



TAMPA BAY WATER POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017
OCTOBER 1, 2016 – SEPTEMBER 30, 2017

**TAMPA
BAY
WATER**
Supplying Water To The Region

WELCOME

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A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Tampa Bay Water is proud to present the Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2017.

The financial information presented in the PAFR is derived from the Agency’s Comprehensive Annual Financial Report (CAFR) and is presented here in summarized form. The CAFR outlines the Agency’s financial position and operating activities for fiscal year 2017 in detail and includes financial statements audited by Mauldin & Jenkins, LLC that received an unmodified (clean) opinion. The Agency’s financial records and the annual financial statements are maintained on the accrual basis of accounting, consistent with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements applicable to an enterprise fund. The CAFR is posted on tampabaywater.org/tampa-bay-water-budget-and-financial-information.

Tampa Bay Water strives toward awareness, accountability, and transparency for all of our financial information to the region’s citizens. In 2017, Tampa Bay Water received awards for the 2016 CAFR, 2016 PAFR, and 2017 Annual Budget Book from the Government Finance Officers Association. This was the first year that Tampa Bay Water participated in and received the CAFR and PAFR awards, plus the eighth year Tampa Bay Water participated in and received the Distinguished Budget Award. The attainment of these three awards represents a significant accomplishment by a government agency and its management.

The PAFR is a means of increasing public awareness about the Agency’s financial condition through a more user-friendly presentation. It is unaudited and not presented in GAAP format. On behalf of Tampa Bay Water, I thank you for taking the opportunity to read our Popular Annual Financial Report. As always, we welcome any input or comments you may have regarding the report.

Regards,



Christina Sackett
Chief Financial Officer




ABOUT TAMPA BAY WATER

Tampa Bay Water, A Regional Water Supply Authority (the Agency), formerly the West Coast Regional Water Supply Authority (the Predecessor Authority), was created on October 25, 1974, by enabling state legislation under *Florida Statute* Sections 163.01, 373.713, and 373.715. Hillsborough, Pasco, and Pinellas counties and the cities of St. Petersburg, Tampa, and New Port Richey comprise the Member Governments of the Agency. A Governance Study was adopted by the Florida Legislature in 1997 (the 1997 Legislation) amending Section 373.1963, *Florida Statutes*.

As part of the 1997 Legislation, the Agency entered into the Interlocal Agreement and the Master Water Supply Contract with its Member Governments for a term of 40 years. Pursuant to the Amended and Restated Interlocal Agreement and Master Water Supply Contract, the Agency is required to meet the Quality Water needs of the Member Governments and to charge a uniform, per-1,000 gallons wholesale rate to Member Governments for the wholesale supply of drinking water; with one exception for the City of Tampa. The Agency will charge a separate rate to the City of Tampa for water delivered from the Tampa Bypass Canal.

The Agency provides quality drinking water to its six-member governments who serve approximately 2.5 million residents in the Tampa Bay region. The region is served by a combination of groundwater, surface water and desalination water. Since the Agency's inception in 1998, groundwater pumping has reduced by nearly 50 percent.



THE AGENCY PROVIDES QUALITY DRINKING WATER TO ITS SIX MEMBER GOVERNMENTS WHOSE WATER SERVICE AREAS SERVE APPROXIMATELY 2.5 MILLION RESIDENTS IN THE TAMPA BAY REGION.

TAMPA BAY WATER'S FISCAL YEAR 2017 BOARD OF DIRECTORS

Tampa Bay Water is often cited as a model of regional cooperation, thanks to the spirit of regionalism that created the utility as well as the continuous regional efforts of our board of directors. Each elected official on our nine-member board represents an individual city or county that we serve, but at the dais, each also represents the Tampa Bay region. The policy decisions and directives of our board ensure our region has adequate and sustainable drinking water to support our economy, environment and way of life.



