



Annual Comprehensive Financial Report

Year Ended December 31, 2022
Pierce County, Washington

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Annual Comprehensive Financial Report

Year Ended December 31, 2022

Pierce County, Washington

Mike Griffus Chief Executive Officer

Prepared by The Finance Division

Christopher Schuler Chief Financial Officer

Danette Rogers Finance Manager

Our Year

In 2022 we helped workers get to jobs so our economy can thrive, those who depend on SHUTTLE make medical care appointments, reduced carbon emissions by taking 5.5 million personal vehicles off the road, and so much more!

Transit is equity in motion, giving our neighbors access to jobs, education and other opportunities.



Bus

4,946,334
Annual Passenger Boardings

4,816,628
Annual Miles Traveled

16,228
Average Weekday Boardings



Vanpool

382,751
Annual Passenger Boardings

3,028,154
Annual Miles Traveled

1,443
Average Weekday Boardings



SHUTTLE

209,416
Annual Passenger Trips

1,965,043
Annual Miles Traveled

718
Average Weekday Boardings



Runner

5,620
Trips

Pay special attention to the tabs throughout this document to see just some of the ways we told our community "We're Here for YOU in '22"

*We're Here '22
for YOU in*

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Pierce Transit
Annual Comprehensive Financial Report
Year Ended December 31, 2022

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Here for you with...

Safety

We know staying safe while riding transit is one of our customers' top priorities. It's ours, too.

That's why Pierce Transit continues to go the extra mile to give you a safe and comfortable riding experience. In 2022, we implemented several new initiatives aimed at keeping you safe while on the bus and at our facilities, including:

- **A new public safety model** that includes having security staff on site at our major transit centers
- **Working with federal partners** to conduct regular safety drills
- **Innovative training for bus operators** to ensure they are the safest on the road

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June 29, 2023

Pierce County Public Transportation
Benefit Area Corporation

To the Chair of the Board of Commissioners, Board of Commissioners and Citizens of Pierce County:

I. TRANSMITTAL OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

Pierce County Public Transportation Benefit Area Corporation (Pierce Transit) presents to you the Annual Comprehensive Financial Report (ACFR) for the year ending December 31, 2022. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unmodified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2022. The independent auditor's report is located at the front of the financial section of this report.

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

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

II. PROFILE OF THE AGENCY

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



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

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

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

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool and rideshare services. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers. Pierce Transit's fixed route bus service is provided along approximately 31 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Lakewood to Seattle has been funded by Sound Transit and operated by Pierce Transit. Pierce Transit operates 15 routes for Sound Transit service. In 2022, Pierce Transit fixed route services carried 4.9 million passengers while Sound Transit services operated by Pierce Transit carried 2.3 million passengers for a combined total of 7.2 million passengers.

Specialized transportation services, known as SHUTTLE, is provided within $\frac{3}{4}$ of a mile of our bus routes for individuals in the community with a qualifying that are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2022, total ridership was 209,416.

Micro-transit service, known as Runner, was added in 2022. The service allows riders to use a mobile app or call for on-demand trips within specific zones in the agency's service area. Runner covers four zones: Joint-Base Lewis McChord, Tide Flats, Ruston, and Spanaway. In 2022, ridership was 5,620.

The Agency's vanpool program was added to the mix of services in 1986. With 382,751 annual passenger boardings, the vanpool program accounted for 6.9% of the Agency's total ridership in 2022 (excluding Sound Transit ridership).

The first time since COVID-19 hit in 2020, Pierce Transit experienced an increase in ridership in all modes in 2022. Overall ridership increased by 15.4% for the year. Additional information about Pierce Transit's services and our *We're Here for YOU in '22* initiative can be found on the tabs throughout the ACFR.



Strategic Plan

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

Customer-Focused

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

Culture of Excellence

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

Financially Responsible

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

Dedicated Employees

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

The Strategic Plan is used to develop initiatives and action plans with specific measurable goals to help track progress toward achieving the desired outcomes. At time of publication of the Annual Comprehensive Financial Report, Pierce Transit is in the process of reviewing the Strategic Plan to develop new initiatives as needed.

Long Term Financial and Service Planning

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



The outlook of long term financial and service planning is to create a budget that allows improving the experience of public transportation for our customers and laying the path for new and expanded services in the future. The 2023 focus remains on restoring service back to 95% of pre-pandemic levels if conditions, including staffing levels, progress as anticipated. and bringing riders back to our system while adapting and transforming transit to meet needs of the communities served. Challenges addressed in the budget include reduced ridership and fare collections, recruiting for vacant positions (especially operators), continued efforts in preventing COVID spread and provide a safe workplace for employees and customers, improving safety of our customers and employees, accounting for higher prices and materials shortages, and future potential economic downturns.

The 2023 budget is presented with expenditures of approximately \$505 million for all funds, balanced by expected revenues and reserves. Sales tax will contribute 86% of the total budgeted operating revenues in 2023 (excluding the revenue from our contract to provide Sound Transit regional service) and is expected to generate \$111 million in revenue. The budget includes 966 FTS and service hours of 475,000. Operating expenditures increased by 8.1% over projected 2022 levels, due primarily to filling vacant positions to aid with restoring service as projected.

There are several initiatives in the 2023 budget that are direct outcomes of the Strategic Plan including placing a strong emphasis on safety, building collaborative partnerships, using data-driven analysis, and providing innovative customer service and mobility options. Major projects include:

- Transit station security
- Enhanced employee safety initiatives
- Increased vanpool customer safety using telematics
- Diversity, equity, and inclusion
- Employee development
- Providing a foundation to engage and retain our workforce
- Improved commitment to facility state of good repair
- Zero emission/electrification
- Building capacity to identify, increase and manage grant funding
- Focus on innovative ways to provide service and increase ridership
- Youth-Ride-Free commitment

The Six-Year Financial Plan is sustainable for operations. Reserves and operating transfers will be used over the next six years to provide capital infrastructure that supports service plans. Additional grants and/or other funding sources will be required to fully implement the planned capital program, particularly the Maintenance and Operations Base Improvements (MOBI) and Bus Rapid Transit (BRT) projects. Reserves comply with required levels established by the Board of Commissioners. Reserves provide the ability to deal with adverse economic conditions, emergencies, and exposure to casualty and legal risks. While the agency currently has no long-term debt, the Board approved applying for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the United States Department of Transportation's Build America Bureau. This loan is intended to fund a significant portion of base improvements that are currently unfunded. The agency should know the results of the application in late 2023. Pierce Transit is also requesting additional FTA funding for the



initial BRT along SR-7. Future projects, including BRT expansion and transition to zero-emission vehicles, will be dependent on future funding opportunities.

While sales tax collections are projected to increase above 2022 levels, uncertainty exists around future collections. Therefore, the six-year plan shows modest 3.83% annual increases, well below our historical average annual increase of 5.8%. While costs continue to escalate faster than prior years, Pierce Transit will focus efforts on improving productivity, reducing costs, and obtaining grants for service and projects.

III. ECONOMIC CONDITION AND OUTLOOK

Even as ridership returns closer to pre-pandemic levels, the post-COVID emergency economic disruption continues. Pierce Transit experiences the impacts of this ongoing disruption on many levels. Controlling the overall cost of services and projects is of utmost importance to Pierce Transit; however, inflation, including a level of uncertainty related to future fuel and service vehicle prices, will have a magnifying effect on the cost-of-service delivery over the next few years. Supply chain delays and ever-increasing delivery times are exacerbating the complexity of capital projects.

Pierce Transit's annual budget planning process examines its programs, services, and financial operations, along with various economic forecasts, to develop an overall financial outlook. While the pandemic caused a sudden and severe downturn in the economy and revenue collections in 2020, signs point to continued recovery into 2023.

Local economic conditions and retail spending play major roles in the generation of sales tax revenue, which is Pierce Transit's primary source of operating revenue. While economic expansion halted abruptly in March 2020, consumer spending rebounded significantly in 2021 and continued to slowly increase in 2022. The impact of the economy including the threatened recession will affect future revenue. As we closely monitor trends and update forecasts, adjustments to the 2023 budget may be required.

The Puget Sound region has been one of the fastest-growing metropolitan areas in the U.S. Locally, residents continue to move into Pierce County due to higher housing prices in King County and employment growth continues despite low workforce availability.

Specific areas of concern that could hinder Pierce Transit's growth include recruitment challenges for positions across the agency. Operators and maintenance positions are particularly impacted. While the region's working-age population is expanding, the labor force participation rate is down. The return to previous years' service delivery levels will depend on increased workforce availability and funding that keeps up with service costs that currently outpace overall average inflation

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 Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. This was the 38th year that Pierce Transit has achieved this prestigious award. To be awarded a Certificate of Achievement, a governmental unit must establish an



easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive 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 and Marketing Departments for their assistance in preparing this report. Special acknowledgement is also made to the Office of the State Auditor to provide a timely audit and opinion so that this Annual Comprehensive 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.



Michael Griffus
Chief Executive Officer



Christopher Schuler
Executive Director of Finance/CFO





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Pierce Transit
Washington**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrill

Executive Director/CEO

Board of Commissioners*

Pierce Transit is a separate municipal corporation, not part of the City of Tacoma or Pierce County. Pierce Transit is governed by a nine-member Board. The Board is comprised of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place and the smaller cities and towns in Pierce County. The governance structure allows for a tenth, non-voting union representative; however, this right is currently not being exercised and the position is vacant.



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



**Commissioner
Kristina Walker, Vice
Chair
Tacoma City Council
Tacoma**



**Commissioner
John Hines
Tacoma City Council
Tacoma**



**Commissioner
Kent Keel
University Place City
Council
University Place &
Fircrest**



**Commissioner
Ryan Mello
Pierce County Council
Pierce County**



**Commissioner
John Palmer
Deputy Mayor of
Puyallup
Puyallup & Edgewood**



**Commissioner
Kim Roscoe
Mayor of Fife
Fife, Milton, Pacific,
Auburn, Ruston,
Steilacoom and Gig
Harbor**



**Commissioner
Jason Whalen
Deputy Mayor of
Lakewood
Lakewood**



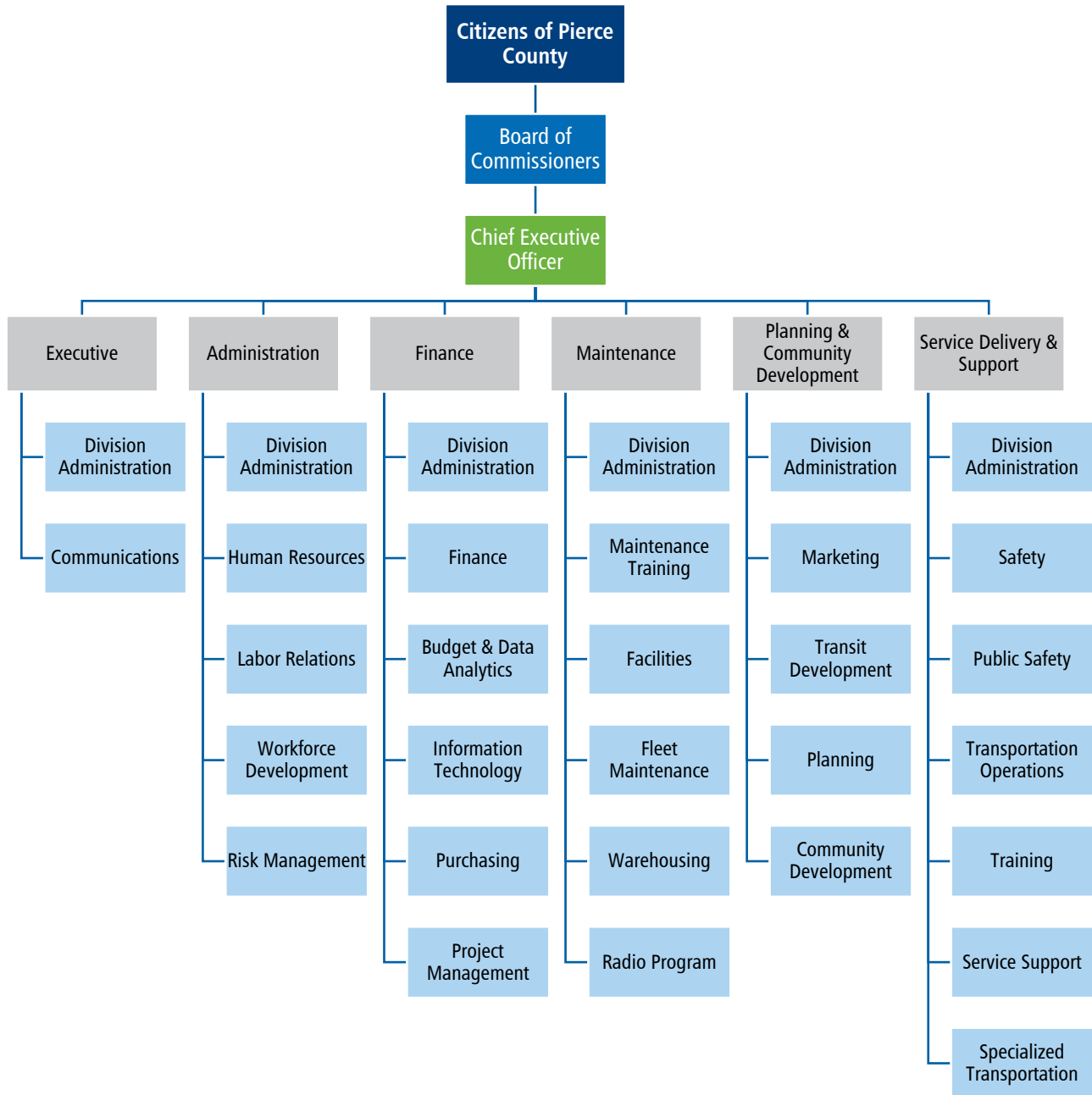
**Commissioner
Victoria Woodards
Mayor of Tacoma
Tacoma**



**Vacant
Non-Voting Union
Representative**

*as of 11/30/22

Our Organization



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Here for you with...

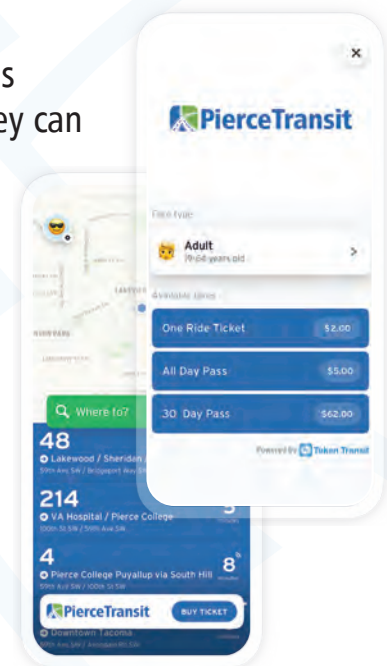
Transit app

In 2022, Pierce Transit expanded its partnership with Transit app, to include in-app transit ticket purchases.

Whether a customer is riding for the first time or uses Pierce Transit frequently and needs to plan a trip, they can download **Transit** to find the fastest way around Pierce County and the region.

