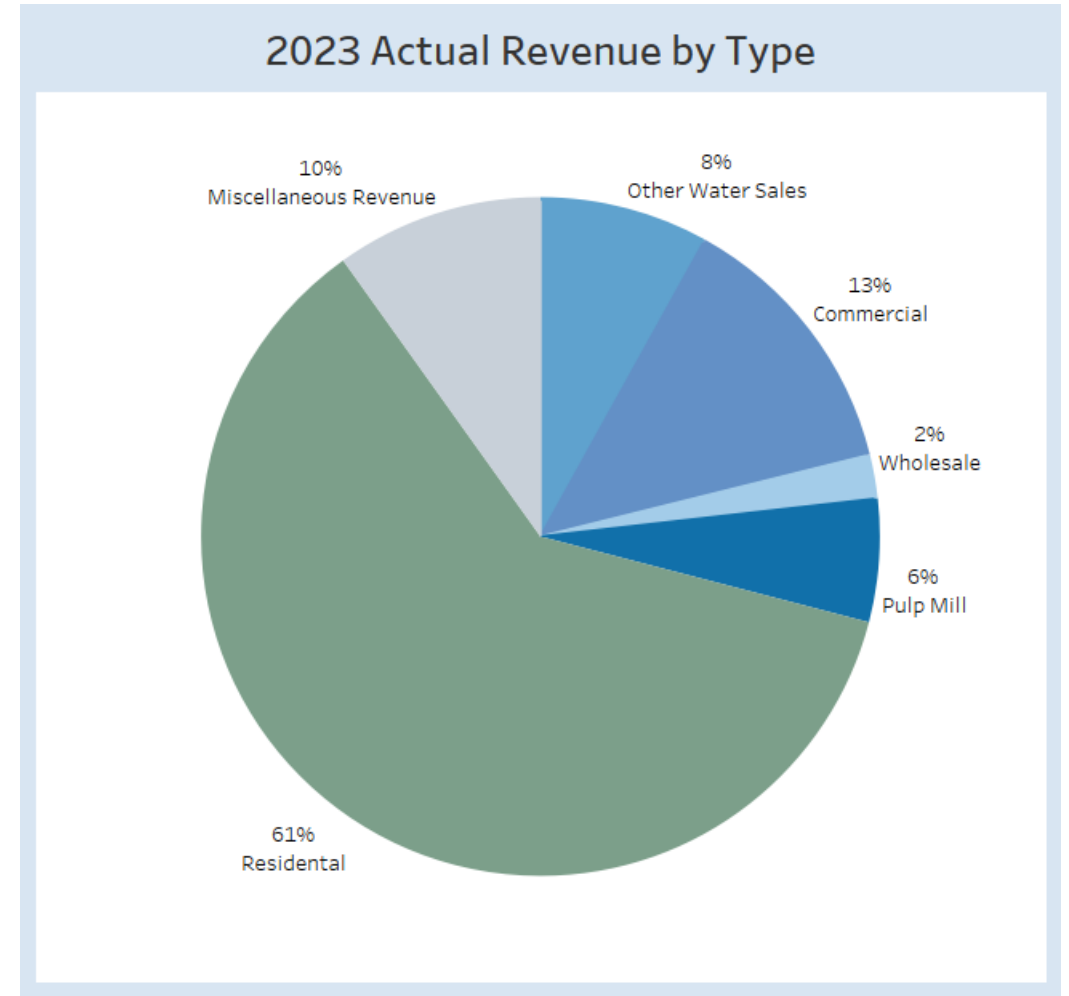
## Retail and Wholesale Water Sales

We base water sales revenue projections in the LRF on demand forecasting that is updated each biennium. This forecast incorporates trends and estimates for account growth as well as for demand per account. We collected 90% of our revenue from retail water sales in 2023.

## Other Revenues

The revenue we receive from other sources include surcharges we collected to pay for upgrades to system acquisitions, federal subsidies for Build America Bonds (BABs), and interest earned on cash balances.

We occasionally also receive revenue from a property sale, timber harvest, or limited-term contract payments like our agreement with Cascade Water Alliance. We deposit these revenues into our capital reserve funds to pay for capital expenses rather than rely on using them to pay for our ongoing O&M expenses.



*As of year end 2023.*

# Customer Classes

## Customers and Types of Services

**As a cost of service utility, we charge our customers only what it costs to manage our system responsibly and provide clean, reliable water. Each biennium, we conduct a cost of service analysis to determine the appropriate portion of revenue to recover from each customer class based on the types of services and infrastructure needed to deliver services to them.**

**The Residential Class is by far the largest and provided 67% of the revenue from retail sales in 2023.**

**We remain dedicated to helping our customers pay their water bills by strengthening the assistance programs we provide and help them access federal assistance funds.**

Customer Class	% of Revenue	% of Customers	# of Customers
Residential	67%	93%	101,722
Commercial	12%	4%	4,689
Large Volume	3%	> 0%	7
Parks & Irrigation	5%	1%	1,175
Private Fire	4%	1%	1,623
Wholesale	2%	> 0%	18
WestRock	7%	> 0%	1
Grand Total	100%	100%	109,235

*Customer classes reported as of year end 2023.*

# Broad, Diverse Retail Customer Base

## Customers and Types of Services

**WestRock was by far our largest customer and posed the biggest financial risk to the utility. Revenue provided by WestRock was about the same as the next 7 top customers combined. With the closure of the mill, our customer base is truly diversified, we no longer have financial risk from a singular customer.**

**We do not anticipate another customer of the same magnitude and plan to market excess capacity through innovative opportunities. The TPU and City of Tacoma economic development teams are actively working to bring in new businesses.**

Top Customers by Revenue and Usage for 2023

	Revenue	% of Total Revenue	Usage (CCF)	% of Total Usage
1 WESTROCK CP LLC	\$6,542,272	6.1%	6,091,066	25.4%
2 CITY OF FIFE	\$1,299,615	1.2%	826,485	3.4%
3 METRO PARKS DISTRICT	\$1,219,759	1.1%	257,159	1.1%
4 FREDERICKSON POWER	\$1,184,838	1.1%	509,648	2.1%
5 NIAGARA BOTTLING LLC	\$781,991	0.7%	336,744	1.4%
6 TACOMA SCHOOL DISTRICT	\$780,766	0.7%	138,684	0.6%
7 US OIL & REFINING	\$569,757	0.5%	279,562	1.2%
8 TEHALEH OWNERS ASSOCIATION	\$548,262	0.5%	94,163	0.4%
9 JAMES HARDIE BLDG PRODUCTS INC	\$453,900	0.4%	136,904	0.6%
10 MULTICARE HEALTH SYSTEMS	\$356,199	0.3%	71,939	0.3%
11 SUNRISE MASTER ASSOCIATION	\$310,726	0.3%	53,196	0.2%
12 PORT OF TACOMA	\$307,549	0.3%	33,672	0.1%
13 UNIVERSITY PLACE SCHOOL DISTRICT	\$295,811	0.3%	51,243	0.2%
14 ST JOSEPH MEDICAL CENTER	\$279,959	0.3%	50,905	0.2%
15 CITY OF BLACK DIAMOND	\$257,239	0.2%	67,993	0.3%
16 PIERCE COUNTY FACILITIES MANAGE..	\$251,974	0.2%	54,603	0.2%
17 CITY OF BONNEY LAKE	\$233,306	0.2%	70,749	0.3%
18 UNIVERSITY OF PUGET SOUND	\$220,764	0.2%	51,866	0.2%
19 WESTRIDGES APTS PROPERTY OWNER..	\$205,723	0.2%	50,381	0.2%
20 FAIRWAYS TIC IV LLC	\$186,821	0.2%	51,139	0.2%

# Forecasting Accounts, Demand, and Supply

## Declining Residential Demand

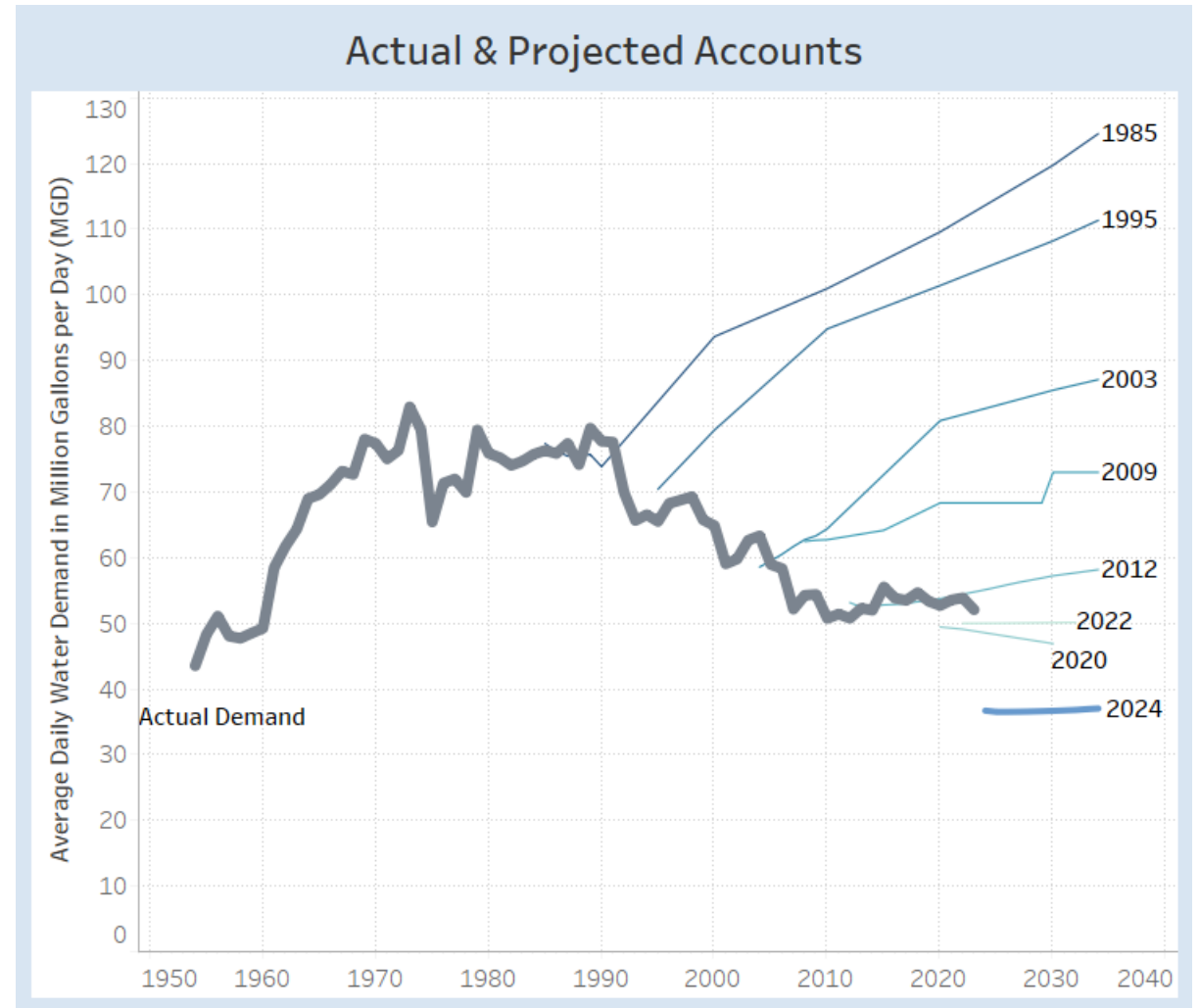
Tacoma Water's retail demand per account has been trending downward over recent years. The hockey stick projections of yesteryear explain why our utility built the water system the way it did: to prepare for future growth.

Conservation measures, improved code and standards and more efficient household fixtures lead to new flat or declining water demand forecasts.

For the next 10 years, we project the number of accounts to experience continued growth while we project total water demand to remain constant.

## Modeling Regional Supply

With robust infrastructure and projections of ample supply, we have an opportunity to redirect excess supply into regional markets, which can provide resiliency via interties and avoid additional redundant infrastructure and supply development regionally.



The grey line represents actual demand while the blue lines represent the years in which demand was forecast.

# Forecasting Accounts, Demand, and Supply

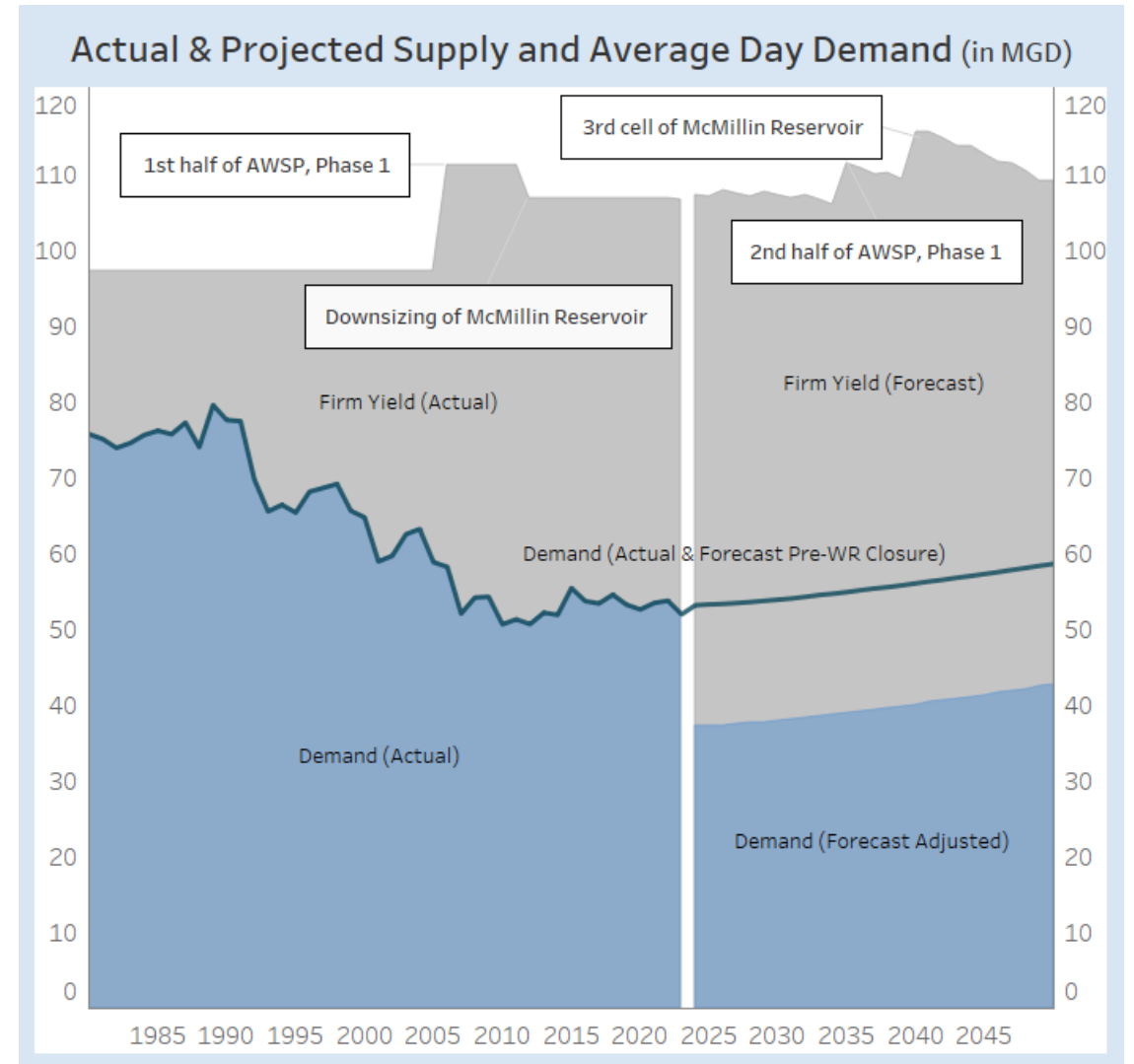
## Supply and Market Development

We project our system demand and our supply (Firm Yield) to remain relatively constant. We anticipate this will provide us with an opportunity for market development to serve additional regional water customers.

The chart on the right shows our actual supply and demand in average millions of gallons per day from 1980–2023, and our forecast for supply and demand from 2024–2050. Please note there may be days where our system demand exceeds our firm yield due to weather and environmental considerations.

## Modeling Climate Change

Modeling of the Tacoma Water supply portfolio indicates that climate change will produce warmer temperatures, possibly change future runoff timing and amounts as early as the mid-2030s, and may impact water supply by the 2050s. Our system is currently robust and has excess water in most years, but we need to be prepared for the possibility of a climate changed future. Planned upgrades to our source portfolio will ensure that our system will remain strong and reliable in the future, even in the face of climate change.





# Potential New Revenues with Wholesale & Special Pricing

## Rate-Design for the Long-Term

While wholesale customers generally have their own source of supply, there are a few reasons why they would elect to purchase water. Wholesale customers might want: (1) an additional source of supply, (2) redundancy, and/or (3) an emergency intertie. With historical and forecasted underutilization of contracted demand by wholesale customers, in 2020 we moved from a traditional rates structure based on meter size to rates based on contracted peak capacity to support wholesale market revenue growth.

Transitioning from meter size to contracted capacity helped Tacoma Water balance business objectives of revenue stability, equity within the wholesale class, and efficient price signaling.

While our rate-design shift remains neutral in recovering the cost of service, we intend to price ourselves competitively so our wholesale customers will buy more water from us in the long run. Additionally, wholesale customers now have alternate options available for water supply through market-based pricing or reduce contract capacity through reverse capacity amortization.

## Cascade Water Alliance

Tacoma Water is negotiating a proposed wholesale water supply agreement with the Cascade Water Alliance (Cascade). Under this proposed agreement, Tacoma Water would deliver water to the edge of our service territory. Cascade would then deliver this water to their members.

If approved, Tacoma would start delivering water to Cascade in 2041. Delivery amounts and time frames are still being negotiated, but Cascade could start with a small portion of water in 2041 and steadily increase to 24 million gallons per day on average by 2060. After 2062, delivery to Cascade would be reduced to 12 million gallons per day (MGD) on an average day.

