

Pierce Transit

Comprehensive Annual Financial Report



Years Ended
December 31, 2019 & December 31, 2018
Pierce County, Washington



Comprehensive Annual Financial Report

Years Ended December 31, 2019
and December 31, 2018
Pierce County, Washington

Sue Dreier, Chief Executive Officer

Prepared by The Finance Division
Brett Freshwaters, Chief Financial Officer
Liz Passmore, Finance Manager



Throughout 2018 and 2019, the agency worked to form new partnerships with local colleges and universities to create bus pass programs for students. In 2019, Pierce Transit partnered with the county's largest school district and a city-run nonprofit to make free bus passes available to 7,900 high school students, giving them the freedom to get to school and extracurricular activities and help build life-long transit habits.

**Pierce Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2019 and 2018**

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Pierce Transit has implemented a host of new safety initiatives over the past three years, including Safety Bingo with donated prizes; quarterly agency-wide Safety Meetings; a weekly agency Safety Message; rider visibility, public safety and fare enforcement campaigns; a new emergency alert system; and monthly department-specific Safety Inspections.

June 22, 2020

Board of Commissioners
Pierce County Public Transportation
Benefit Area Corporation

I. TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Pierce County Public Transportation Benefit Area Corporation (Pierce Transit) presents to you the CAFR for the year ending December 31, 2019. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unmodified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis of the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A.

Pierce Transit's Board of Commissioners has adopted operating, insurance and capital reserve policies to ensure that financial resources are managed in a prudent manner. More information on these reserve policies can be found in the MD&A section of this report.

II. PROFILE OF THE AGENCY

The Pierce County Public Transportation Benefit Area Corporation, AKA "Pierce Transit," was formed in 1979 when voters passed a 0.3 % sales tax to fund public transportation. By authorizing this taxing authority, a municipal corporation was formed under Chapter 36.57A of the revised Code of Washington. In February 2002, Pierce County voters approved a ballot measure increasing local sales tax support from 0.3% to 0.6%. The current rate remains at .6%. The maximum sales tax percentage authorized to be levied is .9%.

Pierce Transit is a single enterprise that uses the same accrual method of accounting as a private enterprise. Under this method of accounting, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.



Pierce Transit is governed by an appointed, ten-member Board of Commissioners. The Board is made of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place, and the smaller towns and cities in Pierce Transit's service area, and one non-voting representative of the largest union representing Pierce Transit employees. Appointments are for three-year terms.

The Chief Executive Officer (CEO) is responsible for implementation of the policies authorized by the Board of Commissioners. To provide effective overall management for the Agency, the CEO has established five divisions: Administration, Finance, Service Delivery and Support, Maintenance, and Planning and Community Development.

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool and rideshare services. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers. Pierce Transit's fixed route bus service is provided along more than 32 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Lakewood to Seattle has been funded by Sound Transit and operated by Pierce Transit. Pierce Transit operates 15 routes for Sound Transit service. In 2019, Pierce Transit fixed route services carried 8.4 million passengers while Sound Transit services operated by Pierce Transit carried 5.2 million passengers for a combined total of 13.6 million passengers.

Specialized transportation services, known as SHUTTLE, provide transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2019, total ridership was 291,142.

The Agency's vanpool program was added to the mix of services in 1986. Since inception, the vanpool program has expanded to a fleet of 382 vans with 2,818 daily weekday riders. With 740,207 annual passenger boardings, the vanpool program accounted for 8% of the Agency's total ridership in 2019 (excluding Sound Transit ridership).

Strategic Plan

Pierce Transit's Strategic Plan aligns its mission, vision and goals with the Board of Commissioners strategic direction. The agency developed a new Strategic Plan in 2017 that established four major objective areas with major underlying themes:

Customer-Focused

- Service Reliability
- Safety
- Customer Relations
- Community Partners
- Regulatory Compliance

Culture of Excellence

- Safety Management System
- Data Warehouse
- Transit Asset Management Plan
- Continuous Improvement



Financially Responsible

- Communication to the public
- Finance 101 for staff
- Financial Sustainability
- Decrease Costs
- Additional Funding Streams

Dedicated Employees

- Employee Engagement
- Professional Development
- Performance Management
- Team Culture

The Strategic Plan is used to develop initiatives and action plans with specific measurable goals to help track progress toward achieving the desired outcomes.

Long Term Financial and Service Planning

Pierce Transit updates its long term forecast annually in conjunction with the budget development. Assumptions used in the forecast model are based on several factors, including recent economic trends, external agency forecasts (such as the Washington State economic forecast), and internal agency trends and plans as aligned with the Strategic Plan and other documents. The forecast model builds on the budget as a base for future years.

The 2020 Budget includes fixed route service levels of 500,130 service hours, which maintains the service hours from 2019. The recent onset of the COVID-19 pandemic and resulting “Stay at Home” order caused Pierce Transit to significantly reduce the service hours to under 300,000, as well as implement several operational safety measures to help stem the spread of the disease. Service has since been increased from the initial reductions; however, some level of service reductions and safety mitigation measures will continue throughout 2020 and most likely into 2021. Pierce Transit is taking appropriate cost saving measures to offset revenue reduction and continually monitors the latest economic information to aid in updating forecast scenarios.

Major projects in 2020 and beyond focus on continued innovative service to our customers, while ensuring safe and up to date transit system infrastructure and facilities. Following are a few of the major initiatives and capital projects budgeted for 2019:

- Base master plan implementation
- CAD/AVL system replacement
- Collision avoidance warning system implementation
- Bus Rapid Transit development
- Employee wellness
- Customer Service
- Demonstrating the value of transit



III. ECONOMIC CONDITION AND OUTLOOK

Prior to the onset of the COVID-19 pandemic, the U.S. economic outlook was healthy for 2020 with continuing modest overall growth in GDP, employment, wages and retail sales. Consumer confidence remained at a fairly high level, buoyed by a healthy labor market with historical low unemployment and continued stable inflation in most sectors. The outlook completely changed in late February and early March as the virus spread throughout the world and in the United States.

Since Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue, the rapid closure of retail establishments coupled with mass layoffs will result in a significant reduction in revenue. The 2020 sales tax budget is approximately \$97 million. Our current forecast shows reduced sales tax revenue compared to budget of \$16 to \$28 million, depending on the length of business closures and the speed of economic recovery. Additional revenue sources such as fares and contracted services will see significant reductions as well.

Following historically low unemployment in the first two months of 2020, it is anticipated that unemployment will increase into the second quarter. The length of time we will experience high unemployment is largely dependent upon the timeframe for “re-opening” various business and events in Washington as well as throughout the country. Washington’s economy is highly dependent upon international trade, therefore worldwide economic recovery will also influence our local conditions.

Factors that may contribute to a shorter recovery period for Pierce County and the Puget Sound region include continued growth of major high-tech employers such as Amazon and Microsoft, strong retail sales for Costco (headquartered in King County) and resumption of manufacturing at Boeing. These factors may slightly offset more pessimistic outlooks. However, continued uncertainty around the long-term prospects for controlling the virus mean that sales tax and our operating service levels will most likely remain reduced throughout 2020. Pierce Transit is taking several measures to mitigate the forecast revenue reduction, including reducing service levels, staff layoffs and furloughs, purchasing essential items only and capital project delays and cancellations. We believe that with these measures, together with committed federal funding through the CARES Act, Pierce Transit will have adequate resources to provide a level of service that meets the needs of the community.

IV. AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pierce Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. This was the 35th year that Pierce Transit has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

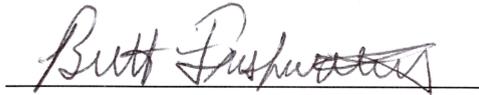
Grateful acknowledgement is made to the entire staff of the Finance and Marketing Departments for their assistance in preparing this report. Special acknowledgement is also made to the Office of the State Auditor to provide a timely audit and opinion so that this CAFR could be submitted to the Government Finance Officers Association for their review and evaluation in accordance with that organization's deadlines. Finally, we wish to



thank the members of the Pierce Transit Board of Commissioners for their support and assistance in the development of a strong financial system.



Sue Dreier
Chief Executive Officer



Brett Freshwaters
Executive Director of Finance/CFO





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Pierce Transit
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



BOARD OF COMMISSIONERS

Pierce Transit is a separate municipal corporation, not part of the City of Tacoma or Pierce County.

Pierce Transit is governed by a nine-member Board. The Board is comprised of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place and the smaller cities and towns in Pierce County.

The governance structure allows for a tenth, non-voting union representative; however, this right is currently not being exercised and the position is vacant.



**Commissioner
Victoria Woodards
Chair
Mayor of Tacoma**



**Commissioner
Marty Campbell
Vice Chair
Pierce County Council**



**Commissioner
Don Anderson
Mayor of Lakewood**



**Commissioner
Bruce Dammeier
Pierce County
Executive**



**Commissioner
Daryl Eiding
Mayor of Edgewood
Representing Fife,
Milton and Edgewood**



**Commissioner
Robin Farris
Puyallup City Council**



**Commissioner
Nancy Henderson
Town of Steilacoom
Representing Auburn,
Fircrest, Gig Harbor,
Pacific, Ruston and
Steilacoom**



**Commissioner
Kent Keel
Mayor of
University Place**



**Commissioner
Ryan Mello
Tacoma City Council**

**Vacant
Non-Voting Union
Representative**



2019
ORGANIZATIONAL CHART

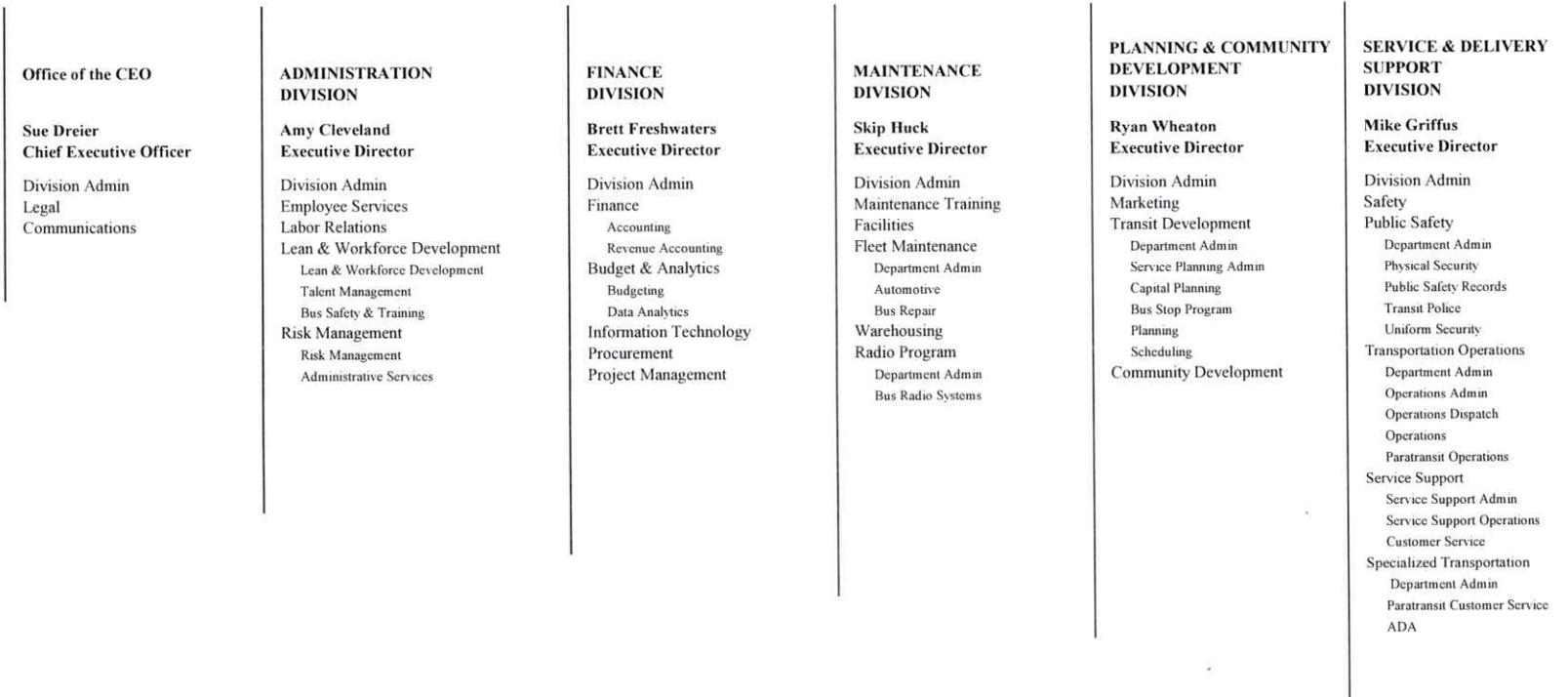
CITIZENS OF PIERCE COUNTY

BOARD OF COMMISSIONERS

GENERAL COUNSEL
Dana Henderson

CHIEF EXECUTIVE OFFICER
Sue Dreier

CLERK OF THE BOARD/
PUBLIC RECORDS OFFICER
Deanne Jacobson





The SHUTTLE department made many improvements to its processes and systems to better serve its customers. This includes a new automated notification system in 2019 that generates next day trip reminders and trip arrival notifications. Additional communication improvements include use of a Listserv system to notify customers of service impacts and/or new information.



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 22, 2020

Board of Commissioners
Pierce Transit
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Pierce Transit, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Transit Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on

the effectiveness of the Transit Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce Transit, as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in January 2020, a state of emergency was declared that could have a negative effect on the Transit Authority. Management's plans in response to this matter are also described in Note 13. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transit Authority's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Transit Authority. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2020, on our consideration of the Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Transit Authority's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

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In 2019, the agency replaced nearly 2,200 bus stop signs throughout the service area. As part of a rebranding effort, the new signs share the same contemporary branding as the agency's facilities, buses, and communication materials. The fresh new signs feature a highly reflective surface and a blue border to help them stand out.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2019 and 2018. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

Financial Highlights

- Pierce Transit's assets and deferred outflows exceeded its liabilities and deferred inflows on December 31, 2019 by \$219.9 million (net position) compared to \$198.8 million in 2018 and \$181.4 million in 2017. Investments in capital assets increased by \$18.2 million in 2019, increased \$11.3 million in 2018 and decreased \$5.3 million in 2017.
- Unrestricted net position increased \$8.1 million in 2019 and increased in 2018 by \$6.1 million. This increase was due to decrease in net pension liabilities and the increase in deferred inflows related to pension liabilities. Unrestricted net position decreased in 2017 by \$3.7 million. This decrease was due to the use of funds from reserves for operating and \$3 million dollar decrease in deferred outflows.
- In 2019, the deferred inflow for pensions increased by \$2.2 million, a 17.6% increase over 2018. In 2018, the deferred inflow for pensions increased by \$5.4 million, a 74% increase over 2017. The deferred inflows related to the pension plans represent the net difference between projected and actual investment earnings on the pension plan investments.
- Net income for 2019, before contributions was \$5.4 million compared to \$4.4 million in 2018 and a net loss for 2017 of \$10 million. The increase between 2019 and 2018 was result of increases in sales tax and regional transit service revenue offset by an increase in operating expenses. The net income gain in 2018 is due to an \$11.1 million increase in revenues from regional transit services and sales tax and a \$3.4 million dollar decrease in operating expenses related to pension expense. The loss in 2017 was caused by an increase in wages & benefit costs and other operating costs, along with a decrease in operating grants.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Pierce Transit's basic financial statements. The notes to the financial statements contain more detail on the information presented in the financial statements.