With Transit app, riders can:

- Find out when the next bus will arrive as soon as the app is opened
- Track real-time vehicle locations on the map
- Tap "GO" for step-by-step directions
- Tap "Buy Ticket" too, all in the same app
- Set favorite destinations for easy trip planning



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE
FINANCIAL STATEMENTS**

Board of Commissioners
Pierce Transit
Lakewood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Pierce Transit as of and for the year then ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Pierce Transit, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

The other information comprises Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Authority's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2023



Here for you with...

Free Rides

Along with regional transit partners, Pierce Transit celebrated the start of the school year by offering **free fares for youth ages 18 and under on all Pierce Transit services** and on transit systems around Puget Sound.

This free program helps provide access to after-school activities, jobs and volunteer opportunities. Young people learn how to ride transit, and connect to their community, at no cost to them or their families.

The Free Youth Transit Pass was made possible through the Washington State Legislature's ***Move Ahead Washington*** transportation package.

20,000 passes were distributed through schools/outreach and about 700 through Pierce Transit's Customer Service Center.

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Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2022

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the year ended December 31, 2022. This discussion should be reviewed in conjunction with the financial statements and the accompanying notes to the financial statements, which follow this report.

Introduction

Pierce Transit is a public transportation benefit area corporation providing public transportation services in Pierce County. The service covers 292 square miles, roughly 70% of the county population, and services include:

- Local and commuter bus services
- Paratransit services for the elderly and disabled
- Vanpool program
- Regional express bus services funded through Sound Transit

Financial Summary

- As of December 31, 2022, Pierce Transit's net position totaled \$430.8 million. The Unrestricted Net Position is available to meet our primary goal of providing service to the public, self-insurance fund and to be invested in future capital improvements as discussed in Pierce Transit's six-year plan. The Unrestricted Net Position equaled \$219.3 million at year-end.
- Pierce Transit's total net position increased by \$71.6 million.
- Assets exceeded liabilities by \$430.8 million.
- Capital contributions were \$11.1 million.
- The primary source of funding is from local sales taxes. In 2022, sales tax increased 4.6% from 2021.

Overview of the Financial Statements

This discussion and analysis 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 is a stand-alone enterprise fund, and our financial statements report information using 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.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022

The *Statement of Net Position* presents information on Pierce Transit's assets, liabilities, and deferred inflows and outflows with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Pierce Transit's financial position is improving or deteriorating.

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

The *Statement of Cash Flows* presents information on Pierce Transit's cash receipts, cash payments, and net changes in cash and cash equivalents during the fiscal year. 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 following this Management Discussion and Analysis. The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided with the financial statements. *Notes to the Financial Statements* can be found following the basic financial statements.

Financial Position

As noted earlier, net position serves as a useful indication of the Agency's financial strength. Pierce Transit's overall financial position improved in 2022. Net investment in capital assets increased by 13% or \$21.5 million. Restricted net position decreased by \$31.6 million due to change in Net Pension Asset. Unrestricted net position increased by 59% or \$81.7 million. The result is an increase in total net position by 20% or \$71.6 million.

Financial position for 2021 was restated. The amount of \$973,192 was incorrectly coded as a Gain (Loss) on Disposal of Assets, resulting in an over statement of revenue, whereas it should have remained in the Due to Other Governments. This resulted in a decrease to the ending Net Position for 2021. The previous Net Position was \$360,249,854. After the correction, the ending Net Position for 2021 was \$359,276,662.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**

Current assets net of current liabilities amounted to \$128.2 million for the year ended December 31, 2022, as compared to \$193.1 million in 2021. The decrease relates in part to moving funds into non-current assets, long-term investments in 2022.

Pierce Transit relies heavily on sales tax revenue and in 2022, it continued to trend upward. In 2022, sales tax revenue was \$112,048,012 as compared to 2021 of \$107,084,956.

Cash and Cash equivalents and long-term investments available to meet current and future obligation increased to \$199.6 million, up from \$158.5 million in 2021. A Separately Managed Account with the Washington State Office of the State Treasurer was opened in June for the purpose of investing funds with longer maturity dates to maximize investment returns.

As of December 31, 2022, Pierce Transit had no long-term debt.

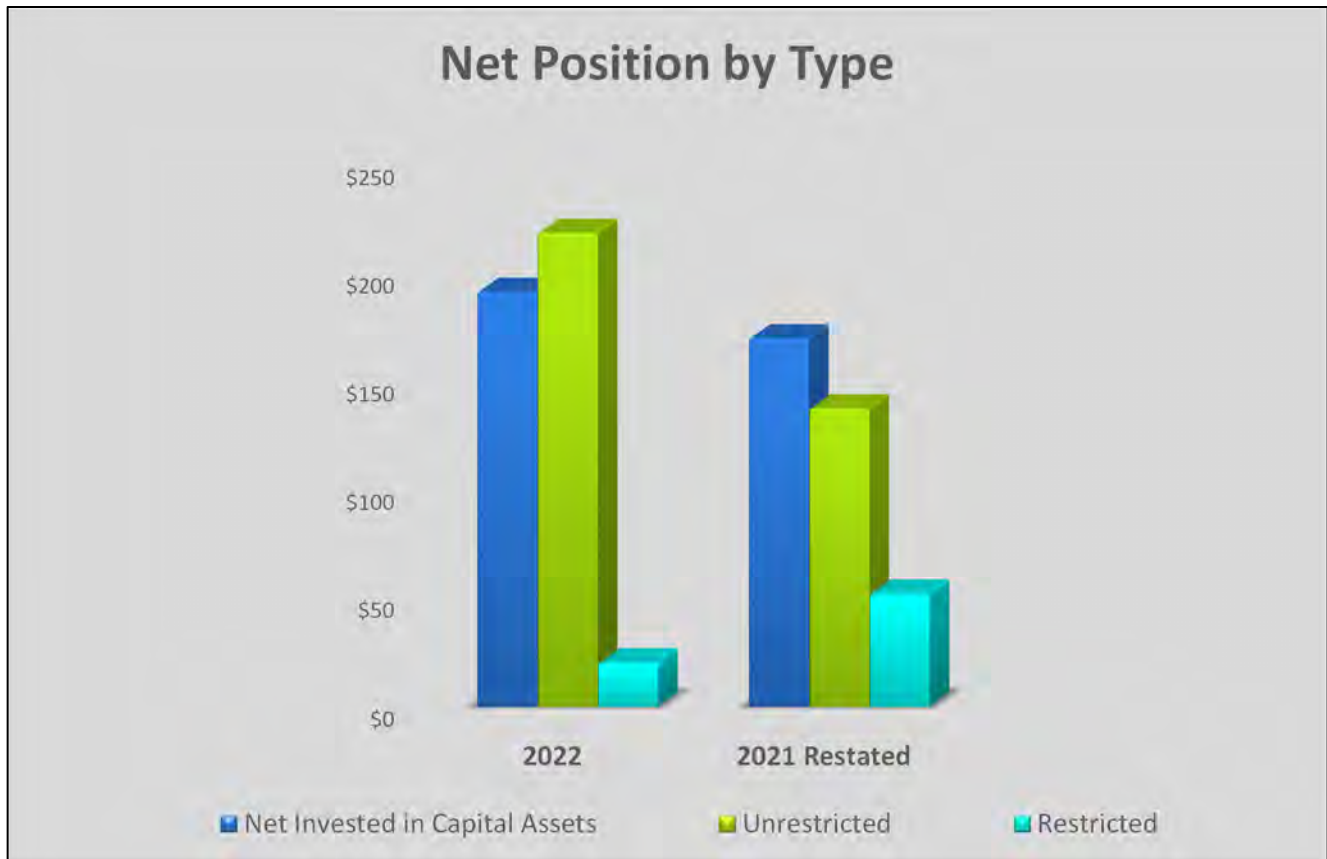
Financial Analysis

Pierce Transit's net position at the year-end was \$430.8 million as compared to \$359.3 million in 2021. A summary of net position follows.

Summary Statement for Net Position For the years ending December 31, 2022 and 2021		
	2022	2021 (Restated)
Assets:		
Current/Non-Current Assets	\$ 285,699,964	\$272,717,690
Capital Assets	191,441,293	169,957,739
Total Assets	477,141,257	442,675,429
Deferred Outflows of Resources:	20,236,883	7,155,106
Liabilities:		
Current Liabilities	\$ 28,014,743	\$ 27,931,195
Non-Current Liabilities	16,134,825	6,975,385
Total Liabilities	44,149,568	34,906,580
Deferred Inflows of Resources:	22,387,151	55,647,293
Net position:		
Net Investment in Capital Assets	191,441,293	169,957,739
Restricted Net Position, Net Pension Asset	20,084,698	51,675,149
Unrestricted Net Position	219,315,430	137,643,774
Total Net Position	430,841,421	359,276,662

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**

The improved net position was due mostly to increases in sales tax, investments, grant funding, and net investment in capital assets. Expenditures were under budget which also contributed to the net position increase of 20%. For more information on Pierce Transit's net position, see Note 12 in the *Notes to the Financial Statements*.



Transit is a capital-intensive enterprise. In 2022, investment in capital assets increased by 13% to \$191.4 million. Pierce Transit's capital assets reflect its investment in assets such as revenue vehicles, passenger facilities, technology, shop equipment, and right-to-use assets that are used to provide transportation to the community. These are committed assets and this portion of the net position balance is not available for future spending.

The restricted net position of \$20.1 million corresponds with the net pension asset. Restricted funds are not available for use.

Of the unrestricted net position balance, \$93.9 million has been designated by Board action (e.g., capital, workers' compensation, and unemployment self-insurance programs). Pierce Transit also has designated a reserve equal to two months of operating expenses. In 2022, this amount was

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022

\$25.6 million. The remainder of the unrestricted funds (\$99.8 million) is available to support future obligations for transportation operations.

Following is a summary to key elements of the change in Net Position for 2022:

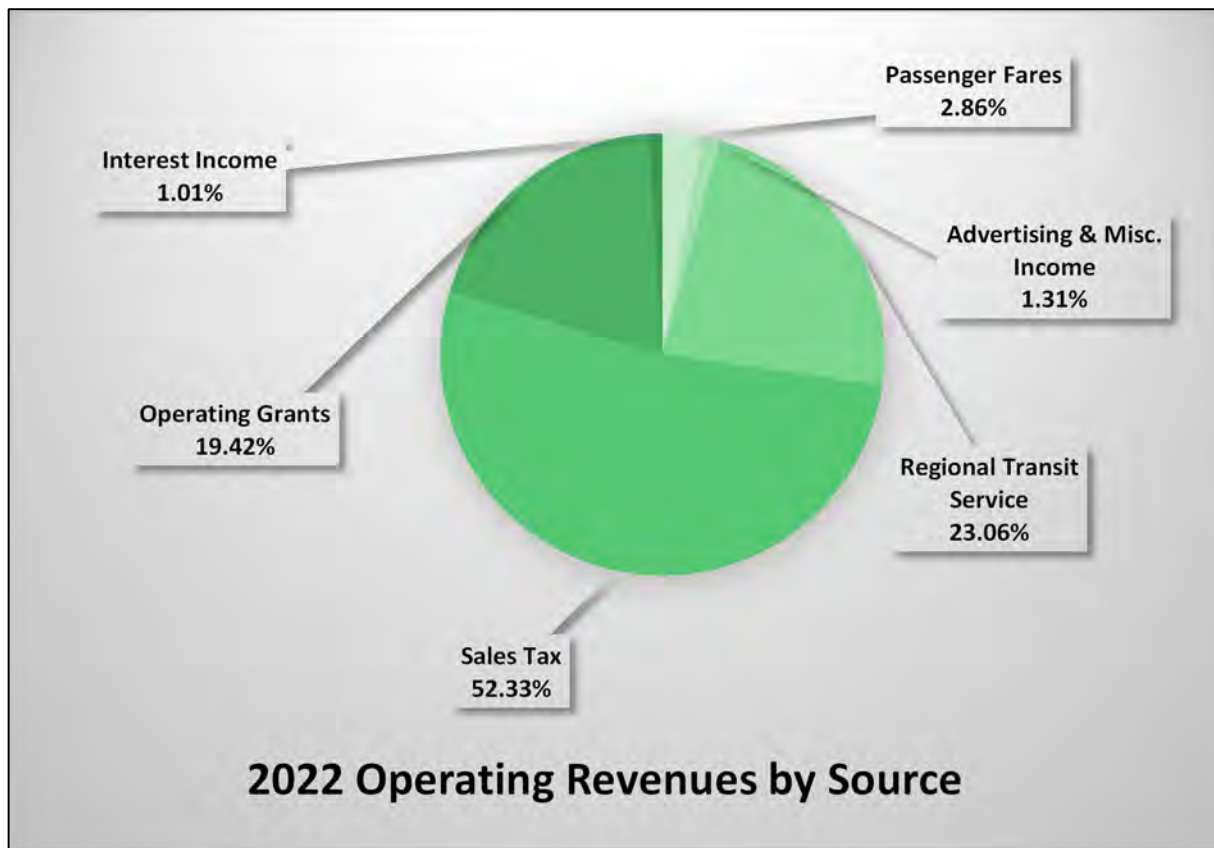
Summary Statement of Revenue, Expense and Change in Net Position		
For the years ended December 31, 2022 and 2021		
	2022	2021
		(Restated)
Operating Revenue		
Passenger Fares	\$ 6,133,859	\$ 5,987,961
Advertising	504,028	493,154
Regional Transit Service	49,377,052	47,683,047
Non-Operating Revenue:		
Subsidies	153,635,418	141,316,553
Other Revenue	4,464,613	11,551,180
Total Revenue	214,114,970	207,031,893
Operating Expense	132,447,488	112,922,369
Non-Operating Expense	4,574,810	4,063,915
Depreciation	16,633,376	14,732,605
Total Expense	153,655,674	131,718,889
Net Position before Contributions	60,459,294	75,313,005
Capital Grants	11,105,464	22,089,750
Change in Net Position	71,564,759	97,402,755
Net Position-Beginning	359,276,662	261,873,907
Net Position-Ending	\$ 430,841,421	\$ 359,276,662
A description of operating & non-operating revenue follows:		
	2022	2021
		(Restated)
Operating Revenue		
Passenger Fares	6,133,859	5,987,961
Advertising	504,028	493,154
Regional Transit Service	49,377,052	47,683,047
Total Operating Revenue	56,014,939	54,164,161
Non-Operating Revenue		
Operating Subsidies		
Sales Tax	112,048,012	107,084,956
Grants	41,587,406	34,231,597
Other Non-Operating Revenue		
Investment Revenue	2,169,767	205,859
Gain of Sale of Assets	1,016,508	624,430
Miscellaneous Revenue	1,278,338	10,720,891
Total Non-Operating Revenue	158,100,031	152,867,732
Total Revenue	\$ 214,114,970	\$ 207,031,893

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**

Operating Revenue

During 2022, revenues increased by \$7.1 million or 3.4% over 2021.

Revenue sources include passenger fares, advertising, regional transit services, sales tax, operating grants, investment income and other miscellaneous non-operating sources. The below chart illustrates major revenue sources and the percentage of the contribution toward total revenue.



- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Pierce Transit partners with six other Central Puget Sound transit agencies on a regional fare collection system (ORCA) using smart card technology. Customers can purchase fare media from any of the seven partners, regardless of where the media is used.
- Fare revenues for 2022 were \$6.13 million increased by \$.15 million or 2.4% over 2021. The rise in fare revenue is due to increased ridership in all modes of service. Ridership is still down from pre-pandemic numbers but showed a slight increase in 2022 as compared to 2021. Ridership increased 15.4% or 1,048,687 more rides in 2022 than 2021.

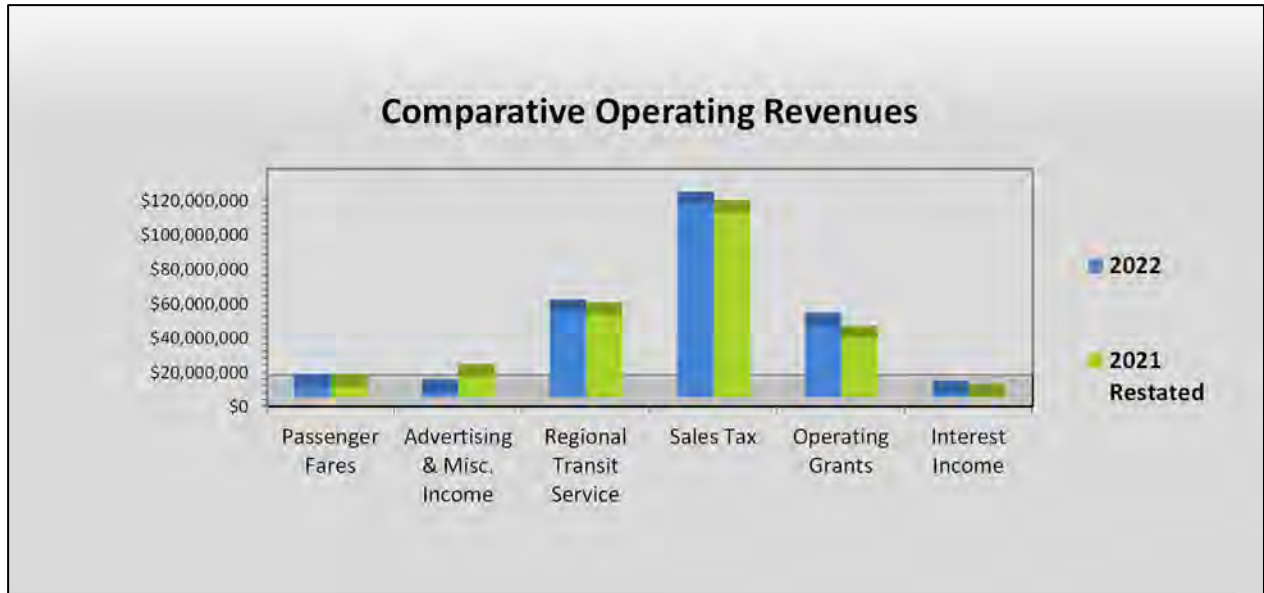
**Pierce Transit
Management’s Discussion and Analysis
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Following is a table representing ridership by type of service for 2022 and 2021:

Ridership	<u>2022</u>	<u>2021</u>
Fixed Route Pierce Transit	4,946,334	4,363,225
Fixed Route Sound Transit	2,311,128	1,951,576
Specialized Transportation	209,416	163,024
Vanpool	382,751	323,117
Total	<u><u>7,849,629</u></u>	<u><u>6,800,942</u></u>

- Advertising revenues for 2022 showed an increase of 2.2%, relatively consistent with previous years at \$.5 million.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound’s Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit establishes the operating parameters of this service. Included in the agreement is a method for determining and allocating Pierce Transit costs to provide this service. The current operating agreement is for the three-year period of 2021 – 2023. Regional transit service also includes service to Lakeland Hills in Auburn, funded by King County Metro and the city of Auburn. Revenues generated from the regional transit service were \$49.4 million in 2022, increasing 3.6%, as compared to \$47.7 million in 2021.
- Sales tax, accounting for 52.3% of Pierce Transit’s revenue, increased by \$4.96 million, an increase of 4.6% over 2021. Sales tax revenue for 2022 was \$112 million as compared to \$107.1 million in 2021.
- In 2022, operating grant revenue totaled \$41.6 million, an increase of 21.5% over 2021. It was primarily received from the federal government through the American Rescue Plan Act of 2021 (ARPA) to assist with the impact of COVID-19. In 2021, operating grant revenue totaled \$34.2 million.
- Investment earnings in 2022 was \$2.2 million, net of fair value adjustments on long-term investments, as compared to \$.21 million in 2021.

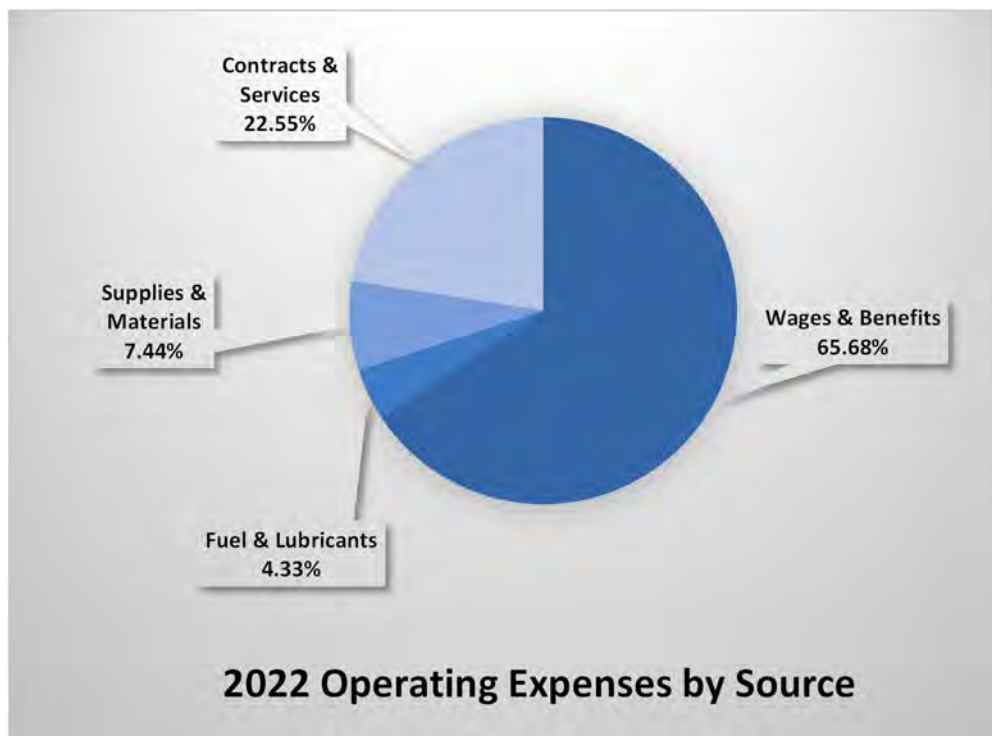
**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**



Operating Expenses

In 2022, operating expenses were \$149.1 million, an increase of 17% from the prior year. This can be contributed to increases to employee wages and benefits along with increases in cost of services and supplies.

This chart summarizes expenses by major function.



**Pierce Transit
Management's Discussion and Analysis
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Wages and Benefits for 2022 were \$87.1 million and comprise 65.7% of the operating expenses (exclusive of depreciation). The results are an increase over 2021 of \$14.1 million or 19.3%. The main contributing reason for the increase was higher wages and premium increases in benefits.

Depreciation increased by \$1.9 million or 12.9% due to capital asset purchases being depreciated. The increase in capital assets was \$6.8 million in 2022 and \$19.5 million in 2021.

The following graph represents operating expenses for 2022 and 2021.



Operating Expenses:	<u>2022</u>	<u>2021</u>
Wages & Benefits	\$87,069,757	\$72,998,578
Fuel & Lubricants	5,738,452	4,427,016
Supplies & Materials	9,858,978	8,018,667
Contracts & Services	29,780,301	27,478,108
Depreciation /Amortization	<u>16,633,376</u>	<u>14,732,605</u>
Total Operating Expenses	149,080,864	127,654,974
Non-Operating Expenses:		
Lease Interest Expense	111,429	
Grant Exchange Funds	<u>4,463,382</u>	<u>4,063,915</u>
Total NonOperating Expenses	<u>4,574,811</u>	<u>4,063,915</u>
Total Expenses	<u>\$153,655,675</u>	<u>\$131,718,889</u>

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**

Total operating expenses, exclusive of depreciation/amortization 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. In 2022, service hours decreased by 3.97% or 36,980 hours, as the agency driver shortage impacted the amount of service hours Pierce Transit was able to provide, though operating expenses increased as noted previously.

Following is a table representing the number of service hours by type of service for 2022 and 2021:

Service Hours:	<u>2022</u>	<u>2021</u>
Fixed Route Pierce Transit	411,323	447,203
Fixed Route Sound Transit	258,448	301,299
Specialized Transportation	138,537	109,259
Vanpool	85,984	73,511
Total	<u>894,292</u>	<u>931,272</u>

Capital Assets

Capital assets include revenue vehicles, support vehicles, work in progress, land, buildings, shop equipment, passenger facilities, right-to-use and other assets having a life of more than one year with an acquisition value of more than \$5,000 or an aggregated cost of \$50,000 for like-item purchases.

Pierce Transit's capital assets as of December 31, 2022, totaled \$200.3 million, net of accumulated depreciation and amortization. This compares to 2021 capital assets of \$169.9 million. 2022 net capital increased by 17.8%, or \$30.4 million.

Capital contributions in 2022 totaled \$11.1 million. Capital grants and other capital funds accounted for 24% of Pierce Transit's capital acquisitions in 2022.

Capital acquisitions and construction in progress during 2022 totaled 45.7 million and included the following major capital assets:

- 32.9 million for Land, Building & Site improvements
- 4.5 million for Technology projects
- 8.3 million for Equipment & Vehicles

For a more detailed discussion on capital assets, see Note 3 in the *Notes to the Financial Statements*.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022

Economic Factors

The close of 2022 ended on a high note with better than projected revenue and the economy seemingly stable. Concerns about inflation, increased costs, supply chain issues and workforce shortages were valid and materialized. However, revenue from sales tax exceeded expectations along with ARPA money, which allowed Pierce Transit to cover operating expenses and continue to grow reserves for on-going capital projects. The impacts of COVID-19 are still present with lower ridership and reduced service hours. The most apparent challenge in 2022 was operator shortage, resulting in a reduction in service hours from the previous year.

Pierce Transit's focus for the 2023 budget and for a sustainable six-year forecast is to continue to restore service to the community, address higher cost to materials and supplies, and recruit vacant positions as well as fund capital projects such as bus replacement, base improvements and the first Bus Rapid Transit (BRT) line. There is still uncertainty with local economic conditions. Controlling cost with high inflation is a priority for Pierce Transit in forecasting. Retail spending impacts sales tax revenue, which Pierce Transit heavily relies upon to fund service and signs show retail is still strong in the region. First signs of 2023 sales tax revenue show some slowing in spending, but still an increase over 2022 in the same period. However, it is too early to estimate a trend on whether sales tax revenue will continue upward as it has in the past several years or if a recession will be a reality in the near future.

It is anticipated inflation is likely to have an impact on the cost-of-service delivery over the next few years. Pierce Transit saw significant increases in the cost of vehicles, fuel, services, and supplies in 2022. Another specific concern that could hinder growth is recruitment challenges, particularly with operators and maintenance needed to provide more service.

Strong funding sources are also needed to keep pace with rising service costs and capital projects. Pierce Transit ended 2022 with healthy reserves but will be looking for additional grant and funding opportunities to support capital projects, in particular. The agency has not carried debt but recently received Board approval to apply for a Transportation Infrastructure Finance and Innovations Act (TIFIA) loan from the U.S. Department of Transportation's Build America Bureau to help with funding the Maintenance and Operations Base Improvement project (MOBI) A request for additional Federal Transit Administration (FTA) funding has been submitted and future growth of BRT lines and zero-emission vehicles are dependent on getting funding.

Pierce Transit remains focused, optimistic, and committed in providing excellent service to the community and adjusting to the impacts of the economy as needed through sound financial practices.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2022**

Request for Information

This financial report is designed to provide a general overview of Pierce Transit's finances for anyone who is interested. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Danette Rogers
Finance Manager
Pierce Transit
3701 96th St SW
Lakewood, WA 98499



Here for you with...

Community Partners

Federal, state and local partners came together this year to make a new Transit Center in Spanaway possible; we broke ground on the facility in October 2022.

The facility will be built in two phases and is funded jointly by the Washington State Department of Transportation and the Federal Transit Administration.

Phase 1, currently under construction, will feature a bus turnaround, a 38-car Park & Ride lot, comfort station for bus drivers and passenger drop-off area.

Phase 2, currently in planning, will increase parking to 250 stalls and include enhanced entrance/exit infrastructure.

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**Pierce Transit
Financial Statements
Year Ended December 31, 2022**

Financial Statements

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Pierce Transit
Statement of Net Position
December 31, 2022

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 9,525,897
Restricted Cash and Cash equivalents	89,510,993
Accounts Receivable	237,396
Sales Tax Receivable	18,970,560
Due From Other Governments	32,254,917
Prepaid Expenses	776,608
Inventories	4,935,082
TOTAL CURRENT ASSETS	<u>156,211,453</u>
NON-CURRENT ASSETS	
Long-term Investments	100,532,620
Net Pension Asset	20,084,698
Capital Assets Not Being Depreciated:	
Land	16,417,573
Work in Progress	100,747,221
Capital Assets Depreciable	
Right-to-Use Lease Assets	3,579,906
Structures & Improvements	85,495,108
Site Improvements	54,732,846
Machinery & Equipment	204,021,686
Less: Accumulated Depreciation and Amoritization	<u>(264,681,854)</u>
Total Capital Assets Depreciable, Net of Depreciation and Amoritization	<u>83,147,692</u>
TOTAL NON-CURRENT ASSETS	<u>320,929,804</u>
TOTAL ASSETS	\$ 477,141,257
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	<u>20,236,883</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,236,883
CURRENT LIABILITIES	
Checks Payable	\$ 461,169
Accounts Payable	9,513,380
Unearned Revenue	380,492
Retainage Payable	313,711
Wages and Benefits Payable	2,321,860
Compensated Absences	4,074,868
Lease Liability	314,116
Due to Other Governments	8,333,293
Provision for Uninsured Claims	<u>2,301,855</u>
TOTAL CURRENT LIABILITIES	<u>28,014,743</u>

Pierce Transit
Statement of Net Position - Continued
December 31, 2022

NON CURRENT LIABILITIES	
Lease Liability - Long Term	2,851,052
Compensated Absences	1,962,425
Net Pension Liability	<u>11,321,348</u>
TOTAL NON-CURRENT LIABILITIES	<u>16,134,825</u>
 TOTAL LIABILITIES	 \$ 44,149,568
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	<u>22,387,151</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,387,151</u>
 NET POSITION	
Net Investment in Capital Assets	191,441,293
Restricted, Net Pension Asset	20,084,698
Unrestricted	<u>219,315,430</u>
TOTAL NET POSITION	<u>\$ 430,841,421</u>

See accompanying notes to the financial statements.