This contract would benefit Tacoma Water customers in many ways:

- Generate revenue and stabilize rates
- Efficiently utilize surplus infrastructure capacity and supply
- Benefit from increased partnerships and collaboration

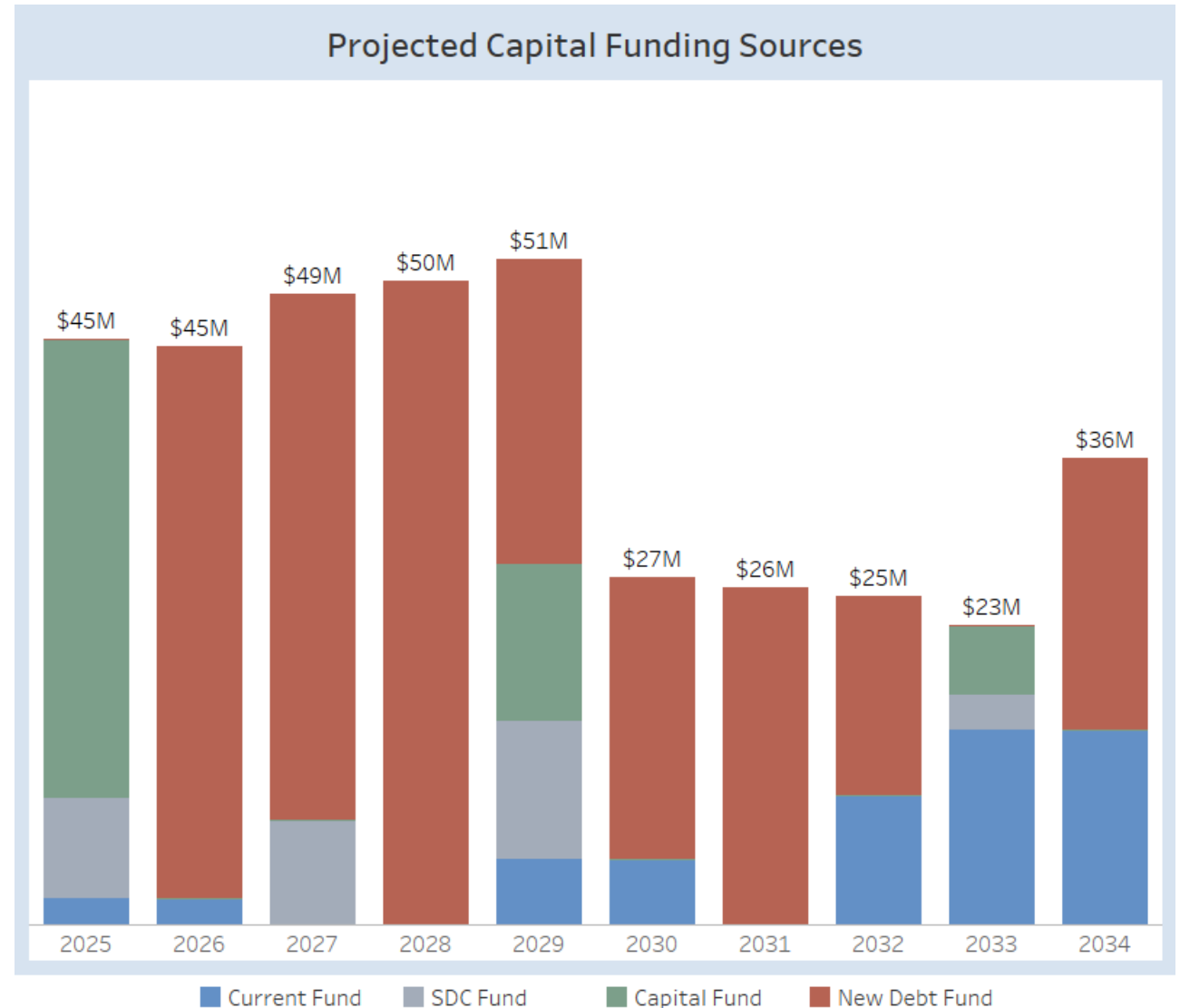
# Capital Funding Sources

## Funding the LRF

Our financing strategy applies a combination of cash reserves and debt to pay for capital costs.

We analyze numerous possible funding scenarios in our financial modeling. In these scenarios, we strive to achieve a responsible mix of debt and cash funding for capital based on objectives that focus on affordability, equitable distribution of costs to customers for future generations, alignment with asset and system management principles, and gradual increases to revenue requirements.

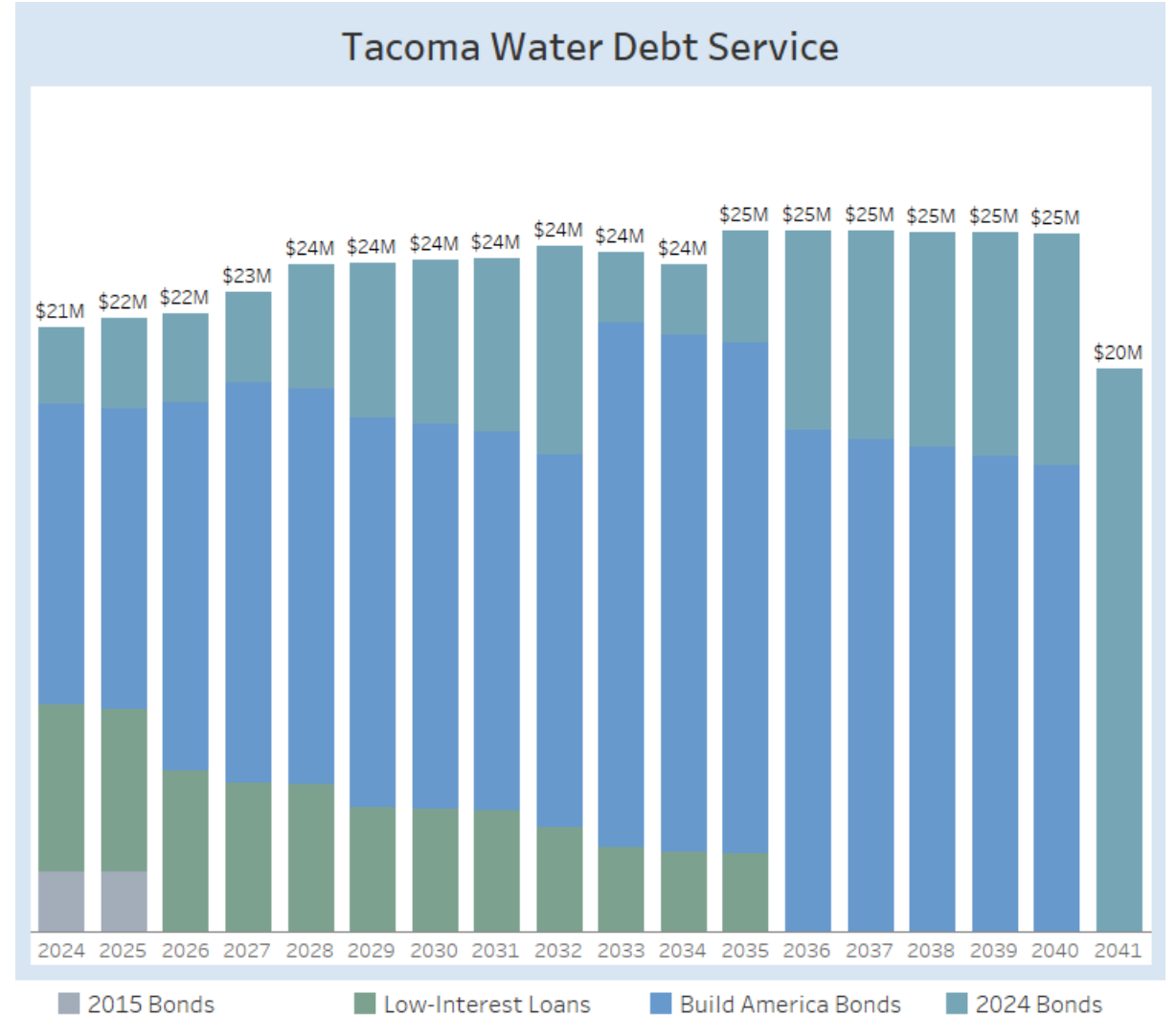
The LRF provides a funding scenario that gradually and minimally increases rates each year. Timing for when and how much debt to issue bonds allows us to keep revenue requirements smooth and gradual over the planning horizon.



# Tacoma Water Debt Service

We sell senior lien bonds to investors to help fund capital projects and spread the payments over the life of the assets. This debt is generally financed over 30-years and structured to achieve the lowest interest rates possible based on market rate expectations. We issue most of our bonds in the tax-exempt market. However, in 2009 and 2010, we issued taxable bonds under the American Reinvestment and Recovery Act (ARRA). We receive federal interest subsidies, reducing the overall cost of the debt and giving us access to new investors in the taxable market. The chart below shows combined annual principal and interest payments before the federal subsidies, which we include as revenue in our planning and accounting.

In addition, we have financed portions of several large capital projects with low-interest loans from the State of Washington Public Works Trust Fund and Drinking Water State Revolving Fund Loan programs. This super-subordinate lien debt gets repaid with level principal and interest payments over 20-years, and the interest rates are between 0.5% and 1.5%, providing significant savings for our customers.



# Credit Ratings

## We Have Strong Credit Ratings

Two rating agencies evaluate our utility and our performance on certain financial metrics helps them compare us to other utilities and assess our ability to meet long-term financial obligations. These ratings assure investors that we are a well-managed utility with the ability to pay our debt over the next 30 years. In addition, this helps us obtain low-interest rates and pay less interest over time, benefitting our customers and providing flexibility to address unexpected changes in the plan.

MOODY'S

January 2, 2024

Rating: **Aa1**

Outlook: **Stable**

### Summary Rating Rationale

- Excellent rate-setting record which was demonstrated following the recent closure announcement by its largest customer, with rate increases to maintain financial metrics, as well as equitable and affordable customer rates
- Long-term financial stability, including sustained strong liquidity and debt service coverage
- Sophisticated management of regulatory compliance and ten-year capital program
- Strong system characteristics, including ample capacity and water resources (high-quality, long-lived water supply)
- Broad and diverse customer base, served by a local system larger than the city and augmented by a regional second water supply
- Growing service area and improving resident income levels

S&P Global  
Ratings

March 31, 2022

Rating: **AA+**

Outlook: **Stable**

### Summary Rating Rationale

- Despite the loss of its largest customer, the utility has implemented necessary rate increases to maintain a healthy financial profile
- The rating also reflects Tacoma Water's consistently healthy financial performance including strong all-in debt service coverage levels and robust liquidity
- Further support for the rating is provided by the system's stable customer base and robust long-range planning
- With the closure of the mill, we view the utility's customer base as further diversified, with an opportunity to market excess capacity to new wholesale members or new businesses
- To help mitigate the financial impact of this loss, Tacoma's city council adopted an additional rate increase of 5% . . . we view these adjustments as supporting the future financial performance of the utility in the near term
- Rating affirmed on December 22, 2023

# Credit Ratings

## Financial Metrics and Credit Ratings

Each rating agency has its methodology, process, and scale for rating the investment quality of a utility.

The rating agencies all include historical and projected financial performance in their analysis. In addition, they evaluate other criteria such as economic indicators, system diversity, water supply contracts, support for rate increases and management decisions.

Moody's Investors Service is a rating agency that has published its methodology for analyzing utilities like ours. Understanding its methodology helps us interpret the Moody process and align our financial metrics with the agency's rating scale.

## Moody's U.S. Municipal Utility Revenue Debt Methodology

	Aaa	Aa	A
Days Liquidity	> 250 Days	150 to 250 Days	35 to 150 Days
Debt Service Coverage	> 2.0x	1.7 to 2.0x	1.25 to 1.7x

## Tacoma Water Metrics

	2023	2022	2021	2020	2019	2018
Total Liquidity	671	910	999	1,146	1,146	1,161
Debt Service Coverage	3.32x	2.74x	2.74x	2.74x	2.91x	3.24x
Debt Ratio	33.3%	35.6%	37.9%	39.9%	42.5%	44.8%

**Total Liquidity:** Ratio of operating and capital reserve funds and the ability to cover expenses with cash.

**Debt Service Coverage:** Ratio of cash flow available to pay debt service owed.

**Debt Ratio:** Ratio of total debt outstanding as a percentage of Total Assets.



# Reserves

## Bond Reserve Funds

We established Bond Reserve Funds to pay for outstanding bond interest and principal payments in the event that the utility is unable to pay from revenues. These funds are not included in our financial metric calculations and are restricted based on bond covenants.

Our funds contain a combination of cash and investments. The combined size of the funds must remain sufficient to meet the Reserve Account requirements in Tacoma Water's bond covenants.

We base the size requirement on the lesser of the following:

1. The maximum annual debt service payments in our bond debt-portfolio
2. 125% of average annual debt service payments in our bond debt-portfolio

## Operating and Capital Reserves

Earlier in this document, we discussed our financial policies related to operating and capital reserve levels. These funds provide flexibility to manage potential risks, meet working capital needs, and support stable rate adjustments. Here is a summary of the funds with their balances at the end of 2023:

Operating Reserve Fund: **\$60 million**

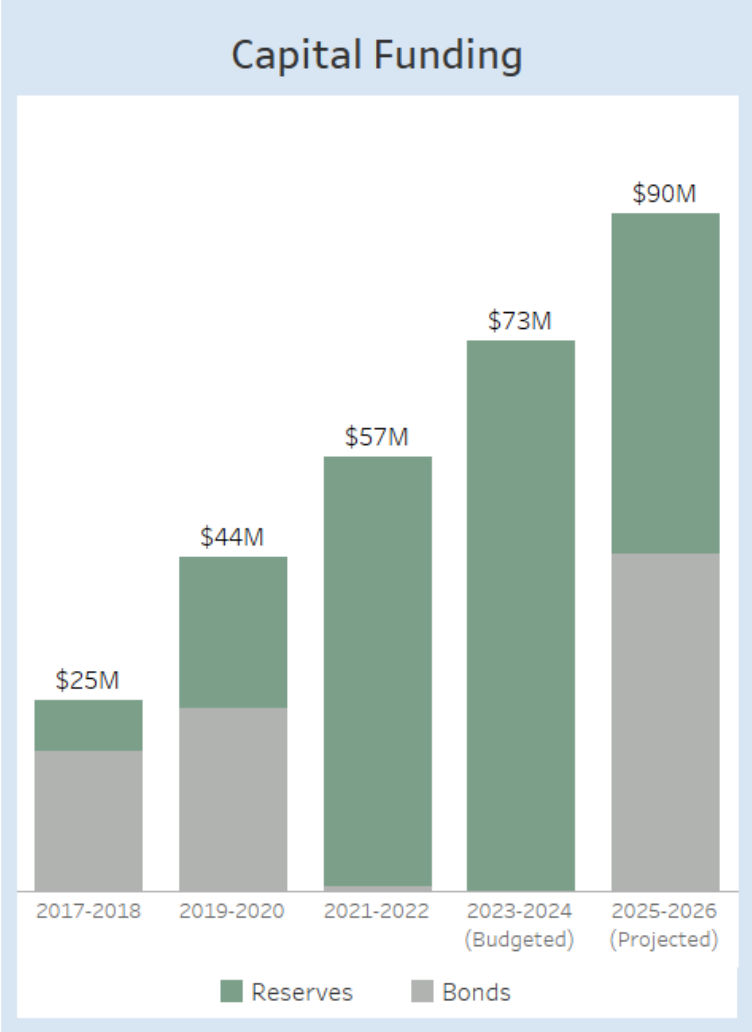
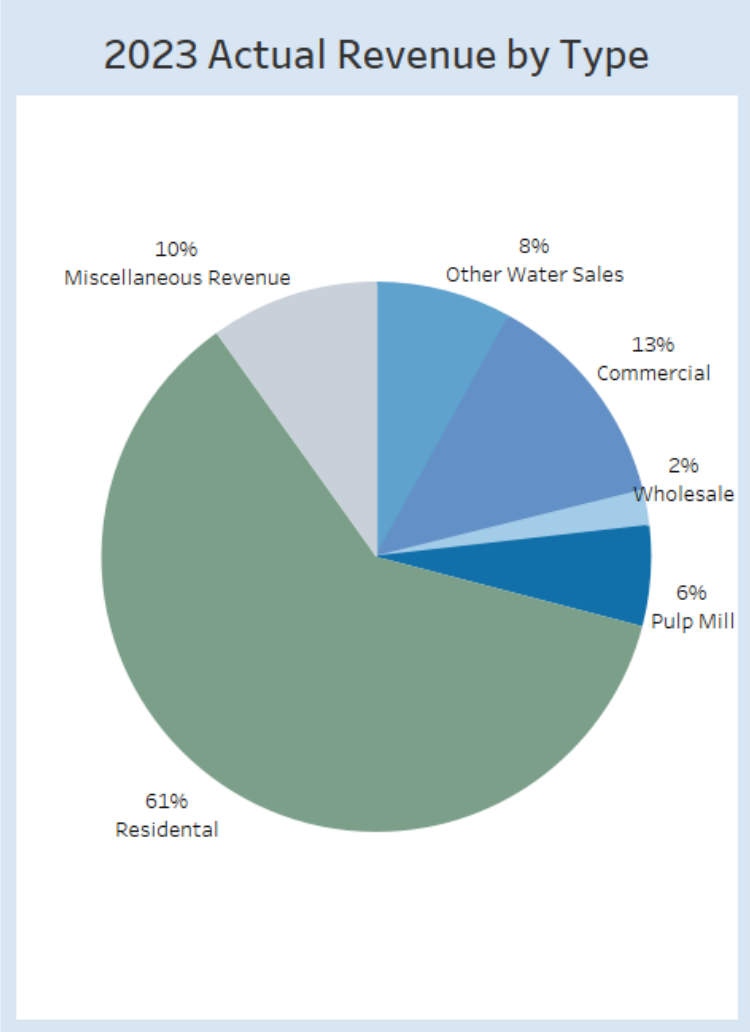
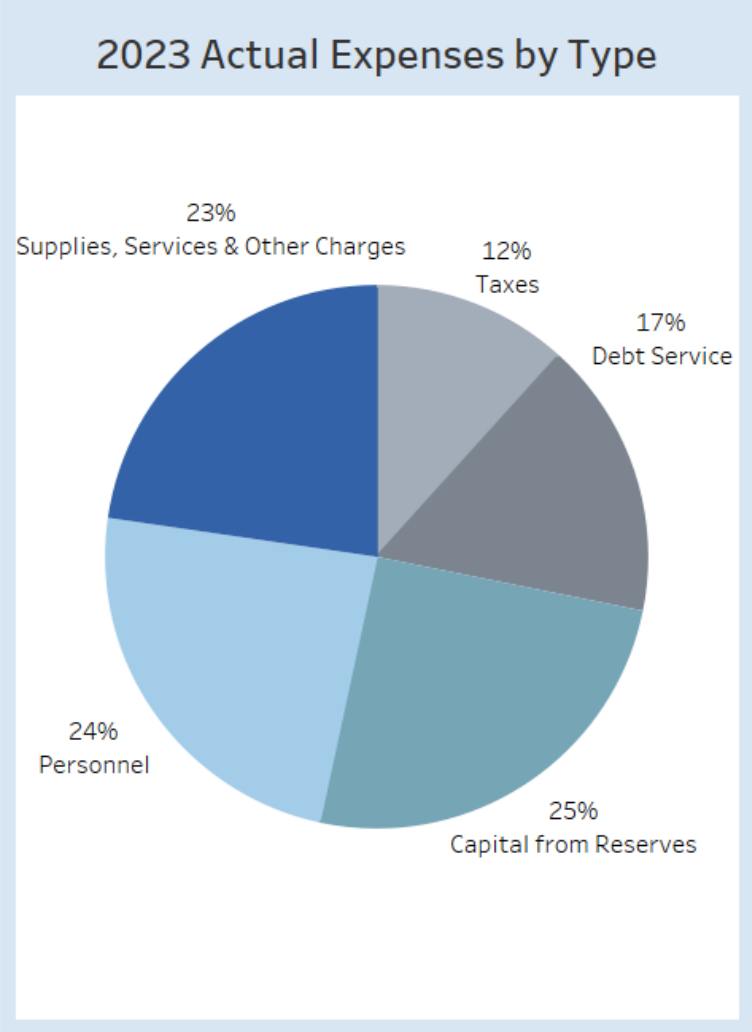
Capital Reserve Fund: **\$18 million**

System Development Charge (SDC) Fund: **\$65 million**

Rate Stabilization Account: \$36 million unrecognized within SDC Fund

Although each of these funds have individual policy requirements, we include their fund balances as total liquidity for our financial metric calculations. In addition, recognition of deferred revenues in the Rate Stabilization Account are included in the Senior Debt Service Coverage calculation and can boost the ratio.

