



Pierce Transit

Comprehensive Annual Financial Report



Years Ended
December 31, 2018 & December 31, 2017
Pierce County, Washington



Comprehensive Annual Financial Report

Years Ended December 31, 2018 & December 31, 2017
Pierce County, Washington

Sue Dreier
Chief Executive Officer

Prepared by The Finance Division

Brett Freshwaters
Chief Financial Officer

Liz Passmore
Finance Manager



In 2018, Pierce Transit provided 9.8 million rides to people in the community, getting them to jobs, medical appointments, social events, shopping and much more. Inside are a few of the agency's highlights.

**Pierce Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2018 and 2017**

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Financial Section

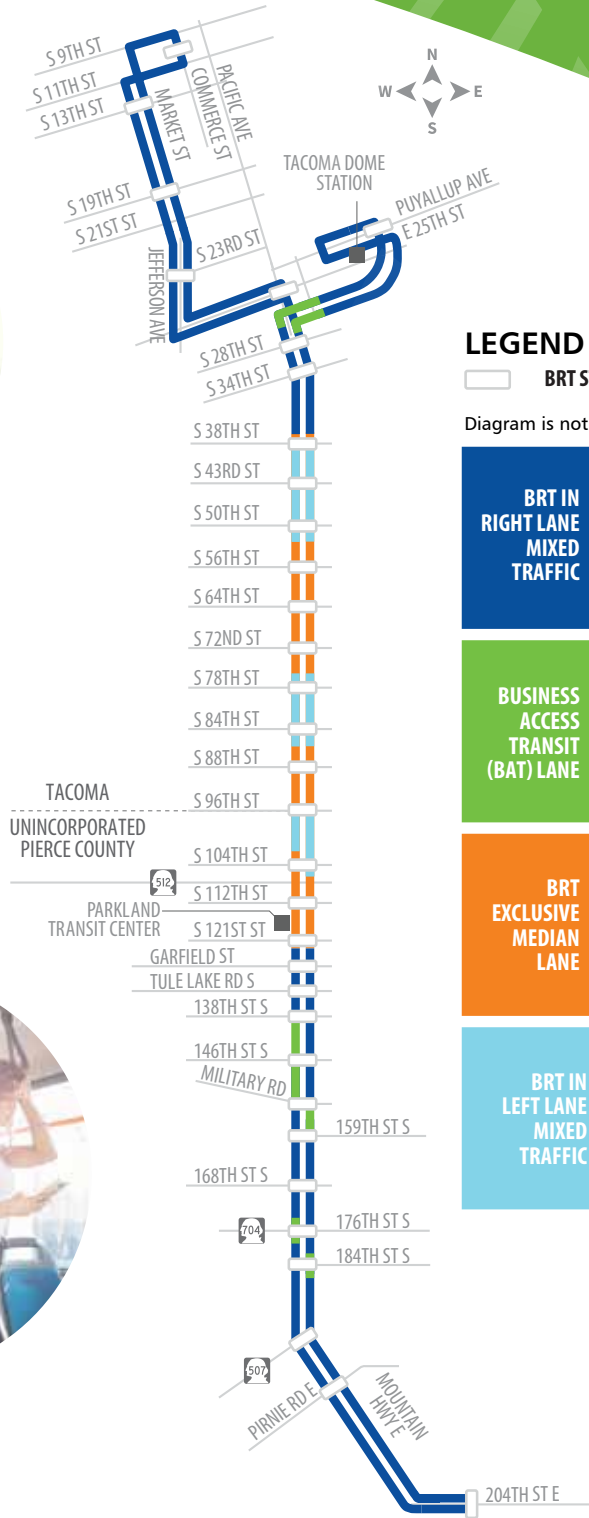
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Throughout the year Pierce Transit continued planning for the South Sound’s first **Bus Rapid Transit (BRT)** line between downtown Tacoma and Spanaway, including reaching out to community members to tell them about the project and gather feedback. The map above shows the routing for the new BRT, which is currently in the preliminary engineering and environmental documentation phase.



June 24, 2019

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, 2018. 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, 2018. 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 36 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 13 routes for Sound Transit service. In 2018, Pierce Transit fixed route services carried 8.7 million passengers while Sound Transit services operated by Pierce Transit carried 5.2 million passengers for a combined total of 13.9 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 2018, total ridership was 300,043.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to a fleet of 368 vans with 2,943 daily weekday riders. With 783,571 annual passenger boardings, the vanpool program accounted for 6% of the Agency's total ridership in 2018 (excluding Sound Transit ridership).

Strategic Plan

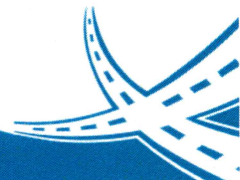
Pierce Transit's Strategic Plan aligns its mission, vision and goals with the Board of Commissioners strategic direction. The agency developed a new Strategic Plan in 2017 that established four major objective areas with major underlying themes:

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 future plans as aligned with the Strategic Plan and other documents. The forecast model builds on the budget as a base for future years.

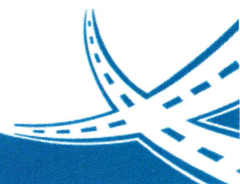
The 2019 Budget includes fixed route service levels of 500,130 service hours, which maintains the service hours from 2018. Pierce Transit implemented a comprehensive route analysis and service enhancement project in 2017 in two phases. Staff continue to analyze the effectiveness of the changes to determine if further changes would benefit customers.

Major projects in 2019 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
- Transit center enhancements and refresh
- CAD/AVL system replacement
- Collision avoidance warning system implementation
- Bus Rapid Transit development
- Micro Transit
- Employee wellness
- Employee professional development

III. ECONOMIC CONDITION AND OUTLOOK

The U.S. economic outlook is healthy for 2019 with gross domestic product (GDP) expected to continue to grow at a modest rate of 2.5 percent, a slight decrease following the economic stimulus of the tax reform act. Consumer confidence remains at fairly high levels, buoyed by a healthy labor market with historical low unemployment and



continued stable inflation in most sectors. Oil prices are expected to stay flat or increase slightly, housing prices are moderating and even falling slightly in some areas, and unemployment should remain relatively low in most parts of the country and Washington state.

While national policies, particularly trade related policies, have an impact on Washington State, local economic conditions and retail spending play major roles in the generation of sales tax revenue, which is Pierce Transit's primary operating revenue source. Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue. Sales tax contributed 57% of total operating revenues in 2018 (82% excluding Sound Transit regional transit service revenue) and is expected to generate over \$93 million in revenue in 2019, an increase of 6.5%.

Pierce Transit's sales tax collections improved during 2018, with actual year-end collections up 7.2% over 2017. Sales tax growth has slowed down in 2019, with collections up 2.5% over 2018 actual collections for the same period. Retail sales were most likely negatively impacted in February with the historic snow storm. Retail spending should continue growing in 2019 with continuing wage and disposable income growth, together with growth in jobs and historically low unemployment. The average 2018 Pierce County unemployment rate was 5.2%, compared to a historical average of 6.9%, and a forecast of approximately 5% for 2019.

Factors contributing to continued growth in Pierce County include the Port of Tacoma with continued growth in container volumes, affordable housing (compared to King County), and continued growth of major employers such as Amazon, Microsoft and Boeing. These factors are expected to contribute to a modest growth in Pierce Transit's sales tax revenue. However, continued uncertainty around trade and tariffs may negatively impact our local and state economy.


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, 2017. This was the 34th 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.

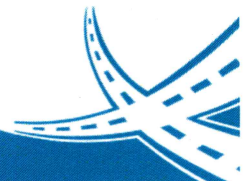
Grateful acknowledgement is made to the entire staff of the Finance and Marketing Departments for their assistance in preparing this report. Special acknowledgement is also made to the Office of the State Auditor to provide a timely audit and opinion so that this CAFR could be submitted to the Government 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, 2017

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.



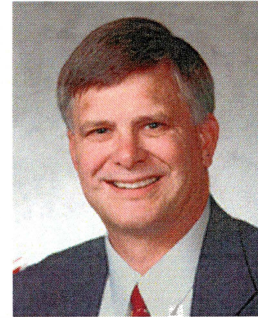
**Commissioner
Nancy Henderson,
Chair**

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



**Commissioner
Daryl Eiding,
Vice Chair**

**Mayor of Edgewood
Representing Fife,
Milton and Edgewood**



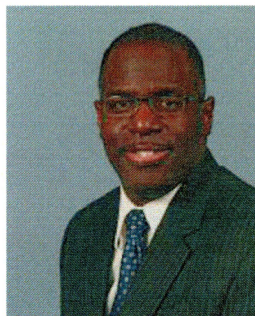
**Commissioner
Don Anderson
Mayor of Lakewood**



**Commissioner
Bruce Dammeier
Pierce County Executive**



**Commissioner
Robin Farris
Puyallup City Council**



**Commissioner
Kent Keel
Mayor of
University Place**



**Commissioner
Ryan Mello
Tacoma City Council**



**Commissioner
Rick Talbert
Pierce County Council**



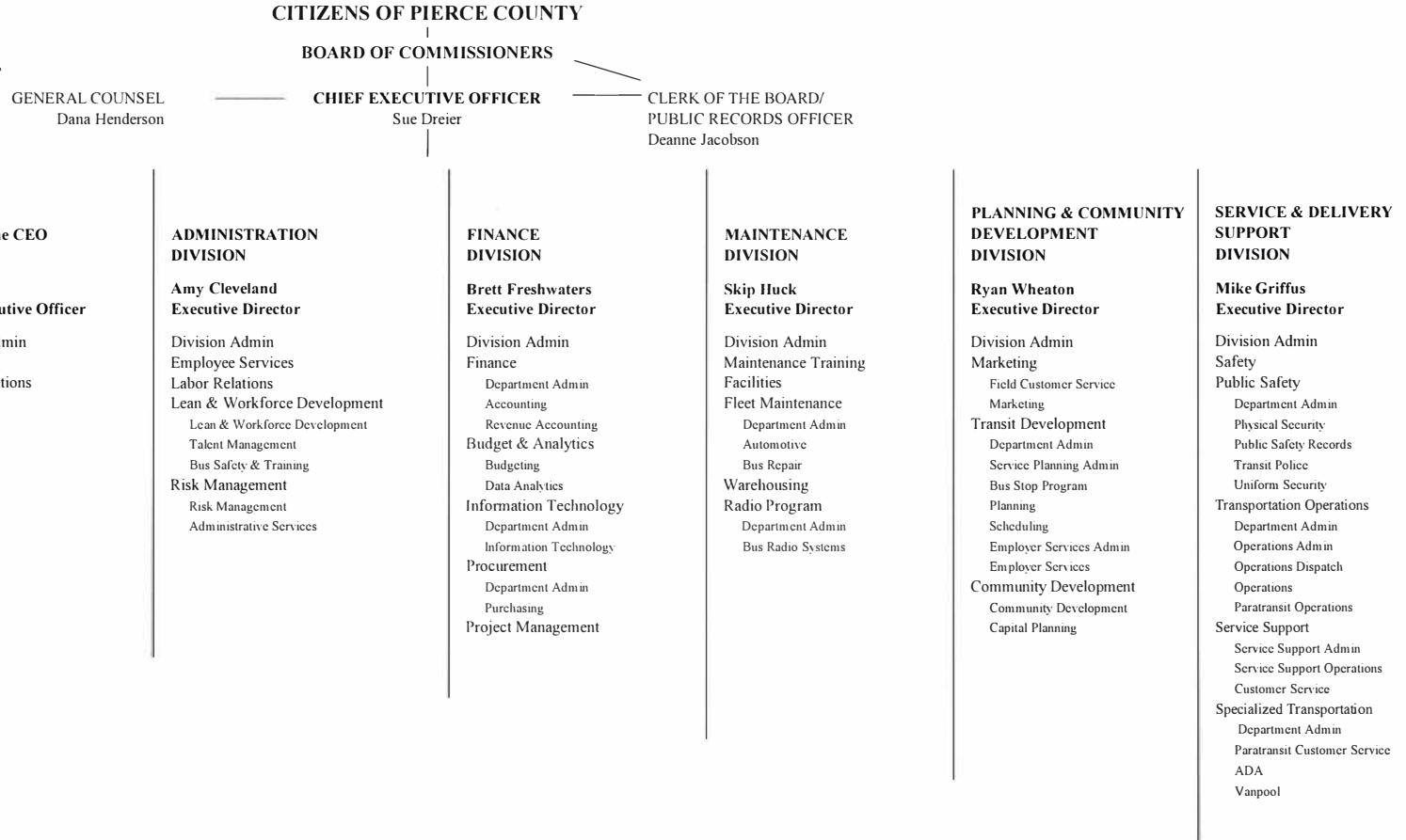
**Commissioner
Victoria Woodards
Mayor of Tacoma**