**CHAIRMAN
COUNCILMAN**
Karl Nurse
City of St. Petersburg



**VICE CHAIRMAN
COMMISSIONER**
Sandra L. Murman
Hillsborough County



COMMISSIONER
Dave Eggers
Pinellas County



COMMISSIONER
Ken Hagan
Hillsborough County



COMMISSIONER
Jack Mariano
Pasco County



MAYOR
Rob Marlow
City of New Port Richey



COUNCILMAN
Charlie Miranda
City of Tampa



COMMISSIONER
Pat Gerard
Pinellas County



COMMISSIONER
Ron Oakley
Pasco County





FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

\$1.25 BILLION

The Agency owns and operates facilities having a net book value of \$1.25 billion to provide water to its six Member Governments. The facilities operating in 2017 included 15 wellfield systems, the Enhanced Surface Water System, and the Seawater Desalination Facility.

\$8.7 MILLION

The Agency's net position increased \$8.7 million or 1.2% in fiscal year 2017 from 2016.

**179.3 MILLION
GALLONS PER DAY**

Increased water demand from its six members resulted in an increase in water production from 160.8 million gallons per day (mgd) in 2016 to 179.3 mgd in 2017. Continuing economic growth within our region especially in Hillsborough and Pasco counties were the main reason for the demand increase.

\$156.8 MILLION

During 2017, the Agency's revenue from water sales was \$156.8 million. In addition, \$0.6 million was transferred from the Rate Stabilization Account in accordance with contractual obligations with the Agency's members and Agency accounting policies, resulting in an increase in revenue recognized of \$1.1 million from 2016 to 2017.

\$3.5 MILLION

The Agency's operating expenses increased by \$3.5 million, or 5.3%, from 2016 to 2017, because of the 2017 budget policies.

The tables on the two following pages that present the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position further explain the financial condition of Tampa Bay Water at the end of fiscal year 2017.



FINANCIAL POSITION

The Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the last two fiscal years.

STATEMENTS OF NET POSITION – SEPTEMBER 30, 2017

ASSETS		
CURRENT UNRESTRICTED ASSETS	\$72,483,540	\$60,026,851
CURRENT RESTRICTED ASSETS	141,053,995	132,746,585
NON-CURRENT ASSETS	1,637,473,818	1,672,892,915
TOTAL ASSETS	\$1,851,011,353	\$1,865,666,351
DEFERRED OUTFLOWS OF RESOURCES		
LOSS ON REFUNDING OF DEBT	\$41,770,450	\$ 55,503,622
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – FLORIDA RETIREMENT SYSTEM	4,001,029	3,065,167
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – HEALTH INSURANCE SUBSIDY	875,065	888,018
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$46,646,544	\$59,456,807
LIABILITIES AND NET POSITION		
LONG-TERM DEBT OUTSTANDING	\$996,384,891	\$1,040,157,367
OTHER LIABILITIES	84,547,075	78,083,318
TOTAL LIABILITIES	\$1,080,931,966	\$1,118,240,685
DEFERRED INFLOWS OF RESOURCES		
RATE STABILIZATION	\$31,028,033	\$ 30,367,411
UNREALIZED PENSION GAINS – FLORIDA RETIREMENT SYSTEM	298,717	144,719
UNREALIZED PENSION GAINS – HEALTH INSURANCE SUBSIDY	312,532	8,397
TOTAL DEFERRED INFLOWS OF RESOURCES	\$31,639,282	\$30,520,527
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	\$662,029,752	\$686,688,585
RESTRICTED	86,907,666	55,830,781
UNRESTRICTED	36,149,231	33,842,580
TOTAL NET POSITION	\$785,086,649	\$776,361,946

*Fiscal Year 2016 is restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC.

