



**PIERCE TRANSIT**  
Comprehensive Annual Financial Report

Year Ended December 31, 2008

Pierce County, Washington



2008  
CAFR



# **PIERCE TRANSIT**

## **Comprehensive Annual Financial Report**

Year Ended December 31, 2008  
Pierce County, Washington

**Lynne M. Griffith**  
Chief Executive Officer

Prepared by  
The Finance, Audit & Administration Department

**Wayne Fanshier**  
Vice President, Finance, Audit & Administration

**Kathy Sullivant**  
Director of Finance

**Liz Passmore**  
Assistant Finance Manager

*Pierce Transit provides transportation options to a wide variety of people. We often receive stories from customers eager to share how Pierce Transit has made a positive impact on their lives. A few of these testimonials are included in this report.*



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**Pierce Transit  
Comprehensive Annual Financial Report  
Year Ended December 31, 2008**

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# Route 603A

## The Dilemma:

My great job is in Tacoma. My fabulous husband's equally great job is in Olympia. Our little affordable house with the splendid, unobstructed Mt. Rainier view is also located in Olympia. I have an unreasonably long commute and driving would seem an obvious travel choice. But I'm one of the rare Americans lacking the gene that carries love for an automobile and have never identified with the car I drive.

## My Background:

I was raised on the transit system in Chicago back in the era when kids moved through a summer day without adult supervision. We'd scrape change from the tops of parents' dressers, our dad's trouser pockets, or make some cash watching the neighbors' cats. The CTA's "L" train provided access to downtown, Chinatown and to the Oak St. Beach on Lake Michigan. Transit represented freedom to me. As a child I learned about the wider world on those transit rides because all of humanity in its various income levels, races and cultures was represented on a single trip downtown. The CTA was a significant part of my urban education.

## The Resolution:

While loving the car doesn't reside in my DNA nor in my value system, transit does. The 603A is a necessary element in my strategy for sane survival with a long daily trek on the I-5. The bus is generally populated by passengers riding together with a patient, accepting sense of coexistence. Sometimes the calm is broken by an eventful incident or character, but on this commuter route there is often a familiar feeling of community. For most of us the bus is strictly a practical choice. We read, nap, get work done, text message or chat. We are grateful in downpours or bad congestion that we are not driving ourselves. The 603A provides us all the freedom from driving alone and the high costs that go along with that. And in many cases employers foot the bill by providing the benefit of a bus pass. Every month when I pick up my bus pass with a \$90 face value, I am grateful the City of Tacoma shares my values and picks up the tab.

—Diane Wiatr



June 30, 2009

Board Of Commissioners  
Pierce County Public Transportation  
Benefit Area Corporation

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

Pierce Transit's Comprehensive Annual Financial Report for the year ending December 31, 2008 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control 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 unqualified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2008. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) require 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 reserve policies in order to ensure that financial resources are managed in a prudent manner. Operating reserve, insurance reserve and capital reserve policies have been adopted. 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 (Pierce Transit), 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%. Sales tax collections based on the new tax rate began in July 2002. This additional sales tax revenue was used to restore service cut as a result of the loss of motor vehicle excise tax (MVET) revenues.

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's services are provided over a 414 square mile radius to an estimated population of 749,350. Pierce Transit's service area includes the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, Tacoma, and University Place along with extensive unincorporated areas of Pierce County. A Board of Commissioners governs the Agency. The Board is comprised of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive or their delegate, a member of the City of Lakewood council, one member selected by the City Councils of the cities of Puyallup and University Place, and an elected official chosen by the remaining small cities and towns. Appointments are based on three-year terms.

The Chief Executive Officer (CEO) is responsible for implementation of the policies authorized by the Board of Commissioners. In order to provide overall management for the Agency, five departments have been established, Executive, Transportation Services, Human Resources & Technology, Finance, Audit and Administration, and Transit Development.

Pierce Transit is a nationally recognized leader in the transportation industry and is committed to results. Emphasizing innovation, good stewardship of public dollars, and a desire to move the organization from "Good to Great", Pierce Transit will provide....

- Effective and innovative services that respond to change and growth,
- A safe and attractive system that draws riders,
- Services that benefit the community and are embraced by our citizens,
- A system that is efficient, fiscally responsible, and uses resources effectively,
- A work environment that develops its employees and rewards innovation and high performance,
- A continued commitment to green technologies and strategies that respond to climate change, and
- A business approach that uses technology and best practices ensuring continual progress in moving its performance from "Good to Great".

Pierce Transit provides fixed route, demand response, vanpool, rideshare, Bus PLUS, and inter-county express service to Seattle and Olympia. 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 53 routes throughout Pierce County, including local fixed route, Bus PLUS, contracted service and express service. 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 Tacoma to Seattle has been funded by Sound Transit, and operated by Pierce Transit. Pierce Transit operates 9 routes for Sound Transit service. In 2008, all local and express fixed route services combined (including Sound Transit services) carried 18.7 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 2008, total ridership was 451,686.



The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 328 vans with 3,171 daily weekday riders. The vanpool program accounted for 5.3% of the Agency's total ridership in 2008 (excluding Sound Transit ridership), with 851,991 passenger boardings.

More people than ever look to Pierce Transit as an integral community partner. This year more than 170,543 rides were provided in support of special events including the Puyallup Fair, Sound to Narrows Run, Mariners baseball games, Seahawk football games, and the 4<sup>th</sup> of July celebration.

### **Major Initiatives**

- A project to replace Pierce Transit's mobile communication system is currently underway and is scheduled for implementation in the second quarter of 2009. The current radio system has exceeded its useful life and does not provide adequate radio coverage. This project will implement a mobile communication system that will enable reliable voice and data communication to all vehicles. In addition to replacing the current radio system, the system will be upgraded to include computer aided dispatch, mobile data, automatic vehicle location, automated passenger counters and other Intelligent Transportation System (ITS) capabilities. These new radio technologies will provide the opportunity to dramatically improve system safety and productivity. The cost of the project is currently estimated at approximately \$37.7 million.
- The System Redesign project is an opportunity for Pierce Transit to reevaluate its 30-year old service design and route structure. This project will identify innovative and more effective service delivery concepts, re-evaluate the bus and passenger transfer design, and assess how Pierce County's changing transit markets can be served for the next 20 years. This project also provides Pierce Transit the opportunity to carefully assess the transit service needs at key activity centers, new areas of demand, major employment sites, and to employ efficient service design concepts to make the best use of Pierce Transit's limited operating resources. Active community involvement in the design of the new system will be critical to its success.
- Pierce Transit continues to work with six other Central Puget Sound transit agencies to develop a regional fare collection (ORCA) system. The ORCA system will replace the current Puget Pass regional fare program. Smart cards will enable transit agencies to offer new transit fare options, reduce fare media confusion, and improve interagency fare revenue reconciliation. The system is expected to be implemented in the second quarter of 2009. The cost of the project is currently estimated at approximately \$4.7 million and is 94% grant funded.

### **III. ECONOMIC CONDITION AND OUTLOOK**

Local economic conditions play a major part in sales tax revenue which is Pierce Transit's primary operating revenue source. Pierce Transit's sales tax rate of 0.6% is anticipated to generate over \$72 million in sales tax revenue in 2009. Sales tax is the most important component of Pierce Transit's operating revenues, and is expected to contribute 60% of total operating revenues in 2009.

In creating the long-term financial plan and preparing the annual budget, local conditions and issues are closely examined. Pierce Transit's heavy reliance on sales tax makes it particularly sensitive to economic downturns. The global economic conditions in recent months have required the Agency to take specific actions to ensure the Agency's fiscal integrity and continued provision of high quality service to our community. Pierce Transit has experienced a significant decline in sales tax collections, the Agency's primary funding source, since

December 2007. At the same time, we have seen unprecedented growth in ridership. Preserving our vital service to the community remains our top priority.

The economic recovery is likely to be slow but the freefall in the Washington economy appears to be abating. The first quarter of 2009 was the banking industry's first profitable quarter in some time, which along with the Federal government's infusion of capital has contributed to the easing of credit conditions. Economists generally agree that the key to an economic recovery is the easing of credit and a return to health of the banking industry.

The economic conditions will be closely monitored and where possible, redistribution of resources and programs across the Agency to maximize efficiencies and to reduce redundancies will be undertaken. There are currently no service increases planned for 2009 – 2014 Six Year Financial Plan. The Plan is sustainable at the 2009 Budget level through 2011. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments.

Project Innovation (PI), an employee driven process for improving the Agency, will continue into 2009 in an effort to identify ways to use our resources more effectively and attract new riders. On October 31, 2008 the Board of Commissioners reviewed the 2008 Project Innovation team work products and recommendations and supported initiatives that advanced the Board's commitment to green technologies and strategies, workplace wellness, internal process improvement, enhanced safety, and transit system redesign. While the issues we face are difficult, the Agency continues to see a promising and exciting future.

#### **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, 2007. 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 comprehensive annual financial report 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, Audit and Administration and Marketing Departments for their assistance in the preparation of this report. Special acknowledgement is also made to the willingness of the Office of the State Auditor to provide a timely audit and opinion so that this comprehensive annual financial report 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.



Lynne Griffith  
Chief Executive Officer



Wayne Fanshier  
Vice President, Finance and Administration

# 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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Principal Officials

# Organizational Chart

**Lynne Griffith**  
Chief Executive Officer

**Sam Desue**  
Vice President, Transportation Services

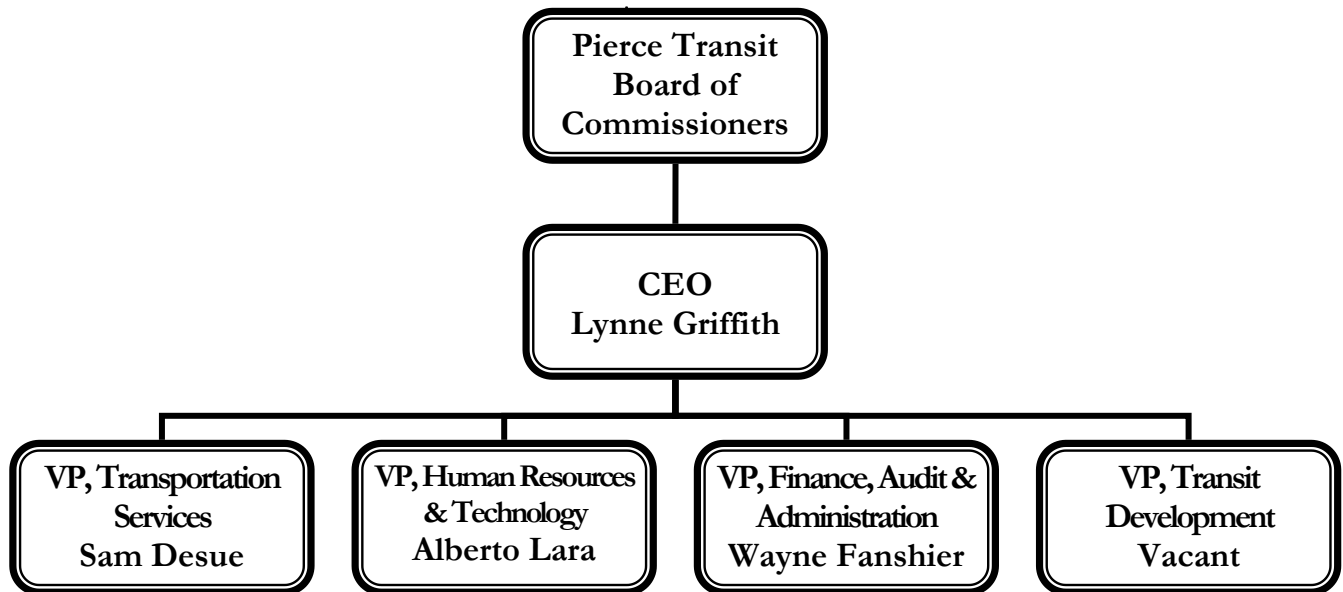
**Treva Percival, CMC**  
Assistant to the CEO/Clerk of the Board

