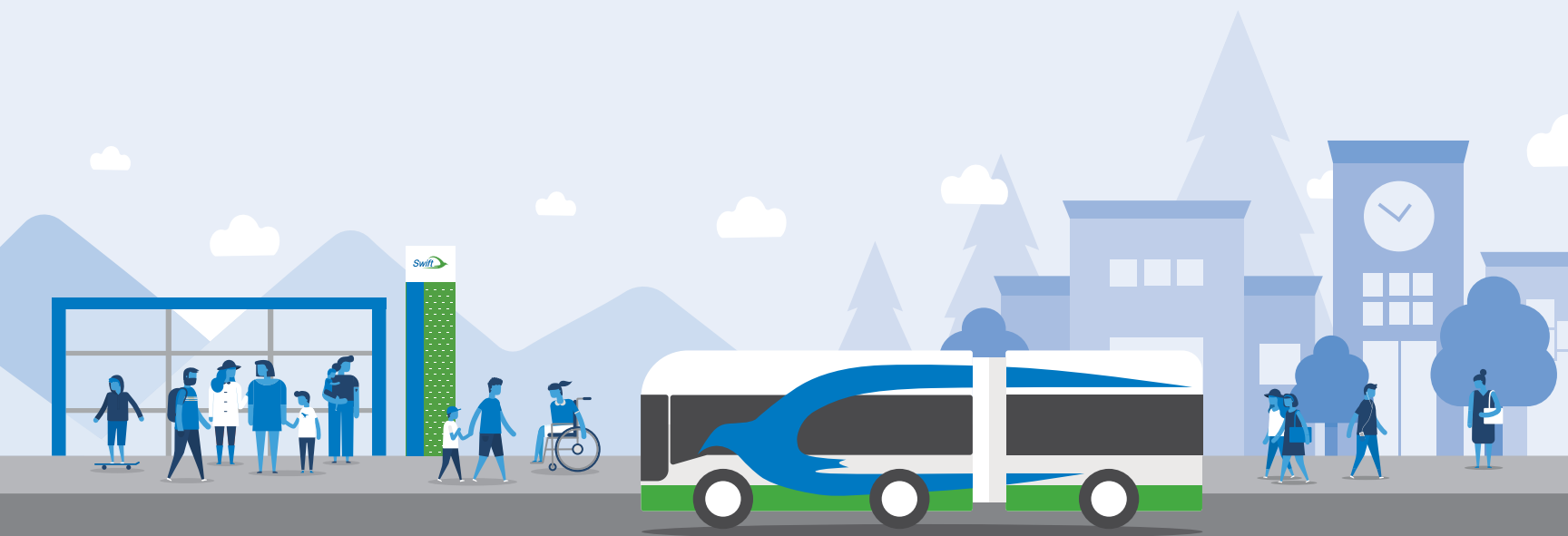


2019 Comprehensive Annual Financial Report



Year Ended December 31, 2019



Community Transit
Snohomish County, Washington
communitytransit.org

2019 BOARD OF DIRECTORS

Board Chair - *Dave Earling*
Board Vice Chair - *Terry Ryan*
Board Secretary - *Jon Nehring*
Board Member - *Kim Daughtry*
Board Member - *Leonard Kelley*
Board Member - *Joe Neigel*
Board Member - *Lance Norton*
Board Member - *Jan Schuette*
Board Member - *Mike Todd*
Board Member - *Stephanie Wright*

BOARD ALTERNATES

Board Alternate - *Jennifer Gregerson*
Board Alternate - *George Hurst*
Board Alternate - *Nate Nehring*
Board Alternate - *Bruce Straughn*
Board Alternate - *Geoffrey Thomas*

2019 EXECUTIVE TEAM

CEO

Chief Executive Officer - *Emmett Heath*

DIRECTORS

Director of Administration - *Geri Beardsley*
Director of Customer Experience - *Molly Marsicek*
Director of Maintenance - *Dave Richards*
Director of Planning & Development - *Roland Behee*
Director of Transportation - *Steve Kim*
Chief Technology Officer - *Tim Chrobuck*
Director of Communications & Public Affairs - *Mary Beth Lowell*



Comprehensive Annual Financial Report

For the Year Ended December 31, 2019

Prepared By: Finance Division
Community Transit
7100 Hardeson Road, Everett, WA 98203

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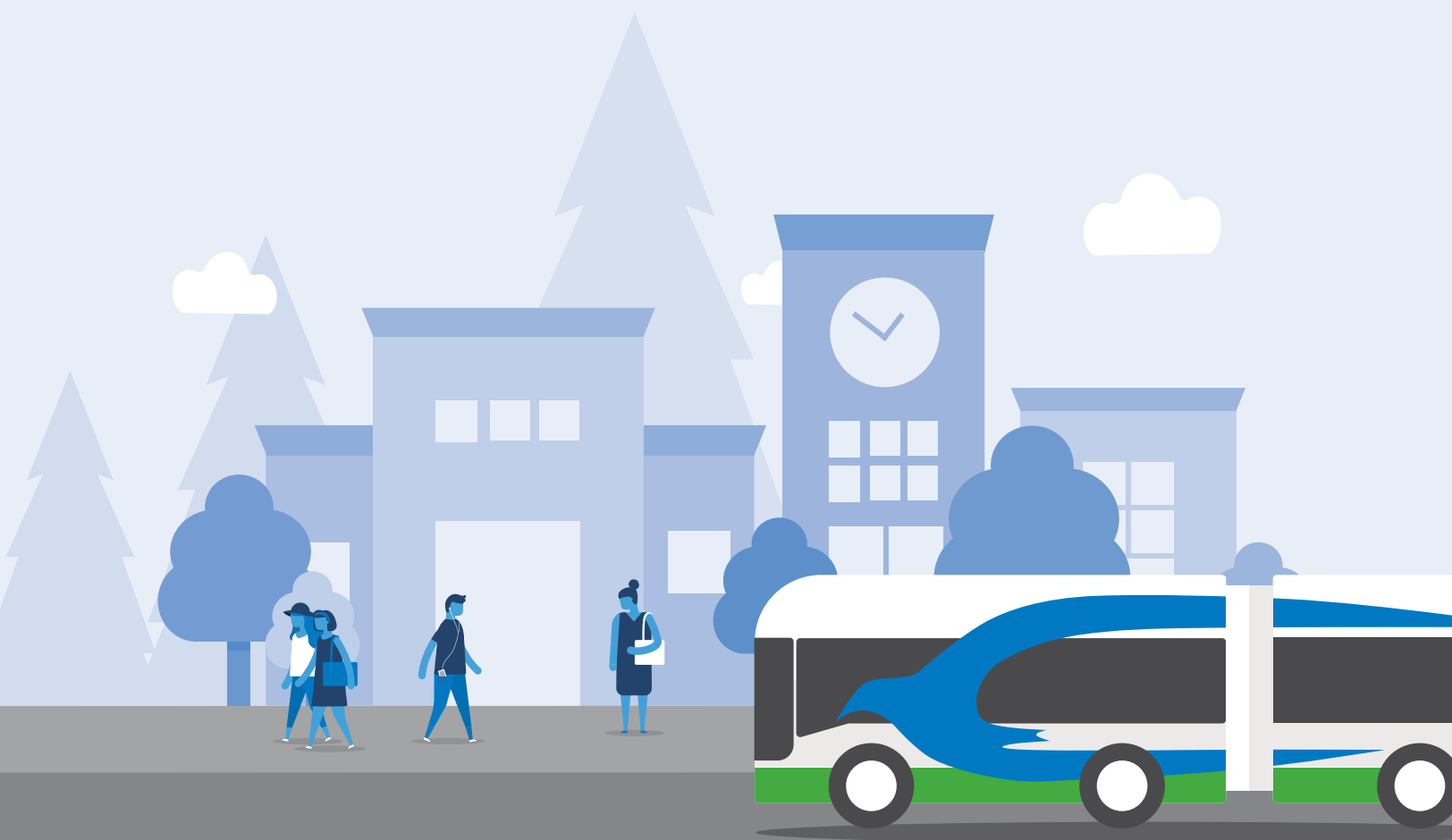
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Introductory Section



In 10 years of *Swift* service, riders have avoided driving over

— **75 MILLION MILES** — — — — —

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Board of Directors

July 30, 2020

Snohomish County Public Transportation
Benefit Area Corporation
Snohomish County, Washington

Subject: 2019 Comprehensive Annual Financial Report

Honorable Chair and Members of the Board:

This letter of transmittal presents Snohomish County Public Transportation Benefit Area Corporation's (dba Community Transit) Comprehensive Annual Financial Report for the year ended December 31, 2019. The Comprehensive Annual Financial Report was prepared by Administration Department staff. Responsibility for the accuracy, completeness, and fairness of the data presented and the clarity of the presentation, including all disclosures, rests with the management of Community Transit. We believe the data, as presented, is accurate in all material aspects, that it fairly presents Community Transit's financial position and results of operations, and that we have included disclosures necessary for the reader to gain an understanding of Community Transit's affairs.

State law requires that Community Transit be audited annually for compliance with existing statutes, adequacy of internal controls, and accuracy in financial accounting and reporting. The Washington State Auditor's Office has issued an unmodified (clean) opinion on Community Transit's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the Financial Section of this report.

The *Management's Discussion and Analysis* (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Community Transit's MD&A can be found immediately following the independent auditor's report.

Community Transit's Profile

The Agency

Community Transit, a special purpose municipal corporation providing public transportation services, began operations on October 4, 1976. The agency's original service area consisted of Edmonds, Lynnwood, Marysville, Mountlake Terrace, Brier, Snohomish, and Woodway.

Today the agency serves those communities as well as Arlington, the Snohomish County portion of Bothell, Darrington, Goldbar, Granite Falls, Index, Lake Stevens, Mill Creek, Monroe, Mukilteo, Oso, Eastmont/Silver Firs, Stanwood, Startup, Sultan, portions of unincorporated Snohomish County, and the Tulalip Indian Reservation.

Community Transit's boundaries encompass a land area slightly in excess of 1,300 square miles including most of urbanized Snohomish County, except for the city of Everett. On the south, Community Transit borders King County, which includes the cities of Seattle and Bellevue. Community Transit serves nearly 600,000 residents, about 73 percent of Snohomish County's population. The remainder of the county's population resides in the city of Everett and in less populated areas in north and east Snohomish County.

Although the city of Everett is not part of Community Transit's service area and taxing authority, Community Transit provides *Swift* Blue Line bus rapid transit service to Everett Station and receives payment from the city of Everett for this service.

Governing Body

Community Transit is governed by a Board of Directors consisting of nine voting members and one nonvoting member. Voting board members are elected officials appointed by their respective jurisdictions and elected to two-year terms by representatives from similarly sized jurisdictions. Voting board members include:

- Two members of the Snohomish County Council.
- Two elected officials from cities Community Transit serves with populations of more than 35,000.
- Three elected officials from cities Community Transit serves with populations between 15,000 and 35,000.
- Two elected officials from cities Community Transit serves with populations of less than 15,000.

The nonvoting board member is a labor representative selected as specified in the Revised Code of Washington (RCW) 36.57A.050 by the bargaining units who represent approximately 75 percent of Community Transit's workforce.

The Chair, Vice-Chair, and Secretary are elected from among the voting Board members. During 2019, Mayor Dave Earling from the City of Edmonds served as Chair, Council Member Terry Ryan from the Snohomish County Council served as Vice-Chair, and Mayor Jon Nehring from the City of Marysville served as Secretary.

Community Transit's Chief Executive Officer (CEO), Emmett Heath, is responsible for overall administration of the agency as directed through policy guidance issued by the Board of Directors. In addition to the CEO, the agency's principal officers in 2019 were Director of Administration (Geri Beardsley), Director of Communications and Public Affairs (Mary Beth

Letter of Transmittal (continued)

Lowell), Director of Customer Experience (Molly Marsicek), Director of Maintenance (Dave Richards), Director of Planning and Development (Roland Behee), Director of Transportation (Stephen Kim), Chief Technology Officer (Tim Chrobuck). The position of Director of Planning and Development was filled by Joy Munkers through December 1, 2019. Roland Behee was promoted into the position effective December 30, 2019.

Community Transit's Services

Community Transit's local, commuter, paratransit, and vanpool services provide customers with a variety of options to meet their transportation needs. Local fixed-route service provides all-day coverage which links most communities in Snohomish County. The agency provides commuter service within Snohomish County and to major destinations in King County. The Everett Boeing facility is the primary destination for Snohomish County commuter routes, while commuter routes to King County serve the Seattle central business district and the University of Washington. Both local and commuter services allow riders to connect with services provided by King County Metro, Sound Transit, Everett Transit, Skagit Transit, Amtrak, and the Washington State Ferry System.

Community Transit's Dial-A-Ride-Transportation (DART) paratransit program serves those customers unable to use fixed-route service. Vanpool and ride-matching services enable commuter groups to use vanpools and carpools to travel to and from Snohomish and King County destinations that are less accessible by local or commuter bus routes. Community Transit also provides information and technical support to employers affected by the state's commute trip reduction legislation.

Ridership

As reported in the Federal Transit Administration's (FTA) National Transit Database Report, Community Transit provided 11.1 million passenger trips in 2019 on bus, DART paratransit, and vanpool services. Overall ridership increased by 4 percent as compared to 2018. Bus boardings increased from 9.6 to 10 million accounting for most of the increase in ridership. Vanpool and DART boardings both decreased by 5 percent as compared to the prior year. Vanpool decreased by about 46,000 boardings while DART decreased by about 9,400 boardings.

Community Transit's 2019 bus ridership increased by 6.3 percent, or 415,000 boardings in 2019 as compared to 2018. Weekday ridership averaged 35,500 boardings (a 6.2 percent increase). Saturday ridership increased by 7.2 percent (an average of 12,700 boardings), and Sunday ridership increased by 12.2 percent (an average of 8,700 boardings). Increases in weekend ridership may be related to implementation of the *Swift* Green Line which went into service in March 2019. The *Swift* Green Line added east/west service between the Boeing plant in Everett and Canyon Park in Bothell.

The statistical section of this report contains additional detailed operating information including ridership, service hours, and fares.

Stewardship of Public Funds

The Board of Directors adopts both short-term and long-range plans that define the financial and service goals for the agency. The Six-Year Transit Development Plan (TDP) is updated each year and provides parameters for the annual budget. Based on TDP goals, staff develop an agency business plan which is used to prepare the agency's annual budget. The Board of Directors adopts the agency budget after review and public comment.

Community Transit adopts its annual budget in December of the preceding fiscal year. The budget is based on agencywide goals and departmental programs and objectives as well as revenue and service growth assumptions outlined in the Board-adopted six-year transit development plan. Revenue estimates are used to determine the level of service to be provided the following year. It is agency policy that the annual budget is a balanced budget and that the proposed service level is sustainable.

The annual budget fully funds that year's operating expenses and operating reserves; capital development; and reserves needed for preservation of capital assets, workers' compensation, replacement of vehicles, and funding for future facilities and technologies requirements. The Board monitors the annual budget and agency financial activities through review of monthly expenditure listings, quarterly financial reports, the Comprehensive Annual Financial Report, and a variety of other financial reports.

Fiscal Policies and Internal Controls

Community Transit's management is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and in accordance with methods prescribed by the State Auditor under the authority of Washington State law. Community Transit places emphasis on internal financial controls designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that the costs of control should not exceed benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. Community Transit's management believes its internal controls are adequate. For more information about the agency's accounting system and budget practices, please see *Note 1 to the Financial Statements*.

Community Transit's investment policies are governed by regulations established for public funds by Washington State law. Investments are reported at fair value except for investments in the Washington State Local Government Investment Pool (LGIP) which is reported at amortized cost. Changes in fair value are included as revenue in the financial statements.

Information about the fiduciary net position of all state-sponsored pension plans and additions to or deductions from the fiduciary net position of those plans has been determined on the same basis as they are reported by the Washington State Department of Retirement Systems.

Community Transit maintains policy statements governing procurement practices, investment procedures, use of payment cards, small and disadvantaged business enterprise program participation, employee business travel, and fare programs, among others.

Accomplishments

Community Transit updated the agency's mission, vision, and core values statements in 2019. The new vision statement is "Travel made easy for all," while the new mission statement is "We help people get from where they are to where they want to be." The updated core values include accountability, equity and inclusion, initiative, integrity, mutual respect, service-focused, and teamwork. The mission, vision, and core values are featured on the back cover of this CAFR.

Community Transit helped meet the community's 2019 and future transportation needs through these initiatives:

Service:

- Launched the *Swift* Green Line in March 2019. The Green Line connects to the existing *Swift* Blue Line creating the first high capacity transit network in Snohomish County.
- Adopted a low income bus fare effective July 2019. A low income fare empowers more people with access to transportation services, providing easier mobility to jobs, medical care, shopping, and other community services.
- Continued engagement with customers to learn more about our riders' transportation needs and preferences. Continued implementation of a new customer comment system designed to help us better address rider needs.
- Earned the Washington State Transit Insurance Pool (WSTIP) Safety Star award which recognizes participating agencies for their long-term dedication and commitment to safety. Winners of this award are consistently good performers in terms of auto liability losses to the organization and maintain impressive and stable safety records.

Fleet:

- Received, inspected, and prepared for service 26 sixty-foot replacement coaches, 8 Double Tall coaches, and 15 DART vehicles. Ordered 24 forty-foot coaches and 13 replacement DART vehicles to be delivered in 2020.
- Prepared 55 replacement and 5 expansion vanpool vans for service.
- Purchased and prepared two replacement and one additional support vehicles for service.

Facilities:

- Completed construction of the Seaway Transit Center, which is the northern terminal of the *Swift* Green Line in Everett.
- Completed construction of the *Swift* Green Line which runs east/west from the Seaway Transit Center near the Boeing manufacturing plant in Everett to Canyon Park in Bothell and intersects with the north/south *Swift* Blue Line service on Highway 99.
- Updated *Swift* Blue Line lighting to LED and refreshed and repainted Blue Line stations.
- Completed a \$10 million bus yard pavement replacement project at the Merrill Creek Operating Base.
- Continued planning for operational expansion through the Facilities Master Plan Phase 1, which increases operating capacity by creating space for staff at the Casino Road Facility.

Finance:

- Earned the 24th consecutive clean audit from the Washington State Auditor's Office and 30th consecutive Government Finance Officers Association Certificate of Achievement for Excellence in Reporting for the 2018 Comprehensive Annual Financial Report.
- Replaced the existing budgeting system with a new system, Prophix, which reduces the staff time associated with budget preparation.
- Earned the agency's first Government Finance Officers Association Certificate of Achievement for Excellence in Budgeting for the 2018 Annual Budget.

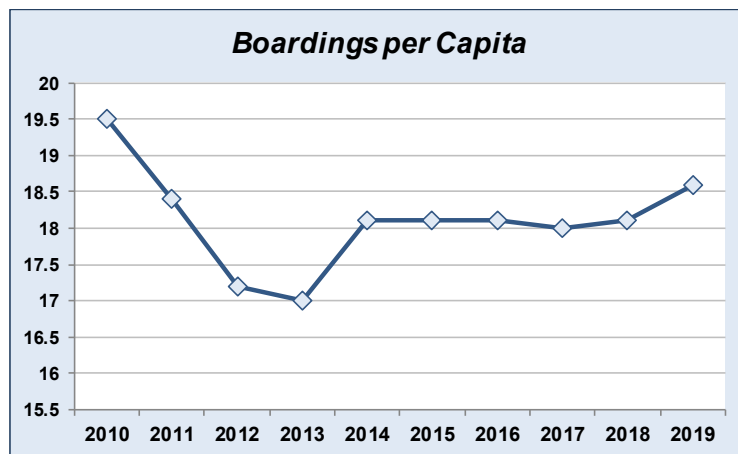
Regulatory Requirements:

- Completed an agencywide Emergency Operations Plan that describes the actions Community Transit takes in emergencies.

Key Performance Indicators

In 2003, Community Transit developed a series of key performance indicators to measure the agency's performance. Key performance indicators provide a means of evaluating how effectively and efficiently the agency performs over time. The Board of Directors originally adopted nine performance indicators in two categories: Customer Satisfaction/Ridership Growth and Good Stewards of Public Funds. A tenth indicator, cost per rider, was added in 2011. The charts that follow show trends for each performance indicator based on data for ten years (or the number of years we have collected the data if less than ten). These charts exclude Sound Transit service, since Community Transit operates that service on a contract basis.

Customer Satisfaction and Ridership Growth

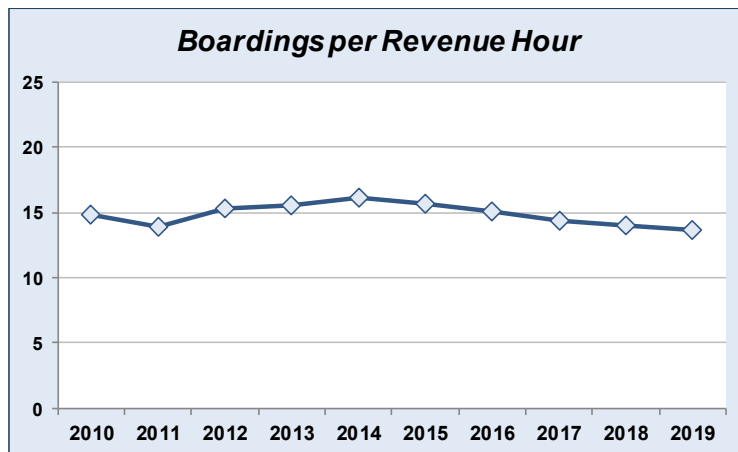


Measures how effectively Community Transit attracts increased ridership in proportion to the population.