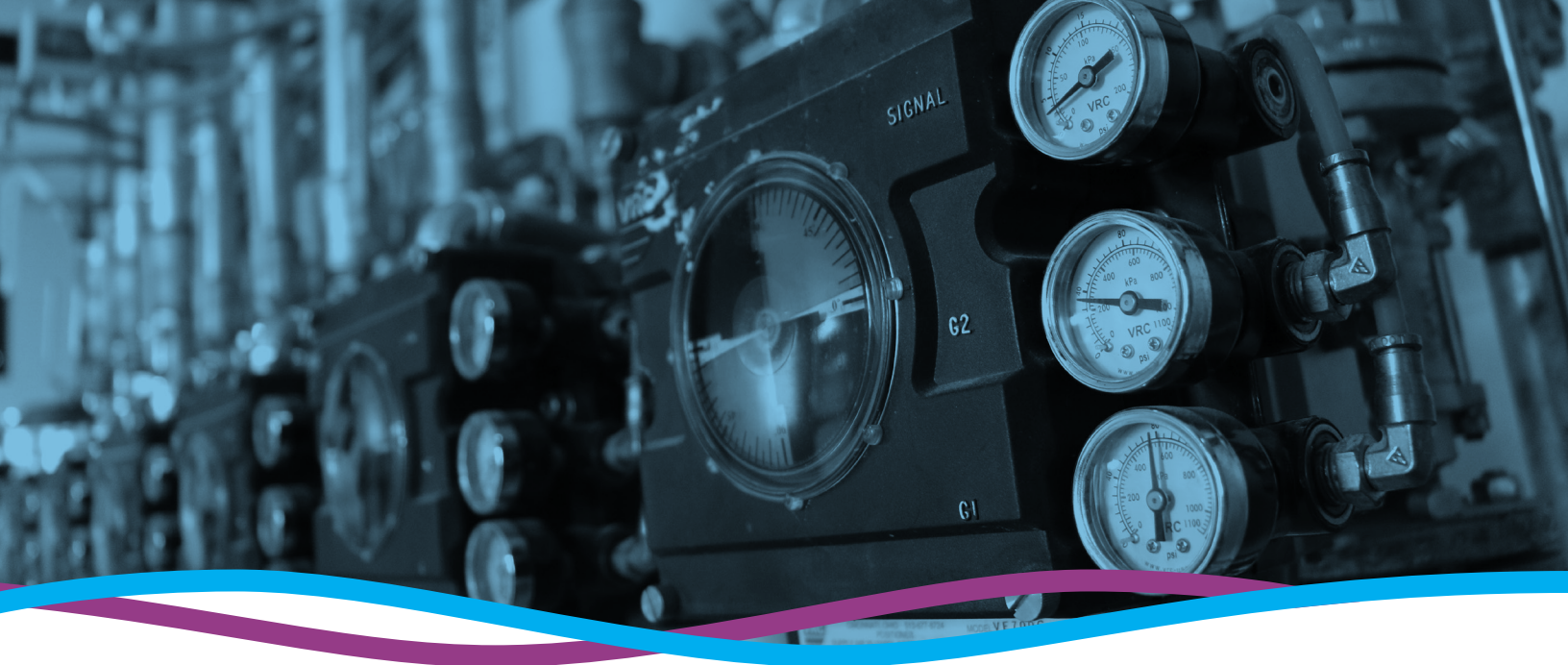
NET POSITION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

