

2020 Annual Financial Report



Year Ended December 31, 2020
Community Transit
Snohomish County, Washington
communitytransit.org

2020 BOARD OF DIRECTORS

Board Chair - *Jon Nehring*
Board Vice Chair - *Kim Daughtry*
Board Secretary - *Joe Marine*
Board Member - *Tom Merrill*
Board Member - *Nate Nehring*
Board Member - *Lance Norton*
Board Member - *Sid Roberts*
Board Member - *Jan Schuette*
Board Member - *Nicola Smith*
Board Member - *Stephanie Wright*

BOARD ALTERNATES

Board Alternate - *Mike Gallagher*
Board Alternate - *Laura Johnson*
Board Alternate - *James McNeal*
Board Alternate - *Jared Mead*
Board Alternate - *Kyoko Matsumoto Wright*

2020 EXECUTIVE TEAM

CEO

Chief Executive Officer - *Emmett Heath*

DIRECTORS

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



Annual Financial Report

For the Year Ended December 31, 2020

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

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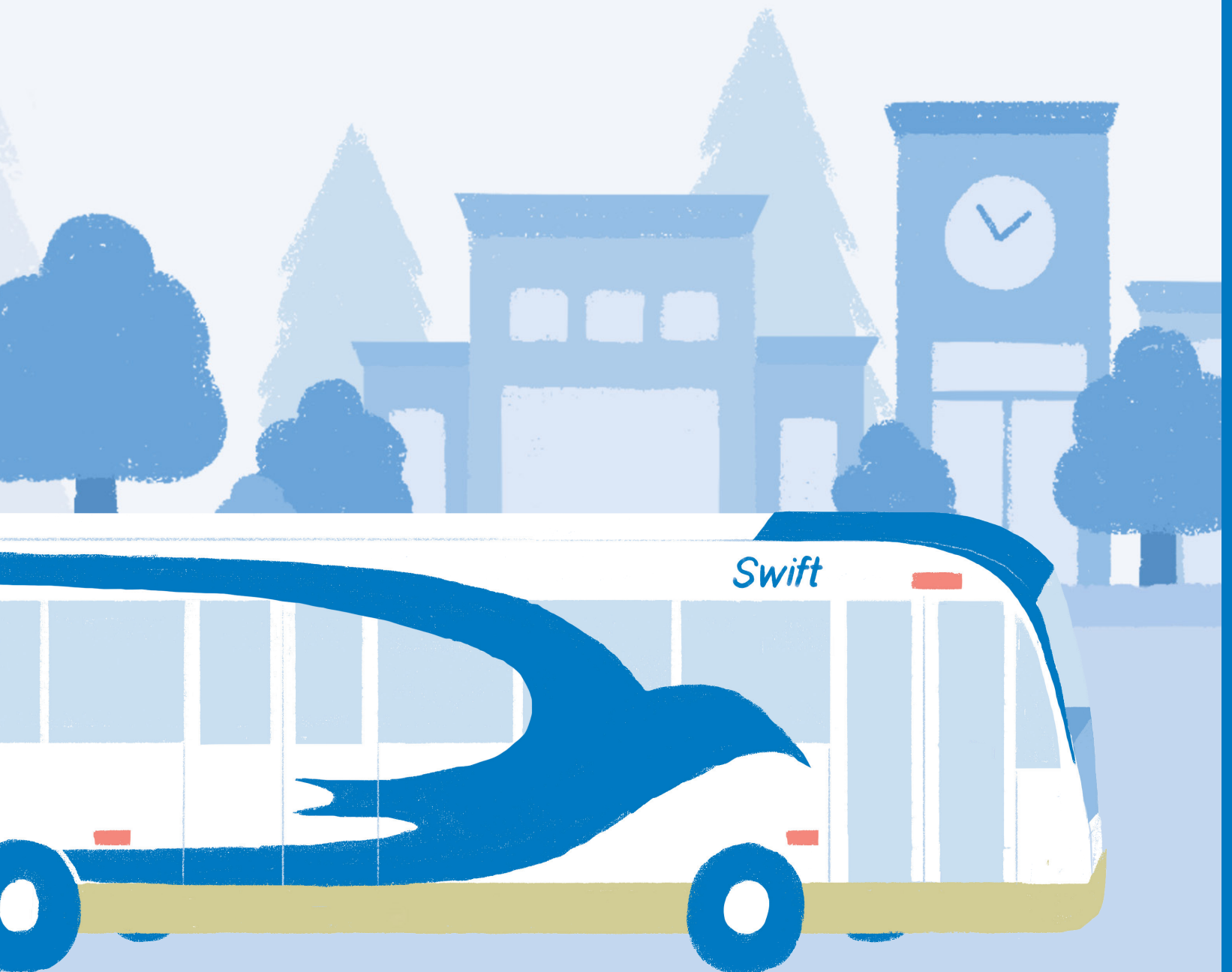
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Introductory Section



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Board of Directors

June 29, 2021

Snohomish County Public Transportation
Benefit Area Corporation
Snohomish County, Washington

Subject: 2020 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) annual financial report for the year ended December 31, 2020. The 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, 2020. The independent auditor's report is located at the front of the Financial Section of this report.

In March 2020, the World Health Organization declared COVID-19 a pandemic and Governor Jay Inslee issued his "Stay Home, Stay Healthy" order. The governor's proclamation banned all social gatherings, closed all but essential businesses, and required Washington State residents to stay home unless they needed to pursue an essential activity. In response, Community Transit immediately implemented a series of safety measures to protect customers, employees, and their families. This included establishing social distancing on buses and in all our facilities, increasing cleaning protocols on buses and in our facilities, providing premium pay to front-line employees, requiring employees who were able to work remotely to do so, and distributing personal protective equipment for all employees.

The initial lockdown and phased recovery seriously impacted transit. Ridership dropped by 49 percent overall, and service hours were decreased by 26 percent. To ensure social distancing, payment of fares was temporarily suspended so that riders could enter from middle or rear doors of the bus. The reduction in ridership and the fare suspension decreased fare revenue by 60 percent. Community Transit acted swiftly to control operating costs, defer capital projects, and take advantage of available reserve funds. These reductions were offset by unplanned COVID-19-related costs, resulting in a 4.5 percent reduction in operating expenses.

The 2020 key performance indicators reported in this letter reflect the extraordinary impacts of COVID-19. The pandemic has been an anomaly, and as we recover from it, our research suggests that riders will return, and our performance indicators will improve to more normal levels.

Community Transit did not miss a single day of service, despite all the restrictions and unknowns associated with the pandemic. This was due to the efforts of our dedicated employees and the agency's response to this unprecedented event.

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 over 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 from 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 2020, Mayor Jon Nehring from the City of Marysville served as Chair, Council Member Kim Daughtry from the City of Lake Stevens served as Vice-Chair, and Councilmember Joe Marine from the City of Mukilteo served as Secretary.

Community Transit's Chief Executive Officer (CEO) is responsible for overall administration of the agency as directed through policy guidance issued by the Board of Directors. Effective December 26, 2020, CEO Emmett Heath retired after 40 years of public service, 16 at Community Transit. Ric Ilgenfritz succeeded Emmett Heath as the agency's CEO effective January 11, 2021.

The agency's principal officers in 2020 were Chief Operations Officer (Steve Kim), Director of Administration (Geri Beardsley), Director of Communications and Public Affairs (Mary Beth Lowell), Director of Customer Experience (Molly Marsicek), Director of Employee Engagement (Cesar Portillo), Director of Maintenance (Dave Richards), Director of Planning and Development (Roland Behee), and Chief Technology Officer (Tim Chrobuck).