**Alberto Lara**  
Vice President, Human Resources &  
Technology

**Tom Wolfendale**  
General Counsel

**Wayne Fanshier, CPA**  
Vice President, Finance, Audit &  
Administration

**Vacant**  
Vice President, Transit Development



**PIERCE TRANSIT**

Principal Officials

# Board Of Commissioners

**Dave Enslow**

Chairman of the Board  
Small Cities/  
Towns Councilmember  
Term Expires 5/10

**Mike Lonergan**

Vice Chairman of the Board  
Tacoma Councilmember  
Term Expires 5/11

**Tim Farrell**

Pierce County Councilmember  
Term Expires 5/09

**Bill Baarsma**

Mayor of Tacoma  
Term Expires 5/10

**Gerald Gehring**

Puyallup/University  
Place Councilmember  
Term Expires 5/09

**Terry Lee**

Pierce County Councilmember  
Term Expires 5/10

**Rick Talbert**

Tacoma Councilmember  
Term Expires 5/09

**Claudia Thomas**

Lakewood Councilmember  
Term Expires 5/11

**John Ladenburg**

Pierce County Executive  
Term Expires 5/09

# PIERCE TRANSIT

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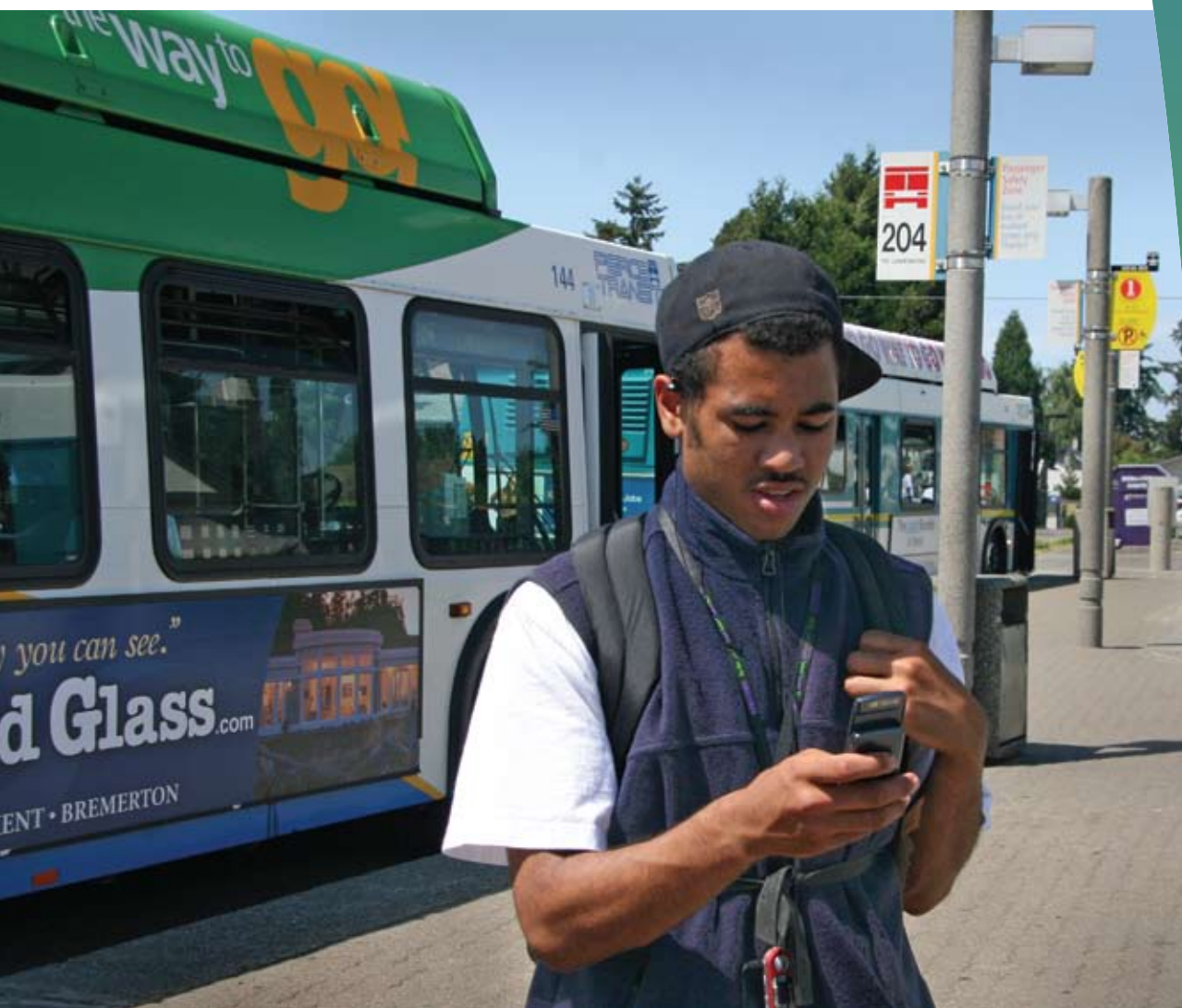
# Just Try It

Last Summer I didn't want to ride the bus. But my Mom kept asking me to just give it a try. She even gave me a bus pass. I still didn't want to. Then my best friend said he would go with me. So one day after school, we got on the bus and went to my Grandpa's house. It wasn't bad and soon I tried it by myself. Now I ride to lots of places, like the store, and to church. Lately my Dad and I have been fixing up Grandpa's swimming pool. My friends, Taylor, Toby and Steven, and I'll be taking the bus to Grandpa's house a lot this summer! I like riding the bus because there are mostly the same people onboard and the drivers are cool. And... it's definitely faster than walking!

—James Henderson Jr.

It took him awhile to try it, but once James started riding the bus, he would just call and tell me where he was headed. I think he likes being able to get around town independently while I'm at work. Last November we rode the bus to Seattle instead of driving the car. It was a fun trip for us both, because I didn't have to worry about watching the road, and we could spend more time talking and taking in the scenery.

—Karen Henderson





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

July 8, 2009

Board of Commissioners  
Pierce Transit  
Tacoma, Washington

We have audited the accompanying basic financial statements of the Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce Transit, Pierce County, Washington, as of December 31, 2008 and 2007, and the changes in financial position and, where applicable, cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information identified in the table of contents as 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

**BRIAN SONNTAG, CGFM  
STATE AUDITOR**



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# Angels

On May 25, 2006, I was scheduled to drive for my vanpool group's trip home. Our group consisted of Pat Bochenek, Army Recruiting Command; Corps of Engineers employees David McCormack, Earnest Treadway and Angie Dexter; Staff Sgt. Heath Wright, U.S. Marine Corps; and Joseph Jenkins, Army Recruiting Command. I felt great as I ran back up the stairs to my office to grab my forgotten briefcase. When I got back to the van, Pat had taken my place in the driver's seat. So I leaned back in my seat and went to sleep.

That's the last thing I remember for seven days.

As the van approached the 1st Avenue Bridge, I began making gurgling noises, quit breathing, and turned gray. My fellow vanpoolers, or "angels" as I now call them, sprang into action.

Pat pulled to the side of the road. 911 was called. Heath pulled me from the van and laid me on the ground. Ernie started rescue breathing. Angie stopped cars on the highway until she found good Samaritan Ann Hume, who was experienced with CPR.

A Seattle Fire Department truck arrived and relieved Ernie and Ann. Then SFD Medic One arrived. It took them three tries with the defibrillator to revive me.

At Harborview Medical Center, my body temperature was reduced to 34 degrees for 24 hours to relieve stress on my brain and organs. Seven days later, I underwent five-way bypass surgery at St. Joseph Medical Center in Tacoma. I was released after 19 days.

With no previous symptoms of heart problems, I had suffered ventricular fibrillation arrest, a condition in which the heart quits beating. According to Medic One's report, I had no respiration, blood pressure, or heartbeat when they arrived. I had been dead for 22 minutes. Because Ernie immediately started CPR, I suffered no brain damage and credit him in large part for my being alive and healthy today.

On August 15, when I rejoined the vanpool for my first day back to work, I gave Ernie a big kiss on the lips, much to his dismay and embarrassment!

—Bradford Schultz



**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2008 and 2007**

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Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2008 and 2007. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

**Financial Highlights**

- Net income for 2008, before contributions, was \$(6.2) million, compared to \$8.1 million for 2007 and \$12.9 million in 2006. The 2008 decrease in net income was the result of a 13.7 percent increase in operating expenses and a 3 percent loss in revenues. Capital contributions of \$8.7 million and a \$(6.2) million net loss accounted for the approximately \$2.6 million increase in net assets in 2008. The net loss indicates that reserves are being used to fund current operations and a deterioration of Pierce Transit's financial position.
- Pierce Transit's assets exceeded its liabilities at December 31, 2008 by \$242.7 million (net assets) compared to \$240.1 million in 2007 and \$223.9 million in 2006. Investments in capital assets increased by \$9.3 million, \$4.1 million and \$.7 million in 2008, 2007 and 2006 respectively. Unrestricted net assets decreased by \$7.1 million in 2008 and increased by \$11.6 million in 2007 and \$17.7 million in 2006. These reserves will be used to fund operating and capital commitments over the next six years. The Six-Year Financial Plan is sustainable at the 2009 Budget level through 2011. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments.
- No additional debt was issued during the last three years.

**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 Assets presents information on Pierce Transit's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets 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 Assets presents information showing how the Agency's net assets changed during the current and prior fiscal years. All changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2008 and 2007**

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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 page 22 to 25 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 page 26 to 44 of this report.

**Financial Statement Analysis**

As noted earlier, net assets may serve as a useful indication of the Agency's financial position. Total net assets exceed liabilities by \$242.7 million, \$240.1 million and \$223.9 million in 2008, 2007 and 2006 respectively.

**Summary Statement for Net Assets**  
**For the years ending December 31, 2008, 2007 and 2006**

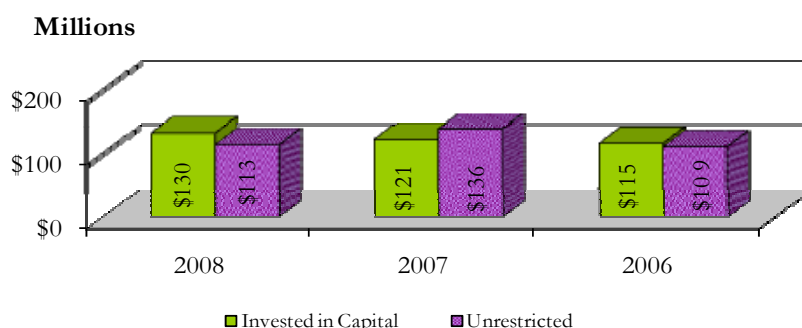
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Assets:</b>			
Current Assets	\$ 91,302,943	\$ 80,271,449	\$ 74,503,799
Other Non-Current Assets	41,598,738	56,156,298	51,872,141
Capital Assets (net)	<u>130,107,977</u>	<u>120,825,987</u>	<u>116,669,627</u>
Total Assets	<u>\$ 263,009,658</u>	<u>\$ 257,253,734</u>	<u>\$ 243,045,567</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 14,008,290	\$ 11,602,677	\$ 12,661,532
Other Non-Current Liabilities	<u>6,341,428</u>	<u>5,556,042</u>	<u>6,456,504</u>
Total Liabilities	<u>20,349,718</u>	<u>17,158,719</u>	<u>19,118,036</u>
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt	128,772,977	119,075,987	114,524,627
Net Assets	<u>113,886,963</u>	<u>121,019,028</u>	<u>109,402,904</u>
Total Net Assets	<u>242,659,940</u>	<u>240,095,015</u>	<u>223,927,531</u>
Total Liabilities and Net Assets	<u>\$ 263,009,658</u>	<u>\$ 257,253,734</u>	<u>\$ 243,045,567</u>

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2008 and 2007**

A large majority of Pierce Transit's 2008 capital assets (\$130.1 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net asset balance is not available for future spending. A portion (\$37.0 million) of the remaining net asset balance of \$112.6 million has been restricted or designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs) or by bond covenants. The remainder of \$75.6 million is available to support future obligations for transportation operations.

Following is a summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets for the last three years:

**Net Assets by Type**



**Comparative Statement of Revenues, Expenses and Changes in Net Assets  
For the years ended December 31, 2008, 2007 & 2006**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Operating Revenues	\$ 32,293,853	\$ 30,083,334	\$ 27,700,692
Operating Expenses	(108,580,834)	(95,459,298)	(87,266,403)
Depreciation	(14,117,400)	(15,745,786)	(13,681,147)
Operating Loss	(90,404,381)	(81,121,750)	(73,246,858)
Operating Subsidies	81,257,659	84,075,867	81,622,203
Non-Operating Revenues	4,148,311	7,100,600	5,415,907
Non-Operating Expenses	(1,172,859)	(1,985,607)	(865,324)
Net Non-Operating Income	84,233,111	89,190,860	86,172,786
Net Income (Loss) Before Contributions	(6,171,270)	8,069,110	12,925,928
Capital Grants	8,736,195	8,098,374	5,530,123
Change in Net Assets	<u>\$ 2,564,925</u>	<u>\$ 16,167,484</u>	<u>\$ 18,456,051</u>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2008 and 2007**

A description of operating & non-operating revenues follows:

<b>Operating Revenues</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Passenger Fares	\$ 13,882,370	\$ 12,372,165	\$ 11,515,007
Advertising	968,104	816,563	1,094,081
Regional Transit Service	17,443,379	16,894,606	15,091,604
<b>Total Operating Revenues</b>	<b>32,293,853</b>	<b>30,083,334</b>	<b>27,700,692</b>
<b>Non-Operating Revenues</b>			
Operating Subsidies:			
Sales Tax	71,752,351	77,156,577	74,593,386
Operating Grants	9,505,308	6,919,290	7,028,817
Other Non-Operating Revenues:			
Investment Income	3,220,825	5,590,687	4,161,786
Miscellaneous Income	927,486	1,509,913	1,254,121
<b>Total Non-Operating Revenues</b>	<b>85,405,970</b>	<b>91,176,467</b>	<b>87,038,110</b>
<b>Total Revenues</b>	<b>\$ 117,699,823</b>	<b>\$ 121,259,801</b>	<b>\$ 114,738,802</b>

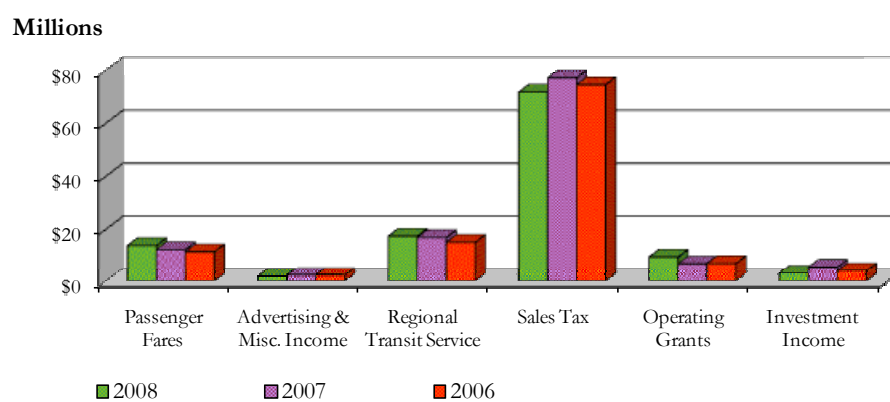
Revenue highlights for 2008 include:

- 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. Fare revenues increased in 2008 by \$1.5 million to \$13.9 million due to an increase in ridership of 1.8 million. Fare revenues in 2007 and 2006 were \$12.4 million and \$11.5 million respectively. Fare revenues increased in 2007 over 2006 levels because of an increase in ridership and a fare increase implemented in March 2006.
- Advertising revenues were \$1 million in 2008, \$0.8 million in 2007 and \$1.1 million in 2006. These fluctuations were due to the timing of contractual guarantees.
- 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 has been established for the operation of this service. The agreement is for a period of five years. The current operating agreement ends on December 31, 2009. Revenues generated from this regional transit service were \$17.4 million in 2008, an increase of 3.2% over 2007. Regional transit service revenues were \$16.9 million and \$15.1 million in 2007 and 2006 respectively. These increases were a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service.
- Sales tax, accounting for nearly 61% of Pierce Transit's total revenue (excluding capital), decreased by \$5.4 million, a decrease of 7% over 2007. Sales tax revenues in 2008 have been continually decreasing with sales tax revenues of \$71.8 million in 2008, as compared to \$77.1 million in 2007 and \$74.6 million in 2006. The decrease is a result of increased unemployment and a recessionary economy.