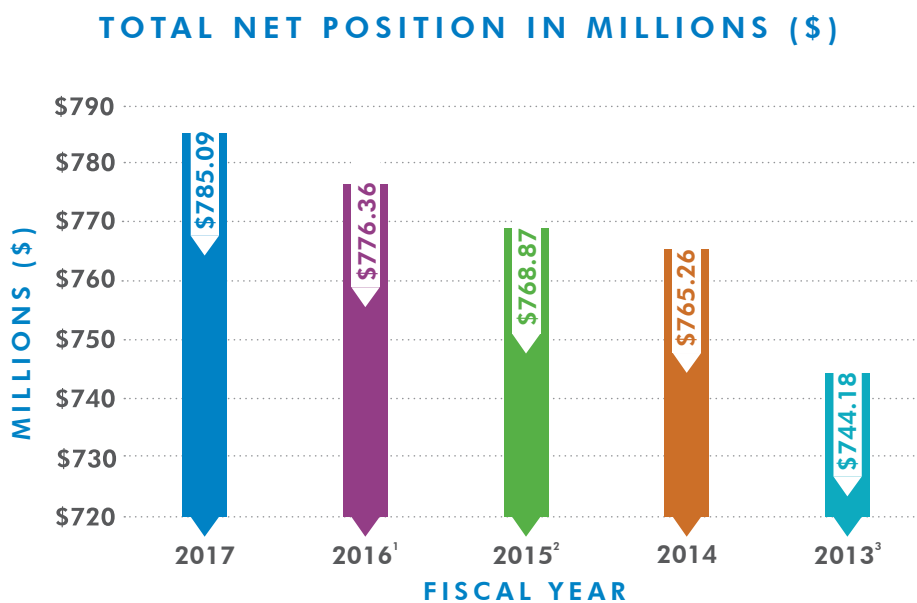
	FY 2017	FY 2016*
OPERATING REVENUES	\$156,150,378	\$155,066,230
OPERATING EXPENSES	(69,085,262)	(65,589,515)
OPERATING INCOME BEFORE DEPRECIATION	87,065,116	89,476,715
DEPRECIATION	(29,906,334)	(29,534,326)
OPERATING INCOME	57,158,782	59,942,389
INVESTMENT REVENUE, NET OF REALIZED AND UNREALIZED GAIN (LOSS)	1,221,212	1,216,874
LESS CAPITALIZED INTEREST	(42,085)	(15,363)
INTEREST EXPENSE	(50,649,050)	(54,339,481)
LESS CAPITALIZED INTEREST	692,976	541,760
LOSS ON DISPOSAL OF CAPITAL ASSETS, NET	(1,331,299)	(6,868,984)
LITIGATION RECOVERIES	1,084,167	1,188,148
INCOME BEFORE CONTRIBUTIONS	8,134,703	1,665,343
CAPITAL CONTRIBUTIONS	590,000	248,302
CHANGE IN NET POSITION	8,724,703	1,913,645
CUMULATIVE EFFECT OF BOND AMORTIZATION/RESERVE FUNDS	–	5,576,805
TOTAL NET POSITION – BEGINNING	776,361,946	768,871,496
TOTAL NET POSITION – ENDING	\$785,086,649	\$776,361,946

*Fiscal Year 2016 is restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC

Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve over time as an indicator of a government's financial condition. Net investment in capital assets makes up the biggest portion of net position. This amount is associated with the Agency's equity in capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources. A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction or resources reserved for debt service. The remaining portion of net position is unrestricted representing resources that are available for services. Over time the deficit gets reduced as liabilities are gradually paid off.



The chart below shows Tampa Bay Water’s total net position at the end of the last five fiscal years.



NOTES

- (1) Fiscal year 2016 net position was restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC. Cumulative effect on net position was increased by \$5,576,805.
- (2) The beginning net position for fiscal year 2015 was restated to reflect the implementation of GASB 68, which was a decrease of \$5,311,035 in net position.
- (3) The net position for fiscal year 2013 was restated to reflect the implementation of GASB 65, which decreased the net position by \$6,001,560.