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 that 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.

In response to the COVID-19 pandemic, all services continued to be offered but at reduced frequencies. Weekday service was reduced by 25 percent on March 30, 2020. On April 21, 17 trips were restored. By July 6 service was restored to 78 percent of prepandemic levels. In September, 23 weekday commuter trips were restored. And as of June 2021, fixed-route service is operating at 85 percent of prepandemic levels.

Ridership

As reported in the Federal Transit Administration's (FTA) National Transit Database Report, Community Transit provided 5.7 million passenger trips in 2020 on bus, DART paratransit, and vanpool services. Overall ridership decreased by 49 percent from 11.1 million in 2019. Bus boardings decreased by 47 percent from 10.1 million to 5.3 million. Vanpool boardings decreased by 63 percent from 824,000 in 2019 down to 302,000 in 2020. Transit demand (DART) boardings decreased 64 percent from 191,000 in 2019 down to 69,000 in 2020.

Weekday bus ridership averaged 17,300 boardings (a 51 percent decrease from 35,500 boardings in 2019). Saturday ridership decreased by 27 percent (an average of 9,300 boardings in 2020 compared to 12,700 boardings in 2019), and Sunday ridership decreased by 19 percent (7,000 boardings in 2020 down from 8,700 boardings in 2019). The statistical section of this report contains additional detailed operating information about 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 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

Along with families, businesses, and state, county, and city governments throughout the communities we serve, Community Transit's priority in 2020 was to contribute to the effort to keep our employees and our customers safe and healthy.

COVID-19 Response

- Buses and base facilities were disinfected daily, seats in buses were cordoned off to encourage six-foot distancing, and face coverings were provided to riders when needed.
- Service levels were adjusted to respond to ridership and coach operator availability.
- Fare collection was temporarily suspended to allow for middle and rear-entry coach boarding to accommodate physical distancing between coach operators and riders.
- Employees who could do so were required to work from home, and small reimbursements were provided so employees working from home could purchase a second computer monitor or an ergonomic desk chair.
- Involuntary employee separations were mitigated through use of voluntary furloughs, voluntary separations, and other options.
- A special COVID-19 leave benefit program was provided for employees, as well as support in accessing various state and federal COVID-19 specific benefits. Premium pay was implemented for essential front-line employees.
- Personal protective equipment (PPE) was provided to employees who required it to safely perform essential job functions and face coverings were provided to all employees, including those authorized to work from home.
- Regular communications were provided to all employees and customers to keep them informed about what Community Transit was doing to keep them safe. For those employees who were exposed to COVID-19, employee tracing was immediately implemented in accordance with public health guidance.

Service:

- In 2020, we provided 504,000 hours of bus service, 36,000 hours of demand response service, and 65,000 hours of vanpool service. Community Transit did not miss a single day of service during the pandemic.

- Implemented a self-exchange maintenance program for [Vanpool service](#) that allowed customers to bring in vans for service and pick up loaner vans without having to meet with a Vanpool Specialist. This program has been especially important during COVID-19 as it allows for a contactless service experience for our customers and employees.

Service Planning:

- Secured environmental approval from the Federal Transit Administration (FTA) for the *Swift* Orange Line, and completed the scoping study and phasing plan for *Swift* Blue Line expansion.
- Concluded network design and public process for restructure of certain Community Transit bus routes to connect with Sound Transit Northgate Link light rail in 2021. This will give riders a five-minute Link ride to the University District and a 14-minute Link ride to downtown Seattle.
- Per the request of the City of Everett, provided data and information to support the city's [Rethink Transit study](#), an evaluation of the options for funding and designing Everett Transit service in the future. One of three alternatives being studied is to submit a ballot measure to Everett voters to join the Community Transit Public Transportation Benefit District (PTBA).
- Released a new [BusFinder 2.0](#) web application which features real-time data, integrated rider alerts, and the ability for customers to see their bus on a map with live traffic information.

Fleet:

- Ordered the first alternative fuel vehicles for the Vanpool fleet: five plug-in electric hybrid seven-passenger vans. This marks the program's continued progress toward alternative fuel vehicles and further electrification for the fleet.

Facilities:

- Continued work on our base expansion plan to effectively support evolving needs of the agency, most notably, the pressing need for additional bus maintenance bays. The plan includes modernization and expansion of our operations, maintenance, and office spaces.
- Began construction at the Kasch Park Casino Road building, and began design of the Merrill Creek Operations Base (MCOB) building and the MCOB Operations maintenance and body shops.

Finance:

- Earned the 25th consecutive clean audit from the Washington State Auditor's Office and 31st consecutive Government Finance Officers Association Certificate of Achievement for Excellence in Reporting for the 2019 annual financial report.
- Earned the agency's second Government Finance Officers Association Certificate of Achievement for Excellence in Budgeting for the 2020 Annual Budget.
- Earned the Washington State Transit Insurance Pool (WSTIP) Safety Star Award (Large Agency Category) for the third consecutive year and fourth time in the past five years. The annual award recognizes WSTIP agency members that maintain impressive and stable safety records. Winners of this award are defined as consistently good performers in terms of preventing or reducing personal injury and property damage and the resulting auto liability claims cost.

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 performance indicators in two categories: Customer Satisfaction/Ridership Growth and Good Stewards of Public Funds. The charts that follow show trends for each performance indicator based on data for ten years. These charts exclude Sound Transit service, since Community Transit operates that service on a contract basis.

The COVID-19 pandemic had significant negative impacts on ridership, service hours, and fare revenue. At the same time, there were unanticipated expenses for substantially increased cleaning, personal protective equipment, employee leave benefits, and premium pay for front-line employees. While cost containment was put in place, the additional costs and other operational factors associated with the pandemic minimized the reduction in expenses. Ridership, service hours, fare revenue, and operating expense affect every performance indicator, and as one would expect, the statistics for 2020 are an anomaly when compared to a normal year. We expect these key performance indicators to return to more usual trends as we recover from the pandemic impacts in 2021 and 2022.

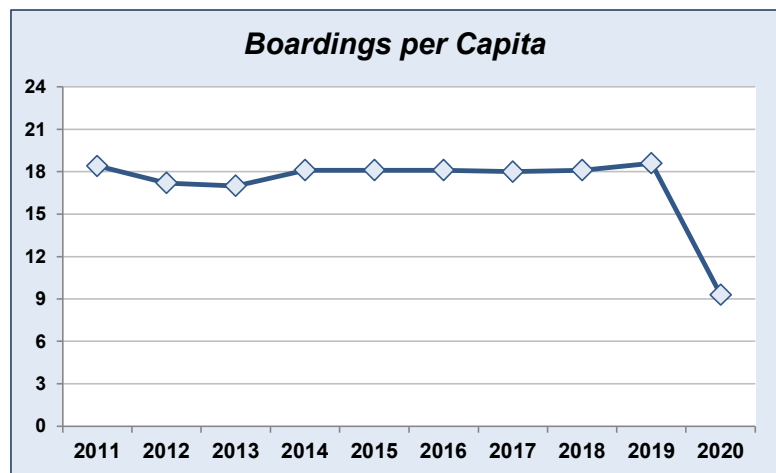
Customer Satisfaction and Ridership Growth

Boardings per Capita

Between 2019 and 2020, the population within Community Transit's public transportation benefit area (PTBA) grew by about 1.6 percent, which is close to the 1.7 percent 10-year average population growth rate in the PTBA.