Boardings per Capita

Between 2018 and 2019, the population in Community Transit's taxing authority grew by about 1.7 percent, slightly less than the 2.0 percent population growth rate experienced from 2014 through 2018. Ridership, however, increased by 4.2 percent in 2019 as compared to 2018. From 2014 through 2018, the system boardings per capita rate remained stable at 18, suggesting that as population

grows, ridership follows. In 2019 the system boardings per capita rate increased by 2.8 percent from 18.1 in 2018 to 18.6 in 2019. Community Transit's second bus rapid transit line, the *Swift Green Line*, began operating in March 2019, and this new service may have contributed to the overall increase in ridership.

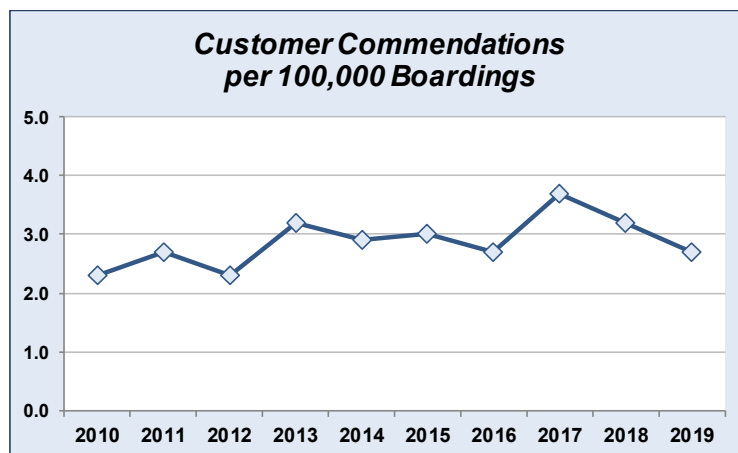


Measures use of the service Community Transit operates based on the number of passenger boardings per hour.

Boardings per Revenue Hour

This performance indicator is a ratio of the number of passenger boardings across all modes (bus, commuter bus, demand response, and vanpool) divided by the number of revenue hours operated in all modes. In 2019, Community Transit operated 60,000 more revenue hours than in 2018, a net increase of 7.9 percent. Although the 7.9 percent increase reflects net changes in revenue hours across all

service modes, bus service alone accounted for 56,000 of the 60,000 revenue hours, amounting to a 13.0 percent increase in bus service revenue hours in 2019 as compared to 2018. Ridership did not increase as dramatically, so the trend line shows a downward dip. Overall ridership increased by 4.2 percent while ridership for bus service increased by 6.3 percent.

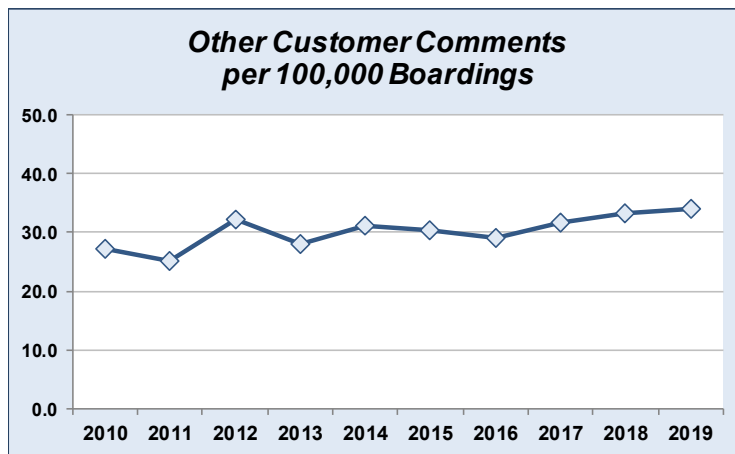


Considered one indicator of customer satisfaction with Community Transit services.

Customer Commendations

In 2019 Community Transit received 2.7 commendations per 100,000 boardings, compared to 3.2 commendations per 100,000 boardings in 2018. Customer commendations fluctuate from year to year depending on factors such as service changes, inclement weather, and even the number of new bus drivers or new services. In 2019 Community Transit completed implementation of a software

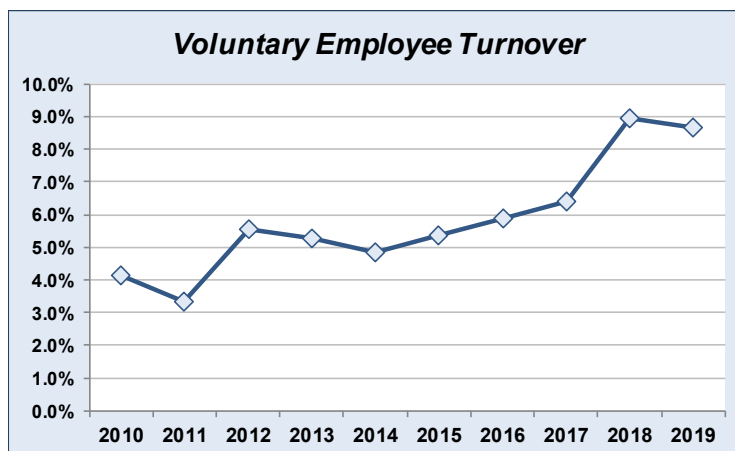
system to replace the former manual method of capturing customer comments. For both customer commendations and other customer comments (the next performance indicator), the numbers reported for 2019 are a combination of results from the old manual method and the new software system.



Considered an indicator of customer interest in, concern about, or satisfaction with Community Transit services.

Other Customer Comments

This performance indicator includes requests for additional service, suggestions for changes in existing service, and customer complaints. In 2019, Community Transit received 34.0 other customer comments per 100,000 boardings as compared to 33.2 per 100,000 boardings in 2018.



The total number of voluntary resignations (including retirements) expressed as a percent of the total number of employees.

Voluntary Employee Turnover

This performance indicator tracks the number of employees who voluntarily resign or retire from employment at Community Transit. These separations are influenced by factors such as family relocations, competition in the job market, career changes, job satisfaction, and retirements. Voluntary turnover totaled 72 employees in 2019 compared to 67 in 2018. Of that total, 14 were coach operator

trainees who chose not to complete the training program; 16 were coach operators with varying periods of employment, and 7 were coach operators who retired. Of the remaining 35 employees, 23 left to pursue other opportunities and 12 retired.

Good Stewards of Public Funds

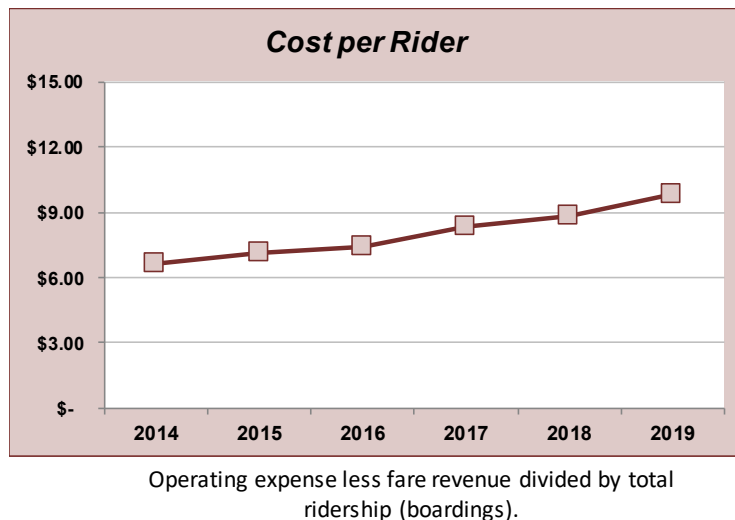
Cost performance indicators are influenced by factors such as changes in the number of revenue hours (service hours) the agency operates, changes in the cost of operating the services provided, and changes in fare revenue.

Service Changes: In 2019, Community Transit added 60,000 revenue hours¹ of service, continuing the trend of service expansion begun in 2014. The new service hours amounted to a 7.9 percent net increase in total Community Transit revenue hours. Adding service increases operating expense, often in advance of the actual service increase.

Operating Expenses: In 2019, operating costs for all service modes increased by 13.3 percent in support of a service increase of 60,000 hours. As was the case in prior years, the most significant contributor to the increase in operating costs was implementing additional service, specifically Community transit's second bus rapid transit line, the *Swift Green Line* which began operations in March 2019.

Fare Revenue: Changes in the amount of fare revenue depend on multiple factors which may occur individually or at the same time: a change in the fare rates charged, a change in the number of riders, a change in the mix of riders by fare type, or a change in agency fare collection policy. Effective July 1, 2019, Community Transit adopted a low income bus fare. The low income fare is available with the regional ORCA LIFT card and to households that make no more than 200 percent of the federal poverty level as set by the US Department of Health and Human Services.

The charts that follow show how these factors affected Community Transit's 2019 performance.

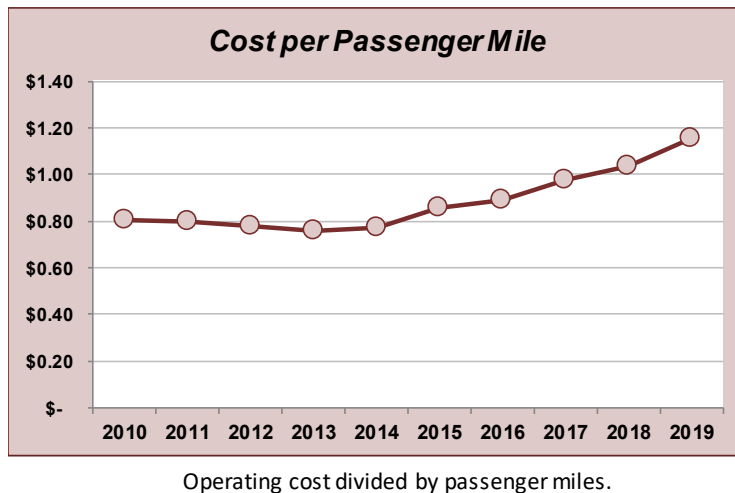


Cost per Rider measures the net cost after fare payment for delivery of one passenger trip. It is an indicator of cost efficiency. Community Transit's 2019 cost per rider was \$9.77, an increase of 11.0 percent as compared to the 2018 cost per rider of \$8.80.

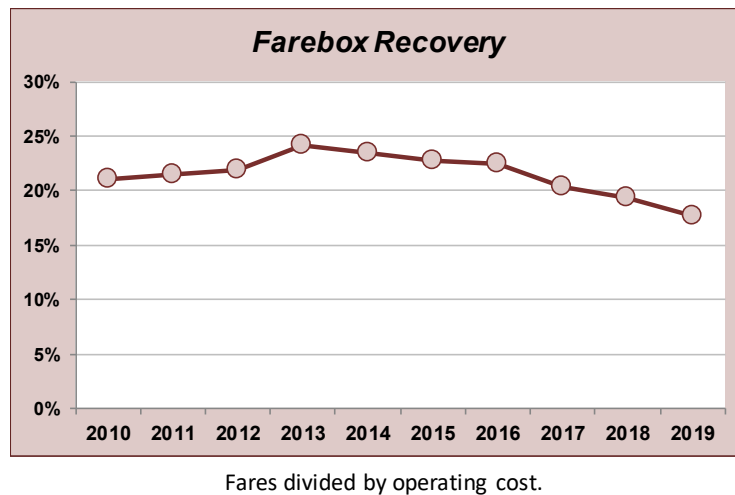
In periods of continuous service expansion, it is expected that the cost per rider will increase over time until ridership matures and reaches optimum productivity. The

current trend of higher cost per rider follows continuous service increases that began in 2014 and averaged 41,800 revenue hours or 34.3 percent per year.

¹ One revenue hour is the basic unit of operation as defined in the FTA National Transit Database Report. Revenue hours include all the time that buses operate on a route; revenue hours do not include the time it takes a bus to get to the starting point of a route or to return to base at the end of a route.

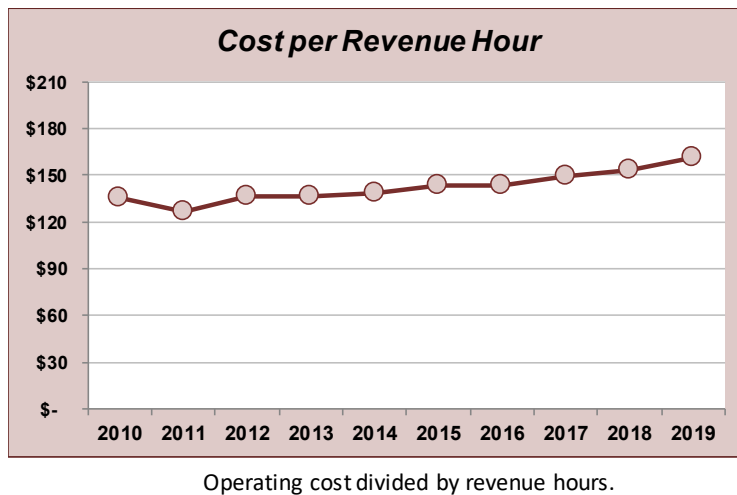


Cost per Passenger Mile measures the cost of operations to carry one passenger for one mile. The 2019 cost per passenger mile was \$1.15, an increase of \$0.11 as compared to the 2018 cost per passenger mile of \$1.04. The cost per passenger mile shows the same upward trend as Cost per Rider and for the same reason: substantial service increases sustained over a period of several years. The launch of the *Swift Green Line* bus rapid transit service (an expansion of service) in March 2019 is the most recent in this series of service increases.



Farebox Recovery measures the proportion of operating costs paid for by passenger fare revenue. The 2019 farebox recovery ratio was 17.6 percent, a 1.7 percent decrease as compared to the 2018 ratio of 19.3 percent. Any increase in operating cost affects the farebox recovery rate: operating expenses for 2019 increased by 13.3 percent. Expenses associated with operation of the new *Swift Green Line* contributed to the decrease in the

rate of farebox recovery, as did implementation of the low income fare policy change. The long-term goal for farebox recovery is 20 percent as services mature and ridership grows.

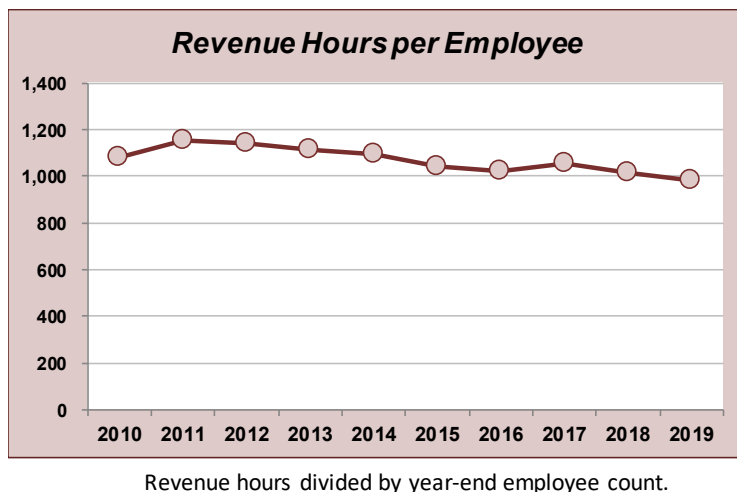


Cost per Revenue Hour measures the cost of operations for one revenue hour of service. This performance measure indicates efficiency of the unit cost of operations. The 2019 cost per revenue hour increased by 5.0 percent to \$160.70 as compared to the 2018 cost per revenue hour of \$153.05. The agency continues the growth mode begun in 2014, which means that costs have increased to provide additional

service hours for our riders. The 5.0 percent increase in the cost per revenue hour supported 60,000 more revenue hours of service, a 7.9 percent increase in revenue hours as compared to 2018.

Revenue Hours per Employee

In the three-year period beginning January 1, 2017, and ending December 31, 2019, Community Transit implemented nearly 140,000 hours of new service (a 20.5 percent increase in the number of revenue hours) and added 168 employees (a 25.3 percent increase) to support service expansion. The outcome displayed in the next chart reflects a period when the agency increased revenue hours and hired more employees to support the additional revenue service.



Revenue Hours per Employee measures how much service Community Transit operates per employee and is one indicator of workforce labor efficiency. Revenue hours per employee increase when the number of employees increases at a slower rate than the rate of change in revenue hours. Revenue hours per employee decrease when the number of employees increases at a greater rate than the rate of change in revenue hours.

Economic Condition and Future Outlook

Local Economy—Snohomish County

Employment²

Snohomish County is the third most populous county in the state, with an estimated population of 819,000 in 2019. Over the past ten years, the county's population has grown an average of 1.8 percent per year.

Snohomish County is home to over 20,500 businesses, ranging from small family farms to the world's largest advanced manufacturing facility producing state-of-the-art aerospace equipment. The county boasts a labor force of over 425,000 workers, and the median household income is \$87,440.

Northern Snohomish County is the manufacturing center of Washington State with 20 percent of the county's workforce engaged in manufacturing jobs. The aerospace industry accounts for about 37,000 jobs in the county. South Snohomish County includes a cluster of medical device, research and biopharmaceutical companies. Boeing, Providence Regional Medical Center, Edmonds School District, the Tulalip Tribes Enterprises, and Washington State government are the top five employers in the county.

Sales Tax

Community Transit's primary operating revenue source is retail sales tax, which is driven by personal income, consumer confidence, local business purchases, and construction projects. With the onset of the COVID-19 pandemic at the beginning of 2020, sales tax receipts have been below expectation and have decreased compared to receipts from prior years. While May 2020 showed an increase in sales tax revenues, the revenues received were still less than those received in May of 2019. Community Transit continues to evaluate the economic situation in Snohomish County and adjust budgets and plans accordingly. Budgets for 2021 are being prepared conservatively and with the consideration that sales tax may continue to be lower than expectation as the pandemic continues. Please see Note 10 in the accompanying Notes to the Financial Statements for more information about COVID-19.

Economic Outlook—Regional and Statewide Factors

The Washington State Economic and Revenue Forecast Council measures changes in the state's economy. The following table provides a summary of key statewide economic indicators from the Council's recently released June 2020 forecast which considers the effect of the COVID-19 pandemic.

² This section contains data provided by the Economic Alliance of Snohomish County.
<https://www.economicalliancesc.org/demographics/>

Washington State Economic Indicators	2019	2020	2021	2022	2023	2024
Unemployment	4.4%	6.7%	8.8%	6.2%	5.3%	5.2%
Percent Change in Real Per Capita Income	3.4%	2.6%	0.2%	0.4%	1.2%	0.7%
Percent Change in Personal Income	4.8%	3.8%	1.3%	1.5%	2.3%	1.7%

Transit Grant Funding

Community Transit staff actively research and evaluate federal, state, and local resources for grants and contributions that will help the agency maintain its fleets and facilities. Federal funding is usually a significant grant source. The Fixing America's Surface Transportation (FAST) Act supports federal transit funding through federal fiscal year 2020. Funding such as FTA Urbanized Area 5307, FTA State of Good Repair 5337, and the FTA 5339 Bus and Bus Facilities programs provide crucial formula funds for Community Transit. To learn more about the FAST Act, visit this website: <https://www.transit.dot.gov/funding/apportionments>

In early 2020 Community Transit was awarded \$39.2 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding that can be used for capital and operating expenses. Staff continue to explore other funding sources for pandemic response or relief such as FEMA or state sources. To learn more about the CARES Act, visit this website: <https://www.transit.dot.gov/cares-act>

Six-Year Transit Development Plan (TDP)

Community Transit is required by the Washington State Department of Transportation to regularly prepare and update a six-year TDP. This plan provides a six-year forecast of agency financials, service levels, and capital projects. It represents an important forum for communicating strategic goals and helps set the stage for many agency work programs. The most current TDP was adopted November 7, 2019, for the period 2019 through 2024 and is available at <https://www.communitytransit.org/tdp>.

Major Initiatives Planned

Community Transit continues making service improvements to existing routes and planning new routes that will provide new connections. The agency will continue building high capacity transit with the addition of one more *Swift* line, the *Swift* Orange Line, which will serve Link light rail when it reaches Snohomish County in 2024.

Major initiatives for 2020 follow.

Community Transit's Response to the COVID-19 Pandemic:

The COVID-19 pandemic has impacted agency operations in 2020 and is expected to affect revenues and operations in future years. The following discussion summarizes Community Transit's response as of June 2020 to the pandemic.

In response to the COVID-19 pandemic, Community Transit activated its emergency incident command response team and implemented numerous initiatives to manage the impacts of the crisis. Because public transportation is deemed an essential service through the state and federal emergency declarations, Community Transit has continued to provide uninterrupted service to the community, focusing on the health and safety of riders as well as employees and their families. Initiatives enacted include:

- Continue increased safety measures that include daily disinfection of buses and bases; closing off bus seats to allow riders to safely distance from each other; a temporary suspension of fares to allow physical distancing for our drivers; providing proper PPE, including masks, gloves, and face shields for all drivers and face coverings for all staff; allowing those employees who can work remotely to do so to reduce the number of employees on site; closing buildings to visitors; mandating health checks for employees upon entry to buildings; and ensuring proper social distancing and other directives from the local health department and the Centers for Disease Control and Prevention (CDC).
- Postpone previously planned service increases and continue to operate existing service at 85 percent until at least March 2021, due to the reduction in ridership on buses and in the Vanpool program.
- Created a special COVID employee leave program at the onset of the crisis; provided premium pay during the state emergency period to those employees who were delivering an essential service on site; offered a voluntary furlough option to mitigate overall reductions in staff.
- Use federal CARES Act funding in conjunction with cash reserves, reductions in operating expenditures, and deferral of some capital program expenditures to bridge the financial gap created by the pandemic. Plan for reduced ridership and oncoming recessionary impacts by modeling recovery scenarios and preparing to adjust accordingly.