INVESTMENTS

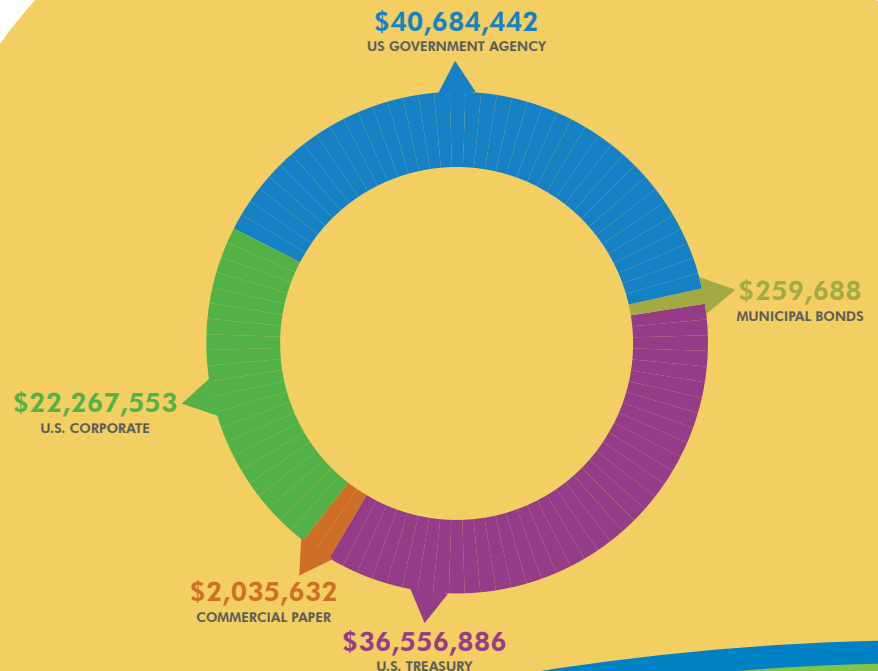
The objectives of the Agency's investment policy are safety, liquidity and return on investment. The primary objective is safety, i.e. the minimization of risk and the preservation and protection of investment principal. The second objective is to maintain sufficient liquidity at all times to meet all cash requirements that can reasonably be anticipated. The third objective is to maximize investment return, but only within the constraints of the first two objectives. The investment policy also establishes allowable investments, investment providers, and investment concentrations in furtherance of these objectives. The Agency currently maintains all of its deposit accounts in accounts that qualify as Public Deposit accounts as defined by Florida Statutes or have been purchased from Securities Investor Protection Corporation (SIPC) brokers/dealers with a long-term issuer rating in the "A" category or higher from both Standard & Poor's and Moody's Rating Services.

Tampa Bay Water's Investment Pool is in full compliance with the investment policy and had an overall annual rate of return for fiscal year 2017 of 1.53%, compared to the benchmark rate (Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index) of 1.47%. At September 30, 2017, the Agency's investment portfolio was invested as shown here.

INVESTMENTS BY FAIR VALUE LEVEL 9/30/2017

COMMERCIAL PAPER	\$	2,035,632
MUNICIPAL BONDS		259,688
U.S. CORPORATE		22,267,553
U.S. GOVERNMENT AGENCY		40,684,442
U.S. TREASURY		36,556,886
TOTAL INVESTMENT BY FAIR VALUE LEVEL	\$	101,804,201