From 2014 through 2018, the system boardings per capita rate of 18.1 remained stable. It increased to 18.6 in 2019, suggesting that as population in the PTBA grows, ridership follows.

Due to the COVID-19 pandemic, 2020 ridership declined by 49 percent which caused the system boardings per capita rate to fall to 9.3, half of the 2019 rate. Although bus ridership is returning, it is difficult to predict when all service modes will reach prepandemic levels.



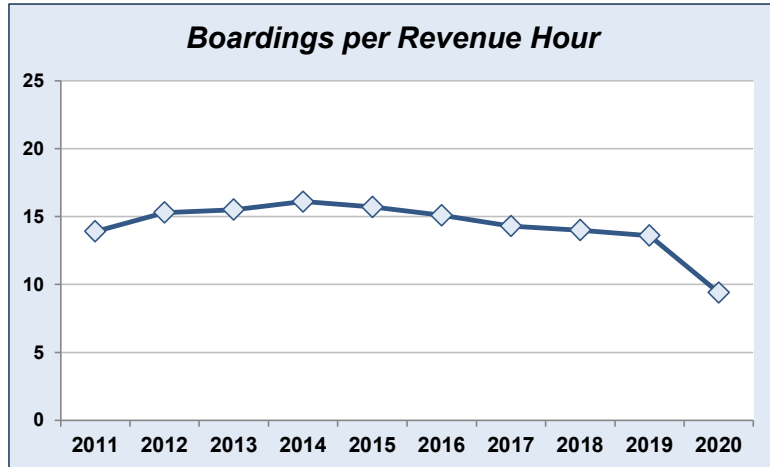
Measures how effectively Community Transit attracts increased ridership in proportion to the population.

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. Before the pandemic, the 10-year average across all modes was 14.8 boardings per revenue hour. Because of restrictions imposed by Washington State, significantly fewer people used transit service in 2020, and 2020 boardings per revenue hour decreased by 31 percent, from 13.6 in 2019 to 9.4 in 2020. Bus only boardings per revenue hour

averaged 20 boardings per revenue hour over the previous 10 years, and were down by 39 percent from 17.2 in 2019 to 10.5 in 2020. In 2020, Community Transit operated 213,000 fewer revenue hours across all modes than in 2019, a decrease of 26 percent.

From 2014 through 2019 Community Transit added 230,000 revenue hours across all modes. Of those 209,000 revenue hours, 228,000 were for bus only service, an average addition of 38,000 bus only revenue hours each year.

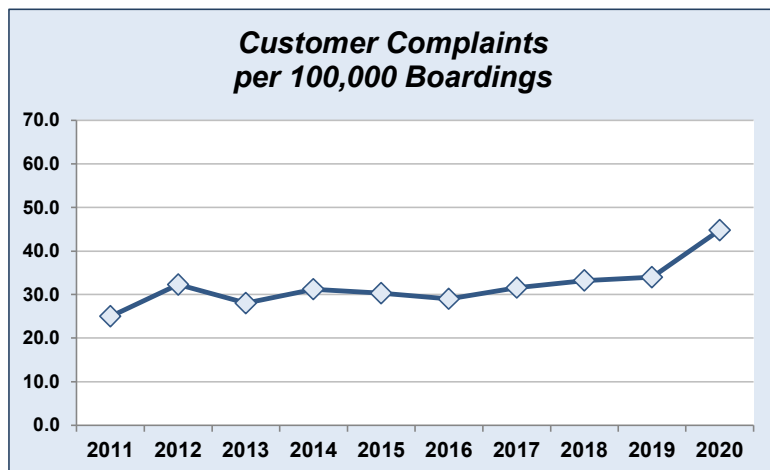


Measures use of the service Community Transit operates based on the number of passenger boardings per hour.

In 2020, Community Transit operated 504,000 hours of bus only service, down from 585,000 bus only hours in 2019. System ridership was significantly impacted by the COVID-19 pandemic. Ridership declines began during the first week of March 2020 and plunged to 30 percent of pre-pandemic levels by the end of March 2020. Weekday service (including commuter service) was reduced due to declining demand.

Customer Comment Charts

Customer comments include commendations for our coach operators and other employees, complaints, requests for additional service, suggestions for changes in existing service, requests for bus stops to be added or removed, and the like. In 2019 Community Transit completed implementation of a software system intended to capture all customer comments, a capability not available in prior years. The new system collected a total of 22,800 customer comments, 354.2 per 100,000 boardings. Approximately 13 percent were complaints and 1 percent were commendations. In the charts that follow, data for customer complaints and commendations prior to 2019 were recorded manually. Statistics for 2019 reflect a combination of manual capture and automated capture from the new software system. Statistics for 2020 are entirely from the new software system.



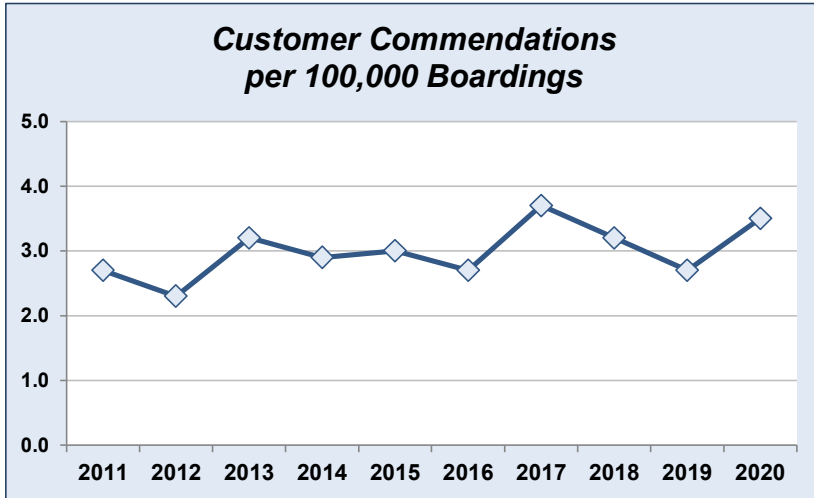
Considered an indicator of customer interest in, concern about, or satisfaction with Community Transit services.

Customer Complaints

Customer complaints run a gamut from scheduling concerns, to frequency of stops, to behavior of other riders on a bus. During the first week of June 2020, daily demonstrations in Seattle disrupted commuter service.

To comply with health and safety requirements due to the pandemic, seating was cordoned off to encourage six-foot distancing, and customers were required to wear masks on all buses. Face coverings were provided as needed.

Customer complaints increased by 32 percent from 34.0 complaints per 100,000 boardings in 2019 to 44.8 complaints per 100,000 boardings in 2020. Over 250 complaints were received regarding mask requirements, social distancing, and route reductions. The largest number of complaints received were about buses coming too early or too late. Over the 10-year period of 2011 to 2020 inclusive, the agency received an average of 31.9 complaints per 100,000 boardings per year.