Pierce Transit's financial statements report information about the Agency using accounting methods like those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. The Comparative Statement of Net Position presents information on Pierce Transit's assets, liabilities, and deferred inflows and outflows with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Pierce Transit's financial position is improving or deteriorating.

The Comparative Statement of Revenues, Expenses and Changes in Net Position presents information showing changes to the Agency's net position during the current and prior fiscal years. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018

The Comparative Statement of Cash Flows presents information on Pierce Transit's cash receipts, cash payments, and net changes in cash and cash equivalents for the most recent two fiscal years. Generally Accepted Accounting Principles require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

Pierce Transit's financial statements can be found on pages 24 to 26 of this report.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided with the financial statements. The Notes to the Financial Statements can be found on pages 27 to 52 of this report.

Financial Statement Analysis

As noted earlier, net position serves as a useful indication of the Agency's financial strength. Total net position is \$219.8 million, \$198.8 million and \$181.4 million in 2019, 2018 and 2017 respectively. The increase from 2019 to 2018 was due to net income of \$5.5 million and capital contributions of \$15.6 million. The increase from 2018 to 2017 was due to net income of \$4.4 million and capital contributions of \$13 million.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018

Summary Statement for Net Position
For the years ending December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Current Assets	\$ 153,682,658	\$ 145,725,463	\$ 150,666,354
Non-Current Assets	122,739,121	109,854,158	98,503,799
Total Assets	<u>276,421,779</u>	<u>255,579,621</u>	<u>249,170,153</u>
Deferred Outflows:	<u>8,141,111</u>	<u>6,222,137</u>	<u>7,360,239</u>
Total Deferred Outflows	8,141,111	6,222,137	7,360,239
Total Assets & Deferred Outflows	<u>\$ 284,562,890</u>	<u>\$ 261,801,758</u>	<u>\$ 256,530,392</u>
Liabilities:			
Current Liabilities	\$ 22,557,788	\$ 17,504,618	\$ 21,020,028
Non-Current Liabilities	27,160,164	32,715,903	46,726,602
Total Liabilities	<u>49,717,952</u>	<u>50,220,521</u>	<u>67,746,630</u>
Deferred Inflows:	<u>14,982,128</u>	<u>12,736,612</u>	<u>7,345,339</u>
Total Deferred Inflows	14,982,128	12,736,612	7,345,339
Total Liabilities and Deferred Inflows	<u>\$ 64,700,080</u>	<u>\$ 62,957,133</u>	<u>\$ 75,091,969</u>
Net position:			
Net Investment in Capital Assets	122,739,121	109,854,158	98,503,799
Unrestricted Net Position	97,123,689	88,990,467	82,934,624
Total Net Position	<u>219,862,810</u>	<u>198,844,625</u>	<u>181,438,423</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 284,562,890</u>	<u>\$ 261,801,758</u>	<u>\$ 256,530,392</u>

A large majority of Pierce Transit's 2019 capital assets (\$122.8 million) reflect its investment in assets such as revenue vehicles, passenger facilities, technology, and shop equipment that are used to provide transportation to the community. These are committed assets and this portion of the net position balance is not available for future spending. A portion (\$60.8 million) of the remaining net position balance of \$97.1 million has been designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs). The remainder of \$36.3 million is available to support future obligations for transportation operations.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018

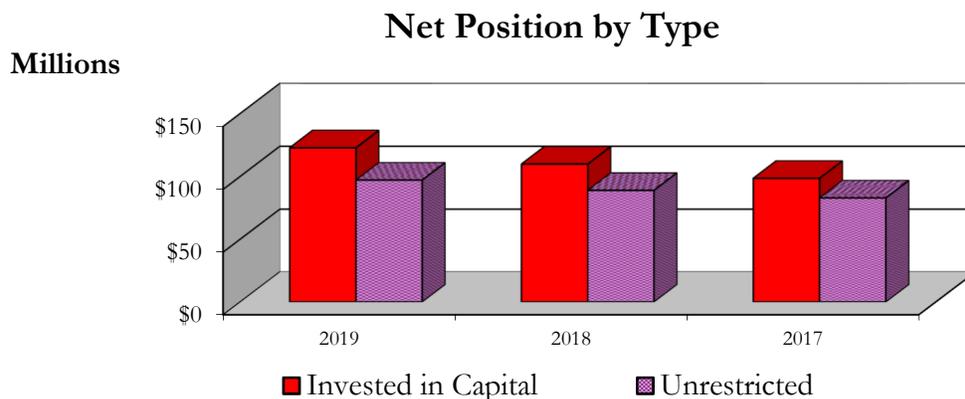
Comparative Statement of Revenue, Expense and Change in Net Position
For the years ended December 31, 2019, 2018 & 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenue			
Passenger Fares	\$ 11,820,799	\$ 12,014,669	\$ 12,137,563
Advertising	468,865	334,350	528,090
Regional Transit Service	51,063,462	48,337,317	42,357,818
Non-Operating Revenue:			
Subsidies	95,074,680	91,717,053	85,760,214
Other Revenue	5,280,227	4,505,498	3,212,909
Total Revenue	<u>163,708,033</u>	<u>156,908,877</u>	<u>143,996,594</u>
Operating Expense	138,024,756	130,988,745	134,859,369
Non-Operating Expense	1,143,595	2,305,293	481,185
Depreciation	19,080,300	19,198,491	18,692,559
Total Expense	<u>158,248,651</u>	<u>152,492,529</u>	<u>154,033,113</u>
Net Position before Contributions	5,459,382	4,416,358	(10,036,519)
Capital Contributions	15,558,803	12,989,844	1,053,300
Change in Net Position	21,018,185	17,406,202	(8,983,219)
Net Position-Beginning	<u>198,844,625</u>	<u>181,438,423</u>	<u>190,421,642</u>
Net Position-Ending	<u>\$ 219,862,810</u>	<u>\$ 198,844,625</u>	<u>\$ 181,438,423</u>

A description of operating & non-operating revenue follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenue			
Passenger Fares	\$ 11,820,799	\$ 12,014,669	\$ 12,137,563
Advertising	468,865	334,350	528,090
Regional Transit Service	51,063,462	48,337,317	42,357,818
Total Operating Revenue	<u>63,355,145</u>	<u>60,688,354</u>	<u>55,025,488</u>
Non-Operating Revenue			
Operating Subsidies			
Sales Tax	90,647,576	87,679,018	81,799,746
Operating Grants	4,427,104	4,038,035	3,960,468
Other Non-Operating Revenue			
Investment Revenue	2,048,424	2,246,988	977,716
Gain of Sale of Assets	763,500		129,173
Miscellaneous Revenue	2,468,303	2,258,210	2,106,020
Total Non-Operating Revenue	<u>100,354,907</u>	<u>96,222,251</u>	<u>88,973,123</u>
Total Revenue	<u>\$ 163,710,052</u>	<u>\$ 156,910,605</u>	<u>\$ 143,998,611</u>

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018**

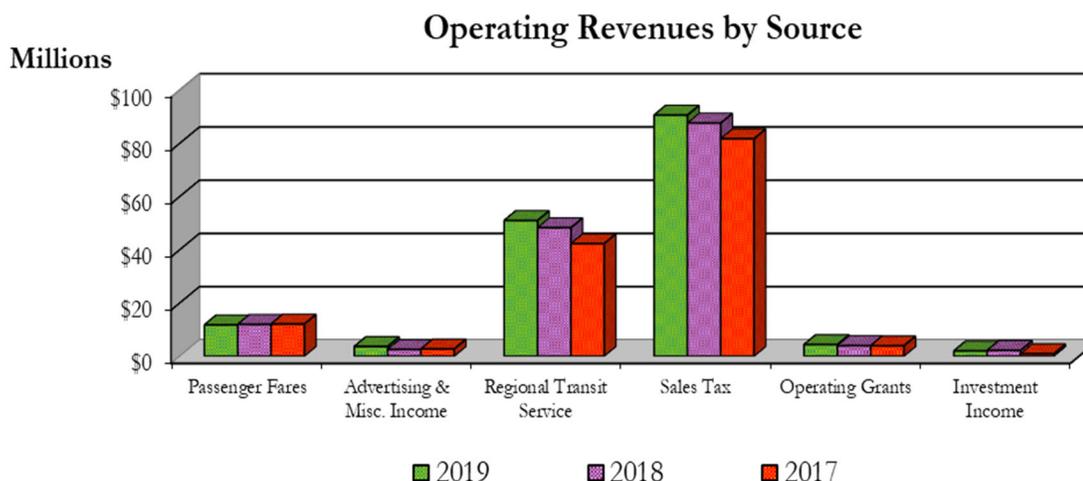


Operating Revenue

- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Pierce Transit partners with six other Central Puget Sound transit agencies on a regional fare collection system (ORCA) using smart card technology. Customers can purchase fare media from any of the seven partners, regardless of where the media is used.
- Fare revenues were \$11.8 million in 2019. Fare revenues in 2018 and 2017 were \$12 million and \$12.1 million respectively. The reduction in revenue is due to decreased ridership in all modes of service in 2019. The decrease between 2018 and 2017 was due to a decrease in ridership on SHUTTLE and Vanpool services.
- Advertising revenues were \$.5 million in 2019 and \$.3 million in 2018. Revenue in 2017 was \$.5 million. Fluctuations are due to the timing of contractual guarantees and advertising partnerships.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit establishes the operating parameters of this service. Included in the agreement is a method for determining and allocating Pierce Transit costs to provide this service. The agreement is for a period of three years. The current operating agreement ends on December 31, 2020. Revenues generated from this regional transit service were \$51 million in 2019, increasing 6% due to an increase in service hours and a change in the cost allocation formula. Regional transit service revenues were \$48.3 million and \$42.4 million in 2018 and 2017, respectively.
- Sales tax, accounting for 55% of Pierce Transit's revenue, increased by \$3.0 million, an increase of 3.2% over 2018. The increases in 2017 through 2019 are indicative of a strong local economy with increasing retail sales. Sales tax revenue was \$90.6 million in 2019, as compared to \$88.7 million in 2018 and \$81.8 million in 2017.
- In 2019, operating grant revenue totaled \$4.4 million and was primarily received from the State of Washington. In 2017 and 2018, operating grant revenue totaled \$4 million. Operating grant contracts are awarded annually and vary from year to year, based on funds availability and agency needs.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018**

- Investment earnings in 2019 were \$2.0 million compared to \$2.2 million in 2018 and \$1 million in 2017. The decrease between 2018 and 2019 reflects a decrease in the investment portfolio. The increase between 2018 and 2017 was due to increasing interest rates.

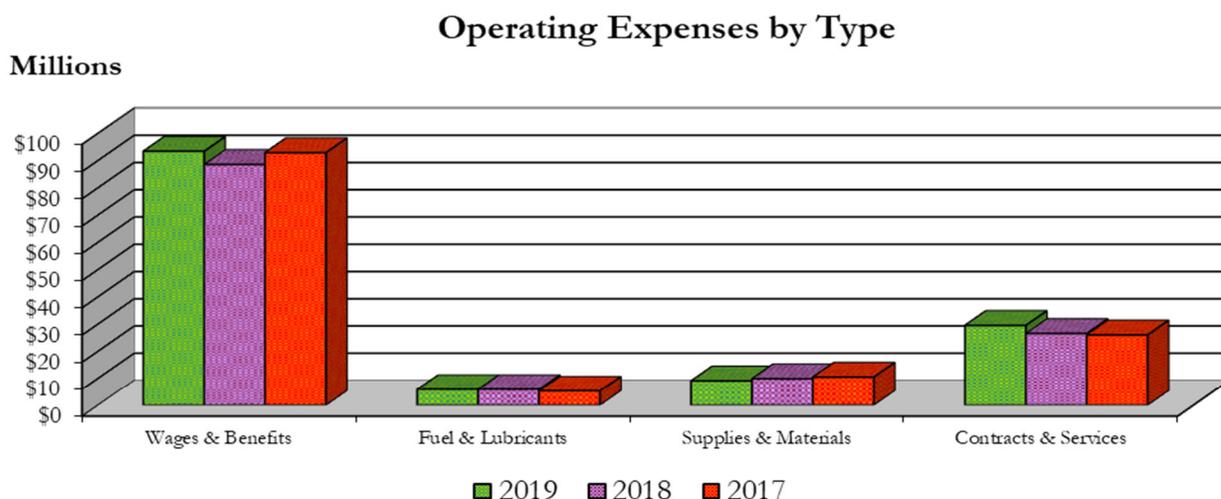


Operating Expenses

Operating expenses for 2019 totaled \$157.1 million increasing 4.6% from 2018 levels. Operating expenses for 2018 totaled \$150.2 million decreasing 2.2% from 2017 levels. Operating expenses for 2017 totaled \$153.6 million. The decrease in 2018 is due to the reduction of pension expenses in wages and benefits resulting from the accounting adjustments dictated by GASB 68. The increase between 2018 and 2019 is due to increases in wages and benefits and increased operating costs.

Operating Expenses:	2019	2018	2017
Wages & Benefits	\$ 93,427,970	\$ 88,609,702	\$ 92,928,926
Fuel & Lubricants	5,894,374	5,899,707	5,341,710
Supplies & Materials	9,131,566	9,904,480	10,536,061
Contracts & Services	29,570,846	26,574,858	26,052,672
Depreciation & Amortization	19,080,300	19,198,491	18,692,559
Total Operating Expenses	157,105,056	150,187,238	153,551,928
Non-Operating Expenses:			
Items Previously Capitalized	127	5,447	84,873
Grant Exchange Funds	1,143,468	879,816	396,312
Total NonOperating Expenses	1,143,595	885,263	481,185
Total Expenses	\$ 158,248,651	\$ 151,072,501	\$ 154,033,113

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018**



Wages and benefits for 2019 of \$93.4 million comprise 67.7% of operating expenses (exclusive of depreciation), an increase of 5.4% over 2018 levels. The increase in 2019 is due to increases in wages and benefits and pension expense liabilities. Wages and benefits for 2018 and 2017 were \$88.6 million and \$92.9 million respectively and decreased 4.6% between 2018 and 2017. The decrease between 2018 and 2017 is due to a decrease in pension liabilities and a decrease in health insurance premiums.