Service:

- Manage service adjustments resulting from COVID-19 pandemic. Ensure that the safety of riders and employees is our first priority.
- Develop sustainable and integrated service plans that leverage Swift and Link light rail implementations, including the Northgate Link bus-light rail Integration anticipated for 2021. Explore options for providing University of Washington and downtown Seattle commuters with light rail access at Northgate when the station opens.

- Conduct a scoping study for the planned 2024 Swift Blue Line extension, which will extend the Blue Line into King County to the planned Shoreline Sound Transit Link station at 185th and Interstate-5, providing a second direct Swift-Link connection in 2024 for Snohomish County residents and our King County neighbors.
- Complete the project development phase of the Swift Orange Line. Continue planning and collaboration with our jurisdictional partners, as well as complete the environmental review process and focus on obtaining the federal Capital Investment Grant funding needed for the project.
- Collaborate with our jurisdictional partners to develop outreach plans for minimizing the impact on our customers of Link light rail construction at the Lynnwood and Mountlake Terrace Transit centers.

Employees

- Manage remote work and other measures related to COVID-19 employee safety. Develop e-learning programs for maintenance and operations employees to increase access to training.
- Redesign our Coach Operator Academy to reduce the length of our program while maintaining the high level of skills our coach operators are known for.
- Negotiate new collective bargaining agreements for the IAM supervisors and ATU contracts.

Fleet:

- Manage the purchase, production, acceptance, and preparation for service of 24 forty-foot coaches, 13 DART vehicles, and additional vanpool vans and service support vehicles as needed.
- Support the integration and replacement of the existing radio communication equipment in coaches to a Voice over Internet Protocol (VoIP) system.

Facilities:

- Continue plans for base expansion at the Casino Road location.
- Continue maintenance, replacement, and improvement of agency infrastructure.

Finance:

- With our regional partners, continue efforts to replace the regional fare coordination system (ORCA fare card) which is nearing the end of its useful life and must be replaced by 2022.
- Conduct a fare study to guide development of a comprehensive, updated fare policy.
- Develop 2020-2025 Transit Development Plan, including multimodal service vision for 2024. Review models used for 6- and 20-year financial planning.

Regulatory:

- Complete implementation of the Public Transit Agency Safety Plan to comply with FTA requirements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Community Transit for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. This was the 30th consecutive year that Community Transit has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

At the time of this report's preparation, Community Transit's annual audit was still in progress. As of the most recently completed annual audit for calendar year 2018, the agency had completed their 24th consecutive annual audit with no audit findings.

We give grateful acknowledgment to participating staff members for their assistance in preparing this report. We also give special acknowledgment to the Office of the State Auditor. Their timely audit opinion of this Comprehensive Annual Financial Report permitted staff to submit the report to the GFOA for their review and evaluation in accordance with that organization's deadlines. Finally, we wish to thank the members of Community Transit's Board of Directors for their policy guidance and oversight in achieving a strong financial system.


Geri Beardsley
Director of Administration

Community Transit—Principal Officials

Board of Directors—as of December 31, 2019

<u>Name</u>	<u>Title</u>	<u>Expiration of Term</u>
Dave Earling, Chair	Mayor, City of Edmonds	12/19
Terry Ryan, Vice-Chair	Council Member, Snohomish County	2/20
Jon Nehring, Secretary	Mayor, City of Marysville	2/20
Kim Daughtry	Council Member, City of Lake Stevens	2/20
Leonard Kelley	Mayor, City of Stanwood	2/20
Joe Neigel	Council Member, City of Sultan	2/20
Lance Norton	Labor Representative	N/A
Jan Schuette	Council Member, City of Arlington	2/20
Mike Todd	Council Member, City of Mill Creek	2/20
Stephanie Wright	Council Member, Snohomish County	2/20

Chief Executive Officer

Emmett Heath

Director of Planning & Development

Roland Behee

Director of Administration

Geri Beardsley

Director of Transportation

Stephen Kim

Director of Customer Experience

Molly Marsicek

Chief Technology Officer

Tim Chrobuck

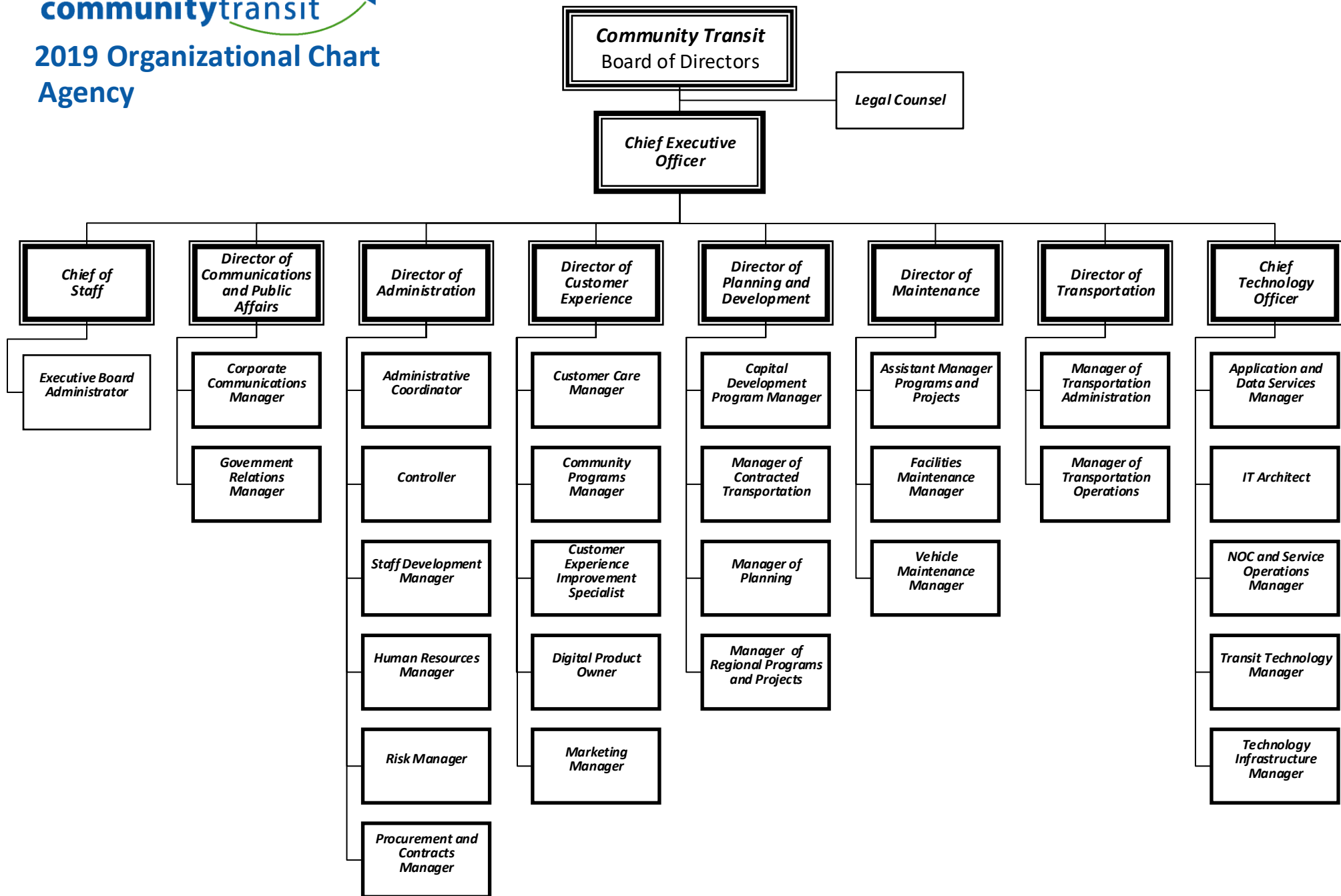
Director of Maintenance

Dave Richards

Director of Communications and Public Affairs

Mary Beth Lowell

communitytransit
2019 Organizational Chart
Agency





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Community Transit
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

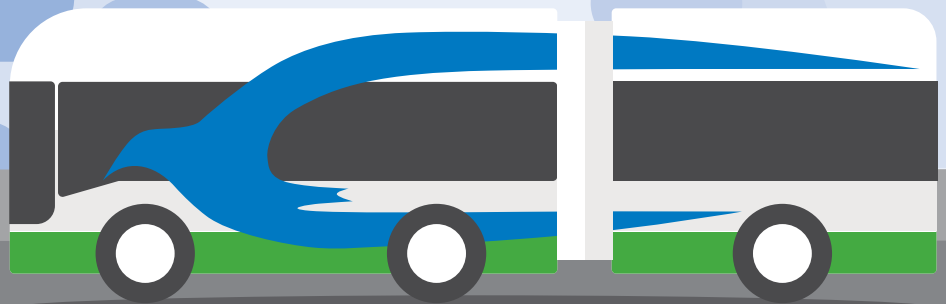
December 31, 2018

Christopher P. Morrell

Executive Director/CEO

Financial Section

Nearly
400,000
RESIDENTS & JOBS
are within ½ mile of a *Swift* line



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 30, 2020

Board of Directors

Snohomish County Public Transportation Benefit Area (dba Community Transit)

Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Transit's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Transit, as of December 31, 2019, 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.

Matters of Emphasis

As discussed in Note 10 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Transit. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 30, 2020, on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Transit's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit'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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

Management's Discussion and Analysis

This section of Community Transit's Comprehensive Annual Financial Report (CAFR) represents management's overview and analysis of Community Transit's financial performance for the fiscal year ended December 31, 2019. This section should be read in conjunction with the financial statements that follow.

Introduction

Community Transit is a public transportation benefit area corporation providing public transportation services to the Snohomish County community. Services include:

- Local and intercounty bus services.
- Paratransit services for the elderly and disabled.
- A vanpool program and Ridematch services.
- Regional express bus services funded through Sound Transit.

Financial Summary

- As of December 31, 2019, Community Transit's net position totaled \$489.5 million. Of this amount, \$238.8 million is available to meet our primary goal of providing service to the public and to be invested in future capital improvements as discussed in Community Transit's six-year plan.
- Community Transit's total net position increased by \$42.4 million.
- Capital grants and contributions amounted to \$35.3 million.
- Community Transit's primary source of funding is from local sales taxes. In 2019, sales tax revenue increased by \$11.6 million.

Overview of the Financial Statements

This discussion and analysis section serves as an introduction to Community Transit's basic financial statements. Community Transit is a stand-alone enterprise fund, and our financial statements report information using the accrual basis of accounting, a method similar to those used by private-sector businesses. Under this method, revenues are recorded when earned, and expenses are recorded as soon as they result in liabilities for benefits received.

The Statement of Net Position presents information about all of Community Transit's assets, liabilities, deferred inflows of resources, and deferred outflows of resources. The difference is reported as net position. When net position is compared for several years, increases and decreases may serve as useful indicators of whether Community Transit's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Community Transit's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on Community Transit's cash receipts, cash payments, and changes in cash and cash equivalents during the fiscal year.

The basic 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 in the financial statements. *Notes to the Financial Statements* can be found following the basic financial statements.

Community Transit's Financial Position

Community Transit's overall financial position improved in 2019. Net investment in capital assets increased by \$5.7 million, restricted net position increased by \$321 thousand (see Note 7 in the *Notes to the Financial Statements*), and unrestricted net position increased by \$36.4 million. This resulted in an increase in total net position of \$42.4 million.

Current assets net of current liabilities amounted to \$195.7 million for the year ended December 31, 2019, as compared to \$163.8 million for 2018.

Sales tax revenues increased by 8.1 percent for 2019 as compared to 2018. In 2019, sales tax continued to increase due to a favorable economy.

Cash reserves available to meet current and future obligations increased to \$157.8 million in 2019 from \$130.3 million in 2018. Of these reserves, \$1.5 million was restricted for workers' compensation claims and \$0.3 million for federal grants. As of December 31, 2019, Community Transit had \$10.5 million in long-term public financing debt, of which \$1.3 million was due within one year.

Financial Analysis

For the year ended December 31, 2019, Community Transit's net position totaled \$489.5 million. A summary of Community Transit's net position follows.

Summary Statement of Net Position

	<u>2019</u>	<u>2018</u>
Assets:		
Current and Other Noncurrent Assets	\$ 299,851,279	\$ 265,614,119
Capital Assets	<u>259,266,328</u>	<u>254,810,077</u>
Total Assets	<u>559,117,607</u>	<u>520,424,196</u>
Deferred Outflows of Resources:	<u>11,220,836</u>	<u>6,343,720</u>
Liabilities:		
Current and Other Liabilities	22,120,410	22,670,757
Noncurrent Liabilities	<u>46,695,775</u>	<u>47,551,963</u>
Total Liabilities	<u>68,816,185</u>	<u>70,222,720</u>
Deferred Inflows of Resources:	<u>12,066,509</u>	<u>9,478,298</u>
Net Position:		
Net investment in capital assets	248,852,071	243,160,943
Restricted	1,853,040	1,532,000
Unrestricted	<u>238,750,638</u>	<u>202,373,955</u>
Total Net Position	<u>\$ 489,455,749</u>	<u>\$ 447,066,898</u>

Public transportation is a capital-intensive enterprise. Consequently, 50.8 percent of Community Transit's net position was invested in capital assets in 2019, as compared to 54.4 percent in 2018. Because these capital assets are used to provide services to citizens, they are not available for future spending.

External restrictions on assets affected 0.4 percent of net position in 2019, 0.3 percent for 2018. Additional information regarding net position can be obtained from Note 7 in the *Notes to the Financial Statements* section. Community Transit's Board of Directors designated 34.8 percent of total net position for vehicle replacements and other capital improvements in 2019 compared to 32.8 percent in 2018. An additional \$1.7 million was designated for workers' compensation in 2019; correspondingly, \$4.4 million was designated in 2018. The remaining \$67.6 million in 2019 is available to support our public obligation for future transit operations as compared to \$51.5 million in 2018.

Deferred outflows of resources increased by \$4.9 million from 2018 to 2019, while deferred inflows of resources increased by \$2.6 million.

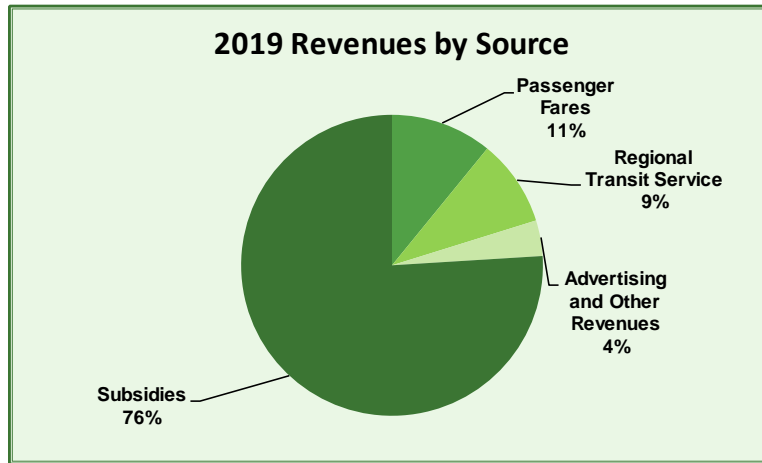
Community Transit's net position increased by \$42.4 million during the current fiscal year. Key elements of this increase follow.

***Summary Statements of Revenues, Expenses, and
Changes in Net Position***

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Passenger Fares	\$ 23,158,991	\$ 22,399,353
Regional Transit Service	19,835,763	18,971,605
Advertising	320,000	420,834
Nonoperating Revenues:		
Subsidies	161,458,340	147,627,509
Other Revenues	7,848,929	4,190,574
Total Revenues	<u>212,622,023</u>	<u>193,609,875</u>
Expenses:		
Operations and Maintenance	91,562,471	82,796,670
General and Administrative	33,397,598	27,478,218
Contracted Transportation	29,539,633	28,157,121
Depreciation and Amortization	24,340,661	23,117,914
Nonoperating Expenses	1,123,777	187,668
Total Expenses	<u>179,964,140</u>	<u>161,737,591</u>
Net Income (Loss) Before Contributions	<u>32,657,883</u>	<u>31,872,284</u>
Capital Grants and Contributions	35,289,466	35,381,275
Special Item: Assets Transferred to Other Agencies	(25,558,498)	-
Total Change in Net Position	<u>42,388,851</u>	<u>67,253,559</u>
Net Position—Beginning of Year	447,066,898	381,250,556
Prior Period Adjustment for Change in Accounting Principle	-	(1,437,317)
Net Position—Beginning of Year, Restated	-	379,813,339
Net Position—End of Year	<u>\$ 489,455,749</u>	<u>\$ 447,066,898</u>

Revenues

During 2019, revenues increased by \$19.0 million, or 9.8 percent. Revenues from major sources are illustrated in this chart:



The major component of the overall increase in revenues was sales tax. Sales tax revenues increased by 8.1 percent in 2019, resulting in an additional \$11.6 million in sales tax revenue.

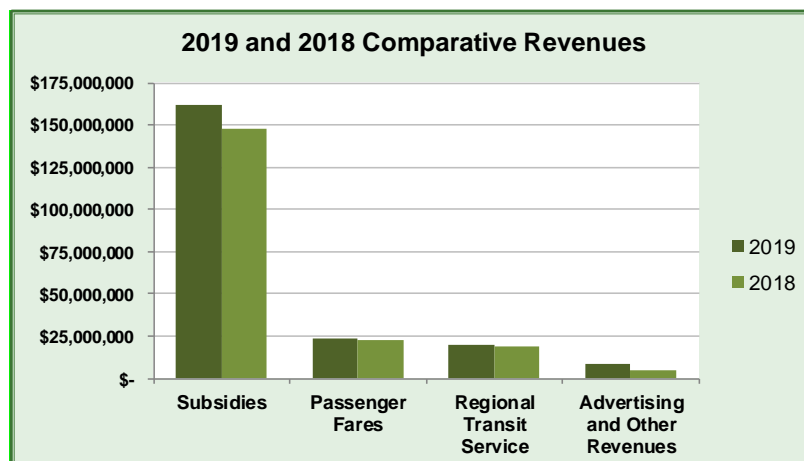
Subsidies also include federal and state operating grants and other local contributions. Total subsidies increased by \$13.8 million, or 9.4 percent, over the preceding year. In 2019, grants and contributions increased by \$2.2 million.

Regional transit service revenues increased \$0.9 million, or 4.6 percent, in 2019. The 2019 increase reflected current service levels and contract rates.

Passenger fares for 2019 increased by \$0.8 million, or 3.4 percent, over the preceding year.

Advertising and other revenues increased in 2019 by \$3.6 million, or 77.1 percent. The 2019 increase was primarily due to an increase of \$2.5 million in investment income.

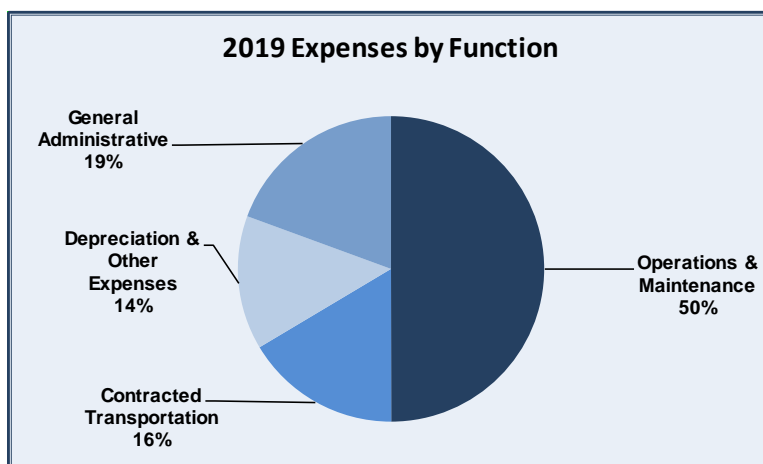
This chart compares revenues by major source for 2019 and 2018.



Expenses

During 2019, total expenses increased by \$18.2 million, or 11.3 percent. The increase is due primarily to an increase in service hours, salaries and benefits, and staffing levels. Fuel prices decreased in 2019, while the number of gallons consumed increased because of the increase in service.

This chart summarizes expenses by major function.

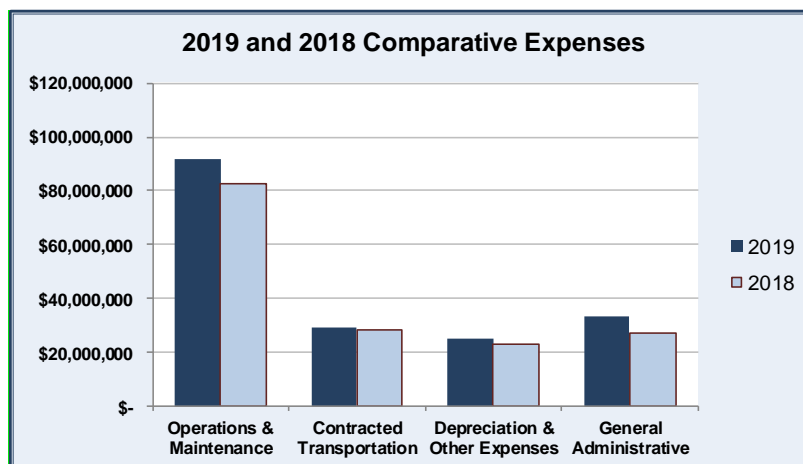


Operations and maintenance expenses in 2019 increased by \$8.8 million, or 10.6 percent. General and administrative expenses increased by \$5.9 million, or 21.5 percent in 2019.

Contracted transportation expenses increased by \$1.4 million, or 4.9 percent. This increase reflects an increase in service hours.

Depreciation and other nonoperating expenses increased \$2.2 million, or 9.3 percent. The increase was primarily due to additional assets held by Community Transit in 2019.