# Bringing It All Together

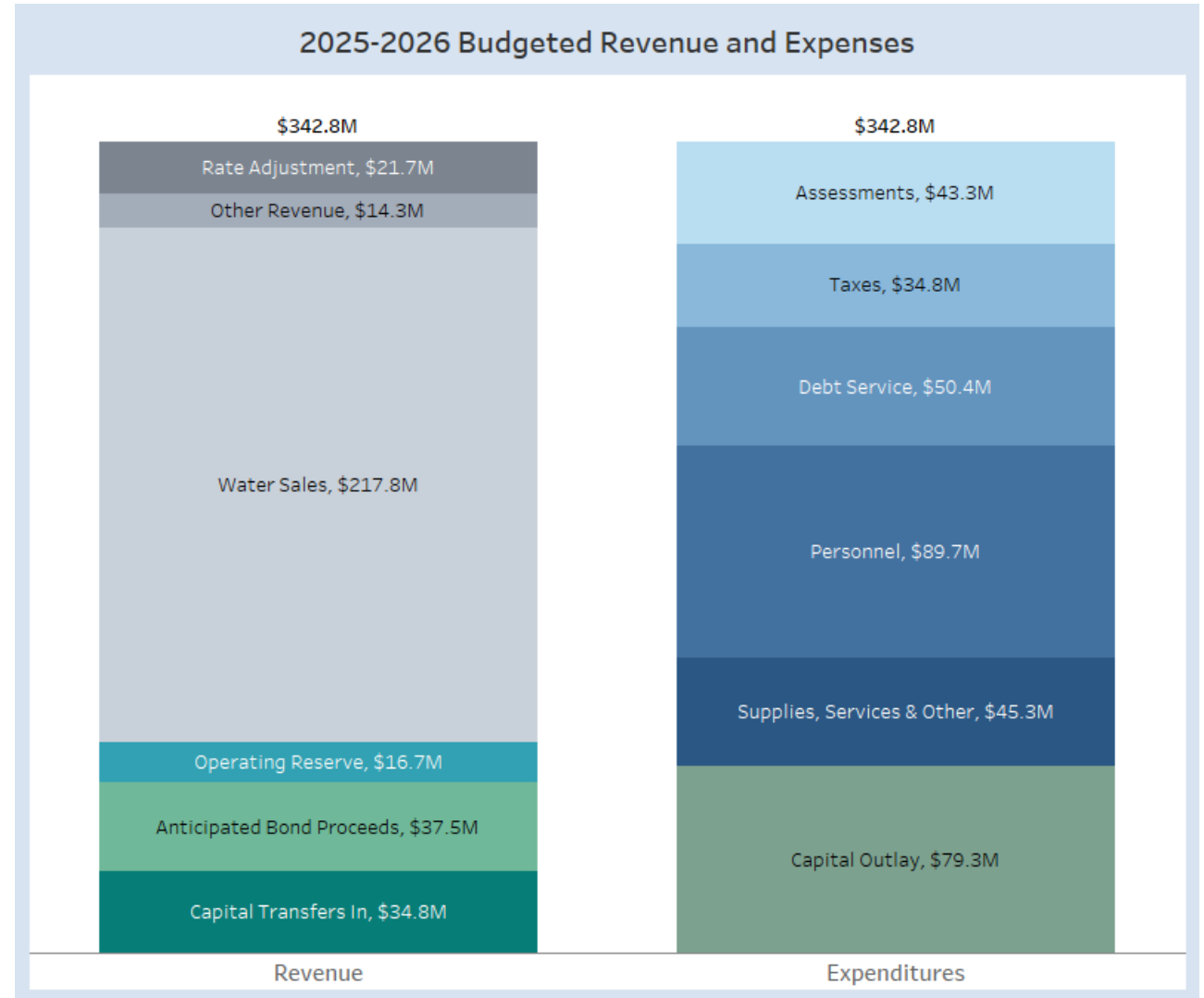


# 2025-2026 Budgeted Revenue and Expenses

## Bringing It All Together

This slide brings the components together in a side-by-side comparison and shows our budgeted revenue and expenses for 2025-2026. We generally match our revenues to our expenses when we develop and propose our budgets. We plan to fund about 70% of our expenses from water sales, 15% from existing reserves, 11% from anticipated revenue bond proceeds, and about 4% from other revenues for this biennium.

When we collect more revenue than we spend in a given period, we use that surplus to reduce the amount collected from customers in future years. This also helps build reserves to be used to fund future spikes in debt service or other expenses while keeping rate increases as low as is responsible, stable, and predictable for our customers.



# Regional Water Supply System (RWSS)

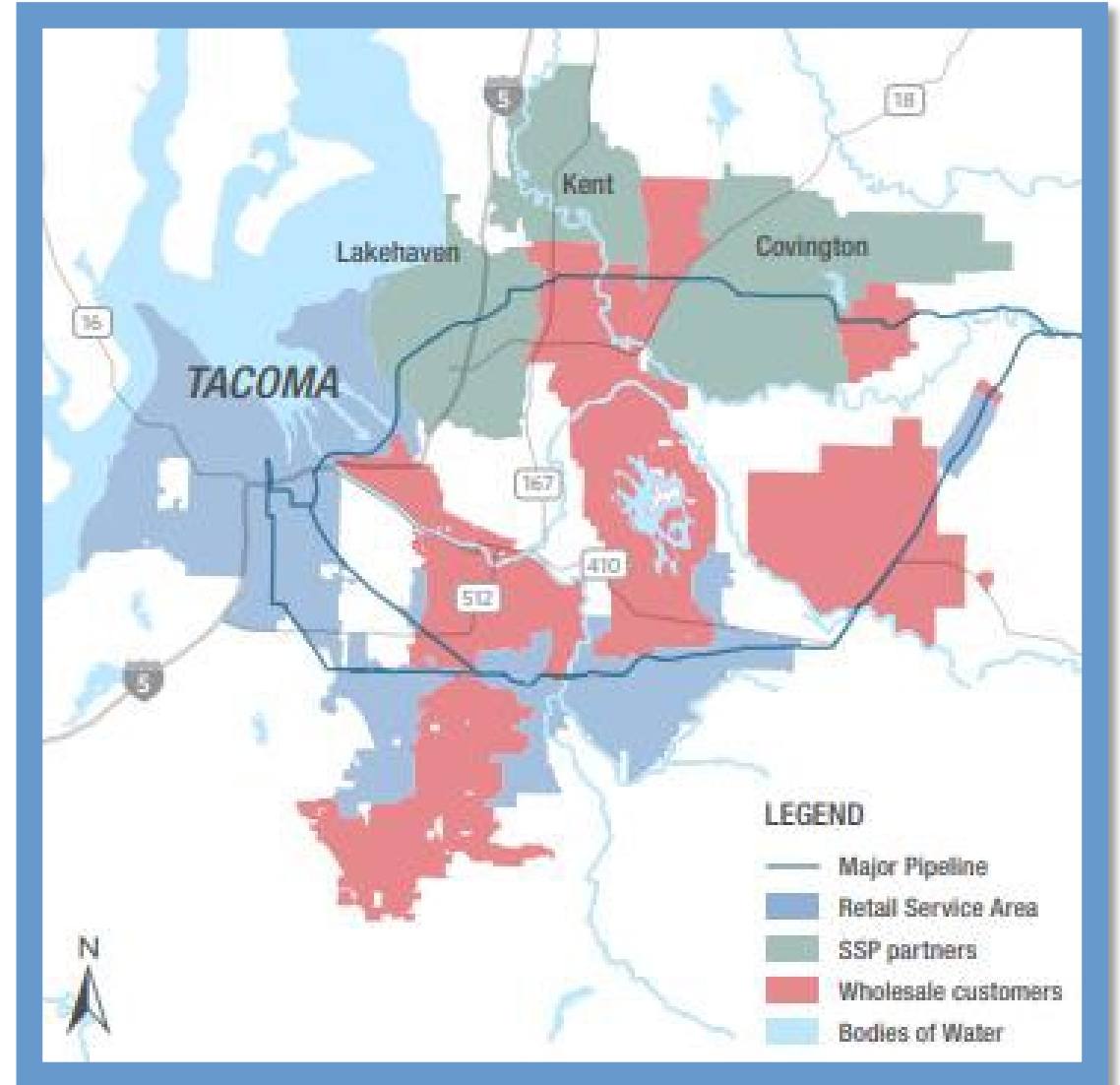
## Forming the Regional Partnership

We began developing the **Second Supply Project (SSP)** in 1968 to meet our future water supply requirements and increase regional supply.

In 2002, we entered into a partnership to form the RWSS and build the SSP. The Participants of the **Second Supply Project Partnership Agreement (the Agreement)** include:

- Tacoma Water
- Covington Water District
- City of Kent
- Lakehaven Water and Sewer District

The term of the Agreement extends through the **Operating Life of the SSP**, including all additions, renewals, and replacements.



# The RWSS Project Committee

**Decisions are made by the RWSS Project Committee, consisting of one representative of each Participant. Tacoma has 15 votes, and each of the other Participants has seven votes. The Committee meets each month and to take action, a quorum of not less than three Participants, including Tacoma, must be present, and there must be an affirmative vote of 29/36ths of the Project Committee total votes. (Tacoma plus two other Participants.)**

**The RWSS operates under an annual budget, which includes the amounts necessary to operate and maintain the SSP and any proposed capital expenditures including renewals, replacements, additions, or improvements.**

**We are required to submit a proposed Annual Budget by July 1 with a final budget approved by the Project Committee no later than October 15 each year.**

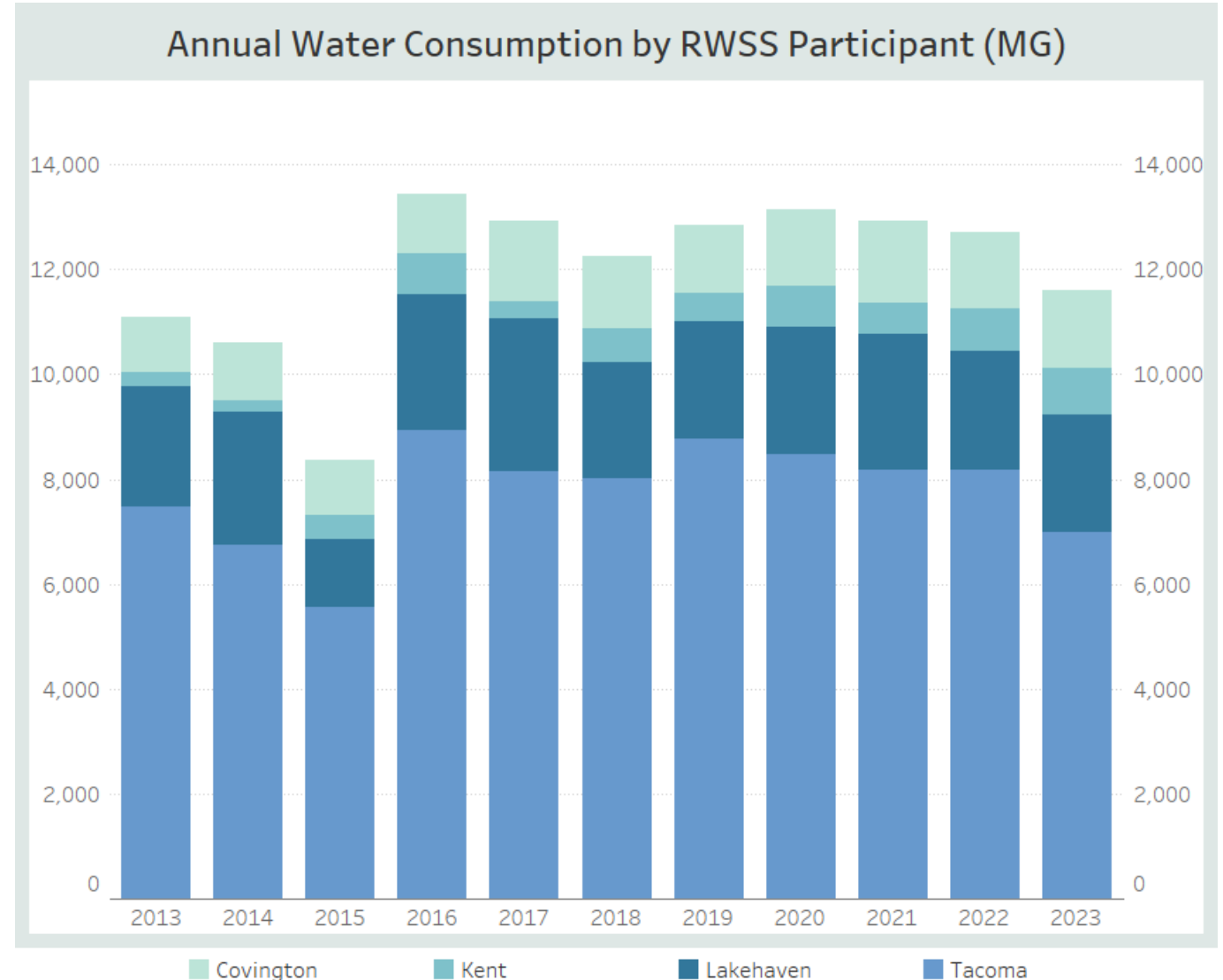


# Building the Second Supply Project

**The SSP became operational in 2005, and today it is the major source of our water supply.**

**In addition to increasing water supply, the SSP increases flexibility and reliability of water delivery in both Tacoma Water's and the other Participants' service areas.**

**The Second Supply Project Partnership Agreement defines the rights and obligations of the Participants. Tacoma has a 15/36 Participant Share and each of Kent, Covington, and Lakehaven has a 7/36 Participant Share in the SSP. Each Participant Share represents a proportional right to receive, and obligation to pay for, water delivered by the Second Supply Project.**





# Second Supply System Components

The SSP includes the following components:

- **Water from the exercise of Tacoma Water’s Second Diversion Water Right**
- **The Second Supply Pipeline**
- **Improvements made at the Headworks diversion dam and intake**
- **SSP fisheries and environmental enhancements**
- **The right to store water as a result of the Howard Hanson Dam Additional Storage Project**
- **Treatment Facilities including the Green River Filtration Facility completed in 2015**

	Tacoma	Kent	Covington	Lakehaven	RWSS Total
Second Supply Pipeline	\$59,905,217	\$27,955,768	\$27,955,768	\$27,955,768	\$143,772,521
Water Treatment, Environmental, and Source	\$83,711,546	\$39,065,388	\$39,065,388	\$39,065,388	\$200,907,711
Other RWSS Assets	\$468,979	\$218,857	\$218,857	\$218,857	\$1,125,549
Grand Total	\$144,085,742	\$67,240,013	\$67,240,013	\$67,240,013	\$345,805,780

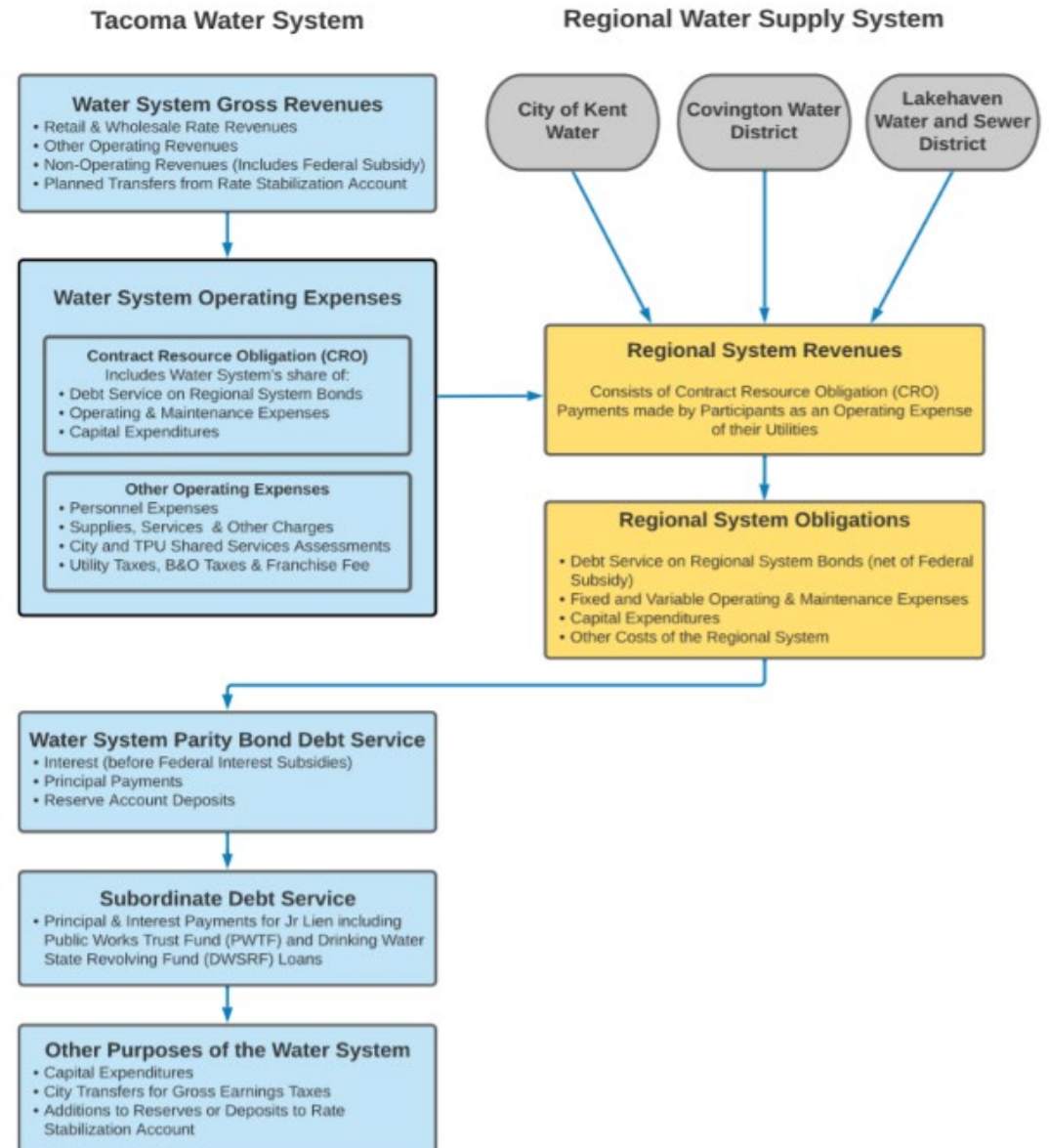
*Although separately financed, the RWSS assets are owned, operated, and maintained by Tacoma Water. Therefore, the RWSS assets are accounted for in our Financial Statements.*

# RWSS Participant Flow of Funds

The Regional Water Supply System was established as a separate system, financed separately from the Water System, and designated as a Contract Resource Obligation (CRO) by each Participant. As a result, costs associated with the Regional System, including debt service on Regional System bonds, are paid as O&M of the Water System and each Participant.

Because debt of the Water System is paid from net revenue, Water System bonds are payable after the prior payment of all costs of the Regional System. The chart on this slide demonstrates the flow of funds and priority of payment.

Our obligation to pay the costs of the RWSS is offset partially by contractual payments made by the other Participants. If another Participant defaults, Tacoma Water is obligated to pay debt service on the Regional Water Supply System bonds.