INVESTMENTS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2017



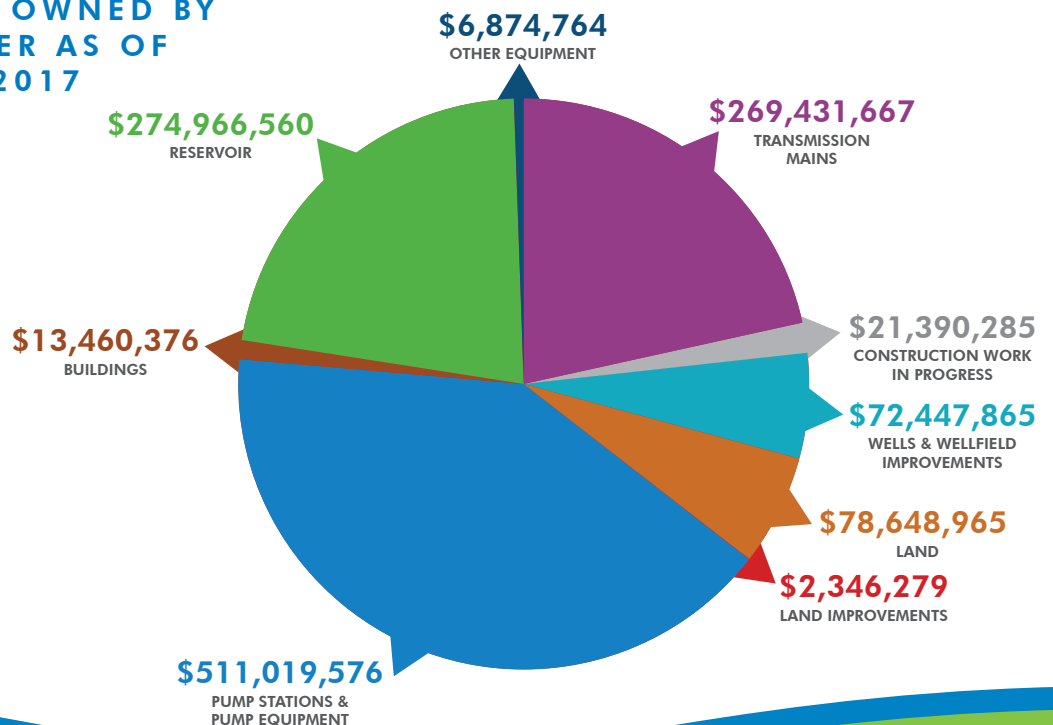
CAPITAL ASSETS

CAPITAL ASSETS, NET

	FY17
LAND	\$ 78,648,965
CONSTRUCTION WORK IN PROGRESS	21,390,285
WELLS & WELLFIELD IMPROVEMENTS	72,447,865
TRANSMISSION MAINS	269,431,667
LAND IMPROVEMENTS	2,346,279
PUMP STATIONS & PUMP EQUIPMENT	511,019,576
BUILDINGS	13,460,376
RESERVOIR	274,966,560
OTHER EQUIPMENT	6,874,764
TOTAL CAPITAL ASSETS, NET	\$1,250,586,337

Tampa Bay Water depreciated its capital assets on a monthly basis. After all of the agency's capital assets were depreciated for fiscal year 2017 the total value of Tampa Bay Water's capital assets was \$1.25 billion. This includes buildings, pump stations and equipment, land, land improvements, transmission mains, wells and wellfield improvements, other equipment, reservoir, and construction in progress. The Agency uses most of its capital assets to provide safe drinking water to its members. There was a 1.38% decrease in total capital assets for fiscal year 2017 compared to fiscal year 2016.

CAPITAL ASSETS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2017



LONG-TERM LIABILITIES

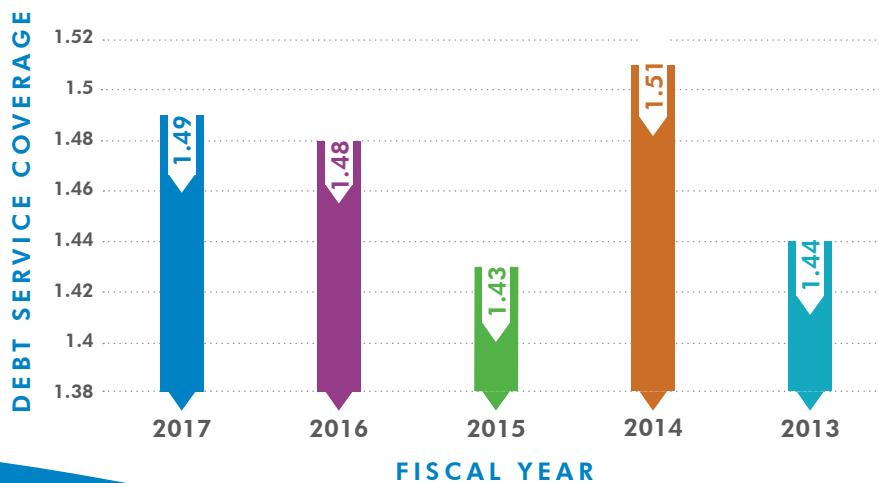
At September 30, 2017, Tampa Bay Water had 12 bonded debt issues outstanding that were used for financing capital improvement projects and refunding prior issued bonds. Bond debt outstanding and other long-term liabilities at September 30, 2017 were as shown:

	FY17
REVENUE BONDS	\$ 871,900,000
ACQUISITION CREDITS	84,858,357
LESS CURRENT PORTION	(35,762,957)
UNAMORTIZED BOND ISSUE PREMIUM	75,389,491
OPEB OBLIGATION	372,742
NET PENSION LIABILITY	10,971,488
TOTAL LONG TERM LIABILITIES	\$ 1,007,729,121

At September 30, 2017, the Agency's bond debt was rated Aa1 by Moody's, AA+ by Standard & Poor's, and AA+ by Fitch Ratings. This rating shows that Tampa Bay Water has a very strong capacity to meet its financial commitments. This strong bond rating allowed Tampa Bay Water to refund revenue bonds in fiscal years 2015 and 2016, resulting in a total net present value savings of \$51,241,903.

This chart below shows that net revenues, together with the Utility Reserve fund balance, was 1.49 times greater than the amount needed for Agency's annual debt service due in fiscal year 2017.

**TAMPA BAY WATER'S DEBT SERVICE COVERAGE
LAST FIVE FISCAL YEARS**



GOVERNMENTAL ACCOUNTING TERMS

ACCRUAL BASIS OF ACCOUNTING is the method of accounting that recognizes the financial effect of transactions, events when they are incurred rather than at the time when cash is received or disbursed.

ACCUMULATED DEPRECIATION is the total amount of an asset's cost that has been allocated to depreciation expense since the asset was put into service.

ASSETS are resources with present service capacity that the Agency controls.

CAPITAL ASSETS are tangible or intangible nonfinancial assets that have an initial useful life of more than one year and are used in providing services to the Agency's members.

CHANGE IN NET POSITION represents the increase or decrease in net position over the previous year.

CURRENT ASSETS include cash or near cash items that can be used to liquidate liabilities due within a year.

DEFERRED INFLOWS OF RESOURCES are an acquisition of net position by the Agency that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES are a consumption of net position by the Agency that is applicable to a future reporting period.

ENTERPRISE FUND is a government owned fund that sells goods and services to the general public.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) is a collection of commonly followed accounting rules and standards for financial reporting.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) is a source of GAAP used by state and local governments in the United States.

LIABILITIES are present obligations of the Agency to sacrifice resources that it has little or no discretion to avoid such as the amounts the Agency owes to suppliers and creditors.

LONG-TERM LIABILITIES include items such as bonds, acquisition credits, pension liability, and other Agency obligations typically due beyond twelve months from the current reporting period.

NET BOOK VALUE is the value at which the Agency carries an asset on its Statements of Net Position that is equal to cost of the asset minus accumulated depreciation.