This chart compares expenses by function for 2019 and 2018.



Capital Assets

Capital assets include revenue vehicles, support vehicles, land and buildings, equipment, and passenger facilities.

As of December 31, 2019, Community Transit's investment in capital assets amounted to \$259.3 million, net of accumulated depreciation. Capital assets increased by 1.7 percent during 2019.

Major capital projects during 2019 included:

- 34 New Flyer and Alexander Dennis coaches in the amount of \$29.7 million.
- *Swift* Green Line corridor/stations in the amount of \$8.3 million.
- Wireless communications (VoIP project) in the amount of \$2.8 million.
- MCOB pavement phase II in the amount of \$2.2 million.

For additional information on Community Transit's capital assets, please see Note 4 in the *Notes to the Financial Statements* section.

Debt Administration

Limited sales tax general-obligation (LSTGO) bonds were issued on June 20, 2017 for the purchase of capital assets. The bonds par value was \$10,990,000 with an additional \$2,130,072 in original issue premium, less \$39,267 underwriting discount. The resulting funds were used to purchase buses.

The bond interest is payable on February 1 and August 1 of each year commencing February 1, 2018, and ending August 1, 2027. The bonds are not subject to redemption prior to their maturity. The bonds have a coupon rate of 4 percent in 2018 and 5 percent from 2019 to 2027. These bonds are subject to federal arbitrage rules. For additional information on Community Transit's bonds payable, please see Note 6(A) in the *Notes to the Financial Statements* section.

Under Washington State law, bonds secured by and payable from sale tax revenues are general obligations of the issuer and are subject to this debt limitation: the bonds may not exceed 0.375 percent of the value of taxable property within the agency's boundaries. Larger amounts may be approved with a public vote.

Assessed valuation in 2019 for collection of taxes in 2020	\$ 101,288,567,340
Maximum nonvoted debt capacity at 0.375 percent of valuation	379,832,128
Less outstanding bond issues - net	10,530,539
Nonvoted debt capacity remaining	<u>\$ 369,301,589</u>

Economic Factors and Next Year's Budget

In late 2019, an outbreak of a novel strain of coronavirus, SARS-CoV-2, which causes the disease COVID-19, emerged and spread internationally. The World Health Organization declared a Public Health Emergency of International Concern on January 30, 2020, and characterized COVID-19 as a pandemic on March 11, 2020. Please read Note 10 in the *Notes to the Financial Statements* for information on Community Transit's response, the effect on operations, and the financial impact.

The 2020 budget, as originally adopted in December 2019, includes 18,000 of additional fixed route service, expansion of the vanpool program, and completion of the project development phase of the new *Swift Orange Line*. If you would like more information about the 2020 original budget, please visit this link: <https://www.communitytransit.org/docs/default-source/about-documents/budget-financials/2020-budget-notebook-adopted.pdf>.

This table provides a summary of the original 2020 budget.

<i>2020 Budget</i>	<i>\$ in millions</i>
Operating Fund Revenues	\$ 213.4
Capital Grants and Contributions	31.7
Other Revenues	0.2
<i>Total Budgeted Revenues</i>	<i>\$ 245.3</i>
Operating Fund Expenditures	\$ 169.5
Capital Projects	119.3
Workers' Compensation Fund	2.7
Debt Service	1.4
<i>Total Budgeted Expenditures</i>	<i>\$ 293.0</i>

Requests for Information

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

Lori Fox, Controller
Community Transit
7100 Hardeson Road
Everett, WA 98203

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Basic Financial Statements

Community Transit
Statement of Net Position
December 31, 2019

<u>Assets</u>	<u>2019</u>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 155,905,203
Restricted Assets:	
Cash and Cash Equivalents	1,853,040
Accounts Receivable and Accrued Interest	725,354
Due from Other Governments	57,567,278
Maintenance Parts Inventory	1,472,975
Prepaid Expenses	331,632
<i>Total Current Assets</i>	<u>217,855,482</u>
<i>Noncurrent Assets:</i>	
Capital Assets Not Being Depreciated:	
Land	15,598,947
Intangible Property	1,790,479
Work in Progress	11,178,821
Capital Assets (Net of Accumulated Depreciation):	
Buildings	28,108,912
Site Improvements	44,540,534
Vehicles, Machinery, and Equipment	154,764,448
Intangible Property	3,284,187
<i>Capital Assets (Net of Accumulated Depreciation)</i>	<u>259,266,328</u>
<i>Other Noncurrent Assets:</i>	
Investments	81,995,797
<i>Total Noncurrent Assets</i>	<u>341,262,125</u>
Total Assets	<u>559,117,607</u>
 <u>Deferred Outflows of Resources</u>	
Pensions	7,975,105
Other Postemployment Benefits	3,245,731
Total Deferred Outflows of Resources	<u>11,220,836</u>
 Total Assets and Deferred Outflows of Resources	<u>\$ 570,338,443</u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Net Position
December 31, 2019
(Continued)

<u>Liabilities</u>	<u>2019</u>
<i>Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	\$ 6,257,011
Accrued Payroll Liabilities	6,218,924
Compensated Absences Payable	4,702,294
Unearned Revenue	2,837,033
Interest Payable	192,500
Bonds Payable - Current Portion	1,254,577
Other Postemployment Benefits	236,071
Provision for Workers' Compensation Claims	422,000
<i>Total Current Liabilities</i>	<u>22,120,410</u>
<i>Noncurrent Liabilities:</i>	
Compensated Absences Payable	1,215,946
Provision for Workers' Compensation Claims	1,858,000
Net Pension Liability	21,427,724
Other Postemployment Benefits	12,918,143
Bonds Payable	9,275,962
<i>Total Noncurrent Liabilities</i>	<u>46,695,775</u>
Total Liabilities	<u>68,816,185</u>
<u>Deferred Inflows of Resources</u>	
Pensions	12,066,509
Total Deferred Inflows of Resources	<u>12,066,509</u>
<u>Net Position</u>	
Net Investment in Capital Assets	248,852,071
Restricted For:	
Federal Grants	321,040
Workers' Compensation	1,532,000
Unrestricted	238,750,638
Total Net Position	<u>489,455,749</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 570,338,443</u>

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended December 31, 2019

	<u>2019</u>
<i>Operating Revenues:</i>	
Passenger Fares	\$ 23,158,991
Regional Transit Service	19,835,763
Advertising	<u>320,000</u>
<i>Total Operating Revenues</i>	<u>43,314,754</u>
<i>Operating Expenses:</i>	
Operations	68,296,341
Maintenance	23,266,130
General and Administrative	33,397,598
Contracted Transportation	29,539,633
Depreciation and Amortization	<u>24,340,661</u>
<i>Total Operating Expenses</i>	<u>178,840,363</u>
<i>Operating Loss</i>	<u>(135,525,609)</u>
<i>Nonoperating Revenues (Expenses):</i>	
Subsidies	161,458,340
Investment Income	6,152,752
Insurance Recoveries and Other Revenues	1,696,177
Interest Expense	(173,955)
Gain (Loss) on Sale of Capital Assets	<u>(949,822)</u>
<i>Total Nonoperating Revenues (Expenses)</i>	<u>168,183,492</u>
<i>Net Income Before Contributions and Special Item</i>	32,657,883
Capital Grants and Contributions	35,289,466
Special Item: Assets Transferred to Other Agencies	<u>(25,558,498)</u>
<i>Change in Net Position</i>	<u>42,388,851</u>
<i>Net Position - Beginning of Year</i>	447,066,898
<i>Net Position - End of Year</i>	<u>\$ 489,455,749</u>

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>2019</u>
<i>Cash Flows from Operating Activities:</i>	
Cash Received for Operating Revenues	\$ 43,295,609
Cash Received for Miscellaneous Revenue	1,699,298
Cash Paid to Vendors for Goods and Services	(62,162,546)
Cash Paid for Employee Services and Benefits	(92,297,106)
<i>Net Cash Used for Operating Activities</i>	<u>(109,464,745)</u>
<i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Subsidies	156,596,862
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>156,596,862</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>	
Acquisition of Capital Assets	(58,487,000)
Capital Grants and Contributions	36,920,370
Principal Payment on Bonds	(920,000)
Interest Paid on Bonds	(508,000)
Proceeds From the Sale of Capital Assets	200,491
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(22,794,139)</u>
<i>Cash Flows from Investing Activities:</i>	
Proceeds from Maturing Investments	32,095,000
Investment Income	4,609,803
Purchase of Investments	(33,612,945)
<i>Net Cash Used for Investing Activities</i>	<u>3,091,858</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>27,429,836</u>
<i>Cash and Cash Equivalents - Beginning of Year</i>	130,328,407
<i>Cash and Cash Equivalents - End of Year</i>	<u><u>\$ 157,758,243</u></u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Cash Flows
For the Year Ended December 31, 2019
(Continued)

	<u>2019</u>
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i>	
Operating Loss	\$ (135,525,609)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>	
Depreciation and Amortization	24,340,661
Miscellaneous Revenue	1,696,177
<i>Change in Assets - Decrease (Increase):</i>	
Accounts Receivable	(266,689)
Due from Other Governments	(288,666)
Maintenance Parts Inventory	289,966
Prepaid Expenses	(250,467)
<i>Change in Deferred Outflows of Resources - Decrease (Increase):</i>	
Pensions	(2,170,360)
Other Postemployment Benefits	(2,706,756)
<i>Change in Liabilities - Increase (Decrease):</i>	
Accounts Payable and Accrued Expenses	758,690
Accrued Payroll Liabilities	961,109
Compensated Absences Payable	112,734
Unearned Revenue	539,331
Provision for Workers' Compensation Claims	273,000
Net Pension Liability	(3,556,479)
Other Postemployment Benefits	3,740,402
<i>Change in Deferred Inflows of Resources - Increase (Decrease):</i>	
Pensions	2,588,211
Net Cash Used for Operating Activities	<u><u>\$ (109,464,745)</u></u>

Schedule of Noncash Investing, Capital, and Financing Activities

The change in fair value for investments that are not cash equivalents was an increase of \$1,571,064 in 2019.

Capital Grants and Contributions contains accrued grant revenues.

The accompanying notes are an integral part of this statement.

Community Transit
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Snohomish County Public Transportation Benefit Area Corporation, dba Community Transit, was authorized to begin operation of a public transportation system in 1976. The agency was incorporated under the provisions of Washington State law pertaining to public transportation benefit area corporations (RCW 36.57A) and operates under the control of a Board of Directors.

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

In fiscal year 2019, Community Transit implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB No. 83 provides users with information about asset retirement obligations that were not addressed in previous GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. Community Transit has determined that there are no asset retirement obligations for fiscal year 2019 and will continue to review each year.

GASB No. 84 improves guidance regarding the identification of the fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. Community Transit does not have any fiduciary activities and therefore there is no impact to its financial statements.

GASB No. 88 improves information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. Community Transit issued limited sales tax general-obligation (LSTGO) bonds in 2017. Since 2017, these bonds have been presented in our financial statements and the notes to the financial statements. Community Transit has no other debt. No additional disclosure is required with the implementation of GASB No. 88.

B. Basis of Accounting

The accounting policies of Community Transit conform to generally accepted accounting principles applicable to governmental units. Community Transit applies all applicable GASB pronouncements. Community Transit uses an enterprise fund to account for its operations and prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded as soon as the benefits are received.

Operating revenues and expenses generally result from providing transportation services. Community Transit's primary operating revenues include: passenger fares (charges to customer for transportation services), reimbursements from Sound Transit for providing regional express bus service, and revenues earned from advertisements posted on buses. Operating expenses consist of service directly operated and service provided under contract, vehicle and facility maintenance, administrative expenses, depreciation and amortization of capital assets.

All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses and include subsidies such as tax revenues and operating grants, investment income, miscellaneous revenues, interest expense, and gains or losses on the sale of capital assets and maintenance parts inventory.

Community Transit's accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State law. Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Budget

Community Transit adopts its annual budget in December of the preceding fiscal year. The budget is based on corporatewide goals and departmental programs and objectives as well as revenue and service growth assumptions outlined in the Board adopted six year transit development plan. After these programs and objectives are developed, revenue for the coming year is estimated. The estimated revenue is used to determine the level of service to be provided the following year.

Most operating revenues and expenditures are budgeted on the accrual basis. Significant differences include sales tax revenue, depreciation and amortization, compensated absences payable, actuarial accrual of future workers' compensation losses, postemployment benefits, and other revenues. Investment income is budgeted without accounting for changes in fair value. Debt service is budgeted on a cash basis.

Capital projects are budgeted on a project basis. Projects are budgeted in their entirety when approved, regardless of anticipated expenditure dates. Each year thereafter, the remaining unexpended portion of each project, as well as related grant reimbursements, is rebudgeted.

Community Transit encumbers expenditures for management information. Encumbrances do not constitute a legal reduction of appropriations and are not reported on the financial statements.

The schedules that follow show budgeted versus actual revenues and expenditures for the period ended December 31, 2019.

Revenues: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2019

	2019 Budget	2019 Actuals	Variance Over (Under) Budget
Passenger Fares	\$ 22,982,000	\$ 23,158,991	\$ 176,991
Regional Transit Service	21,202,273	19,835,763	(1,366,510)
Advertising	316,670	320,000	3,330
Sales Tax	149,400,675	151,131,313	1,730,638
State and Local Grants	4,344,138	5,529,076	1,184,938
Federal Grants - Operating	3,583,000	3,958,953	375,953
Federal Grants - Capital	53,404,388	33,677,617	(19,726,771)
Investment Income	2,495,182	4,809,436	2,314,254
Miscellaneous	391,250	1,824,105	1,432,855
Sale of Capital Assets and Inventory	73,000	200,491	127,491
Total Revenues	\$ 258,192,576	\$ 244,445,745	\$ (13,746,831)

Expenditures: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2019

	2019 Budget	2019 Actuals	Variance Under (Over) Budget
Salaries and Benefits	\$ 96,661,303	\$ 94,174,339	\$ 2,486,964
Supplies and Materials	18,592,409	14,485,010	4,107,399
Services and Other Charges	86,367,306	51,820,613	34,546,693
Intergovernmental	4,603,912	4,436,404	167,508
Capital Acquisitions	83,492,155	46,936,237	36,555,918
Debt Service - Interest	508,000	508,000	-
Debt Service - Principal	920,000	920,000	-
Total Expenditures	\$ 291,145,085	\$ 213,280,603	\$ 77,864,482

The following schedule reconciles the accrual to budgetary differences for 2019.

	2019
<i>Revenues and Capital Contributions Reported on the Accrual Basis</i>	\$ 246,961,667
Accruals for Sales Tax Revenue	(2,450,848)
Investment Income for Fair Value Reporting	(1,343,315)
Net Book Value of Retired Equipment	1,150,313
Reimbursements from Other Agencies	127,928
<i>Revenues Reported on the Budgetary Basis</i>	\$ 244,445,745

	2019
<i>Expenses Reported on the Accrual Basis</i>	\$ 204,572,816
Capital Projects	55,633,653
Accrued Interest Expense	334,045
Change in Actuarial Accrual for Workers' Compensation	(273,000)
Change in Compensated Absences Payable	(112,734)
Change in Actuarial Accrual for Other Postemployment Benefits	(1,033,646)
Pension Expense	3,138,628
Depreciation and Amortization	(24,340,661)
Debt Service - Principal	920,000
Assets Transferred to Other Agencies	(25,558,498)
<i>Expenses Reported on the Budgetary Basis</i>	\$ 213,280,603

D. Cash and Short-Term 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. Community Transit's investment policies are governed by regulations established for public funds by Washington State law.

Investments are reported at fair value except for the position in the Washington State Local Government Investment Pool (LGIP) which is reported at amortized cost. Changes in fair value are included as revenue in the financial statements.

E. Restricted Assets

Funds are classified as restricted assets when their use is limited by bond covenants, state requirements for workers' compensation, or other legally binding conditions. As of December 31, 2019, the state-required workers' compensation reserve amounted to \$1,532,000. In addition, a \$320,076 restricted reserve was established for the Federal Transit Administration portion of an insurance settlement. The year-end amount of \$321,040 includes interest earned to date. There was no bond reserve and interest according to the bond covenant as of December 31, 2019.

F. Maintenance Parts Inventory

Vehicle maintenance parts are held for consumption and valued at cost using the weighted-average method. The costs of maintenance parts are recorded as an expense when consumed rather than when purchased.

G. Capital Assets and Depreciation

Assets with a useful life in excess of one year are capitalized if the individual cost is at least \$5,000. Capital assets are recorded at historical cost. Donated assets are measured at acquisition value. Replacements which improve or extend the lives of property are capitalized. Repairs and maintenance are expensed as incurred.

Community Transit participates with the Washington State Department of Transportation in the construction of passenger park-and-ride facilities within the transit service area. Community Transit contributes funds to provide the local match required under the terms of federal construction grants. The State of Washington retains park-and-ride facility ownership, but Community Transit's contribution allows us to use these facilities. The rights are valued at the amount of the contribution made and are reported under capital assets as site improvements.

Depreciation is computed using the straight-line method (without salvage values) over the estimated useful life of the asset. When used assets are acquired, they are assigned a useful life of one-half the new life.

Newly acquired assets are assigned useful lives as follows:

<i>Asset Category</i>	<i>Years</i>
Land	Not Depreciated
Work in Progress	Not Depreciated
Intangible Property—Easements	Not Depreciated
Buildings	5 to 30
Site Improvements	5 to 30
Buses	12 to 15

<i>Asset Category</i>	<i>Years</i>
Other Vehicles	5 to 8
Machinery and Equipment	3 to 10
Computer Equipment	3 to 7
Intangible Property	3 to 10

H. Compensated Absences

Policies for the accrual and use of compensated absences vary depending on whether an employee is represented by a labor contract or subject to the personnel policy. All employees are covered in three plans: paid time off, major sick leave, and Washington State sick leave. Paid time off is payable upon an employee's termination. Major sick leave and Washington State sick leave is payable at 25 percent of the hours accrued with the exception of some union employees, who are paid out at 50 percent if retiring. The portion of both sick leave plans payable at termination represents the vested portion of major sick leave earned and is subject to accrual.

I. Unearned Revenue

Revenues received in advance are recorded as unearned revenue on the Statement of Net Position. At December 31, 2019, unearned revenue amounted to \$2,837,033. The 2019 amount consists of ORCA fare revenue.

J. Pensions

Information about the fiduciary net position of all state-sponsored pension plans and additions to or deductions from the fiduciary net position of those plans has been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. This information was used to measure net liability, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Cash and Investments

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

<i>Investment Type</i>	<i>2019</i>
Demand Deposits	\$ 22,843,405
Local Government Investment Pool	134,914,838
U.S Treasury Obligations	2,011,718
U.S. Federal Agency Obligations	66,796,260
Municipal Bonds	13,187,819
<i>Total Cash, Cash Equivalents, and Investments</i>	<i>\$ 239,754,040</i>

A. Deposits

There is no custodial credit risk for demand deposits because they are entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or the Public Deposit Protection Commission (PDPC) of the state of Washington.

B. Local Government Investment Pool

Community 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 State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes. Any proposed changes to the policy are reviewed by the LGIP advisory Committee.

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

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

C. Investments

Community Transit measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

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

As of December 31, 2019, Community Transit held \$2,011,718 in U.S. Treasury obligations, \$66,796,260 in U.S. Federal agency bonds, and \$13,187,819 in municipal bonds that were valued by a pricing service that uses a matrix pricing model (Level 2 inputs).

Community Transit's investment policy clearly states that safety and liquidity takes precedence over return on investment. Allowable investments are limited to:

- U.S. Treasury obligations.
- U.S. Government agency obligations and U.S. Government sponsored enterprises.
- Banker's acceptances.
- Commercial paper.
- Certificates of deposit.
- Repurchase agreements.
- Bonds of Washington State and any local government in Washington State.
- General obligation bonds of a state other than Washington State.
- Washington State Local Government Investment Pool (LGIP).

Throughout 2019, Community Transit's portfolio complied with conditions set forth in the investment policy.

Interest Rate Risk: Community Transit's investment guidelines and policies state that safety of funds is the number one priority in all investment decisions. Maturities are generally limited to five years and the weighted average maturity of the portfolio may not exceed three years. Thus, all investments held are considered to have a low interest rate risk.

Credit Risk: Community Transit's credit risk is indirectly controlled via the kind of investment instruments allowed by the investment policy which includes only one direct, credit-risk requirement. The requirement applies to bonds of any state and any local government in Washington State in which the rating must be one of the three highest credit ratings of a nationally organized rating agency. The risk ranges from minimal to none, based on the investment instruments Community Transit holds.

Custodial Credit Risk: According to Community Transit's investment policy, all security transactions are settled on a delivery versus payment basis. This means that payment is made

simultaneously with the receipt of the securities to the safekeeping bank. Therefore, custodial credit risk for Community Transit's investments is minimal.

Note 3: Receivables

As of December 31, 2019, the following amounts were due to Community Transit:

<i>Accounts Receivable</i>	<i>2019</i>
Fares and Miscellaneous	\$ 290,780
Interest	420,237
ORCA Fiscal Agent Receivables	14,337
<i>Total Accounts Receivable</i>	<i>\$ 725,354</i>

<i>Due from Other Governments</i>	<i>2019</i>
Sales Tax Received in January and February	\$ 28,641,410
Operating Grants and Contributions	4,411,882
Capital Grants and Contributions	17,499,067
Sound Transit Regional Service	4,942,428
Fares and Miscellaneous	577,128
ORCA Fiscal Agent Receivables	1,495,363
<i>Total Due from Other Governments</i>	<i>\$ 57,567,278</i>

Note 4: Capital Assets

The table that follows summarizes changes in capital assets for the year ending December 31, 2019.