Vacant

**Non-Voting Union
Representative**



2019 ORGANIZATIONAL CHART



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In 2018, Pierce Transit revealed a new bus wrap that people will see at local events and on routes around the South Sound for the next several years. The theme of the newly-wrapped bus is "South Sound Proud," and it encourages people to "Live Like the Mountain is Out!"

Pierce Transit is "South Sound Proud!" The South Sound Proud campaign is fueled by South Sound Together, a group of more than two dozen local businesses and institutions working together to spread the good news about South Sound through advertising and by sharing stories about what makes this community a great place to live and do business. Pierce Transit CEO Sue Dreier is a member of the South Sound Together Board.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 24, 2019

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, 2018 and 2017, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pierce Transit, as of December 31, 2018 and 2017, and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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.

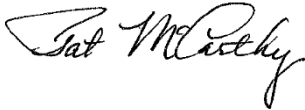
Supplementary and Other Information

Our audit was conducted for the sole 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 is presented for purposes of additional analysis and is 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 24, 2019, 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 Transit Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned to the left of the typed name.

Pat McCarthy

State Auditor

Olympia, WA

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Upgraded LED lighting featured at Tacoma Dome Station.

In 2018, Pierce Transit renovated six transit centers and Park & Rides, including the Tacoma Dome Station (TDS), bringing these important neighborhood assets back to life. TDS underwent a number of upgrades which included: LED lighting, fresh paint, new signage, and various repairs. These new upgrades will help preserve these facilities, and enhance our safety culture for our employees and customers using our stations.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2018 and 2017. 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, 2018 by \$198.8 million (net position) compared to \$181.4 million in 2017 and \$190.4 million in 2016. Investments in capital assets increased by \$11.3 million in 2018, decreased \$5.3 million in 2017 and decreased \$6.5 million in 2016. Pierce Transit's net financial position increased in 2018 due to a \$13.8 million decrease in net pension liabilities. The decrease between 2017 and 2016 was due to an increase in deferred inflows and a decreased in deferred outflows relating to pension liabilities.
- Unrestricted net position 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. Unrestricted net position increased by \$6.0 million in 2016 due to the increase in deferred outflows and the decrease in deferred inflows related to pensions.
- In 2018, deferred outflows decreased to \$6.2 million. In 2017, deferred outflows decreased to \$7.4 million. In 2016, deferred outflows increased to \$10.3 million. The deferred outflows are related to employer pension contributions in accordance with GASB Statements 68 and 71. See Note 5 in the Notes to the Financial Statements.
- In 2018, the deferred inflow for pensions increased by \$5.4 million, a 74% increase over 2017. In 2017, the deferred inflow for all pension plans increased by \$6.2 million, a 517% increase compared to 2016. 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 2018, before contributions was \$4.4 million, compared to a net loss for 2017 of \$10 million and a net loss for 2016 of \$1.2 million. 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. The net loss in 2016 was due to an increase in operating expenses from wage & benefit costs and increases in service hours.

Overview of the Financial Statements

This discussion and analysis is intended to serve 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 similar to 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

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

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 is 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).

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 may serve as a useful indication of the Agency's financial position. Total net position is \$198.8 million, \$181.4 million and \$190.4 million in 2018, 2017 and 2016 respectively. The increase from 2018 to 2017 was due to net income of \$4.4 million and capital contributions of \$13 million.

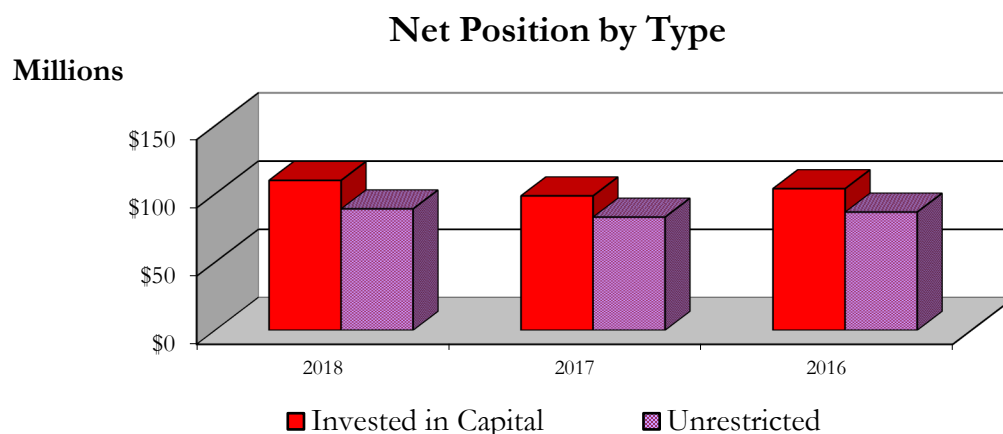
Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

Summary Statement for Net Position
For the years ending December 31, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current Assets	\$ 145,725,463	\$ 150,666,354	\$ 157,234,077
Non-Current Assets	109,854,158	98,503,799	103,796,164
Total Assets	<u>255,579,621</u>	<u>249,170,153</u>	<u>261,030,241</u>
Deferred Outflows	6,222,137	7,360,239	10,274,959
Total Deferred Outflows	<u>6,222,137</u>	<u>7,360,239</u>	<u>10,274,959</u>
Total Assets and Deferred Outflows	<u>\$ 261,801,758</u>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>
Liabilities:			
Current Liabilities	\$ 17,504,618	\$ 21,020,028	\$ 21,155,497
Non-Current Liabilities	32,715,903	46,726,602	58,538,024
Total Liabilities	<u>50,220,521</u>	<u>67,746,630</u>	<u>79,693,521</u>
Deferred Inflows	12,736,612	7,345,339	1,190,037
Total Deferred Inflows	<u>12,736,612</u>	<u>7,345,339</u>	<u>1,190,037</u>
Total Liabilities and Deferred Inflows	<u>\$ 62,957,133</u>	<u>\$ 75,091,969</u>	<u>\$ 80,883,558</u>
Net position:			
Net Investment in Capital Assets	109,854,158	98,503,799	103,796,164
Unrestricted Net Position	88,990,467	82,934,624	86,625,478
Total Net Position	<u>198,844,625</u>	<u>181,438,423</u>	<u>190,421,642</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 261,801,758</u>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>

A large majority of Pierce Transit's 2018 capital assets (\$109.9 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 (\$60.7 million) of the remaining net position balance of \$89 million has been designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs). The remainder of \$28.3 million is available to support future obligations for transportation operations.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017**



**Comparative Statement of Revenue, Expense and Change in Net Position
For the years ended December 31, 2018, 2017 & 2016**

	2018	2017	2016
Operating Revenue:			
Passenger Fares	\$ 12,014,669	\$ 12,137,563	\$ 11,912,836
Advertising	334,350	528,090	669,885
Regional Transit Service	48,337,317	42,357,818	40,421,292
Non-Operating Revenue:			
Subsidies	91,717,053	85,760,214	89,622,942
Other Revenue	4,505,498	3,212,909	3,691,514
Total Revenue	156,908,887	143,996,594	146,318,469
Operating Expense	130,988,745	134,859,369	127,945,787
Non-Operating Expense	2,305,293	481,185	2,254,943
Depreciation	19,198,491	18,692,559	17,289,674
Total Expense	152,492,529	154,033,113	147,490,404
Net Position before Contributions	4,416,358	(10,036,519)	(1,171,935)
Capital Contributions	12,989,844	1,053,300	728,571
Change in Net Position	17,406,202	(8,983,219)	(443,364)
Net Position-Beginning	181,438,423	190,421,642	190,865,006
Net Position-Ending	\$ 198,844,625	\$ 181,438,423	\$ 190,421,642

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

Operating Revenue	2018	2017	2016
Passenger Fares	\$ 12,014,669	\$ 12,137,563	\$ 11,912,836
Advertising	334,350	528,090	669,885
Regional Transit Service	48,337,317	42,357,818	40,421,292
Total Operating Revenue	60,686,336	55,023,471	53,004,013
Non-Operating Revenue			
Operating Subsidies:			
Sales Tax	87,679,018	81,799,746	76,947,406
Operating Grants	4,038,035	3,960,468	12,675,536
Other Non-Operating Revenue:			
Investment Revenue	2,246,988	977,716	650,061
Gain on Sale of Asset	-	129,173	904,555
Miscellaneous Revenue	2,258,510	2,106,020	2,136,898
Total Non-Operating Revenue	96,222,551	88,973,123	93,314,456
Total Revenue	\$ 156,908,887	\$ 143,996,594	\$ 146,318,469