Total operating expenses, exclusive of depreciation and capital, are most directly impacted by the number of service hours Pierce Transit operates. Service hours include drive time while in service, deadhead and layover. Following is a table representing the number of service hours by type of service for 2019, 2018 and 2017:

Service Hours:	2019	2018	2017
Fixed Route Pierce Transit	491,882	490,585	471,683
Fixed Route Sound Transit	354,178	344,618	339,523
Specialized Transportation	162,733	164,381	178,092
Vanpool	135,978	146,913	147,103
Total	1,144,771	1,146,497	1,136,401

Capital Assets

Capital assets include revenue vehicles, support vehicles, projects in progress, land, buildings, shop equipment, passenger facilities, and other assets having a life of more than one year with an acquisition value of more than \$5,000. Pierce Transit's investment in capital assets as of December 31, 2019 totaled \$122.7 million, net of accumulated depreciation. This compares to a 2018 net investment in capital assets of \$109.8 million and a 2017 net investment in capital assets of \$98.5 million. 2019 net capital increased by 11.7%, or \$12.9 million, due to \$6.8 million in accumulated depreciation offsetting an increase of \$19.7 million in assets.

Capital contributions in 2019 totaled \$15.6 million. Capital grants funded 47.7% of Pierce Transit's capital acquisitions in 2019. The Federal Transit Administration provides most of this funding. For a more detailed discussion on capital assets see notes to the financial statements.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2019 and 2018

Capital acquisitions during 2019 totaled \$32.6 million and included the following major capital assets:

- \$15.1 million for bus replacement
- \$7.2 million for property and building improvements
- \$2.0 million for SHUTTLE replacement vehicles
- \$2.3 million for Vanpool replacement and expansion vehicles
- \$6.0 million for technology projects and machinery and equipment

Economic Factors

In January 2020, the first known case of coronavirus (COVID 19) in the United States was announced in Washington State. Washington State Governor Inslee declared a state of emergency due to the spread of the virus and the World Health Organization has declared a global pandemic. Measures taken to slow the spread of the virus include a broad-based business closure for non-essential businesses and a “stay at home” order for all but essential workers. These orders are currently in effect through May 31, 2020.

For 2019 and 2018, Sales Tax Revenue was 58% of Pierce Transit's total operating revenue. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 80% for 2018 and 2019. Pierce Transit relies heavily on sales tax for operating revenue, and due to the pandemic is currently forecasting reduced sales tax revenue of up to \$28 million dollars depending on length of outbreak and how quickly the economy begins to recover.

Prior to COVID-19, the unemployment rate was at an historic low but is now estimated to exceed 20% in the second quarter of 2020 and is forecasted to continue to be high throughout 2020 and into 2021 with improvements depending on how soon the economy and businesses recover.

Pierce Transit has taken several measures to offset the revenue reduction of sales tax, fares, and Sound Transit Contracted service which is estimated to be up to \$48 million dollars in 2020. Some of the actions include reducing service levels, staff furloughs and layoffs, delaying capital projects and the use of 2019 budget savings and operating reserves. These reductions along with federal stimulus money will offset the anticipated revenue loss for 2020 and future budgets will be adjusted to meet the Board of Commissioners' operating and reserve requirements and to provide a sustainable six-year financial plan.



In 2019 Pierce Transit partnered with local employer Tacoma Public Utilities (TPU) to launch an all-electric vanpool program for its employees. This pilot program provided eight TPU vanpool groups with a clean commute powered by 97 percent carbon-free electricity and eliminated 56 tonnes of CO₂ a year, equivalent to 6,000 gallons of gasoline.

**Pierce Transit
Financial Statements
Years Ended December 31, 2019 and 2018**

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Comparative Statement of Net Position

December 31, 2019 and 2018

	2019	2018
CURRENT ASSETS		
Cash	\$ 3,469,621	\$ 4,656,414
Investments	100,879,142	106,243,583
Accounts Receivable	534,935	476,447
Interest Receivable	-	128,457
Sales Tax Receivable	15,483,759	15,741,100
Due From Other Governments	28,673,388	14,528,841
Prepaid Expenses	533,872	254,276
Inventories	4,107,941	3,696,345
TOTAL CURRENT ASSETS	<u>153,682,658</u>	<u>145,725,463</u>
NON-CURRENT ASSETS		
Capital Assets Non-Depreciable		
Land	14,213,735	14,804,093
Work in Progress	30,609,175	35,372,313
Total Non-Depreciable Capital Assets	<u>44,822,910</u>	<u>50,176,406</u>
Capital Assets Depreciable		
Structures & Improvements	79,758,760	79,758,760
Site Improvements	45,663,492	45,663,492
Machinery & Equipment	195,295,483	170,240,112
Less: Accumulated Depreciation	<u>(242,801,524)</u>	<u>(235,984,612)</u>
Total Capital Assets Depreciable, Net of Depreciation	<u>77,916,211</u>	<u>59,677,752</u>
TOTAL NON-CURRENT ASSETS	<u>122,739,121</u>	<u>109,854,158</u>
TOTAL ASSETS	<u>\$ 276,421,779</u>	<u>\$ 255,579,621</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	8,141,111	6,222,137
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,141,111</u>	<u>6,222,137</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 284,562,890</u>	<u>\$ 261,801,758</u>
CURRENT LIABILITIES		
Checks Payable	\$ 346,205	\$ 1,102,185
Accounts Payable	5,119,350	3,521,880
Unearned Revenue	534,425	440,091
Retainage Payable	27,103	7,627
Wages and Benefits Payable	4,193,768	3,690,643
Employee Leave Payable	5,817,048	5,088,339
Due to Other Governments	4,745,557	1,702,620
Provision for Uninsured Claims	<u>1,774,332</u>	<u>1,951,233</u>
TOTAL CURRENT LIABILITIES	<u>22,557,788</u>	<u>17,504,618</u>
NON CURRENT LIABILITIES		
Compensated Absences	1,419,236	1,654,564
Net Pension Liability	<u>25,740,928</u>	<u>31,061,339</u>
TOTAL NON-CURRENT LIABILITIES	<u>27,160,164</u>	<u>32,715,903</u>
TOTAL LIABILITIES	<u>49,717,952</u>	<u>50,220,521</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	<u>14,982,128</u>	<u>12,736,612</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,982,128</u>	<u>12,736,612</u>
NET POSITION		
Investment in Capital Assets	122,739,121	109,854,158
Unrestricted Net Position	<u>97,123,689</u>	<u>88,990,467</u>
TOTAL NET POSITION	<u>\$ 219,862,810</u>	<u>\$ 198,844,625</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 284,562,890</u>	<u>\$ 261,801,758</u>

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2019 and 2018

OPERATING REVENUE	2019	2018
Passenger Fares	\$ 11,820,799	\$ 12,014,669
Advertising	468,865	334,350
Regional Transit Service	51,063,462	48,337,317
TOTAL OPERATING REVENUE	<u>63,353,126</u>	<u>60,686,336</u>
OPERATING EXPENSES		
Operations	79,151,809	74,773,540
Maintenance	25,927,936	25,416,790
Non-Vehicle Maintenance	6,789,547	6,250,998
General & Administration	26,155,464	24,547,417
Depreciation & Amortization	19,080,300	19,198,491
TOTAL OPERATING EXPENSES	<u>157,105,056</u>	<u>150,187,236</u>
OPERATING REVENUE (LOSS)	<u>(93,751,930)</u>	<u>(89,500,900)</u>
NON-OPERATING REVENUE (EXPENSE)		
Operating Subsidies:		
Sales Tax	90,647,576	87,679,018
Operational Grants	4,427,104	4,038,035
Other:		
Expense of Items Previously Capitalized	(127)	(5,447)
Interest Revenue	2,048,424	2,246,988
Grant Exchange Funds	(1,143,468)	(879,816)
Miscellaneous Non-Operating Revenue	2,468,303	2,258,510
Gain (Loss) on Disposal of Assets	763,500	(1,420,030)
NET NON-OPERATING REVENUE	<u>99,211,312</u>	<u>93,917,258</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,459,382	4,416,358
Capital Contributions	15,558,803	12,989,844
CHANGE IN NET POSITION	<u>21,018,185</u>	<u>17,406,202</u>
NET POSITION-BEGINNING	198,844,625	181,438,423
NET POSITION-ENDING	<u>\$ 219,862,810</u>	<u>\$ 198,844,625</u>

See accompanying notes to financial statements

Pierce Transit

Comparative Statement of Cash Flows

Years ended December 31, 2019 and 2018

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:

CASH FLOWS FROM OPERATING ACTIVITIES:

	2019	2018
Cash Received From Customers	\$ 56,817,220	\$ 56,697,515
Cash Payments to Suppliers for Goods & Services	(45,377,756)	(42,615,710)
Cash Payments to Employees for Services	(97,692,470)	(97,399,502)
Miscellaneous Non-Operating Income	2,468,303	2,258,510
Net Cash Used By Operating Activities	<u>(83,784,703)</u>	<u>(81,059,187)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Received	90,904,917	86,733,529
Operating Grants Received	3,234,505	2,494,895
Grant Exchange Funds	(1,143,468)	(879,816)
Net Cash Provided By Noncapital Financing Activities	<u>92,995,954</u>	<u>88,348,608</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(35,266,109)	(32,983,885)
Capital Grants and Contributions	15,558,803	12,989,844
Principal Paid on Debt	-	-
Interest Paid on Debt	-	-
Proceeds From Sale of Equipment	1,688,209	1,149,051
Net Cash Used By Capital and Related Financing Activity	<u>(18,019,097)</u>	<u>(18,844,990)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investment Securities	(103,655,699)	(112,752,192)
Proceeds from Maturities of Investment Securities	109,099,871	118,867,450
Interest on Investments	2,176,881	2,280,506
Net Cash Used By Investing Activities	<u>7,621,053</u>	<u>8,395,764</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(1,186,793)	(3,159,805)
Cash and Cash Equivalents at Beginning of Year	4,656,414	7,816,219
Cash and Cash Equivalents at End of Year	<u>\$ 3,469,621</u>	<u>\$ 4,656,414</u>

See accompanying notes to the financial statements.

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Loss	<u>\$ (93,751,930)</u>	<u>\$ (89,500,900)</u>
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ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation and Amortization	19,080,300	19,198,491
Miscellaneous Non-Operating Income	2,468,303	2,258,510

CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	(158,488)	(163,866)
(Increase) Decrease in Inventories	(411,596)	(191,498)
(Increase) Decrease in Prepaid Expenses	(279,596)	33,938
(Increase) Decrease in Due from Other Governments	(9,514,689)	(2,114,789)
Increase (Decrease) in Checks Payable	(556,983)	477,124
Increase (Decrease) in Accounts Payable	667,024	(700,486)
Increase (Decrease) in Unearned Revenue	94,334	30,507
Increase (Decrease) in Retainage	2,225	4,897
Increase (Decrease) in Wages and Benefits Payable	503,125	(730,687)
Increase (Decrease) in Due to Other Governments	3,042,937	(3,283,813)
Increase (Decrease) in Provision for Uninsured Claims	(176,901)	139,358
Net Pension Liability - Related Deferred Inflows and Outflows	(4,792,768)	(6,515,973)
TOTAL ADJUSTMENTS	<u>9,967,227</u>	<u>8,441,713</u>
Net Cash Used By Operating Activities	<u>\$ (83,784,703)</u>	<u>\$ (81,059,187)</u>

See accompanying notes to the financial statements.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pierce County Public Transportation Benefit Area Corporation, hereinafter Pierce Transit (PTBA), was authorized to begin operation of a public transportation system in 1980. On January 1, 1980, Pierce Transit assumed the operations of the City of Tacoma Transit System.

The accounting policies of Pierce Transit (the Agency) conform to generally accepted accounting principles applicable to governmental units. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Entity - Pierce Transit is a municipal corporation formed under the authority of Chapter 36.57A of the Revised Code of Washington. Pierce Transit operates fixed route, specialized transportation (SHUTTLE), and vanpool transportation services to Pierce County, within Pierce Transit's service area. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers.

Pierce Transit is governed by an appointed Board of Commissioners whose members are elected by the jurisdictions they represent, is legally separate from other entities, and is fiscally independent of other state and local government entities. The criteria, set forth in the Government Accounting Standards Board (GASB) Statement 14, indicate that Pierce Transit is a primary government for reporting purposes and that there are no additional entities or funds for which the Agency has reporting responsibilities. The ten-member Board consists of two members of the Tacoma City Council and two members of Pierce County government. The cities of Lakewood, Puyallup, and University Place each have one commissioner. The cities of Edgewood, Fife and Milton have one Commissioner, elected amongst the three cities. The remaining towns and cities have one Commissioner, elected amongst the six cities. A non-voting union representative is appointed by Amalgamated Transit Union Local 758.

Pierce Transit has an undivided interest in a non-equity joint venture, jointly governed with six other agencies for the provision of regional fare collection (ORCA) services. Pierce Transit's undivided interests in the assets, liabilities and operations of the ORCA regional fare collection system are consolidated within these financial statements on a proportionate basis.

Basis of Accounting - Pierce Transit is a single proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. Revenues and expenses are categorized as operating or non-operating. Operating revenues and expenses are those directly associated with the provision of transportation service. Non-operating revenues and expenses are those secondary to the provision of transportation service.

New Pronouncements - In 2017, Pierce Transit implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes general principles for measuring fair value, which primarily applies to state and local governments.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Cash and Cash Equivalents - For purposes of the Comparative Statement of Cash Flows, Pierce Transit considers all highly liquid investments and deposits (including restricted assets) with a maturity period of three months or less when purchased to be cash equivalents.

Investments – Investments other than the Local Government Investment Pool are carried at Fair Value in accordance with GASB No. 72.

Inventories - Inventory consists of fuel, lube and oil, antifreeze, transmission fluid, and repair parts held for consumption. Purchases are recorded as increases to inventory. Expenses are recorded as the materials are used. Inventory is valued on the moving, weighted average cost method.

Capital Assets - Property, plant, and equipment are stated at acquisition value as of the date contributed. Replacements that improve or extend property life are capitalized. Intangible assets are capitalized in accordance with GASB Statement 51. Any donated capital assets and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Assets are capitalized if they have individual values of at least \$5,000 and the useful life extends over more than one fiscal year.

Pierce Transit capitalizes miscellaneous expenses incurred in the acquisition, construction, or completion of capital assets. Repairs and maintenance are expensed as incurred.