	<i>Beginning Balance 12/31/2018</i>	<i>Additions/ Adjustments</i>	<i>Retirements</i>	<i>Ending Balance 12/31/2019</i>
Capital Assets				
Not Being Depreciated:				
Land	\$ 14,330,617	\$ 1,268,330	\$ -	\$ 15,598,947
Intangible Property	1,790,479	-	-	1,790,479
Work in Progress (WIP)	42,621,474	45,621,215	(77,063,868)	11,178,821
WIP - Transfers to other Agencies	15,502,502	10,055,996	(25,558,498)	-
Subtotal	74,245,072	56,945,541	(102,622,366)	28,568,247
Capital Assets				
Being Depreciated:				
Buildings	57,573,272	248,988	(250,310)	57,571,950
Site Improvements	38,221,899	31,282,027	(2,949,347)	66,554,579
Vehicles/Machinery/Equipment	255,535,020	58,637,866	(31,700,103)	282,472,783
Intangible Property	8,672,385	2,286,414	(171,487)	10,787,312
Subtotal	360,002,576	92,455,295	(35,071,247)	417,386,624
Less Accumulated Depreciation For:				
Buildings	(27,549,078)	(1,960,261)	46,301	(29,463,038)
Site Improvements	(19,983,214)	(3,140,762)	1,109,931	(22,014,045)
Vehicles/Machinery/Equipment	(125,789,568)	(17,852,224)	15,933,456	(127,708,336)
Intangible Property	(6,115,711)	(1,387,414)	-	(7,503,125)
Subtotal	(179,437,571)	(24,340,661)	17,089,688	(186,688,544)
Total Capital Assets (Net of Accumulated Depreciation)	\$ 254,810,077	\$ 125,060,175	\$ (120,603,925)	\$ 259,266,327

As part of Community Transit's *Swift* Bus Rapid Transit (BRT) Green Line project, stations were built at various locations throughout Snohomish County on the corridor. Community Transit owns each of the physical station structure and the sidewalks, curbing, signals, storm water drainage, and roadway adjacent to these structures was transferred to the jurisdictions in which they are located. These arrangements were made through interlocal agreements with each jurisdiction. Use of the stations began in March 2019 with the launch of the *Swift* BRT Green Line service. As of December 31, 2019, \$25,558,498 project costs were transferred to the jurisdictions. This amount appears as Special Item: Assets Transferred to Other Agencies on the Statement of Revenues, Expenses, and Changes in Net Position.

Note 5: Risk Pool and Insurance

Community Transit is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member self-insurance program located in Olympia, Washington. WSTIP supplies Community Transit with auto liability, general liability, public officials' liability coverage, all risk property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber liability coverage. WSTIP also manages claims and litigation for its members and provides them with risk management and training.

WSTIP was formed by interlocal agreement in January 1989 by eight Washington State public transit systems, pursuant to Chapters 48.62 and 39.34 RCW. The interlocal agreement provided for the joint purchase of liability insurance, joint self-insurance, and joint contracting for hiring of personnel to provide risk management, claims handling, and related administrative services. The pool enables stabilization of present insurance costs and reduction of long-term future costs. Community Transit's coverage in the pool became effective as of January 1, 1989.

Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving 12 months' notice. 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.

A. Risk Pool

The pool is governed by a Board of Directors consisting of a representative of each member system. Participating transit systems as of December 31, 2018, include:

- | | | |
|---|------------------------|------------------------------------|
| • Asotin County PTBA | • Grays Harbor Transit | • Pullman Transit |
| • Ben Franklin Transit | • Intercity Transit | • River Cities Transit |
| • Clallam Transit | • Island Transit | • Skagit Transit |
| • Columbia County Public Transportation | • Jefferson Transit | • Spokane Transit |
| • Community Transit | • Kitsap Transit | • Twin Transit |
| • C-Tran | • Link Transit | • Valley Transit |
| • Everett Transit | • Mason Transit | • Whatcom Transportation Authority |
| • Grant Transit | • Pacific Transit | • Yakima Transit |
| | • Pierce Transit | |

Washington State law prohibits the distribution of profits from insurance pools to member agencies. Accordingly, the financial statements do not reflect any equity in the Washington State Transit Insurance Pool.

The next table summarizes audited financial information for the pool as of December 31, 2018. A complete annual report including financial statements is available at

<https://www.wstip.org/page/AuditsAnnualRpts>

	<i>2018</i>
<i>Total Assets and Deferred Outflows of Resources</i>	<i>\$ 45,637,919</i>
Total Current Liabilities	8,234,826
Total Noncurrent Liabilities	13,094,075
Total Deferred Inflows of Resources	198,738
Total Net Position	<u>24,110,280</u>
<i>Total Liabilities, Deferred Inflows of Resources and Net Position</i>	<i>45,637,919</i>
Operating Revenues	15,646,272
Operating Expenses	<u>14,786,863</u>
<i>Operating Income (Loss)</i>	<i>859,409</i>
Nonoperating Revenues (Expenses)	<u>553,364</u>
<i>Change in Net Position</i>	<i>1,412,773</i>
<i>Net Position - Beginning of Year</i>	<i><u>22,697,507</u></i>
<i>Net Position - End of Year</i>	<i><u>\$ 24,110,280</u></i>

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

B. Liability Insurance

Community Transit assumes the liability for claims up to the deductible amounts listed in the following table for each type of risk. Risk of claims in excess of the deductible amount has been transferred to WSTIP.

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
General Liability:			
Bodily injury and property damage Personal injury and advertising injury Contractual liability	\$25 million	Per occurrence	\$0
Personal injury and advertising injury	\$25 million	Per offense	\$0
Contractual liability			\$0
Vanpool driver medical expense protection	\$35,000	Per occurrence	\$0
Underinsured motorist coverage (by mode)	\$60,000	Per occurrence	\$0*
Public Officials Liability	\$25 million	Per occurrence and aggregate	\$5,000
Property Coverage	\$500 million	Per occurrence, all perils and insureds/ members combined	\$5,000
All perils subject to the following sublimits:			
Flood zones A and V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A and V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence	\$25 million	Per occurrence, annual aggregate	5% subject to \$500,000 min per occurrence/ unit
Auto Physical Damage			
Auto Physical Damage (below \$250,000 in value)	Fair market value	Limited to \$1,350,000 any one vehicle	\$5,000
Auto physical damage for all vehicles with a model year of 2008 or later and valued over \$250,000	Replacement Cost	Limited to \$1,250,000 any one vehicle	\$5,000
Boiler And Machinery	\$100 million		\$250,000 or \$350,000 depending on boiler size
Crime/Public Employee Dishonesty	\$1 million	Per occurrence	\$10,000
Including faithful performance. Also includes:			

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
Employee theft	\$1 million	Per occurrence	\$10,000
Forgery or alteration	\$1 million	Per occurrence	\$10,000
Theft, disappearance and destruction (inside premises)	\$1 million	Per occurrence	\$10,000
Robbery and safe burglary (inside premises)	\$1 million	Per occurrence	\$10,000
Robbery and safe burglary (outside premises)	\$1 million	Per occurrence	\$10,000
Computer fraud	\$1 million	Per occurrence	\$10,000
Funds transfer fraud	\$1 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$1 million	Per occurrence	\$10,000
Cyber Liability			
Third party liability	\$25 million	Maximum Limit	\$100,000*
Breach Response Costs	\$500,000	Limit increases to \$1 million if carrier's nominated service providers are utilized	
<u>First Party Loss</u>			
Business Interruption <i>Resulting from Security Breach</i>	\$2 million	Limit of Liability	
Resulting from System Failure	\$500,000	Limit of Liability	
Dependent Business Loss <i>Resulting from Security Breach</i>	\$750,000	Limit of Liability	
<i>Resulting from System Failure</i>	\$100,000		
Cyber Extortion Loss	\$2 million	Limit of Liability	
Data Recovery Costs	\$2 million	Limit of Liability	
<u>Liability</u>			
Data & Network Liability	\$2 million	Limit of Liability	
Regulatory defense and penalties	\$2 million	Limit of Liability	
Payment Card Liabilities & Costs	\$2 million	Limit of Liability	
Media Liability	\$2 million	Limit of Liability	
<u>eCrime</u>			
Fraudulent Instruction	\$75,000	Limit of Liability	
Funds Transfer Fraud	\$75,000	Limit of Liability	
Telephone Fraud	\$75,000	Limit of Liability	
Criminal Reward	\$25,000	Limit of Liability	

*However, if covered loss exists, WSTIP's general liability policy also includes a \$50,000 limit of coverage with no deductible. As of July 1, 2019, the deductible was lowered to \$5,000.

C. Self-Insured Workers' Compensation and Unemployment Compensation

Community Transit continues to be self-insured for unemployment compensation and workers' compensation (industrial insurance), with excess workers' compensation retained consistent with statutory requirements.

On December 31, 2019, cash and investments set aside for self-insurance totaled \$5,571,617. Community Transit reported a liability on December 31, 2019, of \$2,280,000 which represents the estimated liability for workers' compensation claims for which Community Transit may ultimately be liable, including a provision for claims incurred but not yet reported. Of the \$2,280,000 estimated liability, Community Transit expects to pay out \$422,000 within the coming year, and the remaining \$1,858,000 is expected to be paid out later than one year.

No outstanding liabilities have been removed from the Statement of Net Position due to the purchase of annuity contracts from third parties in the name of the claimants. In addition to the reserve, Community Transit purchased a commercial workers' compensation policy with a \$1,000,000 limit per occurrence and a \$550,000 self-insured retention per occurrence.

In 2019, Community Transit paid out \$99,000 in unemployment compensation claims. There is no accrued liability for future unemployment claims. The following table shows the claims liabilities for Workers' Compensation:

	<u>2019</u>	<u>2018</u>
<i>Total Claims Liability: Beginning of Year</i>	<i>\$ 2,007,000</i>	<i>\$ 1,967,000</i>
<i>Incurred Claims:</i>		
Provision for Incurred Claims	1,513,000	1,224,000
Change in Provision for Incurred Claims, Prior Year	<u>121,211</u>	<u>(273,080)</u>
Total Provision for Incurred Claims	<u>1,634,211</u>	<u>950,920</u>
<i>Total Incurred</i>	<i>3,641,211</i>	<i>2,917,920</i>
<i>Payments:</i>		
Payment Made for Current-Year Claims	494,101	347,400
Payment Made for Prior-Year Claims	<u>867,110</u>	<u>563,520</u>
<i>Total Payments</i>	<i>1,361,211</i>	<i>910,920</i>
<i>Total Claims Liability: End of Year</i>	<i><u>\$ 2,280,000</u></i>	<i><u>\$ 2,007,000</u></i>

Note 6: Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

<i>Note</i>	<i>Description</i>	<i>Beginning Balance 1/1/2019</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance 12/31/2019</i>	<i>Due Within One Year</i>
6 A.	General Obligation Bonds	\$ 10,160,000	\$ -	\$ (920,000)	\$ 9,240,000	\$ 970,000
	Premiums	1,605,416	-	(314,877)	1,290,539	284,577
	Total Bonds Payable	11,765,416	-	(1,234,877)	10,530,539	1,254,577
6 B.	Compensated Absences	5,805,506	4,949,339	(4,836,605)	5,918,240	4,702,294
6 C.	Workers' Compensation (See Note 5C)	2,007,000	1,634,211	(1,361,211)	2,280,000	422,000
6 D.	Pension Obligations	24,984,203		(3,556,479)	21,427,724	-
6 E.	OPEB Obligations	9,413,812	3,939,436	(199,034)	13,154,214	236,071
	Total Long-Term Liabilities	\$ 53,975,937	\$ 10,522,986	\$ (11,188,206)	\$ 53,310,717	\$ 6,614,942

A. Bonds Payable

Limited sales tax general-obligation (LSTGO) bonds were issued on June 20, 2017, for the purchase of capital assets. The bonds par value was \$10,990,000 with an additional premium of \$2,130,072 for total proceeds of \$13,120,072. Of these proceeds, \$116,282 was used to pay for bond issue costs and the underwriting discount.

The bond interest is payable on February 1 and August 1 of each year commencing February 1, 2018, and ending August 1, 2027. The bonds are not subject to redemption prior to their maturity. The bonds have a coupon rate of 4 percent in 2018 and 5 percent from 2019 to 2027. These bonds are subject to federal arbitrage rules.

	As of 12/31/2019
Current Portion of Bonds Payable	\$ 1,254,577
Long-Term Portion of Bonds Payable	9,275,962
Total Bonds Payable	\$ 10,530,539

The following table presents the annual debt service amounts for principal and interest:

Annual Debt Service			Total Debt Service
Year	Principal	Interest	
2020	\$ 970,000	\$ 462,000	\$ 1,432,000
2021	1,015,000	413,500	1,428,500
2022	1,070,000	362,750	1,432,750
2023	1,120,000	309,250	1,429,250
2024	1,175,000	253,250	1,428,250
2025-2027	3,890,000	395,250	4,285,250
Total	\$ 9,240,000	\$2,196,000	\$ 11,436,000

B. Compensated Absences

The two categories of compensated absences are paid time off (PTO) and sick leave (major sick leave and Washington sick leave). As of December 31, 2019, PTO payable was \$4,284,221. The 2019 current portion amounted to \$4,138,557, which was an increase of \$131,640 compared to 2018. The amount classified as long term was \$145,664, which was an increase of \$13,204 over 2018.

As of December 31, 2019, the vested portion of sick leave payable was \$1,634,019. The 2019 current portion amounted to \$563,737, which was an increase of \$85,558 compared to 2018. The amount classified as long term was \$1,070,282, which was a decrease of \$117,668 over 2018. Schedules for all categories of compensated absences follow.

Paid Time Off (PTO)	2019
Beginning Balance - Current Liability	\$ 4,006,917
PTO Earned	3,967,591
PTO Paid	(3,835,951)
Ending Balance - Current Liability	<u>4,138,557</u>
Beginning Balance - Long-Term Liability	132,460
PTO Earned	131,841
PTO Paid	(118,637)
Ending Balance - Long-Term Liability	<u>\$ 145,664</u>

The PTO short-term and long-term classification is based on a five-year historical average of leave paid as a percentage of the liability.

The sick leave short-term and long-term classification is based on a five-year historical average on leave paid as a percentage of the liability.

<i>Sick Leave</i>	<i>2019</i>
Beginning Balance - Current Liability	\$ 478,179
Sick Leave Earned	385,444
Sick Leave Paid	<u>(299,886)</u>
<i>Ending Balance - Current Liability</i>	<u>563,737</u>
 Beginning Balance - Long-Term Liability	 1,187,950
Sick Leave Earned	464,463
Sick Leave Paid	<u>(582,131)</u>
 <i>Ending Balance - Long-Term Liability</i>	 <u>\$ 1,070,282</u>

C. Workers' Compensation

Please refer to Note 5C, Self-Insured Workers' Compensation and Unemployment Compensation

D. Pensions

The table below represents the aggregate pension amounts for all Community Transit plans for the year 2019:

Aggregate Pension Amounts: PERS Plans 1, 2, and 3

	<i>2019</i>
Pension Liability	\$ 21,427,724
Deferred Outflows of Resources	\$ 7,975,105
Deferred Inflows of Resources	\$ 12,066,509
Pension Expense	\$ 4,803,809

Substantially all of Community Transit's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS). This statewide retirement system is administered by the Washington State Department of Retirement Systems as 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.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each

plan. The Department of Retirement Systems' CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380, or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Descriptions

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes. PERS Plans 1 and 2 are defined-benefit plans, and PERS Plan 3 is a defined-benefit plan with a defined-contribution component. PERS Plan 2 and the defined-benefit portion of PERS Plan 3 are accounted for as one plan.

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 Plan 1 was closed to new entrants on September 30, 1977. Those joining thereafter are enrolled in PERS Plan 2 or PERS Plan 3 by election.

Vesting

PERS Plan 1 and Plan 2 members are vested after completing five years of eligible service. PERS 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. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Benefits Provided

All PERS plans provide retirement, disability, and death benefits. Retirement benefits are actuarially reduced if a survivor benefit is chosen. Additional benefits include duty and nonduty disability payments and a one-time, duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 retirement benefits are determined as 2 percent of the member's average final compensation times the member's years of service, capped at 30 years. The average final compensation is the average of the member's 24 highest consecutive service months. Upon retirement, members can choose an optional cost-of-living adjustment.

PERS Plan 1 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.

PERS Plan 2/3 retirement benefits are determined as a percentage of the member's average final compensation times the member's years of service. Plan 2 is calculated at 2 percent, and Plan 3 is calculated at 1 percent. The average final compensation is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service

credit. A cost-of-living allowance is applied based on the Consumer Price Index and capped at 3 percent annually.

PERS Plan 2/3 members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. Members may be eligible for early retirement at 55 years of age or older based on various factors including plan choice, service credit, and hire date. The benefit is reduced by a factor that varies according to certain provisions and age at retirement.

PERS Plan 3 defined contribution benefits are entirely dependent on employee contributions and investment earnings on those contributions. Employers do not contribute to the defined contribution benefits.

Contributions

Employer contribution rates for all of the PERS plans are developed by the Office of the State Actuary and include a component to address the PERS Plan 1 unfunded actuarial accrued liability. The Office of the State Actuary also develops PERS Plan 2 employee contribution rates. Each biennium, the state Pension Funding Council adopts the defined-benefit employer contribution rates for PERS Plans 1, 2, and 3 and the PERS Plan 2 employee rates. The PERS Plan 1 employee contribution rate was established by state statute at 6 percent. PERS Plan 3 members choose their contribution rate upon joining and can change rates only upon changing employers. Six options are available ranging from 5 percent to 15 percent, as established by state statute.

The employer rates include an administrative expense component that is currently set at 0.18 percent. The required contribution rates (expressed as a percentage of covered payroll) for 2019 are shown in the following table:

Actual Contribution Rates	Employer Plans 1, 2, 3	Employee Plan 1	Employee Plan 2	Employee Plan 3
January 2019 through June 2019:				
Base Plan Contribution	7.52%	6.00%	7.41%	varies
PERS Plan 1 UAAL	5.13%			
Administrative Fee	0.18%			
Total	12.83%	6.00%	7.41%	varies
July 2019 through December 2019:				
Base Plan Contribution	7.92%	6.00%	7.90%	varies
PERS Plan 1 UAAL	4.76%			
Administrative Fee	0.18%			
Total	12.86%	6.00%	7.90%	varies

Community Transit's actual employer contributions to the plans, excluding administrative fees, were \$3,084,721 to PERS Plan 1 and \$4,817,848 to PERS Plan 2/3 for the fiscal year ended December 31, 2019.

Actuarial Assumptions

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

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

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB¹. Mortality rates are applied on a generational basis; this means each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Changes in methods and assumptions since the last valuation that affected PERS plans included:

- Updated modeling to reflect providing benefits payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- Updated cost-of-living adjustment programming to reflect legislation signed during the 2018 legislative session. This law provides PERS annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

¹ The Society of Actuaries uses Scale BB to determine pension valuations. Scale BB is based on more recent data and newly developed techniques and can be used immediately without any changes to existing valuation software. (Society of Actuaries, Mortality Improvement Scale BB Report, September 2012, <http://www.soa.org>)

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates, including PERS Plan 2/3 whose rate includes a component for PERS Plan 1 liabilities. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

<i>Asset Class</i>	<i>Target Allocation</i>	<i>% Long-Term Expected Real Rate of Return Arithmetic</i>
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability

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

		1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$	20,258,208	\$ 16,176,563	\$ 12,635,198
PERS 2/3	\$	40,274,321	\$ 5,251,161	\$ (23,487,656)

Pension Plan Fiduciary Net Position

Detailed information about the state's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, Community Transit reported total pension liabilities of \$21,427,724 for its proportionate share of the net pension liabilities as shown:

		2019 Liability
PERS 1	\$	16,176,563
PERS 2/3	\$	5,251,161

Community Transit's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.375860%	0.420678%	0.044818%
PERS 2/3	0.480152%	0.540610%	0.060458%

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

The collective net pension liability was measured as of June 30, 2019, based on the actuarial valuation for the total pension liability as of June 30, 2018. Update procedures were used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, Community Transit recognized pension expense as shown:

2019 Pension Expense		
PERS 1	\$	2,836,183
PERS 2/3	\$	1,967,626

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, Community 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	-	1,080,730
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,676,383	-
Total	\$ 1,676,383	\$ 1,080,730

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,504,470	\$ 1,128,971
Net difference between projected and actual investment earnings on pension plan investments	-	7,643,552
Changes of assumptions	134,465	2,203,212
Changes in proportion and differences between contributions and proportionate share of contributions	1,906,470	10,044
Contributions subsequent to the measurement date	2,753,317	-
Total	\$ 6,298,722	\$ 10,985,779

Deferred outflows of resources related to pensions resulting from Community Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of

resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown:

Year Ended December 31	PERS 1	Year Ended December 31	PERS 2/3
2020	\$ (238,577)	2020	\$ (1,949,317)
2021	(565,121)	2021	(3,621,711)
2022	(201,668)	2022	(1,438,550)
2023	(75,364)	2023	(629,889)
2024	-	2024	(146,029)
Thereafter	-	Thereafter	345,122
Total	\$ (1,080,730)	Total	\$ (7,440,374)

E. Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table presents the key GASB Statement No. 75 valuation and accounting results for the OPEB benefits offered to Community Transit Employees. The total OPEB Liability is determined as of December 31, 2019, based on Census data collected as of December 31, 2019:

Aggregated OPEB Amounts	2019
OPEB liabilities	\$ 13,154,214
Deferred outflows of resources	\$ 3,245,731
Deferred inflows of resources	\$ -
OPEB expenses	\$ 1,033,646

Plan Description: During the working careers of active employees, Community Transit contributes to the state Public Employees Benefits Board (PEBB), a single-employer, defined-benefit, healthcare program administered by the Washington State Health Care Authority (HCA), an agent.