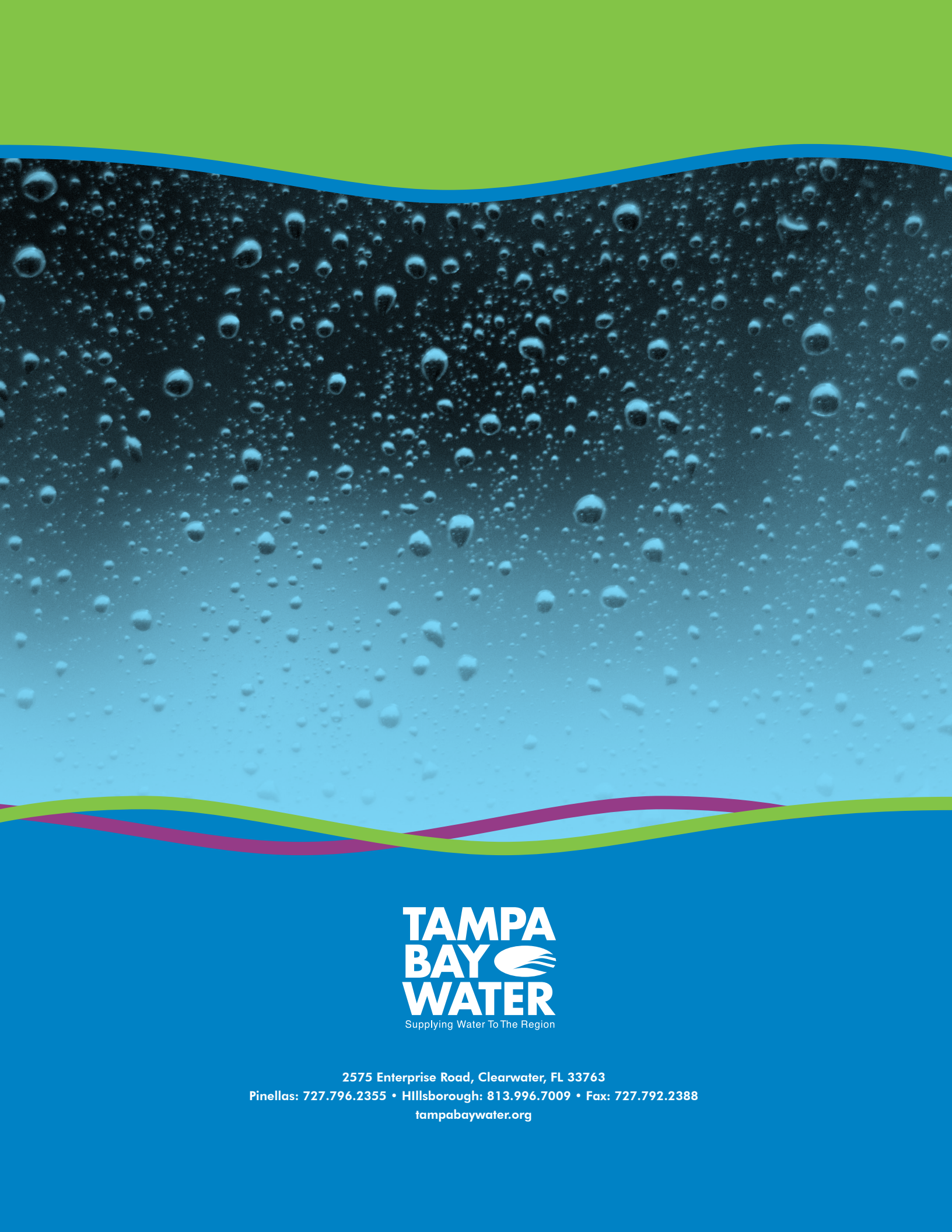
NET INVESTMENT IN CAPITAL ASSETS is the portion of net position that represents the Agency's equity interest in its capital assets.

NET POSITION is the residual of all other financial statement elements in a statement of net position; i.e., the difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources.

NON-CURRENT ASSETS are the Agency's assets where the full value will not be realized within the following fiscal year following the reporting date.

RESTRICTED NET POSITION is the portion of net position subject to external restrictions (e.g. bond covenants).

UNRESTRICTED NET POSITION is the portion of net position not tied to capital assets or subject to legal restrictions.



**TAMPA
BAY 
WATER**
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2575 Enterprise Road, Clearwater, FL 33763
Pinellas: 727.796.2355 • Hillsborough: 813.996.7009 • Fax: 727.792.2388
tampabaywater.org