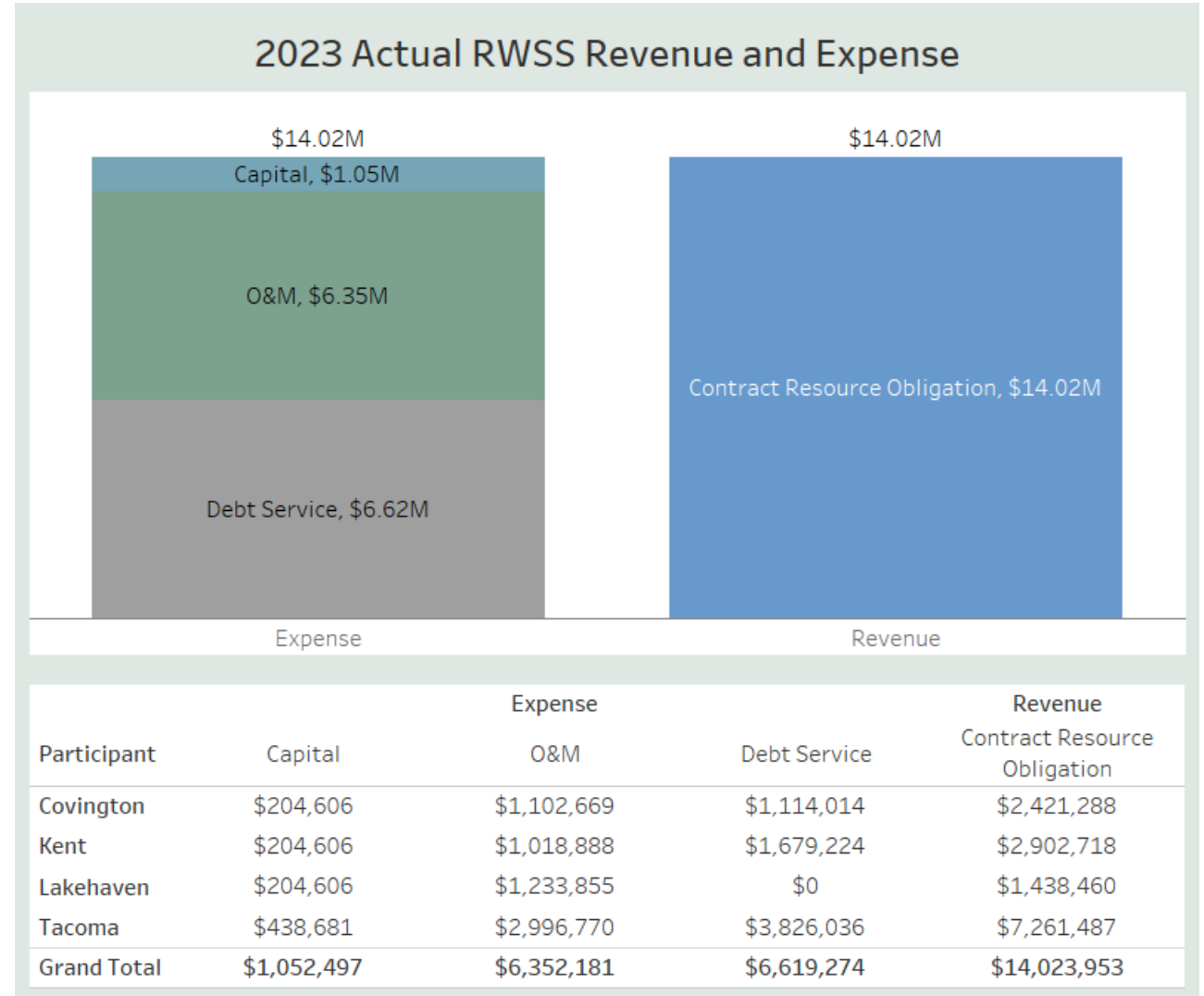
# RWSS Revenue and Expense

**As Project Operator, we are responsible for the operation of the SSP, maintain the financial records, and provide reports to the Participants in accordance with the Agreement.**

**Participants are billed and pay their share of operating and maintenance expenses monthly and capital expenditures quarterly. Debt Service payments on RWSS Bonds are paid semi-annually in advance of when the payments are due.**

**We receive the payments and pay all operating costs and debt service of the RWSS. The annual revenues are established to approximately equal annual costs.**

**Our share of RWSS expenses is included in our budget and as an assumption in our LRFP.**



# RWSS Fixed and Variable O&M Expenses

## Fixed O&M Costs

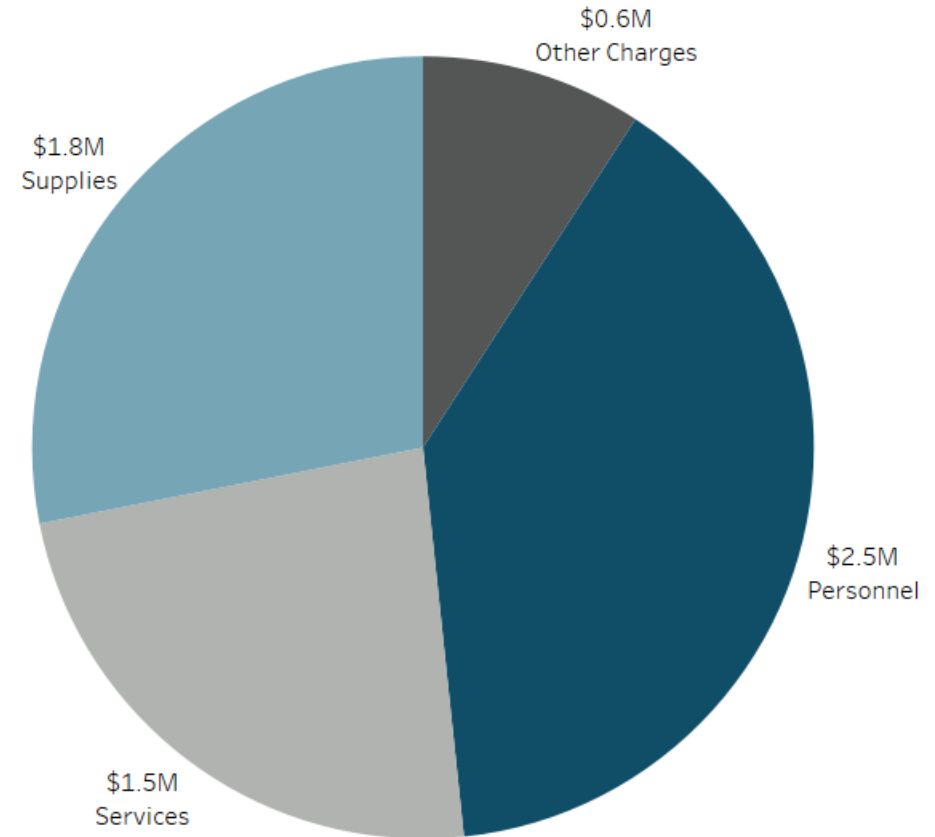
We incur these costs to operate and maintain the SSP. These expenses do not vary based on the quantity of water delivered to the Participants and include expenses related to labor, supplies, services, and equipment.

## Variable O&M Costs

These costs vary based on the quantity of water delivered to a Participant and include electricity and water treatment supplies and materials expenses.

We bill variable costs using estimates and true-up actual expenses at the end of each year.

2023 Actual RWSS O&M Expenses



# RWSS Capital Budget

## Capital Planning

We expect to fund the RWSS capital improvements by cash payments from the Participants.

We have no plans to issue Future Parity Bonds for the Regional System in the next several years.

### Current Projects:

- Ongoing renewal and replacement
- Relocating a major section of Pipeline 5
- Adding storage behind Howard A. Hanson Dam
- Fish Passage Facility Upgrades
- Fish Habitat Mitigation & Restoration
- Ozone System Upgrades

Project	2025	2026	Project Description
Additional Water Storage Project	\$10,720,000	\$352,000	Provides an additional 20,000 acre-feet of storage behind the dam to fully utilize our second diversion water right.
Environmental Stewardship	\$1,805,800	\$4,513,700	Continues our commitment to ensure environmental stewardship in the watershed. These costs are ongoing.
Ozone System Upgrades	\$2,042,500	\$1,977,500	Replace aging and obsolete equipment to the Ozone system that critical for providing safe drinking water at the Green River filtration Facility.
Pipeline 5 Relocation	\$2,442,700	\$1,114,700	Relocation of a major section of our pipeline accommodates work done in this area for public transportation. These costs are a one-time expense.
Renewal and Replacement	\$740,200	\$485,600	Ensures our existing system remains robust and reliable as we develop our service territory and serve new accounts. These costs are ongoing.
Other	\$236,000	\$544,500	Allows RWSS to pay for unanticipated capital projects or major equipment failures without having to defer planned projects. These costs are ongoing.
<b>Total</b>	<b>\$17,987,200</b>	<b>\$8,988,000*</b>	

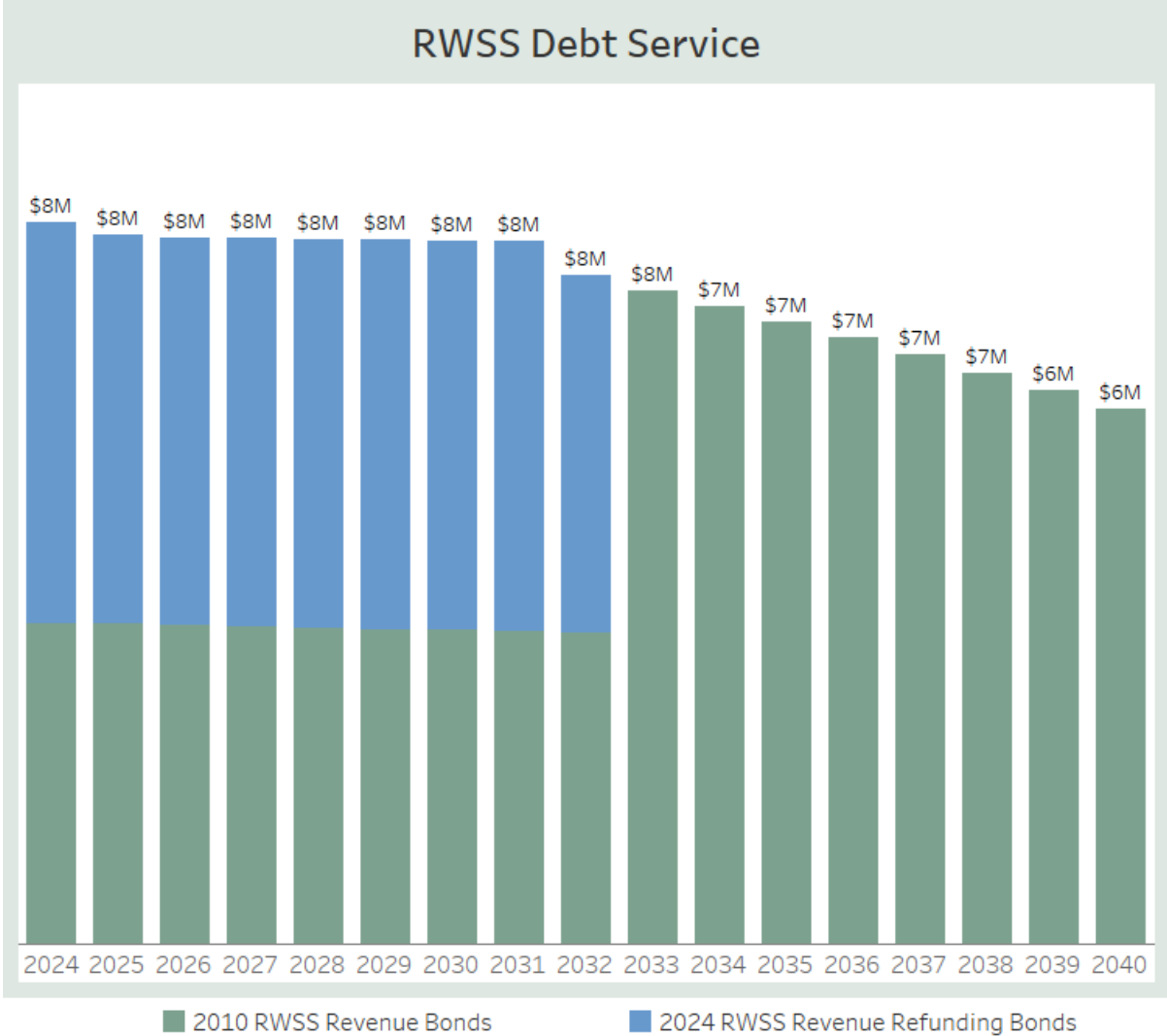
\*Excludes Tacoma's First Diversion. Costs by participant are provided in the Appendix. Due to the nature of capital spending, there may be shifts of expenditures from the first year into the second year of the biennium.

# RWSS Debt Management

Upon approval by the Project Committee, Tacoma may issue bonds to provide funding for capital costs on behalf of the RWSS. As part of this process, Tacoma develops and submits a Financing Plan that includes the purpose, amount, repayment schedule, and timing for the proposed issuance. Any Participant may elect to cash fund its share. Lakehaven cash funded its share of capital expenses, and Tacoma, Covington, and Kent are repaying the outstanding debt service.

## 2024 Refunding

The 2013 RWSS Revenue Refunding Bonds became callable in June 2023 and were refunded in early 2024, now called the 2024 RWSS Revenue Refunding Bonds. Covington elected to repay their outstanding portion in cash, while Tacoma and Kent participated in the refunding. Savings were \$3.7 million over the life of the bonds.





# RWSS Financial Metrics and Credit Ratings

## Operating Reserve

The RWSS has established an operating reserve equal to two months of its annual operating budget. Our operating reserve provides working capital to offset timing differences between the utility's payments for expenditures and reimbursement from Participants.

## Debt Service Coverage Ratio

Typically, near 1.0x due to the cost-recovery nature of the project and repayment agreements. The Participants generate strong debt service coverage and provide credit support for the RWSS bonds.

## Debt Service Reserve Funds

The requirement is equal to average annual debt service, and we met it with cash.

## MOODY'S

January 2, 2024

Rating: **Aa1**

Outlook: **Stable**

### Summary Rating Rationale

- Secured by operating revenues of Tacoma, Kent and Covington
- Debt service is senior to existing revenue bonds for each utility
- Tacoma pledged gross revenues to pay in the event of non-payment by other participants

## S&P Global Ratings

March 31, 2022

Rating: **AA+**

Outlook: **Stable**

### Summary Rating Rationale

- Generally strong credit quality of the four Participants
- Covenants by participants' covenants to collect water rates and charges to cover system obligations
- Agreement by Tacoma to cover payment defaults
- Liquidity in operating reserve and debt service reserve funds
- Rating affirmed on December 22, 2023

# The Base Case

## The Base Case

The LRFP combines financial forecasting with long-term strategic planning. We use it as a tool to identify and prepare for risks and opportunities that the Utility may encounter in the coming years.

To get anywhere, you have to start somewhere, and for our LRFP, that starting point is called the Base Case.

Once we establish the base case scenario, we can adjust individual assumptions to develop Scenarios. This adjustment helps identify uncertainties, evaluate possible impacts and develop strategies to mitigate the impacts.

## Assumptions for the Base Case

In this LRFP, the Base Case reflects the combination of Tacoma Water's financial performance through 2023, budget information for the 2025-2026 biennium, and the background information provided in the previous sections.

For any plan that looks far ahead, we know things will be different from what we planned. In fact, by the time this document has been published, we will have identified changes that we will incorporate in our next plan update.

## Building the Base Case

Once we have forecast our capital and O&M requirements, revenues at existing rates, and miscellaneous revenues, we look to see how much additional revenue we will need to collect in order to maintain financial stability and sustainability for the Utility.

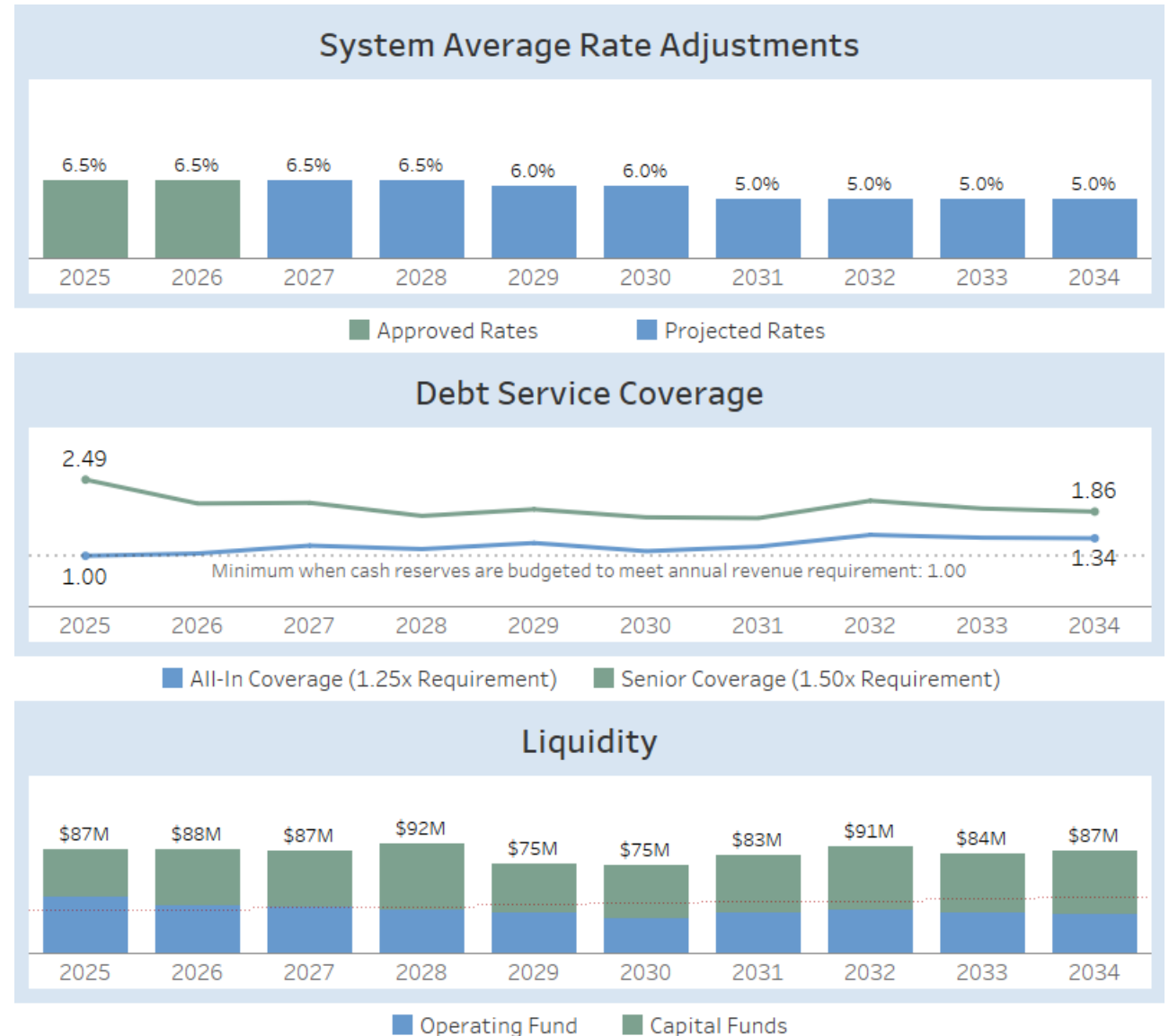
This helps us manage future challenges with the objective of providing the most value for the utility's ratepayers at the lowest possible cost.

# The Base Case

## The Base Case

**This base case scenario is what we believe is the most probable set of outcomes, given estimates and assumptions that are based on history and our best knowledge today. This financial forecast forms the foundation of our Long-Range Financial Plan.**

**In 2024, we updated our base case to reflect the impact of the 2025-2026 budget and capital plan. These changes reflect our commitment to strong financial metrics while revisiting plans to capital spending and adjusting rates as needed.**



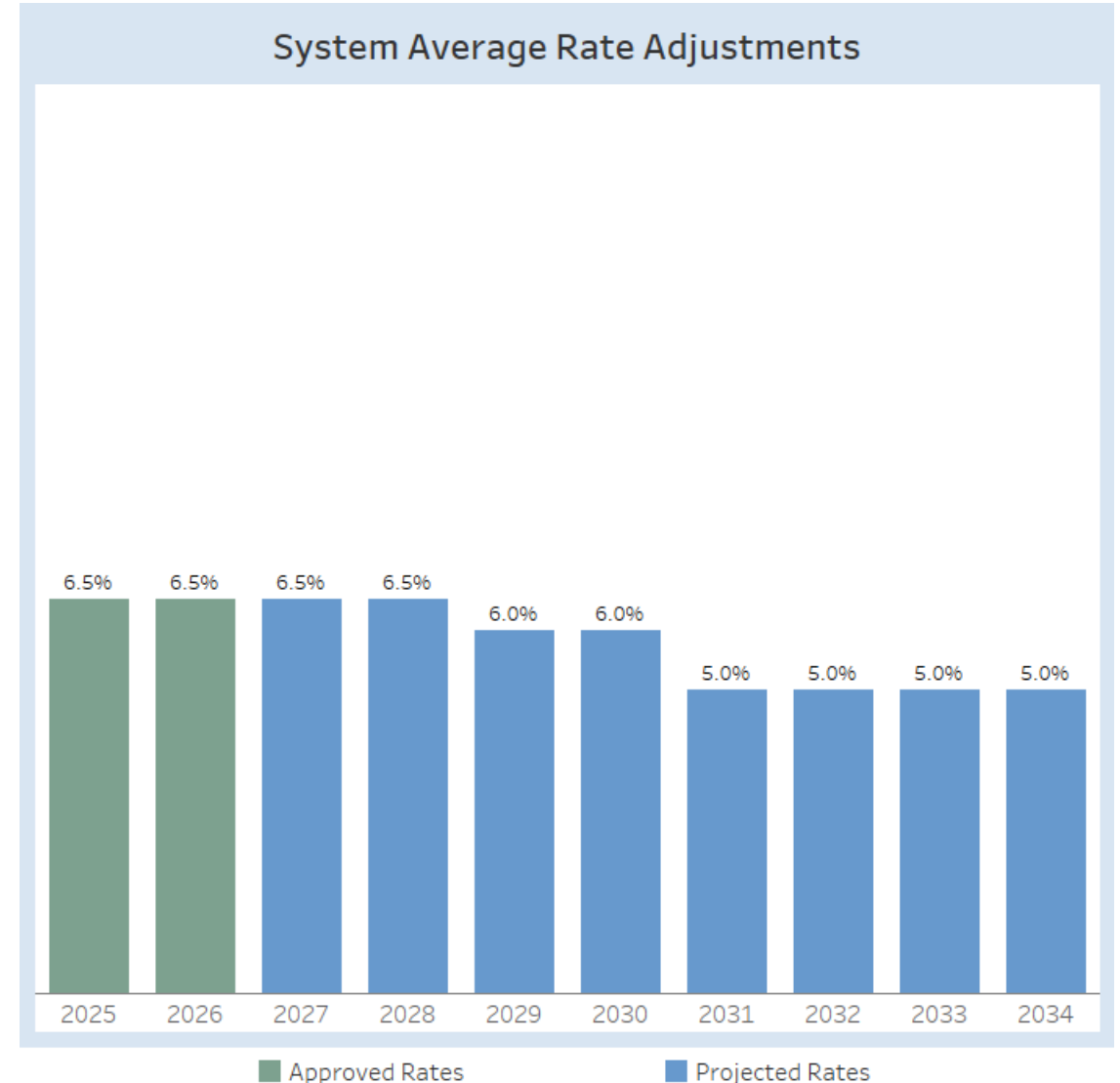
# Base Case: Rates

## Projecting Rate Adjustments

After we add all of the Base Case projections discussed previously into our rate and financial modeling forecast, we plan gradual rate adjustments that support strong financial metrics at the lowest cost possible for customers.