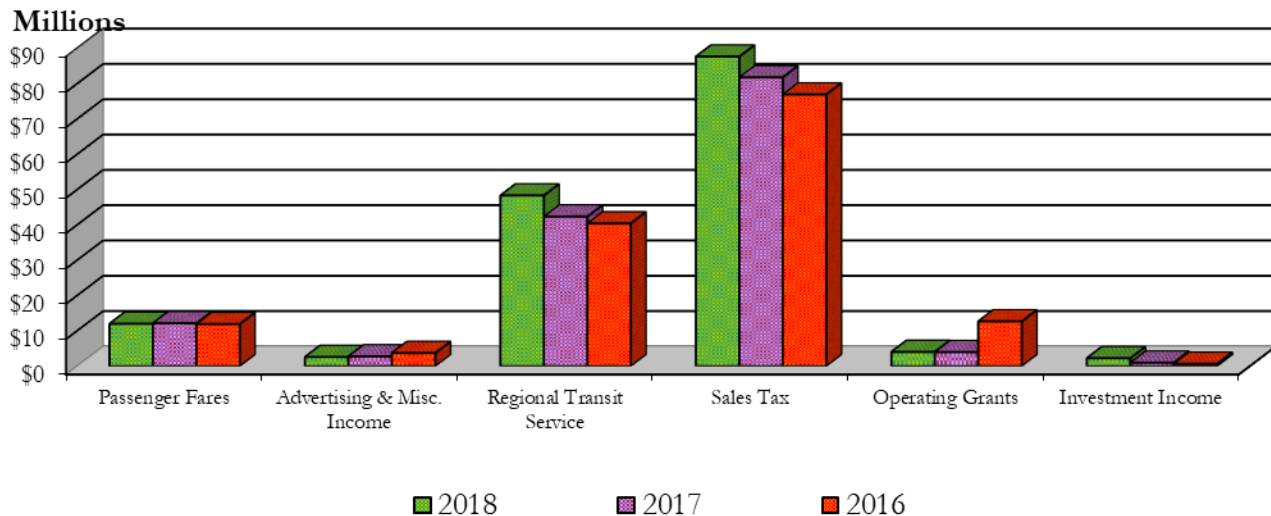
Operating Revenue

- 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 has partnered 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 \$12 million in 2018. Fare revenues in 2017 and 2016 were \$12.1 million and \$11.9 million respectively. The reduction in revenue is due to decrease in ridership in Vanpool and SHUTTLE service in 2018. The increase between 2017 and 2016 was due to a 45,000 service hour increase to provide additional routes and more frequent service. The increase was implemented in two phases, with 35,000 occurring in March 2017, and 10,000 in September 2017.
- Advertising revenues were \$.3 million in 2018 and \$.5 million in 2017. Revenue in 2016 was \$.7 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 \$48.3 million in 2018, increasing 14% due to increases in the service hours Pierce Transit provides and a change in the cost allocation formula. Regional transit service revenues were \$42.4 million and \$40.4 million in 2017 and 2016, respectively.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017**

- Sales tax, accounting for 56% of Pierce Transit's revenue, increased by \$5.9 million, an increase of 7.1% over 2017. The increases in 2016 through 2018 are indicative of a strong local economy with increasing retail sales. Sales tax revenue was \$87.7 million in 2018, as compared to \$81.8 million in 2017 and \$76.9 million in 2016.
- In 2018, operating grant revenue totaled \$4 million and was primarily received from the State of Washington. In 2016 the majority of operating grant revenue was received from the Federal Transit Administration (FTA) for preventive maintenance. In 2017, Pierce Transit reallocated the FTA grants to capital purchases. Operating grants in 2017 totaled \$4 million compared to \$12.7 million in 2016. Operating grant contracts are awarded annually and vary from year to year, based on funds availability and agency needs.
- Investment revenue increased 120% from 2017 earnings. 2018 investment earnings were \$2.2 million compared to \$1 million in 2017 and \$.7 million in 2016. The increase is due to increasing interest rates.

Operating Revenues by Source



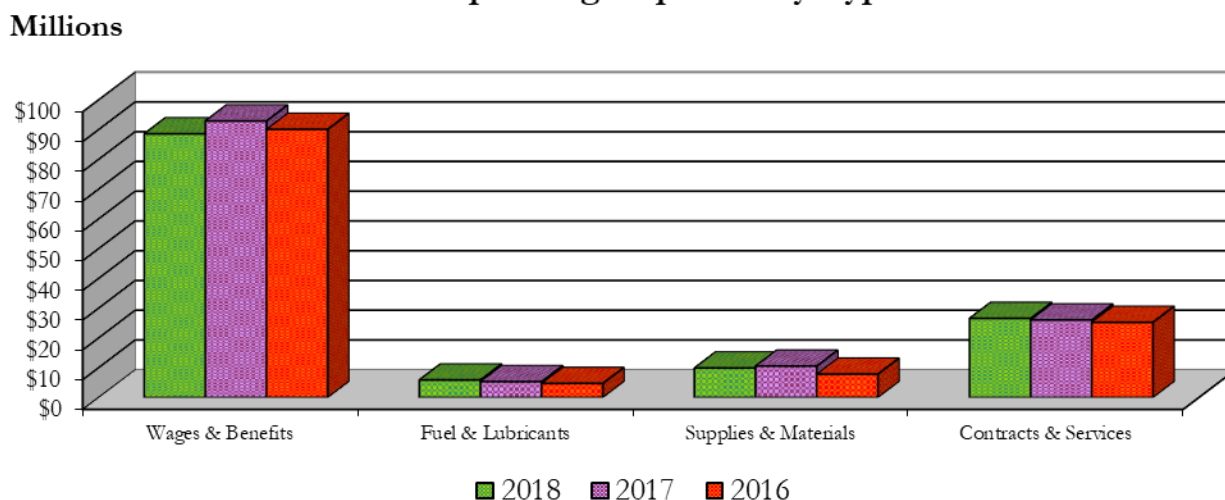
Operating Expenses

Operating expenses for 2018 totaled \$150.2 million decreasing 2.2% from 2017 levels. Operating expenses for 2017 totaled \$153.6 million increasing 3.2% compared to 2016 levels. Operating expenses for 2016 were \$145.2 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 2017 and 2016 was due to the wage and benefit increase, and operating costs resulting for service hour increases, as well as additional depreciation expenses.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

Operating Expenses:	2018	2017	2016
Wages & Benefits	\$ 88,609,702	\$ 92,928,926	\$ 90,104,623
Fuel & Lubricants	5,899,707	5,341,710	4,721,708
Supplies & Materials	9,904,480	10,536,061	7,846,725
Contracts & Services	26,574,858	26,052,672	25,272,731
Depreciation & Amortization	19,198,491	18,692,559	17,289,674
Total Operating Expenses	150,187,238	153,551,928	145,235,461
Non-Operating Expenses:			
Items Previously Capitalized	5,447	84,873	365,535
Grant Exchange Funds	879,816	396,312	1,889,408
Total NonOperating Expenses	885,263	481,185	2,254,943
Total Expenses	\$ 151,072,501	\$ 154,033,113	\$ 147,490,404

Operating Expenses by Type



Wages and benefits for 2018 of \$88.7 million make 67.7% of operating expenses (exclusive of depreciation), a decrease of 4.7% over 2017 levels. The decrease between 2018 and 2017 is due to decrease in the pension liabilities and a decrease in health insurance premiums. Wages and benefits for 2017 and 2016 were \$92.9 million and \$90.1 million respectively and increased 3.2% between 2017 and 2016. The increase between 2017 and 2016 is due to an annual wage increase and increases in the cost of benefits.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017**

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 2018, 2017 and 2016:

Service Hours:	<u>2018</u>	<u>2017</u>	<u>2016</u>
Fixed Route Pierce Transit	490,585	471,683	444,950
Fixed Route Sound Transit	344,618	339,523	334,484
Specialized Transportation	164,381	178,092	163,339
Vanpool	146,913	147,103	146,880
Total	<u>1,146,497</u>	<u>1,136,401</u>	<u>1,089,653</u>

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, 2018 totaled \$109.8 million, net of accumulated depreciation. This compares to a 2017 net investment in capital assets of \$98.5 million and a 2016 net investment in capital assets of \$103.8 million. 2018 net capital increased by 11.5%, or \$11.4 million, due to \$16.6 million in accumulated depreciation offsetting an increase of \$28 million in assets.

Capital contributions in 2018 totaled \$13 million. Capital grants funded 40.1% of Pierce Transit's capital acquisitions in 2018. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1.

Capital acquisitions during 2018 totaled \$32.3 million and included the following major capital assets:

- \$13.4 million for bus replacement
- \$10.1 million for property and building improvements
- \$1.7 million for support and vanpool vehicles
- \$3.7 million for electric buses
- \$3.4 million for technology projects and administrative equipment

Debt Administration

Pierce Transit has adopted a debt policy which governs debt issuance, the use of debt, types of debt and debt limitations. Pierce Transit had no outstanding debt as of December 31, 2018.

Pierce Transit's authorized debt limit without a vote of the people is .375% of the value of the taxable property within its boundaries. The estimated non-voted debt capacity is \$203,353,752. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$673,852,576. The estimate is based on the

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2018 and 2017

assessed value of the cities and towns of Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Pacific, Puyallup, Ruston, Steilacoom, Tacoma, and University Place, which are served by Pierce Transit. This estimate does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction.