Individual useful lives are assigned to new assets as follows:

Land	Not Depreciated
Site Improvements	10 years
Buildings	10 to 20 years
Buses	6 to 12 years
Machinery, Equipment, and Furniture	3 to 5 years
Other Vehicles	5 years

Assets acquired as used are assigned a useful life of one-half the new life. Pierce Transit does not use salvage values in the calculation of depreciation.

Depreciation is computed upon the straight-line method over established useful lives of individual assets.

Costs incurred in project planning and design is deferred until projects are approved or abandoned. At that time, the related costs are transferred to an asset account or charged to expense as appropriate. Plant and equipment, which are incomplete, unclassified, or otherwise not in service, and therefore not subject to depreciation, are deferred until they are placed in service.

Unearned Revenue – Amounts are recognized as receivables but not revenues because revenue recognition criteria has not been met. Unearned revenue is made up of prepaid fare revenue.

Retirement - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of all state sponsored pension plans, and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

State Department of Retirement System and the Tacoma Employees Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

2. BUDGET AND SPENDING CONTROLS

Pierce Transit uses a budget that serves a variety of functions including planning, control, and information. As a planning tool, the budget is used to quantify the financial implications of planned operations and evaluate fiscal alternatives. As a control document, the budget assists in the day-to-day financial operations by providing fiscal control for individual purchases. As an information source, the budget provides financial information about the Agency's expected fiscal position.

The modified accrual basis is used for budgeting. Under this method, operating revenues and expenses are budgeted on the accrual basis. Modified accrual budgeting is used for non-operating revenues and expenses, which include capital grant receipts and expenses, as well as debt service principal. Unencumbered operating appropriations lapse at year-end.

Capital expenses and grant reimbursements are budgeted on a project basis. Projects are budgeted in their entirety when approved, regardless of anticipated expenditure dates. Each year thereafter, the remaining portion of the project, as well as related grant reimbursements are carried over to the following year.

Pierce Transit adopts an annual budget in December of the preceding fiscal year following analysis by staff and the Board of Commissioners. The budget is based on Agency-wide strategic priorities and divisional programs and objectives.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2019 and 2018, is as follows:

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2019

	AMENDED BUDGET	ACTUAL	VARIANCE
Passenger Fares	\$ 12,209,000	\$ 11,820,799	\$ (388,201)
Advertising	320,000	468,865	148,865
Regional Transit Service	52,394,123	51,063,462	(1,330,661)
Interest Revenue	1,520,000	2,048,424	528,424
Sales Tax	93,415,421	90,647,576	(2,767,845)
Operating Grants	2,719,219	4,427,104	1,707,885
Capital Contributions	73,359,382	15,558,803	(57,800,579)
Miscellaneous Revenues	1,029,000	2,468,303	1,439,303
Gain (Loss) on Disposal of Assets	-	763,500	763,500
TOTAL*	\$ 236,966,145	\$ 179,266,836	\$ (57,699,309)

SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2019

	AMENDED BUDGET	ACTUAL	VARIANCE
Personnel	\$ 103,467,039	\$ 93,427,970	\$ 10,039,069
Fuel and Lubricants	7,549,327	5,894,374	1,654,953
Operating Expenses	42,795,643	38,702,412	4,093,231
Depreciation and Amortization	-	19,080,300	(19,080,300)
Expense of Items Previously Capitalized	-	127	(127)
Capital Acquisitions	153,555,979	32,602,693	120,953,286
Grant Exchange Funds	780,000	1,143,468	(363,468)
TOTAL*	\$ 308,147,988	\$ 190,851,344	\$ 117,296,644

*Expenses in excess of revenues, if any, were funded by reserves. See accompanying notes to the financial statements

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2018

	AMENDED BUDGET	ACTUAL	VARIANCE
Passenger Fares	\$ 12,766,221	\$ 12,014,669	\$ (751,552)
Advertising	300,000	334,350	34,350
Regional Transit Service	43,452,888	48,337,317	4,884,429
Interest Revenue	857,500	2,246,988	1,389,488
Sales Tax	87,021,320	87,679,018	657,698
Operating Grants	5,715,347	4,038,035	(1,677,312)
Capital Contributions	38,092,296	12,989,844	(25,102,452)
Miscellaneous Revenues	2,543,499	2,258,510	(284,989)
Gain (Loss) on Disposal of Assets	-	(1,420,030)	(1,420,030)
TOTAL*	\$ 190,749,071	\$ 168,478,701	\$ (22,270,370)

SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2018

	AMENDED BUDGET	ACTUAL	VARIANCE
Personnel	\$ 98,468,509	\$ 88,609,702	\$ 9,858,807
Fuel and Lubricants	6,458,068	5,899,707	558,361
Supplies and Materials	9,390,592	9,904,478	(513,886)
Contracts and Services	32,817,333	26,574,858	6,242,475
Depreciation and Amortization	-	19,198,491	(19,198,491)
Expense of Items Previously Capitalized	-	5,447	(5447)
Capital Acquisitions	102,885,289	32,322,861	70,562,428
Grant Exchange Funds	2,056,129	879,816	1,176,313
TOTAL*	\$ 252,075,920	\$ 183,395,360	\$ 68,680,560

*Expenses in excess of revenues, if any, were funded by reserves. See accompanying notes to the financial statements

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Following is a reconciliation of the revenues and expenses shown on the Budget vs. Actual Schedule and the Comparative Statement of Revenues, Expenses and Changes in Net Position:

**REVENUES FROM THE COMPARATIVE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION:**

	<u>2019</u>	<u>2018</u>
Passenger Fares	\$ 11,820,799	\$ 12,014,669
Advertising	468,865	334,350
Regional Transit Service	51,063,462	48,337,317
Interest Revenue	2,048,424	2,246,988
Misc. Non-Operating Revenue	2,468,303	2,258,510
Operating Subsidies	95,074,680	91,717,053
Gain (Loss) on Disposal of Assets	763,500	(1,420,030)
TOTAL	<u>\$ 163,708,033</u>	<u>\$ 155,488,857</u>

Revenues from the Budget vs. Actual Schedule:

Capital Contributions	15,558,803	12,989,844
TOTAL	<u>15,558,803</u>	<u>12,989,844</u>
GRAND TOTAL	<u>\$ 179,266,836</u>	<u>\$ 168,478,701</u>

**EXPENSES FROM THE COMPARATIVE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION:**

	<u>2019</u>	<u>2018</u>
Operations	\$ 79,151,809	\$ 74,773,540
Maintenance	25,927,936	25,416,790
Non-Vehicle Maintenance	6,789,547	6,250,998
General & Administration	26,155,464	24,547,417
Depreciation and Amortization	19,080,300	19,198,491
Expense of Items Previously Capitalized	127	5,447
Grant Exchange Funds	1,143,468	879,816
TOTAL	<u>\$ 158,248,651</u>	<u>\$ 151,072,499</u>

Expenses from the Budget vs. Actual Schedule

Capital Acquisitions	32,602,693	32,322,861
GRAND TOTAL	<u>\$ 190,851,344</u>	<u>\$ 183,395,360</u>

Encumbrances - Pierce Transit encumbers all expenses for management information. Encumbrances do not, however, constitute a legal reduction of appropriations. Accounts encumbered but not expended by the end of the budget year become an encumbrance of the following year's appropriations. Encumbrances outstanding on December 31, 2018 total \$30,111,738 compared to \$28,760,638 on December 31, 2019. Most encumbrances for 2019 result from capital projects in progress including base master plan, fleet replacement, maintenance and repair of facilities and technology improvements. Encumbrances are not shown on the financial statements.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

3. CHANGES IN CAPITAL ASSETS

The Summary of Changes in Capital Assets for the years ended December 31, 2019 and 2018, respectively, follows:

Summary of Changes in Capital Assets
Year Ended December 31, 2019

Description	Balance January 1, 2019	Additions	Retirements	Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 14,804,093	\$ -	\$ (590,358)	\$ -	\$ 14,213,735
Work in Progress	35,372,313	32,602,693	-	(37,365,831)	30,609,175
Total capital assets not being depreciated	<u>50,176,406</u>	<u>32,602,693</u>	<u>(590,358)</u>	<u>(37,365,831)</u>	<u>44,822,910</u>
Depreciable capital assets:					
Structures	79,758,760	-	-	-	79,758,760
Site Improvements	45,663,492	-	-	-	45,663,492
Machinery & Equipment	170,240,112	-	(12,315,608)	37,370,979	195,295,483
Total depreciable capital assets at cost	<u>295,662,364</u>	<u>-</u>	<u>(12,315,608)</u>	<u>37,370,979</u>	<u>320,717,735</u>
Total Capital Assets (gross)	<u>345,838,770</u>	<u>32,602,693</u>	<u>(12,905,966)</u>	<u>5,148</u>	<u>365,540,645</u>
Less accumulated depreciation for:					
Structures	(68,844,496)	(2,236,936)	-	(1)	(71,081,433)
Site Improvements	(42,254,699)	(518,729)	-	-	(42,773,428)
Machinery & Equipment	(124,885,417)	(16,324,635)	12,263,388	1	(128,946,663)
Total accumulated depreciation	<u>(235,984,612)</u>	<u>(19,080,300)</u>	<u>12,263,388</u>	<u>(0)</u>	<u>(242,801,524)</u>
Total Capital Assets (net)	<u>\$ 109,854,158</u>	<u>\$ 13,522,393</u>	<u>\$ (642,578)</u>	<u>\$ 5,148</u>	<u>\$122,739,121</u>

*Adjustments include items previously capitalized, reclassified as assets from work in progress, and asset direct purchases

Pierce Transit
Notes to Financial Statements
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Summary of Changes in Capital Assets
Year Ended December 31, 2018

Description	Balance January 1, 2018	Additions	Retirements	Adjustments	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$ 14,845,295	\$ -	\$ (1,767,169)	\$ 1,725,967	\$ 14,804,093
Work in Progress	10,991,757	32,322,861	-	(7,942,306)	35,372,313
Total capital assets not being depreciated	<u>25,837,052</u>	<u>32,322,861</u>	<u>(1,767,169)</u>	<u>(6,216,339)</u>	<u>50,176,406</u>
Depreciable capital assets:					
Structures	78,710,280	-	-	1,048,480	79,758,760
Site Improvements	45,100,543	-	-	562,949	45,663,492
Machinery & Equipment	168,248,005	-	(2,607,356)	4,599,463	170,240,112
Total depreciable capital assets at cost	<u>292,058,828</u>	<u>-</u>	<u>(2,607,356)</u>	<u>6,210,892</u>	<u>295,662,364</u>
Total Capital Assets (gross)	<u>317,895,880</u>	<u>32,322,861</u>	<u>(4,374,525)</u>	<u>(5,447)</u>	<u>345,838,770</u>
Less accumulated depreciation for:					
Structures	(66,536,444)	(2,308,052)	-	-	(68,844,496)
Site Improvements	(41,726,573)	(528,126)	-	-	(42,254,699)
Machinery & Equipment	(111,129,065)	(16,362,315)	2,605,963	-	(124,885,417)
Total accumulated depreciation	<u>(219,392,082)</u>	<u>(19,198,493)</u>	<u>2,605,963</u>	<u>-</u>	<u>(235,984,612)</u>
Total Capital Assets (net)	<u>\$ 98,503,798</u>	<u>\$ 13,124,369</u>	<u>\$ (1,768,562)</u>	<u>\$ (5,447)</u>	<u>\$109,854,158</u>

*Adjustments include items previously capitalized and items reclassified as assets from work in progress.

Work in progress as of December 31, 2019 and December 31, 2018 consisted of the following projects:

	2019	2018
Buildings & Site Improvements	\$ 19,534,532	\$ 12,333,536
Technology Projects	5,286,927	4,060,502
Equipment & Vehicles	5,787,716	18,978,275
Total Work in Progress	<u>\$ 30,609,175</u>	<u>\$ 35,372,313</u>

Many projects were in process at the end of 2019. Commitments on capital projects as of December 31, 2019 totaled \$20,763,394 and are itemized as follows: buildings and site improvements \$5,839,866, vehicles and equipment \$8,601,920, Bus Rapid Transit \$4,273,791 and technology projects \$2,047,817. Projects underway as of December 31, 2019 included base facility improvements, transit center

Pierce Transit
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renewal and improvements, BRT (Bus Rapid Transit, and various technology upgrades or replacements, and vehicle expansion and replacement, and equipment.

4. COMPENSATED ABSENCES

Compensated Absences-Employees accrue vacation/PTO based on tenure at annual rates ranging from 12 to 31 days per year. Employees are not allowed to accumulate more than 2 years of accruals at any point in time, in 2019 implemented a new PTO plan. Employees with 21 or more years of service were grandfathered in the original plan all other employees were placed in the new leave plan. As of December 31, 2019, total vacation/PTO accruals are listed as follows:

	<u>2019</u>	<u>2018</u>
PTO/Vacation-Current	\$ 3,421,061	\$ 3,099,001
PTO/Vacation-Non-Current	380,118	344,333
Total Vacation Leave Liability	<u>\$ 3,801,179</u>	<u>\$ 3,443,334</u>

Total sick leave accruals as of December 31, 2019 and 2018 were \$7,236,284 and \$7,022,799 respectively. Sick leave is recorded as an expense at the time of payment, which occurs upon usage or termination. Fifty percent of the value is paid upon retirement or death of the employee, 20% is paid upon termination for any other reason. The estimated liability for these sick leaves payouts is as follows:

	<u>2019</u>	<u>2018</u>
Current Liability based on usage or terminations	\$ 2,395,986	\$ 1,989,337
Non-current Liability based on expected future payoffs	1,039,119	1,310,232
Total Sick Leave Liability	<u>\$ 3,435,105</u>	<u>\$ 3,299,569</u>

The portion of the accrued vacation and sick leave benefits estimated to be paid more than 12 months from year-end is recorded as a long-term liability. A reconciliation of current and long-term employee leaves payable follows:

	<u>2019</u>	<u>2018</u>
Balance beginning	\$ 5,088,339	\$ 5,221,945
Employee leave earned	6,446,873	5,109,187
Employee leave paid	<u>(5,718,165)</u>	<u>(5,242,793)</u>
Compensated Absences-Current	<u>\$ 5,817,047</u>	<u>\$ 5,088,339</u>

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,654,564	\$ 1,797,581
Employee leave earned	1,159,783	1,561,770
Employee leave paid	<u>(1,395,111)</u>	<u>(1,704,787)</u>
Compensated Absences-Noncurrent	<u>\$ 1,419,236</u>	<u>\$ 1,654,564</u>

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5. CHANGES IN LONG TERM LIABILITIES

The following changes in long term liabilities occurred during as of December 31, 2019 and December 31, 2018:

Business Type Activities	Balance			Noncurrent	Current	Balance Current & Noncurrent	
	1/1/2019	Increase	Decrease			12/31/2019	12/31/2019
Compensated Absences	\$ 6,742,903	1,159,783	(1,395,111)	1,419,236	5,817,047	\$	6,507,575
Net Pension Liability	31,061,339	-	(5,320,411)				25,740,928
Total Change in Long Term Liabilities	\$ 37,804,242	1,159,783	(6,715,522)	1,419,236	5,817,047	\$	32,248,503

Business Type Activities	Balance			Noncurrent	Current	Balance Current & Noncurrent	
	1/1/2018	Increase	Decrease			12/31/2018	12/31/2018
Compensated Absences	\$ 1,797,581	1,561,770	(1,704,787)	1,654,564	5,088,339	\$	6,742,903
Net Pension Liability	44,929,021	-	(13,867,682)				31,061,339
Total Change in Long Term Liabilities	\$ 46,726,602	1,561,770	(15,572,469)	1,654,564	5,088,339	\$	37,804,242

6. CASH AND INVESTMENTS

As of December 31, 2019, and December 31, 2018, Pierce Transit had the following cash, cash equivalents, and investments:

	2019	2018
Demand Deposits	\$ 3,469,621	\$ 4,656,414
Cash Equivalents	-	-
Local Government Investment Pool	100,879,142	93,830,185
U.S. Federal Agency Obligations (Level 2)	-	12,413,398
Total Cash, Equivalents, and Investments	\$ 104,348,763	\$ 110,899,997

Deposits-All bank deposits are entirely insured by the Federal Deposit Insurance Corporation and by the Washington Public Deposit Protection Commission.