The program provides medical, prescription drug, and vision coverage. No stand-alone financial statements are available for the program.

Under state law, active Community Transit employees who are covered by the state public employee retirement system are eligible upon retirement to obtain medical, prescription drug, and vision coverage through the state PEBB program at the retiree rate associated with the elected plan.

Because the rate is based on a pool of both active employees and retirees, the rate paid by pre-Medicare retirees is less than the full cost of the benefits, based on their age and other

demographic factors. This creates an implicit subsidy where the “underpayment” of retiree premium is funded through the premiums paid by Community Transit for active employees.

The HCA calculates the premium amounts each year that are sufficient to fund the program on a pay-as-you-go basis. These costs are passed through to all participating agencies based on active employee headcount.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	0
Active employees	812
Total	<u>869</u>

Community Transit’s obligation is unfunded at December 31, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Assumptions and Other Inputs: Projections of benefits for financial reporting purposes are based on the substantive plan (the program as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuary calculated the OPEB obligation based on individual Community Transit employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Actuarial assumptions remained the same and are detailed below:

Actuarial Methods

Actuarial Cost Method

The Entry Age Normal Level Percentage of Pay Actuarial Cost Method was used to determine the total OPEB liability.

The **actuarial present value of future benefits** is the present value necessary today to provide for a benefit payment or series of benefit payments in the future for all plan participants. It is determined by discounting the future benefit payments at the assumed investment return and reflect the probability of payment.

The **service cost** is determined as the sum of the individual normal costs for each active participant. A normal cost accrual rate is determined for each active participant. The normal cost accrual rate is equal to the actuarial present value of future benefits determined as of the participant's entry age, divided by the actuarial present value of the assumed salaries paid to

the participant from entry age to assumed exit age. The normal cost accrual rate is multiplied by current salary to provide the participant's individual normal cost.

The **total OPEB liability** is the sum of the individual accrued liabilities for all plan participants. Each participant's actuarial accrued liability equals the actuarial present value of future benefits, less the actuarial present value of the participant's normal costs payable in the future. These present values are calculated at the participant's attained age.

The **net OPEB liability** equals the total OPEB liability less the value of plan assets.

Asset Valuation Method

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. The Transit's obligation is unfunded at December 31, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The next table summarizes actuarial assumptions used:

Actuarial Assumptions	
Measurement Date	December 31, 2019
Valuation Date	December 31, 2019
Reporting Date	December 31, 2019
Measurement Period	January 1, 2019 to December 31, 2019
Discount Rate*	2.74% per Year
General Inflation	3.0% per Year
Salary Increases	2.0% per Year

*As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 2.74% as of December 31, 2019.

Initial Health Coverage Claims Cost (including administrative expenses)		
Age	Per Participant	
Under Age 65 (Age 60 Rates)	Retiree	Spouse
KP WA Classic	\$12,916	\$12,829
KP WA CDHP	\$10,477	\$10,302
KP WA SoundChoice	\$10,621	\$10,534
KP WA Value	\$11,603	\$11,516
KP NW Classic	\$12,289	\$12,202
KP NW CDHP	\$10,455	\$10,271
UMP Classic	\$11,672	\$11,585

UMP CDHP	\$10,446	\$10,271
UMP Plus	\$11,075	\$10,988
Weighted Average	\$11,952	\$11,862

Age 65 and Over	Retiree	Spouse
KP WA Medicare Plan	\$4,189	\$4,068
KP NW Senior Advantage	\$4,174	\$4,052
Uniform Medical Plan Classic	\$6,042	\$5,982
Premiera Blue Cross Plan F	\$2,708	\$2,586
Premiera Blue Cross Plan G	\$2,341	\$2,220
Weighted Average	\$5,048	\$4,965

The assumed under age 65 claim costs were determined from the premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors. The assumed age 65 and over claim costs were determined from the premiums and the PEBB's stated explicit subsidy.

Annual Dental and Vision Claims Costs

The dental and vision claims costs were assumed to be equal to the dental and vision premiums

Age Based Morbidity

The assumed under age 65 health coverage claim costs are assumed to increase related to age as follows:

Ages	Rate
18 - 29	1.00%
30 - 39	2.50%
40 - 49	3.00%
50 - 54	3.30%
55 - 59	3.60%
60 - 64	4.20%

Health Care Cost Trend Rates

Year	Rate
All Years	5.00%

Mortality

RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement

Future Retiree Participation Rate

40% for employees currently electing coverage.

0% for employees currently waiving coverage.

Initial Spouse Participation Rate

Male Employees: 50%

Female Employees: 50%

Husbands are assumed to be three years older than wives.

Turnover

Rates based on Scale T-7 of the Actuary's Pension Handbook.

Sample rates varying by age:

Age	Rate
20	9.90%
25	9.70%
30	9.30%
35	8.70%
40	7.80%
45	6.40%
50	4.20%
55	1.50%
60	0.10%

Disability

None.

Retirement

Sample rates varying by age:

Age	Rate
55	5.00%
56 - 59	2.50%
60 - 61	10.00%
62	20.00%
63 - 64	10.00%
65 - 67	30.00%
68 - 69	50.00%
70 or Over	100.00%

Community Transit will use a third-party vendor to complete the actuarial report every two years. In the interim years between valuations, the actuary will update the annual OPEB expense and the OPEB liability. All other assumptions and data will remain the same. The actuarial report is available upon request from Community Transit.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease (4.0%)	Current Healthcare Cost Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB Liability	\$10,845,355	\$13,154,214	\$16,182,843

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the current discount rate of 2.740%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.74%) or 1-percentage point higher (3.74%) than the current rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$15,807,792	\$13,154,214	\$11,082,937

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/2019	\$9,413,812
Service cost	493,350
Interest	402,113
Changes of benefit terms	0
*Differences between expected and actual experience	697,602
*Changes of assumptions	2,346,371
Benefit payments	(199,034)
Total OPEB Liability at 12/31/2019	\$13,154,214

At December 31, 2019, Community Transit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience*	\$0	\$633,602
Changes of assumptions	\$0	\$2,612,129
Net difference between projected and actual earnings	\$0	\$0
Contributions made subsequent to measurement date	\$0	\$0
Total	\$0	\$3,245,731

*Economic/demographic (gains) and losses for the period ending December 31, 2019 should be adjusted by the unamortized balance of the difference between actual and employer contributions.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year ended December 31:	
2020	\$337,217
2021	\$337,217
2022	\$337,217
2023	\$337,217
2024	\$337,217
Thereafter	\$1,559,646

Note 7: Net Position

Portions of Community Transit's net position are restricted for the following purposes:

- **Federal Grants:** Funds restricted by the Federal Transit Administration (FTA). The FTA portion of an insurance settlement on federally assisted property that was lost due to fire, must be deducted from a new FTA grant.
- **Workers' Compensation:** Funds legally restricted by Washington State Department of Labor and Industries for payment of self-insured workers' compensation claims.

In addition, Community Transit's Board of Directors has designated portions of Community Transit's net position under the following categories:

- Vehicle Replacement: Funds set aside for future replacement of buses, paratransit vehicles, and vanpools.
- Future Capital Improvements: Amounts designated to fund capital projects.
- Workers' Compensation: Additional funds set aside in excess of the state-required restrictions for the payment of workers' compensation claims.

The next table shows net position as reported on the Statement of Net Position, including the breakdown of designated and undesignated net position, as of December 31, 2019.

	2019
<i>Net Investment in Capital Assets</i>	<i>\$ 248,852,071</i>
<i>Restricted Net Position</i>	
Federal Grants	321,040
Workers' Compensation	1,532,000
Total Restricted Net Position	1,853,040
<i>Unrestricted Net Position</i>	
Designated - Vehicle Replacement	38,862,873
Designated - Future Capital Improvements	131,779,690
Designated - Workers Compensation	1,685,171
Undesignated	66,422,904
Total Unrestricted Net Position	238,750,638
<i>Net Position</i>	<i>\$ 489,455,749</i>

Note 8: Commitments

A. Paratransit Service (DART)

On September 9, 2011, Community Transit entered into a five-year contract with Senior Services of Snohomish County for the provision of paratransit service. (In 2017, Senior Services of Snohomish County changed their name to Homage Senior Services), with renewal options for five additional one-year terms. In February 2020, an agreement was approved to issue a new RFP for paratransit service and change the current contract ending date to September 30, 2020. The next table shows the annual cost for the remainder of the contract.

<i>Contract Period</i>	<i>Approximate Annual Revenue Service Hours</i>	<i>Annual Cost</i>
Jan 1, 2019 to Dec 31, 2019	87,000	\$ 7,441,980
Jan 1, 2020 to Sep 30, 2020	90,000	\$ 8,462,700

The annual cost of paratransit service is within the annual budget. Contracted services with Homage Senior Services amounted to \$7,943,530 during 2019. Actual annual vehicle hours amounted to 84,937 for 2019.

B. Commuter Service

On May 9, 2012, Community Transit entered into a ten year contract with First Transit. Under the terms of the contract, First Transit will operate Community Transit's express commuter bus service for a five-year, seven-month period with renewal options for five additional one-year term extensions beginning January 1, 2018.

<i>Contract Period</i>	<i>Revenue Service Hours</i>	<i>Annual Cost</i>
Jan 1, 2020 to Dec 31, 2020	145,500	\$ 21,360,870
Jan 1, 2021 to Dec 31, 2021	145,500	\$ 22,065,779
Jan 1, 2022 to Dec 31, 2022	145,500	\$ 22,793,950

First Transit operates the service from Community Transit's Kasch Park Base under the terms of the facility lease provisions of the commuter service agreement. The table above shows the annual cost of the service (which includes 92,560 service hours of Sound Transit express commuter service) for the remainder of the contract.

The annual cost is within the annual budget. Contract service with First Transit for Community Transit service amounted to \$6,970,669 in 2019. Actual annual revenue hours amounted to 51,677 in 2019.

Contract service with First Transit for Sound Transit service amounted to \$14,625,435 in 2019. Actual revenue hours amounted to 104,960 in 2019.

C. Central Puget Sound Regional Fare Coordination System

Community Transit has an undivided interest in a nonequity joint venture jointly governed with six other Puget Sound-area public transit agencies for the provision of regional ORCA card fare collection services.

On April 14, 2009, Community Transit entered into an amended interlocal agreement with King County Metro Transit, Pierce Transit, Sound Transit, Everett Transit, Kitsap Transit, and the

Washington State Ferries to provide for joint operation of the Central Puget Sound Regional Fare Coordination System.

The regional fare coordination system began a phased implementation on April 1, 2009, with substantial deployment in 2010. The system is governed by a joint board consisting of one representative from each participating agency. The participating agencies have committed to use the system for a minimum of ten years and fund a proportional share of regional shared costs.

Under the terms of the interlocal agreement, Sound Transit acts as the fiscal agent. Participating agencies remit all funds collected through the sale of ORCA fare media to Sound Transit. When customers use ORCA cards to pay transit fares, statistical information is collected which determines how Sound Transit remits fare revenue back to participating agencies.

Community Transit's undivided interests in the assets, liabilities, and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis. Expenses associated with the regional fare coordination system are shared proportionally by each participating agency. The joint venture does not publish public financial statements. Please direct requests for information about the joint venture's financial statements to Lori Fox at the address shown in the Management Discussion and Analysis section of this report.

This table represents the amount included in Community Transit's financial statements that is an undivided interest:

Current Assets	2019
Cash and Cash Equivalents	\$ 3,353,341
Accounts Receivable	2,785,800
Total Assets	\$ 6,139,141
 Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 3,498,353
Deferred Receipts	2,645,711
Total Liabilities	\$ 6,144,064
 Total Operating Revenues	\$ 17,251,243
 Total Expenses	\$ 460,994

D. Transit Police Contract with Snohomish County

On December 7, 2017, Community Transit's Board of Directors approved a new interlocal agreement with Snohomish County to continue the police services which the Snohomish County Sheriff's Office has provided since April 2003.

Under the terms of the new agreement, the county agreed to add additional staff throughout 2018 and the first quarter of 2019. Final staffing levels after April 1, 2019, include one half-time lieutenant, two full-time sergeants, two full-time master patrol deputies, one full-time administrative staff person, and fourteen full-time deputy sheriffs who will patrol Community Transit's services and facilities on a regular basis and perform other related services.

The contract term is January 1, 2018, to December 31, 2020. The annual cost of these services over the remaining life of the contract is summarized in the table. The actual cost of police services provided to Community Transit amounted to \$3,065,241 in 2019.

<i>Year</i>	<i>Annual Cost</i>
2020	\$ 3,115,079

E. Double-Decker Coach Contract

On September 6, 2016, Community Transit entered into a five-year contract with Alexander Dennis for the purchase of up to 57 double-decker coaches over the term of the contract. These purchases provide for both normal fleet replacement and fleet expansion. The options will be exercised during the five-year contract depending on future funding and expansion/replacement plans. In 2017 we received seventeen coaches at the cost of \$18,579,000 and in 2019 we received eight coaches at the cost of \$7,878,119. There were no additional orders placed in 2019.

F. Express Bus Operating Agreement with Sound Transit

Community Transit has operated Sound Transit's express bus service since September 1999. On June 4, 2015, Community Transit's Board of Directors approved a new agreement with Sound Transit to continue operating Sound Transit express bus service. The agreement covers various aspects of providing the service including operations, vehicle maintenance, fare collection, and security. The first year of this agreement ended on December 31, 2015; all subsequent years of this agreement begin on January 1 and end on December 31. The agreement expired on December 31, 2017, but included an option to extend for two additional one-year periods. In 2019, Community Transit exercised its second option to extend the term by one year and received \$19,835,763 from Sound Transit.

G. Five-Year Bus Purchase Contracts

Community Transit entered into five-year contracts with New Flyer of America on June 27, 2016, and with GILLIG LLC—USA on July 8, 2016, for a total of 175 diesel buses in a mix of 40-foot, standard 60-foot, and bus rapid transit 60-foot coaches over the term of the contracts. These purchases provide for both normal fleet replacement and fleet expansion. Future price changes are limited to the change in the Producer Price Index for similar equipment.

Fourteen New Flyer 60-foot coaches were delivered in 2017 at a cost of \$11,598,538. Twenty-six GILLIG LLC—USA 40-foot coaches were also delivered in 2017 and cost \$13,790,297. In addition, eighteen bus rapid transit coaches were ordered from New Flyer of America in the amount of \$14,981,526 and were delivered at the beginning of 2019. No coaches were delivered in 2018 via this contract. In 2019, twenty-six 60-foot New Flyer coaches were delivered at a cost of \$21,836,022.

H. Lease Obligation

As of December 31, 2019, Community Transit had no capital leases and various operating leases. Total operating lease expense for 2019 was \$418,409. The leases consist of the park-and-pool lot program, communication sites, Everett Mall Human Resources recruitment lease, Pitney Bowes, and copiers. Both the park-and-pool lot program and the communication site leases are cancelable by either party with a 30- to 90-day notice depending on the contract. The Everett Mall lease, Pitney Bowes and copier leases are more than one year and are noncancelable. Future minimum lease commitments for noncancelable leases of more than one year are included in the table.

<i>Year</i>	<i>Annual Cost</i>
2020	\$ 68,996
2021	47,086
2022	4,673

Note 9: Contingencies and Litigations

D. Legal Proceedings

In August 2018, three current employees of Community Transit served a class action complaint on behalf of themselves and similarly situated transit operators alleging violations of Washington's wage and overtime laws. In 2019, the case became a certified class action lawsuit and the parties later agreed to a settlement amount of \$1.1 million. In April of 2020, payment was made to the plaintiffs.

There are several other pending lawsuits in which Community Transit is involved. Community Transit's attorney estimates that the potential claim against Community Transit not covered by insurance resulting from such litigation would not materially affect the financial statements.

E. Federal Grants

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

F. Environmental Liability

As a public transit operation, Community Transit has certain environmental risks related to its operation involving the storage, liability, and disposal of certain petroleum products. In the opinion of management, any potential claim not covered by insurance would not materially affect the financial statements of Community Transit.

Note 10: Subsequent Events

Novel Coronavirus Pandemic Impacts: In December 2019, an outbreak of a novel strain of coronavirus, SARS-CoV-2, which causes the disease COVID-19, emerged in Wuhan, China. Despite efforts to contain the virus in China, the infection spread beyond China's borders. The outbreak was declared a Public Health Emergency of International Concern on January 30, 2020 by the World Health Organization. As of April 17, 2020, at the drafting of this note, SARS-CoV-2 has reported to have spread to at least 213 countries, territories and areas, resulting in more than 2 million COVID-19 cases and over 130,000 deaths.

As the virus continues to spread, it has had a significant effect on United States public agencies, businesses, travel, commodity prices, consumer confidence, and business sentiment. For Community Transit, it has resulted in significantly reduced ridership and a temporary reduction in service. On March 23, 2020, the governor issued a state-wide "stay at home" order, which will tentatively remain in effect until May 4, 2020. As a result, Community Transit has experienced low ridership, as many former commuter riders heed the order and work remotely or are furloughed by their employers. This order will tentatively last until May 4, 2020. Driver availability to operate buses, even with reduced service, remains a concern due to fears of the virus.

Also, during March, Community Transit halted the collection of fares, to greatly reduce the potential for spread of the virus from passengers to drivers. Passengers now enter from the rear doors of the bus. Many employers requiring employees to work remotely or who are reducing staff will also purchase fewer ORCA bus passes for employees, taking a further toll on fare revenues. Depending on ridership and fare collections in the second and third quarters, Community Transit may experience a budget variance in fare revenues of about 50 percent of budgeted fares.

Community Transit's largest source of revenue (and 73 percent of its operating revenue) is derived from local sales tax. Evidence continues to mount that the coronavirus has resulted in substantial economic damage. The Puget Sound Economic Forecaster has revised its retail sales growth forecast for Snohomish County from a 5 percent growth rate in 2020 (pre-coronavirus) to a 0.9 percent growth rate. Or, from an annualized growth rate in the first quarter and second quarters of 0.5 percent and 1.9 percent, respectively, to -6.9 percent and -23.9 percent, respectively. Early predictions for Community Transit's sales tax shortfall estimate a 16 percent reduction from the 2020 budget.

The actual result for sales tax collections will depend on how quickly the economy is able to rebound from COVID-19 reduction efforts, how deeply businesses are harmed by this illness and social distancing, and whether or not the virus subsides in the summer and returns in the fall or winter. The sales tax projection will continue to undergo revisions as more information unfolds. Currently, Community Transit is reviewing its reserve policies, reviewing and revising its six-year transportation development plan, and formulating plans for its current year and 2021 budgets.

On Friday, March 27, 2020, President Trump signed the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) into law. Part of the CARES Act provides emergency appropriations to the Executive Branch for the COVID-19 pandemic, including \$25 billion to the Federal Transit Administration for relief to recipients of urbanized area and rural area formula funds. Community Transit estimates its allocation of these funds to be about \$39.2 million.

Note 11: Tax Abatement

Community Transit is subject to tax abatements granted by the State of Washington, which if present, would require disclosure in accordance to GASB No. 77, *Tax Abatement Disclosures*.

For the fiscal year ending December 31, 2019, Community Transit had no tax abatement agreements to disclose. It should be noted that the Department of Revenue cannot disclose tax information for less than three taxpayers for either state or local estimates. In 2019, two categories qualified for this classification. The categories were aerospace computer software and High Technology.

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

PERS Plan 1						
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.420678%	0.375860%	0.375570%	0.374817%	0.336190%	0.323760%
Employer's proportionate share of the net pension liability	\$16,176,563	\$16,786,035	\$17,821,089	\$20,129,438	\$17,585,864	\$16,309,562
Covered payroll	\$58,932,204	\$49,881,866	\$47,217,768	\$44,826,960	\$38,290,475	\$35,459,496
Employer's proportionate share of the net pension liability as a percentage of covered payroll	27.45%	33.65%	37.74%	44.90%	45.93%	45.99%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS Plans 2/3						
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.540610%	0.480152%	0.480489%	0.476787%	0.429238%	0.411328%
Employer's proportionate share of the net pension liability	\$5,251,161	\$8,198,168	\$16,694,696	\$24,005,849	\$15,336,918	\$8,314,424
Covered payroll	\$58,834,403	\$49,771,462	\$47,107,467	\$44,696,052	\$38,087,086	\$35,246,857
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.93%	16.47%	35.44%	53.71%	40.27%	23.59%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

* Until a full ten-year trend is completed, information is presented only for the years available.

Required Supplementary Information

Schedule of Employer Contributions

Last 10 Fiscal Years* (as of December 31)

PERS Plan 1

	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$3,084,721	\$2,785,410	\$2,390,019	\$2,186,830	\$1,831,790	\$1,489,527
Contributions in relation to the statutorily or contractually required contributions	<u>(3,084,721)</u>	<u>(2,785,410)</u>	<u>(2,390,019)</u>	<u>(2,186,830)</u>	<u>(1,831,790)</u>	<u>(1,489,527)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 62,451,846	\$ 54,811,840	\$ 48,599,566	\$ 45,704,111	\$ 41,422,068	\$ 36,567,727
Contributions as a percentage of covered payroll	4.94%	5.08%	4.92%	4.78%	4.42%	4.07%

PERS Plans 2/3

	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$4,817,848	\$4,094,539	\$3,331,932	\$2,840,622	\$2,334,035	\$1,820,562
Contributions in relation to the statutorily or contractually required contributions	<u>(4,817,848)</u>	<u>(4,094,539)</u>	<u>(3,331,932)</u>	<u>(2,840,622)</u>	<u>(2,334,035)</u>	<u>(1,820,562)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$62,451,846	\$54,663,153	\$48,490,161	\$45,595,885	\$41,266,619	\$36,342,265
Contributions as a percentage of covered payroll	7.71%	7.49%	6.87%	6.23%	5.66%	5.01%

* Until a full ten-year trend is completed, information is presented only for the years available.