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- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2008 totaled \$9.5 million compared to \$6.9 million in 2007 and \$7.0 million in 2006. The changes in grant revenues are because operating grant contracts are awarded on an annual basis and vary from year to year.
- Investment income decreased nearly 43% from 2007 earnings. 2008 investment earnings were \$3.2 million compared to \$5.6 million in 2007 and \$4.1 million in 2006. The decrease is primarily due to a shrinking investment portfolio and lower interest rates.

**Operating Revenue by Source**



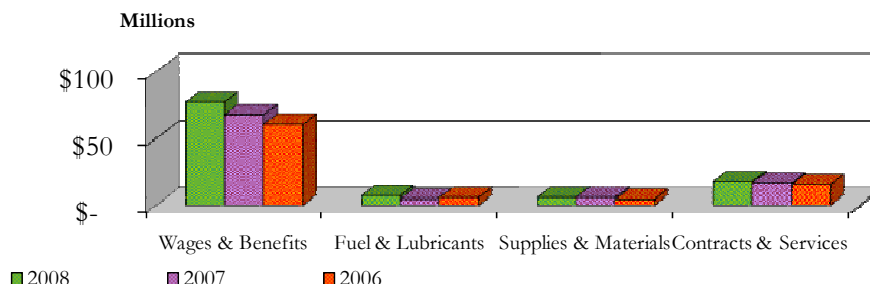
**Operating Expenses**

Total 2008 operating expenses, excluding depreciation and capital, totaled \$108.6 million and increased by 13.8% over 2007 levels. Operating expenses for 2007 and 2006 were \$95.4 million and \$87.3 million. Several factors, including contractual wage and benefit increases as well as service levels contributed to the rise in operating expenses.

<b>Operating Expenses:</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Wages & Benefits	\$ 77,278,554	\$ 67,667,670	\$ 60,736,926
Fuel & Lubricants	7,123,019	4,763,794	5,917,776
Supplies & Materials	5,921,096	5,962,609	4,636,844
Contracts & Services	18,258,165	17,065,225	15,974,856
Depreciation & Amortization	14,117,400	15,745,786	13,681,148
<b>Total Operating Expenses</b>	<b>122,698,234</b>	<b>111,205,084</b>	<b>100,947,550</b>
<b>Non Operating Expenses:</b>			
Items Previously Deferred	234,942	132,357	50,590
Grant Exchange Funds	860,301	1,758,451	711,191
Interest Expense	77,616	94,799	103,543
<b>Total Non-Operating Expenses</b>	<b>1,172,859</b>	<b>1,985,607</b>	<b>865,324</b>
<b>Total Expenses</b>	<b>\$ 123,871,093</b>	<b>\$ 113,190,691</b>	<b>\$ 101,812,874</b>

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**2008 Operating Expenditures by Type**



Wages and benefits for 2008 of \$77.3 million make up 71% of operating expenses and increased by 14.2% over 2007 levels. Contractual wage increases of 3.5% on July 1, 2008, a 2.3% increase in the PERS retirement rate, and the increase in the number of service hours accounted for the change in 2008 operating costs. Wages and benefits for 2007 and 2006 were \$67.7 million and \$60.7 million respectively and increased by 12% between 2006 and 2007. The increase between 2007 and 2006 was driven by a 3% wage increase, a 2.4% increase in the PERS retirement rate and an increase in service hours operated.

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 2008, 2007 and 2006:

<b>Service Hours:</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Fixed Route Pierce Transit	660,657	629,591	601,655
Fixed Route Sound Transit	170,446	161,334	157,062
Specialized Transportation	241,887	283,392	216,361
Vanpool	147,610	143,932	121,386
<b>Total</b>	<b>1,220,600</b>	<b>1,174,639</b>	<b>1,096,464</b>

**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, 2008 totaled \$130.1 million, net of accumulated depreciation. This compares to a 2007 net investment in capital assets of \$120.8 million and a 2006 net investment in capital assets of \$116.7 million. Net 2008 capital assets increased by 7.7%, or \$9.3 million during the year. This is the net result of the addition of \$20.6 million in assets and \$11.3 million in depreciation for 2008. Net 2007 capital assets increased by 3.6%, or \$4.1 million and by \$.8 million, or less than one percent, in 2006. The changes in the rate of increase in net capital assets in largely driven by the acquisition of a radio system in 2007 and 2008.



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Capital contributions in 2008 totaled \$8.7 million. Capital grants funded 37% of Pierce Transit's capital acquisitions in 2008. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1I.

Capital acquisitions during 2008 totaled \$23.5 million and included the following major capital assets:

- \$6.8 million for vehicles including 11 CNG buses, 30 Vanpool Vans, 13 SHUTTLE vehicle, and additional support vehicles
- \$1.8 million for property improvements and building improvements
- \$7 million for transit center development including continuation of work on a new Peninsula Park and Ride and improvements to multiple locations throughout Pierce County
- \$13.5 million for the continuation of work on a major radio system replacement and a regional fare collection system (ORCA)
- \$5 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 is in compliance with this debt policy.

Outstanding bond debt as of December 31, 2008 totaled \$1,335,000. It consists of limited sales tax general obligation bonds issued in 1999 with varying interest rates between 3.0% to 4.3% and maturities ranging from November 1, 1999 through November 1, 2011. This debt has been rated Aa3 by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). A more detailed description of Pierce Transit's debt activity is found in footnotes 4 and 9 of the financial section of this report.

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 \$187,939,502. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$628,038,225. This estimate is based on the assessed value of the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, 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. As of December 31, 2008, Pierce Transit has a remaining total debt capacity of 99.2% and a remaining voted debt capacity of 99.8%.

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Years Ended December 31, 2008 and 2007**

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## **Reserve Policies**

Pierce Transit's Board of Commissioners has adopted reserve policies in order 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, 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 minimum amount of the Capital Reserve will be set at a level equal to ten percent of the six-year average annual capital expenditures and fifty percent of the average annual grant funding programmed in the Six-Year Financial Plan. The capital reserve has been set at a level to enable the Agency 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 2008.

## **Factors Affecting Financial Condition**

### **Local Economy**

- Sales tax revenue is projected to be 60% of Pierce Transit's operating revenues in 2009. Local economic conditions play a major role in sales tax generation for Pierce Transit. The national recession is being felt locally. Unemployment in Washington State in March 2009 was 9.2% and a quick rebound of jobs is not likely. Statewide, according to the Washington State Economic and Revenue Forecast Council, March 2009 retail sales tax collections are down 14.1% over the prior year. Pierce Transit has experienced similar declines in sales tax revenues for the first three months of 2009. Worries about job prospects, financial insecurity, declining investment portfolio values, and lack of confidence in the economy have dampened spending and impacted sales tax revenues.
- Pierce Transit projects declining sales tax revenues in 2009. Actual collections for 2008 were \$5.4 million, or -7%, below 2007 collections. This is far less than the 6.8% average increase in sales tax revenue over the six year period of 2002 through 2007. Credit market concerns, weakness in the local housing market, and erosion in consumer confidence are contributing to the decline. Economists generally agree that the economy is in recession and that the recovery will be slow. According to the Washington State Economic and Revenue Forecast Council, the trend in initial March unemployment claims suggests that we may be nearing the bottom of the current recession in our state.

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**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 in place reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets operating reserves to be equal to two months' operating expenses. This amounts to approximately \$19.2 million in 2009.
- Pierce Transit's Six-Year Financial Plan does not include service increases. A system redesign study is currently underway and while changes in service and/or service delivery methods may change, no increase in the total number of service hours are planned.
- Throughout the next six years, capital spending will be limited and will focus on vehicle replacement in order to ensure continuity of service. In 2009, Pierce Transit will complete the implementation of a new radio system and a farebox replacement project is anticipated in 2010. Expansion of facilities is not included in the Six-Year Financial Plan.
- The Six-Year Financial Plan is sustainable at the 2009 Budget level through 2011. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments. Recognizing that economic conditions dramatically affect sales tax collections, this financial plan will require careful review during the coming year.

**End of Management's Discussion and Analysis**

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# Class Pass

Using Pierce Transit to take the class on a field trip was a wonderful experience for us. Though Pierce Transit has a website that allows one to do all the planning online, it also offers technophobes a phone line with access to a *real* person. Trudy was very gracious in helping us plan the trip to and from the Tacoma Art Museum. Since three classes were going on the excursion, it was a bit of a task for her to find appropriate bus scheduling that would have us all arriving at approximately the same time, but she did. Using the transit system allowed the classes to do different activities after the tour, which was great. Since not all the classes wanted to visit the same sites, the transit system gave classes the freedom to do their own thing while not imposing on the others. Unfortunately, we had inclement weather that precluded us from doing everything we wanted, but because we were using the transit system we had the freedom to return our soaking wet bodies back to the school earlier than planned.

The drivers were helpful, the other passengers friendly, and the experience was wonderful! Thanks Pierce Transit for making our field trip memorable.

—Sue Keene's Fifth Grade Class, Lowell Elementary School



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Pierce Transit

**Comparative Statement of Net Assets**

December 31, 2008 and 2007

<b>CURRENT ASSETS</b>	<b>2008</b>	<b>2007</b>
Cash & Cash Equivalents	\$ 12,001,145	\$ 4,731,076
Investments	57,961,068	54,946,596
Accounts Receivable	55,938	175,544
Interest Receivable	51,524	130,359
Sales Tax Receivable	11,730,713	13,536,917
Due From Other Governments	6,746,300	3,773,266
Prepaid Expenses	222,296	290,101
Inventories	2,533,959	2,687,590
<b>TOTAL CURRENT ASSETS</b>	<b>91,302,943</b>	<b>80,271,449</b>
<b>CURRENT RESTRICTED ASSETS</b>		
Cash & Cash Equivalents	7,648	105,211
Investments	38,645,133	54,296,651
Accounts Receivable	259,717	278,628
Interest Receivable	156,147	212,501
Due From Other Governments	2,530,093	1,263,307
<b>TOTAL CURRENT RESTRICTED ASSETS</b>	<b>41,598,738</b>	<b>56,156,298</b>
<b>TOTAL CURRENT ASSETS</b>	<b>132,901,681</b>	<b>136,427,747</b>
<b>CAPITAL ASSETS</b>		
Land	17,339,804	17,339,804
Work in Progress	31,287,174	17,214,808
Structures & Improvements	69,081,623	68,568,084
Site Improvements	47,053,251	47,030,011
Machinery & Equipment	103,542,341	97,626,335
Less: Accumulated Depreciation	(138,196,216)	(126,953,055)
<b>TOTAL CAPITAL ASSETS</b>	<b>130,107,977</b>	<b>120,825,987</b>
<b>TOTAL ASSETS</b>	<b>\$ 263,009,658</b>	<b>\$ 257,253,734</b>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Net Assets**

December 31, 2008 and 2007

<b>CURRENT LIABILITIES</b>	<b>2008</b>	<b>2007</b>
Checks Payable	\$ 1,756,296	\$ 121,631
Accounts Payable	2,457,614	3,838,749
Unearned Revenue	71,489	117,026
Wages and Benefits Payable	4,214,785	2,631,238
Employee Leave Payable	4,720,474	4,486,771
Due to Other Governments	779,938	406,043
Retainage Payable	7,694	1,219
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,008,290</b>	<b>11,602,677</b>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Checks Payable	73,989	366,773
Accounts Payable	461,312	102,396
Interest Payable	223,150	218,457
Retainage Payable	73,096	19,890
Provision for Uninsured Claims	2,527,499	1,657,062
Bonds Payable-Current Portion	430,000	415,000
<b>TOTAL RESTRICTED LIABILITIES</b>	<b>3,789,046</b>	<b>2,779,578</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>17,797,336</b>	<b>14,382,255</b>
<b>LONG-TERM LIABILITIES</b>		
Employee Leave Payable	1,768,507	1,602,964
Bonds Payable-Non-Current Portion	905,000	1,335,000
Unamortized Bond Refunding Gain	(121,125)	(161,500)
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,552,382</b>	<b>2,776,464</b>
<b>TOTAL LIABILITIES</b>	<b>20,349,718</b>	<b>17,158,719</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	128,772,977	119,075,987
Unrestricted Net Assets	113,886,963	121,019,028
<b>TOTAL NET ASSETS</b>	<b>242,659,940</b>	<b>240,095,015</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 263,009,658</b>	<b>\$ 257,253,734</b>

See accompanying notes to the financial statements.