Local Government Investment Pool- The LGIP is an investment trust fund of the State of Washington operated by the Office of the State Treasurer. The State Finance Committee provides statutory administrative oversight.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investment pools that elect to measure, for financial reporting purposes investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates of participant withdrawals.

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The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments – Pierce Transit measures and reports investments at fair value using the valuation input hierarch established by generally accepted accounting principles as follows:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Quoted market prices for similar assets or other observable inputs
- Level 3: Unobservable inputs for an asset

As of December 31, 2018, Pierce Transit held \$12,413,398 in U.S. Federal agency bonds that were valued by a pricing service that uses a matrix pricing model (Level 2 inputs), in 2019 all funds were invested in the Washington State Local Government Investment Pool. The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. The policy addresses interest rate risk, credit risk, and concentration of credit risk. Allowable investments are limited as follows:

- U.S. government obligations.
- U.S. government agency obligations.
- Certificates of deposit issued by commercial banks and thrift institutes that are public depositories of the State of Washington.
- Repurchase agreements collateralized by liquid, marketable securities having a fair value of at least 102% of the repurchase price.
- Banker's acceptance issued by any qualified depository in the State of Washington or by the 30 largest foreign banks and the 30 largest domestic banks as listed by the American Banking Association.
- Washington State Local Government Investment Pool. The Washington State Investment Board regulates pool investments. The value of the shares in the investment pool is the same as the value of the pool shares.
- Money market accounts insured by the FDIC.

During 2019 and 2018, Pierce Transit's portfolio complied with the investment policies discussed above. Investments other than the LGIP, which are amortized, are stated at fair value in accordance with GASB No. 72. Changes in fair value are included as a change in revenue in the financial statements. No investment losses occurred during 2019 or 2018.

Disclosures Relating to Interest Rate Risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's investment policy is designed to manage the exposure to interest rate risk through diversification and by purchasing a combination of short and long-term investments that mature evenly over time. Pierce Transit's policy does not allow any investments over two years in maturity. Pierce Transit's weighted average maturity for December 31, 2019 and 2018 was 1 day and 56 days, respectively.

Disclosures Relating to Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating

Pierce Transit
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by a nationally recognized statistical rating organization. As of December 31, 2019, all of Pierce Transit's investments are invested in the Washington State Local Government Investment Pool.

Concentration of Credit Risk - Pierce Transit's investment policy requires diversification of investments across security types, financial institutions, and maturities as follows:

- No more than 50% of the Agency's total portfolio may be invested in a single type of security.
- No more than 50% of the Agency's total portfolio may be purchased from a single financial institution except for the Washington State Local Government Investment Pool.
- No more than 25% of the Agency's total portfolio may be invested in any given issue with a specific maturity. Investment maturities may not exceed two years.

7. RECEIVABLES

Amounts due to Pierce Transit for years ended December 31, 2019 and 2018 (net of uncollectible) are detailed as follows:

Total Other Receivables:

	2019	2018
Accounts Receivable	\$ 534,935	\$ 476,447
Interest Receivable	-	128,457
Sales Tax Receivable	15,483,759	15,741,100
Total Other Receivables	\$ 16,018,694	\$ 16,346,004

Due from Other Governments:

Other Operating Partnerships	1,192,599	1,543,140
Fuel Tax Refund & CNG Credit	1,899,729	972,461
Regional Transit Service Revenues	21,133,125	11,002,564
Capital Grants	4,447,935	1,010,676
Total Due from Other Governments	28,673,388	14,528,841
Total Receivables	\$ 44,692,082	\$ 30,874,845

8. NET POSITION

Pierce Transit's Board of Commissioners has established reserve policies for Pierce Transit's capital and insurance programs. The net position amount designated for insurance is set at a level to adequately protect the Agency from self-insurance risks. The amount designated will be maintained in an amount enough to fund the capital requirements identified in the Six-Year Plan plus an amount equal to three prior years of local depreciation, excluding buildings and structures. Funds designated for capital are intended to fund currently approved capital projects and to replace capital equipment and facilities as they wear out. The Board of Commissioners as a part of the budget process reviews the level of the self-insurance and capital designations annually.

Pierce Transit
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Net position is increased when revenues are greater than expenses and decreased when expenses exceed revenues.

	2019	2018
Operating	\$ 36,340,713	\$ 28,283,589
Self-Insurance	2,976,153	2,266,681
Capital Replacement/Expansion	57,806,823	58,440,197
Total Unrestricted Net Position	97,123,689	88,990,467
Net invested in Capital Assets	122,739,121	109,854,158
Total Net Position	\$ 219,862,810	\$ 198,844,625

9. PENSION BENEFITS

Retirement - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement System and the Tacoma Employees Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019 and 2018:

Aggregate Pension Amounts – All Plans	2019	2018
Net Pension liabilities	\$25,740,928	\$ 31,061,339
Pension assets		
Deferred outflows of resources	8,141,111	6,222,137
Deferred inflows of resources	14,982,128	12,736,612
Pension expense/expenditures	\$ 3,610,692	\$ 1,154,529

Substantially all of Pierce Transit's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems. Tacoma Transit employees electing to remain in the Tacoma Employee's Retirement System (TERS) when Pierce Transit took over operations of Tacoma Transit in 1980 are covered by TERS which is a defined benefit plan. Seven employees are enrolled in TERS. The Public Employees Retirement Systems (PERS) covers all other employees.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. The TERS CAFR may be obtained by writing to:

Tacoma Employees Retirement System
 Tacoma Public Utilities, Administration Building
 3628 South 35th Street
 Tacoma, WA 98409

Or the TERS CAFR may be downloaded at www.cityoftacoma.org/retirement.

Public Employees' Retirement System (PERS) - PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 and 2018 were as follows:

PERS Plan 1 Contribution Rate	Employer Rate	Employee Rate
July 2019 - December 2019	12.86%	6.00%
September 2018 – June 2019	12.83%	6.00%
January 2018 – August 2018	12.70%	6.00%

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Pierce Transit's actual contributions to the plan were \$3,368,552 for the year ended December 31, 2019. In 2018, contributions were \$3,393,572 for Plan 1.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 and 2018 were as follows:

PERS Plan 2/3 Contribution Rates	Employer Plan 2/3	Employee Plan 2
July 2019 – December 2019	12.86%	7.90%
September 2018 – June 2019	12.83%	7.41%
January 2018 – August 2018	12.70%	7.38%
Employee PERS Plan 3	-	Varies

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Pierce Transit's actual contributions to the plan were \$5,155,760 for the year ended December 31, 2019 and \$4,959,391 for 2018.

Actuarial Assumptions - The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75 total economic inflation; 3.50% salary inflation.
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

Discount Rate - The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at over various time horizons.

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Estimated Rates of Return by Asset Class - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	2019 Target Allocation	2018 Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	20%	2.20%
Tangible Assets	7%	7%	5.10%
Real Estate	18%	18%	5.80%
Global Equity	32%	32%	6.30%
Private Equity	23%	23%	9.30%

Sensitivity of NPL – The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate for 2019 .

	1% Discount (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
2019 PERS 1	\$ 24,089,314	\$ 19,235,773	\$ 15,024,688
2019 PERS 2/3	\$ 47,634,864	\$ 6,210,865	\$ (27,780,265)

Sensitivity of NPL – The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate for 2018.

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2018 PERS 1	\$ 25,848,257	\$ 21,033,031	\$ 16,862,035
2018 PERS 2/3	\$ 46,417,334	\$ 10,148,031	\$ (19,588,748)

Tacoma Employees Retirement System (TERS) - The Tacoma Employees' Retirement System (TERS) is a cost-sharing, multiple employer defined benefit public employee pension plan. The plan covers many of the employees of the City of Tacoma, with the exception of police officers, firefighters and Tacoma Rail employees, who are covered by another plan. Other members include certain employees of Pierce Transit, South Sound 911 and the Tacoma Pierce County Health Department who established membership in TERS when these agencies were still City of Tacoma departments.

TERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's highest consecutive 24-month average final compensation (AFC) multiplied by the member's years of service, up to 60% of AFC. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 50 with at least 20 years of service, at age 57 with at least ten years of service, or at age 60, regardless of service credit. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include death and disability payments. TERS members were vested after the completion of five years of eligible service.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

The TERS member contribution rate is established by the Tacoma City Council. The TERS required contribution rates (expressed as a percentage of covered payroll) for 2019 and 2018 were as follows:

TERS Contribution Rate	Employer	Employee
2019	11.34%	9.66%
2018	11.34%	9.66%

Pierce Transit's actual contributions to the plan were \$80,250 for the year ended December 31, 2019 and \$66,435 for year ended December 31, 2018.

Long-Term Expected Rate of Return - The long-term expected rate of return on the TERS pension plan investments of 7.0 percent was determined using a building-block-method. The Tacoma Employees Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. The long-term expected rate of return of 7.0 percent approximately equals the median of the simulated investment returns over a 30-year time horizon.

Estimated Rates of Return by Asset Class - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the table below. The inflation component used to create the table is 2.75 percent and represents most recent long-term estimate of broad economic inflation.

2018 and 2019 Asset Class	Target Allocation	2019 Long-Term Expected Real Rate of Return Arithmetic	2018 Long-Term Expected Real Rate of Return Arithmetic
Global Equity	41.5%	5.41%	4.95%
Investment Grade Fixed Income	15.0%	2.03%	2.06%
Private Equity	10.0%	9.37%	8.88%
High Yield Bonds	9.0%	3.90%	4.69%
US Inflation-Indexed Bonds	5.0%	1.14%	1.36%
Emerging Market Debt	5.0%	3.75%	3.39%
Master Limited Partnerships	4.0%	4.06%	4.20%
Private Real Estate	2.5%	3.84%	3.83%
Public Real Estate	2.0%	5.76%	5.55%
Timber	2.0%	4.05%	4.04%
Infrastructure	2.0%	5.04%	4.89%
Agriculture	2.0%	4.54%	4.54%

Sensitivity of NPL - The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

TERS	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2019	\$ 816,529	\$ 294,290	\$ (142,163)
2018	\$ 486,687	\$ (119,702)	\$ (626,423)

Pension Plan Fiduciary Net Position - Detailed information about the DRS and TERS pension plans fiduciary net position is available in the separately issued DRS and TERS financial reports.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Pierce Transit's reported total pension liability is \$25,740,298 for 2019 and \$31,061,339 for 2018. It represents its proportionate share of net pension liabilities as follows:

Plan	2019 Liability (or Asset)	2018 Liability (or Asset)
PERS 1*	\$ 19,235,773	\$ 21,033,010
PERS 2/3*	6,210,865	10,148,031
TERS **	294,290	(119,702)
TOTAL	\$ 25,740,928	\$ 31,061,339

*As of June 30

**As of December 31

As of June 30, Pierce Transit's proportionate share of the collective PERS net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/18	Change in Proportion
PERS 1	.500234%	.470955%	.029279%
PERS 2/3	.639412%	.594352%	.045060%

As of December 31, Pierce Transit's proportionate share of the collective TERS net pension liabilities was as follows:

	Proportionate Share 12/31/19	Proportionate Share 12/31/18	Change in Proportion
TERS	.23239%	.28145%	-.04906%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Non-Employer Allocations.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Plan Pension Expense	2019	2018
PERS 1	\$ 2,110,839	\$ 1,061,758
PERS 2/3	1,385,104	126,553
TERS	114,749	(33,782)
TOTAL ALL PLANS	\$ 3,610,692	\$ 1,154,529

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Deferred Outflows of Resources and Deferred Inflows of Resources – On December 31, 2018, Pierce Transit’s reported deferred outflows of resources and deferred inflows of resources related to pensions for 2019 is from the following sources:

2019 PERS 1	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(1,285,111)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,630,539	-
Total PERS 1	\$ 1,630,539	\$ (1,285,111)

2019 PERS 2/3	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$1,779,427	\$ (1,335,302)
Net difference between projected and actual investment earnings on pension plan investments	-	(9,040,489)
Changes of assumptions	159,040	(2,605,872)
Changes in proportion and differences between contributions and proportionate share of contributions	1,579,663	(675,163)
Contributions subsequent to the measurement date	2,627,279	-
Total PERS 2/3	\$ 6,145,409	\$ (13,656,826)

2019 TERS	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,193	\$ (38,620)
Net difference between projected and actual investment earnings on pension plan investments	225,753	-
Changes of assumptions	43,063	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,903	(1,571)
Contributions subsequent to the measurement date	80,250	-
Total TERS	\$ 365,162	(40,191)
TOTAL ALL PLANS	\$ 8,141,111	\$ 14,982,128

TERS Measurement date 12/31/18

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

As of December 31, 2018, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018 PERS 1	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(835,840)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,720,791	-
Total PERS 1	\$ 1,720,791	\$ (835,840)

2018 PERS 2/3	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,243,883	\$ (1,776,734)
Net difference between projected and actual investment earnings on pension plan investments	-	(6,227,302)
Changes of assumptions	118,715	(2,888,048)
Changes in proportion and differences between contributions and proportionate share of contributions	483,793	(805,002)
Contributions subsequent to the measurement date	2,505,790	-
Total PERS 2/3	\$ 4,352,181	\$ (11,697,086)

2018 TERS	2018 Deferred Outflows of Resources	2018 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (66,329)
Net difference between projected and actual investment earnings on pension plan investments	-	(137,358)
Changes of assumptions	73,017	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,713	-
Contributions subsequent to the measurement date	66,435	-
Total TERS	\$ 149,165	\$ (203,687)
TOTAL ALL PLANS	\$ 6,222,137	\$ 12,736,613

Deferred outflows of resources related to pensions resulting from Pierce Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2019:	PERS 1
2020	\$ (283,695)
2021	(671,993)
2022	(239,806)
2023	(89,617)
2024	N/A
Thereafter	

Year ended December 31, 2018:	PERS 1
2019	\$ 36,568
2020	(182,719)
2021	(548,290)
2022	(141,399)
2023	N/A
Thereafter	

Year ended December 31, 2019:	PERS 2/3
2020	\$ (2,620,154)
2021	(4,491,844)
2022	(1,909,688)
2023	(953,235)
2024	(410,805)
Thereafter	247,032

Year ended December 31, 2018:	PERS 2/3
2019	\$ (939,830)
2020	(2,117,319)
2021	(3,857,430)
2022	(1,457,242)
2023	(568,191)
Thereafter	(910,682)

Year ended December 31, 2019:	TERS
2019	\$ 85,508
2020	35,467
2021	40,607
2022	82,145
2023	994
Thereafter	-

Year ended December 31, 2018:	TERS
2018	\$ (6,598)
2019	981
2020	(59,562)
2021	(53,150)
2022	(2,628)
Thereafter	-

Pierce Transit does not provide any post-employment benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

Deferred Compensation Plan - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Empower Retirement Company and ICMA Retirement Corporation. Pierce Transit contributes from 1% to 6% of the annual salary of all participating employees. In 2019, Pierce Transit contributed \$2,427,428 and employees contributed \$4,313,352. Pierce Transit and its employees contributed \$2,303,685 and \$4,100,422 respectively to this plan in 2018. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Beginning in fiscal year 1998, existing assets in the plan are held in a qualified custodial account. The custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of Pierce Transit and are not subject to claims of the Agency's creditors. Therefore, deferred compensation funds are not shown on the balance sheet.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

10. COMMITMENTS

Grants -Pierce Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursements for expenses disallowed under the terms of the grants. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Pierce Transit.