We base the plan on our best projections when we develop it, before formal recommendation or approval by our regulatory bodies.

Our updated Base Case reflects the impact of the 2025-2026 budget and capital plan through 2034 as well as updated assumptions for projected customer demand and expense inflation.



# Base Case: Debt Service Coverage

## Debt Service Coverage Ratio

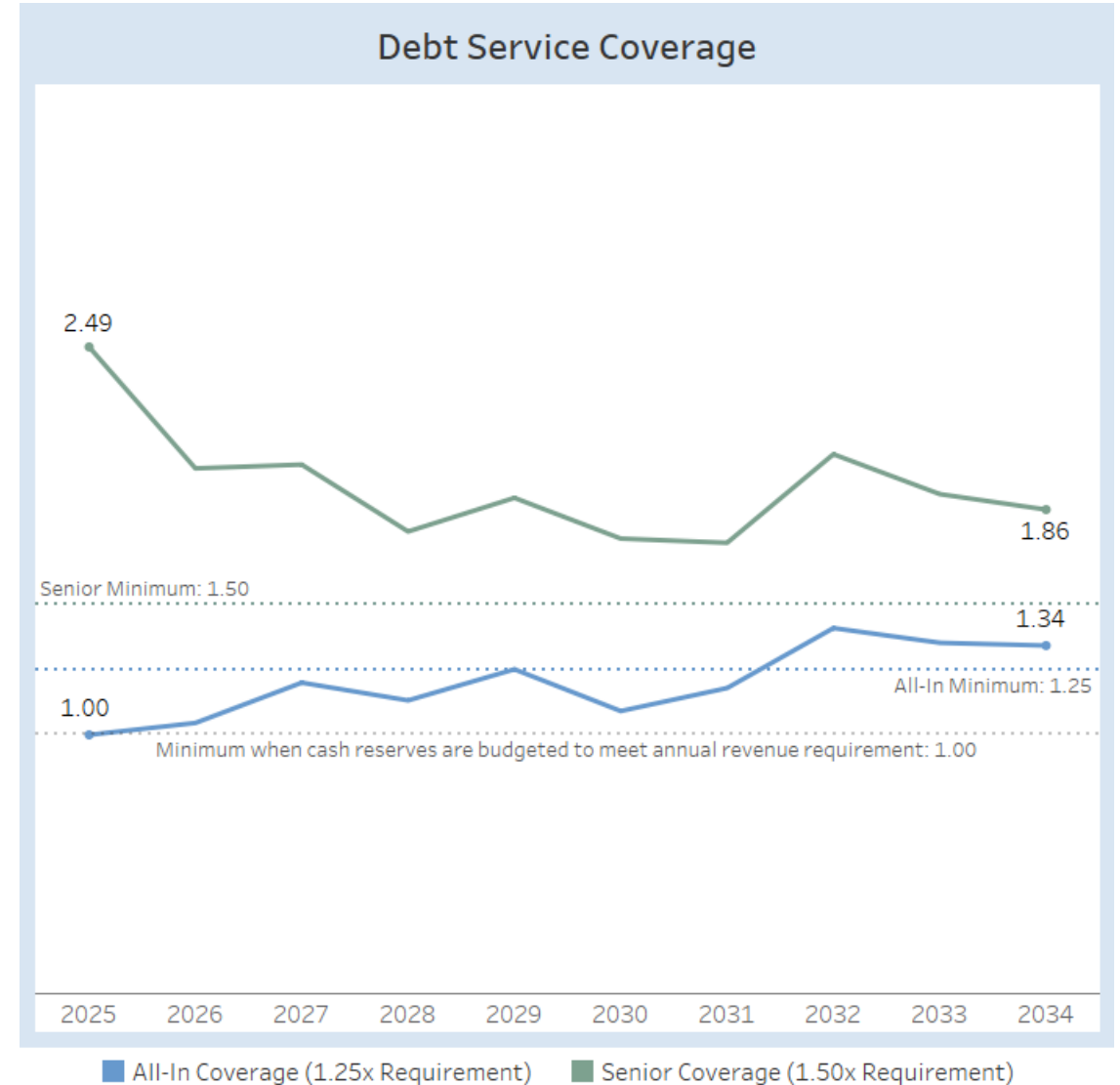
The debt service coverage ratio measures how many times we can pay the interest and principal payments of our outstanding debt with available cash flow in a given year. This measure helps us ensure that we are in compliance with debt covenants and provides financing flexibility.

As you can see for the Base Case, we are above our policy requirements in all years. We have included projections through 2034 in order to show how we plan to mitigate anticipated revenue and debt service constraints in the early 2030s and maintain strong metrics.

### Calculation for Debt Service Coverage

**Senior:** *Net Revenue/Debt Service after transfers from rate stabilization account and without Gross Earnings Tax transfer or Subordinate Debt*

**All-In:** *Net Revenue/Debt Service does not include transfers from rate stabilization account and does include Gross Earnings Tax transfer and Subordinate Debt*



# Base Case: Liquidity and Reserves

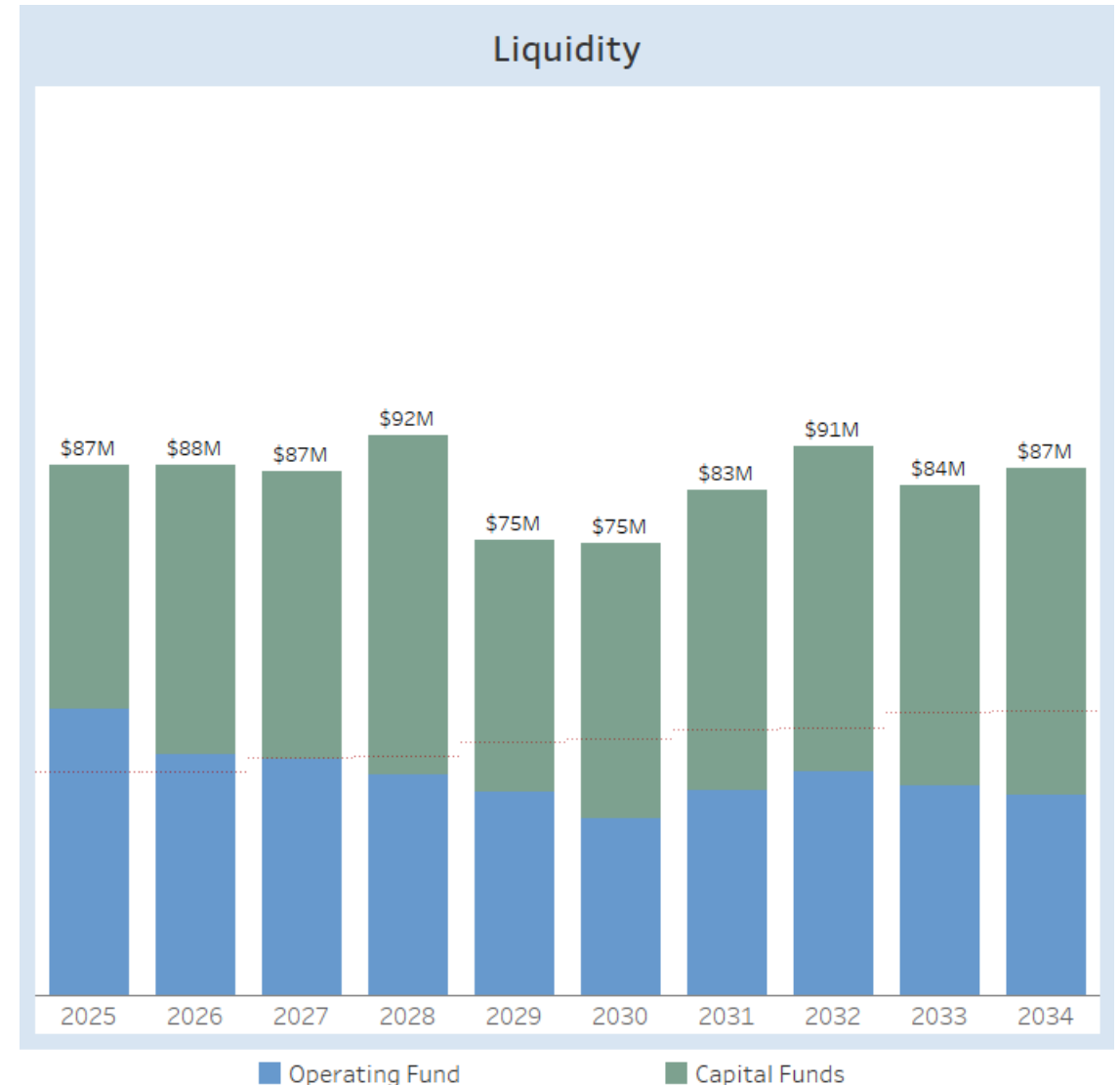
## Liquidity and Reserves

Our financial policies define levels of cash balances for our operating and capital reserve funds. The reserves provide flexibility to manage risk, meet working capital needs and support stable rate adjustments. We also provide a Days Liquidity measure to show how many days of operating expenses we could fund from reserves.

As you can see for the Base Case, we exceed our policy requirements in all years. We have included projections through 2034 to illustrate our plan for a responsible spend-down to mitigate anticipated revenue and debt service constraints in the early 2030s and maintain projected rate adjustments as low as is responsible for our customers.

### Calculation for Days Liquidity:

*(Operating Fund Balances + Capital Reserve and SDC Fund Cash Balances \* 365 days) / Annual Budgeted Operating Expenses*





# Summary of Risks and Opportunities

## Planning for Uncertainties

The only thing that is certain about any plan that looks so far ahead is that things will be different from what we planned. For this reason, it is important to identify possible uncertainties, evaluate their potential impacts and incorporate strategies to mitigate them.

We use our Rate and Financial Model to help us:

- Analyze and compare assumptions
- Determine a range of outcomes
- Project fund balances
- Estimate debt service coverage levels

The further out we forecast costs and revenues, the more uncertainty there is surrounding these estimates. Therefore, we have modeled some scenarios to address potential future conditions that may impact us. The following provides an example of the risks considered as part of this process, and is not intended to be comprehensive or exhaustive.

## Internal Risks



- Compliance with Regulatory Mandates
- Supply Portfolio
- Technology Changes
- Aging Infrastructure
- Employee Expectations

## External Risks

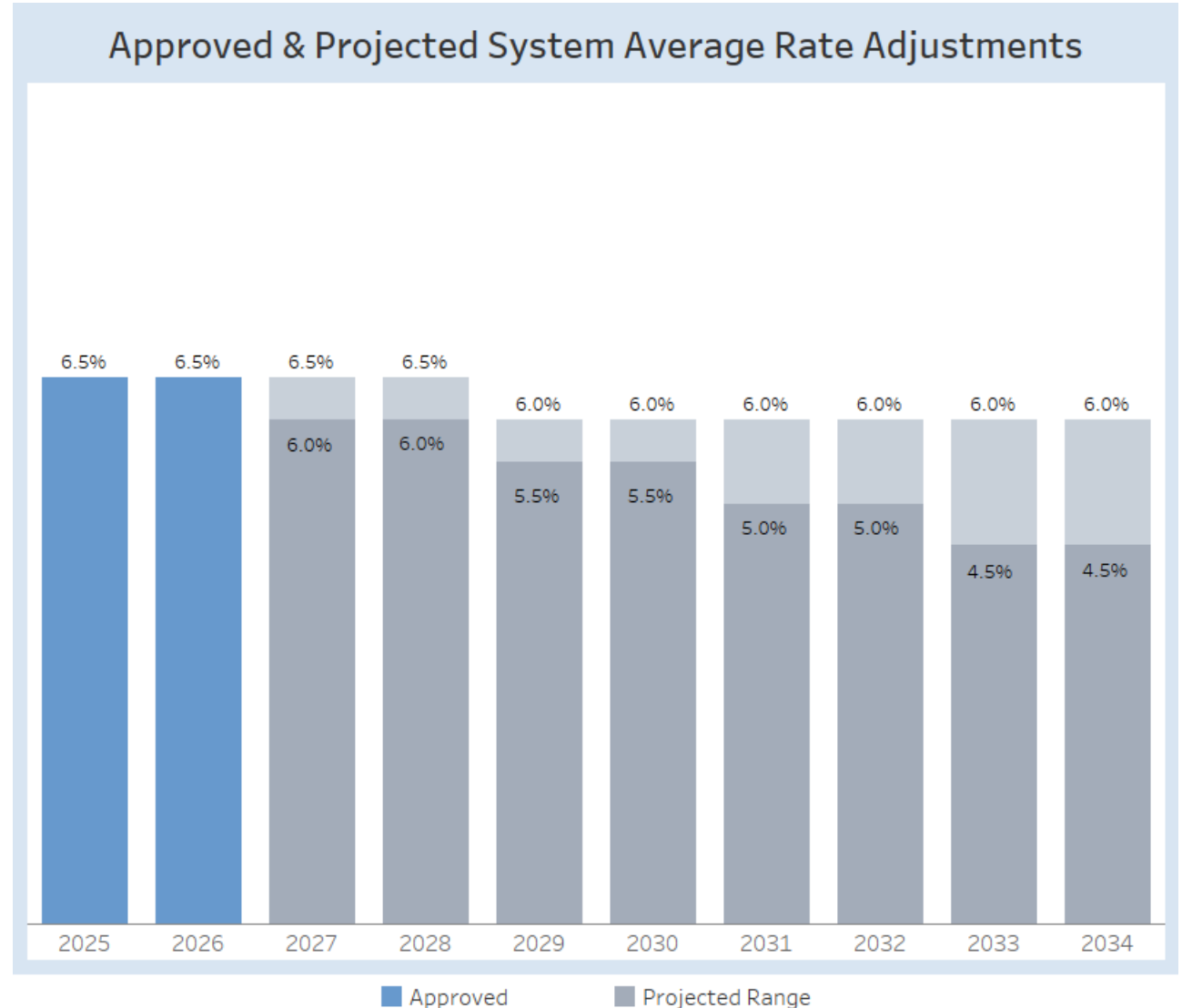


- Climate Change: Droughts, Floods, and Wildfire
- Weather Fluctuations
- Seismic Events
- Economic Cycles and Inflation
- Policy or Regulatory Changes
- Environmental Regulations
- Changes in Customer Demand
- A Pandemic
- Changes in Tax Codes

# Summary of Scenarios We Include

The further out in time we forecast costs and revenues, the more uncertainty exists around these estimates. Therefore, we have modeled some scenarios to address potential future conditions that may impact us.

The scenarios shown represent a range of possible outcomes, which help us assess potential financial risks and opportunities. The scenarios shown here do not represent all scenarios we develop and analyze. Scenario development helps us analyze potential variances from the base case and develop a projected range of rate impacts.



# Flat Rate Adjustments

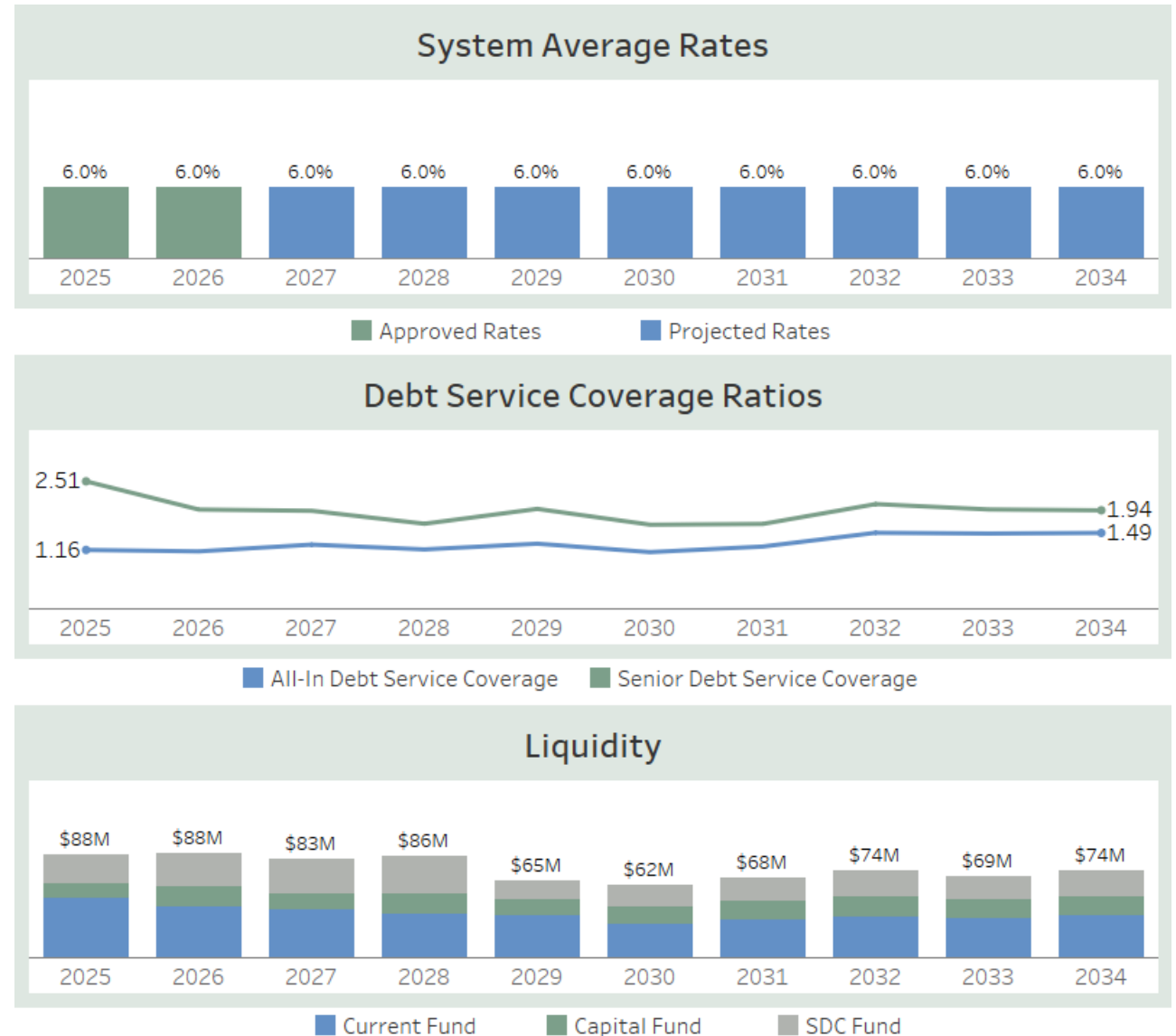
**This scenario shows 6.0% flat rate increases over time that would lower the upfront rate increases.**