Pierce Transit
Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2022

OPERATING REVENUE	
Passenger Fares	\$ 6,133,859
Advertising	504,028
Regional Transit Service	49,377,052
TOTAL OPERATING REVENUE	<u>56,014,938</u>
OPERATING EXPENSES	
Operations	72,583,625
Maintenance	28,539,363
Non-Vehicle Maintenance	4,704,351
General & Administration	26,620,150
Depreciation and Amortization	16,633,376
TOTAL OPERATING EXPENSES	<u>149,080,864</u>
OPERATING INCOME (LOSS)	<u>(93,065,926)</u>
NON-OPERATING REVENUE (EXPENSE)	
Operating Subsidies:	
Sales Tax	112,048,012
Grants	41,587,406
Other:	
Interest Revenue	2,169,767
Grant Exchange Funds	(4,463,382)
Lease Interest Expense	(111,429)
Gain (Loss) on Disposal of Assets	1,016,508
Miscellaneous Non-Operating Revenue	1,278,338
NET NON-OPERATING REVENUE	<u>153,525,221</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	60,459,294
Capital Grants	11,105,464
CHANGE IN NET POSITION	<u>71,564,759</u>
NET POSITION-BEGINNING	360,249,854
Prior Period Adjustment	(973,192)
NET POSITION-BEGINNING, AS RESTATED	<u>359,276,662</u>
NET POSITION-ENDING	<u>\$ 430,841,421</u>

See accompanying notes to financial statements

Pierce Transit
Statement of Cash Flows
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Customers	61,079,597
Cash Payments to Suppliers for Goods & Services	(44,145,816)
Cash Payments to Employees for Services	(96,200,482)
Miscellaneous Income	1,278,338
Net Cash Used By Operating Activities	<u>(77,988,362)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Received	111,559,556
Operating Grants Received	41,587,406
Grant Exchange Funds	(4,463,382)
Net Cash Provided By Noncapital Financing Activities	<u>148,683,580</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(43,258,785)
Capital Grants and Contributions	11,105,464
Principal Paid on Debt	(526,166)
Interest Paid on Debt	(111,429)
Proceeds From Sale of Equipment	1,016,508
Net Cash Used By Capital and Related Financing Activity	<u>(31,774,408)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investment Securities	(99,999,999)
Interest on Investments	1,637,146
Net Cash Used By Investing Activities	<u>(98,362,853)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	(59,442,044)
CASH AND CASH EQUIVALENTS - JANUARY 1	158,478,933
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>99,036,889</u>

See accompanying notes to the financial statements.

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

Operating Loss	<u>(93,065,926)</u>
----------------	---------------------

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

Depreciation and Amortization	16,633,376
Miscellaneous Non-Operating Income	1,278,338

CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	727,014
(Increase) Decrease in Inventories	(369,479)
(Increase) Decrease in Prepaid Expenses/Deposits	209,363

Pierce Transit
Statement of Cash Flows - Continued
Year Ended December 31, 2022

(Increase) Decrease in Due from Other Governments	5,213,454
Increase (Decrease) in Checks Payable	291,237
Increase (Decrease) in Accounts Payable	1,393,530
Increase (Decrease) in Unearned Revenue	(59,539)
Increase (Decrease) in Retainage	11,475
Increase (Decrease) in Wages and Benefits Payable	(991,969)
Increase (Decrease) in Due to Other Governments	(816,270)
Increase (Decrease) in Compensated Absences	500,575
Increase (Decrease) Net Pension Asset, Liability Related Deferred Inflows and Outflows	(8,639,331)
Increase (Decrease) in Provision for Uninsured Claims	(304,210)
TOTAL ADJUSTMENTS	<u>15,077,565</u>
Net Cash Used By Operating Activities	<u><u>\$ (77,988,362)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Acquisition of Capital Assets through Lease Financing	3,579,906
(Increase) Decrease in Fair Market Value of Investments	1,016,291

See accompanying notes to the financial statements.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pierce Transit (the Agency) conform to generally accepted accounting principles (GAAP) 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. Reporting Entity

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

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

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

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

B. Measurement Focus, Basis of Accounting

Pierce Transit is a single proprietary fund prepared in conformity with generally accepted accounting principles. Proprietary funds are accounted for on the accrual basis of accounting.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received, regardless of the timing of related cash flows.

Revenues and expenses are categorized as operating or non-operating. Operating revenues and expenses are those directly associated with the provision of transportation service. Non-operating revenues and expenses are those secondary to the provision of transportation service.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents (See Note 8 – Deposits and Investments)

Cash and cash equivalents include cash on hand, demand deposits and short-term investments purchased with a remaining maturity of three months or less. Long-term investments are those with a maturity date of longer than three months. Pierce Transit invests all temporary cash surpluses in the Local Government Investment Pool (LGIP)

2. Investments (See Note 8 – Deposits and Investments)

Pierce Transit's investment policies are governed by regulations established for public funds by Washington State. Investments other than the LGIP are carried at Fair Value in accordance with GASB No. 72. Pierce Transit invests cash in a Separately Managed Account at the Office of the State Treasurer.

3. Due from Other Governments (See Note 11 – Receivables)

Receivables due from other governments are largely comprised of outstanding balances owed from regional transit services and grants.

4. Inventories

Inventories in governmental funds consist 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. Inventories at December 31, 2022 were \$4,935,082.

5. Restricted Assets (See Note 12 – Net Position)

As of December 31, 2022, Pierce Transit has restricted assets in the amount of \$20,084,698 as equal to the amount of Net Pension Asset.

6. Capital Assets (See Note 3 – Capital Assets)

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

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Assets are capitalized if they have individual values of at least \$5,000 and the useful life extends over more than one fiscal year. Like items purchased together are capitalized if the value of the transaction is at least \$50,000.

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

Individual useful lives are assigned to new assets as follows:

<i>Asset Category</i>	<i>Years</i>
Land	Not Depreciated
Work in Progress	Not Depreciated
Site Improvements	10 years
Buildings	10 to 20 years
Buses	6 to 12 years
Machinery, Equipment, and Furniture	3 to 5 years
Other Vehicles	5 years

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

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

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

7. Leases (See Note 9 – Leases)

Lessee: Pierce Transit is a lessee for noncancelable leases. A lease liability and an intangible right-to-use lease asset are recognized in the proprietary fund financial statements. Lease liabilities with an initial, individual value of \$50,000 or more are recognized.

At the commencement of a lease, Pierce Transit initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis method over its useful life.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Key estimates and judgements related to leases include how Pierce Transit determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- Pierce Transit uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, Pierce Transit generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that Pierce Transit is reasonably certain to exercise.

Pierce Transit monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: Pierce Transit is a lessor for one lease which terminated September 2022.

At the commencement of a lease, Pierce Transit initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis method.

Key estimates and judgements related to lease include how Pierce Transit determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- Pierce Transit uses its earning rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

Pierce Transit monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

8. Compensated Absences (See Note 4 – Changes in Long-Term Liabilities)

Vacation accrual balances shall not exceed an amount equal to two (2) years' accruals. PTO accrual balance shall not exceed six hundred (600) hours. All vacation or PTO hours are cashed out at 100% up to the maximum allowed if the employee separates after completing probation.

For sick leave, 50% of the value is paid upon retirement, disability separation or death of the employee. Employees separating in good standing are paid out 20% of the value of their sick leave. The maximum payout is 960 hours for sick leave.

9. Pensions (See Note 10 – Pension Plans)

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

For purposes of calculating the restricted net position related to the net pension asset, Pierce Transit includes the net pension asset only as per the GASB preferred method which is "the restricted net position is equal to the net pension asset. Both deferred inflows and deferred outflows are excluded from the calculation."

10. Unearned Revenue

Amounts are recognized as receivables but not revenues on the Statement of Net Position because revenue recognition criteria have not been met. Unearned revenue is made up of prepaid fare revenue and amounted to \$380,492 in 2022.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

New Pronouncements

In 2022, Pierce Transit implemented Governmental Accounting Standards Board (GASB) Statement 87, *Leases*. GASB 87 was effective for fiscal years ending June 30, 2022, and after. It requires entities to disclose activities related to leases as a lessor and lessee to better increase the usefulness of the entity's financial statement. (See Note 1.7 and Note 9, Leases)

Prior Period Adjustment

In the 2021, the amount of \$973,192 was incorrectly coded as a Gain (Loss) on Disposal of Assets, resulting in an over statement of revenue, whereas it should have remained in the Due to Other Governments. This resulted in a decrease to the ending Net Position for 2021. The previous Net

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Position was \$360,249,854. After the correction, the ending Net Position for 2021 was \$359,276,662.

NOTE 3: CAPITAL ASSETS

The Summary of Changes in Capital Assets for the year ended December 31, 2022 was as follows:

2022 Capital Assets				
Description	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022
Capital Assets, Not Being Depreciated				
Land	\$ 16,417,573	\$ -	\$ -	\$ 16,417,573
Work in Progress	65,392,209	45,755,527	(10,400,514)	100,747,221
Subtotal	81,809,781	45,755,527	(10,400,514)	117,164,794
Capital Assets Being Depreciated or Amortized:				
Structures	85,495,108			85,495,108
Site Improvements	51,677,861	3,331,986	(277,001)	54,732,846
Machinery & Equipment	203,864,899	4,774,441	(4,617,654)	204,021,686
Right-to-Use Asset	-	3,579,906		3,579,906
Subtotal	341,037,868	11,686,333	(4,894,655)	347,829,546
Less Accumulated Depreciation and Amortization For:				
Structures	(74,264,499)	(1,662,030)		(75,926,529)
Site Improvements	(44,062,692)	(1,587,861)	226,217	(45,424,335)
Machinery & Equipment	(134,562,721)	(12,909,877)	4,615,215	(142,857,382)
Right-to-Use		(473,608)		(473,608)
Subtotal	(252,889,911)	(16,633,376)	4,841,432	(264,681,854)
Total Capital Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 169,957,738</u>	<u>\$ 40,808,484</u>	<u>\$ (10,453,737)</u>	<u>\$ 200,312,485</u>

Work in progress as of December 31, 2022 consisted of the following projects:

Work in Progress	
Bldg & Site Imp.	\$ 80,208,882
Technology Projects	9,671,607
Equip & Veh	10,866,732
Total Work in Progress	<u>\$ 100,747,221</u>

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 4: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

Note	Business Type Activities	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
4A	Compensated Absences	\$ 5,536,718	7,761,994	7,261,419	\$ 6,037,293	4,074,868
4B	Net Pension Liability	\$ 5,209,211	6,112,137		11,321,348	
4C	Lease Liability	\$ -	4,074,412	909,244	3,165,168	314,116
	Total Change in Long Term Liabilities	<u>\$ 10,745,929</u>	<u>17,948,543</u>	<u>8,170,663</u>	<u>\$ 20,523,809</u>	<u>4,388,984</u>

A. Compensated Absences

Employees accrue vacation or PTO based on tenure at annual rates ranging from 13 to 34 days per year. Vacation accrual balances shall not exceed an amount equal to two (2) years' accruals. PTO accrual balance shall not exceed six hundred (600) hours. All vacation or PTO hours are cashed out at 100% up to the maximum allowed if the employee separates after completing probation. In 2019, a new PTO plan was implemented for non-represented employees with a maximum accrual of 600 hours. Non-represented employees with 21 or more years of service were grandfathered in the original vacation plan, while all other non-represented employees were placed in the new PTO leave plan.

As of December 31, 2022, total vacation and PTO accruals are listed as follows:

PTO/Vacation-Current	\$ 3,978,765
PTO/Vacation-Non-Current	442,085
Total Vacation Leave Liability	<u>\$ 4,420,850</u>

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. There is no cap on the accrual for sick leave; however, the maximum payout is 960 hours.

The estimated liability for these sick leaves payouts is as follows:

Current Liability based on usage or terminations	\$ 96,103
Non-current Liability based on expected future payoffs	1,520,340
Total Sick Leave Liability	<u>\$ 1,616,443</u>

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

A reconciliation of current and long-term employee compensated absences follows:

Balance beginning	\$	3,770,544
Employee leave earned		5,238,954
Employee leave paid		(4,934,630)
Compensated Absences-Current	\$	4,074,868
Balance beginning	\$	1,766,174
Employee leave earned		2,523,039
Employee leave paid		(2,326,788)
Compensated Absences-Noncurrent	\$	1,962,425

B. Pensions

See Note 10 – Pension Plans for information.

C. Leases

See Note 9– Leases for information.

D. Other Liabilities

Pierce Transit has identified certain assets which may have external retirement obligations, including 13 underground storage tanks (UST). The remaining useful life and retirement costs cannot be reasonably estimated at this time.

NOTE 5. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Constructions Commitments

Commitments on construction and capital projects as of December 31, 2022 are itemized as follows:

Project Type	Spent to Date	Remaining Commitment
Buildings and Site Improvements	12,052,337	8,210,933
Maintenance and Operations Base Improvements	40,335,576	19,483,622
Bus Rapid Transit	27,820,969	14,023,578
Vehicles and Equipment	10,866,732	849,266
Technology	9,671,607	3,051,032

Projects underway as of December 31, 2022, included base facility improvements, Spanaway Transit Center, transit center improvements, BRT (Bus Rapid Transit), CAD/AVL and various technology upgrades or replacements, vehicle expansion and replacement, and equipment.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

B. Other Commitments

1. Regional Fare Collection System (ORCA)

Seven regional transit agencies participate in a One Regional Card for All (ORCA) fare payment system, that simplifies and establishes a common collection system throughout the Puget Sound region. Participating agencies include Pierce Transit, King County Metro, Sound Transit, Everett Transit, Washington State Ferries, Kitsap Transit and Community Transit. A smart card is an intelligent fare card that stores information including fare type and stored value in either cash or transit passes.

The original agreement, signed in April 2003, established the respective roles and responsibilities of the Agencies in the development and operating phases of the ORCA system. The system was phased in beginning in April 2009 and an amended agreement establishing the design, implementation, operation, and maintenance of the ORCA was signed. This amended agreement further defines and establishes a framework for the operating phase of the system. The participating agencies have committed to utilizing the system for a minimum of 10 years and funding proportionate shares of regionally shared costs.

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

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2022 was \$2,649,283 with operating expenses of \$447,199. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2022 reported within Pierce Transit's financial statements, amounted to \$307,587. Other than the funds held by the fiscal agent Pierce Transit has no equity interest. The ORCA financial statements are audited by KPMG LLP, Suite 2900, 1918 8th Ave, Seattle, WA.

2. Combined Communications Network

In January 2015, Pierce Transit entered into an agreement with Pierce County to provide the maintenance, operation, and governance of a county wide radio system to be called the Pierce Transit – Pierce County Combined Communications Network (CCN) of shared radio and microwave systems to carry voice and data traffic. Pierce Transit has discontinued participation in CCN after the Board of Commissioners approved ending the contract at the November 8, 2021 Board meeting, effective December 31, 2021. At the time of this report as with the previous year, Pierce Transit is waiting for Pierce County to provide final signatures to end the agreement. However, in 2022, Pierce County reimbursed Pierce Transit \$105,827 for the cost paid for CCN.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 6: CONTINGENCIES AND LITIGATIONS

Pierce Transit has recorded in its financial statements all material liabilities, including an estimate for situations not yet resolved but where, based on available information, management believes it is probable that payment will have to be made. In the opinion of management, Pierce Transit's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

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

NOTE 7: COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and into 2022.