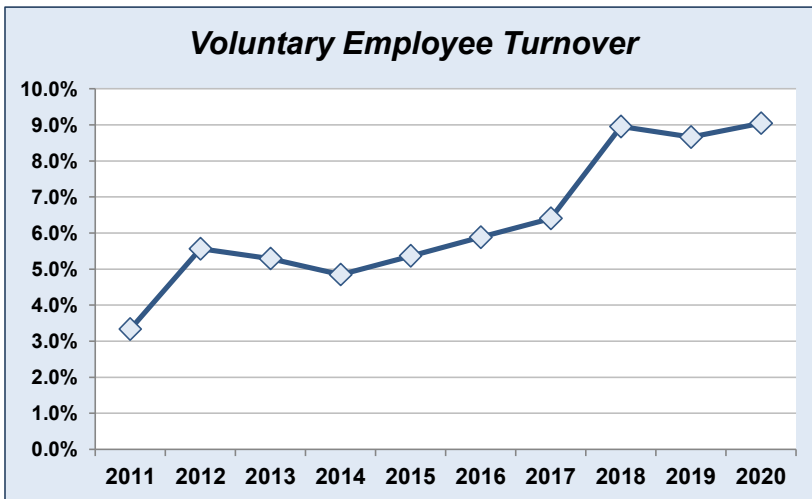


Considered an indicator of customer satisfaction with Community Transit services.

Customer Commendations

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 2020 Community Transit received 3.5 commendations per 100,000 boardings, as compared to 2.7 per 100,000 boardings in 2019. Over the 10-year period of 2011 to 2020 inclusive, the agency received an average of 3.0 commendations per 100,000 boardings per year.



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 2020, the same as 2019. Voluntary employee turnover statistics do not include employees laid off because service was reduced due to the COVID-19 pandemic. At the time this report was

prepared, all employees laid off due to the pandemic have been offered a recall to their former positions.

Good Stewards of Public Funds

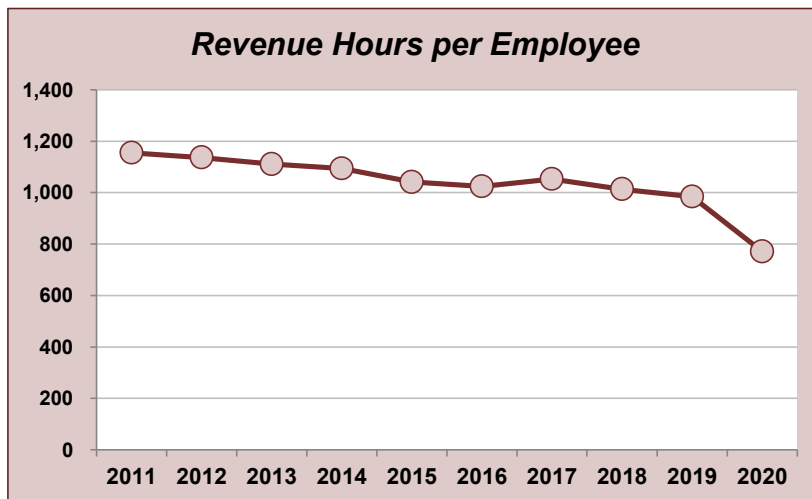
Cost performance indicators are influenced by factors such as changes in the number of revenue hours (service hours) the agency operates, changes in the cost of operating the services provided, and changes in fare revenue.

Service Changes: Community Transit was in a growth mode when the COVID-19 pandemic hit. Between January 1, 2016, and December 31, 2019, Community Transit added 178,000 hours of new service, and 172,000 of those hours were for bus service. In response to the COVID-19 pandemic, Community Transit deferred service increases, and instead reduced service across all modes by 213,000 hours, but by only 80,600 hours in bus modes.

Operating Expenses: Adding service increases operating expense, often in advance of the actual service increase, but reducing service does not equate to a proportionate reduction in expenses. During the growth period of 2014 through 2019, total operating expenses increased by an average of 8.7 percent a year while total revenue hours increased by an average of 5.7 percent. In the adopted 2020 (prepandemic) budget, operating expenses were projected to increase in line with prior growth periods. However, very early in the pandemic, Community Transit deferred service increases and controlled costs in other ways. These reductions were offset by unplanned COVID-19 related costs, resulting in 2020 total operating expenses decreasing by 4.5 percent (compared to revenue hours decreasing by 26.0 percent).

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 March 20, 2020, Community Transit suspended fare collection on all bus and demand response services. Fare collection resumed June 1 on *Swift* routes and July 1 on all other routes.

Revenue Hours per Employee



Revenue hours divided by year-end employee count.

Revenue Hours per Employee measures how much service Community Transit operates per employee and is one indicator of workforce labor efficiency.

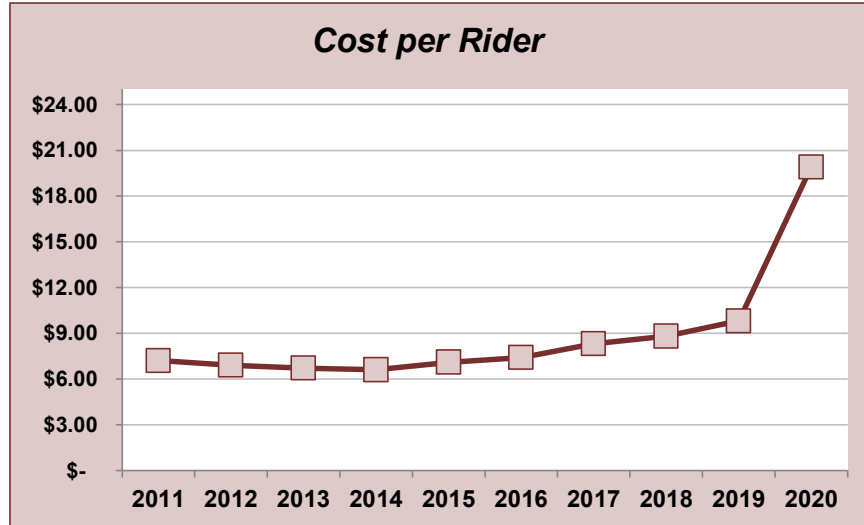
Revenue hours per employee increase when the number of employees increases at a slower rate than the rate of change in revenue hours. Revenue hours per employee decrease when the number of employees increases at a greater rate than the rate of change in revenue hours or the number of employees stays the same while revenue hours decrease. The 22 percent decline between 2019 and

2020 results from the reduction in revenue hours due to the pandemic. Community Transit made a policy decision to retain as many employees as possible during the pandemic, but eliminated over 50 positions, and either froze or delayed hiring for other positions.

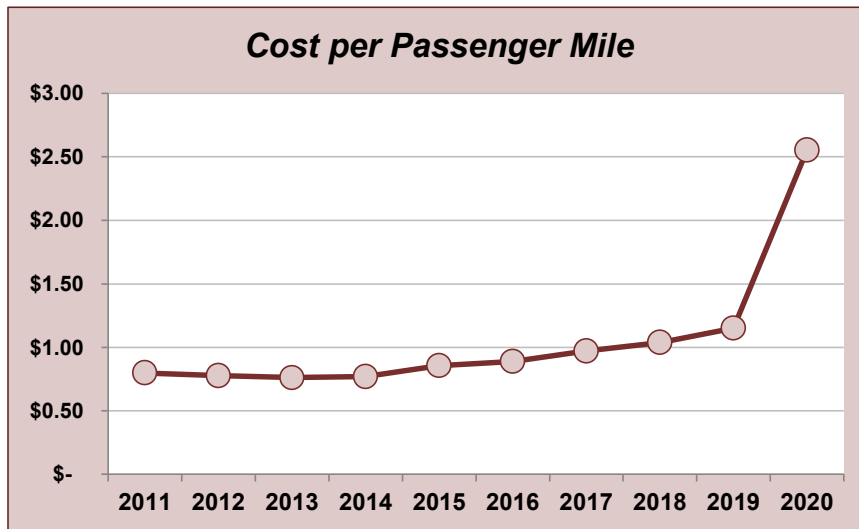
Cost per Rider measures the net cost after fare payment for delivery of one passenger trip. This statistic reflects the average cost across all service modes—local bus, commuter bus, demand response, and vanpool. It is an indicator of cost efficiency.