**This option defers some current cost impacts and acknowledges that we are using estimated future projections.**

**There is additional risk if we continue to see costs higher than anticipated or if we are not able to support sustained higher rate adjustments.**

**Compared to the Base Case, this scenario uses more reserves in 2025/2026 and results in higher rate increases in the later years.**

**An average monthly bill for an inside city residential customer is \$0.24 lower in 2025 and \$0.50 lower in 2026, and results in 3.4% higher cumulative rates over the planning period.**



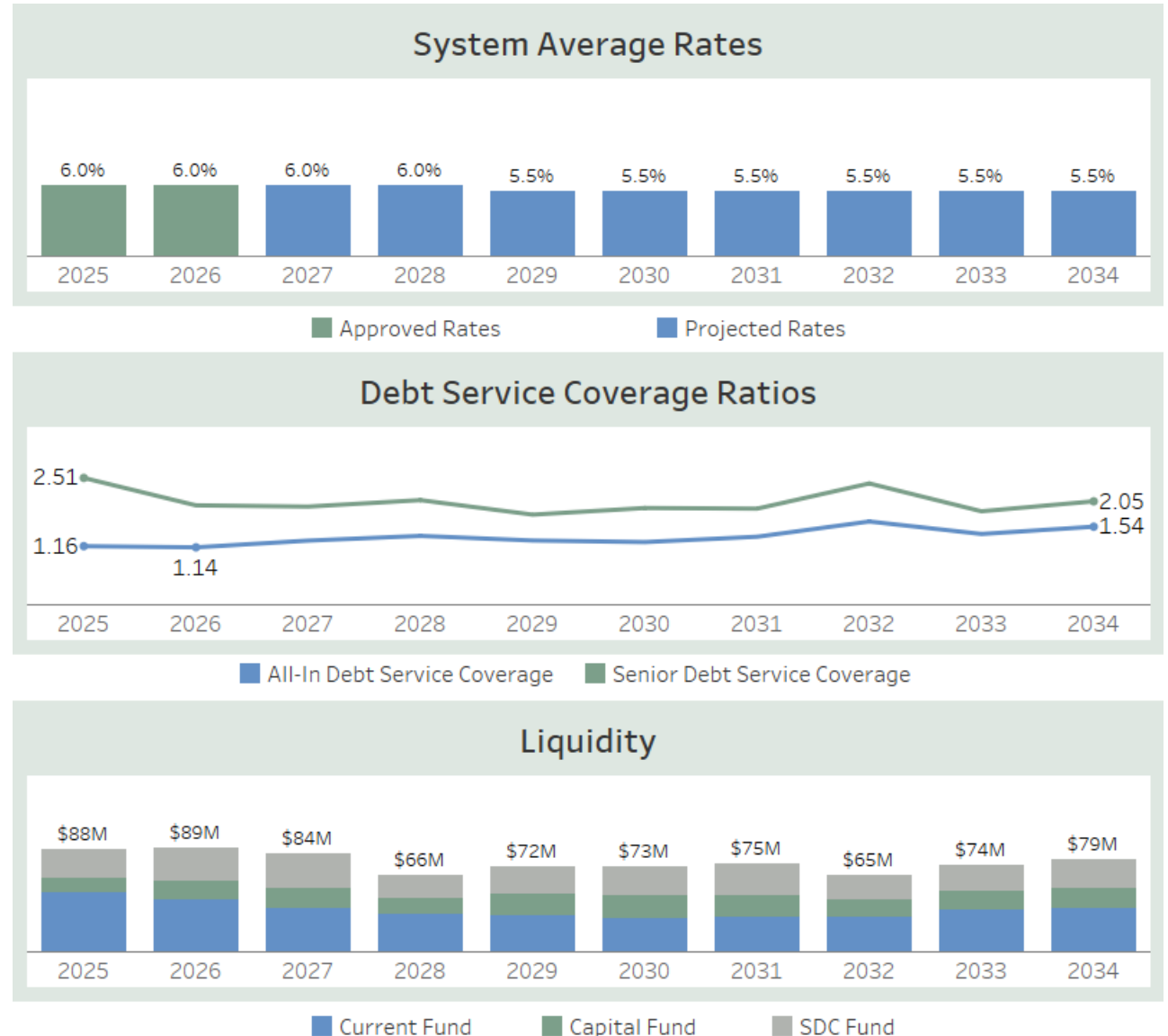
# Deferred PFAS Treatment Budget Assumptions

**This scenario incorporates the deferral of nearly \$47 million for capital related to PFAS regulations.**

**As we shift to funding more capital from debt, this scenario reduces borrowing and future debt service. This provides debt relief in the short-term and additional burden with all of the other capital deferrals planned just outside of 2034.**

**Rate increases are 0.5% lower in 2025 and 2026, and results in 1.6% lower cumulative rates over the planning period.**

**An average monthly bill for an inside city residential customer \$0.24 lower in 2025 and \$0.50 lower in 2026.**

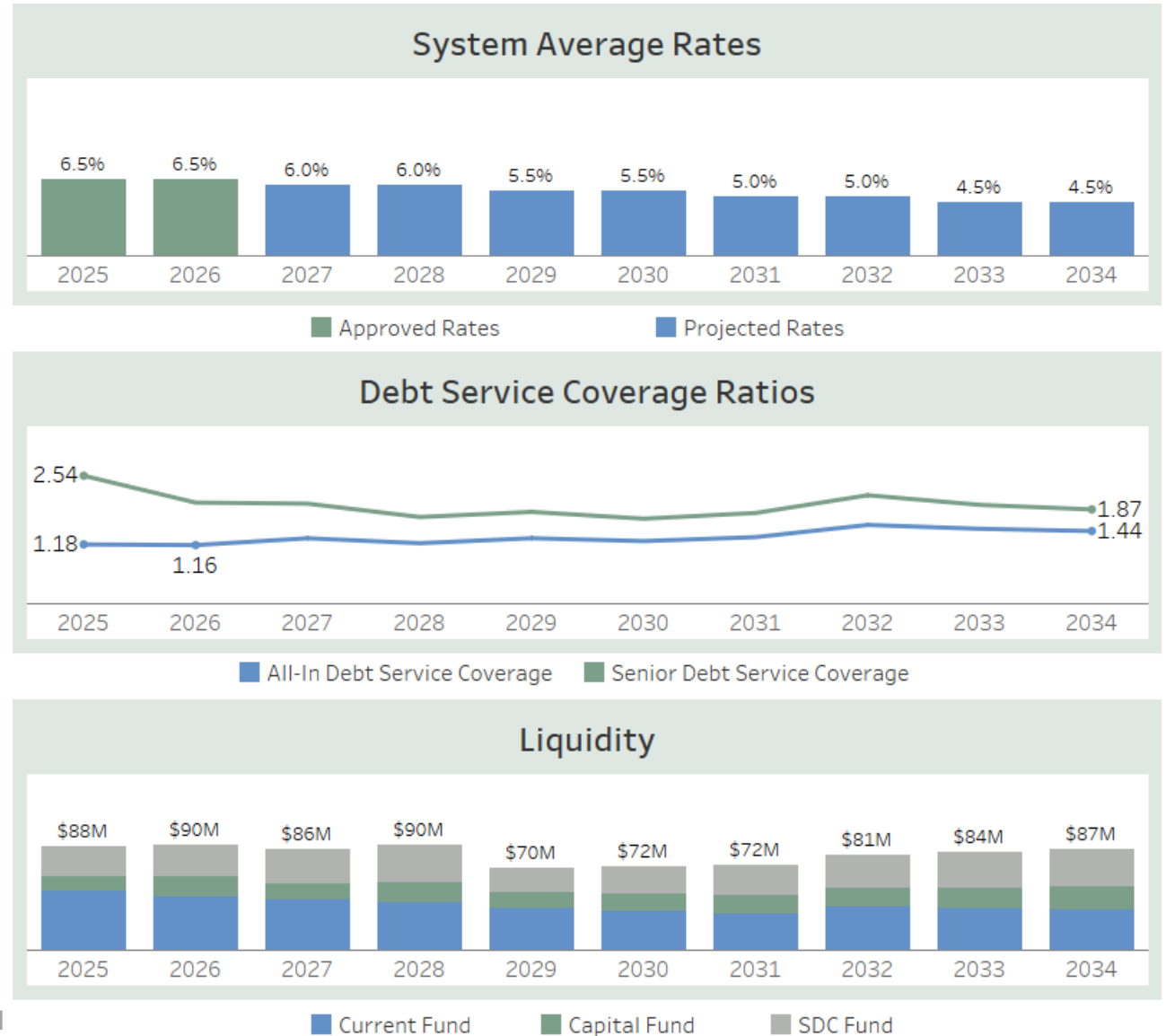


# Cascade Contract Revenue Loss Replaced

**This scenario assumes that the existing Cascade contract (and the reduction that is included in 2030) is replaced with a new contract and we don't lose \$6 million per year when it ends.**

**There is a risk if we don't make up for the \$6 million loss with a new contract, then we would need an additional rate increase of 4% for a total of 9.5% in 2030 to make up for the loss.**

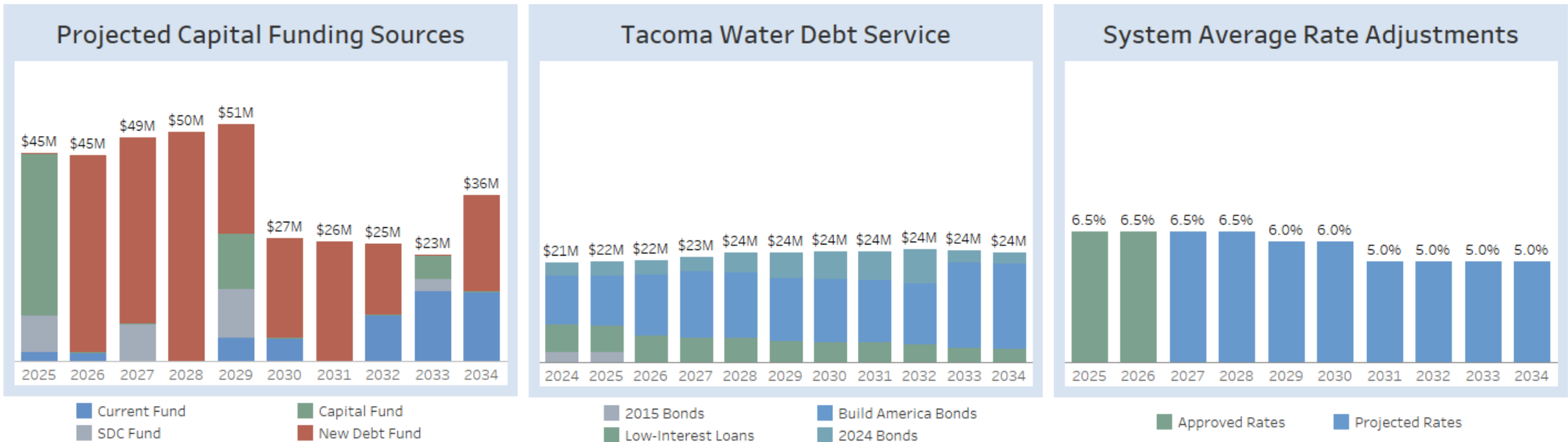
**The annual system average rate adjustment does not change for 2025 and 2026, and results in 4.9% lower cumulative rates over the planning period.**



# Anticipating Projects, Optimizing Debt, and Stabilizing Rates

Our most recent projections incorporate guidance from our [Board Guiding Principles](#). They emphasize gradualism by moving financial levers up and down as we look into the future. Our [Water Rate and Financial Policy](#) provides ratepayers with stability and the ability to plan what their rates will look like over time. Finally, our 2020-2025 Strategic Plan ensures our mission, vision, and values are reflected in our objectives and initiatives.

We base these projections on available information as of 2023. If there are known circumstances that we need to plan for in 10 years and beyond, stable rate adjustments will put us in a good position for potential pinch points such as unforeseen revenue loss and increases in debt service.





# Annual Updates and Future Planning

We plan to update the LRFP at least biannually to ensure our assumptions reflect current and evolving conditions and adjust as needed.

As we implement our plan, some assumptions are likely to change and require additional modeling and analysis to update the LRFP. Some potential considerations that may require us to adapt are:

- ***Economic Conditions.*** We will continue monitoring impacts such as inflation, supply chain disruptions, lag in collection of customer receivables, consumption patterns, and challenges in the workforce.
- ***Advanced Meters.*** Now that we have fully exchanged our meters, we will have the opportunity to utilize near real-time data to inform decision-making and enhance customer service (including payment assistance).
- ***Supply Modeling.*** With our changing customer demand profile, we will pivot modeling to market regional opportunities for increased revenue.



# Glossary: Abbreviations, Acronyms, and Initialisms

Name		Name		Name	
<b>ARRA</b>	<u>American Reinvestment and Recovery Act</u>	<b>DWSRF</b>	<u>Drinking Water State Revolving Fund</u>	<b>O&amp;M</b>	<u>Operating and Maintenance</u>
<b>AWSP</b>	<u>Additional Water Storage Project</u>	<b>GET</b>	<u>Gross Earnings Tax</u>	<b>PinS</b>	<u>Plant in Service</u>
<b>B&amp;O</b>	<u>Business and Occupation [Tax]</u>	<b>GFOA</b>	<u>Government Finance Officers Association</u>	<b>PUB</b>	<u>Public Utility Board</u>
<b>BABs</b>	<u>Build America Bonds</u>	<b>GPs</b>	<u>Guiding Principles</u>	<b>PWTF</b>	<u>Public Works Trust Fund</u>
<b>BCAP</b>	<u>Bill Credit Assistance Plan</u>	<b>GRFF</b>	<u>Green River Filtration Facility</u>	<b>R&amp;R</b>	<u>Renewal and Replacement</u>
<b>Board</b>	<u>Public Utility Board</u>	<b>HHD</b>	<u>Howard Hanson Dam</u>	<b>RWSS</b>	<u>Regional Water Supply System</u>
<b>CCF</b>	<u>Centum (Hundred) Cubic Feet</u>	<b>ICS</b>	<u>Incident Command System</u>	<b>S&amp;P</b>	<u>Standard and Poor</u>
<b>CIAC</b>	<u>Contribution In Aid of Construction</u>	<b>IRP</b>	<u>Integrated Resource Plan</u>	<b>SDC</b>	<u>System Development Charge</u>
<b>CIP</b>	<u>Capital Improvement Program/Plan</u>	<b>LIE/D</b>	<u>Low-Income Elderly/Disabled [Discount Rate Program]</u>	<b>SPUT</b>	<u>State Public Utility Tax</u>
<b>City</b>	<u>City of Tacoma</u>	<b>LRFP</b>	<u>Long-Range Financial Plan</u>	<b>SSP</b>	<u>Second Supply Project</u>
<b>COSA</b>	<u>Cost of Service Analysis</u>	<b>MG</b>	<u>Million Gallons</u>	<b>TPU</b>	<u>Tacoma Public Utilities</u>
<b>CRO</b>	<u>Contract Resource Obligation</u>	<b>MGD</b>	<u>Million Gallons per Day</u>	<b>Utility</b>	<u>Tacoma Water</u>
<b>CWA</b>	<u>Cascade Water Alliance</u>	<b>NPV</b>	<u>Net Present Value</u>	<b>WSP</b>	<u>Water System Plan</u>

# Pro-Forma: 2025-2026 Base Case

Pro Forma Statement (\$ in Thousands)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>System Average Rate Increase</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
Retail and Wholesale Rate Revenues	\$ 115,737	\$ 123,805	\$ 132,455	\$ 141,733	\$ 150,961	\$ 160,803	\$ 169,682	\$ 179,061	\$ 189,092	\$ 199,561
Other Operating Revenues	10,815	10,468	10,654	10,845	11,039	5,237	5,223	5,301	5,382	5,465
Non-Operating Revenues (includes BABs subsidy)	3,291	3,297	3,132	3,039	2,943	2,843	2,735	2,624	2,585	2,356
Planned Transfers from Rate Stabilization Account	12,000	5,000	-	-	-	5,000	-	-	-	-
<b>Total Revenues</b>	<b>\$ 141,843</b>	<b>\$ 142,570</b>	<b>\$ 146,240</b>	<b>\$ 155,616</b>	<b>\$ 164,943</b>	<b>\$ 173,883</b>	<b>\$ 177,640</b>	<b>\$ 186,985</b>	<b>\$ 197,058</b>	<b>\$ 207,382</b>
Operation & Maintenance Expenses	\$ 80,885	\$ 82,461	\$ 85,409	\$ 88,413	\$ 91,548	\$ 94,774	\$ 98,136	\$ 101,337	\$ 105,676	\$ 109,330
RWSS Expenses (Tacoma Share CRO)	3,158	3,195	3,290	3,389	3,491	3,595	3,703	3,814	3,929	4,047
RWSS Bond Debt Service (Tacoma Share CRO)	4,360	4,350	4,360	4,358	4,375	4,371	4,385	4,117	4,860	4,786
Utility Taxes, B&O Taxes & Franchise Fees	7,312	7,700	8,183	8,702	9,215	9,766	10,250	10,774	11,333	11,917
<b>Total Operation &amp; Maintenance Expenses</b>	<b>\$ 95,715</b>	<b>\$ 97,705</b>	<b>\$ 101,242</b>	<b>\$ 104,862</b>	<b>\$ 108,629</b>	<b>\$ 112,506</b>	<b>\$ 116,474</b>	<b>\$ 120,042</b>	<b>\$ 125,798</b>	<b>\$ 130,079</b>
<b>Funds Available for Debt Service</b>	<b>\$ 46,128</b>	<b>\$ 44,865</b>	<b>\$ 44,998</b>	<b>\$ 50,754</b>	<b>\$ 56,314</b>	<b>\$ 61,378</b>	<b>\$ 61,166</b>	<b>\$ 66,943</b>	<b>\$ 71,261</b>	<b>\$ 77,303</b>
Current and Proposed Sr Lien Debt Service (Water Bonds)	\$ 18,517	\$ 22,174	\$ 22,081	\$ 28,511	\$ 29,487	\$ 35,015	\$ 35,221	\$ 32,217	\$ 37,033	\$ 41,458
<b>Balance Available for Other Purposes</b>	<b>\$ 27,611</b>	<b>\$ 22,691</b>	<b>\$ 22,918</b>	<b>\$ 22,243</b>	<b>\$ 26,826</b>	<b>\$ 26,363</b>	<b>\$ 25,945</b>	<b>\$ 34,726</b>	<b>\$ 34,228</b>	<b>\$ 35,845</b>
City Gross Earnings Tax	\$ 9,563	\$ 10,223	\$ 10,927	\$ 11,683	\$ 12,435	\$ 12,756	\$ 13,463	\$ 14,217	\$ 15,024	\$ 15,866
Existing Jr Lien Debt Service	6,137	6,074	5,640	5,578	4,756	4,700	4,645	4,033	3,311	3,144
<b>Balance Available for Capital and Reserves</b>	<b>\$ 11,911</b>	<b>\$ 6,395</b>	<b>\$ 6,350</b>	<b>\$ 4,982</b>	<b>\$ 9,636</b>	<b>\$ 8,907</b>	<b>\$ 7,838</b>	<b>\$ 16,476</b>	<b>\$ 15,894</b>	<b>\$ 16,835</b>
Debt Service Coverage Ratio - Sr. Debt	2.49	2.02	2.04	1.78	1.91	1.75	1.74	2.08	1.92	1.86
Debt Service Coverage Ratio - Total Debt	1.00	1.04	1.20	1.13	1.25	1.09	1.18	1.41	1.35	1.34
Year-end Operating Fund Balance	\$ 47,142	\$ 39,636	\$ 38,866	\$ 36,499	\$ 33,548	\$ 29,230	\$ 33,799	\$ 36,969	\$ 34,519	\$ 32,971
Year-end SDC Fund Balance	\$ 27,037	\$ 29,961	\$ 32,930	\$ 35,942	\$ 26,849	\$ 29,770	\$ 32,735	\$ 35,745	\$ 33,418	\$ 36,438
Year-end Capital Reserve Fund Balance	\$ 13,292	\$ 17,969	\$ 14,805	\$ 19,957	\$ 14,708	\$ 15,702	\$ 16,746	\$ 17,844	\$ 16,308	\$ 17,476
Days Liquidity (Operating and Capital Funds)	334	327	312	322	252	242	261	275	244	244
Operating Reserve Policy Minimum (60 days op exp)	\$ 22,176	\$ 22,176	\$ 24,210	\$ 24,210	\$ 26,690	\$ 26,690	\$ 28,359	\$ 28,359	\$ 30,976	\$ 30,976
Capital Reserve (1% of Original Cost Plant in Service)	\$ 13,069	\$ 13,200	\$ 13,332	\$ 13,465	\$ 13,600	\$ 13,736	\$ 13,873	\$ 14,012	\$ 14,152	\$ 14,294
SDC (\$2M)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>Total Policy Minimum Liquidity</b>	<b>\$ 37,245</b>	<b>\$ 37,376</b>	<b>\$ 39,542</b>	<b>\$ 39,676</b>	<b>\$ 42,290</b>	<b>\$ 42,426</b>	<b>\$ 44,233</b>	<b>\$ 44,371</b>	<b>\$ 47,128</b>	<b>\$ 47,270</b>