Pierce Transit proactively implemented safety measures, including following TSA's mask requirements for riding in all public transportation vehicles and in facilities open to the public. Additionally, staff able to work remotely continued the practice in 2022. Pierce Transit assigned a Safety Coordinator to monitor COVID-19 information throughout Pierce County as well as monitor safety measures internally for in-person meetings and other protocol required for staff. The Safety Coordinator also ensured information was available to the ridership regarding requirements to ride public transportation.

There have been no substantial negative financial impacts to Pierce Transit in 2022 due to COVID-19. As with 2020 and 2021, Pierce Transit ended the year with sales tax exceeding the prior year and an increase in operating grant revenue due to the American Rescue Plan Act (ARPA) funds available in 2022. It is expected federal operating grant revenue received by Pierce Transit will decrease significantly after 2023 when Pierce Transit exhaust its ARPA funds.

Ridership continues to be impacted. The length of time Pierce Transit will experience decreased ridership or whether ridership will reach pre-COVID levels due to increased remote work arrangements is unknown. Overall, the transit industry has not seen ridership return to levels prior to 2020.

Operator shortage impacted service hours in 2022, but it is unknown if it relates to the impact of COVID-19 or if there are other factors causing the shortage.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 8: DEPOSITS AND INVESTMENTS

As of December 31, 2022, Pierce Transit had the following cash, cash equivalents, and investments:

Demand Deposits	\$	6,226,097
Local Government Investment Pool		92,810,793
Separately Managed Account		100,532,620
Total Cash, Equivalents, and Investments	\$	199,569,510

A. Deposits

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

B. Local Government Investment Pool

Pierce Transit is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington Office of the State Treasurer.

The LGIP is a qualified, unrated, external investment pool that is not registered with the Securities and Exchange Commission (SEC). All investments are subject to written policies and procedures adopted by the State Treasurer's office. The LGIP is considered extremely low risk. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. Investments in the LGIP are reported at amortized cost which is the same as the value per share. The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals and functions as a demand deposit account where the Transit receives an allocation of its proportionate share of pooled earnings using an amortized cost methodology. Contributions or withdrawals can be made on a daily basis. Unrealized gains and losses due to changes in the fair values are not distributed to Pierce Transit. The LGIP is considered extremely low risk.

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

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

C. Investments

The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. The policy addresses interest rate risk, credit risk, and concentration of credit risk. Allowable investments are limited as follows:

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

Separately Managed Account – Pierce Transit entered into an Interagency Agreement with the State of Washington's Office of the State Treasurer in June 2022 to authorize the State Treasurer's Office to invest funds in a Separately Managed Account. An initial deposit of \$100 million was made. The State Treasurer invests these funds in accordance with the State's investment policies and procedures. Pierce Transit receives monthly reports of investment activity and records interest earned. At year end, Pierce Transit reported the investments at fair value in accordance with GASB 72 and made adjusting entries to balance the portfolio. Changes in fair value are included as a change in revenue in the financial statements.

Interest Rate Risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's investment policy is designed to manage the exposure to interest rate risk through diversification and by purchasing a combination of short and long-term investments that mature evenly over time.

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

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

Pierce Transit
Notes to Financial Statements
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Custodial Credit Risk – All investments purchased by Pierce Transit are held and registered in the Transit’s name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between the Transit and financial institution. Investments in the Separately Managed Account are purchased by the state of Washington’s Office of the State Treasurer and are held and registered in the State’s name in the trust or safekeeping department of a financial institution as established by a written third-party agreement between the State and financial institution.

Fair Value – Pierce Transit measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities on the date of measurement.

Level 2: Directly or indirectly observable inputs available in active markets as of measurement date.

Level 3: Unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

NOTE 9: LEASES

A. Right-to-Use Lease Assets and Liabilities

1. Real Estate Leases

Pierce Transit entered into three real estate lease agreements for the purpose of operating Park and Rides at Tacoma Community College (TCC), Tacoma Mall and Kimball Drive. All leases were in before January 1, 2022, but all leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. For accounting purposes, the right-to-use lease asset and lease liability are reported at the present value of the future minimum lease payments using 3.5 percent interest rate. The initial rent of \$389,765 (TCC) \$517,583(Tacoma Mall), and \$1,928,919 (Kimball Drive) was used to calculate the present value of these leases.

Pierce Transit entered into the agreement with TCC originally on November 1, 1983. The agreement allows for an annual rent adjustment on November 1 of each year based on the Consumer Price Index for All Urban Consumers in the Seattle-Tacoma-Bremerton area. Annual

Pierce Transit
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sum shall never be adjusted downward nor increase more than 5%. The lease does not convey ownership and the term is through October 31, 2029. The original date of the Tacoma Mall agreement was November 15, 1984. The current amendment beginning in 2016 allows the annual rent to be increased 3% annually through the termination date of December 31, 2030. The lease does not convey ownership. Pierce Transit entered into the agreement with Tacoma Public Utilities for Kimball Drive Park and Ride on August 15, 1997. Every five years, TPU may evaluate the value of the property and adjust the rent. The lease does not convey any right, title, or interest in the property.

For all real estate leases, future adjustments and changes to rents will be accounted for and recalculated for additional interest related to lease liability when incurred.

2. Building Lease

Pierce Transit entered into a building lease agreement for the purpose of operating our service provided by our contract with First Transit. The lease began before January 1, 2022, but the lease is recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation using present value and an interest rate of 2.5%. The lease does not convey ownership at the end of the lease or provide a purchase option.

The original lease was effective July 10, 1999. The current amendment expires June 30, 2023. The amendment has an option to renew for up to two (2) additional consecutive periods of five (5) years. It is likely Pierce Transit will exercise the option for the additional periods. Future adjustments to rent will be accounted for and recalculated for additional interest related to lease liability when incurred.

3. Tower Leases

Pierce Transit holds three leases relating to the CCN. (See Note 5B.2) These leases were measured in the same method as the real estate and building leases at the beginning of the implementation period of January 1, 2022. Pierce Transit anticipates Pierce County to take over the leases in 2023. The termination date of the towers range, from January 31, 2026 to December 31, 2027, at which time Pierce Transit will not renew the agreements.

The table below is the summary of the lease assets and the related accumulated amortization:

Pierce Transit
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	Beginning Balance 1/1/22	Increases	Decreases	Ending Balance 12/31/22
Leased Real Estate	\$ -	\$3,079,727	\$ -	\$3,079,727
Leased Tower	-	500,178	-	500,178
Total Right -to-Use Lease Assets	-	3,579,906	-	3,579,906
Accumulated Amort - Leased Real Estate	-	(363,667)	-	(363,667)
Accumulated Amort - Leased Tower	-	(109,941)	-	(109,941)
Total Amortization	-	(473,608)	-	(473,608)

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2023	\$314,116	\$100,795	\$414,911
2024	247,145	92,722	339,867
2025	263,991	84,549	348,540
2026	222,504	76,567	299,071
2027	201,488	69,832	271,320
2028-2032	703,312	262,704	966,016
2033-2037	579,408	164,320	743,727
2038-2042	633,204	46,202	679,406
Total	\$3,165,168	\$897,690	\$4,062,858

B. Lessor

At the beginning of the period of implementation on January 1, 2022, Pierce Transit had one lessor, Greyhound. In September 2022, Greyhound vacated the property. The value of the lease was measured by the payments received in 2022, using a rate of .17%. For accounting purposes, no lease receivable or deferred outflows was recorded due to the termination of the lease. Lease revenue of \$27,993 and lease interest income of \$159 were recorded for the lease. A loss of \$71.37 was recorded for early termination.

NOTE 10: PENSION PLANS

A. PERS/TERS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(11,321,348)
Pension assets	20,084,698
Deferred outflows of resources	20,236,882
Deferred inflows of resources	(22,387,152)
Pension expense/expenditures	(1,571,465)

Pierce Transit
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Year Ended December 31, 2022

Substantially all Pierce Transit's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. Tacoma Transit employees electing to remain in the Tacoma Employees' Retirement System (TERS) when Pierce Transit took over operations of Tacoma Transit in 1980 are covered by TERS, which is a defined benefit plan. Employees who moved from participating agencies of TERS to Pierce Transit remain in TERS. There are currently 17 employees covered under TERS, with the remaining employees covered by the Public Employees Retirement Systems (PERS).

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

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

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
TOTAL	10.25%	6.00%
September - December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
TOTAL	10.39%	6.00%

Pierce Transit’s actual contributions to Plan 1 were \$2,573,078 for the year ended December 31, 2022.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible

Pierce Transit
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for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
January - August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
TOTAL	10.25%	6.36%
September - December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
TOTAL	10.39%	6.36%

Pierce Transit's actual PERS Plan 2/3 contributions were \$4,326,488 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in our model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Asset Class	2022 Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents Pierce Transit’s proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what Pierce Transit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate for 2022.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2022 PERS 1	\$15,125,165	\$11,321,348	\$8,001,507
2022 PERS 2/3	\$22,960,953	(\$19,497,581)	(\$54,379,951)

Tacoma Employees’ Retirement System

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

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

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Tacoma City Council. The TERS required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

TERS Contribution Rate	Employer	Employee
2022	11.34%	9.66%

Pierce Transit’s actual contributions to TERS plan were \$168,298 for the year ended December 31, 2022.

Long-Term Expected Rate of Return

The long-term expected rate of return on the TERS pension plan investments is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The long-term expected rate of return as of December 31, 2021 is 6.75%.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of December 31, 2021 (most current available) are summarized in the table below. The inflation component used in the table is 2.50 percent and represents most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	34.5%	5.15%
Investment Grade Fixed Income	19.5%	2.00%
Private Equity	10.0%	8.10%
High Yield Bonds	6.0%	3.60%
US Long Gvt Bonds	3.00%	2.30%
Emerging Market Debt	5.00%	3.20%
Master Limited Partnerships	4.00%	6.60%
Private Real Estate	10.0%	5.90%
US Bank / Leveraged loans	3.00%	3.14%
Timber	1.50%	3.88%
Infrastructure	2.00%	7.55%
Agriculture	1.50%	4.23%

Sensitivity of Net Pension Liability (Asset)

The table below presents Pierce Transit’s proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what Pierce Transit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (5.75 percent) or 1-percent higher (7.75 percent) than the current rate.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

TERS	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
2022	\$387,618	(\$587,117)	(\$1,401,073)

Pension Plan Fiduciary Net Position

Detailed information about DRS and TERS pension plans' fiduciary net position is available in the separately issued DRS and TERS financial reports.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pierce Transit reported total pension asset of \$20,084,698 and total pension liability of \$11,321,348 for 2022. It's proportionate share of the net pension liabilities (assets) is as follows:

Plan	2022 Liability (or Asset)
PERS 1*	11,321,348
PERS 2/3*	(19,497,581)
TERS**	(587,117)

*As of June 30 ** As of December 31

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

	Proportionate Share 6/30/22
PERS 1	0.406604%
PERS 2/3	0.525714%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations*.

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

	Proportionate Share 12/31/22
TERS	0.36725%

The employer contributions to TERS were used in determining each employer's proportionate share of the collective pension amounts for the calendar year ended December 31, 2021.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Pension Expense

For the year ended December 31, 2022, Pierce Transit recognized pension expense as follows:

Pension Expense	2022
PERS 1	\$5,191,741
PERS 2/3	(6,695,697)
TERS	(67,509)
TOTAL	(\$1,571,465)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, Pierce Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(1,876,280)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	1,279,231	
TOTAL	1,279,231	(1,876,280)

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	4,831,044	(441,375)
Net difference between projected and actual investment earnings on pension plan investments	0	(14,414,706)
Changes of assumptions	10,867,210	(2,845,424)
Changes in proportion and differences between contributions and proportionate share of contributions	740,061	(2,137,700)
Contributions subsequent to the measurement date	2,131,169	
TOTAL	18,569,484	(19,839,206)

TERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	47,577	(21,229)
Net difference between projected and actual investment earnings on pension plan investments		(649,891)
Changes of assumptions	150,092	
Changes in proportion and differences between contributions and proportionate share of contributions	22,200	(546)
Contributions subsequent to the measurement date	168,298	
TOTAL	388,167	(671,666)

* TERS Measurement date 12/31/2021

Deferred outflows of resources related to pensions resulting from the Pierce Transit's contributions to DRS and TERS after the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Year ending December 31:	PERS 1
2023	(794,003)
2024	(721,160)
2025	(904,673)
2026	543,556
2027	0
Thereafter	0

Year ending December 31:	PERS 2/3
2023	(4,706,789)
2024	(4,269,305)
2025	(5,034,063)
2026	6,208,946
2027	2,131,379
Thereafter	2,268,943

Year ending December 31:	TERS
2023	(58,293)
2024	(186,359)
2025	(74,151)
2026	(134,869)
2027	1,876
Thereafter	0

B. Deferred Compensation Plan

Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Empower Retirement Company and MissionSquare. Pierce Transit contributes up to 4.25% of annual salary for employees with fewer than 10 years of service, up to 5.25% for employees with 10 – 14 years of service, and up to 6% for employees with 15 years of service or more. In 2022, Pierce Transit contributed \$2,391,022.25 and employees contributed \$3,693,444.77. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Beginning in fiscal year 1998, existing assets in the plan are held in a qualified custodial account. The custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of Pierce Transit and are not subject to claims of the Agency's creditors. Therefore, deferred compensation funds are not shown on the balance sheet.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 11: RECEIVABLES – DUE FROM OTHER GOVERNMENTS

Receivables due to Pierce Transit for year ending December 31, 2022 are detailed as follows:

Other Operating Partnerships	9,538,590
Fuel Tax Refund & CNG Credit	1,606,150
Regional Transit Service Revenues	14,332,039
Capital Grants	6,778,138
Due from Other Governments	\$ 32,254,917

NOTE 12: NET POSITION

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

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

Net Investment in Capital Assets	\$ 191,441,293
Total Restricted Net Position	20,084,698
Unrestricted Net Position	
Operating	125,389,347
Self-Insurance	1,071,299
Capital Replacement/Expansion	92,854,784
Total Unrestricted Net Position	219,315,430
Net Position	\$ 430,841,421

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

NOTE 13: RISK POOL AND INSURANCE

A. Risk Pool

Since January 1, 2010, Pierce Transit has been a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies Pierce Transit's auto liability, general liability, public official's liability coverage, property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber-liability coverage.

At the end of 2022, Pierce Transit retained a \$25,000 for its all-risk property coverage which includes auto physical damage. Pierce Transit has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's written notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

Transit authorities applying for membership in WSTIP may do so on approval of a simple majority vote of the WSTIP Board of Directors. Underwriting and rate-setting policies have been established after consultation with actuaries. WSTIP members are subject to a supplemental assessment in the event of deficiencies. If WSTIP's assets were to be exhausted, members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

WSTIP utilizes a combination of self-insurance, reinsurance, and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance of America, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley Cyber Services for the cyber liability policy. The excess property carrier for all risk property and boiler and machinery is Alliant Property Insurance Program provided by Alliant Insurance Services.