Between 2011 and 2019, the average cost per rider was \$7.62. During the pandemic, the cost per rider rose to \$19.89, a pandemic related anomaly

which we anticipated. Ridership declined precipitously in March 2020 as Governor Jay Inslee ordered a statewide, two-week, stay-at-home order to combat the pandemic. Fares were suspended between March and July of 2020. Many employers, including Community Transit, began work-from-home programs for employees whose work could be completed remotely. These factors reduced the number of riders who used our services in 2020, and that caused the 2020 cost per rider to spike.



Operating expense less fare revenue divided by total ridership (boardings).



Operating cost divided by passenger miles.

Cost per Passenger Mile measures the cost of operations to carry one passenger for one mile. Like cost per rider, this cost is across all service modes. Beginning in March 2020, weekday service was reduced 30 percent. In July service was restored to 78 percent of pre-pandemic levels, and in September commuter trips to Seattle were restored.

However, the same factors that impacted cost per rider also affected cost per passenger mile. Community Transit’s longest routes are commuter routes into Seattle and the University district. Service was reduced on these

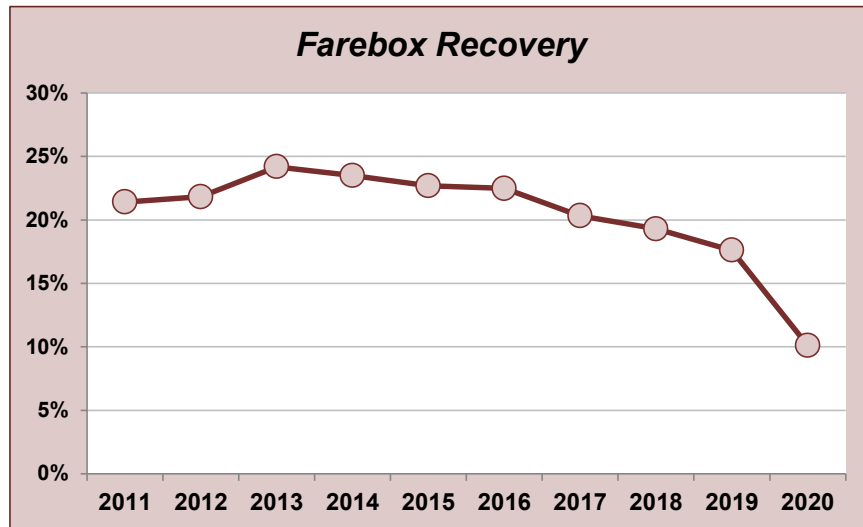
routes because demand declined due to the pandemic. With fewer miles to absorb operating expense, the cost per passenger mile increased.

Farebox Recovery

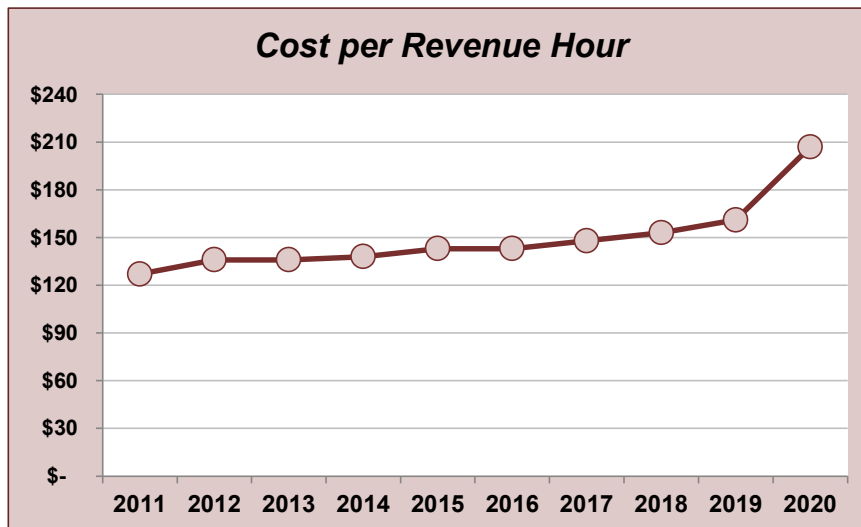
measures the proportion of operating costs paid for by passenger fare revenue. The 2020 fare recovery rate was 10 percent. Suspension of fare collection between March and July contributed to the sharp decrease in the farebox recovery rate as did the significant drop in ridership.

The 2014 to 2019 growth period shows a trend of declining fare recovery.

During periods of service growth, fare recovery does not always keep pace because it takes time for new service to mature and attract ridership. The 2019 fare recovery rate was also affected by a policy change to offer low income fares.



Fares divided by operating cost.



Operating cost divided by revenue hours.

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 cost per revenue hour increased by 29.0 percent from \$161 in 2019 to \$207 in 2020. This cost per revenue hour includes all service modes.

Due to the pandemic, Community Transit operated 26 percent fewer revenue hours in 2020. However, operating expense did not decrease substantially because the agency's fixed expenses did not substantially change. Maintenance expense for

facilities and coaches increased because of additional COVID cleaning protocols necessary to ensure passenger and employee safety.

Economic Condition and Future Outlook

Local Economy—Snohomish County

Employment¹

Snohomish County is the third most populous county in the state, with an estimated population of 830,000 in 2020. Over the past ten years, the county's population has grown an average of 1.5 percent per year. Snohomish County is home to over 20,100 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 about 411,000 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, Snohomish County government, the Tulalip Tribes Enterprises, and Naval Station Everett 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. The State of Washington Department of Revenue distributes sales tax revenues two months after the month in which the sale took place. Sale tax revenues received for January through April of 2020 (reflecting sales made in November 2019 through February 2020) were greater than 2019 sales tax revenues for the same period. However, after the COVID lock down began in March 2020, sales tax revenue for May and June of 2020 (reflecting sales made in March and April 2020) dropped by 20 percent and 10 percent, respectively as compared to the same months in 2019. However, from July through the end of 2020 sales tax revenues exceeded revenues for the same period of 2019. By year end 2020, sales tax revenues recorded on a cash basis exceeded 2019's collections by \$3.3 million (2 percent).

Sales tax revenue budgets for 2021 were prepared before August 2020 and used a conservative approach that assumed sales tax revenues would continue to decline and not rebound in the short term. Please see Note 12 in the accompanying Notes to the Financial Statements for more information about how Community Transit coped with the financial uncertainty related to the COVID-19 pandemic.

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 March 2021 forecast which considers the effect of the COVID-19 pandemic.

¹ This data in this section is available at the [Economic Alliance Snohomish County](#) website.

Washington State Economic Indicators	2020	2021	2022	2023	2024	2025
Unemployment	8.4%	5.5%	4.7%	4.3%	4.3%	4.4%
Percent Change in Real Per Capita Income	4.0%	1.6%	-1.4%	2.1%	2.3%	2.0%
Percent Change in Personal Income	5.2%	2.4%	-0.5%	3.2%	3.4%	3.2%

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, facilities, and operations. Federal funding such as FTA Urbanized Area 5307, FTA State of Good Repair 5337, and the FTA 5339 Bus and Bus Facilities programs are significant grant sources that provide crucial formula funds. Community Transit has also received supplemental funding through various programs enacted by the federal government for COVID-19 relief. To learn more about grants that Community Transit has received or anticipates receiving, please see Note 10.