Factors Affecting Financial Condition

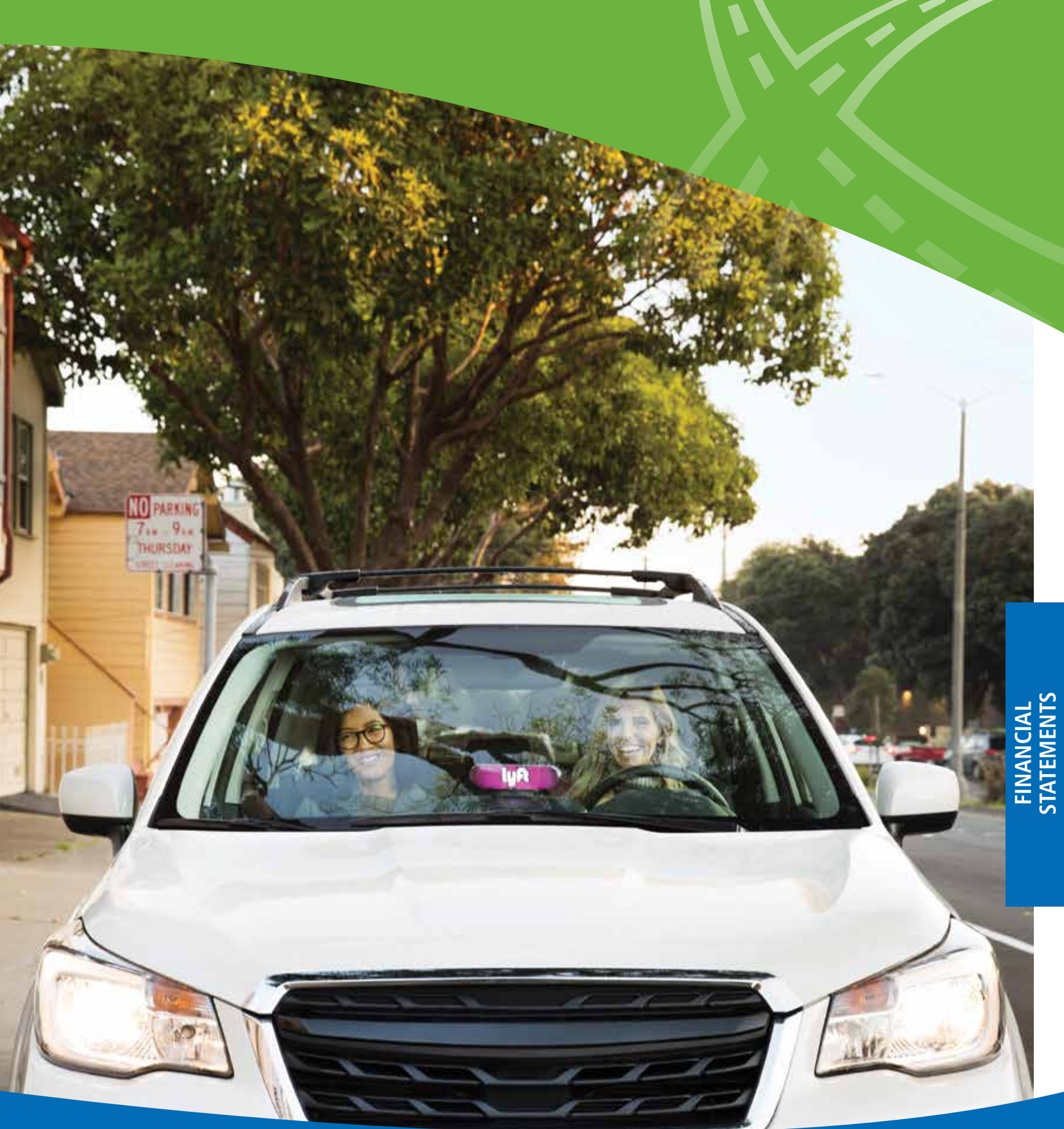
Local Economy

- Sales tax revenue was 57% of Pierce Transit's total operating revenues in 2017 and 2018. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 80% of total operating revenues in 2017 compared to 83% of total operating revenues in 2018.
- Because Pierce Transit relies heavily on sales tax to fund local service, local and national economic conditions are a significant influence on Pierce Transit's operating revenues. Given continued growth in personal income in Pierce County, sales are expected to rise 5.5 percent in 2019. This along with estimated impact of the internet sales tax, Pierce Transit's 2019 Budget includes an increase of 6.5% over actual 2018 sales tax revenues.
- The continued economic recovery is in its eighth year and is expected to continue throughout 2019. Home Sales in Pierce County are steady, with buyers from King County increasingly looking south for more affordable options.
- Pierce County's unemployment rate fell to a low of 4.4% in 2018 down from 6% in 2017. Due to the seasonal variability, quarterly unemployment is expected to range from 4.5% to 5.7% in 2019.
- Given these factors, Pierce County's economy is expected to continue growth at a modest rate in 2019.

Long Term Financial Outlook

- Pierce Transit recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, Pierce Transit has reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets minimum operating reserves equal to two months operating expenses. This amounts to \$25 million in 2019.
- Pierce Transit's Six-year Plan is sustainable for operations. Reserves and operating transfers will be used over the next six years to provide capital infrastructure that supports service plans. Additional grants or other funding sources will be required to fully implement the planned capital program, particularly the Base Master Plan and Bus Rapid Transit. Reserves comply with the required levels established by the Board of Commissioners, giving us the ability to deal with adverse economic conditions, emergencies, and exposure to casualty and legal risks.

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Limited Access Connections is a FTA-funded pilot project with Lyft, Sound Transit and Pierce College Puyallup in 2018 that provides **FREE** service for connections to and from transit centers and bus stops. It also helps relieve parking congestion at Puyallup Sounder Station and provides rides home at night from Pierce College Puyallup.

**Pierce Transit
Financial Statements
Years Ended December 31, 2018 and 2017**

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Comparative Statement of Net Position

December 31, 2018 and 2017

CURRENT ASSETS	2018	2017
Cash	\$ 4,656,414	\$ 7,816,219
Investments	106,243,583	112,518,304
Accounts Receivable	476,447	212,581
Interest Receivable	128,457	82,243
Sales Tax Receivable	15,741,100	14,795,611
Due From Other Governments	14,528,841	11,448,335
Prepaid Expenses	254,276	288,214
Inventories	3,696,345	3,504,847
TOTAL CURRENT ASSETS	145,725,463	150,666,354
NON-CURRENT ASSETS		
Capital Assets Non-Depreciable		
Land	14,804,093	14,845,295
Work in Progress	35,372,313	10,991,758
Total Non-Depreciable Capital Assets	50,176,406	25,837,053
Capital Assets Depreciable		
Structures & Improvements	79,758,760	78,710,280
Site Improvements	45,663,492	45,100,543
Machinery & Equipment	170,240,112	168,248,005
Less: Accumulated Depreciation	(235,984,612)	(219,392,082)
Total Capital Assets Depreciable, Net of Depreciation	59,677,752	72,666,746
TOTAL NON-CURRENT ASSETS	109,854,158	98,503,799
TOTAL ASSETS	255,579,621	249,170,153
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	6,222,137	7,360,239
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,222,137	7,360,239
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 261,801,758	\$ 256,530,392
CURRENT LIABILITIES		
Checks Payable	\$ 1,102,185	\$ 433,261
Accounts Payable	3,521,880	4,012,223
Unearned Revenue	440,091	409,584
Retainage Payable	7,627	-
Wages and Benefits Payable	3,690,643	4,144,707
Employee Leave Payable	5,088,339	5,221,945
Due to Other Governments	1,702,620	4,986,433
Provision for Uninsured Claims	1,951,233	1,811,875
TOTAL CURRENT LIABILITIES	17,504,618	21,020,028
NON CURRENT LIABILITIES		
Compensated Absences	1,654,564	1,797,581
Net Pension Liability	31,061,339	44,929,021
TOTAL NON-CURRENT LIABILITIES	32,715,903	46,726,602
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	12,736,612	7,345,339
TOTAL DEFERRED INFLOWS OF RESOURCES	12,736,612	7,345,339
NET POSITION		
Investment in Capital Assets	109,854,158	98,503,799
Unrestricted Net Position	88,990,467	82,934,624
TOTAL NET POSITION	\$ 198,844,625	\$ 181,438,423
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 261,801,758	\$ 256,530,392

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2018 and 2017

OPERATING REVENUE	2018	2017
Passenger Fares	\$ 12,014,669	\$ 12,137,563
Advertising	334,350	528,090
Regional Transit Service	48,337,317	42,357,818
TOTAL OPERATING REVENUE	60,686,336	55,023,471
OPERATING EXPENSES		
Operations	74,773,540	77,968,018
Maintenance	25,416,790	24,938,382
Non-Vehicle Maintenance	6,250,998	7,027,236
General & Administration	24,547,417	24,925,733
Depreciation & Amortization	19,198,491	18,692,559
TOTAL OPERATING EXPENSES	150,187,236	153,551,928
OPERATING REVENUE (LOSS)	(89,500,900)	(98,528,457)
NON-OPERATING REVENUE (EXPENSE)		
Operating Subsidies:		
Sales Tax	87,679,018	81,799,746
Operational Grants	4,038,035	3,960,468
Other:		
Expense of Items Previously Capitalized	(5,447)	(84,873)
Interest Revenue	2,246,988	977,716
Grant Exchange Funds	(879,816)	(396,312)
Miscellaneous Non-Operating Revenue	2,258,510	2,106,020
Gain (Loss) on Disposal of Assets	(1,420,030)	129,173
NET NON-OPERATING REVENUE	93,917,258	88,491,938
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	4,416,358	(10,036,519)
Capital Contributions	12,989,844	1,053,300
CHANGE IN NET POSITION	17,406,202	(8,983,219)
NET POSITION-BEGINNING	181,438,423	190,421,642
NET POSITION-ENDING	\$ 198,844,625	\$ 181,438,423

See accompanying notes to financial statements

Comparative Statement of Cash Flows

Years ended December 31, 2018 and 2017

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:**CASH FLOWS FROM OPERATING ACTIVITIES:**

	2018	2017
Cash Received From Customers	\$ 56,697,515	\$ 62,927,660
Cash Payments to Suppliers for Goods & Services	(42,615,710)	(41,028,951)
Cash Payments to Employees for Services	(97,399,502)	(91,610,355)
Miscellaneous Non-Operating Income	2,258,510	2,106,020
Net Cash Used By Operating Activities	(81,059,187)	(67,605,626)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Received	86,733,529	80,981,847
Operating Grants Received	2,494,895	1,154,380
Grant Exchange Funds	(879,816)	(396,312)
Net Cash Provided By Noncapital Financing Activities	88,348,608	81,739,915

CASH FLOWS FROM CAPITAL AND RELATED**FINANCING ACTIVITIES:**

Acquisition and Construction of Capital Assets	(32,983,885)	(13,311,963)
Capital Grants and Contributions	12,989,844	1,053,300
Principal Paid on Debt	-	-
Interest Paid on Debt	-	-
Proceeds From Sale of Equipment	1,149,051	129,173
Net Cash Used By Capital and Related Financing Activity	(18,844,990)	(12,129,490)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investment Securities	(112,752,192)	(134,141,629)
Proceeds from Maturities of Investment Securities	118,867,450	132,829,348
Interest on Investments	2,280,506	1,108,830
Net Cash Used By Investing Activities	8,395,764	(203,451)

Net Increase (Decrease) in Cash and Cash Equivalents	(3,159,805)	1,801,348
Cash and Cash Equivalents at Beginning of Year	7,816,219	6,014,871
Cash and Cash Equivalents at End of Year	\$ 4,656,414	\$ 7,816,219

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

Operating Loss	\$ (89,500,900)	\$ (98,528,457)
----------------	-----------------	-----------------

ADJUSTMENTS TO RECONCILE OPERATING**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	19,198,491	18,692,559
Miscellaneous Non-Operating Income	2,258,510	2,106,020

CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	(163,866)	36,184
(Increase) Decrease in Inventories	(191,498)	(166,560)
(Increase) Decrease in Prepaid Expenses	33,938	(37,756)
(Increase) Decrease in Due from Other Governments	(2,114,789)	13,545,545
Increase (Decrease) in Checks Payable	477,124	(60,159)
Increase (Decrease) in Accounts Payable	(700,486)	440,884
Increase (Decrease) in Unearned Revenue	30,507	123,860
Increase (Decrease) in Retainage	4,897	-
Increase (Decrease) in Wages and Benefits Payable	(730,687)	1,333,471
Increase (Decrease) in Due to Other Governments	(3,283,813)	(5,801,400)
Increase (Decrease) in Provision for Uninsured Claims	139,358	725,083
Net Pension Liability - Related Deferred Inflows and Outflows	(6,515,973)	(14,900)
TOTAL ADJUSTMENTS	8,441,713	30,922,831
Net Cash Used By Operating Activities	\$ (81,059,187)	\$ (67,605,626)

See accompanying notes to the financial statements.