Regional Fare Collection System (ORCA) - Seven regional transit agencies participate in a regional smart card fare payment system. Participating agencies include Pierce Transit, King County Metro, Sound Transit, Everett Transit, Washington State Ferries, Kitsap Transit and Community Transit. A smart card is an intelligent fare card that stores information including fare type and stored value in either cash or transit passes. The smart card system has been named One Regional Card for All (ORCA) and simplifies and establishes a common, non-cash fare system throughout the region. The original agreement, signed in April 2003, established the respective roles and responsibilities of the Agencies in the development and operating phases of the ORCA system. The system was phased in beginning in April 2009 and an amended agreement establishing the design, implementation, operation and maintenance of the ORCA was signed. This amended agreement further defines and establishes a framework for the operating phase of the system. The participating agencies have committed to utilizing the system for a minimum of 10 years and funding proportionate shares of regionally shared costs.

The system is governed by a Joint Board consisting of one representative from each participating agency. The funds collected through the sale of ORCA fare media to the public by participating agencies is remitted to Sound Transit acting as fiscal agent under the terms of the interlocal agreement. Fare revenue is apportioned by the fiscal agent and remitted to the participating agency that provided the transit service.

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2019 was \$4,390,773 with operating expenses of \$293,521. In 2018, ORCA revenue totaled \$4,412,013 and operating expense were \$281,506. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2019, and 2018 reported within Pierce Transit's financial statements, amounted to \$471,258 and \$363,977 respectively. Other than the funds held by the fiscal agent Pierce Transit has no equity interest. The ORCA financial statements are audited by KPMG LLP, Suite 2900, 1918 8th Ave, Seattle, WA.

Combined Communications Network - In January 2015, Pierce Transit entered into an agreement with Pierce County to provide the maintenance, operation and governance of a county wide radio system to be called the Pierce Transit – Pierce County Combined Communications Network (CNN) of shared radio and microwave systems to carry voice and data traffic.

11. INSURANCE

Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) as of January 1, 2010 which provides first-dollar coverage for auto/general up to \$25 million per occurrence. As a member of the Pool, the Agency can take advantage of collective retentions, competitive re-insurance rates and an exchange of best practices that help to reduce liability exposure. In addition to auto/general liability, WSTIP policies include property coverage of up to \$500,000 million (\$5,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, cyber-

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

liability coverage up to \$2 million, and public officials' liability coverage of up to \$25 million (\$5,000 deductible) per occurrence. Pierce Transit continues to insure pollution/underground storage tank liability through an independent broker, with coverage up to \$1 million (\$10,000 deductible) per occurrence. Pierce Transit had no settlements exceeding insurance coverage in 2019 or 2018.

Pierce Transit continues to be self-insured for unemployment compensation and self-insured for \$1.1 million for workers' compensation (industrial insurance), with excess workers' compensation (EWC) retained consistent with statutory requirements. Self-insurance assets have been set aside for these workers' compensation claims, which are administered by a third-party administrator.

On December 31, 2019, the self-insurance assets totaled \$4,871,504 of which a liability of \$1,774,332 is recorded for workers' compensation and unemployment compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2018, Pierce Transit's self-insurance assets totaled \$4,370,593 of which a liability of \$1,951,233 was recorded as a provision for liability claims. These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants. Claim settlements in the past three years have not exceeded insurance coverage.

A reconciliation of claims liabilities follows:

	<u>2019</u>	<u>2018</u>
Balance beginning of year	\$ 1,951,233	\$ 1,811,875
Provision for incurred claims	1,642,091	2,947,351
Payments made for claims	<u>(1,818,992)</u>	<u>(2,807,993)</u>
Claims liabilities year ended	<u>\$ 1,774,332</u>	<u>\$ 1,951,233</u>

12. RESERVE POLICIES

Pierce Transit's Board of Commissioners has adopted reserve policies to ensure that financial resources are managed in a prudent manner. These policies address the basic principles needed to promote sound accounting, auditing, and financial practices. A summary of these policies follows:

- **Operating Reserve:** Pierce Transit will maintain the Operating Reserve at a minimum of two months of Agency operating expenditures. The Operating Reserve will be maintained at a level to provide enough working capital, to provide an adequate cash balance to finance cash flow requirements, and to offset unanticipated downturns in revenues and to provide funds for emergency expenditure requirements.
- **Insurance Reserve:** The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- **Capital Reserve:** The capital reserve will be maintained at no less than 50% of the previous three years average annual asset depreciation at any time in the Six-Year Financial Plan. At the end of the Six-Year Plan Financial Plan, the capital reserve shall be at least 100% of the previous three years annual average asset depreciation. This reserve has been set at this level to enable Pierce Transit to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

- Pierce Transit complied with its reserve policies during 2018 and 2019.

13. SUBSEQUENT EVENT

In January 2020, the first known case of coronavirus (COVID 19) in the United States was announced in Washington State. Since that time, Washington Governor Inslee has declared a state of emergency due to the spread of the virus and the World Health Organization has declared a global pandemic. Measures taken to slow the spread of the virus by Governor Inslee include a broad-based business closure for non-essential businesses and a “stay at home” order for all but essential workers. These orders are currently in effect through May 4, 2020.

The total impact on Pierce Transit operations and revenue is currently unknown. Operational impacts currently include significant reductions in bus service levels and temporary reductions in staffing, a temporary halt to fare collections, distancing measures for our bus service, and various expenditures related to increased cleaning protocols.

The impacts will include a material reduction in revenue, primarily from three sources: sales tax, fares and Sound Transit contracted service. Preliminary estimates show revenue loss could exceed \$30 million compared to our 2020 budget. Many factors may change that estimate, including length of business closures and subsequent economic recovery, length of stay at home orders and the following return of riders, and how quickly commuters return to public transit.

Pierce Transit has plans in place to offset the revenue loss for 2020. Items include use of 2019 budget savings and operating reserves, placing holds on capital projects, reduction in operating costs through service reductions, and use of allocated federal stimulus money. These items will result in adequate resources to offset the anticipated revenue loss. Revenue levels for future years will be estimated as part of the budget development process following additional actual results this year. Operational service levels and resulting expenditures will be adjusted to provide a balanced budget and a six-year financial plan that meets the Board of Commissioners’ operating and capital reserve requirements.

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In 2019 the Maintenance team initiated 24 data-based campaigns to improve fleet reliability. These included new quality assurance processes for preventative maintenance and following repairs; a new process to address operator concerns; a more comprehensive wheel installation and brake retorque process; new hardware to test and document the integrity of brake systems; a process to continuously evaluate inspection points on the fleet; a new life cycle replacement process; and more staff dedicated to preventative maintenance inspections.

Pierce Transit
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	<u>\$ 3,368,552</u>	<u>\$ 3,393,572</u>	<u>\$ 3,095,083</u>	<u>\$ 2,775,078</u>	<u>\$ 2,407,649</u>
Contributions in relation to the statutorily or contractually required contributions	<u>\$ 3,368,552</u>	<u>\$ 3,393,572</u>	<u>\$ 3,095,083</u>	<u>\$ 2,775,078</u>	<u>\$ 2,407,649</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll**	<u>\$ 67,662,518</u>	<u>\$ 66,326,248</u>	<u>\$ 62,554,076</u>	<u>\$ 59,829,190</u>	<u>\$ 53,375,452</u>
Contributions as a percentage of covered payroll	<u>4.98%</u>	<u>5.12%</u>	<u>4.95%</u>	<u>4.64%</u>	<u>4.51%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

**2015 Covered Payroll corrected to reflect correct reporting period

Pierce Transit
Schedule of Employer Contributions
PERS 2/3
For the year ended December 31, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	<u>\$ 5,155,760</u>	<u>\$ 4,959,391</u>	<u>\$ 4,223,914</u>	<u>\$ 3,542,370</u>	<u>\$ 3,025,923</u>
Contributions in relation to the statutorily or contractually required contributions	<u>\$ 5,155,760</u>	<u>\$ 4,959,391</u>	<u>\$ 4,223,914</u>	<u>\$ 3,542,370</u>	<u>\$ 3,025,923</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll**	<u>\$ 67,465,766</u>	<u>\$ 65,959,038</u>	<u>\$ 62,059,236</u>	<u>\$ 59,266,162</u>	<u>\$ 52,817,995</u>
Contributions as a percentage of covered payroll	<u>7.64%</u>	<u>7.52%</u>	<u>6.81%</u>	<u>5.98%</u>	<u>5.73%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

**2015 Covered Payroll corrected to reflect correct reporting period

Pierce Transit
Schedule of Employer Contributions
TERS
For the year ended December 31, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 80,250	\$ 66,435	\$ 73,472	\$ 69,704	\$ 54,225
Contributions in relation to the statutorily or contractually required contributions	\$ 80,250	\$ 66,435	\$ 73,472	\$ 69,704	\$ 54,225
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 707,336	\$ 589,238	\$ 680,300	\$ 645,406	\$ 502,081
Contributions as a percentage of covered payroll	11.35%	11.27%	10.80%	10.80%	10.80%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

Pierce Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.500234%	0.470955%	0.489281%	0.482721%	0.479064%
Employer's proportionate share of the net pension liability	\$ 19,235,773.00	\$ 21,033,010	\$ 23,216,765	\$ 25,924,391	\$ 25,059,502
Covered payroll**	\$ 67,342,562.26	\$ 64,592,987	\$ 60,959,719	\$ 57,083,737	\$ 52,159,102
Employer's proportionate share of the net pension liability as a percentage of covered payroll	<u>28.56%</u>	<u>32.56%</u>	<u>38.09%</u>	<u>45.41%</u>	<u>48.04%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.12%</u>	<u>63.22%</u>	<u>61.24%</u>	<u>57.03%</u>	<u>59.10%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

Pierce Transit
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.639412%	0.594352%	0.617009%	0.605330%	0.603019%
Employer's proportionate share of the net pension liability	\$ 6,210,865.00	\$ 10,148,031	\$ 21,438,113	\$ 30,477,887	\$ 21,546,213
Covered payroll**	\$ 67,064,474.00	\$ 64,157,443	\$ 60,435,521	\$ 56,544,917	\$ 51,566,025
Employer's proportionate share of the net pension liability as a percentage of covered payroll**	<u>9.26%</u>	<u>15.82%</u>	<u>35.47%</u>	<u>53.90%</u>	<u>41.78%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.77%</u>	<u>95.77%</u>	<u>90.97%</u>	<u>85.82%</u>	<u>89.20%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

Pierce Transit
Schedule of Proportionate Share of the Net Pension Liability
TERS
As of December 31, 2018
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.232390%	0.281450%	0.272970%	0.220880%	-0.001525%
Employer's proportionate share of the net pension liability	\$ 294,290	\$ (119,702)	\$ 274,143	\$ 206,402	\$ (21,186)
Covered payroll**	\$ 483,819	\$ 589,740	\$ 680,300	\$ 645,406	\$ 502,081
Employer's proportionate share of the net pension liability as a percentage of covered payroll	<u>60.83%</u>	<u>-20.30%</u>	<u>40.30%</u>	<u>31.98%</u>	<u>-4.22%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>92.81%</u>	<u>102.53%</u>	<u>93.91%</u>	<u>93.94%</u>	<u>100.71%</u>

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.



Because of its dedication to financial sustainability, Pierce Transit maintains a balanced budget, meets reserve requirements set by its Board of Commissioners, and continues to carry no debt. Over the course of the past three years, the agency has adopted both a new financial management system designed to eliminate redundant data entry, and a new project management software system to increase efficiencies.