# Pro-Forma: Flat Rate Adjustments

Pro Forma Statement (\$ in Thousands)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>System Average Rate Increase</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>
Retail and Wholesale Rate Revenues	\$ 115,194	\$ 122,645	\$ 130,598	\$ 139,090	\$ 148,146	\$ 157,805	\$ 168,104	\$ 179,085	\$ 190,918	\$ 203,407
Other Operating Revenues	10,074	10,126	10,133	10,450	10,500	4,814	4,528	4,901	4,986	5,073
Non-Operating Revenues (includes BABs subsidy)	3,414	3,310	3,132	3,039	2,943	2,843	2,735	2,624	2,585	2,356
Planned Transfers from Rate Stabilization Account	12,000	5,000	-	-	5,000	5,000	-	-	-	-
<b>Total Revenues</b>	<b>\$ 140,682</b>	<b>\$ 141,081</b>	<b>\$ 143,863</b>	<b>\$ 152,579</b>	<b>\$ 166,589</b>	<b>\$ 170,462</b>	<b>\$ 175,367</b>	<b>\$ 186,609</b>	<b>\$ 198,488</b>	<b>\$ 210,837</b>
Operation & Maintenance Expenses	\$ 79,476	\$ 82,606	\$ 85,558	\$ 88,568	\$ 91,708	\$ 94,938	\$ 98,306	\$ 101,512	\$ 105,857	\$ 109,516
RWSS Expenses (Tacoma Share CRO)	3,158	3,195	3,290	3,389	3,491	3,595	3,703	3,814	3,929	4,047
RWSS Bond Debt Service (Tacoma Share CRO)	4,360	4,350	4,360	4,358	4,375	4,371	4,385	4,117	4,860	4,786
Utility Taxes, B&O Taxes & Franchise Fees	7,255	7,626	8,065	8,545	9,047	9,591	10,153	10,777	11,438	12,135
<b>Total Operation &amp; Maintenance Expenses</b>	<b>\$ 94,250</b>	<b>\$ 97,776</b>	<b>\$ 101,273</b>	<b>\$ 104,859</b>	<b>\$ 108,620</b>	<b>\$ 112,496</b>	<b>\$ 116,548</b>	<b>\$ 120,221</b>	<b>\$ 126,083</b>	<b>\$ 130,484</b>
<b>Funds Available for Debt Service</b>	<b>\$ 46,432</b>	<b>\$ 43,305</b>	<b>\$ 42,590</b>	<b>\$ 47,719</b>	<b>\$ 57,969</b>	<b>\$ 57,965</b>	<b>\$ 58,819</b>	<b>\$ 66,388</b>	<b>\$ 72,405</b>	<b>\$ 80,352</b>
Current and Proposed Sr Lien Debt Service (Water Bonds)	\$ 18,517	\$ 22,174	\$ 22,081	\$ 28,511	\$ 29,487	\$ 35,015	\$ 35,221	\$ 32,217	\$ 37,033	\$ 41,458
<b>Balance Available for Other Purposes</b>	<b>\$ 27,915</b>	<b>\$ 21,131</b>	<b>\$ 20,509</b>	<b>\$ 19,208</b>	<b>\$ 28,481</b>	<b>\$ 22,951</b>	<b>\$ 23,598</b>	<b>\$ 34,171</b>	<b>\$ 35,372</b>	<b>\$ 38,895</b>
City Gross Earnings Tax	\$ 9,520	\$ 10,130	\$ 10,779	\$ 11,471	\$ 12,209	\$ 12,515	\$ 13,336	\$ 14,219	\$ 15,171	\$ 16,175
Existing Jr Lien Debt Service	6,137	6,074	5,640	5,578	4,756	4,700	4,645	4,033	3,311	3,144
<b>Balance Available for Capital and Reserves</b>	<b>\$ 12,259</b>	<b>\$ 4,927</b>	<b>\$ 4,091</b>	<b>\$ 2,159</b>	<b>\$ 11,517</b>	<b>\$ 5,735</b>	<b>\$ 5,617</b>	<b>\$ 15,918</b>	<b>\$ 16,891</b>	<b>\$ 19,575</b>
Debt Service Coverage Ratio - Sr. Debt	2.51	1.95	1.93	1.67	1.97	1.66	1.67	2.06	1.96	1.94
Debt Service Coverage Ratio - Total Debt	1.16	1.13	1.26	1.17	1.28	1.12	1.23	1.50	1.48	1.49
Year-end Operating Fund Balance	\$ 50,227	\$ 43,593	\$ 41,078	\$ 36,276	\$ 35,741	\$ 28,669	\$ 31,720	\$ 34,743	\$ 33,702	\$ 35,306
Year-end SDC Fund Balance	\$ 25,134	\$ 27,685	\$ 29,111	\$ 31,673	\$ 15,839	\$ 18,173	\$ 20,264	\$ 22,680	\$ 19,689	\$ 22,096
Year-end Capital Reserve Fund Balance	\$ 12,433	\$ 17,097	\$ 12,891	\$ 18,014	\$ 13,835	\$ 14,816	\$ 15,847	\$ 16,930	\$ 15,442	\$ 16,598
Days Liquidity (Operating and Capital Funds)	340	330	299	299	220	200	212	226	199	207
Operating Reserve Policy Minimum (60 days op exp)	\$ 22,048	\$ 22,048	\$ 24,183	\$ 24,183	\$ 26,650	\$ 26,650	\$ 28,370	\$ 28,370	\$ 31,072	\$ 31,072
Capital Reserve (1% of Original Cost Plant in Service)	\$ 13,069	\$ 13,200	\$ 13,332	\$ 13,465	\$ 13,600	\$ 13,736	\$ 13,873	\$ 14,012	\$ 14,152	\$ 14,294
SDC (\$2M)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>Total Policy Minimum Liquidity</b>	<b>\$ 37,117</b>	<b>\$ 37,248</b>	<b>\$ 39,515</b>	<b>\$ 39,648</b>	<b>\$ 42,250</b>	<b>\$ 42,386</b>	<b>\$ 44,243</b>	<b>\$ 44,382</b>	<b>\$ 47,224</b>	<b>\$ 47,365</b>

# Pro-Forma: Deferred PFAS Treatment Budget Assumptions

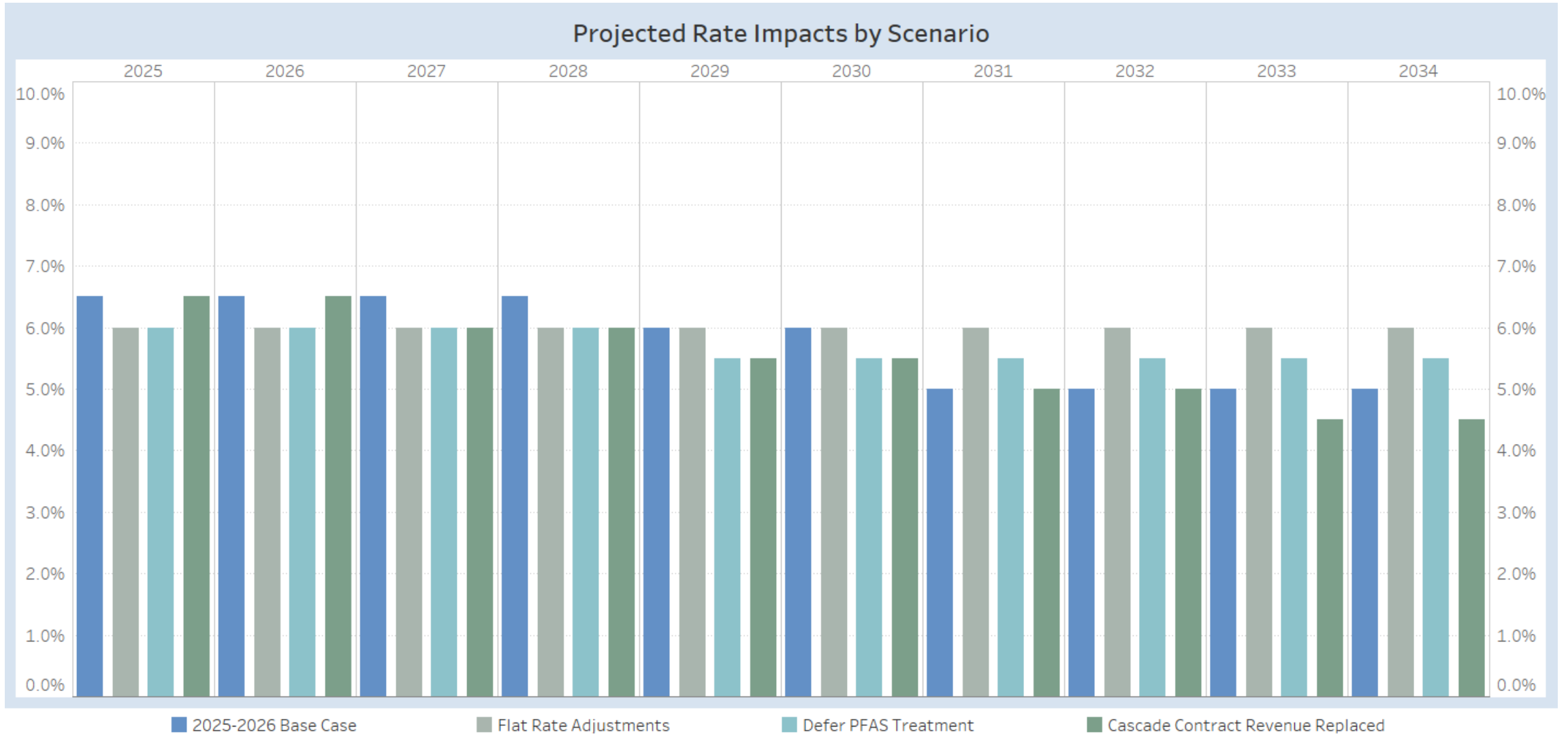
Pro Forma Statement (\$ in Thousands)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>System Average Rate Increase</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.5%</b>
Retail and Wholesale Rate Revenues	\$ 115,194	\$ 122,645	\$ 130,598	\$ 139,090	\$ 147,448	\$ 156,319	\$ 165,736	\$ 175,729	\$ 186,457	\$ 197,718
Other Operating Revenues	10,074	10,126	10,133	10,450	10,498	4,810	4,521	4,892	4,975	5,060
Non-Operating Revenues (includes BABs subsidy)	3,414	3,310	3,132	3,039	2,943	2,843	2,735	2,624	2,585	2,356
Planned Transfers from Rate Stabilization Account	12,000	5,000	-	-	-	5,000	-	1,000	-	-
<b>Total Revenues</b>	<b>\$ 140,682</b>	<b>\$ 141,081</b>	<b>\$ 143,863</b>	<b>\$ 152,579</b>	<b>\$ 160,888</b>	<b>\$ 168,973</b>	<b>\$ 172,993</b>	<b>\$ 184,246</b>	<b>\$ 194,017</b>	<b>\$ 205,134</b>
Operation & Maintenance Expenses	\$ 79,476	\$ 82,606	\$ 85,558	\$ 88,568	\$ 91,708	\$ 94,938	\$ 98,306	\$ 101,512	\$ 105,857	\$ 109,516
RWSS Expenses (Tacoma Share CRO)	3,158	3,195	3,290	3,389	3,491	3,595	3,703	3,814	3,929	4,047
RWSS Bond Debt Service (Tacoma Share CRO)	4,360	4,350	4,360	4,358	4,375	4,371	4,385	4,117	4,860	4,786
Utility Taxes, B&O Taxes & Franchise Fees	7,255	7,626	8,065	8,545	9,004	9,505	10,017	10,586	11,185	11,813
<b>Total Operation &amp; Maintenance Expenses</b>	<b>\$ 94,250</b>	<b>\$ 97,776</b>	<b>\$ 101,273</b>	<b>\$ 104,859</b>	<b>\$ 108,578</b>	<b>\$ 112,410</b>	<b>\$ 116,412</b>	<b>\$ 120,030</b>	<b>\$ 125,830</b>	<b>\$ 130,163</b>
<b>Funds Available for Debt Service</b>	<b>\$ 46,432</b>	<b>\$ 43,305</b>	<b>\$ 42,590</b>	<b>\$ 47,719</b>	<b>\$ 52,311</b>	<b>\$ 56,563</b>	<b>\$ 56,581</b>	<b>\$ 64,216</b>	<b>\$ 68,187</b>	<b>\$ 74,972</b>
Current and Proposed Sr Lien Debt Service (Water Bonds)	\$ 18,517	\$ 22,032	\$ 21,939	\$ 23,067	\$ 29,346	\$ 29,570	\$ 29,776	\$ 26,772	\$ 36,891	\$ 36,649
<b>Balance Available for Other Purposes</b>	<b>\$ 27,915</b>	<b>\$ 21,272</b>	<b>\$ 20,650</b>	<b>\$ 24,653</b>	<b>\$ 22,965</b>	<b>\$ 26,993</b>	<b>\$ 26,805</b>	<b>\$ 37,444</b>	<b>\$ 31,296</b>	<b>\$ 38,322</b>
City Gross Earnings Tax	\$ 9,520	\$ 10,130	\$ 10,779	\$ 11,471	\$ 12,153	\$ 12,396	\$ 13,147	\$ 13,950	\$ 14,813	\$ 15,719
Existing Jr Lien Debt Service	6,137	6,074	5,640	5,578	4,756	4,700	4,645	4,033	3,311	3,144
<b>Balance Available for Capital and Reserves</b>	<b>\$ 12,259</b>	<b>\$ 5,069</b>	<b>\$ 4,232</b>	<b>\$ 7,604</b>	<b>\$ 6,056</b>	<b>\$ 9,897</b>	<b>\$ 9,014</b>	<b>\$ 19,460</b>	<b>\$ 13,172</b>	<b>\$ 19,459</b>
Debt Service Coverage Ratio - Sr. Debt	2.51	1.97	1.94	2.07	1.78	1.91	1.90	2.40	1.85	2.05
Debt Service Coverage Ratio - Total Debt	1.16	1.14	1.27	1.36	1.27	1.24	1.35	1.65	1.40	1.54
Year-end Operating Fund Balance	\$ 50,227	\$ 43,734	\$ 36,361	\$ 32,004	\$ 31,005	\$ 28,091	\$ 29,535	\$ 30,097	\$ 35,333	\$ 36,817
Year-end SDC Fund Balance	\$ 25,134	\$ 27,685	\$ 30,096	\$ 20,235	\$ 22,518	\$ 24,953	\$ 27,145	\$ 20,207	\$ 22,622	\$ 25,074
Year-end Capital Reserve Fund Balance	\$ 12,433	\$ 17,097	\$ 17,447	\$ 13,329	\$ 18,696	\$ 19,749	\$ 18,421	\$ 14,670	\$ 15,774	\$ 16,935
Days Liquidity (Operating and Capital Funds)	340	330	302	228	243	236	235	198	214	221
Operating Reserve Policy Minimum (60 days op exp)	\$ 22,036	\$ 22,036	\$ 23,717	\$ 23,717	\$ 26,159	\$ 26,159	\$ 27,397	\$ 27,397	\$ 30,543	\$ 30,543
Capital Reserve (1% of Original Cost Plant in Service)	\$ 13,069	\$ 13,200	\$ 13,332	\$ 13,465	\$ 13,600	\$ 13,736	\$ 13,873	\$ 14,012	\$ 14,152	\$ 14,294
SDC (\$2M)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>Total Policy Minimum Liquidity</b>	<b>\$ 37,106</b>	<b>\$ 37,236</b>	<b>\$ 39,049</b>	<b>\$ 39,182</b>	<b>\$ 41,759</b>	<b>\$ 41,895</b>	<b>\$ 43,270</b>	<b>\$ 43,409</b>	<b>\$ 46,695</b>	<b>\$ 46,837</b>