Pierce Transit

**Comparative Statement of Revenues, Expenses and Changes in Net Assets**

Years ended December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
<b>OPERATING INCOME</b>		
Passenger Fares	\$ 13,882,370	\$ 12,372,165
Advertising	968,104	816,563
Regional Transit Service	17,443,379	16,894,606
<b>TOTAL OPERATING REVENUE</b>	<u>32,293,853</u>	<u>30,083,334</u>
<b>OPERATING EXPENSES</b>		
Operations	62,044,510	56,763,155
Maintenance	19,960,305	17,210,481
Non-Vehicle Maintenance	5,005,186	4,837,850
General & Administration	21,570,833	16,647,812
Depreciation & Amortization	14,117,400	15,745,786
<b>TOTAL OPERATING EXPENSES</b>	<u>122,698,234</u>	<u>111,205,084</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(90,404,381)</u>	<u>(81,121,750)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Operating Subsidies:		
Sales Tax	71,752,351	77,156,577
Operating Grants	9,505,308	6,919,290
Other:		
Expense of Items Previously Deferred	(234,942)	(132,357)
Investment Income	3,220,825	5,590,687
Grant Exchange Funds	(860,301)	(1,758,451)
Miscellaneous Non-Operating Income	805,296	1,401,198
Gain (Loss) on Disposal of Assets	122,190	108,715
Interest Expense	(77,616)	(94,799)
<b>NET NON-OPERATING INCOME</b>	<u>84,233,111</u>	<u>89,190,860</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(6,171,270)	8,069,110
Capital Contributions	8,736,195	8,098,374
<b>NET INCOME (LOSS) AFTER CONTRIBUTIONS</b>	<u>2,564,925</u>	<u>16,167,484</u>
<b>NET ASSETS-BEGINNING</b>	240,095,015	223,927,531
<b>NET ASSETS-ENDING</b>	<u>\$ 242,659,940</u>	<u>\$ 240,095,015</u>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Cash Flows**

Years ended December 31, 2008 and 2007

<b>INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:</b>	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Customers	\$ 29,774,680	\$ 30,407,708
Cash Payments to Suppliers for Goods & Services	(29,485,030)	(28,050,694)
Cash Payments to Employees for Services	(75,699,608)	(67,639,118)
<b>Net Cash Used By Operating Activities</b>	<u>(75,409,958)</u>	<u>(65,282,104)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Sales Tax Received	73,558,555	77,161,187
Operating Grants Received	9,559,012	8,072,502
Miscellaneous Non-Operating Income	805,296	1,401,198
Grant Exchange Funds	(860,301)	(1,758,451)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>83,062,562</u>	<u>84,876,436</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(23,842,346)	(20,516,840)
Capital Grants and Contributions	7,734,921	12,093,562
Principal Paid on Debt	(415,000)	(395,000)
Interest Paid on Debt	(72,923)	(88,722)
Proceeds From Sale of Equipment	122,190	(164,537)
<b>Net Cash Used By Capital and Related Financing Activity</b>	<u>(16,473,158)</u>	<u>(9,071,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	(153,475,568)	(144,448,768)
Proceeds from Maturities of Investment Securities	166,112,614	125,013,249
Interest on Investments	3,356,014	5,633,736
<b>Net Cash Used By Investing Activities</b>	<u>15,993,060</u>	<u>(13,801,783)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,172,506	(3,278,988)
Cash and Cash Equivalents at Beginning of Year	4,836,287	8,115,275
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 12,008,793</u>	<u>\$ 4,836,287</u>
See accompanying notes to the financial statements.		
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (90,404,381)	\$ (81,121,750)
<b>ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation and Amortization	14,117,400	15,745,786
<b>CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:</b>		
(Increase) Decrease in Receivables	119,606	73,215
(Increase) Decrease in Inventories	153,631	(537,082)
(Increase) Decrease in Prepaid Expenses	67,805	(50,645)
(Increase) Decrease in Due from Other Governments	(3,292,250)	1,274,459
Increase (Decrease) in Warrants Payable	1,614,400	(1,449,289)
Increase (Decrease) in Accounts Payable	(1,347,950)	1,129,702
Increase (Decrease) in Unearned Revenue	(45,537)	55,036
Increase (Decrease) in Wages and Benefits Payable	1,978,192	626,837
Increase (Decrease) in Due to Other Governments	699,008	(1,078,336)
Increase (Decrease) in Retainage Payable	59,681	(116,049)
Increase (Decrease) in Provision for Uninsured Claims	870,437	166,012
<b>TOTAL ADJUSTMENTS</b>	<u>14,994,423</u>	<u>15,839,646</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ (75,409,958)</u>	<u>\$ (65,282,104)</u>

See accompanying notes to the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pierce County Public Transportation Benefit Area Corporation, AKA Pierce Transit, 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.

**A. ENTITY** - The Pierce County Public Transportation Benefit Area Corporation, AKA 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, Bus PLUS, specialized transportation (SHUTTLE), and vanpool transportation services in the urbanized area of Pierce County. In addition, rideshare matching services and commute trip reduction assistance is provided to the local and regional employers.

The Pierce Transit Board of Commissioners is responsible for governance of the Agency. The nine member Board consists of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive (or delegate), a member of the Lakewood City Council, a member shared by Puyallup and University Place, and an elected official chosen by the remaining small cities and towns within Pierce Transit's jurisdiction.

Pierce Transit has a separately elected governing body, 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.

**B. 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 ancillary to the provision of transportation service.

In accordance with Government Accounting Standards Board (GASB) Statement 20, the Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principals Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB), Statement 34, "Basic Financial Statements" and related standards. This statement provides for significant changes in terminology and includes recognition of capital grants in the Comparative Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis and other changes. Pierce Transit adopted this statement effective for the period ended December 31, 2002.

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**Notes to Financial Statements**  
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**C. 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 expenditures, which include capital grant receipts and expenditures, as well as debt service principal. Unencumbered operating appropriations lapse at year-end.

Capital expenditures 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 goals and divisional programs and objectives.

The first step in developing an Agency budget is the development of the Agency goals. These goals then act as a focus for the development of programs and objectives. Concurrently with the development of programs and objectives, revenues for the coming year are estimated. The estimate of the following year's operating revenues is then used as a guide for the Agency to determine the amount of service to be provided in the following year. The emphasis is placed on operating revenues and expenses as other expenditures are tied to resolutions, contractual agreements, and separately approved spending plans. Washington State law requires a balanced budget. The budget is balanced when adequate reserves are available to cover any excess of expenditures over current revenues.

Following the receipt of the preliminary budget request, the Executive Team reviews the programs, objectives, and expenditure requests to balance the total budget with the projected revenues and service requirements and priorities. Once the preliminary budget is balanced, the Board of Commissioners reviews the budget requests. During this period, the Board holds a public study session on the budget proposals. When the budget review and final adjustments are complete, the budget is adopted by resolution.

During the fiscal year, periodic budget reviews of actual expenditures and revenues are made. Should any significant budget variances in either expenses or revenues occur, budget amendments, if required, are made by resolution by the Board of Commissioners. Individual department budgets are monitored for authorized expenditures on a department total rather than a line-item basis. With the exception of personnel costs, travel and training, and capital acquisitions, department and division managers may exercise their judgment in exceeding line item appropriations so long as they do not exceed their total appropriations. Any overruns for the Agency as a whole must be authorized by resolution by the Board of Commissioners.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2008 and 2007, is as follows:

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2008**

	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>FAVORABLE (UNFAVORABLE) VARIANCE</b>
Passenger Fares	\$ 12,322,200	\$ 13,882,370	\$ 1,560,170
Advertising	931,000	968,104	37,104
Regional Transit Service	17,776,700	17,443,379	(333,321)
Interest Income	6,108,860	3,220,825	(2,888,035)
Sales Tax	82,113,900	71,752,351	(10,361,549)
Operating Grants	9,395,040	9,505,308	110,268
Capital Grants	23,230,340	8,736,195	(14,494,145)
Bonds	14,000,000	-	(14,000,000)
Miscellaneous Revenues	1,247,510	805,296	(442,214)
Gain on Disposal of Assets	-	122,190	122,190
<b>TOTAL*</b>	<b>\$ 167,125,550</b>	<b>\$ 126,436,018</b>	<b>\$ (40,689,532)</b>

**SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2008**

	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>FAVORABLE (UNFAVORABLE) VARIANCE</b>
Personnel	\$ 81,463,744	\$ 77,278,554	\$ 4,185,190
Fuel and Lubricants	5,676,017	7,123,019	(1,447,002)
Supplies and Materials	6,093,523	5,921,096	172,427
Contracts and Services	18,770,915	18,258,165	512,750
Depreciation and Amortization	-	14,117,400	(14,117,400)
Expense of Items Previously Deferred	-	234,942	(234,942)
Capital Acquisitions	83,174,006	23,593,957	59,580,049
Interest Expense	97,789	77,616	20,173
Grant Exchange Funds	826,700	860,301	(33,601)
Bond Principal	1,019,616	415,000	604,616
<b>TOTAL*</b>	<b>\$ 197,122,310</b>	<b>\$ 147,880,050</b>	<b>\$ 49,242,260</b>

\*Expenditures 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, 2008 and 2007

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2007

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 11,717,200	\$ 12,372,165	\$ 654,965
Advertising	837,500	816,563	(20,937)
Regional Transit Service	15,518,400	16,894,606	1,376,206
Interest Income	4,564,413	5,590,687	1,026,274
Sales Tax	79,366,200	77,156,577	(2,209,623)
Operating Grants	5,969,100	6,919,290	950,190
Capital Grants	14,340,594	8,098,374	(6,242,220)
Miscellaneous Revenues	1,392,100	1,401,198	9,098
Gain on Disposal of Assets	-	108,715	108,715
<b>TOTAL*</b>	<b>\$ 133,705,507</b>	<b>\$ 129,358,175</b>	<b>\$ (4,347,332)</b>

**SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2007

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 70,593,630	\$ 67,667,670	\$ 2,925,960
Fuel and Lubricants	6,933,763	4,763,794	2,169,969
Supplies and Materials	5,481,757	5,962,609	(480,852)
Contracts and Services	17,377,836	17,065,225	312,611
Depreciation and Amortization	-	15,745,786	(15,745,786)
Expense of Items Previously Deferred	-	132,357	(132,357)
Capital Acquisitions	86,954,326	20,005,358	66,948,968
Interest Expense	89,000	94,799	(5,799)
Grant Exchange Funds	861,200	1,758,451	(897,251)
Bond Principal	395,000	395,000	-
<b>TOTAL*</b>	<b>\$ 188,686,512</b>	<b>\$ 133,591,049</b>	<b>\$ 55,095,463</b>

\*Expenditures 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, 2008 and 2007**

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

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

	<u>2008</u>	<u>2007</u>
Passenger Fares	\$ 13,882,370	\$ 12,372,165
Advertising	968,104	816,563
Regional Transit Service	17,443,379	16,894,606
Investment Income	3,220,825	5,590,687
Misc. Non-Operating Revenue	805,296	1,401,198
Operating Subsidies	81,257,659	84,075,867
Gain on Disposal of Assets	122,190	108,715
<b>TOTAL</b>	<u>117,699,823</u>	<u>121,259,801</u>

**Revenues From the Budget vs. Actual Schedule:**

Capital Grants	8,736,195	8,098,374
<b>TOTAL</b>	<u>126,436,018</u>	<u>129,358,175</u>
<b>GRAND TOTAL</b>	<u>\$ 126,436,018</u>	<u>\$ 129,358,175</u>

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

	<u>2008</u>	<u>2007</u>
Operations	\$ 62,044,510	\$ 56,763,155
Maintenance	19,960,305	17,210,481
Non-Vehicle Maintenance	5,005,186	4,837,850
General & Administration	21,570,833	16,647,812
Depreciation and Amortization	14,117,400	15,745,786
Expense of Items Previously Deferred	234,942	132,357
Interest Expense	77,616	94,799
Grant Exchange Funds	860,301	1,758,451
<b>TOTAL</b>	<u>123,871,093</u>	<u>113,190,691</u>

**Expenses From the Budget vs. Actual Schedule**

Capital Acquisitions	23,593,957	20,005,358
Bond Principal Payment	415,000	395,000
<b>TOTAL</b>	<u>24,008,957</u>	<u>20,400,358</u>
<b>GRAND TOTAL</b>	<u>\$ 147,880,050</u>	<u>\$ 133,591,049</u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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**D. 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, 2008 total \$16,273,999 compared to \$24,526,531 on December 31, 2007. The majority of the encumbrances for 2008 result from large capital projects in progress including base facility expansion, a mobile communications project, and passenger facilities improvements. Encumbrances are not shown on the financial statements.

**E. 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.

**F. INVESTMENTS** - Investments are carried at fair value based on quoted market prices. Pierce Transit adopted GASB Statement 40, Deposit and Investment Risk Disclosures, effective January 1, 2005.

**G. 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.

**H. RESTRICTED ASSETS** - Proceeds from bond issues and monies set aside for future payment of capital, debt service, and insurance claims are classified as restricted assets when their use is limited by bond covenants, grant restrictions, or resolutions. Interest earnings on investment of these monies are also restricted.

**I. CAPITAL ASSETS** - Property, plant, and equipment are stated as historical cost or at fair market value as of the date contributed. Replacements that improve or extend property life are capitalized.

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 expended as incurred.