Change in fair value for investments was a decrease of \$79,732

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2018 and 2017, is as follows:

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, 2018 and 2017

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2017

	AMENDED BUDGET	ACTUAL	VARIANCE
Passenger Fares	\$ 13,687,329	\$ 12,137,563	\$ (1,549,766)
Advertising	800,000	528,090	(271,910)
Regional Transit Service	42,212,197	42,357,818	145,621
Interest Revenue	538,100	977,716	439,616
Sales Tax	81,217,200	81,799,746	582,546
Operating Grants	7,907,314	3,960,468	(3,946,846)
Capital Contributions	8,048,208	1,053,300	(6,994,908)
Miscellaneous Revenues	2,337,459	2,106,020	(231,439)
Gain (Loss) on Disposal of Assets	-	129,173	129,173
TOTAL*	\$ 156,747,807	\$ 145,049,894	\$ (11,697,913)

SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2017

	AMENDED BUDGET	ACTUAL	VARIANCE
Personnel	\$ 102,988,244	\$ 92,928,926	\$ 10,059,318
Fuel and Lubricants	6,801,591	5,341,710	1,459,881
Supplies and Materials	10,342,362	10,536,061	(193,699)
Contracts and Services	30,526,135	26,052,672	4,473,463
Depreciation and Amortization	-	18,692,559	(18,692,559)
Expense of Items Previously Capitalized	-	84,873	(84,873)
Capital Acquisitions	65,299,888	13,656,384	51,643,504
Grant Exchange Funds	780,258	396,312	383,946
TOTAL*	\$ 216,738,478	\$ 167,689,497	\$ 49,048,981

*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, 2018 and 2017

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>2018</u>	<u>2017</u>
Passenger Fares	\$ 12,014,669	\$ 12,137,563
Advertising	334,350	528,090
Regional Transit Service	48,337,317	42,357,818
Interest Revenue	2,246,988	977,716
Misc. Non-Operating Revenue	2,258,510	2,106,020
Operating Subsidies	91,717,053	85,760,214
Gain (Loss) on Disposal of Assets	(1,420,030)	129,173
TOTAL	<u>\$ 155,488,857</u>	<u>\$ 143,996,594</u>

Revenues from the Budget vs. Actual Schedule:

Capital Contributions	12,989,844	1,053,300
TOTAL	<u>12,989,844</u>	<u>1,053,300</u>
GRAND TOTAL	<u>\$ 168,478,701</u>	<u>\$ 145,049,894</u>

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

	<u>2018</u>	<u>2017</u>
Operations	\$ 74,773,540	\$ 77,968,018
Maintenance	25,416,790	24,938,382
Non-Vehicle Maintenance	6,250,998	7,027,236
General & Administration	24,547,417	24,925,733
Depreciation and Amortization	19,198,491	18,692,559
Expense of Items Previously Capitalized	5,447	84,873
Grant Exchange Funds	879,816	396,312
TOTAL	<u>\$ 151,072,499</u>	<u>\$ 154,033,113</u>

Expenses from the Budget vs. Actual Schedule

Capital Acquisitions	32,322,861	13,656,384
GRAND TOTAL	<u>\$ 183,395,360</u>	<u>\$ 167,689,497</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 \$22,308,888 on December 31, 2017. The majority of the encumbrances for 2018 result from capital projects in progress including transit center renewal, fleet replacement, base master plan, 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, 2018 and 2017

3. CHANGES IN CAPITAL ASSETS

The Summary of Changes in Capital Assets for the years ended December 31, 2018 and 2017, respectively, follows:

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.

Pierce Transit
Notes to Financial Statements
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Summary of Changes in Capital Assets
Year Ended December 31, 2017

Description	Balance January 1, 2017	Additions	Retirements	Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 14,845,295	\$ -	\$ -	\$ -	\$ 14,845,295
Work in Progress	12,275,749	13,656,384	-	(14,940,376)	10,991,757
Total capital assets not being depreciated	27,121,044	13,656,384	-	(14,940,376)	25,837,052
Depreciable capital assets:					
Structures	78,710,280	-	-	-	78,710,280
Site Improvements	45,100,543	-	-	-	45,100,543
Machinery & Equipment	157,547,941	-	(4,154,922)	14,854,987	168,248,005
Total depreciable capital assets at cost	281,358,764	-	(4,154,922)	14,854,987	292,058,828
Total Capital Assets (gross)	308,479,808	13,656,384	(4,154,922)	(85,389)	317,895,880
Less accumulated depreciation for:					
Structures	(63,494,920)	(3,041,524)	-	-	(66,536,444)
Site Improvements	(41,216,135)	(510,438)	-	-	(41,726,573)
Machinery & Equipment	(99,972,588)	(15,311,399)	4,154,922	-	(111,129,065)
Total accumulated depreciation	(204,683,643)	(18,863,361)	4,154,922	-	(219,392,082)
Total Capital Assets (net)	\$103,796,164	\$(5,206,978)	\$ -	\$ (85,389)	\$ 98,503,798

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

Work in progress as of December 31, 2018 and December 31, 2017 consisted of the following projects:

	2018	2017
Buildings & Site Improvements	\$ 12,333,536	\$ 5,532,468
Technology Projects	4,060,502	1,389,193
Equipment & Vehicles	18,978,275	4,070,097
Total Work in Progress	<u>\$ 35,372,313</u>	<u>\$ 10,991,758</u>

Many projects were in process at the end of 2018. Commitments on capital projects as of December 31, 2018 totaled \$27,832,650 and are itemized as follows: buildings and site improvements \$4,204,275, vehicles and equipment \$19,933,563, and technology projects \$3,694,812. Projects underway as of December 31, 2018 included base facility improvements, transit center renewal and improvements, various technology upgrades or replacements, and vehicle expansion and replacement, and equipment.

4. COMPENSATED ABSENCES

Compensated Absences-Employees accrue vacation 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 vacation leave accrual at any point in time, in 2019 the sick leave and vacation plan will be implementing a PTO Plan. As of December 31, 2018 total vacation accruals are listed as follows:

	<u>2018</u>	<u>2017</u>
Vacation-Current	\$ 3,099,001	\$ 3,221,896
Vacation-Non-Current	344,333	357,989
Total Vacation Leave Liability	<u>\$ 3,443,334</u>	<u>\$ 3,579,885</u>

Employees accumulate sick leave at the rate of 8 hours per month with no maximum accumulation specified. Total sick leave accruals as of December 31, 2018 and 2017 were \$7,022,799 and \$7,186,948 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>2018</u>	<u>2017</u>
Current Liability based on usage or terminations	\$ 1,989,337	\$ 2,000,048
Non-current Liability based on expected future payoffs	1,310,232	1,439,593
Total Sick Leave Liability	<u>\$ 3,299,569</u>	<u>\$ 3,439,641</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>2018</u>	<u>2017</u>
Balance beginning	\$ 5,221,945	\$ 5,023,628
Employee leave earned	5,109,187	4,967,408
Employee leave paid	(5,242,793)	(4,769,091)
Compensated Absences-Current	<u>\$ 5,088,339</u>	<u>\$ 5,221,945</u>

Pierce Transit
Notes to Financial Statements
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	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,797,581	\$ 1,929,344
Employee leave earned	1,561,770	1,509,930
Employee leave paid	<u>(1,704,787)</u>	<u>(1,641,693)</u>
Compensated Absences-Noncurrent	<u>\$ 1,654,564</u>	<u>\$ 1,797,581</u>

5. CHANGES IN LONG TERM LIABILITIES

The following changes in long term liabilities occurred during as of December 31, 2018 and December 31, 2017:

Business Type Activities	Balance			Balance	
	January 1, 2018	Increase	Decrease	December 31, 2018	
Compensated Absences-Non Current	\$ 1,797,581	1,561,770	(1,704,787)	\$ 1,654,564	
Net Pension Liability	44,929,021	-	(13,867,682)	31,061,339	
Total Long Term Liabilities	<u>\$ 46,726,602</u>	<u>1,561,770</u>	<u>(15,572,469)</u>	<u>\$ 32,715,903</u>	

Business Type Activities	Balance			Balance	
	January 1, 2017	Increase	Decrease	December 31, 2017	
Compensated Absences-Non Current	\$ 1,929,344	1,509,930	(1,641,693)	\$ 1,797,581	
Net Pension Liability	56,608,680	-	(11,679,659)	44,929,021	
Total Long Term Liabilities	<u>\$ 58,538,024</u>	<u>1,509,930</u>	<u>(13,321,352)</u>	<u>\$ 46,726,602</u>	

6. CASH AND INVESTMENTS

As of December 31, 2018, and December 31, 2017, Pierce Transit had the following cash, cash equivalents, and investments:

	<u>2018</u>	<u>2017</u>
Demand Deposits	\$ 4,656,414	\$ 7,816,219
Cash Equivalents	-	-
Local Government Investment Pool	93,830,185	87,188,025
U.S. Federal Agency Obligations (Level 2)	12,413,398	25,330,279
Total Cash, Equivalents, and Investments	<u>\$ 110,899,997</u>	<u>\$ 120,334,523</u>

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

Pierce Transit
Notes to Financial Statements
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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.

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). 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 2018 and 2017, 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 2018 or 2017.

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, 2018 and 2017 was 56 days and 54 days, respectively.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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 by a nationally recognized statistical rating organization. As of December 31, 2018, nineteen percent of Pierce Transit's investments are in one of the following U.S. Federal Agency bonds. All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

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, 2018 and 2017 (net of uncollectible) are detailed as follows:

Total Other Receivables:

	2018	2017
Accounts Receivable	\$ 476,447	\$ 212,581
Interest Receivable	128,457	82,243
Sales Tax Receivable	15,741,100	14,795,611
Total Other Receivables	\$ 16,346,004	\$ 15,090,435

Due from Other Governments:

Other Operating Partnerships	1,543,140	2,806,088
Fuel Tax Refund & CNG Credit	972,461	915,442
Regional Transit Service Revenues	11,002,564	7,681,846
Capital Grants	1,010,676	44,959
Total Due from Other Governments	14,528,841	11,448,335
Total Receivables	\$ 30,874,845	\$ 26,538,770

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 sufficient 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
Notes to Financial Statements
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Net position is increased when revenues are greater than expenses and decreased when expenses exceed revenues.

	2018	2017
Operating	\$ 28,283,589	\$ 18,842,637
Self-Insurance	2,266,681	2,559,855
Capital Replacement/Expansion	58,440,197	61,532,132
Total Unrestricted Net Position	88,990,467	82,934,624
Net invested in Capital Assets	109,854,158	98,503,799
Total Net Position	\$ 198,844,625	\$ 181,438,423

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 2018 and 2017:

Aggregate Pension Amounts – All Plans	2018	2017
Net Pension liabilities	\$31,061,339	\$ 44,929,021
Pension assets		
Deferred outflows of resources	6,222,137	7,360,239
Deferred inflows of resources	12,736,612	7,345,339
Pension expense/expenditures	\$ 1,154,529	\$ 4,935,757

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:

Pierce Transit
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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 2018 and 2017 were as follows:

PERS Plan 1 Contribution Rate	Employer Rate	Employee Rate
September 2018 - December 2018	12.83%	6.00%
July 2017 – August 2018	12.70%	6.00%
January 2017 – June 2017	11.18%	6.00%

Pierce Transit
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Pierce Transit's actual contributions to the plan were \$3,393,572 for the year ended December 31, 2018. In 2017, contributions were \$3,095,083 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 2018 and 2017 were as follows:

PERS Plan 2/3 Contribution Rates	Employer Plan 2/3	Employee Plan 2
September 2018 – December 2018	12.83%	7.41%
July 2017 – August 2018	12.70%	7.38%
January 2017 – June 2017	11.18%	6.12%
Employee PERS Plan 3	-	Varies

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Notes to Financial Statements
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Pierce Transit's actual contributions to the plan were \$4,959,391 for the year ended December 31, 2018 and \$4,233,914 for 2017.

Actuarial Assumptions - The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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 *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, 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.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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, 2018 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	2018 Target Allocation	2017 Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	20%	1.70%
Tangible Assets	7%	5%	4.90%
Real Estate	18%	15%	5.80%
Global Equity	32%	37%	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 2018.

	1% Discount (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
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)

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 2017.