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31 2019

Last 10 Fiscal Years*

	<u>2019*</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 9,413,812	\$ 8,177,537
Service cost	493,350	427,266
Interest	402,113	383,362
Changes in benefit terms	0	0
Differences between expected and actual experience***	697,602	0
Changes of assumptions	2,346,371	596,929
Benefit payments***	(199,034)	(171,282)
Other changes	0	0
Total OPEB liability - ending	<u>13,154,214</u>	<u>9,413,812</u>
 Covered-employee payroll	 59,381,499	 47,296,845
 Total OPEB liability as a % of covered payroll	 22.15%	 19.90%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* Until a full ten-year trend is completed, information is presented only for the years available.

**Assumes all actuarial assumptions are exactly realized. Update procedures were used to roll forward the Service Cost and Total OPEB liability to the December 31, 2019 measurement date.

*** These are to be re-determined using actual employer contributions for the period January 1, 2019 to December 31, 2019. For self insured plans, this is the difference between actual retiree claims/expenses and the actual retiree contributions for the retirees covered during this period. For fully insured plans this is the difference between the actual age-adjusted total retiree premiums and actual collected retiree contributions. The difference between expected and actual experience for the period ending December 31, 2019 should be adjusted by the difference between actual employer contributions for the period January 1, 2019 to December 31, 2019 and the expected employer contribution of \$199,034 shown above.

Statistical Section

In 2019, *Swift* surpassed

**15 MILLION
RIDERS**



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Statistical Section

This section of the comprehensive annual financial report presents statistical information that will assist in the understanding of the financial statements, notes to the financial statements, and required supplementary information in order to assess the financial condition of Community Transit.

Financial Trends: *schedules contain trend information to assist the reader in understanding how the PTBA's financial performance has changed over time.*

Net Position, Ten-Year Comparison.....	87
Change in Net Position, Ten-Year Comparison.....	88
Expenses, Ten-Year Comparison.....	90

Revenue Capacity: *schedules contain information to aid the reader in assessing the PTBA's revenue sources.*

Revenues, Ten-Year Comparison.....	92
Retail Taxable Sales, Ten-Year Comparison.....	94
Snohomish County Overlapping Sales Tax Rates, Ten-Year Comparison.....	96

Debt Capacity: *schedules contain information to assist the reader in understanding the PTBA's debt obligations.*

Bond Coverage, 2004, 2010 and 2017 Bond Issues, Last Ten Fiscal Years.....	97
Snohomish County Assessed Valuation, Ten-Year Comparison.....	98
Outstanding Debt by Type, Ten-Year Comparison.....	99
Legal Debt Margin Information, Ten-Year Comparison.....	100

Demographic and Economic Information: *schedules reflect demographic and economic data to aid the reader in understanding the environment within which the PTBA's activities occur.*

Snohomish County Demographic and Economic Statistics, Ten-Year Comparison	102
Snohomish County Principal Employers, Fiscal Years Ending December 31, 2019 and 2010	103
Snohomish County Population Demographics Statistics, Ten-Year Comparison	104

Operating Information: *schedules contain information to assist the reader in understanding how the data within the PTBA's financial report relates to the services and activities it performs.*

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Financial Trends

Net Position: Ten-Year Comparison

<i>Year</i>	<i>Invested in Capital Assets</i>	<i>Restricted</i>	<i>Unrestricted</i>	<i>Total Net Position</i>
2010	\$ 162,530,193	\$ 2,633,111	\$ 88,278,617	\$ 253,441,921
2011	171,846,068	2,430,611	89,293,465	263,570,144
2012	159,570,248	2,220,611	103,365,034	265,155,893
2013	161,104,099	2,314,361	118,587,273	282,005,733 *
2014	157,546,954	2,292,861	98,671,998	258,511,813
2015	178,831,358	2,355,611	108,731,233	289,918,202 **
2016	183,536,663	1,820,000	136,150,537	321,507,200
2017	211,092,762	1,630,000	168,527,794	381,250,556
2018	243,160,943	1,532,000	202,373,955	447,066,898 ***
2019	248,852,071	1,853,040	238,750,638	489,455,749

Notes:

- * Beginning net position for 2012 was restated by (\$85,828) as described in the 2013 Comprehensive Annual Financial Report (CAFR).
- ** Ending net position for 2014 was restated by (\$33,789,479) as described in the 2015 Comprehensive Annual Financial Report (CAFR).
- ***Beginning net position for 2018 was restated by (1,437,217) as described in the 2018 Comprehensive Annual Financial Report (CAFR).

Financial Trends
Change in Net Position
Ten-Year Comparison

	2010	2011	2012	2013
Expenses				
Operations	\$ 39,601,847	\$ 37,726,737	\$ 32,845,965	\$ 32,837,759
Maintenance	21,606,835	23,770,972	23,081,564	22,847,341
General and Administration	20,241,863	19,662,212	20,544,387	19,748,865
Contracted Transportation	24,433,274	24,109,118	22,883,391	22,547,152
Depreciation and Amortization	15,650,181	16,903,602	17,726,870	15,573,477
Total Operating Expense	121,534,000	122,172,641	117,082,177	113,554,594
Interest Expense	191,056	121,103	121,103	121,103
Environmental Expense - Net	733,334	(787,496)	2,043	(559)
Total Expenses	122,458,390	121,506,248	117,205,323	113,675,138
Operating Revenues				
Passenger Fares	19,265,394	18,808,975	17,633,704	19,331,239
Regional Transit Service	13,356,867	14,050,993	16,474,072	16,402,918
Advertising	670,922	586,006	878,743	784,946
Total Operating Revenues	33,293,183	33,445,974	34,986,519	36,519,103
Nonoperating Revenues				
Subsidies (including sales tax)	75,973,776	77,123,349	80,469,900	83,455,798
Investment Income	259,161	103,664	113,277	85,009
Capital Grants and Contributions	18,318,315	20,752,349	3,015,353	9,801,132
Special Item: Assets Transferred	-	-	-	-
Gain (Loss) on Sale of Capital Assets	86,721	(192,886)	99,347	171,733
Miscellaneous	237,805	402,021	192,504	492,203
Total Nonoperating Revenue	94,875,778	98,188,497	83,890,381	94,005,875
<i>Change in Net Position</i>	<i>\$ 5,710,571</i>	<i>\$ 10,128,223</i>	<i>\$ 1,671,577</i>	<i>\$ 16,849,840</i>

Data Source: Comprehensive Annual Financial Report

Financial Trends
Change in Net Position
Ten-Year Comparison (continued)

2014	2015	2016	2017	2018	2019
\$ 34,908,009	\$ 40,771,330	\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341
23,893,920	22,818,852	23,807,878	21,185,149	22,945,561	23,266,130
21,012,151	22,396,557	25,027,437	26,556,609	27,478,218	33,397,598
23,370,984	23,797,411	25,065,500	26,385,830	28,157,121	29,539,633
15,150,735	16,886,860	21,570,394	20,793,554	23,117,914	24,340,661
118,335,799	126,671,010	140,840,130	146,928,875	161,549,923	178,840,363
99,684	55,401	20,643	102,180	187,668	173,955
-	-	-	-	-	-
118,435,483	126,726,411	140,860,773	147,031,055	161,737,591	179,014,318
19,769,863	20,798,527	21,892,470	21,844,659	22,399,353	23,158,991
16,870,539	16,600,685	17,805,248	18,463,732	18,971,605	19,835,763
836,580	901,627	691,667	720,837	420,834	320,000
37,476,982	38,300,839	40,389,385	41,029,228	41,791,792	43,314,754
87,315,853	92,768,390	121,089,965	136,363,753	147,627,509	161,458,340
51,917	141,991	516,727	1,342,087	3,683,078	6,152,752
3,201,352	26,563,126	10,118,236	27,589,400	35,381,275	35,289,466
-	-	-	-	-	(25,558,498)
374,748	236,380	232,463	291,677	58,450	(949,822)
323,544	122,074	102,994	158,266	449,046	1,696,177
91,267,414	119,831,961	132,060,385	165,745,183	187,199,358	178,088,415
\$ 10,308,913	\$ 31,406,389	\$ 31,588,997	\$ 59,743,356	\$ 67,253,559	\$ 42,388,851

Financial Trends
Expenses
Ten-Year Comparison

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Operations	\$ 39,601,847	\$ 37,726,737	\$ 32,845,965	\$ 32,837,759
Maintenance	21,606,835	23,770,972	23,081,564	22,847,341
General and Administration	20,241,863	19,662,212	20,544,387	19,748,865
Contracted Transportation	24,433,274	24,109,118	22,883,391	22,547,152
Depreciation and Amortization	15,650,181	16,903,602	17,726,870	15,573,477
Interest Expense	191,056	121,103	121,103	121,103
Environmental Expense - Net	733,334	(787,496)	2,043	(559)
<i>Total</i>	<u>\$ 122,458,390</u>	<u>\$ 121,506,248</u>	<u>\$ 117,205,323</u>	<u>\$ 113,675,138</u>

Note:

- Negative environmental expense is the result of insurance recoveries.

Financial Trends
Expenses
Ten-Year Comparison (continued)

<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
\$ 34,908,009	\$ 40,771,330	\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341
23,893,920	22,818,852	23,807,878	21,185,149	22,945,561	23,266,130
21,012,151	22,396,557	25,027,437	26,556,609	27,478,218	33,397,598
23,370,984	23,797,411	25,065,500	26,385,830	28,157,121	29,539,633
15,150,735	16,886,860	21,570,394	20,793,554	23,117,914	24,340,661
99,684	55,401	20,643	102,180	187,668	173,955
-	-	-	-	-	-
<u>\$ 118,435,483</u>	<u>\$ 126,726,411</u>	<u>\$ 140,860,773</u>	<u>\$ 147,031,055</u>	<u>\$ 161,737,591</u>	<u>\$ 179,014,318</u>

Revenue Capacity
Revenues
Ten -Year Comparison

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Passenger Fares	\$ 19,265,394	\$ 18,808,975	\$ 17,633,704	\$ 19,331,239
Regional Transit Service	13,356,867	14,050,993	16,474,072	16,402,918
Advertising	670,922	586,006	878,743	784,946
Investment Income	259,161	103,664	113,277	85,009
Sales Tax	62,633,947	63,707,622	67,474,497	74,783,559
Federal Operating Grants	8,636,696	10,018,375	8,912,452	5,420,276
State and Local Grants	4,703,133	3,397,352	4,082,951	3,251,963
Miscellaneous	237,805	402,021	192,504	492,203
Gain (Loss) on Sale of Capital Assets and Inventory	86,721	(192,886)	99,347	171,733
Capital Grants and Contributions	18,318,315	20,752,349	3,015,353	9,801,132
Total	\$ 128,168,961	\$ 131,634,471	\$ 118,876,900	\$ 130,524,978

Revenue Capacity
Revenues
Ten -Year Comparison (continued)

<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
\$ 19,769,863	\$ 20,798,527	\$ 21,892,470	\$ 21,844,659	\$ 22,399,353	\$ 23,158,991
16,870,539	16,600,685	17,805,248	18,463,732	18,971,605	19,835,763
836,580	901,627	691,667	720,837	420,834	320,000
51,917	141,991	516,727	1,342,087	3,683,078	6,152,752
79,551,377	84,461,446	115,767,687	131,303,285	141,940,687	153,582,161
4,501,976	5,382,205	2,571,033	2,361,047	2,769,940	3,958,953
3,262,500	2,924,739	2,751,245	2,699,421	2,916,882	3,917,226
323,544	122,074	102,994	158,266	449,046	1,696,177
374,748	236,380	232,463	291,677	58,450	(949,822)
3,201,352	26,563,126	10,118,236	27,589,400	35,381,275	35,289,466
\$ 128,744,396	\$ 158,132,800	\$ 172,449,770	\$ 206,774,411	\$ 228,991,150	\$ 246,961,667

Revenue Capacity

Retail Taxable Sales: Ten -Year Comparison

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Retail Trade	\$ 3,951,343,507	\$ 4,110,736,250	\$ 4,434,861,770	\$ 4,776,585,174
Services	1,203,374,337	1,265,885,029	1,339,152,739	1,415,327,911
Construction	1,150,000,367	928,487,118	996,643,693	1,266,602,241
Manufacturing	118,603,778	114,846,515	113,867,225	125,252,673
Utilities, Transportation, Warehousing	22,239,390	22,714,141	24,808,872	23,877,203
Wholesaling	401,424,972	432,293,228	443,307,713	466,040,552
Information, Finance, Insurance, Real Estate	511,206,729	492,407,859	509,717,328	566,088,660
Other Business	70,265,331	73,490,727	76,333,910	79,764,871
Total	\$ 7,428,458,411	\$ 7,440,860,867	\$ 7,938,693,250	\$ 8,719,539,285

Community Transit received approximately 62 percent of its 2019 revenue from local sales and use taxes. The rate charged in 2019 was 1.2 percent on all taxable sales within the Snohomish County Public Transportation Benefit Area (PTBA). The amount received for collections in 2019 amounted to \$153,582,161. The Department of Revenue collects and distributes this tax for the State of Washington. The amount received has been reduced by a fee for this service.

The tax information listed below reflects only taxable retail sales and does not include use tax. Stand-alone data for the PTBA is no longer available; therefore, the following information includes sales for Snohomish County less sales in the City of Everett and has been restated as such for all prior years. Although the data includes taxable retail sales from portions of unincorporated Snohomish County that are not within the PTBA, the trends over time should approximate the actual results for the PTBA.

Data for the fourth quarter of 2019 was not available at the time of the 2019 report, which resulted in estimates being used.

Data Source:

Annual Quarterly Business Review tables, prepared by the Department of Revenue, and available at:

<http://dor.wa.gov/content/AboutUs/StatisticsAndReports/Default.aspx>

Revenue Capacity

Retail Taxable Sales: Ten -Year Comparison (continued)

<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
\$ 5,094,954,029	\$ 5,389,818,610	\$ 5,785,007,864	\$ 6,113,182,131	\$ 6,474,817,911	\$ 6,806,206,328
1,526,760,475	1,645,458,103	1,761,468,768	1,898,820,895	2,216,103,919	2,393,783,933
1,245,768,615	1,374,640,163	1,679,005,992	1,882,968,353	2,162,162,872	2,510,993,483
141,909,617	157,524,936	157,277,938	201,098,246	228,667,957	219,470,873
24,555,477	26,348,215	28,655,205	32,833,083	36,458,796	43,410,712
527,040,180	557,248,332	554,064,777	573,885,354	631,874,317	680,428,984
613,207,570	697,387,982	754,699,755	773,612,235	805,839,057	806,666,955
83,672,206	99,481,593	94,649,815	99,194,258	106,140,571	123,432,406
\$ 9,257,868,169	\$ 9,947,907,934	\$ 10,814,830,114	\$ 11,575,594,555	\$ 12,662,065,400	\$ 13,584,393,674

Revenue Capacity

Snohomish County Overlapping Sales Tax Rates: Ten -Year Comparison

<i>Year</i>	<i>Direct PTBA Sales Tax Rate</i>	<i>Other Local Sales Tax Rate</i>	<i>State Sales Tax Rate</i>	<i>Total PTBA Sales Tax Rate</i>
2010	0.9%	2.1%	6.5%	9.5%
2011	0.9%	2.1%	6.5%	9.5%
2012	0.9%	2.1%	6.5%	9.5%
2013	0.9%	2.1%	6.5%	9.5%
2014	0.9%	2.1%	6.5%	9.5%
2015	0.9%	2.1%	6.5%	9.5%
2016 (Jan - Mar)	0.9%	2.1%	6.5%	9.5%
2016 (Apr - Dec)	1.2%	2.1%	6.5%	9.8%
2017	1.2%	2.6%	6.5%	10.3%
2018	1.2%	2.6%	6.5%	10.3%
2019	1.3%	2.6%	6.5%	10.4%

Data Source:

Department of Revenue, sales and use tax rates.

Debt Capacity

Bond Coverage: 2004, 2010, and 2017 Bond Issues Last Ten Fiscal Years

<i>Fiscal Year</i>	<i>Gross Revenues (1)</i>	<i>Operating Expenses (2)</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Coverage</i>
2010	\$109,850,646	\$ 105,883,819	\$ 3,966,827	*	\$ 190,890	190,890	20.78 x
2011	110,882,122	105,269,039	5,613,083	*	176,413	176,413	31.82 x
2012	115,861,547	99,355,307	16,506,240	*	157,200	157,200	105.00 x
2013	120,723,846	97,981,117	22,742,729	*	157,200	157,200	144.67 x
2014	125,543,044	103,185,064	22,357,980	1,695,000	157,200	1,852,200	12.07 x
2015	131,569,674	109,673,575	21,896,099	1,745,000	106,350	1,851,350	11.83 x
2016	162,331,535	119,269,736	43,061,799	1,800,000	54,000	1,854,000	23.23 x
2017	179,185,011	126,135,321	53,049,690	**	**	n/a	n/a
2018	193,609,875	138,432,009	55,177,866	830,000	602,837	1,432,837	38.51 x
2019	211,672,201	154,499,702	57,172,499	920,000	508,000	1,428,000	40.04 x

(1) Total revenues excluding capital contributions.

(2) Exclusive of depreciation and amortization, debt service, and environmental expense.

* Principal payments were not required until 2014.

** Principal and interest payments were not required in 2017.

In June 2017, Community Transit sold \$10,990,000 in limited sales tax general obligation (LSTGO) bonds. The resulting funds were used to purchase capital assets. As of December 31, 2019, the current portion was \$1,254,577 and the long-term portion was \$9,275,962, resulting in a total bonds payable of \$10,530,539. The 2017 bonds were the only debt of Community Transit. These bonds had been subject to federal arbitrage rules.

Data Sources:

Limited sales tax general obligation bond official statement and the Comprehensive Annual Financial Report.

Debt Capacity

Snohomish County Assessed Valuation Ten-Year Comparison (in thousands)

<i>Table of Assessed Valuation</i>		
<i>Valuation Year</i>	<i>Collection Year</i>	<i>Valuation*</i>
2010	2011	\$ 85,710,607
2011	2012	76,647,037
2012	2013	72,621,622
2013	2014	79,448,742
2014	2015	88,260,207
2015	2016	96,080,092
2016	2017	105,036,086
2017	2018	118,417,726
2018	2019	132,827,352
2019	2020	145,174,737

- * Includes real and personal property and utilities. Excludes commercial boats and a portion of senior citizens' property that qualifies for a credit. Community Transit's service area covers only the portion of Snohomish County that falls within the boundaries of the Snohomish County Public Transportation Benefit Area.

Data Source:

Snohomish County Assessor's Annual Report, Snohomish County Assessor's Office.
<http://www.snohomishcountywa.gov/2934/Assessor>

Debt Capacity
Outstanding Debt by Type
Ten-Year Comparison

<i>Fiscal Year</i>	<i>Limited Sales Tax General Obligation Bonds - Net (1)</i>	<i>Total Debt Per Capital (2)</i>	<i>Percentage of Personal Income (3)</i>
2010	\$ 5,424,611	\$ 11	0.02%
2011	5,388,515	10	0.02%
2012	5,381,050	10	0.02%
2013	5,326,870	10	0.02%
2014	3,584,993	7	0.01%
2015	1,810,857	3	0.01%
2016	-	-	n/a
2017	12,935,115	22	0.03%
2018	11,765,416	20	0.03%
2019	10,530,539	18	Not Available

1. Limited sales tax general obligation bonds are Community Transit's only debt.
2. Based on Snohomish County PTBA population.
3. Based on countywide per capita income.

Data Sources:

Community Transit Comprehensive Annual Financial Reports
Snohomish County Assessor Annual Reports
Washington State Office of Financial Management

Debt Capacity
Legal Debt Margin Information
Ten-Year Comparison (in thousands)

Assessed Valuation in 2019 for Collection of Taxes in 2020	\$101,288,567
Debt Limit (0.375 Percent of Assessed Value)	379,832
Less Outstanding Bond Issues - Net	10,531
Legal Debt Margin	<u>\$ 369,301</u>

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Debt Limit	272,134	247,417	220,917	220,894
Total Net Debt Applicable to Limit	5,425	5,389	5,381	5,327
Legal Debt Margin	\$ 266,709	\$ 242,028	\$ 215,536	\$ 215,567
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.0%	2.2%	2.4%	2.4%

Data Sources:

Tax Account Parcels and Real Property Assessment Data, Snohomish County Assessor.