# Pro-Forma: Cascade Contract Revenue Loss Replaced

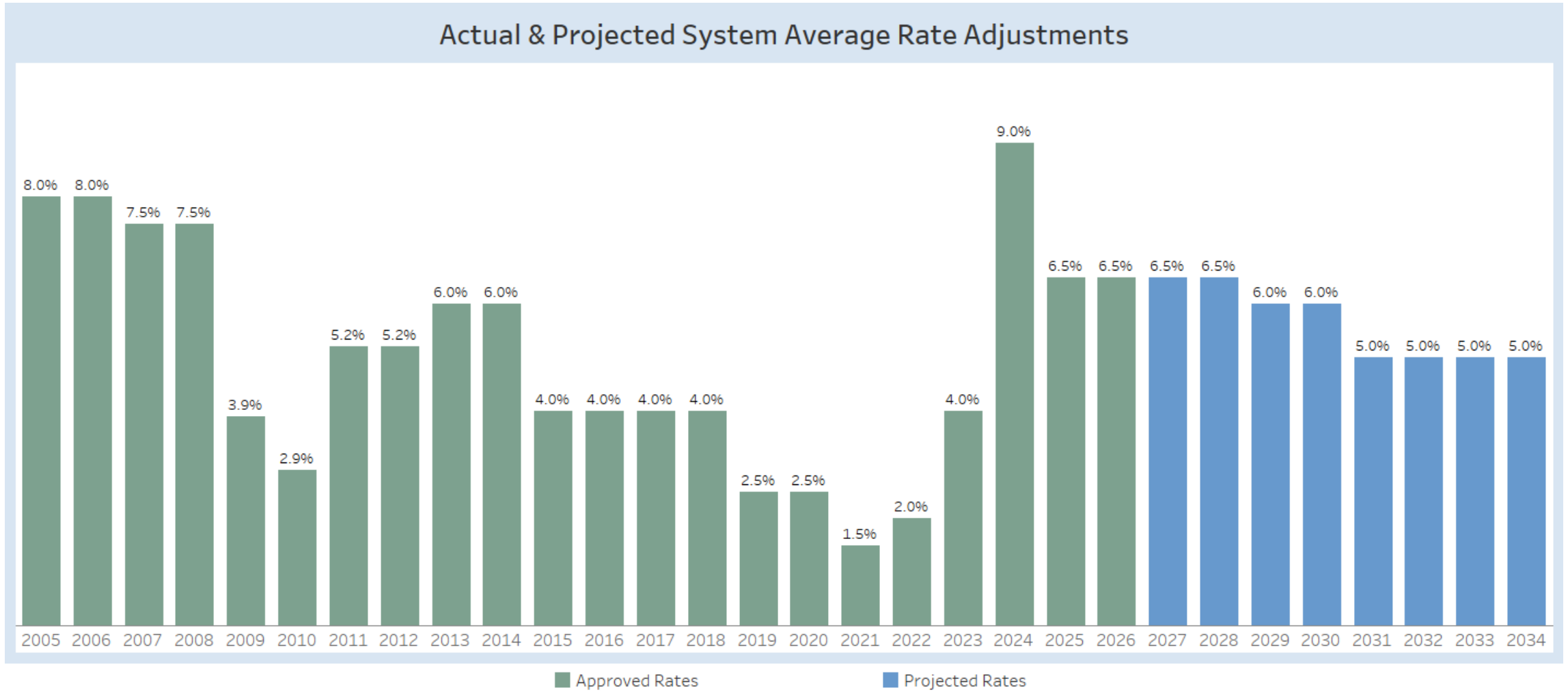
Pro Forma Statement (\$ in Thousands)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>System Average Rate Increase</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>4.5%</b>
Retail and Wholesale Rate Revenues	\$ 115,737	\$ 123,805	\$ 131,833	\$ 140,405	\$ 148,842	\$ 157,797	\$ 166,511	\$ 175,714	\$ 184,674	\$ 193,970
Other Operating Revenues	10,074	10,126	10,133	10,450	10,498	10,810	10,519	10,889	10,967	11,048
Non-Operating Revenues (includes BABs subsidy)	3,414	3,310	3,132	3,039	2,943	2,843	2,735	2,624	2,585	2,356
Planned Transfers from Rate Stabilization Account	12,000	5,000	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 141,225</b>	<b>\$ 142,241</b>	<b>\$ 145,098</b>	<b>\$ 153,894</b>	<b>\$ 162,283</b>	<b>\$ 171,451</b>	<b>\$ 179,765</b>	<b>\$ 189,226</b>	<b>\$ 198,226</b>	<b>\$ 207,375</b>
Operation & Maintenance Expenses	\$ 79,476	\$ 82,606	\$ 85,558	\$ 88,568	\$ 91,708	\$ 94,938	\$ 98,306	\$ 101,512	\$ 105,857	\$ 109,516
RWSS Expenses (Tacoma Share CRO)	3,158	3,195	3,290	3,389	3,491	3,595	3,703	3,814	3,929	4,047
RWSS Bond Debt Service (Tacoma Share CRO)	4,360	4,350	4,360	4,358	4,375	4,371	4,385	4,117	4,860	4,786
Utility Taxes, B&O Taxes & Franchise Fees	7,286	7,688	8,127	8,611	9,074	9,579	10,048	10,572	11,068	11,586
<b>Total Operation &amp; Maintenance Expenses</b>	<b>\$ 94,281</b>	<b>\$ 97,838</b>	<b>\$ 101,335</b>	<b>\$ 104,925</b>	<b>\$ 108,648</b>	<b>\$ 112,484</b>	<b>\$ 116,443</b>	<b>\$ 120,016</b>	<b>\$ 125,714</b>	<b>\$ 129,936</b>
<b>Funds Available for Debt Service</b>	<b>\$ 46,945</b>	<b>\$ 44,403</b>	<b>\$ 43,763</b>	<b>\$ 48,969</b>	<b>\$ 53,635</b>	<b>\$ 58,967</b>	<b>\$ 63,323</b>	<b>\$ 69,210</b>	<b>\$ 72,512</b>	<b>\$ 77,439</b>
Current and Proposed Sr Lien Debt Service (Water Bonds)	\$ 18,517	\$ 22,174	\$ 22,081	\$ 28,511	\$ 29,487	\$ 35,015	\$ 35,221	\$ 32,217	\$ 37,033	\$ 41,458
<b>Balance Available for Other Purposes</b>	<b>\$ 28,428</b>	<b>\$ 22,229</b>	<b>\$ 21,682</b>	<b>\$ 20,457</b>	<b>\$ 24,147</b>	<b>\$ 23,952</b>	<b>\$ 28,102</b>	<b>\$ 36,993</b>	<b>\$ 35,479</b>	<b>\$ 35,981</b>
City Gross Earnings Tax	\$ 9,563	\$ 10,223	\$ 10,877	\$ 11,576	\$ 12,265	\$ 12,995	\$ 13,688	\$ 14,429	\$ 15,150	\$ 15,898
Existing Jr Lien Debt Service	6,137	6,074	5,640	5,578	4,756	4,700	4,645	4,033	3,311	3,144
<b>Balance Available for Capital and Reserves</b>	<b>\$ 12,728</b>	<b>\$ 5,933</b>	<b>\$ 5,165</b>	<b>\$ 3,303</b>	<b>\$ 7,127</b>	<b>\$ 6,258</b>	<b>\$ 9,769</b>	<b>\$ 18,531</b>	<b>\$ 17,019</b>	<b>\$ 16,939</b>
Debt Service Coverage Ratio - Sr. Debt	2.54	2.00	1.98	1.72	1.82	1.68	1.80	2.15	1.96	1.87
Debt Service Coverage Ratio - Total Debt	1.18	1.16	1.30	1.20	1.30	1.24	1.32	1.56	1.48	1.44
Year-end Operating Fund Balance	\$ 50,699	\$ 45,074	\$ 43,634	\$ 39,976	\$ 35,047	\$ 33,495	\$ 30,690	\$ 36,319	\$ 35,395	\$ 34,352
Year-end SDC Fund Balance	\$ 25,134	\$ 27,685	\$ 29,111	\$ 31,673	\$ 20,876	\$ 23,286	\$ 25,454	\$ 27,948	\$ 30,479	\$ 33,048
Year-end Capital Reserve Fund Balance	\$ 12,433	\$ 17,097	\$ 12,891	\$ 18,014	\$ 13,835	\$ 14,816	\$ 15,847	\$ 16,930	\$ 18,069	\$ 19,264
Days Liquidity (Operating and Capital Funds)	342	335	308	312	234	232	226	247	244	243
Operating Reserve Policy Minimum (60 days op exp)	\$ 22,067	\$ 22,067	\$ 24,210	\$ 24,210	\$ 26,696	\$ 26,696	\$ 28,391	\$ 28,391	\$ 30,970	\$ 30,970
Capital Reserve (1% of Original Cost Plant in Service)	\$ 13,069	\$ 13,200	\$ 13,332	\$ 13,465	\$ 13,600	\$ 13,736	\$ 13,873	\$ 14,012	\$ 14,152	\$ 14,294
SDC (\$2M)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>Total Policy Minimum Liquidity</b>	<b>\$ 37,136</b>	<b>\$ 37,267</b>	<b>\$ 39,542</b>	<b>\$ 39,676</b>	<b>\$ 42,296</b>	<b>\$ 42,432</b>	<b>\$ 44,264</b>	<b>\$ 44,403</b>	<b>\$ 47,122</b>	<b>\$ 47,264</b>



# Tacoma Water Projected Range of Rate Adjustments

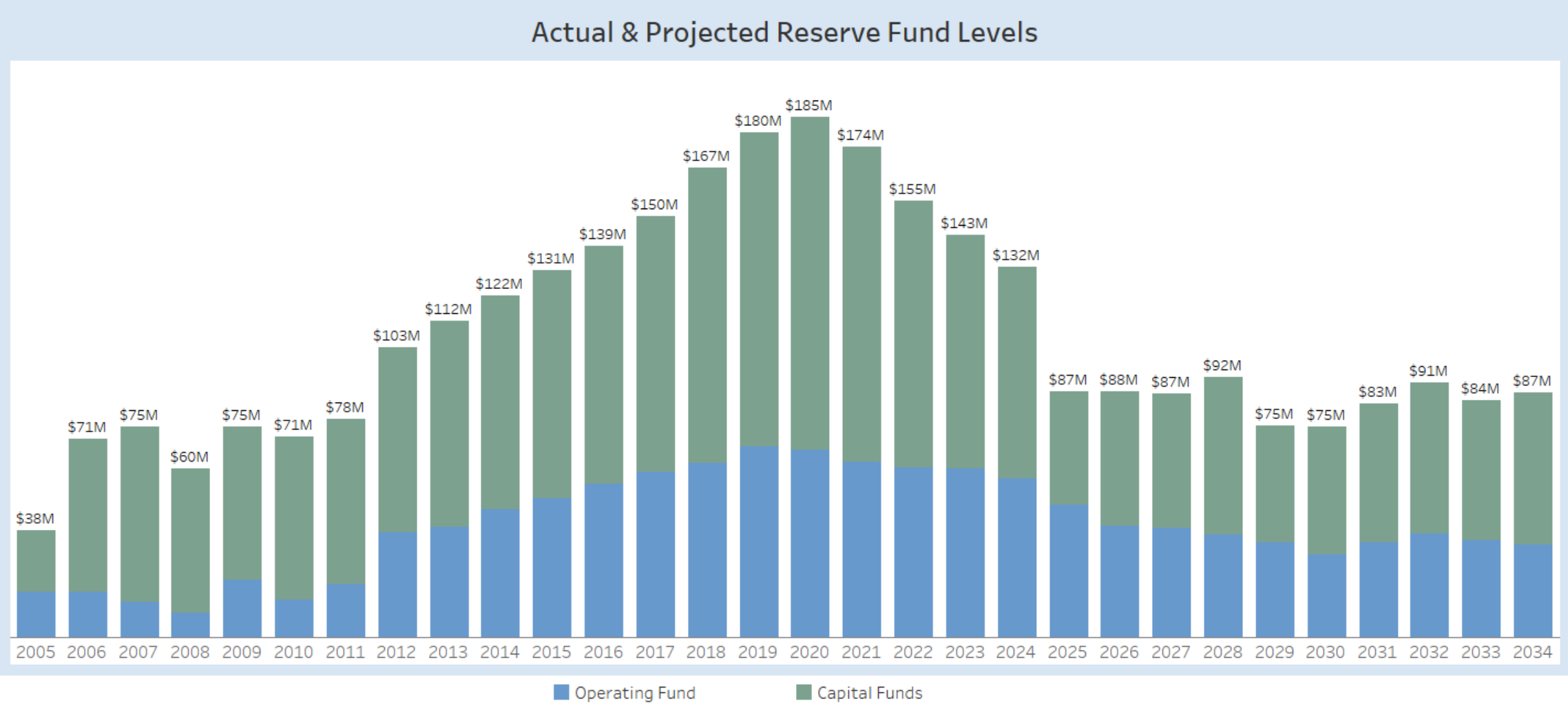


# Tacoma Water Annual Rate Adjustments



*Projections for 2027-2034 are subject to change, and is dependend upon actual financial performance in future years. Projections are from the 2025-2026 Base Case.*

# Tacoma Water Reserve Balances



*Projections for 2025-2034 are subject to change, and is depend on actual financial performance in future years. Projections are from the 2025-2026 Base Case.*

# Tacoma Water Scheduled Senior Debt Service

	2009 Water System Revenue Bonds	2010B Water System Revenue Bonds	2015A Water System Refunding Bonds	2024 Water System Revenue Refunding Bonds
2024	\$4,327,244	\$6,361,009	\$2,133,000	\$2,711,500
2025	\$4,327,244	\$6,324,830	\$2,126,250	\$3,190,000
2026	\$4,327,244	\$8,708,122		\$3,190,000
2027	\$4,327,244	\$9,892,327		\$3,190,000
2028	\$4,327,244	\$9,709,070		\$4,420,000
2029	\$4,327,244	\$9,512,955		\$5,493,500
2030	\$4,327,244	\$9,318,980		\$5,825,250
2031	\$4,327,244	\$9,111,076		\$6,144,500
2032	\$4,327,244	\$8,889,839		\$7,415,750
2033	\$14,127,244	\$4,502,528		\$2,470,250
2034	\$13,939,890	\$4,424,406		\$2,470,250
2035	\$13,746,964	\$4,340,303		\$3,975,250
2036	\$13,547,619	\$4,250,220		\$7,065,000
2037	\$13,336,012	\$4,164,155		\$7,356,500
2038	\$13,121,577	\$4,071,361		\$7,651,750
2039	\$12,898,188	\$3,971,839		\$7,949,250
2040		\$16,540,589		\$8,242,500
2041				\$19,955,250
<b>Grand Total</b>	<b>\$133,662,694</b>	<b>\$124,093,609</b>	<b>\$4,259,250</b>	<b>\$108,716,500</b>

*Based on amortization schedules, which may differ from budget and actual due to accruals. Debt service shown does not include RWSS debt service.*

*\*Debt service shown net of Build America Bond (BABs) subsidies.*

# Tacoma Water Scheduled Subordinate Lien Debt Service

	Public Works Trust Fund Loans							Drinking Water State Revolving Fund Loans						
	PW-04-691-PRE-...	PW-06-962-043	PC08-951-047	PC12-951-017	DM07-952-015	DR09-952-074	DM10-952-026	DM11-952-035	DM10-952-031	DM11-952-036	DM12-952-088	DM13-952-133	DM13-952-167	DM15-952-033
2024	\$53,629	\$376,147	\$559,517	\$577,778	\$231,241	\$400,126	\$343,905	\$139,752	\$354,834	\$357,540	\$715,080	\$715,080	\$715,080	\$714,442
2025		\$374,294	\$556,787	\$575,000	\$228,015	\$396,455	\$339,360	\$137,929	\$350,266	\$352,995	\$705,990	\$705,990	\$705,990	\$708,063
2026		\$372,441	\$554,058	\$572,222	\$224,788	\$392,784	\$334,815	\$136,106	\$345,697	\$348,450	\$696,900	\$696,900	\$696,900	\$701,684
2027			\$551,329	\$569,444	\$221,562	\$389,113	\$330,270	\$134,284	\$341,128	\$343,905	\$687,810	\$687,810	\$687,810	\$695,305
2028			\$548,599	\$566,667	\$218,335	\$385,442	\$325,725	\$132,461	\$336,560	\$339,360	\$678,720	\$678,720	\$678,720	\$688,926
2029				\$563,889			\$381,771	\$321,180	\$130,638	\$331,991	\$334,815	\$669,630	\$669,630	\$669,630
2030				\$561,111			\$378,101	\$316,635	\$128,815	\$327,422	\$330,270	\$660,540	\$660,540	\$660,540
2031				\$558,333			\$374,430	\$312,090	\$126,992	\$322,854	\$325,725	\$651,450	\$651,450	\$651,450
2032							\$370,759	\$307,545	\$125,169	\$318,285	\$321,180	\$642,360	\$642,360	\$642,360
2033								\$123,346	\$313,716	\$316,635	\$633,270	\$633,270	\$633,270	\$657,032
2034									\$309,148	\$312,090	\$624,180	\$624,180	\$624,180	\$650,653
2035										\$307,545	\$615,090	\$615,090	\$615,090	\$644,274
<b>Grand Total</b>	<b>\$53,629</b>	<b>\$1,122,882</b>	<b>\$2,770,290</b>	<b>\$4,544,444</b>	<b>\$1,123,941</b>	<b>\$3,468,981</b>	<b>\$2,931,525</b>	<b>\$1,315,493</b>	<b>\$3,651,902</b>	<b>\$3,990,510</b>	<b>\$7,981,020</b>	<b>\$7,981,020</b>	<b>\$7,981,020</b>	<b>\$8,152,295</b>

■ Second Supply Project

■ McMillin Reservoir

■ Green River Filtration Facility

*Based on amortization schedules, which may differ from budget and actual due to accruals.*

# Tacoma Water Capital Improvement Plan (CIP)

## Projected Capital Improvement Plan (CIP) Expenditures

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
General	\$14,485,688	\$2,707,072	\$6,373,502	\$4,873,501	\$3,750,337	\$3,750,337	\$5,671,290	\$5,671,289	\$3,087,224	\$3,087,224
Water Source & Transmission	\$11,599,202	\$32,079,652	\$24,793,465	\$10,275,269	\$15,579,899	\$10,981,141	\$10,155,200	\$10,079,997	\$10,303,047	\$24,351,589
Water Treatment	\$568,000	\$1,595,000	\$1,590,000	\$23,335,000	\$22,890,000	\$465,175	\$902,501	\$812,324	\$345,000	\$2,045,000
Water Distribution	\$12,144,607	\$6,260,147	\$8,605,576	\$5,450,000	\$5,450,000	\$5,239,088	\$5,639,798	\$5,450,000	\$5,450,000	\$5,450,000
Grand Total	\$38,797,497	\$42,641,871	\$41,362,543	\$43,933,770	\$47,670,236	\$20,435,741	\$22,368,789	\$22,013,611	\$19,185,271	\$34,933,813



# RWSS Scheduled Debt Service

	2010A RWSS Revenue Bonds		2010B RWSS Revenue Bonds			2024 RWSS Revenue Refunding Bonds	
	Kent	Kent	Covington	Tacoma	Kent	Tacoma	
2024	\$369,200	\$432,644	\$197,578	\$1,850,714	\$1,443,013	\$3,226,494	
2025		\$802,644	\$197,578	\$1,850,714	\$1,397,000	\$3,121,500	
2026		\$797,771	\$197,578	\$1,850,714	\$1,389,500	\$3,110,500	
2027		\$792,093	\$197,578	\$1,850,714	\$1,390,000	\$3,119,750	
2028		\$780,609	\$197,578	\$1,850,714	\$1,393,000	\$3,118,000	
2029		\$773,588	\$197,578	\$1,850,714	\$1,398,250	\$3,135,500	
2030		\$765,761	\$197,578	\$1,850,714	\$1,395,500	\$3,131,000	
2031		\$757,129	\$197,578	\$1,850,714	\$1,400,000	\$3,145,250	
2032		\$746,553	\$197,578	\$1,850,714	\$1,286,250	\$2,877,000	
2033		\$740,135	\$582,578	\$5,470,714			
2034		\$727,592	\$575,937	\$5,397,234			
2035		\$719,206	\$568,453	\$5,326,447			
2036		\$709,695	\$560,126	\$5,247,790			
2037		\$699,061	\$550,956	\$5,166,263			
2038		\$687,302	\$545,942	\$5,081,587			
2039		\$674,419	\$534,805	\$4,998,478			
2040		\$665,412	\$522,824	\$4,911,376			
<b>Grand Total</b>	<b>\$369,200</b>	<b>\$12,271,614</b>	<b>\$6,219,825</b>	<b>\$58,256,317</b>	<b>\$12,492,513</b>	<b>\$27,984,994</b>	

*Based on amortization schedules, which may differ from budget and actual due to accruals. RWSS bonds are considered contract resource obligations (CRO) to the Participants.*

*\*Debt service shown net of Build America Bond (BABs) subsidies.*

# RWSS Capital Improvement Plan (CIP)

## Projected RWSS Capital Improvement Plan (CIP) Expenditures

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
RWSS - Covington	\$3,497,493	\$1,747,669	\$2,204,216	\$1,703,596	\$854,302	\$1,296,423	\$592,974	\$538,986	\$436,806	\$196,462
RWSS - Kent	\$3,497,493	\$1,747,669	\$2,204,216	\$1,703,596	\$854,302	\$1,296,423	\$592,974	\$538,986	\$436,806	\$196,462
RWSS - Lakehaven	\$3,497,493	\$1,747,669	\$2,204,216	\$1,703,596	\$854,302	\$1,296,423	\$592,974	\$538,986	\$436,806	\$196,462
RWSS - Tacoma	\$7,494,629	\$3,745,005	\$4,723,320	\$3,650,562	\$1,830,647	\$2,778,049	\$1,270,659	\$1,154,969	\$936,012	\$420,991
<b>Grand Total</b>	<b>\$17,987,108</b>	<b>\$8,988,011</b>	<b>\$11,335,969</b>	<b>\$8,761,350</b>	<b>\$4,393,553</b>	<b>\$6,667,317</b>	<b>\$3,049,583</b>	<b>\$2,771,926</b>	<b>\$2,246,429</b>	<b>\$1,010,378</b>

*The RWSS budget is developed and approved on an annual basis, usually in October of the preceding year.*

# Resources and Contact

## Resources

---

### Website

### Link

Tacoma Water

<https://www.mytpu.org/about-tpu/services/water/>

Regional Water Supply System

<https://www.mytpu.org/about-tpu/investors/regional-water-supply-system-information/>

Investor Information

<https://www.mytpu.org/about-tpu/investors/water-investor-information/>

## Contact

---

Jodi Collins

Lyna Vo

Financial Stewardship Manager

Senior Utilities Economist

[Jodi.Collins@cityoftacoma.org](mailto:Jodi.Collins@cityoftacoma.org)

[LVo@cityoftacoma.org](mailto:LVo@cityoftacoma.org)