Pierce Transit has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

Here is a summary of coverage provided in 2022:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY: Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Endorsement 1: COMMUNICABLE DISEASE LIABILITY:	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		
PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: VIOLATIONS OF WAGE & HOUR LAWS	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/ members combined	\$25,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$25,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1.5 million any one vehicle	\$25,000

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Notes to Financial Statements
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BOILER AND MACHINERY	\$100 million		\$250,000 or \$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft	\$2 million	Per occurrence	\$10,000
Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises – theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises – robbery or safe burglary of other property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000

CYBER LIABILITY INSURANCE		Coverage	Deductible
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$45 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000
BREACH RESPONSE COSTS	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			

Pierce Transit
Notes to Financial Statements
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Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$100,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$100,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$25,000	Limit of Liability	

B. Other Insurance

Pollution and underground storage tank liability were purchased through an independent broker in 2022, with coverage up to \$1 million with a \$10,000 deductible per occurrence.

C. Unemployment and Workers Compensation Insurance

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

On December 31, 2022, the self-insurance assets totaled \$3,447,700 of which a liability of \$2,301,855 is recorded for workers' compensation and unemployment compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported.

These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants. Claim settlements in the past three years have not exceeded insurance coverage. A reconciliation of claims liabilities follows:

	2022
Balance beginning of year	\$ 2,606,065
Provision for incurred claims	1,000,513
Payments made for claims	(1,304,723)
Claims liabilities end of year	<u>\$ 2,301,855</u>

D. Health and Welfare

Pierce Transit is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2022

entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating

Pierce Transit
Notes to Financial Statements
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employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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Here for you with...

Vanpool

In 2022 Pierce Transit revolutionized the way our customers vanpooled, making it easier and more affordable.

A new “part time” rider option gave riders who don’t commute every day the opportunity to join a vanpool and pay a reduced, part-time rate, rather than full-time fees.

A new flat rate fare structure simplified payments and options, giving riders a predictable and consistent fare.

A new daily rider service gave commuters with unpredictable schedules the opportunity to reserve open seats on existing vanpools.

When the number of riders required to start a vanpool dropped from six to just three, Pierce Transit offered **smaller vehicles to fit riders’ needs**.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 2,573,078	2,730,240	3,179,192	3,368,552	3,393,572	3,095,083	2,775,078	2,407,649
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (2,573,078)	(2,730,240)	(3,179,192)	(3,368,552)	(3,393,572)	(3,095,083)	(2,775,078)	(2,407,649)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-	-	-	-
<u>Covered payroll</u>	\$ 68,007,795	63,100,514	66,023,720	67,662,518	66,326,248	62,554,076	59,829,190	53,375,452
<u>Contributions as a percentage of covered payroll</u> %	3.78%	4.33%	4.82%	4.98%	5.12%	4.95%	4.64%	4.51%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 4,326,488	4,507,343	5,214,950	5,155,760	4,959,391	4,223,914	3,542,370	3,025,923
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (4,326,488)	(4,507,343)	(5,214,950)	(5,155,760)	(4,959,391)	(4,223,914)	(3,542,370)	(3,025,923)
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-	-	-	-
<u>Covered payroll</u>	\$ 67,835,309	62,927,990	65,845,330	67,465,766	65,959,038	62,059,236	59,266,162	52,817,995
<u>Contributions as a percentage of covered payroll</u>	% 6.38%	7.16%	7.92%	7.64%	7.52%	6.81%	5.98%	5.73%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015	
<u>Statutorily or contractually required contributions</u>	\$ 4,326,488	4,507,343	5,214,950	5,155,760	4,959,391	4,223,914	3,542,370	3,025,923	
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (4,326,488)	(4,507,343)	(5,214,950)	(5,155,760)	(4,959,391)	(4,223,914)	(3,542,370)	(3,025,923)	
<u>Contribution deficiency (excess)</u>	\$ -	-	-	-	-	-	-	-	
<u>Covered payroll</u>	\$ 67,835,309	62,927,990	65,845,330	67,465,766	65,959,038	62,059,236	59,266,162	52,817,995	
<u>Contributions as a percentage of covered payroll</u>	%	6.38%	7.16%	7.92%	7.64%	7.52%	6.81%	5.98%	5.73%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015	
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.406604%	0.406819%	0.443014%	0.500234%	0.470955%	0.489281%	0.482721%	0.479064%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	11,321,348	4,968,212	15,640,786	19,235,773	21,033,010	23,216,765	25,924,391	25,059,502
<u>Covered payroll</u>	\$	65,900,772	62,252,274	69,168,194	67,342,562	64,592,987	60,959,719	57,083,737	52,159,102
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u>	%	17.18%	7.98%	22.61%	28.56%	32.56%	38.09%	45.41%	48.04%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit
 Schedule of Proportionate Share of the Net Pension Liability
 PERS2/3
 As of June 30
 Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset) %	0.525714%	0.518743%	0.572846%	0.639412%	0.594352%	0.617009%	0.605330%	0.603019%
Employer's proportionate share of the net pension liability (asset) \$	(19,497,581)	(51,675,149)	7,326,374	6,210,865	10,148,031	21,438,113	30,477,887	21,546,213
Covered payroll \$	65,712,856	62,074,686	68,982,010	67,064,474	64,157,443	60,435,521	56,544,917	51,566,025
Employer's proportionate share of the net pension liability as a percentage of covered payroll %	-29.67%	-83.25%	10.62%	9.26%	15.82%	35.47%	53.90%	41.78%
Plan fiduciary net position as a percentage of the total pension liability %	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u> %	0.36725%	0.32046%	0.265380%	0.232390%	0.281450%	0.272970%	0.220880%	-0.001525%
<u>Employer's proportionate share of the net pension liability (asset)</u> \$	(587,117)	240,999	(53,437)	294,290	(119,702)	274,143	206,402	(21,186)
<u>Covered payroll</u> \$	1,484,475	1,050,234	913,492	707,336	589,238	680,300	645,406	502,081
<u>Employer's proportionate share of the net pension liability as a percentage of covered payroll</u> %	-39.55%	22.95%	-5.85%	41.61%	-20.31%	40.30%	31.98%	-4.22%
<u>Plan fiduciary net position as a percentage of the total pension liability</u> %	107.74%	96.22%	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Notes to Schedule:

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



Here for you with...

Future Plans

Where are we going next? Here are a few destinations along our road in 2023:

Pierce Transit is adopting ORCA LIFT, a regional reduced fare program for income-qualified residents. Riders may pay a reduced bus fare based on household income less than or equal to 200 percent of the federal poverty level.

Pierce Transit's base is 34 years old and in real need of modernization and safety upgrades. **The agency has begun a multi-year base modernization project that will help us serve transit riders well into the future.**

Pierce Transit's goal is to convert 20 percent of our fleet to zero emissions by 2030. The agency is conducting a Fleet Transition Plan that will serve as a road map for us to meet that goal.

The agency continues planning for the South Sound's first Bus Rapid Transit project, running 14.4 miles from downtown Tacoma to Spanaway.

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**Pierce Transit
Statistical Section
Year ended December 31, 2022**

This part of Pierce Transit’s annual comprehensive 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.

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

Net Position by Component.....	72
Changes in Net Position.....	73-74
Expenses Comparisons by type.....	75

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

Revenue and Subsidies Comparisons.....	76
Fixed Route Farebox Recovery.....	77
Fare History.....	77
Taxable Sales Comparisons for Pierce County.....	78

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

Legal Debt Margin.....	79
Ratio of General Bonded Debt to Assessed Value.....	79
Computation of Direct and Overlapping Debt.....	80
Direct and Overlapping Sales Tax Rates.....	80

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

Pierce County Demographic and Economic Information.....	81
Principal Employers.....	82

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

Pierce Transit Employees by Function.....	83
Statistics by Mode.....	84-87
Key Performance Measures.....	88-89
Vehicles Available for Maximum Service.....	90

Grant Information: Schedule shows reader Pierce Transit’s capital grant history

Capital Grant History.....	91
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.

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**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**FINANCIAL TRENDS
Net Position
*Ten-Year Comparison***

Year	Invested in Capital Assets	Restricted	Unrestricted	Total
2013	\$108,630,726		\$118,769,536	\$227,400,262
2014	\$108,863,153		\$127,191,451	\$236,054,604
2015	\$110,277,027		\$80,587,979	\$190,865,006
2016	\$103,796,164		\$86,625,478	\$190,421,642
2017	\$98,503,799		\$82,934,624	\$181,438,423
2018	\$109,854,158		\$88,990,467	\$198,844,625
2019	\$122,739,121		\$97,123,689	\$219,862,810
2020*	\$127,478,667	\$53,437	\$134,341,803	\$261,873,907
2021**	\$169,957,739	\$51,675,149	\$137,643,774	\$359,276,662
2022	\$191,441,293	\$20,084,698	\$219,315,430	\$430,841,421

NOTES:

* Unrestricted and restricted net position for 2020 were restated as described in the 2021 Annual Comprehensive Financial Report.

** Ending net position for 2021 was restated by (\$973,192) as described in the 2022 Annual Comprehensive Financial Report

Pierce Transit
Statistical Section
Year ended December 31, 2022

FINANCIAL TRENDS
Changes in Net Position
Ten-Year Comparison

Operating Revenue	2013	2014	2015	2016	2017
Passenger Fares	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563
Advertising	952,540	710,527	782,601	669,885	528,090
Regional Transit Service	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818
Total Operating Revenue	46,650,262	49,186,181	49,618,720	53,004,013	55,023,471
Non-Operating Revenue					
Sales Tax	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746
Operating Grants	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468
Investment Revenue	151,610	115,634	190,114	650,061	977,716
Miscellaneous Revenue	4,096,482	3,317,254	1,330,092	2,136,898	2,106,020
Gain(Loss) on Disposal of Assets	-10,303	1,414,746	278,983	904,555	129,173
Total Non-Operating Revenue	78,136,757	82,389,771	82,535,073	93,314,456	88,973,123
Total Revenue	124,787,019	131,575,952	132,153,792	146,318,469	143,996,594
Operating Expense					
Fixed Route	86,365,065	92,989,803	93,589,034	105,737,573	111,514,727
Demand Response	16,609,716	17,555,294	17,347,709	17,872,486	18,744,963
Vanpool	4,139,555	4,315,559	4,182,296	4,335,728	4,599,679
Depreciation & Amortization	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559
Total Operating Expense	121,860,478	129,543,849	131,411,446	145,235,461	153,551,928
Non-Operating Expense					
Expense of Capital Items	224,061	20,380	9,995	365,535	84,873
Grant Exchange Funds	882,644	1,139,554	520,173	1,889,408	396,312
Total Non-Operating Expense	1,106,705	1,159,934	530,168	2,254,943	481,185
Total Expense	122,967,183	130,703,783	131,941,614	147,490,404	154,033,113
Net Position before Contribution	1,819,836	872,169	212,178	(1,171,935)	(10,036,519)
Capital Grants	5,855,179	7,782,173	2,397,798	728,571	1,053,300
Change in Net Position	\$7,675,015	\$8,654,342	\$2,609,976	(\$443,364)	(\$8,983,219)

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**FINANCIAL TRENDS
Changes in Net Position
Ten-Year Comparison (Continued)**

Operating Revenue	2018	2019	2020	2021 (Restated)	2022
Passenger Fares	\$12,014,669	\$11,820,799	\$6,391,850	\$5,987,961	\$6,133,859
Advertising	334,350	468,865	515,512	493,154	504,028
Regional Transit Service	48,337,317	51,063,462	48,387,960	47,683,047	49,377,052
Total Operating Revenue	60,686,336	63,353,126	55,295,322	54,164,161	56,014,939
Non-Operating Revenue					
Sales Tax	87,679,018	90,647,576	91,744,911	107,084,956	112,048,012
Operating Grants	4,038,035	4,427,104	27,548,223	34,231,597	41,587,406
Investment Revenue	2,246,988	2,048,424	646,711	205,859	2,169,767
Miscellaneous Revenue	2,258,510	2,468,303	1,738,514	10,720,891	1,278,338
Gain(Loss)on Disposal of Assets	-1,420,030	763,500	165,607	624,430	1,016,508
Total Non-Operating Revenue	94,802,521	100,354,907	121,843,966	152,867,732	158,100,031
Total Revenue	155,488,857	163,708,033	177,139,288	207,031,893	214,114,970
Operating Expense					
Fixed Route	111,136,301	117,728,594	109,351,373	95,797,563	111,470,206
Demand Response	14,938,131	15,453,604	11,976,004	13,517,249	16,669,076
Vanpool	4,914,313	4,842,558	3,836,144	3,607,557	4,308,206
Depreciation & Amortization	19,198,491	19,080,300	17,275,468	14,732,605	16,633,376
Total Operating Expense	150,187,236	157,105,056	142,438,989	127,654,974	149,080,864
Non-Operating Expense					
Expense of Capital Items	5,447	127	-	-	-
Grant Exchange Funds	879,816	1,143,468	4,945,230	4,063,915	4,463,382
Total Non-Operating Expense	885,263	1,143,595	4,945,230	4,063,915	4,463,382
Total Expense	151,072,499	158,248,651	147,384,219	131,718,889	153,544,246
Net Position before Contribution	4,416,358	5,459,382	29,755,069	75,313,005	71,564,760
Capital Grants	12,989,844	15,558,803	12,256,028	22,089,750	11,105,464
Change in Net Position	\$17,406,202	\$21,018,185	\$42,011,097	\$97,402,755	\$82,670,224

Notes:

Change in net position for 2021 was restated by (\$973,192) as described in the 2022 Annual Comprehensive Financial Report

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**FINANCIAL TRENDS
Expense Comparisons by Type
Ten-Year Comparison**

	2013	2014	2015	2016	2017
Personnel	\$74,160,441	\$79,508,733	\$81,104,494	\$90,104,950	\$92,928,926
Fuel & Lubricants	7,409,160	7,529,537	5,518,422	4,721,708	5,341,710
Supplies & Materials	5,011,098	5,706,244	6,658,429	7,846,725	10,536,061
Contracts & Services	20,533,637	22,116,142	21,837,695	25,272,731	26,052,672
Depreciation & Amortization	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559
Capital Acquisition	10,954,738	16,267,985	17,767,302	14,404,102	13,656,384
Loss Disposal of Assets	-	-	-	-	-
Previously Capitalized Items	224,061	20,380	9,995	365,535	84,873
Grant Exchange Funds	882,644	1,139,554	520,173	1,889,408	396,312
TOTAL	\$133,921,921	\$146,971,768	\$149,708,917	\$161,894,506	\$167,689,497

**FINANCIAL TRENDS
Expense Comparisons by Type
Ten-Year Comparison (Continued)**

	2018	2019	2020	2021	2022
Personnel	\$88,609,702	\$93,427,970	\$84,212,552	\$72,998,578	\$87,069,757
Fuel & Lubricants	5,899,707	5,894,374	3,412,575	4,427,016	5,738,452
Supplies & Materials	9,904,478	9,131,566	9,311,433	8,018,667	9,858,978
Contracts & Services	26,574,858	29,570,846	28,226,961	27,478,109	29,891,731
Depreciation & Amortization	19,198,491	19,080,300	17,275,468	14,732,605	16,633,376
Capital Acquisition	32,322,861	32,602,693	22,015,014	57,568,440	45,755,527
Loss Disposal of Assets	1,420,030	-	-	-	-
Previously Capitalized Items	5,447	127	-	-	-
Grant Exchange Funds	879,816	1,143,468	4,945,230	4,063,915	4,463,382
TOTAL	\$184,815,390	\$190,851,344	\$169,399,233	\$189,287,330	\$199,411,203