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 5, 2020, for the period 2020 through 2025 and is available at [Six-Year Transit Development Plan, 2020-2025](#).

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 follow.

Ensure a Safe and Healthy Environment for Customers and Employees

We are continuing to implement COVID-19 safety measures such as masks, extra cleaning and disinfection of all offices, facilities, and vehicles. We will monitor state and local guidance to ensure we continue to follow appropriate protocols.

Continue Re-engaging Customers

We will continue working to ensure that former riders feel comfortable returning to our services, and we will also encourage new customers to begin using our services. Data from our community “pulse” surveys indicate that customers will come back and use our services when they understand the safety measures in place, and as workplaces and schools reopen.

The pandemic has impacted Community Transit’s ridership, and the agency has adapted to respond to current needs and planning for the future. During the pandemic, 35 percent of our riders relied on *Swift* bus rapid transit service. Our *Swift* network is an essential service for many in our communities, providing critical access to local

and regional destinations including businesses, services, and schools. As we move out of the pandemic, and as our region continues to grow and light rail moves north, the need for our bus rapid transit network will also grow.

Provide Equitable Access to Public Transit Across Our Service Area

We will focus on providing equitable access to our services by expanding our public engagement and customer research programs, including employing an on-board survey to support federal Title VI and system planning requirements, as well as implementing several real-time “pulse” surveys to understand current barriers to transit for both riders and nonriders. Data from these programs will inform us about the impact of the COVID-19 pandemic as well as other established barriers people face in using our services.

Expand Service and Innovate With New and Alternative Service Options

The travel needs of our communities were already changing before the pandemic, with increasing growth, development, and traffic, as well as emergence of new technology and mobility options. Although the long-term impacts of COVID-19 on commuters are unknown, we see traffic patterns already returning to higher volumes, and while the road network remains constrained, we continue to offer and research a variety of travel and mode options.

Innovative public transportation services and delivery strategies may meet mobility needs more effectively than regular bus service does in areas not well-suited to support fixed-route transit, or where demand for travel innovation is unmet by traditional service. Research and development is underway for new and flexible transportation options that will connect communities in new ways, providing services that will both integrate with and provide alternatives to bus, bus rapid transit, commuter rail, and light rail.

We will work with communities to understand local needs and pilot programs that offer alternatives to fixed-route services. This may mean providing better-performing connections to, from, and between city centers, to serve rural communities and to seed new routes that would serve emerging markets.

Connect With Link Light Rail

Access to Sound Transit’s Link light rail is an important agency priority, and connecting our communities with improved regional access to jobs, services and schools is essential. In October 2021 we will start by routing some commuter buses to Northgate Station, which will shorten commute times into the University District and provide more options to downtown Seattle travel.

In addition, as we look forward to Link light rail arriving in Snohomish County in 2024, we are planning for the major service changes it will entail, and we are evaluating future fleet and staff requirements accordingly.



Continue To Serve and Evolve As an Employer of Choice

Our goal is to provide a safe, welcoming, and engaging work environment for all our employees.

Employees are Community Transit's most valuable resource. Every day, hundreds of dedicated people work hard to serve customers and our community in a variety of ways, such as operating vehicles, maintaining engines, cleaning park and rides, helping customers plan their journey, alerting riders to changing conditions, assisting drivers with real time information, providing for safety and security, purchasing new equipment, and planning and designing new services. Community Transit is known as an *employer of choice* in the region, providing a great working environment and placing a high value on employee satisfaction. In 2021, substantial effort has been placed on keeping employees safe, supporting remote work, and transitioning to a safe return-to-base plan. We implemented workforce health and safety measures such as health checks, mask and social distancing requirements, and more flexible COVID-related leave policies.

Special consideration is also given to our Diversity, Equity, and Inclusion (DEI) program, engaging leadership and employees in updating our DEI goals and implementing a strategic approach to achieving them. Continuing to invest in a high-quality employee experience will be vital to delivering service and operational excellence as the agency expands.

Complete Base Expansion and Renovation Projects

Modernizing and expanding our base facilities is required for ongoing expansion of service and the larger fleet and workforce that will operate and support it. We are strategically planning for the unprecedented one-time federal funding which creates the opportunity for major investments in four key areas: service improvements, strengthened financial reserves, innovation, and an expanded capital program. Our Facilities Master Plan outlines six phases of investments in improving and expanding our base and customer-facing facilities.

Strengthen Our Commitment to Environmental Stewardship and Innovation

Part of our commitment to environmental stewardship involves a fleet plan that will transition to zero emission technologies. In the next couple of years, we are conducting a feasibility study in that regard, and plan to allocate capital funds in the next few years to start implementing the study's recommendations.

Update our Long-Range Plan

Community Transit adopted its current long-range plan in 2011, articulating a 20-year vision for transit in Snohomish County. The plan has provided a valuable framework for integration of transit, land use, and infrastructure planning around transit emphasis corridors, and has been a policy roadmap guiding Community Transit service decisions and influencing planning by local and regional partner agencies. Its success and the significant changes in service and funding since 2011 have resulted in a need to update the plan to a 2050 horizon year, in alignment with Puget Sound Regional Council's Vision 2050, so that it continues to be a valuable guide to the development of the multimodal transportation network in Snohomish County and within the Puget Sound region.

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 annual financial report for the fiscal year ended December 31, 2019. This was the 31st 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 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 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 2019, the agency had completed their 25th 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 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, 2020

<u>Name</u>	<u>Title</u>	<u>Expiration of Term</u>
Jon Nehring, Chair	Mayor, City of Marysville	2/22
Kim Daughtry, Vice-Chair	Council Member, City of Lake Stevens	2/22
Joe Marine, Secretary	Council Member, City of Mukilteo	2/22
Tom Merrill	Council Member, City of Snohomish	2/22
Nate Nehring	Council Member, Snohomish County	2/21
Lance Norton	Labor Representative	N/A
Sid Roberts	Council Member, City of Stanwood	2/22
Jan Schuette	Council Member, City of Arlington	2/22
Nicola Smith	Mayor, City of Lynnwood	2/22
Stephanie Wright	Council Member, Snohomish County	2/22