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2017 PERS 1	\$ 28,282,458	\$ 23,216,765	\$ 18,828,790
2017 PERS 2/3	\$ 57,756,522	\$ 21,438,113	\$ (8,319,435)

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 the majority 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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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.

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 2018 and 2017 were as follows:

TERS Contribution Rate	Employer	Employee
2017	10.8%	9.2%
2018	11.34%	9.66%

Pierce Transit's actual contributions to the plan were \$66,435 for the year ended December 31, 2018 and \$73,472 for year ended December 31, 2017.

Actuarial Assumptions - The total pension liability (TPL) for each of the TERS plan was determined using the most recent actuarial valuation completed in 2017 with a valuation date of January 1, 2018. The actuarial assumptions used in the valuation were based on the results of the Milliman, Inc. Financial Reporting Valuation.

Additional assumptions for subsequent events and law changes are current as of the January 1, 2018 actuarial valuation report. The TPL measurement date and the valuation date are the same.

- Inflation: 2.75% total economic inflation.
- Salary increases: 2.125% salary increase include inflation
- Investment rate of return: 7.0%.

Mortality rates were based on the RP-2014 Mortality for Healthy and Disabled Annuitants Table, generational improvements per projection per Scale AA, published by the Society of Actuaries. 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.

Discount Rate - The discount rate used to measure the total pension liability for the TRS plan was 7.00 percent. To determine that rate, an asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Contributions from plan members and employers are assumed to continue being made at contractually required rates. 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 7.00 percent was used to determine the total liability.

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, 2017

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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.

2017 and 2018 Asset Class	Target Allocation	2017 Long-Term Expected Real Rate of Return Arithmetic	2018 Long-Term Expected Real Rate of Return Arithmetic
Global Equity	41.5%	5.50%	4.95%
Investment Grade Fixed Income	15.0%	1.63%	2.06%
Private Equity	10.0%	9.04%	8.88%
High Yield Bonds	9.0%	5.00%	4.69%
US Inflation-Indexed Bonds	5.0%	1.21%	1.36%
Emerging Market Debt	5.0%	3.74%	3.39%
Master Limited Partnerships	4.0%	4.12%	4.20%
Private Real Estate	2.5%	3.56%	3.83%
Public Real Estate	2.0%	5.80%	5.55%
Timber	2.0%	3.79%	4.04%
Infrastructure	2.0%	5.03%	4.89%
Agriculture	2.0%	4.33%	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.

TERS	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2017	\$ 861,472	\$ 274,143	\$ (215,787)
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 \$31,061,339 for 2018 and \$44,929,019 for 2017. It represents its proportionate share of net pension liabilities as follows:

Plan	2018 Liability (or Asset)	2017 Liability (or Asset)
PERS 1*	\$ 21,033,010	\$ 23,216,765
PERS 2/3*	10,148,031	21,438,113
TERS **	(119,702)	274,143
TOTAL	\$ 31,061,339	\$ 44,929,021

*As of June 30

**As of December 31

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/17	Change in Proportion
PERS 1	.470955%	.489281%	-.018326%
PERS 2/3	.594352%	.617009%	-.022657%

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

	Proportionate Share 12/31/18	Proportionate Share 12/31/17	Change in Proportion
TERS	.28145%	.27297%	.008480%

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, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Plan Pension Expense	2018	2017
PERS 1	\$ 1,061,758	\$ 1,665,460
PERS 2/3	126,553	3,128,425
TERS	(33,782)	141,872
TOTAL ALL PLANS	\$ 1,154,529	\$ 4,935,757

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 2018 is 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)

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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	\$ 12,736,612

TERS Measurement date 12/31/17

As of December 31, 2017, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017 PERS 1	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(866,385)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,603,276	-
Total PERS 1	\$ 1,603,276	\$ (866,385)

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

2017 PERS 2/3	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,172,186	\$ (705,062)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,714,885)
Changes of assumptions	227,713	-
Changes in proportion and differences between contributions and proportionate share of contributions	811,857	-
Contributions subsequent to the measurement date	2,320,529	-
Total PERS 2/3	\$ 5,532,285	\$ (6,419,948)

2017 TERS	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (59,006)
Net difference between projected and actual investment earnings on pension plan investments	124,755	-
Changes of assumptions	17,575	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,874	-
Contributions subsequent to the measurement date	73,473	-
Total TERS	\$ 224,677	\$ (59,006)
TOTAL ALL PLANS	\$ 7,360,239	\$ 7,345,339

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

Year ended December 31, 2017:	PERS 1
2018	\$ (585,620)
2019	184,890
2020	(42,930)
2021	(422,724)
2022	N/A
Thereafter	

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

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, 2017	PERS 2/3
2018	\$ (1,949,019)
2019	794,024
2020	(424,045)
2021	(2,230,312)
2021	261,374
Thereafter	339,787

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

Year ended December 31, 2017	TERS
2017	\$ 50,979
2018	50,979
2019	58,325
2020	(402)
2021	5,790
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 2018, Pierce Transit contributed \$2,303,685 and employees contributed \$4,100,422. Pierce Transit and its employees contributed \$2,182,105 and \$3,475,936 respectively to this plan in 2017. 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.

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

(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, 2018 was \$4,412,013 with operating expenses of \$281,506. In 2017, ORCA revenue totaled \$4,317,139 and operating expense were \$351,924. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2018, and 2017 reported within Pierce Transit's financial statements, amounted to \$363,977 and \$343,678 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 is able to 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 (\$25,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, cyber-liability coverage up to \$25 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 2018 or 2017.

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, 2018, the self-insurance assets totaled \$4,370,593 of which a liability of \$1,951,233 is recorded for workers' compensation and unemployment compensation claims for which it may be

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2017, Pierce Transit's self-insurance assets totaled \$4,451,894 of which a liability of \$1,811,875 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>2018</u>	<u>2017</u>
Balance beginning of year	\$ 1,811,875	\$ 1,086,972
Provision for incurred claims	2,947,351	3,611,850
Payments made for claims	<u>(2,807,993)</u>	<u>(2,886,947)</u>
Claims liabilities year ended	<u>\$ 1,951,233</u>	<u>\$ 1,811,875</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 sufficient 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 complied with its reserve policies during 2017 and 2018.

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REQUIRED
SUPPLEMENTAL
INFORMATION

As part of Pierce Transit's logo refresh, new Gillig buses were designed to include the new branding and paint scheme. The newly branded buses were in service November of 2018 and are being phased into the Gillig fleet as older buses are retired.

Pierce Transit
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2018
Last 10 Fiscal Years*

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

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, 2018
Last 10 Fiscal Years*

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

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, 2018
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$ 66,435	\$ 73,472	\$ 69,704	\$ 54,225
Contributions in relation to the statutorily or con	\$ 66,435	\$ 73,472	\$ 69,704	\$ 54,225
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 589,238	\$ 680,300	\$ 645,406	\$ 502,081
Contributions as a percentage of covered payroll	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, 2018
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.470955%	0.489281%	0.482721%	0.479064%
Employer's proportionate share of the net pension liability	\$ 21,033,010	\$ 23,216,765	\$ 25,924,391	\$ 25,059,502
Covered payroll**	\$ 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	32.56%	38.09%	45.41%	48.04%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%

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, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.594352%	0.617009%	0.605330%	0.603019%
Employer's proportionate share of the net pension liability	\$ 10,148,031	\$ 21,438,113	\$ 30,477,887	\$ 21,546,213
Covered payroll**	\$ 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**	15.82%	35.47%	53.90%	41.78%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

2015 Employers proportionate share % changed from 40.79% to 41.78% to correct error

Pierce Transit
Schedule of Proportionate Share of the Net Pension Liability
TERS
As of December 31, 2017
Last 10 Fiscal Years*

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

Notes to Schedule:

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



In the 1980s Pierce Transit was one of the nation's first transit agencies to run most of its buses on clean, compressed natural gas. Years later, in 2018, we introduced the South Sound to our first all-electric buses, building on the agency's long-term commitment to protecting the environment.

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

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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Financial Trends: Schedules contain trend information to help reader understand Pierce Transit’s financial performance has changed over time.

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Revenue Capacity: Schedules contain information to assist the reader assess Pierce Transit’s revenue sources.

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Debt Capacity: Schedules help the reader assess Pierce Transit’s ability to issue debt.

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Demographic and Economic Information: Schedules present demographic and economic indicators to help reader understand the environment in which Pierce Transit financial activities take place.

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Operating Information: Schedules contain service and operating data to help reader understand how the financial report relates to the service and activities provided by Pierce Transit.

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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, 2018 and 2017**

**Financial Trends
Net Position by Component
2009 - 2018**

	Invested in Capital Assets	Unrestricted	Total
2009	\$126,721,089	\$107,286,883	\$234,007,973
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

**Financial Trends
Expense Comparisons by Type
2009 – 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Personnel	\$79,346,300	\$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
Fuel & Lubricants	5,718,378	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
Supplies & Materials	5,246,793	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
Contracts & Services	18,273,761	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
Depreciation & Amortization	14,005,135	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
Capital Acquisition	13,182,990	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
Loss Disposal of Assets	-	-	-	-	-	-	-	-	-	1,420,030
030Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	1,335,000	-	-	-	-	-	-	-	-	-
Interest Expense	45,252	-	-	-	-	-	-	-	-	-
Previously Capitalized Items	2,460,260	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873	5,447
Grant	-	-	-	-	-	-	-	-	-	-
Exchange Funds	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312	879,816
Total	\$140,566,409	\$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

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Financial Trends
Changes in Net Position
2009 – 2018**

Operating Revenue	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Passenger Fares	\$15,460,517	\$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
Advertising	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090	334,350
Regional Transit Service	19,303,747	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
Total Operating Revenue	35,670,160	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
Non-Operating Revenue										
Sales Tax	63,335,030	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
Operating Grants	13,318,595	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
Investment Revenue	1,014,361	346,746	100,949	198,874	151,610	115,634	190,114	650,061	977,716	2,246,988
Miscellaneous Revenue	1,149,909	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
Gain(Loss)on Disposal of Assets	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173	(1,420,030)
Total Non-Operating Revenue	78,908,979	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
Total Revenue	114,579,139	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
Operating Expense										
Fixed Route	86,680,889	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
Demand Response	17,806,552	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
Vanpool	4,097,791	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
Depreciation & Amortization	14,005,135	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
Total Operating Expense	122,590,367	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
Non-Operating Expense										
Expense of Capital Items	2,460,260	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873	5,447
Interest Expense	45,252	-	-	-	-	-	-	-	-	-
Grant Exchange Funds	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312	879,816
Total Non-Operating Expense	3,458,052	1,496,634	2,016,445	1,010,620	1,106,705	1,159,934	530,168	2,254,943	481,185	885,263
Total Expense	126,048,419	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
Net Position before Contribution	(11,469,280)	(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
Capital Grants	2,817,313	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
Change in Net Position	\$(8,651,967)	\$(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