Debt Capacity

Legal Debt Margin Information: (Continued) ***Ten-Year Comparison (in thousands)***

<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
228,921	254,645	275,727	301,456	339,723	379,832
3,584	1,810	-	12,935	11,765	10,531
\$ 225,337	\$ 252,835	\$ 275,727	\$ 288,521	\$ 327,958	\$ 369,301
1.6%	0.7%	0.0%	4.3%	3.5%	2.8%

Demographic and Economic Information

Snohomish County Demographic and Economic Statistics

Ten-Year Comparison

<i>Year</i>	<i>County Population (1)</i>	<i>Household Income (2)</i>	<i>Per Capita Personal Income (3)</i>	<i>Unemployment Rate (4)</i>
2010	711,100	\$ 62,034	\$ 42,391	9.8%
2011	717,000	62,687	43,281	8.6%
2012	722,900	64,033	45,796	7.5%
2013	730,500	64,391	46,733	6.7%
2014	741,000	68,637	44,967	4.6%
2015	757,600	75,292	47,713	5.0%
2016	772,860	77,985	49,511	3.9%
2017	789,400	80,579	52,405	4.0%
2018	805,120	85,758	55,888	3.6%
2019	822,083	88,118	Not Available	2.8%

Data Sources:

- (1) U.S. Census
- (2) Washington State Office of Financial Management
- (3) U.S. Bureau of Economic Analysis
- (4) U.S. Bureau of Labor Statistics

Demographic and Economic Information
Snohomish County Principal Employers
Fiscal Years Ending December 31, 2019 and 2010

2019 *				2010		
<i>Employer</i>	<i>Employees</i>	<i>Rank</i>	<i>Percent of Total County Employment</i>	<i>Employees</i>	<i>Rank</i>	<i>Percent of Total County Employment</i>
Boeing	35,000	1	11.96%	33,000	1	9.63%
Providence Regional Med. Ctr.	4,906	2	1.68%	3,360	3	0.98%
Edmonds School District	3,616	3	1.24%	-	-	n/a
Tulalip Tribes Enterprises	3,500	4	1.20%	3,150	5	0.92%
Washington State Government	3,000	5	1.03%	2,400	7	0.70%
Everett Naval Station	2,900	6	0.99%	6,000	2	1.75%
The Everett Clinic	2,871	7	0.98%	1,700	8	0.50%
Snohomish County Government	2,759	8	0.94%	2,700	6	0.79%
Everett School District	2,443	9	0.83%	1,600	10	0.47%
Premiera Blue Cross	2,200	10	0.75%	3,200	4	0.93%
Phillips Medical Systems	-	-	n/a	1,700	9	0.50%
Verizon	-	-	n/a	-	-	n/a
Total, Principal Employers	63,195			58,810		
Total County Employment	292,600			342,600		
Percentage of Principal Employers to Total County Employment	21.60%			17.17%		

* - 2019 data not available due to COVID-19. Thus, 2018 data was used for 2019.

Data Sources:

Snohomish County Economic Alliance

Demographic and Economic Information
Snohomish County Population Demographic Statistics
Ten-Year Comparison

<i>Year</i>	<i>County Population</i>	<i>PTBA Population</i>	<i>Age Distribution for Snohomish County</i>		
			<i>0-19</i>	<i>20-64</i>	<i>65+</i>
2010	711,100	516,099	28.0%	61.9%	10.1%
2011	717,000	524,954	26.8%	62.7%	10.5%
2012	722,900	528,849	26.0%	62.9%	11.1%
2013	730,500	533,746	25.7%	62.7%	11.6%
2014	741,000	542,727	25.3%	62.6%	12.1%
2015	757,600	555,637	25.0%	62.4%	12.6%
2016	772,860	565,244	24.9%	61.9%	13.2%
2017	789,400	576,493	24.8%	61.5%	13.7%
2018	805,120	587,366	25.0%	61.6%	13.4%
2019	822,083	598,002	25.0%	61.6%	13.4%

Note: 2019 age distribution data was not available due to COVID19. Thus, 2018 data was used for 2019.

Data Source:

U.S. Census Bureau

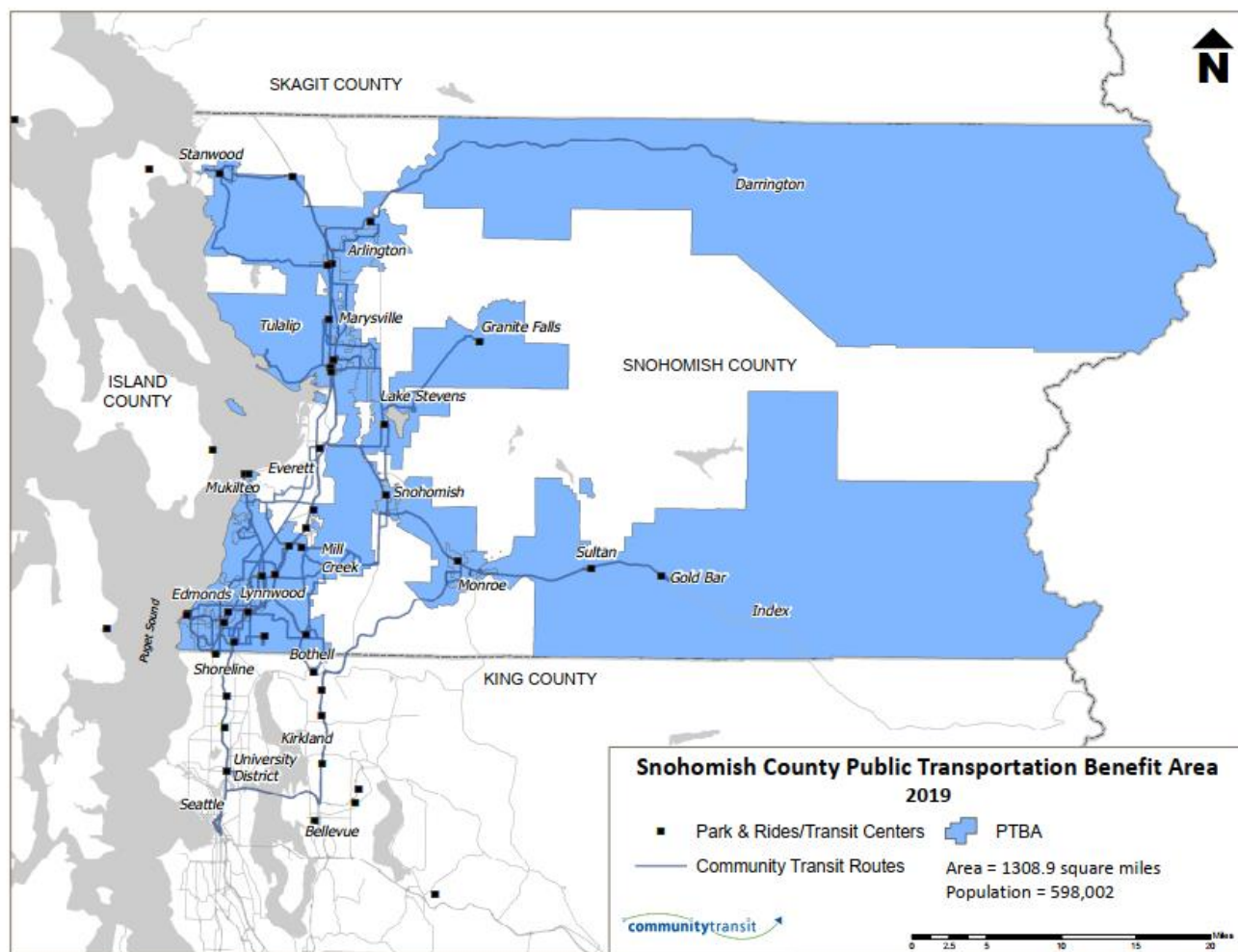
County population by age and gender: <https://www.economicalliancesc.org/>

Operating Information

Snohomish County

Public Transportation Benefit Area Map

2019



Operating Information

Service Statistical Data: Ten-Year Comparison

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Directly Operated Service										
Average Weekly Ridership	141,105	133,676	124,481							
Passengers per Hour	16.50	17.10	19.94							
Fare Revenue per Passenger	\$ 1.33	\$ 1.38	\$ 1.50							
Cost per Passenger	\$ 9.09	\$ 9.38	\$ 9.19							
Cost per Mile	\$ 9.33	\$ 10.13	\$ 11.42							
Farebox Return	14.6%	14.7%	16.3%							
Motor Bus Directly Operated										
Average Weekly Ridership				102,143	112,920	117,368	121,575	123,343	126,618	134,599
Passengers per Hour				18.53	19.77	18.43	17.16	15.61	15.33	14.42
Fare Revenue per Passenger				\$ 1.41	\$ 1.28	\$ 1.27	\$ 1.26	\$ 1.27	\$ 1.26	\$ 1.28
Cost per Passenger				\$ 9.10	\$ 8.56	\$ 9.48	\$ 9.89	\$ 11.19	\$ 11.67	\$ 12.91
Cost per Mile				\$ 11.12	\$ 11.37	\$ 11.68	\$ 11.65	\$ 12.34	\$ 12.62	\$ 13.37
Farebox Return				15.4%	15.0%	13.4%	12.8%	11.3%	10.8%	9.9%
Commuter Bus Directly Operated										
Average Weekly Ridership				22,489	22,980	22,613	22,784	22,463	23,526	23,634
Passengers per Hour				34.03	30.10	29.38	28.02	26.30	26.30	26.05
Fare Revenue per Passenger				\$ 2.97	\$ 3.20	\$ 3.44	\$ 3.80	\$ 3.72	\$ 3.60	\$ 3.53
Cost per Passenger				\$ 9.76	\$ 10.83	\$ 11.82	\$ 11.79	\$ 11.50	\$ 12.30	\$ 13.01
Cost per Mile				\$ 15.65	\$ 16.53	\$ 17.62	\$ 17.19	\$ 16.08	\$ 17.35	\$ 1.82
Farebox Return				30.5%	29.5%	29.1%	32.2%	32.3%	29.3%	27.1%
Contract Commuter Service										
Average Weekly Ridership	31,586	30,899	28,951	28,838	31,269	31,851	32,373	33,111	34,052	35,591
Passengers per Hour	30.18	37.57	46.15	41.95	40.01	40.00	38.02	36.80	34.99	35.38
Fare Revenue per Passenger	\$ 4.04	\$ 3.74	\$ 3.36	\$ 3.54	\$ 3.26	\$ 3.45	\$ 3.70	\$ 3.61	\$ 3.57	\$ 3.42
Cost per Passenger	\$ 7.77	\$ 7.31	\$ 6.71	\$ 5.95	\$ 5.60	\$ 5.33	\$ 5.29	\$ 5.62	\$ 6.12	\$ 6.39
Cost per Mile	\$ 10.03	\$ 11.43	\$ 12.59	\$ 10.25	\$ 10.18	\$ 9.87	\$ 9.67	\$ 9.99	\$ 10.19	\$ 10.66
Farebox Return	52.0%	51.1%	50.0%	59.6%	58.3%	64.7%	69.9%	64.2%	58.3%	53.5%
DART/Paratransit										
Average Weekly Ridership	4,186	3,929	3,747	3,620	3,704	3,661	3,734	3,740	3,846	3,666
Passengers per Hour	2.20	2.31	2.28	2.27	2.28	2.24	2.35	2.39	2.29	2.24
Fare Revenue per Passenger	\$ 1.29	\$ 1.42	\$ 1.43	\$ 1.69	\$ 1.67	\$ 1.86	\$ 1.95	\$ 1.98	\$ 2.04	\$ 2.26
Cost per Passenger	\$ 39.16	\$ 41.33	\$ 37.60	\$ 38.48	\$ 39.22	\$ 38.93	\$ 39.49	\$ 42.15	\$ 44.16	\$ 47.08
Cost per Mile	\$ 4.79	\$ 5.28	\$ 4.62	\$ 4.64	\$ 4.83	\$ 4.73	\$ 4.99	\$ 5.41	\$ 5.48	\$ 5.68
Farebox Return	3.3%	3.4%	3.8%	4.4%	4.3%	4.8%	4.9%	4.7%	4.6%	4.8%
Vanpool										
Average Weekly Ridership	16,222	17,172	17,697	17,840	17,787	17,551	16,688	16,565	16,719	15,842
Passengers per Hour	10.32	5.76	6.13	6.25	6.26	6.37	6.13	6.13	6.02	5.54
Fare Revenue per Passenger	\$ 3.09	\$ 3.30	\$ 2.85	\$ 2.97	\$ 3.02	\$ 3.21	\$ 3.22	\$ 3.22	\$ 3.45	\$ 3.78
Cost per Passenger	\$ 4.38	\$ 4.44	\$ 4.17	\$ 4.27	\$ 4.65	\$ 4.39	\$ 4.93	\$ 5.09	\$ 5.20	\$ 5.32
Cost per Mile	\$ 0.79	\$ 0.82	\$ 0.78	\$ 0.82	\$ 0.89	\$ 0.85	\$ 0.93	\$ 0.96	\$ 0.98	\$ 0.93
Farebox Return	70.5%	74.4%	68.4%	69.4%	64.9%	73.2%	65.3%	63.2%	66.3%	71.0%

Data Source: FTA National Transit Database Report

Notes:

- Service hours are defined as active vehicle revenue hours per the FTA National Transit Database.
- Service miles are defined as active vehicle revenue miles per the FTA National Transit Database.
- Beginning in 2013 the FTA National Transit Database split the Directly Operated category into two new categories: Motor Bus Directly Operated and Commuter Bus Directly Operated.
- Cost per passenger is not net of fare revenue.
- Cost per Passenger and Cost per Mile for 2017 are different than originally reported because the FTA changed how they wanted cloud software expense reported. This change occurred in July 2018 after the 2017 CAFR was finalized.

Operating Information

Ridership: Ten-Year Comparison

Year	<i>Directly Operated</i>	<i>Motor Bus Directly Operated</i>	<i>Commuter Bus Directly Operated</i>	<i>Contract Commuter</i>	<i>DART Paratransit</i>	<i>Vanpool</i>	<i>Total: Community Transit Service</i>	<i>Sound Transit</i>
2010	7,337,474	-	-	1,642,463	217,648	843,551	10,041,136	2,631,195
2011	6,951,171	-	-	1,606,732	204,291	892,936	9,655,130	3,136,037
2012	6,473,033	-	-	1,505,441	194,862	920,252	9,093,588	3,467,994
2013	-	5,311,451	1,169,446	1,499,566	188,222	927,660	9,096,345	3,226,043
2014	-	5,871,816	1,194,937	1,625,988	192,633	924,912	9,810,286	3,676,480
2015	-	6,103,118	1,175,876	1,656,233	190,366	912,637	10,038,230	3,646,063
2016	-	6,321,906	1,184,766	1,683,375	194,175	867,776	10,251,998	3,645,267
2017	-	6,413,837	1,168,082	1,721,767	194,471	861,372	10,359,529	3,648,400
2018	-	6,584,139	1,223,332	1,770,703	200,010	869,370	10,647,554	3,732,917
2019	-	6,999,159	1,228,991	1,850,710	190,637	823,759	11,093,256	3,781,076

Data Source:

FTA National Transit Database Report

Note:

- Beginning in 2013 the FTA National Transit Database split the Directly Operated category into two new categories: Motor Bus Directly Operated and Commuter Bus Directly Operated.

Operating Information

Service Hours: Ten-Year Comparison

<i>Year</i>	<i>Directly Operated</i>	<i>Motor Bus Directly Operated</i>	<i>Commuter Bus Directly Operated</i>	<i>Contract Commuter</i>	<i>DART Paratransit</i>	<i>Vanpool</i>	<i>Total: Community Transit Service</i>	<i>Sound Transit</i>
2010	444,619	-	-	54,426	99,012	81,716	679,773	87,210
2011	406,586	-	-	42,766	88,623	155,119	693,094	90,976
2012	324,576	-	-	32,623	85,353	150,057	592,609	91,982
2013	-	286,645	34,365	35,745	82,832	148,411	587,998	89,822
2014	-	297,021	39,699	40,635	84,349	147,749	609,453	113,606
2015	-	331,147	40,022	41,403	85,057	143,209	640,838	114,896
2016	-	368,327	42,286	44,280	82,632	141,557	679,082	114,183
2017	-	410,763	44,419	46,789	81,264	140,624	723,859	115,418
2018	-	429,526	46,519	50,602	87,521	144,352	758,520	117,661
2019	-	485,337	47,182	52,315	84,937	148,683	818,454	123,556

Data Source:

FTA National Transit Database Report

Notes:

- Service hours are defined as active vehicle revenue hours per the FTA National Transit Database.
- Beginning in 2013 the FTA National Transit Database split the Directly Operated category into two new categories: Motor Bus Directly Operated and Commuter Bus Directly Operated.

Operating Information

Service Miles: Ten-Year Comparison

Year	<i>Directly Operated</i>	<i>Motor Bus Directly Operated</i>	<i>Commuter Bus Directly Operated</i>	<i>Contract Commuter</i>	<i>DART Paratransit</i>	<i>Vanpool</i>	<i>Total: Community Transit Service</i>	<i>Sound Transit</i>
2010	7,153,098	-	-	1,272,040	1,778,032	4,664,437	14,867,607	2,347,355
2011	6,433,509	-	-	1,027,925	1,598,833	4,866,450	13,926,717	2,433,091
2012	5,212,202	-	-	802,860	1,587,283	4,906,497	12,508,842	2,444,935
2013	-	4,348,641	729,406	870,208	1,560,027	4,857,847	12,366,129	2,448,842
2014	-	4,422,817	783,031	893,801	1,565,104	4,817,228	12,481,981	2,512,980
2015	-	4,953,326	789,259	894,394	1,566,883	4,711,901	12,915,763	2,510,798
2016	-	5,368,515	812,772	921,961	1,537,407	4,586,434	13,227,089	2,524,196
2017	-	5,817,556	835,800	968,627	1,514,562	4,557,911	13,694,456	2,514,666
2018	-	6,089,771	867,711	1,062,808	1,612,142	4,595,894	14,228,326	2,530,802
2019	-	6,757,561	876,755	1,109,964	1,580,703	4,712,129	15,037,112	2,558,859

Data Source:
FTA National Transit Database Report

Notes:

- Service miles are defined as active vehicle revenue miles per the FTA National Transit Database.
- Beginning in 2013 the FTA National Transit Database split the Directly Operated category into two new categories: Motor Bus Directly Operated and Commuter Bus Directly Operated.

Operating Information

Fare Structure: Ten-Year Comparison

Local Service				Commuter: South County			Commuter: North & East County			
Year	Regular	Youth	Senior/ Disabled	Regular	Youth	Senior/ Disabled	Regular	Youth	Senior/ Disabled	Paratransit Fares
Jan–May 2010	1.50	1.00	0.50	3.50	2.75	1.50	4.50	3.75	1.75	1.50
Jun–Dec 2010	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
2011	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
2012	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
Jan 2013	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
Feb–Dec 2013	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
2014	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
Jan–Jun 2015	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
July–Dec 2015	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2016	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2017	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
Jan–Sep 2018	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2019	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25

Effective October 1, 2018, Community Transit eliminated zone-based fares in accordance with a regional fare policy initiative.

Local Service				Commuter			DART
Year	Regular	Youth	Senior/ Disabled	Regular	Youth	Senior/ Disabled	Paratransit Fares
Oct–Dec 2018	2.50	1.75	1.25	4.25	3.00	2.00	2.50
2019	2.50	1.75	1.25	4.25	3.00	2.00	2.50

Effective July 1, 2019, Community Transit adopted a low income bus fare. It's only available with the ORCA LIFT card and to households that make no more than 200% of the Federal Poverty Level, as set by the Federal Department of Health and Human Services. All other fares remain the same.

Local Service				Commuter			DART
Year	Regular	Youth	ORCA LIFT & Senior/ Disabled	Regular	Youth	ORCA LIFT & Senior/ Disabled	Paratransit Fares
Jul–Dec 2019	2.50	1.75	1.25	4.25	3.00	2.00	2.50

Operating Information

Miscellaneous Operational Data: December 31, 2019

General Information

Date of Incorporation	1976
Form of Government	Public Transportation Benefit Area Corporation (PTBA)
Began Operation	October 4, 1976
Number of Board of Directors	10—nine voting and one nonvoting
Type of Tax Support	Local sales tax 1.2 percent
County in Which PTBA Operates	Snohomish County
Population - County	816,720
Population of PTBA	598,002
Park-and-Ride Lots	19

Employees

Operations	535
Maintenance	122
General and Administrative	174
Total	831

Active Revenue Vehicles

Directly Operated	127
Commuter Service	91
Vanpool Vans	477
Contract Commuter	85
DART/Paratransit	51
Total	831

Number of Scheduled Routes

<i>Swift</i> Bus Rapid Transit Routes	2
Local Snohomish County Routes	23
Boeing Commuter Routes	3
University of Washington Routes	6
Intercounty Commuter Routes	13
Total	47

Operating Information

Capital Assets—Active Revenue Vehicles

Ten-Year Comparison

Year	<i>Directly Operated</i>	<i>Motor Bus Directly Operated</i>	<i>Commuter Bus Directly Operated</i>	<i>Contract Commuter</i>	<i>DART Paratransit</i>	<i>Vanpool</i>	<i>Total: Community Transit Service</i>
2010	178	-	-	88	53	396	715
2011	174	-	-	65	54	396	689
2012	159	-	-	65	54	395	673
2013	-	97	63	65	54	414	693
2014	-	99	63	65	54	412	693
2015	-	124	70	73	52	408	727
2016	-	121	69	73	52	432	747
2017	-	109	91	83	52	437	772
2018	-	111	91	84	52	469	807
2019	-	127	91	85	51	477	831

Data Source:
FTA National Transit Database Report

Note:

- Beginning in 2013 the FTA National Transit Database split the Directly Operated category into two new categories: Motor Bus Directly Operated and Commuter Bus Directly Operated.

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OUR ► VISION

Travel made easy for all.

► MISSION

We help people get from where they are to where they want to be.

► CORE VALUES

Accountability

We hold ourselves and each other accountable and we encourage and support each other when needed.

Equity & Inclusion

We align our policies, practices and resources so everyone has genuine opportunities to fully participate and thrive.

Initiative

We consistently look for opportunities to go beyond the status quo and are committed to ongoing learning and development.

Integrity

We believe in always doing the right thing for the right reasons and being honest with each other so that we may continue to build and maintain trust.

Mutual Respect

We respect, value and celebrate each other and our customers as unique individuals with equal worth.

Service-Focused

All that we do is in service to our community, our customers and each other.

Teamwork

We believe in the power of collaboration to harness the true potential of our collective team.