Chief Executive Officer

Emmett Heath

Director of Customer Experience

Molly Marsicek

Chief Operations Officer

Stephen Kim

Director of Employee Engagement

Cesar Portillo

Chief Technology Officer

Tim Chrobuck

Director of Maintenance

Dave Richards

Director of Administration

Geri Beardsley

Director of Planning & Development

Roland Behee

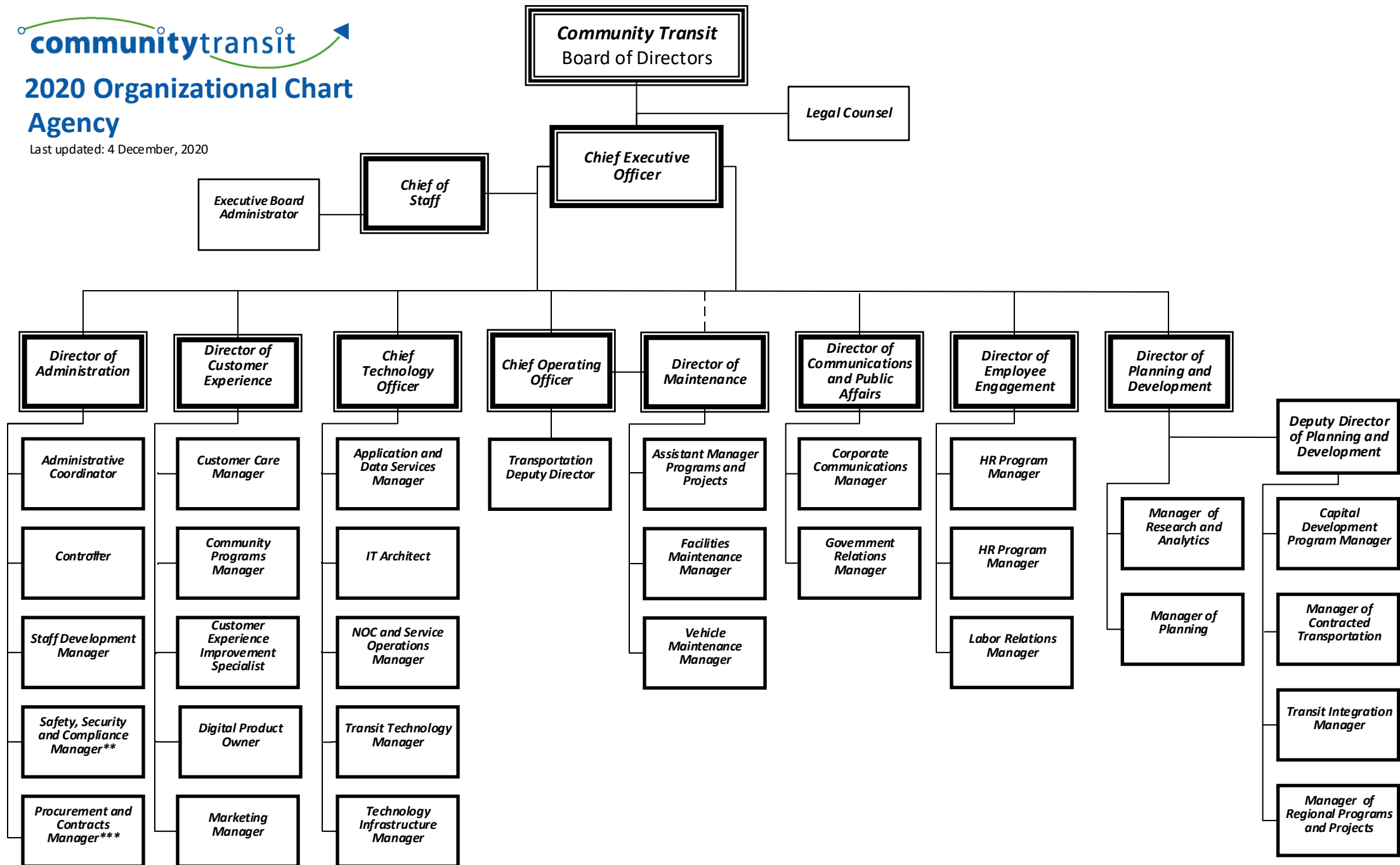
Director of Communications and Public Affairs

Mary Beth Lowell



2020 Organizational Chart Agency

Last updated: 4 December, 2020



* Pursuant to Resolution No. 04-06, the Employee Engagement Manager reports to the CEO on EEO matters.
 ** In accordance with FTA recommendations, the Safety, Security & Compliance Manager (for safety matters) has direct access to the CEO.
 *** Pursuant to Resolution No. 08-10, the Procurement & Contracts Manager reports to the CEO on DBE matters.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Community Transit
Washington**

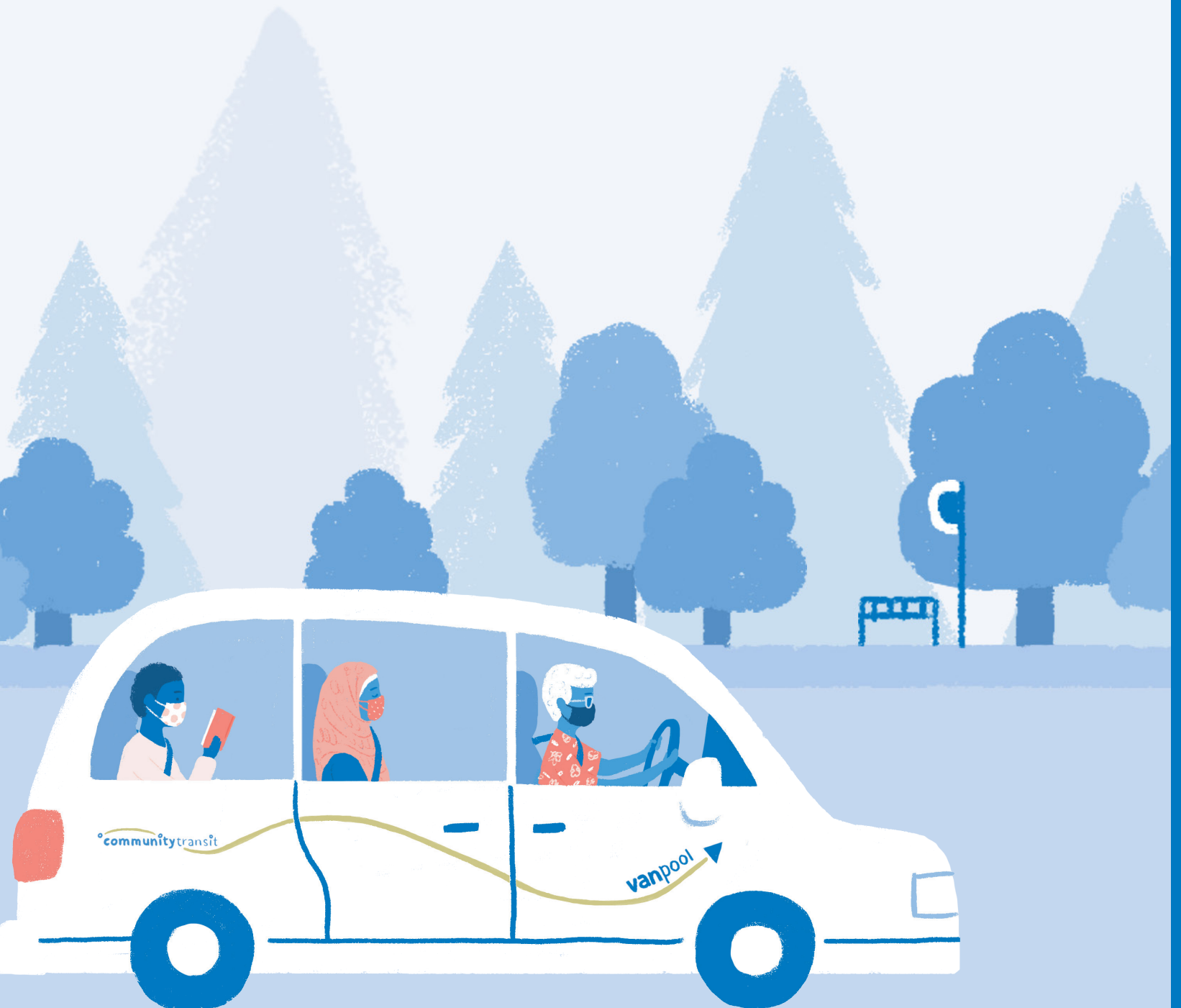
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
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, 2020, 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, 2020, 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 12 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect impact on the Transit is unknown. 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 12, 2021, 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

July 12, 2021

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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, 2020. 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, 2020, Community Transit's net position totaled \$558.8 million. Of this amount, \$302.4 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 \$69.4 million.
- Capital grants and contributions amounted to \$14.3 million.
- Community Transit's primary source of funding is from local sales taxes. In 2020, sales tax revenue increased by \$31.2 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 2020. Net investment in capital assets increased by \$7.6 million, restricted net position decreased by \$1.9 million, and unrestricted net position increased by \$63.6 million. This resulted in an increase in total net position of \$69.4 million.