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Revenue Capacity
Revenue and Subsidies Comparisons
2009 – 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Passenger Fares	\$15,460,517	\$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
Regional Transit Service	19,303,747	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
Advertising	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090	334,350
Interest							190,114	650,061	977,716	2,246,988
Income	1,014,361	346,746	99,912	198,874	151,610	115,634				
Sales Tax	63,335,030	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
Operating Subsidies	13,318,595	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
Capital Grants	2,817,313	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
Gain on Disposal of Assets	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173	-
Miscellaneous	1,149,909	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
Total	\$117,396,452	\$128,085,392	\$128,144,838	\$126,694,649	\$130,642,196	\$139,358,125	\$134,551,591	\$147,047,040	\$145,049,894	\$169,898,731

**Revenue Capacity
Fixed Route Farebox Recovery
2009 – 2018**

Year	Farebox Recovery
2009	19%
2010	17%
2011	15%
2012	16%
2013	18%
2014	17%
2015	17%
2016	13%
2017	13%
2018	13%

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Revenue Capacity
Fare History
2009 - 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cash Fares										
Adult	\$ 1.75	\$ 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	0.75	1.00	1.00	1.00
Passes										
Adult Pass	63.00	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	27.00	36.00	36.00	63.00
Adult All Day Pass	-	-	-	-	-	-	5.00	5.00	5.00	5.00
Senior/Disabled Day Pass	-	-	-	-	-	-	2.50	2.50	2.50	2.50
Youth All Day Pass	-	-	-	-	-	-	2.50	2.50	2.50	2.50
Transfers	Free	Free	Free	Free	Free	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated

**Revenue Capacity
2009 & 2018 Taxable Sales Comparisons
Pierce County**

	2009		2018	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,142,566,163	\$30,695,570	\$ 8,601,014,822	\$ 43,804,437
Services	1,857,815,720	11,089,155	3,215,776,816	15,510,418
Contracting	1,847,044,246	11,024,861	3,220,350,052	15,054,487
Manufacturing	202,097,174	1,206,302	276,656,033	1,350,257
Transportation/Utilities	44,275,356	264,276	83,869,145	429,627
Wholesaling	661,896,890	3,950,810	917,765,157	4,655,756
Finance/Insurance/Real Estate	852,441,906	5,088,158	1,269,527,976	6,830,196
Other Business	2,663,363	15,897	7,811,532	43,840
TOTAL	\$ 10,610,800,818	\$ 63,335,030	\$ 17,592,771,533	\$87,679,018

Source: WA ST Department of Revenue Quarterly Business Review

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Debt Capacity
Legal Debt Margin
2018**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$54,227,667,311	\$53,908,196,576
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 203,353,752	\$ 673,852,457
Less: Outstanding Debt	-	-
Debt Margin	\$ 203,353,752	\$ 673,852,457

* 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
2009 – 2018**

	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
2009	813,600	48,742,260	3,910,000	.02	6.07
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	-	-	-

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Debt Capacity
Computation of Direct and Overlapping Debt
2018**

	- Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	212,500,000	30.54%	64,897,500
Pierce County	111,615,000	42.27%	47,179,661
			<u>\$112,077,161</u>
PTBA Population			556,771
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
2009 – 2018**

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)
2009	813,600	56,555	32,332,969	40,839	141,182	9.7
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	N/A	N/A	136,417	5.7

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, 2018 and 2017**

**Principal Employers
Comparisons of Employees and Percent to Total Employment
2018 and 2009**

Top Ten Employers for 2018

Employer	Employees	Percent of Total County Employment	Type
Joint Lewis McChord	53,000	6.0%	Military
MultiCare Health	7,705	0.9%	Health Care
Washington State	7,621	0.9%	Government
Franciscan Health	6,786	0.8%	Health Care
City of Tacoma & Utilities	3,591	0.4%	Government
Tacoma Public Schools	3,333	0.4%	Education
Emerald Queen Casino	3,312	0.4%	Entertainment
Pierce County Government	3,089	0.3%	Government
Puyallup School District	2,190	0.2%	Government
Bethel School District	2,028	0.2%	Government
Total	92,655	10.1%	

2018 Pierce County Population 891,299

Top Ten Employers for 2009

Employer	Employees	Percent of Total County Employment	Type
Federal Government	58,737	17.0%	Military
Local Government	35,397	10.1%	Government
MultiCare Health	6,204	1.7%	Health Care
Franciscan Health	4,406	1.3%	Health Care
Fred Meyer	2,321	0.7%	Retail
Emerald Queen	1,915	0.6%	Entertainment
Walmart	1,820	0.5%	Retail
Boeing	1,537	0.5%	Business
Safeway	1,261	0.4%	Food
Costco	1,134	0.3%	Business
Total	114,732	33.1%	

2009 Pierce County Population 346,080

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

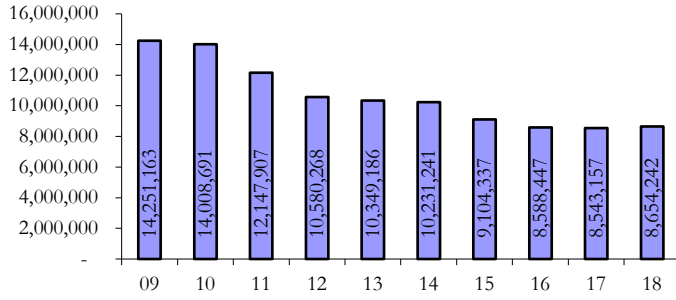
**Operating Information
Pierce Transit Employee by Function
2009 - 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operations	674	674	598	575	572	601	631	659	692	675
Maintenance	163	161	144	132	127	136	142	149	155	152
Administration	145	144	139	109	94	99	97	110	113	111
	982	979	881	816	802	836	870	918	960	938

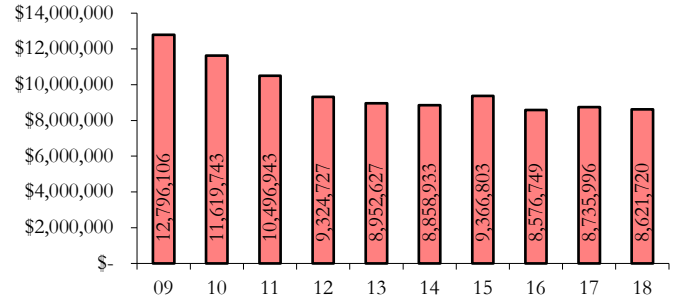
**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Operating Information
Fixed Route Statistics
2009 – 2018**

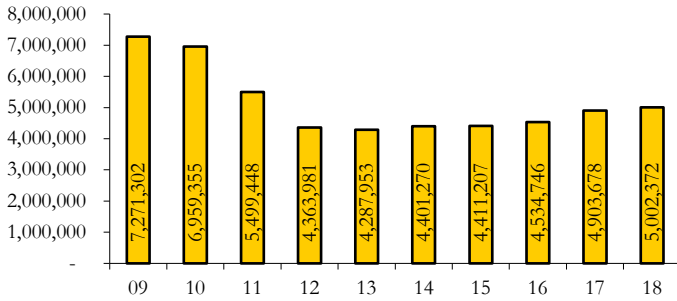
Annual Boardings



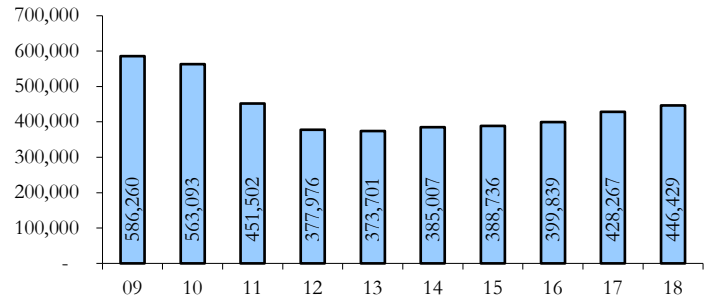
Annual Passenger Fare Revenues



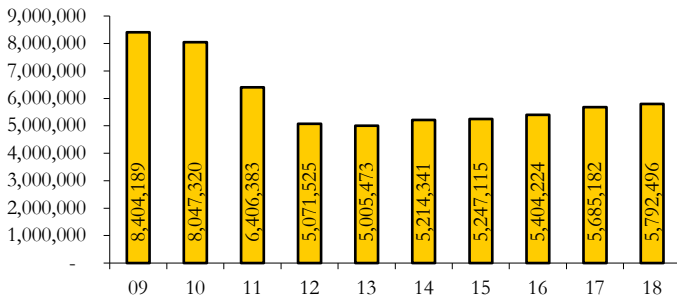
Actual Revenue Miles



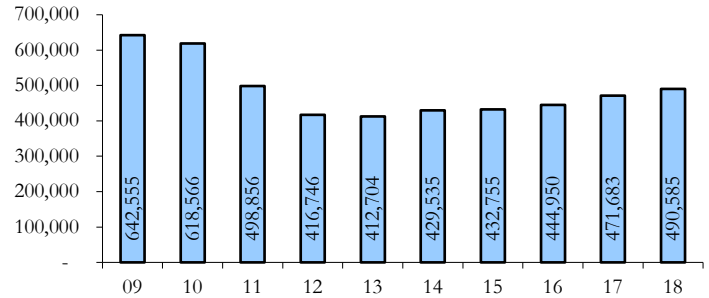
Actual Revenue Hours



Service Miles



Service Hours

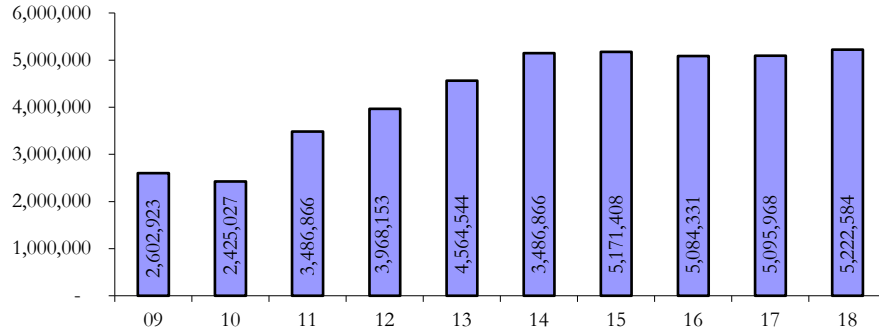


Source: National Transit Database (NTD)

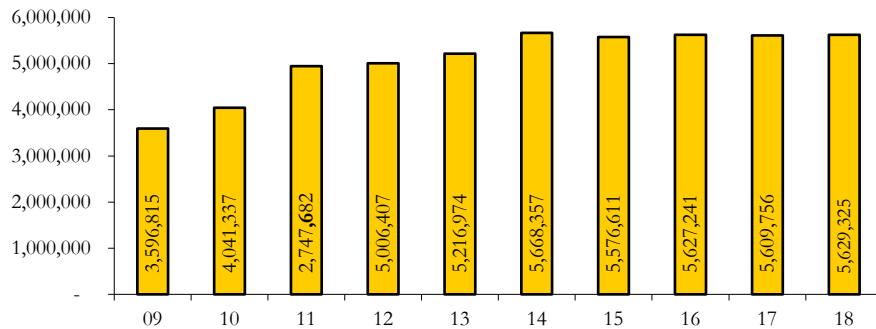
**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Operating Information
Sound Transit
Fixed Route Statistics
2009 – 2018**