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**REVENUE CAPACITY
Revenue and Subsidies Comparisons
Ten-Year Comparison**

	2013	2014	2015	2016	2017
Passenger Fares	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563
Regional Transit Service	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818
Advertising	952,540	710,527	782,601	669,885	528,090
Interest Income	151,610	115,634	190,114	650,061	977,716
Sales Tax	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746
Operating Subsidies	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468
Capital Grants	5,855,179	7,782,173	2,397,798	728,571	1,053,300
Gain on Disposal of Assets	(10,303)	1,414,746	278,983	904,555	129,173
Miscellaneous	4,096,480	3,317,254	1,330,092	2,136,898	2,106,020
Total	\$130,642,196	\$139,358,125	\$134,551,591	\$147,047,040	\$145,049,894

**REVENUE CAPACITY
Revenue and Subsidies Comparisons
Ten-Year Comparison (Continued)**

	2018	2019	2020	2021 (Restated)	2022
Passenger Fares	\$12,014,669	\$11,820,799	\$6,391,850	\$5,987,961	\$6,133,859
Regional Transit Service	48,337,317	51,063,462	48,387,960	47,683,047	49,377,052
Advertising	334,350	468,865	515,512	493,154	504,028
Interest Income	2,246,988	2,048,424	646,711	205,859	2,169,767
Sales Tax	87,679,018	90,647,576	91,744,911	107,084,956	112,048,012
Operating Subsidies	4,038,035	4,427,104	27,548,223	34,231,597	41,587,406
Capital Grants	12,989,844	15,558,803	12,256,028	22,089,750	11,105,464
Gain on Disposal of Assets	-	763,500	165,607	624,430	1,016,508
Miscellaneous	2,258,510	2,468,303	1,738,514	10,720,891	1,278,338
Total	\$169,898,731	\$179,266,836	\$189,395,316	\$229,121,645	\$225,220,434

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**REVENUE CAPACITY
Fixed Route Farebox Recovery
Ten-Year Comparison**

Year	Farebox Recovery
2013	18%
2014	17%
2015	17%
2016	13%
2017	13%
2018	13%
2019	12%
2020	7%
2021	6%
2022	6%

**REVENUE CAPACITY
Fare History
Ten-Year Comparison**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Fares										
Adult	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Senior/Disabled	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Passes										
Adult Pass	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass/Youth	27.00	27.00	27.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Adult All Day Pass	-	-	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Senior/Disabled Day Pass	-	-	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Youth All Day Pass	-	-	2.50	2.50	2.50	2.50	2.50	2.50	2.50	Eliminated
Transfers	Free	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated	Eliminated

NOTES:
Youth fares for riders 18 years of age and under were eliminated in 2022.

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**REVENUE CAPACITY
2013 & 2022 Taxable Sales Comparisons
Pierce County**

	2013	
	Taxable Sales	Sales Tax
Retail Trade	\$6,321,236,862	\$32,882,748
Services	2,147,970,780	11,173,633
Contracting	1,822,350,688	9,479,774
Manufacturing	231,100,825	1,202,175
Transportation/Utilities	52,829,278	274,815
Wholesaling	708,410,590	3,685,115
Finance/Insurance/Real Estate	899,448,382	4,678,884
Other Business	5,832,565	30,341
TOTAL	\$12,189,179,970	\$63,407,486

**REVENUE CAPACITY
2013 & 2022 Taxable Sales Comparisons
Pierce County (Continued)**

	2022	
	Taxable Sales	Sales Tax
Retail Trade	\$11,747,375,350	\$55,461,279
Services	4,447,451,250	20,997,144
Contracting	4,157,141,437	19,626,544
Manufacturing	359,367,946	1,696,635
Transportation/Utilities	218,739,764	1,032,706
Wholesaling	1,335,346,085	6,304,387
Finance/Insurance/Real Estate	1,462,003,028	6,902,355
Other Business	5,710,759	26,961
TOTAL	\$23,733,135,619	\$112,048,012

NOTES:
Source: WA ST Department of Revenue Quarterly Business Review

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**DEBT CAPACITY
Legal Debt Margin
2022**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$87,801,112,426	\$87,377,814,883
Debt Limitation (%)*	0.38%	1.25%
Debt Limitation (\$)	\$280,178,053	\$929,440,141
Less: Outstanding Debt	-	-
Debt Margin	<u>\$280,178,053</u>	<u>\$929,440,141</u>

NOTES:

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

**DEBT CAPACITY
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Ten-Year Comparison**

	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
2013	814,500	34,481,782	-	-	-
2014	821,300	36,980,312	-	-	-
2015	830,120	39,008,715	-	-	-
2016	861,310	42,832,915	-	-	-
2017	876,764	47,849,779	-	-	-
2018	891,299	54,227,667	-	-	-
2019	904,890	59,976,079	-	-	-
2020	900,700	65,354,691	-	-	-
2021	925,708	74,714,148	-	-	-
2022	937,400	87,801,112	-	-	-

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**DEBT CAPACITY
Computation of Direct and Overlapping Debt
2022**

	Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	176,149,120	30.54%	53,795,941
Pierce County	111,412,960	42.27%	47,094,258
			100,890,199
PTBA Population			601,359
Direct Debt as a % of Personal Income			0.00%
Direct and Overlapping Debt per Capita			\$ -

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

**DEBT CAPACITY
Pierce County Direct and Overlapping Sales Tax Rate
Ten-Year Comparison**

Year	Total PTBA			
	Direct PTBA Sales Tax Rate	Other Local Sales Tax Rate	State Sales Tax Rate	Sales Tax Rate
2013	0.6%	2.3%	6.5%	9.4%
2014	0.6%	2.3%	6.5%	9.4%
2015	0.6%	2.3%	6.5%	9.4%
2016	0.6%	2.3%	6.5%	9.4%
2017	0.6%	2.8%	6.5%	9.9%
2018	0.6%	2.8%	6.5%	9.9%
2019	0.6%	2.8%	6.5%	9.9%
2020	0.6%	2.8%	6.5%	9.9%
2021	0.6%	2.9%	6.5%	10.0%
2022	0.6%	2.9%	6.5%	10.0%

NOTES:
*Unincorporated PTBA
Source: Department of Revenue

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**DEMOGRAPHIC AND ECONOMIC INFORMATION
*Pierce County Demographic and Economic Information
Ten-Year Comparison***

Fiscal Year Dec 31	Pierce County Population	Median Household Income (1)	Personal Income (2) (In Thousands)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2013	814,500	57,840	36,054,002	43,982	127,766	8.1
2014	821,300	59,998	36,282,818	43,613	129,803	7.3
2015	830,120	59,953	37,957,559	45,044	128,800	6.8
2016	861,310	61,042	40,228,355	46,706	134,810	6.3
2017	876,764	65,246	43,148,793	49,214	134,816	5.4
2018	891,299	69,278	46,449,056	52,114	136,159	5.7
2019	904,890	75,407	N/A	N/A	137,032	5
2020	900,700	79,243	48,481,266	53,572	141,383	7.2
2021	925,708	80,236	51,664,015	56,532	129,258	4.5
2022	927,380	85,492	57,004,972	61,580	136,322	5.4

NOTES:

- Sources: (1) US Census Bureau
(2) US Bureau of Economic Analysis
(3) Washington State Superintendent of Public Instruction
(4) Washington State Employment Security Department as of December 31, 2022
(N/A) Not Available

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**DEMOGRAPHIC AND ECONOMIC INFORMATION
Principal Employers
Comparison of Employees and Percent to Total Employment
2021 and 2012**

<u>Top Ten Employers for 2021***</u>		Percent of	
Employer	Employees	Total County	Type
Joint Lewis McChord	54,000	5.83%	Military
MultiCare Health**	8,264	0.89%	Health Care
Washington State Employees	7,370	0.80%	Government
Franciscan Health	6,646	0.72%	Health Care
City of Tacoma and Tacoma Public Utilities	3,708	0.40%	Government
Tacoma Public Schools	3,481	0.38%	Education
Pierce County Government	3,026	0.33%	Government
Puyallup School District	2,720	0.29%	Education
Bethel School District	2,823	0.30%	Education
Emerald Queen Casino	2,185	0.24%	Entertainment
Total	94,223	10.18%	
2021 Pierce County Population*	925,708		
<u>Top Ten Employers for 2012</u>		Percent of	
Employer	Employees	Total County	Type
Federal Government	56,624	7.01%	Military
Local Public Schools (K-12)	13,352	1.65%	Education
MultiCare Health	6,547	0.81%	Health Care
Washington State Employees	6,488	0.80%	Government
Franciscan Health	5,709	0.71%	Health Care
City of Tacoma (Public Works Included)	3,620	0.45%	Government
Pierce County	2,872	0.36%	Government
Washington Higher Education	2,632	0.33%	Government
Emerald Queen	2,200	0.27%	Entertainment
Wal-Mart	1,785	0.22%	Retail
Total	101,829	12.60%	
2011 Pierce County Population*	808,200		

NOTES:

Source: Economic Development Board of Pierce County

*Estimated; Source: WA State ESD

**2021 not available at time of publication

***2022 not available at time of publication

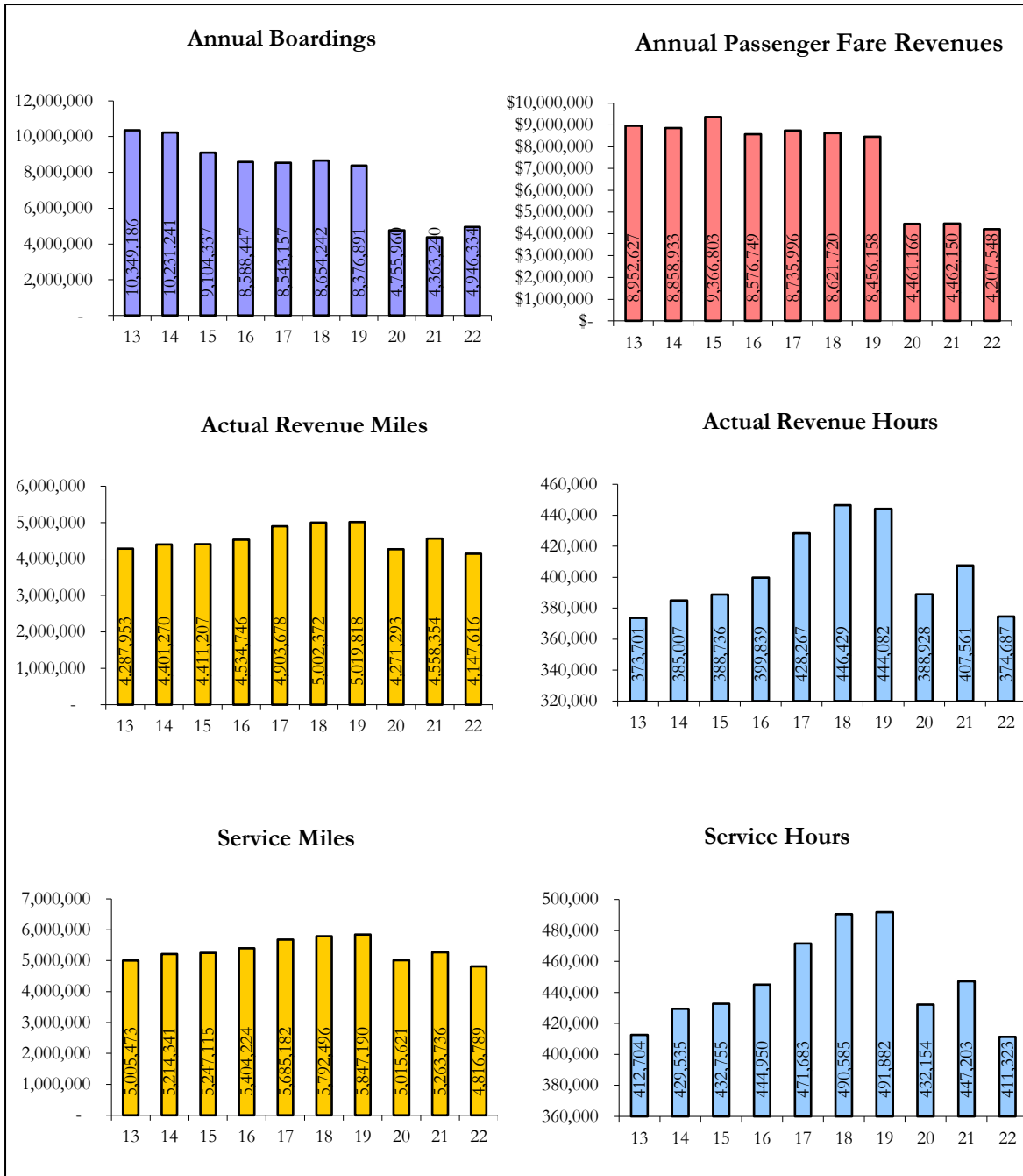
Pierce Transit
Statistical Section
Year ended December 31, 2022

OPERATING INFORMATION
Pierce Transit Employee by Function
Ten-Year Comparison

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operations	572	601	631	659	692	675	676	623	576	620
Maintenance	127	136	142	149	155	152	154	163	153	154
Administration	94	99	97	110	113	111	113	112	107	110
Total	802	836	870	918	960	938	943	898	836	884