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

This part of Pierce Transit’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Pierce Transit’s overall financial health. This information presented in this section has not been audited.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Financial Trends
Net Position by Component
2010 - 2019**

	Invested in Capital Assets	Unrestricted	Total
2010	\$127,352,648	\$102,221,188	\$229,573,836
2011	\$120,444,631	\$ 98,748,344	\$219,192,975
2012	\$113,079,561	\$106,645,685	\$219,725,246
2013	\$108,630,726	\$118,769,536	\$227,400,262
2014	\$108,863,153	\$127,191,451	\$236,054,604
2015	\$110,277,027	\$ 80,587,979	\$190,865,006
2016	\$103,796,164	\$ 86,625,478	\$190,421,642
2017	\$ 98,503,799	\$ 82,934,624	\$181,438,423
2018	\$109,854,158	\$ 88,990,467	\$198,844,625
2019	\$122,739,121	\$ 97,123,689	\$219,862,810

**Financial Trends
Expense Comparisons by Type
2010– 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Personnel	\$82,910,872	\$82,413,780	\$76,615,405	\$74,160,441	\$79,508,733	\$81,104,494	\$90,104,950	\$92,928,926	\$88,609,702	\$93,427,970
Fuel & Lubricants	7,409,316	10,620,144	8,698,804	7,409,160	7,529,537	5,518,422	4,721,708	5,341,710	5,899,707	5,894,374
Supplies & Materials	5,534,848	6,200,926	5,683,897	5,011,098	5,706,244	6,658,429	7,846,725	10,536,061	9,904,478	9,131,566
Contracts & Services	22,341,235	22,749,993	20,721,754	20,533,637	22,116,142	21,837,695	25,272,731	26,052,672	26,574,858	29,570,846
Depreciation & Amortization	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559	19,198,491	19,080,300
Capital Acquisition	13,841,193	8,850,528	6,540,446	10,954,738	16,267,985	17,767,302	14,404,102	13,656,384	32,322,861	32,602,693
Loss Disposal of Assets	-	-	-	-	-	-	-	-	1,420,030	-
030Debt Service	-	-	-	-	-	-	-	-	-	-
Principal Interest Expense	-	-	-	-	-	-	-	-	-	-
Previously Capitalized Items	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873	5,447	127
Grant Exchange Funds	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312	879,816	1,143,468
Total	\$146,360,722	\$147,046,227	\$132,702,823	\$133,921,921	\$146,971,768	\$149,708,917	\$161,894,506	\$167,689,497	\$184,815,390	\$190,851,344

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Financial Trends
Changes in Net Position
2010 – 2019**

Operating Revenue	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Passenger Fares	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563	\$12,014,669	\$11,820,799
Advertising	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090	334,350	468,865
Regional Transit Service	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818	48,337,317	51,063,462
Total Operating Revenue	39,753,579	44,499,060	43,858,454	46,650,262	49,186,181	49,618,720	53,004,013	55,023,471	60,686,336	63,353,126
Non-Operating Revenue										
Sales Tax	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746	87,679,018	90,647,576
Operating Grants	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468	4,038,035	4,427,104
Investment Revenue	346,746	100,949	198,874	151,610	115,634	190,114	650,061	977,716	2,246,988	2,048,424
Miscellaneous Revenue	3,209,822	5,280,795	4,934,093	4,096,482	3,317,254	1,330,092	2,136,898	2,106,020	2,258,510	2,468,303
Gain(Loss)on Disposal of Assets	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173	(1,420,030)	763,500
Total Non-Operating Revenue	79,189,348	79,976,826	80,319,830	78,136,757	82,389,771	82,535,073	93,314,456	88,973,123	94,802,521	100,354,907
Total Revenue	118,942,927	124,475,886	124,178,284	124,787,019	131,575,952	132,153,792	146,318,469	143,996,594	155,488,857	163,708,033
Operating Expense										
Fixed Route	96,282,650	98,836,124	90,192,642	86,365,065	92,989,803	93,589,034	105,737,573	111,514,727	111,136,301	117,728,594
Demand Response	17,597,639	18,513,933	17,229,379	16,609,716	17,555,294	17,347,709	17,872,486	18,744,963	14,938,131	15,453,604
Vanpool	4,315,982	4,634,786	4,297,219	4,139,555	4,315,559	4,182,296	4,335,728	4,599,679	4,914,313	4,842,558
Depreciation & Amortization	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559	19,198,491	19,080,300
Total Operating Expense	131,024,895	136,509,254	125,151,137	121,860,478	129,543,849	131,411,446	145,235,461	153,551,928	150,187,236	157,105,056
Non-Operating Expense										
Expense of Capital Items	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873	5,447	127
Interest Expense	-	-	-	-	-	-	-	-	-	-
Grant Exchange Funds	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312	879,816	1,143,468
Total Non-Operating Expense	1,496,634	2,016,445	1,010,620	1,106,705	1,159,934	530,168	2,254,943	481,185	885,263	1,143,595
Total Expense	132,519,529	138,525,699	126,162,377	122,967,183	130,703,783	131,941,614	147,490,404	154,033,113	151,072,499	158,248,651
Net Position before Contribution	(13,576,602)	(14,049,813)	(1,984,093)	1,819,836	872,169	212,178	(1,171,935)	(10,036,519)	4,416,358	5,459,382
Capital Grants	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571	1,053,300	12,989,844	15,558,803
Change in Net Position	\$(4,434,137)	\$(10,380,861)	\$(532,272)	\$ 7,675,015	\$ 8,654,342	\$2,609,976	\$(443,364)	\$(8,983,219)	\$17,406,202	\$21,018,185

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Revenue Capacity
Revenue and Subsidies Comparisons
2010 – 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Passenger Fares	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563	\$12,014,669	\$11,820,799
Regional Transit Service	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818	48,337,317	51,063,462
Advertising	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090	334,350	468,865
Interest						190,114	650,061	977,716	2,246,988	2,048,424
Income	346,746	99,912	198,874	151,610	115,634					
Sales Tax	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746	87,679,018	90,647,576
Operating Subsidies	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468	4,038,035	4,427,104
Capital Grants	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571	1,053,300	12,989,844	15,558,803
Gain on Disposal of Assets	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173	-	763,500
Miscellaneous	3,209,822	5,280,795	4,934,093	4,096,480	3,317,254	1,330,092	2,136,898	2,106,020	2,258,510	2,468,303
Total	<u>\$128,085,392</u>	<u>\$128,144,838</u>	<u>\$126,694,649</u>	<u>\$130,642,196</u>	<u>\$139,358,125</u>	<u>\$134,551,591</u>	<u>\$147,047,040</u>	<u>\$145,049,894</u>	<u>\$169,898,731</u>	<u>\$179,266,836</u>

**Revenue Capacity
Fixed Route Farebox Recovery
2010 – 2019**

<u>Year</u>	<u>Farebox Recovery</u>
2010	17%
2011	15%
2012	16%
2013	18%
2014	17%
2015	17%
2016	13%
2017	13%
2018	13%
2019	12%

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Revenue Capacity
Fare History
2010 - 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash Fares										
Adult	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$2.00	\$2.00	\$2.00
Senior/Disabled/Youth Bus	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00
Passes										
Adult Pass	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass	27.00	27.00	27.00	27.00	27.00	27.00	36.00	36.00	63.00	63.00
Adult All Day Pass	-	-	-	-	-	5.00	5.00	5.00	5.00	5.00
Senior/Disabled Day Pass	-	-	-	-	-	2.50	2.50	2.50	2.50	2.50
Youth All Day Pass	-	-	-	-	-	2.50	2.50	2.50	2.50	2.50
Transfers	Free	Free	Free	Free	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated

**Revenue Capacity
2010 & 2019 Taxable Sales Comparisons
Pierce County**

	2010		2019	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,342,227,308	\$32,854,865	\$ 8,951,608,625	\$ 43,877,182
Services	1,873,101,049	11,519,630	3,417,972,401	16,679,154
Contracting	1,648,315,558	10,137,192	3,493,696,744	17,135,529
Manufacturing	198,740,201	1,222,258	285,069,283	1,398,179
Transportation/Utilities	45,221,655	278,116	83,161,135	407,880
Wholesaling	663,100,667	4,078,090	939,524,923	4,532,379
Finance/Insurance/Real Estate	848,646,357	5,219,202	1,303,387,847	6,526,625
Other Business	4,796,619	29,499	7,363,087	90,648
TOTAL	\$ 10,624,149,414	\$ 65,338,852	\$ 18,481,784,045	\$90,647,576

Source: WA ST Department of Revenue Quarterly Business Review

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Debt Capacity
Legal Debt Margin
2019**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$59,976,079,571	\$59,760,674,624
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 224,910,298	\$ 747,008,430
Less: Outstanding Debt	-	-
Debt Margin	\$ 224,910,298	\$ 747,008,430

* The maximum debt capacity includes both non-voted and voted debt.

**Debt Capacity
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
2010 – 2019**

	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
2010	795,225	45,155,305	-	-	-
2011	802,150	41,959,937	-	-	-
2012	808,200	33,245,935	-	-	-
2013	814,500	34,481,782	-	-	-
2014	821,300	36,980,312	-	-	-
2015	830,120	39,008,715	-	-	-
2016	861,310	42,832,915	-	-	-
2017	876,764	47,849,779	-	-	-
2018	891,299	54,227,667	-	-	-
2019	904,890	59,976,079	-	-	-

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Debt Capacity
Computation of Direct and Overlapping Debt
2019**

	- Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	212,000,000	30.54%	64,744,800
Pierce County	145,449,000	42.27%	61,481,292
			\$126,226,092
 PTBA Population			 569,490
 Direct Debt as a % of Personal Income			 .0000%
Direct and Overlapping Debt per Capita			\$ -

*Applicable percentage determined by the ratio of assessed valuation in overlapping unit to assessed valuation in Pierce Transit's service area.

**Demographic and Economic Information
Pierce County Demographic and Economic Information
2010 – 2019**

Fiscal Year Dec 31	Pierce County Population	Median Household Income (1)	Personal Income (2) (In Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2010	795,225	55,531	31,625,073	39,761	138,687	10.2
2011	802,150	56,114	33,117,849	40,992	132,480	9.8
2012	808,200	57,162	35,232,946	43,407	134,616	8.9
2013	814,500	57,840	36,054,002	43,982	127,766	8.1
2014	821,300	59,998	36,282,818	43,613	129,803	7.3
2015	830,120	59,953	37,957,559	45,044	128,800	6.8
2016	861,310	61,042	40,228,355	46,706	134,810	6.3
2017	876,764	65,246	43,148,793	49,214	134,816	5.4
2018	891,299	69,278	46,449,056	52,114	136,159	5.7
2019	904,890	75,407	N/A	N/A	137,032	5.0

Sources: (1) Washington State Office of Financial Management
(2) US Census Bureau
(3) Superintendent of Public Instruction

(4) Washington State Department of Employment
(*) Not Available

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Principal Employers
Comparisons of Employees and Percent to Total Employment
2019 and 2010**

Top Ten Employers for 2019

Employer	Employees	Percent of Total County Employment	Type
Joint Lewis McChord	54,000	6.0%	Military
MultiCare Health	8,264	0.9%	Health Care
Washington State	7,745	0.8%	Government
Franciscan Health	5,862	0.7%	Health Care
City of Tacoma & Utilities	3,653	0.5%	Government
Tacoma Public Schools	3,481	0.4%	Education
Emerald Queen Casino	3,422	0.4%	Entertainment
Pierce County Government	3,118	0.3%	Government
Puyallup School District	2,690	0.2%	Government
Bethel School District	2,565	0.2%	Government
Total	94,800	10.4%	
2019 Pierce County Population	<u>904,980</u>		

Top Ten Employers for 2010

Employer	Employees	Percent of Total County Employment	Type
Federal Government	58,189	15.9%	Military
Local Government	35,410	9.6%	Government
MultiCare Health	6,410	1.7%	Health Care
Franciscan Health	5,028	1.4%	Health Care
Emerald Queen	2,105	0.6%	Entertainment
Boeing	1,440	0.4%	Business
Walmart	1,406	0.4%	Retail
Fred Meyer	1,301	0.3%	Retail
Costco	1,151	0.3%	Retail
Safeway Stores	1,123	0.3%	Retail
Total	113,563	30.9%	
2010 Pierce County Population	<u>367,170</u>		

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

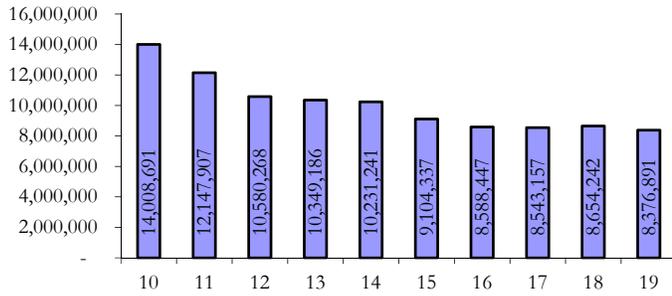
**Operating Information
Pierce Transit Employee by Function
2010 - 2019**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operations	674	598	575	572	601	631	659	692	675	676
Maintenance	161	144	132	127	136	142	149	155	152	154
Administration	144	139	109	94	99	97	110	113	111	113
	979	881	816	802	836	870	918	960	938	943

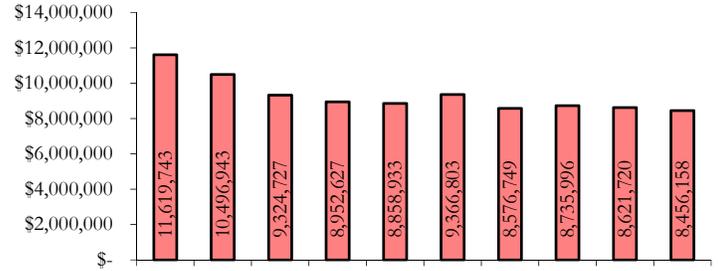
**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Operating Information
Fixed Route Statistics
2010 – 2019**

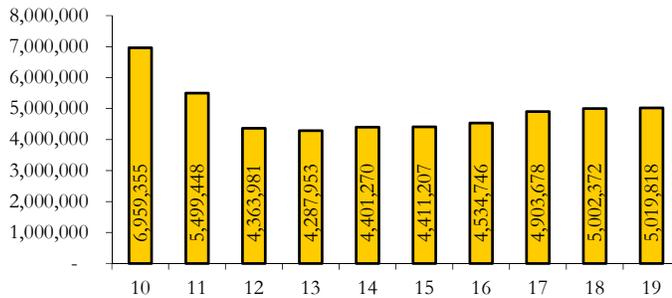
Annual Boardings



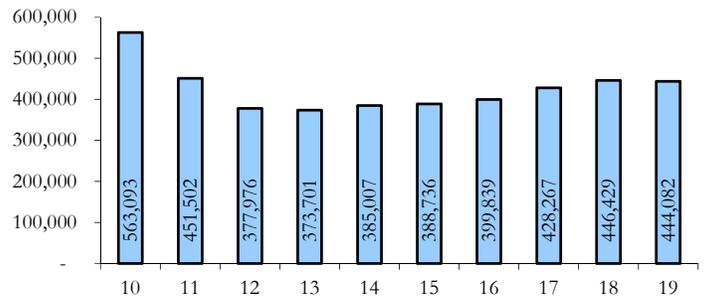
Annual Passenger Fare Revenues



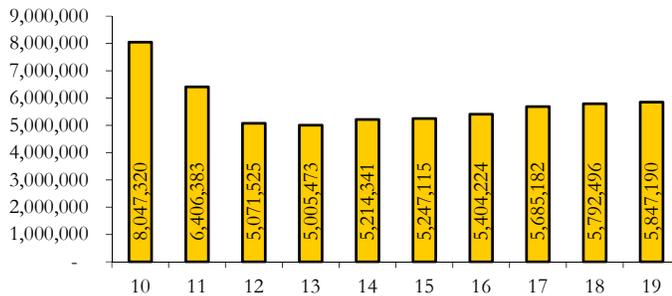
Actual Revenue Miles



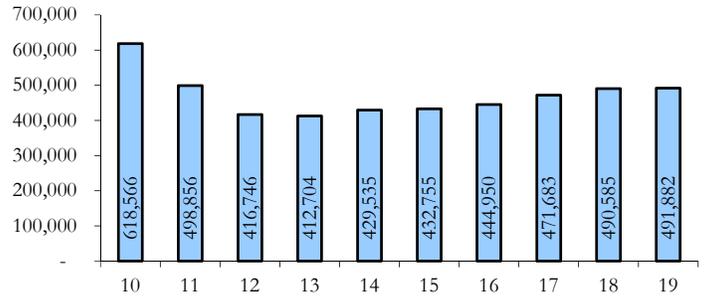
Actual Revenue Hours



Service Miles



Service Hours

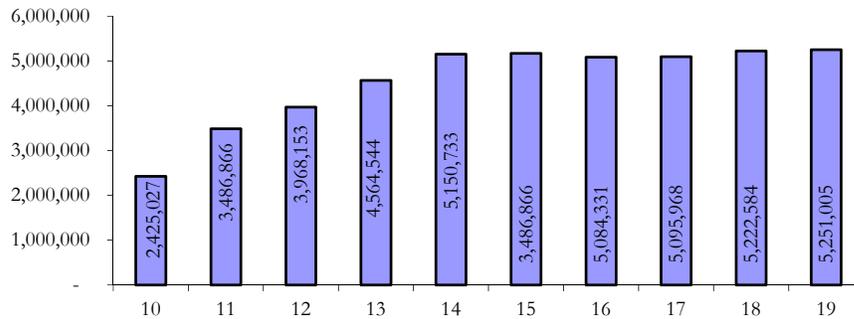


Source: National Transit Database (NTD)