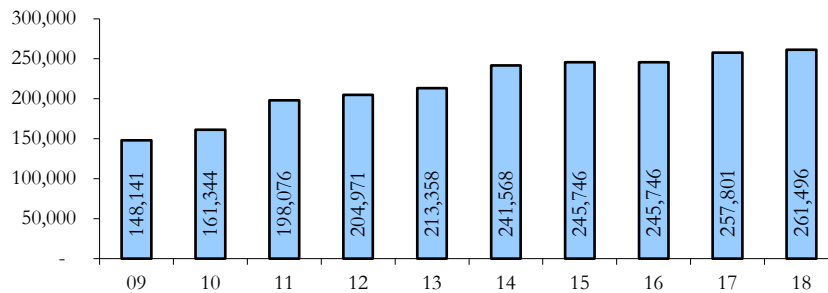
Annual Boardings



Revenue Miles



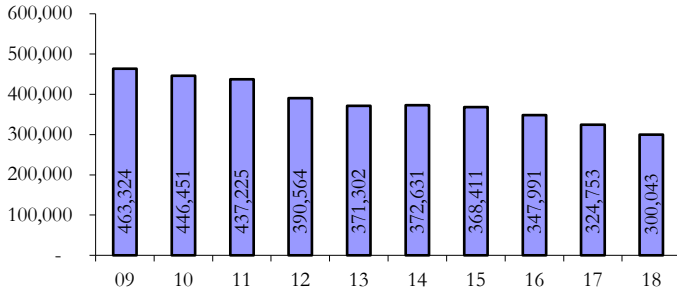
Revenue Hours



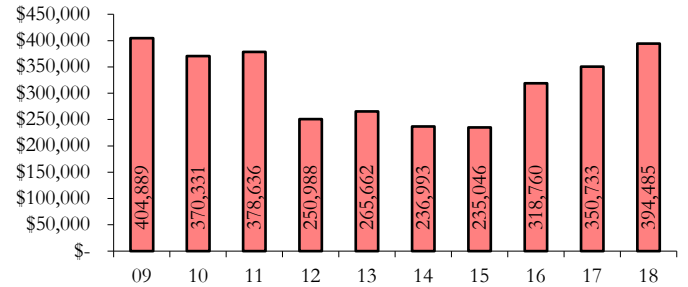
**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Operating Information
Specialized Transportation (SHUTTLE)
2009 – 2018**

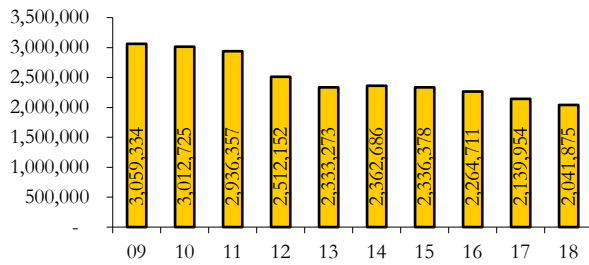
Annual Boardings



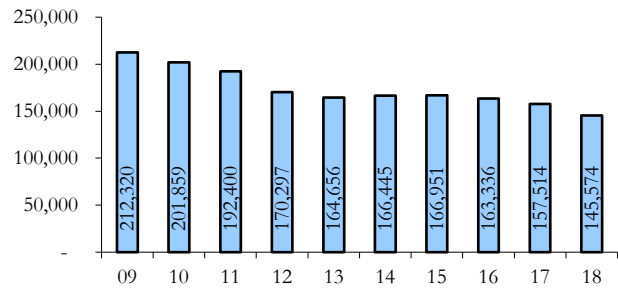
Annual Passenger Fare Revenues



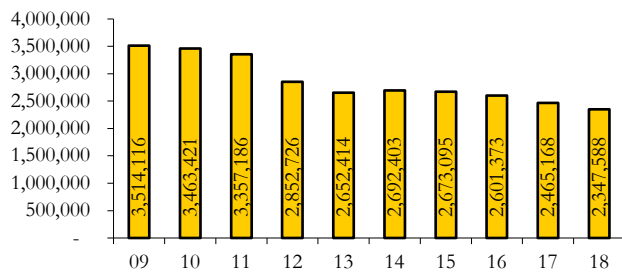
Actual Revenue Miles



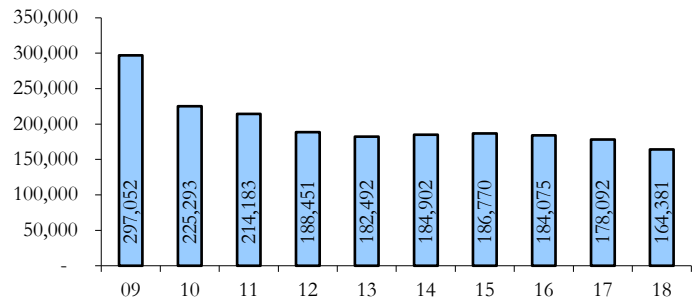
Actual Revenue Hours



Service Miles



Service Hours

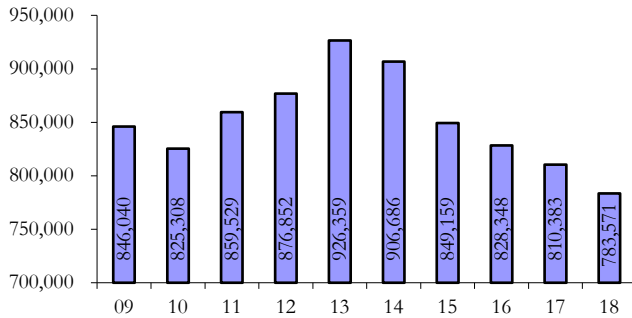


Directly operated and purchased transportation services.
Source: National Transit Database (NTD)

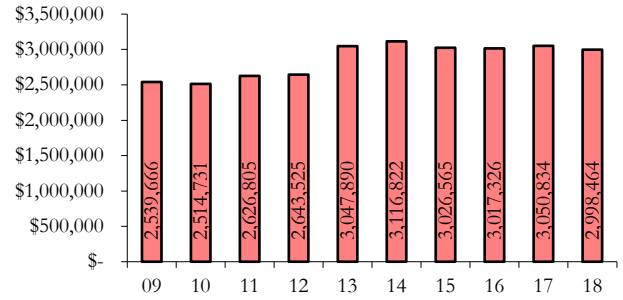
**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Operating Information
Vanpool Statistics
2009 – 2018**

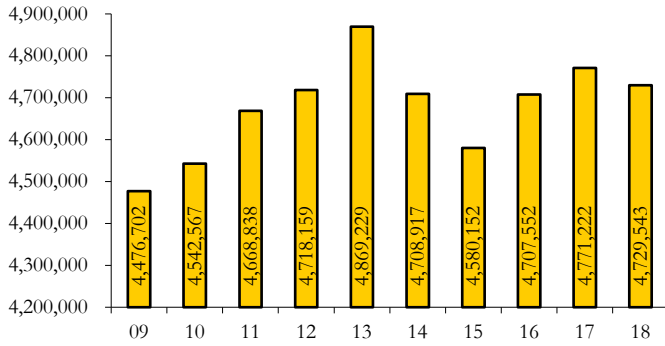
Annual Boardings



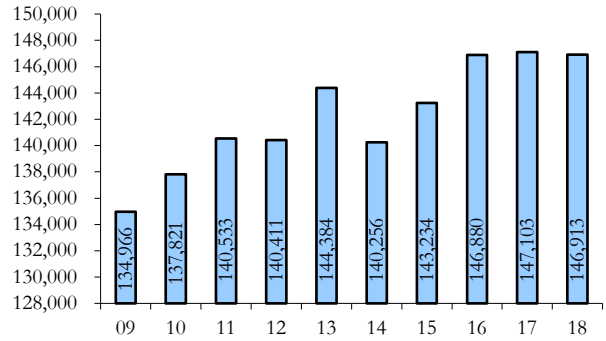
Annual Passenger Fare Revenues



Revenue/Service Miles



Revenue /Service Hours



Source: National Transit Database (NTD)

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Operating Information
Key Performance Measures
2008 – 2017**

FIXED ROUTE:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual Boardings	14,251,163	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
Cost per Service Hour	\$ 105.80	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13	\$ 124.71	\$ 130.55	\$ 143.34	\$ 144.54	\$ 141.15
Farebox Recovery	19%	17%	16%	16%	18%	17%	17%	13%	13%	13%
Passengers per Service Hour	22.2	22.6	24.4	25.4	25.1	23.8	21	19.3	18.1	17.6
Cost per Passenger	\$ 4.77	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75	\$ 5.24	\$ 6.21	\$ 7.43	\$ 7.98	\$ 8.00
SHUTTLE:										
Annual Boardings	463,324	446,451	437,225	390,564	371,302	372,631	368,411	347,991	324,753	300,043
Cost per Service Hour	\$ 71.18	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02	\$ 94.94	\$ 92.88	\$ 98.07	\$ 105.25	\$ 90.88
Farebox Recovery	2%	2%	2%	2%	2%	1%	1%	2%	2%	3%
Passengers per Service Hour	1.9	2	2	2.1	2	2	2	1.9	1.8	1.8
Cost per Passenger	\$ 38.43	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.73	\$ 47.11	\$ 47.09	\$ 51.88	\$ 57.72	\$ 49.79
VANPOOL:										
Annual Boardings	846,040	825,308	859,529	876,852	926,359	906,686	849,159	828,348	810,383	783,571
Cost per Service Hour	\$ 30.36	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67	\$ 30.77	\$ 29.20	\$ 29.66	\$ 31.27	\$ 33.45
Farebox Recovery	57%	58%	63%	62%	74%	72%	72%	69%	66%	61%
Passengers per Service Hour	6.3	6	6.1	6.2	6.4	6.5	5.9	5.6	5.5	5.3
Cost per Passenger	\$ 4.84	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47	\$ 4.76	\$ 4.93	\$ 5.26	\$ 5.68	\$ 6.27

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
2009 – 2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pierce Transit Buses	189	182	182	173	177	175	176	195	200	211
SHUTTLE Vans	157	171	167	100	100	97	97	97	100	99
Vanpool Vans	328	326	326	347	371	381	405	439	456	483
	674	679	675	620	648	653	678	731	756	756

**Pierce Transit
Statistical Section
Year ended December 31, 2018 and 2017**

**Grant Information
Capital Grant History
2009 - 2018**

FTA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Section 3	\$ -	\$ -	\$ -	\$ 27,944	\$ 62,692	1,183,372	\$ 329,438	\$ 823	\$ -	\$ 2,661,287
Section 4	-	-	-	20,808	3,339,533	1,460,896	535,952	246,507	47,016	1,683,887
Section 9	1,474,753	6,741,534	1,886,861	1,931,405	915,379	4,461,195	579,872	392,673	679,887	7,191,511
Other	96,502	82,380	383,078	17,256	1,394,913	-	-	88,568	326,397	111,605
<u>WA STATE</u>										
Misc Grants	-	478,620	1,125,916	473,901	142,662	676,710	952,536	-	-	525,077
<u>LOCAL</u>										
Partnerships	1,246,058	1,839,931	(26,903)	45,050	-	-	-	-	-	816,477
Totals	\$ 2,817,313	\$ 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

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Vision Your preferred transportation choice for today and tomorrow.

Mission 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