**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

The Summary of Changes in Capital Assets for the years ended December 31, 2008 and 2007, respectively, follows:

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2008**

<b>Description</b>	<b>Balance January 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustment</b>	<b>Balance December 31, 2008</b>
<b>Capital assets not being depreciated:</b>					
Land	\$ 17,339,804	\$ -	\$ -	\$ -	\$ 17,339,804
Work in Progress	17,214,808	23,593,957	-	(9,521,591)	31,287,174
Total capital assets not being depreciated	<u>34,554,612</u>	<u>23,593,957</u>	<u>-</u>	<u>(9,521,591)</u>	<u>48,626,978</u>
<b>Depreciable capital assets:</b>					
Structures	68,568,084	-	(1,351,483)	1,865,022	69,081,623
Site Improvements	47,030,011	-	-	23,240	47,053,251
Machinery & Equipment	97,626,335	-	(1,482,381)	7,398,387	103,542,341
Total depreciable capital assets at cost	<u>213,224,430</u>	<u>-</u>	<u>(2,833,864)</u>	<u>9,286,649</u>	<u>219,677,215</u>
Total Capital Assets (gross)	<u>247,779,042</u>	<u>23,593,957</u>	<u>(2,833,864)</u>	<u>(234,942)</u>	<u>268,304,193</u>
<b>Less accumulated depreciation for:</b>					
Structures	(38,309,717)	(2,391,111)	1,351,484	-	(39,349,344)
Site Improvements	(38,607,862)	(1,311,592)	-	-	(39,919,454)
Machinery & Equipment	(50,035,476)	(10,374,323)	1,482,381	-	(58,927,418)
Total accumulated depreciation	<u>(126,953,055)</u>	<u>(14,077,026)</u>	<u>2,833,865</u>	<u>-</u>	<u>(138,196,216)</u>
Total Capital Assets (net)	<u>\$120,825,987</u>	<u>\$ 9,516,932</u>	<u>\$ -</u>	<u>\$ (234,942)</u>	<u>\$130,107,977</u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2007**

Description	Balance January 1, 2007	Additions	Retirements	Adjustment	Balance December 31, 2007
<b>Capital assets not being depreciated:</b>					
Land	\$ 17,339,804	\$ -	\$ -	\$ -	\$ 17,339,804
Work in Progress	5,770,407	19,873,001		(8,428,600)	17,214,808
Total capital assets not being depreciated	<u>23,110,211</u>	<u>19,873,001</u>	<u>-</u>	<u>(8,428,600)</u>	<u>34,554,612</u>
<b>Depreciable capital assets:</b>					
Structures	68,727,699	-	-	(159,615)	68,568,084
Site Improvements	46,510,031	-	-	519,980	47,030,011
Machinery & Equipment	96,575,639	-	(7,017,537)	8,068,235	97,626,337
Total depreciable capital assets at cost	<u>211,813,369</u>	<u>-</u>	<u>(7,017,537)</u>	<u>8,428,600</u>	<u>213,224,432</u>
Total Capital Assets (gross)	<u>234,923,580</u>	<u>19,873,001</u>	<u>(7,017,537)</u>	<u>-</u>	<u>247,779,044</u>
<b>Less accumulated depreciation for:</b>					
Structures	(34,039,365)	(4,270,351)	-	-	(38,309,716)
Site Improvements	(37,439,489)	(1,168,373)	-	-	(38,607,862)
Machinery & Equipment	(46,775,099)	(10,266,687)	7,017,537	(11,230)	(50,035,479)
Total accumulated depreciation	<u>(118,253,953)</u>	<u>(15,705,411)</u>	<u>7,017,537</u>	<u>(11,230)</u>	<u>(126,953,057)</u>
Total Capital Assets (net)	<u>\$116,669,627</u>	<u>\$ 4,167,590</u>	<u>\$ -</u>	<u>\$ (11,230)</u>	<u>\$120,825,987</u>

Work in progress as of 12/31/08 consists of the following projects:

Buildings & Site Improvements	\$ 847,771
Equipment	25,596,632
Park and Ride Lots/Transit Centers	4,842,771
Total Work in Progress	<u>\$ 31,287,174</u>

A number of projects were in process at the end of 2008. Commitments on capital projects as of 12/31/08 totaled \$13,723,421 and are itemized as follows: buildings and site improvements \$549,347, equipment \$12,556,873 and park and ride lots/transit centers \$617,201. Projects underway on 12/31/08 included base facility expansion, passenger facilities improvements, a mobile communications project, and a regional fare coordination project (ORCA).

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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

Costs incurred in planning and designs of projects are deferred until programs are approved or abandoned. At that time, the related costs are transferred to the asset accounts or charged to expense as appropriate. Items of 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.

Costs of bond and note issues are capitalized and amortized over the life of the issue. Organization costs are amortized over 5 years. Amortization of bond, note, and organization costs is recorded as a reduction to the respective asset account rather than accumulated amortization.

**K. UNEARNED REVENUE** - Revenues are recorded when earned. Unearned revenue as of December 31, 2008 and 2007 was \$71,489 and \$117,026, respectively.

**L. NET ASSETS** - Net assets are increased when revenues are greater than expenses and decreased when expenses exceed revenues. Net assets are reserved or designated to the extent that restricted assets exceed liabilities payable from those assets. See Note 5 for details of reserved and designated net assets. Net assets include the following subsidies of operations:

**Sales Tax** - In February 2002, Pierce County voters approved a ballot measure increasing the local sales tax support from .3% to .6%. The sales tax increase went into effect July 1, 2002. The sales tax increase replaces funding that was lost when the Motor Vehicle Excise Tax (MVET) was eliminated in 2000. The sales tax collected in 2008 totaled \$71,752,351 resulting in a seven percent decrease over 2007 sales tax revenue of \$77,156,577.

**Motor Vehicle Excise Tax (MVET)** - A tax of .7824% of the fair market value of motor vehicles registered in Pierce County. In November 1999, the passage of Initiative 695 (I-695) and subsequent legislative action eliminated this tax. Therefore, no MVET was collected after 2000.

**Federal Operating Assistance** - Federal operating grants.

**State Operating Assistance** - Operating grants from the State of Washington.

**Capital Contributions** - Donated assets or grants for the acquisition of capital assets.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

**VACATION AND SICK LEAVE** - Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Employees are not allowed to accumulate more than 2 years of vacation leave accrual at any point in time. Total vacation accruals are listed as follows:

	<u>2008</u>	<u>2007</u>
Vacation-Current	\$ 2,855,914	\$ 2,863,779
Vacation-Non-Current	317,324	286,378
<b>Total Vacation Leave Liability</b>	<u>\$ 3,173,237</u>	<u>\$ 3,150,157</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, 2008 and 2007 were \$7,395,782 and \$6,873,276 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>2008</u>	<u>2007</u>
Current Liability based on usage or terminations	\$ 1,864,561	\$ 1,622,992
Non-current Liability based on expected future payoffs	1,451,183	1,316,586
<b>Total Sick Leave Liability</b>	<u>\$ 3,315,744</u>	<u>\$ 2,939,578</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 leave payable follows:

	<u>2008</u>	<u>2007</u>
Balance beginning of year	\$ 4,486,771	\$ 3,935,038
Employee leave earned	3,903,313	4,138,001
Employee leave paid	(3,669,610)	(3,586,268)
<b>Current Employee Leave Payable</b>	<u>\$ 4,720,474</u>	<u>\$ 4,486,771</u>

	<u>2008</u>	<u>2007</u>
Balance beginning of year	\$ 1,602,964	\$ 1,556,392
Employee leave earned	1,540,347	1,327,818
Employee leave paid	(1,374,804)	(1,281,246)
<b>Long-term Employee Leave Payable</b>	<u>\$ 1,768,507</u>	<u>\$ 1,602,964</u>

## 2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2008 and 2007, respectively as follows:

Composition of Cash and Cash Equivalents:

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 1,273,775	\$ 1,760,399
Investments having original maturities of less than 3 months	10,735,018	3,075,888
<b>Total Cash and Cash Equivalents</b>	<u>\$ 12,008,793</u>	<u>\$ 4,836,287</u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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All bank deposits are entirely insured.

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:

- Obligations of the United States Treasury.
- Obligations of agencies of the Federal Government.
- 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 market 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 fair value of the shares in the investment pool is the same as the value of the pool shares.
- Commercial paper limited to 15% of the total portfolio, with no more than 5% with any one individual issuer.

During 2008 and 2007, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities is based on quoted market prices. The fair value of the position in the Washington Local Government Investment Pool is the same as the value of the pool shares. No investment losses occurred during 2008 or 2007.

In 2005, Pierce Transit implemented GASB Statement 40 – Deposit and Investment Risk Disclosures (an amendment to GASB Statement 3), which modifies and expands existing disclosure requirements for deposits and investments.

### **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 shorter and longer 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, 2008 and 2007 was 69 days and 99 days, respectively.

Information of the sensitivity of fair values of investments to interest rate fluctuations is provided by the following table showing maturities of all investments held by Pierce Transit as of December 31, 2008 and 2007.

**Pierce Transit**  
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Investment Type	Fair Value	2008 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 83,469,255	\$ 83,469,255	\$ -	\$ -	\$ -	\$ 83,469,255
Repurchase Agreement	8,727,458	8,727,458	-	-	-	8,727,458
Bankers Acceptances	-	-	-	-	-	-
U. S. Agencies	15,144,506	2,007,560	3,074,046	6,026,160	4,036,740	15,144,506
	<u>\$107,341,218</u>	<u>\$ 94,204,272</u>	<u>\$ 3,074,046</u>	<u>\$ 6,026,160</u>	<u>\$ 4,036,740</u>	<u>\$107,341,218</u>

Investment Type	Fair Value	2007 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 85,525,043	\$ 85,525,043	\$ -	\$ -	\$ -	\$ 85,525,043
Repurchase Agreement	2,036,567	2,036,567	-	-	-	2,036,567
Bankers Acceptances	2,579,462	2,481,349	98,113	-	-	2,579,462
U. S. Agencies	22,178,064	2,772,242	5,483,895	1,933,507	11,988,420	22,178,064
	<u>\$112,319,136</u>	<u>\$ 92,815,201</u>	<u>\$ 5,582,008</u>	<u>\$ 1,933,507</u>	<u>\$ 11,988,420</u>	<u>\$112,319,136</u>

### 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 assignments of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by GASB 31. As of December 31, 2008, fourteen percent of Pierce Transit's investments are in the following U.S. Agencies: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), and Federal Farm Credit Banks (FFCB). 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 with the exception of the Washington State Local Government Investment Pool.
- No more than 25% of the Agency's total portfolio may be invested in any given issue on a specific maturity. Investment maturities may not exceed two years.

### Custodial Credit Risk

Custodial credit risk for investments generally applies to direct investments in marketable securities. With the exception of the Washington State Local Government Investment Pool, Pierce Transit's marketable securities

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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are insured, registered, or held by Pierce Transit or its agent in Pierce Transit's name. Pierce Transit's overnight repurchase agreements are collateralized by liquid, marketable securities having a market value of at least 102% of the repurchase price. Custodial credit risk does not apply to Pierce Transit's indirect investment in securities through the use of the local government investment pool.

**3. RECEIVABLES**

Amounts due to Pierce Transit for year ended December 31, 2007 and 2006 (net of uncollectible) are detailed as follows:

**UNRESTRICTED RECEIVABLES**

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 55,938	\$ 175,544
Interest Receivable	51,524	130,359
Sales Tax Receivable	11,730,713	13,536,917
Total Receivables	<u>11,838,175</u>	<u>13,842,820</u>
Due from Other Governments:		
Other Operating Partnerships	22,093	75,797
Fuel Tax Refund	954,565	467,837
Regional Transit Service Revenues	5,769,642	3,229,632
Total Due from Other Governments	<u>6,746,300</u>	<u>3,773,266</u>
Total Unrestricted Receivables	<u>18,584,475</u>	<u>17,616,086</u>

**RESTRICTED RECEIVABLES**

Accounts Receivable	259,717	278,628
Interest Receivable	156,147	212,501
Total Receivables	<u>415,864</u>	<u>491,129</u>
Due from Other Governments:		
Capital Grants	821,026	265,644
Other Capital Partnerships	488,498	42,606
Regional Transit Service Revenues	1,220,569	955,057
Total Restricted Due from Other Governments	<u>2,530,093</u>	<u>1,263,307</u>
Total Restricted Receivables	<u>2,945,957</u>	<u>1,754,436</u>
Total Receivables	<u>\$21,530,432</u>	<u>\$19,370,522</u>

**4. BONDS PAYABLE**

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds. This debt has been rated Aa3 by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). These bonds were issued to advance refund bonds issued in 1992 for construction of capital facilities with

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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maturity dates between 2003 and 2011 (see Note 9). Bond payments are made from sales tax revenues. On December 31, 2008 the total outstanding debt was \$1,335,000 of which \$430,000 is recorded as a current liability and \$905,000 is recorded as a non-current bond payable liability. The principal payment in 2008 of \$415,000 reduced the outstanding debt from \$1,750,000 to \$1,335,000.

The schedule of future debt service requirements is as follows:

Year Ended Dec 31	1999 Bonds Principal	1999 Bonds Interest	Total Limited Obligation Debt Service
2009	\$ 430,000	\$ 56,322	\$ 86,322
2010	445,000	38,693	483,693
2011	460,000	19,780	479,780
<b>Total</b>	<b>\$ 1,335,000</b>	<b>\$ 114,795</b>	<b>\$ 1,449,795</b>

**5. RESERVED AND DESIGNATED NET ASSETS**

Pierce Transit's Board of Commissioners has established reserve policies for Pierce Transit's capital and insurance programs. The net asset amount designated for insurance is set at a level to adequately protect the Agency from self-insurance risks. The amount designated for capital is set at a level equal to ten percent of the six year average annual capital expenditures plus fifty percent of the average annual grant funding programmed in the six year financial plan. 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. Amounts set aside for debt service are determined by bond covenants.

**A. DESIGNATED FOR CAPITAL** - Net assets designated for capital were \$35,314,759 for 2008 and \$48,865,697 for 2007.

**B. DESIGNATED FOR INSURANCE** - Pierce Transit's Board of Commissioners established a self-insurance fund in 1982 (See Note 8). Net assets designated for unemployment, liability self-insurance, and workers compensation for the periods ended December 31, 2008 and 2007 were \$3,007,462 and \$5,023,808, respectively.