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

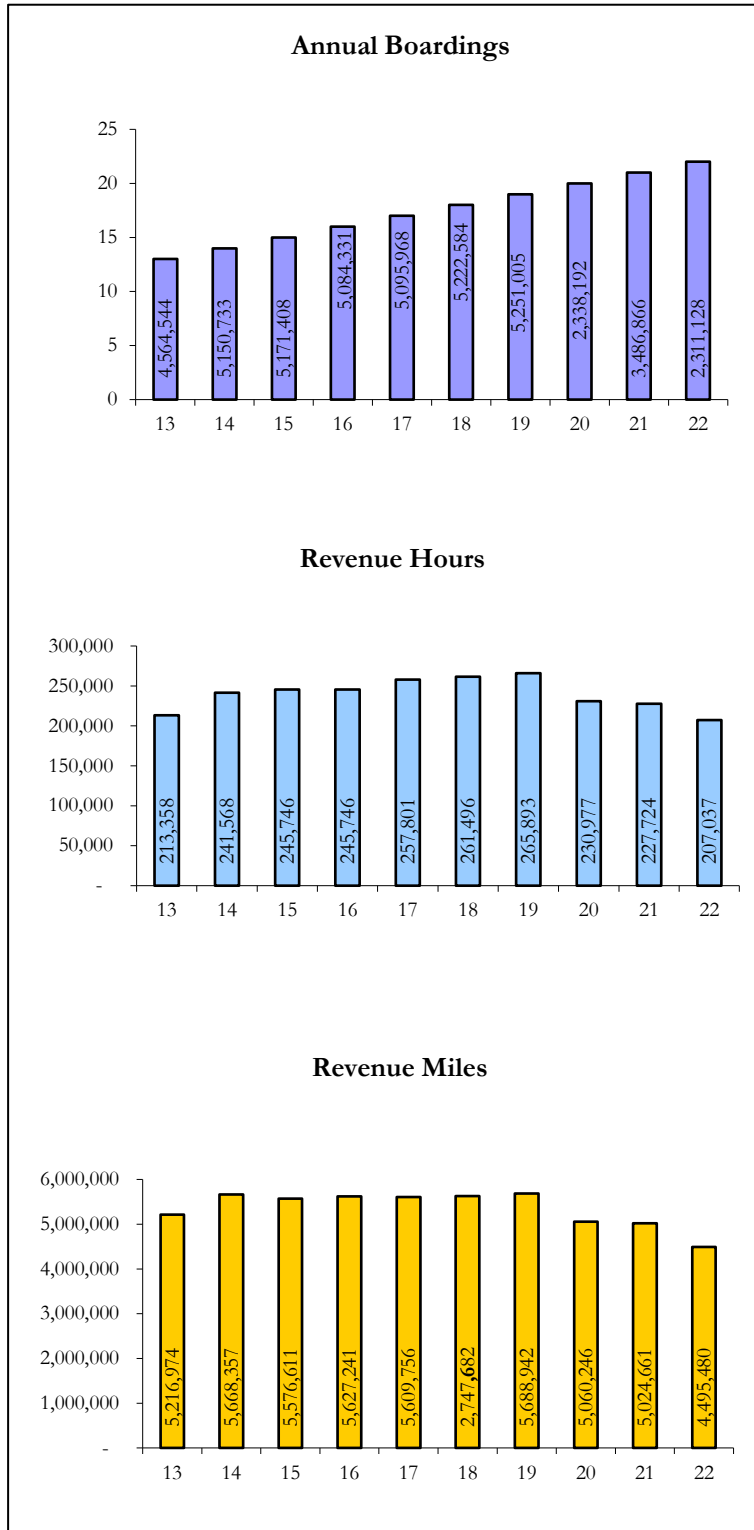
**OPERATING INFORMATION
Fixed Route Statistics
Ten-Year Comparison**



Notes:
Source: National Transit Database (NTD)

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

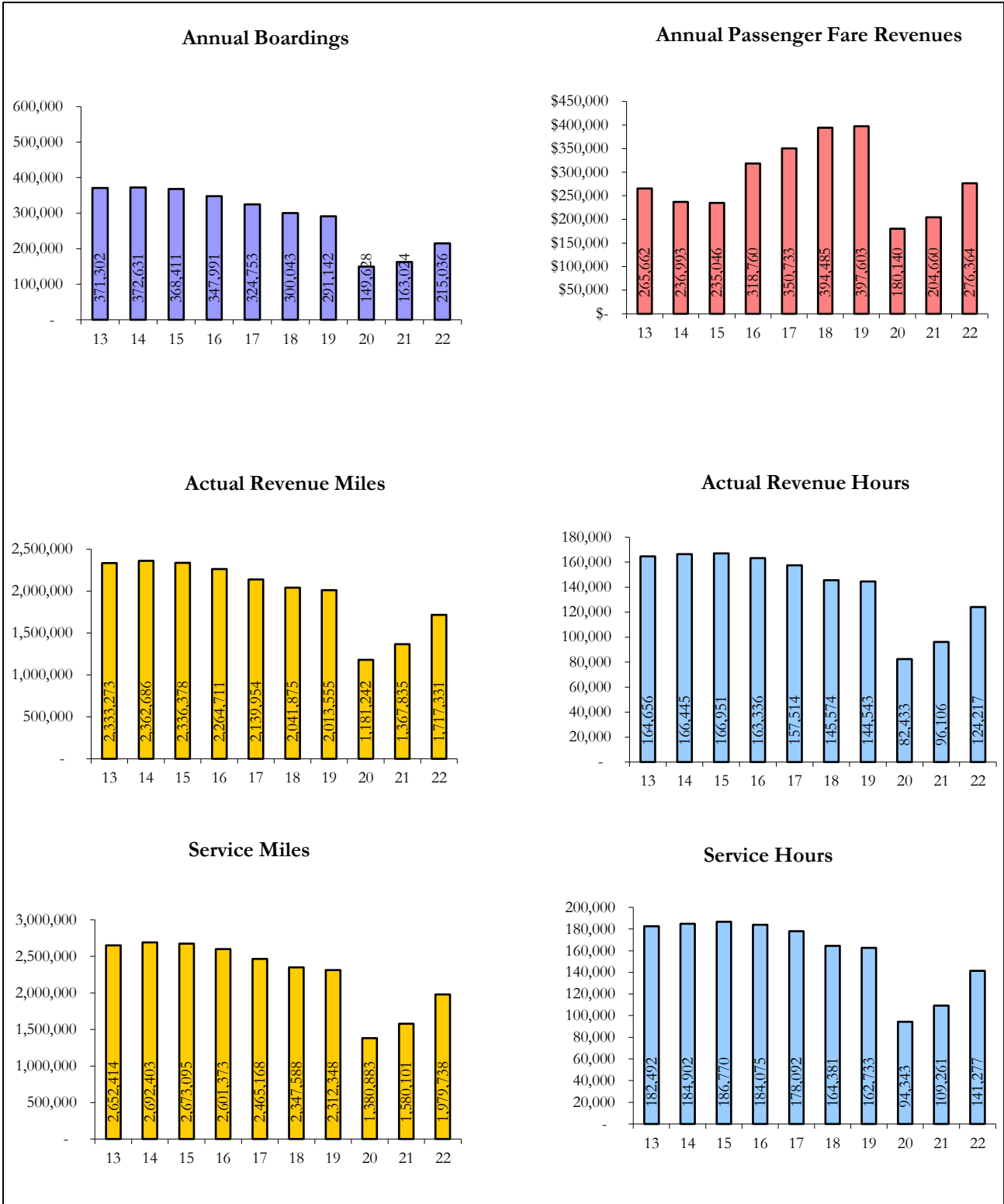
**OPERATING INFORMATION
Sound Transit
Fixed Route Statistics
Ten-Year Comparison**



Notes:
Source: National Transit Database (NTD)

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

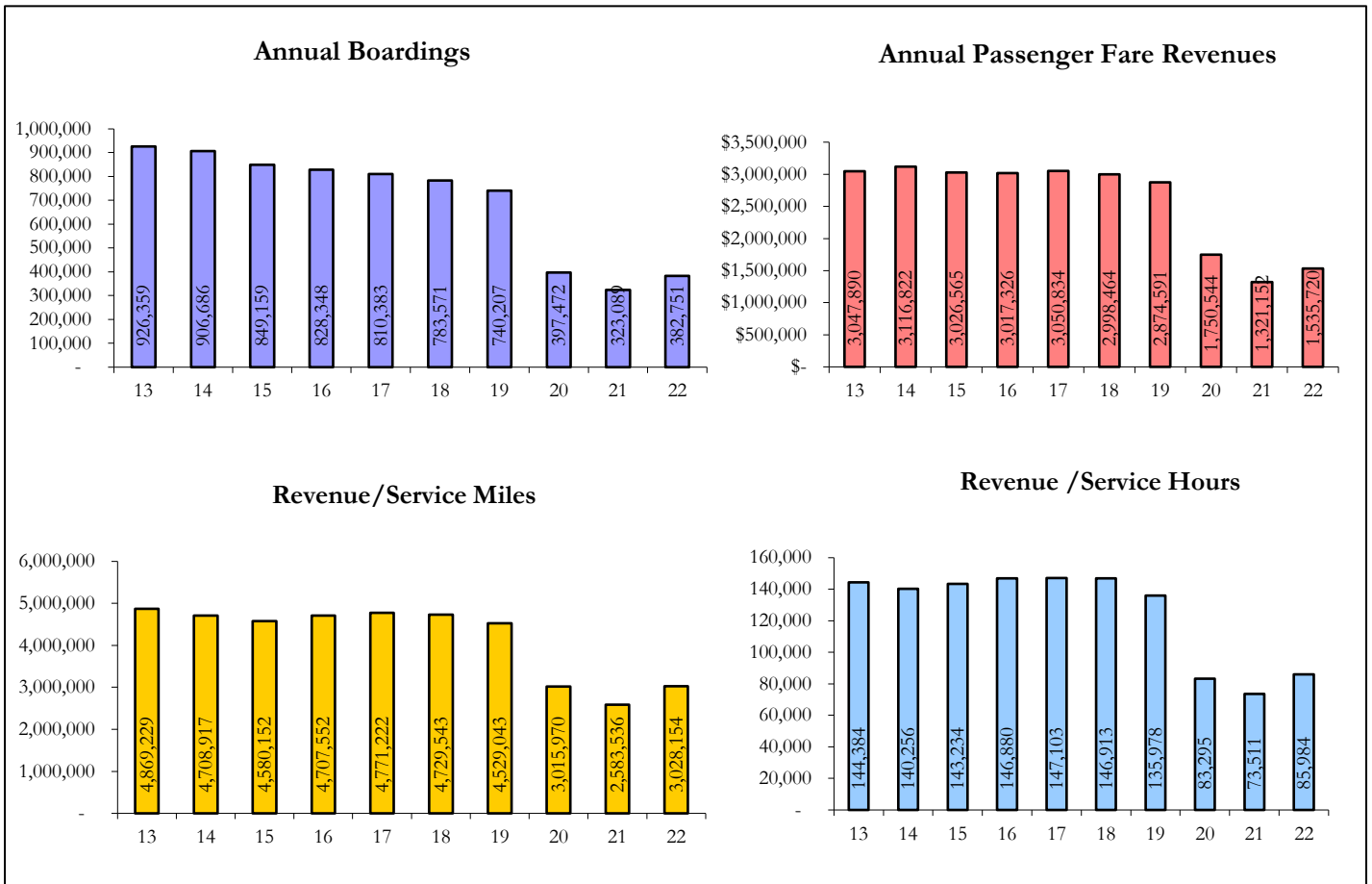
**OPERATING INFORMATION
Specialized Transportation (SHUTTLE and Runner)
Ten-Year Comparison**



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

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**OPERATING INFORMATION
Vanpool Statistics
Ten-Year Comparison**



Notes:
Source: National Transit Database (NTD)

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**OPERATING INFORMATION
Key Performance Measures
Ten-year Comparison**

	2013	2014	2015	2016	2017
FIXED ROUTE:					
Annual Boardings	10,349,186	10,231,241	9,104,337	8,588,447	8,543,157
Cost per Service Hour	\$ 119.13	\$ 124.71	\$ 130.55	\$ 143.34	\$ 144.54
Farebox Recovery	18%	17%	17%	13%	13%
Passengers per Service Hour	25.1	23.8	21	19.3	18.1
Cost per Passenger	\$ 4.75	\$ 5.24	\$ 6.21	\$ 7.43	\$ 7.98
SHUTTLE:					
Annual Boardings	371,302	372,631	368,411	347,991	324,753
Cost per Service Hour	\$ 91.02	\$ 94.94	\$ 92.88	\$ 98.07	\$ 105.25
Farebox Recovery	2%	1%	1%	2%	2%
Passengers per Service Hour	2	2	2	1.9	1.8
Cost per Passenger	\$ 44.73	\$ 47.11	\$ 47.09	\$ 51.88	\$ 57.72
VANPOOL:					
Annual Boardings	926,359	906,686	849,159	828,348	810,383
Cost per Service Hour	\$ 28.67	\$ 30.77	\$ 29.20	\$ 29.66	\$ 31.27
Farebox Recovery	74%	72%	72%	69%	66%
Passengers per Service Hour	6.4	6.5	5.9	5.6	5.5
Cost per Passenger	\$ 4.47	\$ 4.76	\$ 4.93	\$ 5.26	\$ 5.68

Notes:

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

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**OPERATING INFORMATION
Key Performance Measures
Ten-year Comparison (Continued)**

	2018	2019	2020	2021	2022
FIXED ROUTE:					
Annual Boardings	8,654,242	8,376,891	4,755,898	4,363,240	4,946,334
Cost per Service Hour	\$ 141.15	\$ 144.00	\$ 156.72	\$ 154.67	\$ 174.00
Farebox Recovery	13%	12%	7%	6%	6%
Passengers per Service Hour	17.6	17	12	11	12
Cost per Passenger	\$ 8.00	\$ 8.46	\$ 14.24	\$ 15.85	\$ 14.47
SHUTTLE:					
Annual Boardings	300,043	291,142	149,628	163,024	217,372
Cost per Service Hour	\$ 90.88	\$ 94.96	\$ 126.94	\$ 123.70	\$ 117.29
Farebox Recovery	3%	3%	2%	2%	2%
Passengers per Service Hour	1.8	1.8	1.6	1.5	1.5
Cost per Passenger	\$ 49.79	\$ 53.08	\$ 80.04	\$ 82.90	\$ 76.68
VANPOOL:					
Annual Boardings	783,571	740,207	397,472	322,801	382,751
Cost per Service Hour	\$ 33.45	\$ 35.61	\$ 46.05	\$ 49.18	\$ 50.10
Farebox Recovery	61%	59%	46%	37%	36%
Passengers per Service Hour	5.3	5.4	4.8	4.4	4.5
Cost per Passenger	\$ 6.27	\$ 6.54	\$ 9.65	\$ 11.18	\$ 11.26

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

Pierce Transit
Statistical Section
Year ended December 31, 2022

OPERATING INFORMATION
Vehicles Available for Maximum Service
Ten-year Comparison

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pierce Transit Buses	177	175	176	195	200	211	197	179	176	169
SHUTTLE Vans	100	97	97	97	100	99	122	101	100	111
Vanpool Vans	371	381	405	439	456	483	412	377	304	277
	648	653	678	731	756	756	731	657	580	557

**Pierce Transit
Statistical Section
Year ended December 31, 2022**

**GRANT INFORMATION
Capital Grant History
Ten-Year Comparison**

FTA	2013	2014	2015	2016	2017
Section 3	\$ 62,692	\$ 1,183,372	\$ 329,438	\$ 823	\$ -
Section 4	3,339,533	1,460,896	535,952	246,507	47,016
Section 9	915,379	4,461,195	579,872	392,673	679,887
Other	1,394,913	-	-	88,568	326,397
WA STATE					
Misc Grants	142,662	676,710	952,536	-	-
LOCAL					
Partnerships	-	-	-	-	-
Totals	\$ 5,855,179	\$ 7,782,173	\$ 2,397,798	\$ 728,571	\$ 1,053,300

**GRANT INFORMATION
Capital Grant History
Ten-Year Comparison (Continued)**

FTA	2018	2019	2020	2021	2022
Section 3	\$ 2,661,287	\$ 223,348	\$ -	\$ 11,367,120	\$ 3,939,284
Section 4	1,683,887	55,454		127,608	-
Section 9	7,191,511	9,087,443			
Other	111,605	810,240	463,051	234,956	10,137
WA STATE					
Misc Grants	525,077	2,518,313	3,506,650	7,905,372	5,183,385
LOCAL					
Partnerships	816,477	2,864,005	8,286,327	2,454,694	1,972,208
Totals	\$ 12,989,844	\$ 15,558,803	\$ 12,256,028	\$ 22,089,750	\$ 11,105,014

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Mission

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

Vision

Your preferred transportation choice for today and tomorrow.