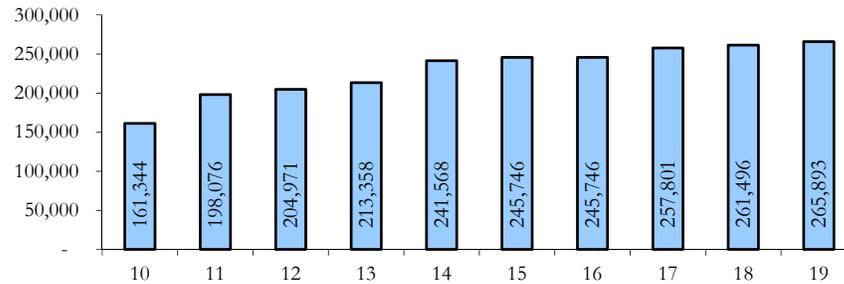
**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Operating Information
Sound Transit
Fixed Route Statistics
2010 – 2019**

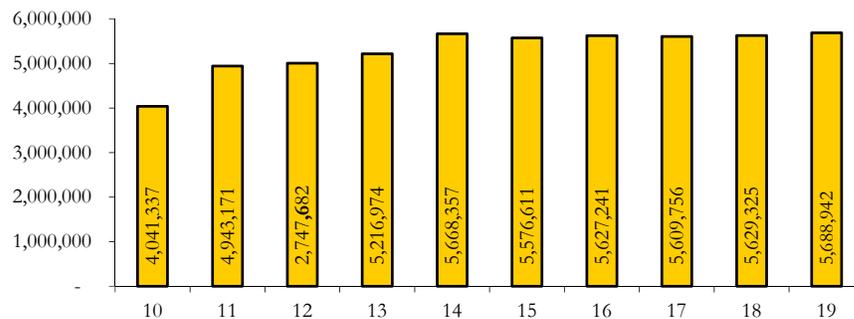
Annual Boardings



Revenue Hours



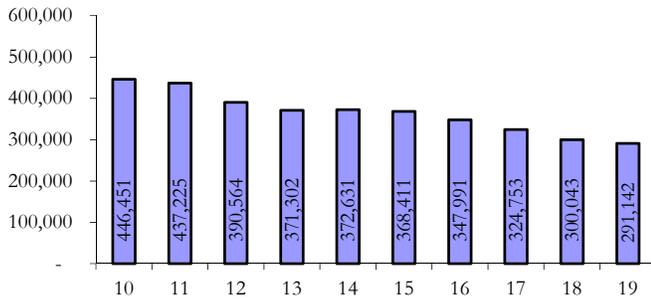
Revenue Miles



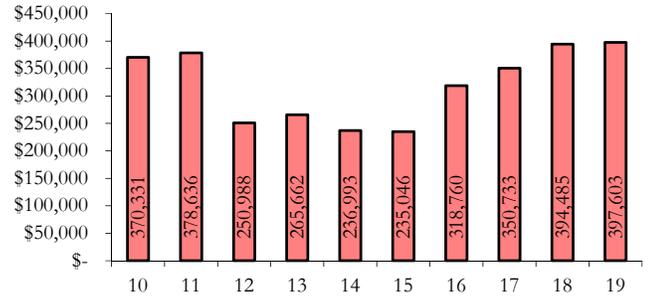
**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Operating Information
Specialized Transportation (SHUTTLE)
2010 – 2019**

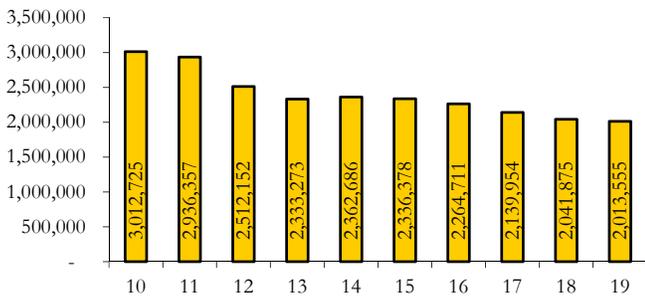
Annual Boardings



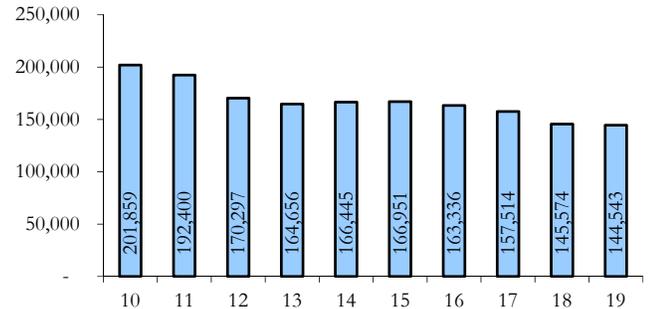
Annual Passenger Fare Revenues



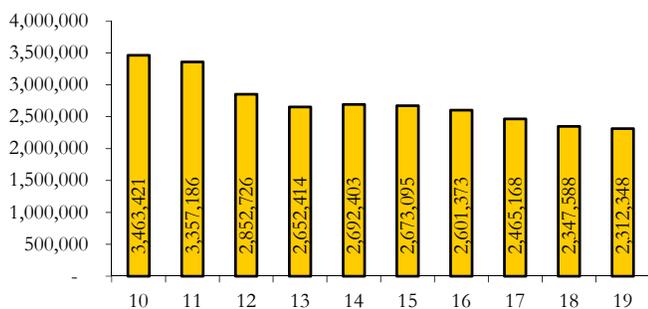
Actual Revenue Miles



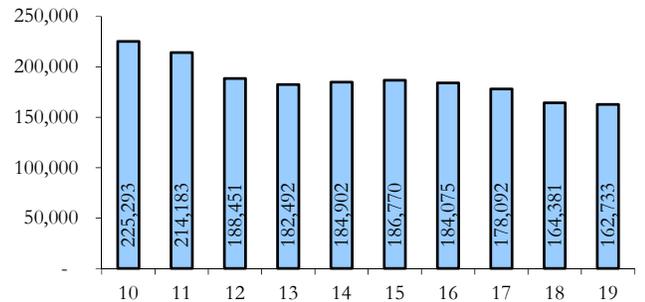
Actual Revenue Hours



Service Miles



Service Hours

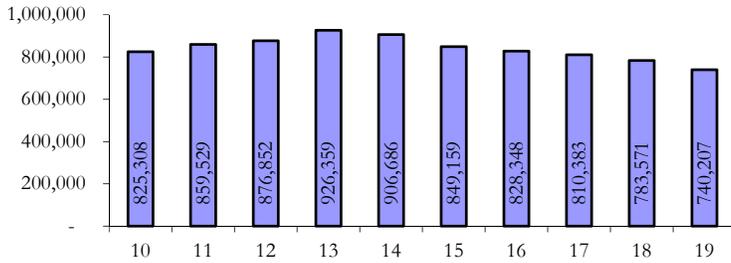


Directly operated and purchased transportation services.
Source: National Transit Database (NTD)

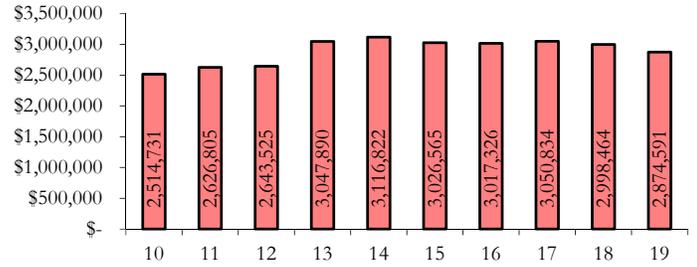
**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Operating Information
Vanpool Statistics
2010 – 2019**

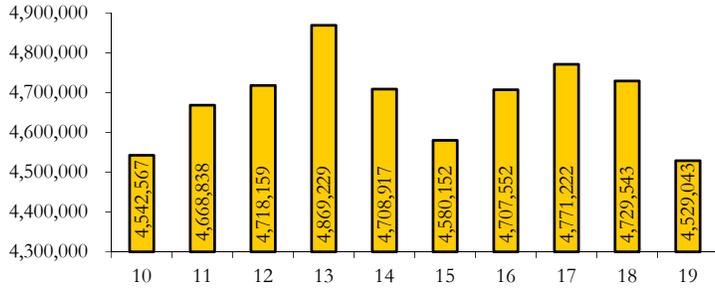
Annual Boardings



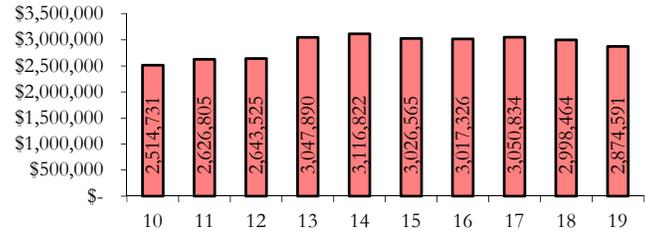
Annual Passenger Fare Revenues



Revenue/Service Miles



Annual Passenger Fare Revenues



Source: National Transit Database (NTD)

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Operating Information
Key Performance Measures
2010 – 2019**

FIXED ROUTE:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Annual Boardings	14,008,691	12,147,907	10,580,268	10,349,186	10,231,241	9,104,337	8,588,447	8,543,157	8,654,242	8,376,891
Cost per Service Hour	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13	\$ 124.71	\$ 130.55	\$ 143.34	\$ 144.54	\$ 141.15	\$ 144.00
Farebox Recovery	17%	16%	16%	18%	17%	17%	13%	13%	13%	12%
Passengers per Service Hour	22.6	24.4	25.4	25.1	23.8	21	19.3	18.1	17.6	17
Cost per Passenger	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75	\$ 5.24	\$ 6.21	\$ 7.43	\$ 7.98	\$ 8.00	\$ 8.46
SHUTTLE:										
Annual Boardings	446,451	437,225	390,564	371,302	372,631	368,411	347,991	324,753	300,043	291,142
Cost per Service Hour	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02	\$ 94.94	\$ 92.88	\$ 98.07	\$ 105.25	\$ 90.88	\$ 94.96
Farebox Recovery	2%	2%	2%	2%	1%	1%	2%	2%	3%	3%
Passengers per Service Hour	2	2	2.1	2	2	2	1.9	1.8	1.8	1.8
Cost per Passenger	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.73	\$ 47.11	\$ 47.09	\$ 51.88	\$ 57.72	\$ 49.79	\$ 53.08
VANPOOL:										
Annual Boardings	825,308	859,529	876,852	926,359	906,686	849,159	828,348	810,383	783,571	740,207
Cost per Service Hour	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67	\$ 30.77	\$ 29.20	\$ 29.66	\$ 31.27	\$ 33.45	\$ 35.61
Farebox Recovery	58%	63%	62%	74%	72%	72%	69%	66%	61%	59%
Passengers per Service Hour	6	6.1	6.2	6.4	6.5	5.9	5.6	5.5	5.3	5.4
Cost per Passenger	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47	\$ 4.76	\$ 4.93	\$ 5.26	\$ 5.68	\$ 6.27	\$ 6.54

Service hours are defined as the hours and miles a vehicle is on the road (including revenue, recovery and deadhead).

**Operating Information
Vehicles Available for Maximum Service
2010 – 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pierce Transit Buses	182	182	173	177	175	176	195	200	211	197
SHUTTLE Vans	171	167	100	100	97	97	97	100	99	122
Vanpool Vans	326	326	347	371	381	405	439	456	483	412
	679	675	620	648	653	678	731	756	756	731

**Pierce Transit
Statistical Section
Year ended December 31, 2019 and 2018**

**Grant Information
Capital Grant History
2010 - 2019**

FTA	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Section 3	\$ -	\$ -	\$ 27,944	\$ 62,692	\$ 1,183,372	\$ 329,438	\$ 823	\$ -	\$ 2,661,287	\$ 223,348
Section 4	-	-	20,808	3,339,533	1,460,896	535,952	246,507	47,016	1,683,887	55,454
Section 9	6,741,534	1,886,861	1,931,405	915,379	4,461,195	579,872	392,673	679,887	7,191,511	9,087,443
Other	82,380	383,078	17,256	1,394,913	-	-	88,568	326,397	111,605	810,240
WA STATE										
Misc Grants	478,620	1,125,916	473,901	142,662	676,710	952,536	-	-	525,077	2,518,313
LOCAL										
Partnerships	1,839,931	(26,903)	45,050	-	-	-	-	-	816,477	2,864,005
Totals	\$ 9,142,465	\$ 3,368,952	\$ 2,516,364	\$ 5,855,179	\$ 7,782,173	\$ 2,397,798	\$ 728,571	\$ 1,053,300	\$ 12,989,844	\$ 15,558,803

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MISSION: Your preferred transportation choice for today and tomorrow.

VISION: Pierce Transit improves people's quality of life by providing safe, reliable, innovative and useful transportation services that are locally based and regionally connected.



 **Pierce Transit**

3701 96th St. SW, Lakewood, WA 98499-4431

PierceTransit.org