**C. RESTRICTED FOR DEBT SERVICE** - Cash, investments, and receivables restricted for debt service total \$136,267 for 2008 and \$129,655 for 2007. Current liabilities payable from these assets as of December 31, 2008 and 2007, were \$653,150 and \$633,457, respectively, leaving (\$516,883) and (\$503,802) current net assets restricted for debt service. The net asset balance is negative because bond covenants provide that debt service may be funded monthly such that total funds available equal the debt service payment on the due date; however, the current portion of the debt service payment is recorded in one lump sum.

**6. EMPLOYEE BENEFITS**

**A. RETIREMENT** - Pierce Transit contributes monthly to two separate retirement systems. Both systems are cost sharing multi-employer public employee retirement systems. The Agency contributions, as well as employee contributions, are based on the gross pay of an employee. Tacoma Transit employees electing to retain Tacoma Employees' Retirement System (TERS) when Pierce Transit took over the operations of Tacoma Transit in 1980 are covered by TERS which is a defined benefit plan. The Public Employees



**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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Retirement System (PERS) covers all other employees. Pierce Transit participates in PERS Plan 1, PERS Plan 2, and PERS Plan 3. The PERS system is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Employees joining PERS after 10/1/77 are members of Plan 2 or Plan 3. As of September 1, 2002 employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. This option must be exercised within 90 days of employment. An employee is enrolled in Plan 2 until a choice is made. Employees who fail to make a choice within 90 days of employment default to PERS Plan 3. PERS is mandatory for all regular employees except for personnel working less than 70 hours per month in five months in a calendar year.

Information regarding the Public Employees Retirement System (PERS) is presented in the State Department of Retirement Systems Annual Financial Report. A copy of the report may be obtained by contacting the Department of Retirement Systems, 6825 Capital Boulevard, P.O. Box 48380, Olympia, WA 98504-8389. Information regarding the Tacoma Employees' Retirement System can be found in its annual report and may be obtained by writing to the Tacoma Employees' Retirement System, 747 Market Street, and Room 1544, Tacoma, WA 98402. Ten year historical trend information showing the retirement systems' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2008 and December 31, 2008 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$53,667,771 for the year ended December 31, 2008; Pierce Transit's total payroll for 2008, was \$55,981,973. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2007 was \$49,689,936, with a total payroll of \$51,919,793. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 6.44% of gross wages to the plan; employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. The employers contribution for PERS employees was 6.12% through June 30, 2008, increasing to 8.31% through December 31, 2008. PERS Plan 3 employees can contribute 5% to 15% of their gross wages. Pierce Transit does not provide any benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

A summary of each plan's provisions and requirements follows:

	<b>TERS</b>
Vesting	5 years
Retirement Eligibility	Age 60, regardless of service credit Age 57, with 10 years of service credit Age 50, with 20 years of service credit Any age with 30 years of service credit
Retirement Benefits	2% of highest consecutive 24 month average final compensation (AFC) multiplied by years of service, up to 60% of AFC
Other Benefits	Death and Disability

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

	<b>PERS</b>		
	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>PLAN 3</b>
Vesting	5 years	5 years	10 years
Retirement Eligibility	Age 60, regardless of service credit Age 55, with 25 years of service credit Any age with 30 years of service credit	Age 65, with 5 years of service credit Age 55 with 20 years of service credit	Age 65, with 10 years of service credit Age 55 with 10 years of service credit
Retirement Benefits	2% of highest consecutive month average final compensation (AFC) multiplied by years of service, up to 60% of AFC	2% of highest consecutive 60 month average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced	1% of highest consecutive 60 month average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced
Benefits	Death and Disability	Death and Disability	Death and Disability

During 2006, 2007, and 2008, Pierce Transit and its employees made the required contributions. Contribution amounts and rates expressed as a percentage of the covered payroll for the three years ended December 31 are as follows:

	<b>PERS Plan 1</b>		<b>PERS Plan 2</b>		<b>PERS Plan 3</b>		<b>TERS</b>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
Employee	6.00%	\$ 101,401	3.50%	\$ 1,173,658	5-15%	\$ 142,682	6.44%	\$ 52,713
Employer	3.69%	51,622	3.69%	1,252,112	3.69%	71,170	7.56%	61,646
<b>Total 2006</b>		<u>\$ 153,023</u>		<u>\$ 2,425,770</u>		<u>\$ 213,852</u>		<u>\$ 114,359</u>
Employee	6.00%	\$ 111,777	4.15%	\$ 1,692,319	5-15%	\$ 163,769	6.44%	\$ 45,275
Employer	6.12%	106,101	6.12%	2,535,978	6.12%	157,198	7.56%	53,403
<b>Total 2007</b>		<u>\$ 217,878</u>		<u>\$ 4,228,297</u>		<u>\$ 320,967</u>		<u>\$ 98,678</u>
Employee	6.00%	\$ 86,653	5.45%	\$ 2,289,703	5-15%	\$ 200,415	6.44%	\$ 51,127
Employer	8.31%	102,034	8.31%	3,441,860	8.31%	246,835	7.56%	60,108
<b>Total 2008</b>		<u>\$ 188,687</u>		<u>\$ 5,731,563</u>		<u>\$ 447,250</u>		<u>\$ 111,235</u>

**B. DEFERRED COMPENSATION PLAN** - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Pierce Transit contributes from 1% to 5.5% of the annual salary of all participating employees. In 2008, Pierce Transit contributed \$1,492,259. Pierce Transit contributed \$1,163,286 to this plan in 2007. 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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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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.

**7. CONTINGENT LIABILITIES**

On September 12, 2006, a former employee filed a \$10 million claim for wrongful discharge pursuant to Chapter 4.96 RCW. The Agency denied the claim and no lawsuit has been filed as of the date of the financial statements. Therefore, no reasonable estimate of any potential settlement can be determined.

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 expenditures 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 affect on the financial position of Pierce Transit.

**8. INSURANCE**

On July 1, 2001, Pierce Transit became an associate member of the Washington State Transit Insurance Pool (WSTIP) that includes 25 other State Transit Agencies and the Ohio State Transit Insurance Pool. By becoming a member of WSTIP, the Agency is able to take advantage of WSTIP's competitive insurance rates for excess general liability. In addition, WSTIP membership includes access to a comprehensive claims database and other risk management services. As of January 1, 2008, Pierce Transit's self-insurance retention was \$1,000,000 with an excess insurance policy of \$16,000,000.

Property and fire risk exposures are covered by commercial insurance policies. Settled claims have not exceeded coverage in any of the last three years. Pierce Transit is entirely self-insured for unemployment compensation claims and errors and omissions exposures and vanpool auto/liability. A listing of Pierce Transit's commercial insurance policies follows:

<b>RISK</b>	<b>COVERAGE</b>
General Liability	\$16,000,000 excess of \$1,000,000 retention.
Workers Compensation	\$25,000,000 excess of \$1,100,000 retention.
Vanpool Auto/Liability	\$60,000 uninsured motorists for bodily injury only.
Fleet and Fire	Actual cost value, \$10,000 deductible.
Building Fire/Office	Property damage: replacement cost coverage with a policy limit of
Contents/Earthquake/Flood	\$100,000,000; \$10,000 deductible; \$100,000 minimum deductible for earthquake with \$30,000,000 limit; \$100,000 deduction for flood with \$45,000,000 limit; \$2,000,000 for data processing.
Fidelity Bonds	Public employees blanket bond in the amount of \$1,000,000 with \$100,000 deductible.
Money & Securities	\$1,000,000 for wrongful abstractions by employees of money & securities; \$30,000 limit for abstractions of money & securities by third parties.
Pollution Liability	\$1,000,000 subject to \$10,000 deductible for headquarters underground tanks only.

On December 31, 2008, the self-insurance assets totaled \$5,673,106, of which a liability of \$2,527,499 is recorded as liability for all accident and workers compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2007 Pierce Transit's self-

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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insurance assets totaled \$6,806,342 of which a liability of \$1,657,062 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.

A reconciliation of claims liabilities follows:

	<u>2008</u>	<u>2007</u>
Balance beginning of year	\$ 1,657,062	\$ 1,491,050
Provision for incurred claims	4,036,026	2,617,555
Payments made for claims	(3,165,589)	(2,451,543)
Claims liabilities year ended	<u>\$ 2,527,499</u>	<u>\$ 1,657,062</u>

**9. DEBT**

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds dated February 1, 1999. These bonds carry interest rates between 3.0% and 4.3% and were used to advance refund \$3,415,000 of Pierce Transit's limited sales tax general obligation bonds maturing on December 1 in years 2003 through 2011. The 1992 bonds were issued to fund construction of capital facilities. The net proceeds of \$4,763,430 were deposited in an irrevocable trust with an escrow agent to be held to their call date of December 1, 2002, at which time they were called at par.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The unamortized bond refunding gain as of December 31, 2008 and 2007 was \$121,125 and \$161,500, respectively. This difference is being amortized through the year 2011. The Agency completed the advance refunding to reduce its total debt service payments over the next 11 years.

Pierce Transit did not have any short-term debt as of December 31, 2008.

**End of Notes to the Financial Statements**

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# Bus Buddy

I hadn't been on a bus in years. But recent changes in my life left me with three options for getting around: ask my wonderful, but busy, daughter for rides, learn how to ride the bus, or stay home. I heard about the Bus Buddy program, where you can learn how to ride the bus from someone who already knows how. I met with Loren Osier, my new Bus Buddy, and she taught me how to read a bus schedule, use route maps and choose the best route for trips. She showed me how to use the online Trip Planner on Pierce Transit's website too. Loren even helped me fill out and submit an application for a Regional Reduced Fare Permit. Then came the "hands-on" lesson. We went to a real bus stop and Loren showed me how to steer my motorized wheelchair up the ramp, pay my fare and drive into a designated wheelchair spot. I was surprised at how quickly the bus driver secured me and my wheelchair with floor-mounted straps, a seatbelt and a shoulder harness. When he was done, boy nothing moved! I had a real secure feeling as the bus drove down the road. The driver was so polite and friendly. When our trip was over, Loren volunteered to go on other "trial" trips with me. I'm really enjoying the freedom and flexibility riding the bus gives me, and I'm grateful for Loren and all the people who volunteer for the Bus Buddy program.

—Herbert Widley

The Bus Buddy program has been around for one year, and I was the very first volunteer. Being a Bus Buddy is fun. I meet some really great people, and I feel good about giving back to my community.

—Loren Osier



**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

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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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends These schedules contain trend information to assess how Pierce Transit's financial performance and well-being have changed over time.	46-47
Revenue Capacity These schedules contain information on Pierce Transit's revenue sources and their fluctuations over time.	48-49
Debt Capacity These schedules present information to assist the reader in assessing the affordability of Pierce Transit's current level of outstanding debt and the ability to issue additional debt in the future.	50
Demographic and Economic Information These schedules offer demographic and economic indicators regarding the environment within which Pierce Transit's financial activities take place.	51-52
Operating Information These schedules contain information about services Pierce Transit provides and the activities it performs.	53-57
Grant Information This schedule provides a summary of capital grant activity for Federal, State and Local sources.	58

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, 2008**

**Financial Trends  
Net Assets by Component  
1999 - 2008**

	Invested in		
	Capital Assets	Unrestricted	Total
1999	92,723,710	56,615,781	149,339,491
2000	113,698,531	64,880,857	178,579,388
2001	106,704,681	45,275,117	151,979,798
2002 *	105,264,761	45,517,812	150,782,573
2003	97,750,689	63,775,883	161,526,572
2004	106,752,212	75,701,262	182,453,474
2005	115,927,548	89,543,932	205,471,480
2006	116,669,627	107,790,306	224,459,933
2007	120,825,987	119,269,028	240,095,015
2008	130,107,977	112,551,963	242,659,940

\* Pierce Transit adopted GASB statement No.34 in 2002 which required reclassification of certain balances, including the presentation of net assets formerly labeled retained earnings and contributed capital.

**Financial Trends  
Expense Comparisons by Type  
1999 – 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Personnel	\$39,874,327	\$37,874,327	\$41,180,072	\$44,656,262	\$49,732,380	\$53,276,898	\$57,785,602	\$60,736,927	\$67,667,670	\$77,278,554
Fuel & Lubricants	1,594,940	2,409,896	2,132,899	2,243,299	3,166,655	3,731,581	5,386,453	5,917,776	4,763,794	7,123,019
Supplies & Materials	3,017,864	2,663,933	3,572,809	3,625,479	4,050,431	4,944,439	4,851,849	4,636,806	5,962,609	5,921,096
Contracts & Services	11,627,076	9,775,987	9,859,752	12,326,267	11,606,002	13,770,279	13,925,196	15,974,894	17,065,225	18,258,165
Depreciation & Amortization	11,125,833	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400
Capital Acquisition	19,751,030	30,026,065	5,480,620	12,351,346	5,897,918	21,187,250	21,717,527	14,426,046	20,005,358	23,593,957
Loss on Disposal of Assets	-	-	425	-	-	-	-	-	-	-
Debt Service										
Principal	315,000	305,000	305,000	325,000	340,000	355,000	365,000	380,000	395,000	415,000
Lease Principal	109,252	-	-	-	-	-	-	-	-	-
Interest Expense	418,226	286,939	269,729	251,279	142,788	130,548	117,413	103,543	94,799	77,616
Previously Deferred Items	-	-	16,174	464,330	15,209	1,277	61,865	50,590	132,357	234,942
Grant Exchange Funds							1,714,333	711,191	1,758,451	860,301
<b>Total</b>	<b>\$87,491,053</b>	<b>\$92,392,150</b>	<b>\$75,291,842</b>	<b>\$89,591,000</b>	<b>\$88,437,217</b>	<b>\$109,672,134</b>	<b>\$118,492,362</b>	<b>\$116,618,920</b>	<b>\$133,591,049</b>	<b>\$147,880,050</b>



**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Financial Trends  
Changes in Net Assets  
1999-2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Operating Revenue</b>										
Passenger Fares	\$9,576,682	\$6,960,413	\$7,837,840	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370
Advertising	657,322	990,828	838,843	466,549	673,295	442,378	851,602	1,094,081	816,563	968,104
Regional Transit Service	2,626,172	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379
Total Operating Revenue	12,860,176	16,409,884	19,152,630	20,217,644	22,589,069	23,351,312	24,787,446	27,700,692	30,083,334	32,293,853
<b>Non-Operating Revenue</b>										
Sales Tax	24,218,060	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351
MVET	22,609,654	296,941	-	-	-	-	-	-	-	-
Operating Grants	620,713	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308
Investment Income	1,693,506	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825
Miscellaneous Income Gain/(Loss) on Disposal of Assets	419,886	52,412	711,483	704,771	779,793	947,521	1,005,346	969,860	1,401,198	805,296
	602,547	366,356	(425)	65,597	89,504	91,584	350,686	284,261	108,715	122,190
Total Non-Operating Revenue	50,164,366	45,836,512	38,333,884	48,209,144	67,768,808	68,735,159	80,331,996	87,038,110	91,176,467	85,405,970
Total Revenue	63,024,542	62,246,396	57,486,514	68,426,788	90,357,877	92,086,471	105,119,442	114,738,802	121,259,801	117,699,823
<b>Operating Expense</b>										
Fixed Route	41,775,717	39,845,967	44,305,283	49,498,514	54,828,986	60,018,905	66,764,882	70,476,920	76,043,175	86,654,338
Demand Response	11,960,172	11,078,774	10,646,108	11,184,461	11,164,370	12,772,330	12,359,269	13,856,252	15,807,504	17,637,236
Vanpool	2,035,823	1,799,402	1,794,139	2,168,332	2,562,112	2,931,961	2,824,949	2,933,231	3,608,619	4,289,260
Depreciation & Amortization	11,125,833	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400
Total Operating Expense	66,897,545	61,774,146	69,219,893	76,199,045	82,041,302	87,998,058	94,516,224	100,947,550	111,205,084	122,698,234
<b>Non-Operating Expense</b>										
Expense of Deferred Items	-	-	16,174	464,330	15,209	1,277	61,865	50,590	132,357	234,942
Interest Expense	418,226	286,939	269,729	251,279	142,788	130,548	117,413	103,543	94,799	77,616
Grant Exchange Funds	-	-	-	-	-	-	1,714,333	711,191	1,758,451	860,301
Total Non-Operating Expense	418,226	286,939	285,903	715,609	157,997	131,825	1,893,611	865,324	1,985,607	1,172,859
Total Expense	67,315,771	62,061,085	69,505,796	76,914,654	82,199,299	88,129,883	96,409,835	101,812,874	113,190,691	123,871,093
Net Expense	(4,291,229)	185,311	(12,019,282)	(8,487,866)	8,158,578	3,956,588	8,709,607	12,925,928	8,069,110	(6,171,270)
Capital Grants	16,366,706	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195
Change in Net Assets	\$12,075,477	\$24,542,808	\$(7,307,992)	\$(1,197,225)	\$10,743,999	\$20,926,902	\$23,018,006	\$18,456,051	\$16,167,484	\$2,564,925

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Revenue Capacity  
Revenue and Subsidies Comparisons  
1999 - 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Passenger Fares	\$9,576,682	\$6,960,413	\$7,837,840	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370
School Service	-	-	-	-	-	-	-	-	-	-
Regional										
Transit Fares	2,626,172	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379
Advertising	657,322	990,828	838,843	466,549	673,295	442,379	851,602	1,094,081	816,563	968,104
Interest Income	1,693,506	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825
Sales Tax	24,218,060	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351
MVET	22,609,654	296,941	-	-	-	-	-	-	-	-
Operating										
Subsidies	620,713	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308
Capital Grants	16,366,706	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195
Gain on										
Disposal of										
Assets	602,547	366,356	-	65,597	89,504	91,584	350,686	816,663	108,715	122,190
Miscellaneous	419,886	52,412	711,483	704,771	779,793	947,521	1,005,345	969,860	1,401,198	805,296
<b>Total</b>	<b>\$79,391,248</b>	<b>\$86,603,893</b>	<b>\$62,198,229</b>	<b>\$75,717,429</b>	<b>\$92,943,298</b>	<b>\$109,056,786</b>	<b>\$119,427,840</b>	<b>\$120,801,327</b>	<b>\$129,358,175</b>	<b>\$126,436,018</b>

**Revenue Capacity  
Fixed Route Farebox Recovery  
1999 - 2008**

Year	Farebox Recovery
1999	0.22%
2000	0.18
2001	0.18
2002	0.19
2003	0.18
2004	0.16
2005	0.14
2006	0.17
2007	0.16
2008	0.16

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Revenue Capacity  
Fare History  
1999 - 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Cash Fares</b>										
Adult	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.50	\$ 1.50	\$ 1.50
Student/Seniors	1.00	1.00	1.00	1.25	1.25	1.25	1.25	1.50	1.50	1.50
SHUTTLE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75
Seattle Express	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00
Olympia Express	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Passes</b>										
Adult Pass	34.00	36.00	36.00	36.00	45.00	45.00	45.00	45.00	54.00	54.00
Senior/Disabled Pass	15.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	27.00	27.00
Olympia Express	50.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Seattle Express	75.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	108.00	108.00
Transfers	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free

**Revenue Capacity  
1999 & 2008 Taxable Sales Comparisons  
Pierce County**

	1999		2008	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 4,375,299,077	\$ 13,656,807	\$ 5,551,483,215	\$ 34,012,086
Services	870,483,760	2,717,078	1,911,216,091	11,709,383
Contracting	1,093,663,480	3,413,698	2,277,182,178	13,951,535
Manufacturing	180,705,719	564,044	261,918,098	1,604,685
Transportation/Utilities	334,273,645	1,043,383	47,752,895	292,566
Wholesaling	713,220,485	2,226,205	747,715,637	4,581,004
Finance/Insurance/Real Estate	115,411,175	360,238	911,309,345	5,583,288
Other Business	75,803,025	236,607	2,905,842	17,804
<b>TOTAL</b>	<b>\$ 7,416,718,261</b>	<b>\$ 24,218,060</b>	<b>\$ 12,535,613,988</b>	<b>\$71,752,351</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

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**Debt Capacity  
Legal Debt Margin  
2008**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$50,503,812,585	\$50,243,057,994
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 189,389,297	\$ 628,038,225
Less: Outstanding Debt	1,335,000	1,335,000
Debt Margin	\$ 188,054,297	\$ 626,703,225

\* The maximum debt capacity includes both non-voted and voted debt. All outstanding debt is non-voted.

**Debt Capacity  
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita  
1999 – 2008**

	December 31	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
	1999	635,290	\$21,667,412	\$4,505,000	.02	\$7.09
	2000	643,290	23,550,341	4,215,000	.02	6.55
	2001	658,475	25,533,759	3,910,000	.02	6.07
	2002	670,820	26,350,592	3,585,000	.02	5.35
	2003	679,815	27,778,725	3,245,000	.02	4.78
	2004	702,060	29,619,949	2,890,000	.01	4.11
	2005	705,018	32,815,525	2,525,000	.01	3.58
	2006	721,445	35,336,989	2,145,000	.01	2.97
	2007	732,435	42,915,280	1,750,000	.01	2.38
	2008	749,350	50,503,813	1,335,000	.01	1.78

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Debt Capacity  
Computation of Direct and Overlapping Debt  
2008**

	Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ 1,335,000	100.00%	\$ 1,335,000
City of Tacoma	156,200,000	30.54%	47,703,480
Pierce County	118,581,000	42.27%	50,124,189
			<u>\$99,162,669</u>
 PTBA Population			 749,350
 Direct Debt as a % of Personal Income			 .0005%
 Direct and Overlapping Debt per Capita			 \$ 132.33

\* 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 Transit Employee by Function  
1999 - 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Operations</b>	521	508	534	608	605	589	701	746	747	708
<b>Maintenance</b>	125	124	127	136	156	149	157	154	169	162
<b>Administration</b>	98	98	103	125	128	127	145	153	174	168

\*Contracted Employees not included in totals prior to 2005

**Demographic and Economic Information  
Pierce County Demographic and Economic Information  
1999 - 2008**

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)
1999	700,000	\$45,204	\$18,058,638	\$25,798	134,635	4.3
2000	701,000	47,586	19,241,674	27,699	135,476	5.0
2001	713,400	49,287	20,702,070	29,019	137,334	6.5
2002	725,000	50,127	21,502,845	29,659	139,759	8.1
2003	733,700	51,539	21,131,368	28,801	142,050	8.2
2004	744,000	53,661	23,273,083	31,281	140,626	7.1
2005	755,900	54,647	24,440,169	32,448	139,032	5.9
2006	773,500	55,361	26,769,608	35,054	139,434	5.1
2007	790,500	56,789	N/A*	N/A*	139,945	4.7
2008	805,400	58,903	N/A*	N/A*	141,246	5.7

Sources: (1)Washington State Office of Financial Management  
(2)Federal Bureau of Economic Analysis  
(3)Superintendent of Public Instruction

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

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

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**Demographic and Economic Information  
Principal Employers  
Comparisons of Employees and Percent of Total Employment  
2008 and 1999**

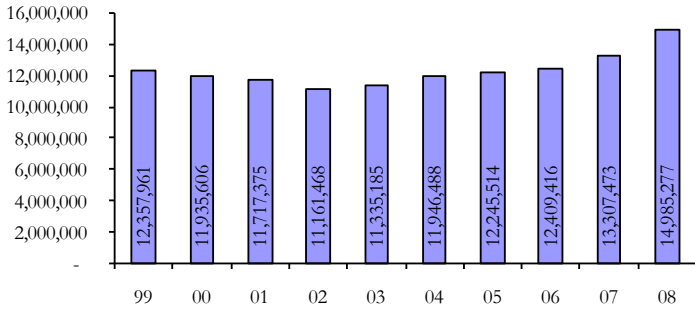
<b>Employer</b>	<b>2008</b>			<b>1999</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total County Employment</b>
Federal Government	59,332	1	15.84%	50,704	1	14.82%
Local Government	34,206	2	9.13	29,225	2	8.05
MultiCare Health System	5,832	3	1.56	3,281	3	1.44
Franciscan Health Systems	4,041	4	1.08	2,306	4	1.05
Fred Meyer Stores	2,383	5	0.64	1,206	8	0.69
Wal-Mart	1,990	6	0.53	-	-	-
Emerald Queen Casino	1,915	7	.051	-	-	-
Boeing Company	1,760	8	0.47	1,300	6	0.41
Safeway Stores	1,635	9	0.44	1,526	5	0.48
Russell Investments	1,144	10	0.31	1,133	9	0.35
Intel Corporation	-	-	-	1,300	7	0.41
McDonald's Restaurants	-	-	-	910	10	0.28
<b>Total Taxpayer Employment</b>	<b>114,238</b>		<b>30.49%</b>	<b>92,891</b>		<b>29.02%</b>
<b>Total Employment Pierce County</b>	<b>374,680</b>			<b>320,100</b>		

Data prepared by Tacoma-Pierce County Economic Development Board

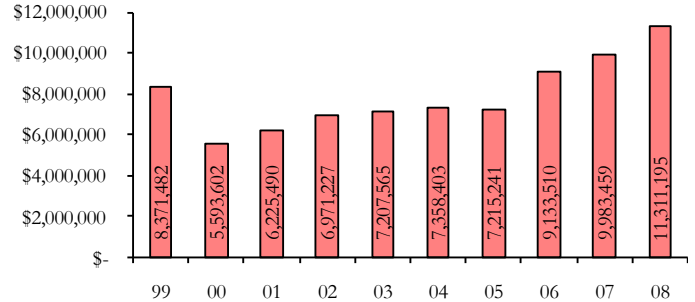
**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Operating Information  
Fixed Route Statistics  
1999 - 2008**

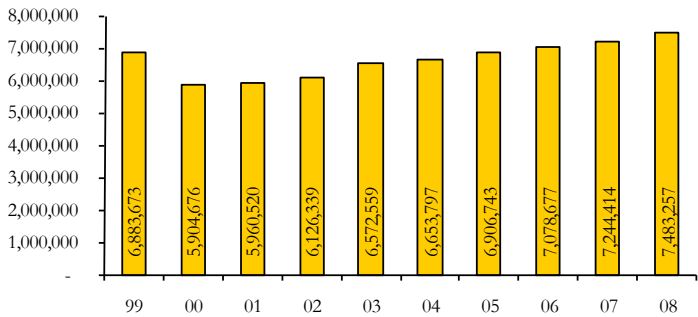
**Annual Boardings**



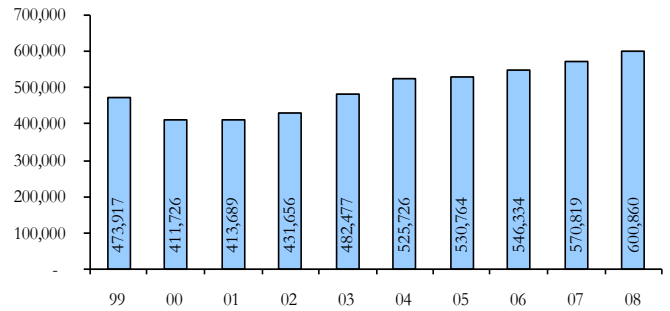
**Annual Passenger Fare Revenues**



**Revenue Miles**



**Actual Revenue Hours**

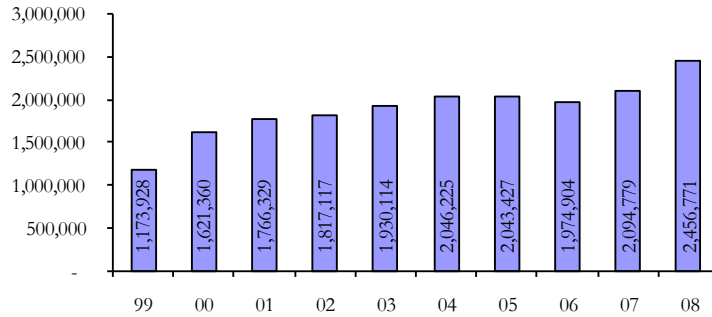


Source: National Transit Database (NTD)  
Sound Transit Seattle Express service began September 1999

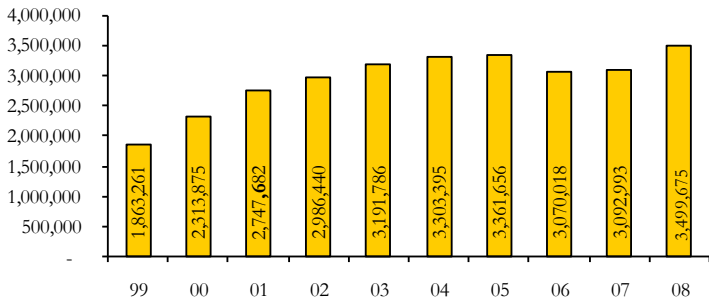
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2008

Operating Information  
 Sound Transit  
 Fixed Route Statistics  
 1999 – 2008

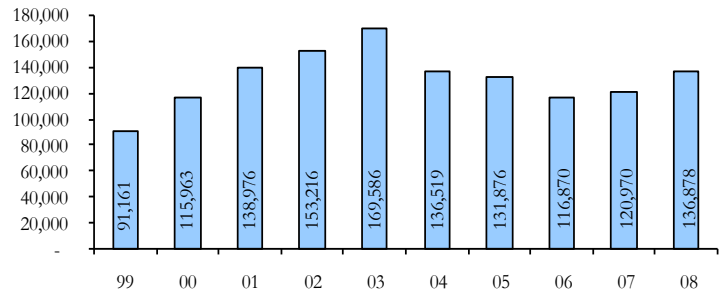
Annual Boardings



Revenue Miles



Actual Revenue Hours



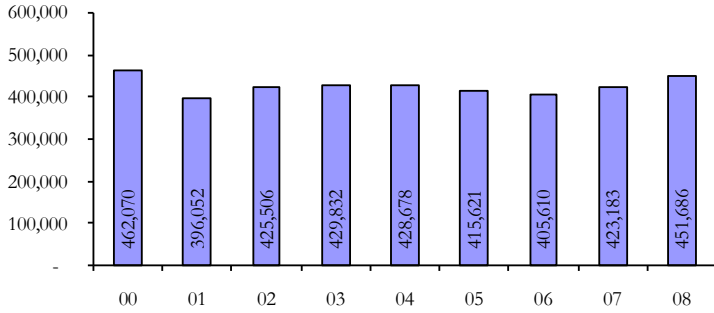
Source: National Transit Database (NTD)  
 Sound Transit Seattle Express service began in September 1999.



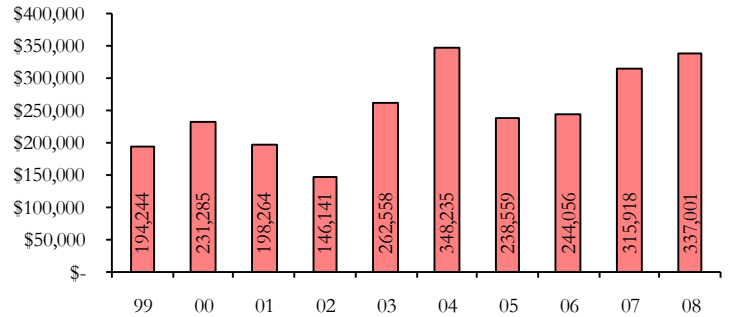
Pierce Transit  
Statistical Section  
Year ended December 31, 2008

**Operating Information**  
**Specialized Transportation (SHUTTLE)**  
1999 - 2008

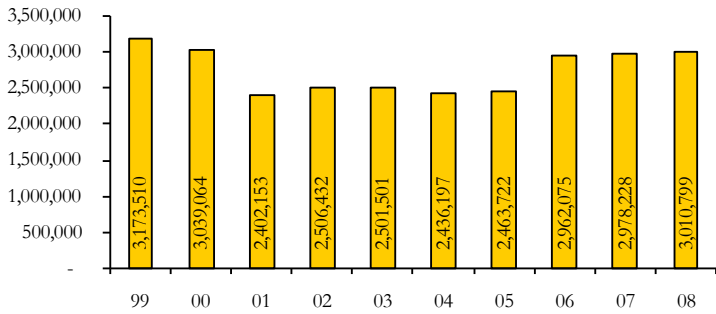
**Annual Boardings**



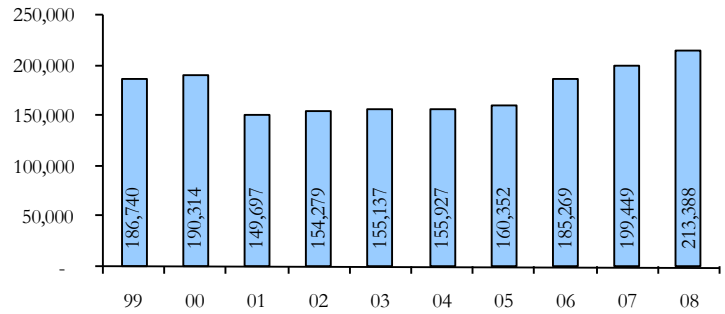
**Annual Passenger Fare Revenues**



**Revenue Miles**



**Actual Revenue Hours**

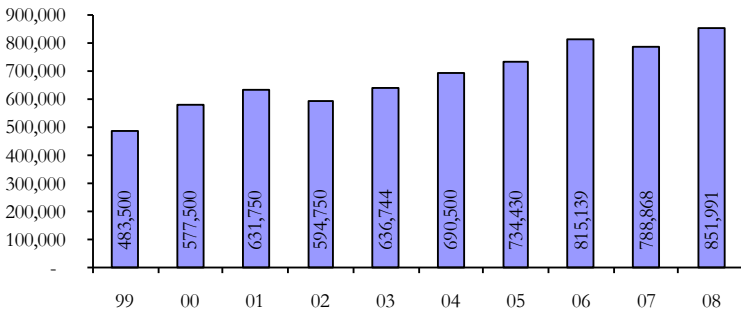


Includes directly operated and purchased transportation services.

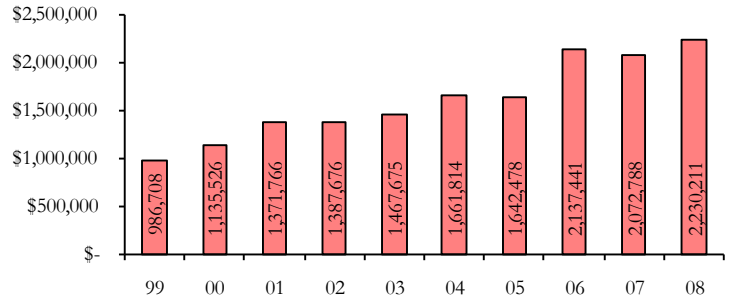
Pierce Transit  
Statistical Section  
Year ended December 31, 2008

**Operating Information**  
**Vanpool Statistics**  
1999 – 2008

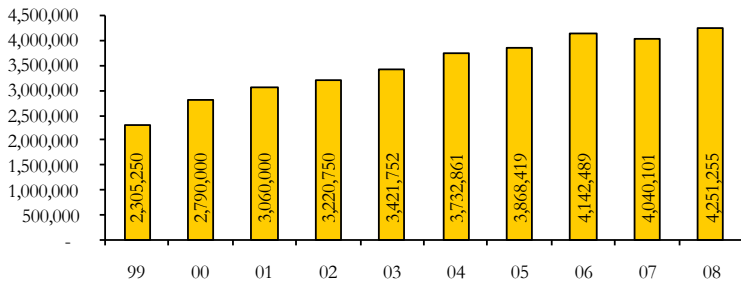
**Annual Boardings**



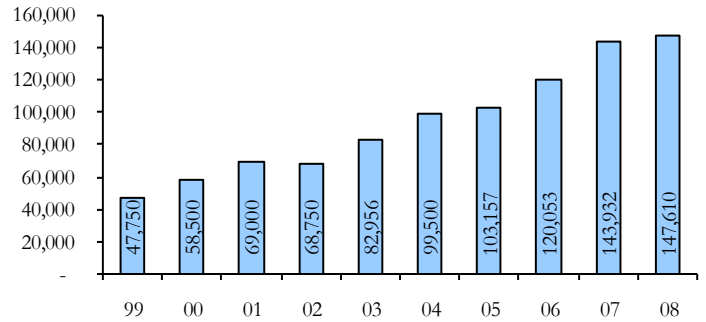
**Annual Passenger Fare Revenues**



**Revenue Miles**



**Actual Revenue Hours**



**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

**Operating Information  
Key Performance Measures  
1999 – 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):</b>										
Annual Boardings	12,357,961	11,935,606	11,717,375	11,161,468	11,335,185	11,946,488	12,245,514	12,409,416	13,307,473	14,985,277
Cost per Service Hour	\$ 69.72	\$ 66.36	\$ 73.59	\$ 75.15	\$ 72.36	\$ 81.50	\$ 86.80	\$ 90.36	\$ 96.96	\$ 104.96
Farebox Recovery	22%	18%	18%	19%	18%	16%	14%	17%	16%	16%
Passengers per Service Hour	23.0	25.5	24.7	22.5	20.4	21.2	21.1	20.6	21.1	22.7
Cost per Passenger	\$ 3.03	\$ 2.61	\$ 2.98	\$ 3.34	\$ 3.55	\$ 3.84	\$ 4.11	\$ 4.38	\$4.59	\$4.63
<b>SHUTTLE:</b>										
Annual Boardings	442,640	462,070	396,052	425,506	429,832	428,678	415,621	405,610	423,539	451,686
Cost per Service Hour	\$ 57.80	\$ 52.41	\$ 62.17	\$ 63.22	\$ 63.97	\$ 72.47	\$66.23	\$ 64.17	\$ 66.26	\$ 72.92
Farebox Recovery	2%	2%	2%	1%	2%	3%	2%	2%	2%	2%
Passengers per Service Hour	2.1	2.2	2.3	2.4	2.5	2.4	2.2	1.9	1.8	1.9
Cost per Passenger	\$ 27.02	\$ 23.98	\$ 26.88	\$ 26.29	\$ 25.97	\$ 29.73	\$ 29.67	\$ 34.23	\$ 37.32	\$ 39.05
<b>VANPOOL:</b>										
Annual Boardings	483,500	577,500	631,750	594,750	636,744	690,500	734,430	815,139	788,868	851,991
Cost per Service Hour	\$ 42.41	\$ 30.50	\$ 25.54	\$ 30.98	\$ 30.44	\$ 28.98	\$ 26.93	\$ 24.93	\$ 25.07	\$ 29.06
Farebox Recovery	48%	63%	76%	64%	57%	57%	59%	71%	57%	52%
Passengers per Service Hour	10.1	9.8	9.0	8.5	7.6	6.9	7.1	6.7	5.5	5.8
Cost per Passenger	\$ 4.21	\$ 3.12	\$ 2.84	\$ 3.65	\$ 4.02	\$ 4.23	\$ 3.82	\$ 3.71	\$ 4.57	\$ 5.03

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  
1999 – 2008**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Pierce Transit Buses	169	149	164	166	168	208	193	176	176	218
SHUTTLE Vans	174	151	157	144	166	154	100	118	146	165
Vanpool Vans	197	218	249	250	270	284	293	300	320	328

**Pierce Transit  
Statistical Section  
Year ended December 31, 2008**

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**Grant Information  
Capital Grant History  
1999 – 2008**

<u>FTA</u>	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Section 3	\$ 1,369,963	\$ 5,699,938	\$ 1,151,973	\$ 1,132,955	\$ 157,643	\$ 2,131,762	\$ 2,774,048	\$ 343,103	\$ -	\$ -
Section 4	-	-	-	132	454	-	-	-	-	-
Section 8	13,404	6,726	(6,647)	36,715	610	-	-	-	-	-
Section 9	9,187,104	12,104,446	1,814,148	6,056,583	2,278,019	14,921,797	10,261,877	4,687,911	7,528,260	3,172,893
Other	-	-	-	-	-	-	-	-	53,793	148,056
 <u>WA STATE</u>										
Misc Grants	1,840,637	(251,801)	1,378,994	-	65,161	(99,912)	215,807	344,798	504,380	223,262
 <u>MUNICIPAL/ LOCAL</u>										
Partnerships	3,955,598	6,798,188	372,822	64,256	83,534	16,667	1,056,667	154,311	11,941	5,191,984
	<u>\$ 16,366,706</u>	<u>\$ 24,357,497</u>	<u>\$ 4,711,290</u>	<u>\$ 7,290,641</u>	<u>\$ 2,585,421</u>	<u>\$ 16,970,314</u>	<u>\$ 14,308,399</u>	<u>\$ 5,530,123</u>	<u>\$ 8,098,374</u>	<u>\$ 8,736,195</u>



## **PIERCE TRANSIT**

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