Current assets net of current liabilities amounted to \$235.3 million for the year ended December 31, 2020, as compared to \$195.7 million for 2019.

Sales tax revenues increased by 20.3 percent for 2020 as compared to 2019. In 2020, sales tax continued to increase despite the COVID-19 pandemic.

Cash reserves available to meet current and future obligations increased to \$212.0 million in 2020 from \$157.8 million in 2019. As of December 31, 2020, Community Transit had \$9.3 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, 2020, Community Transit's net position totaled \$558.8 million. A summary of Community Transit's net position follows.

Summary Statement of Net Position

	2020	2019
Assets:		
Current and Other Noncurrent Assets	\$ 358,277,586	\$ 299,851,279
Capital Assets	265,618,459	259,266,328
Total Assets	623,896,045	559,117,607
 Deferred Outflows of Resources:		
	11,862,601	11,220,836
 Liabilities:		
Current and Other Liabilities	23,168,919	22,120,410
Noncurrent Liabilities	47,551,026	46,695,775
Total Liabilities	70,719,945	68,816,185
 Deferred Inflows of Resources:		
	6,216,023	12,066,509
 Net Position:		
Net investment in capital assets	256,458,779	248,852,071
Restricted	-	1,853,040
Unrestricted	302,363,899	238,750,638
Total Net Position	\$ 558,822,678	\$ 489,455,749

Community Transit's improved net position was due mostly to an increase of \$31.2 million in sales tax, while restraining expenditures that resulted in an increase of \$58.4 million in short-term investments. Public transportation is a capital-intensive enterprise. Consequently, 45.9 percent of Community Transit's net position was invested in capital assets in 2020, as compared to 50.8 percent in 2019. Because these capital assets are used to provide services to citizens, they are not available for future spending.

There were no external restrictions on assets affecting net position in 2020, with 0.4 percent for 2019. 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 28.2 percent of total net position for vehicle replacements and other capital improvements in 2020 compared to 34.8 percent in 2019. An additional \$2.5 million was designated for workers' compensation in 2020; correspondingly, \$1.7 million was designated in 2019. The remaining \$141.5 million in 2020 is available to support our public obligation for future transit operations as compared to \$66.4 million in 2019.

Deferred outflows of resources increased by \$0.6 million from 2019 to 2020, while deferred inflows of resources decreased by \$5.9 million.

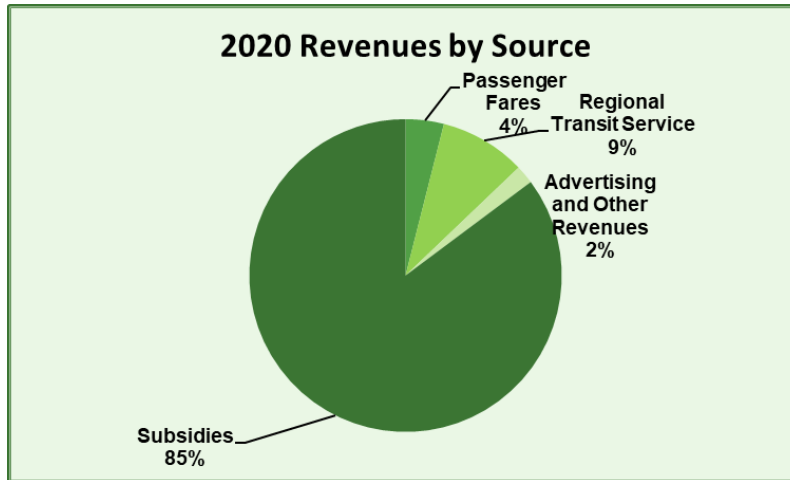
Community Transit’s net position increased by \$69.3 million during the current fiscal year. Key elements of this increase follow.

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

	2020	2019
Operating Revenues:		
Passenger Fares	\$ 9,273,274	\$ 23,158,991
Regional Transit Service	20,876,827	19,835,763
Advertising	340,000	320,000
Nonoperating Revenues:		
Subsidies	199,053,532	161,458,340
Other Revenues	4,173,163	7,848,929
Total Revenues	233,716,796	212,622,023
Expenses:		
Operations and Maintenance	86,056,552	91,562,471
General and Administrative	34,323,143	33,397,598
Contracted Transportation	32,488,902	29,539,633
Depreciation and Amortization	25,510,630	24,340,661
Nonoperating Expenses	157,215	1,123,777
Total Expenses	178,536,442	179,964,140
Net Income (Loss) Before Contributions	55,180,354	32,657,883
Capital Grants and Contributions	14,283,138	35,289,466
Special Item: Assets Transferred to Other Agencies	(96,563)	(25,558,498)
Total Change in Net Position	69,366,929	42,388,851
Net Position—Beginning of Year	489,455,749	447,066,898
Net Position—End of Year	\$ 558,822,678	\$ 489,455,749

Revenues

During 2020, revenues increased by \$21.1 million, or 9.9 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 20.3 percent in 2020, resulting in an additional \$31.2 million in sales tax revenue.

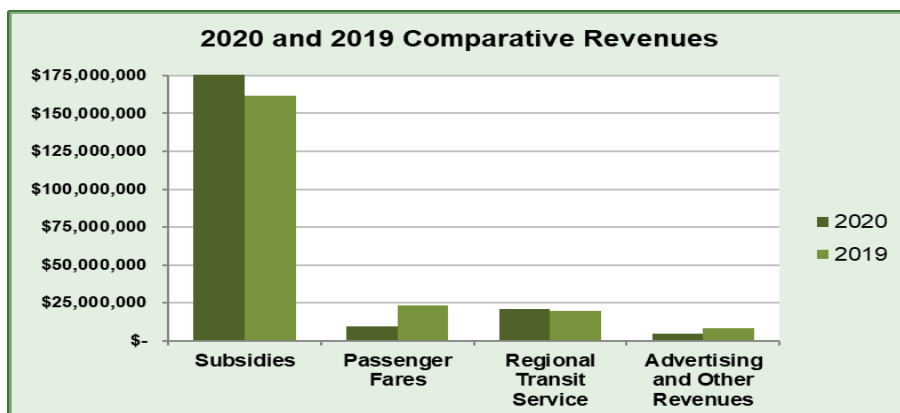
Subsidies also include federal and state operating grants and other local contributions. Total subsidies increased by \$37.6 million, or 23.3 percent, over the preceding year. In 2020, grants and contributions increased by \$35.1 million.

Regional transit service revenues increased \$1.0 million, or 5.2 percent, in 2020. The 2020 increase reflected current service levels and contract rates.

Passenger fares for 2020 decreased by \$13.9 million, or 60.0 percent, over the preceding year. The decrease was attributed to the COVID-19 pandemic.

Advertising and other revenues decreased in 2020 by \$3.7 million, or 44.8 percent. The 2020 decrease was primarily due to a decrease of \$2.7 million in investment income.

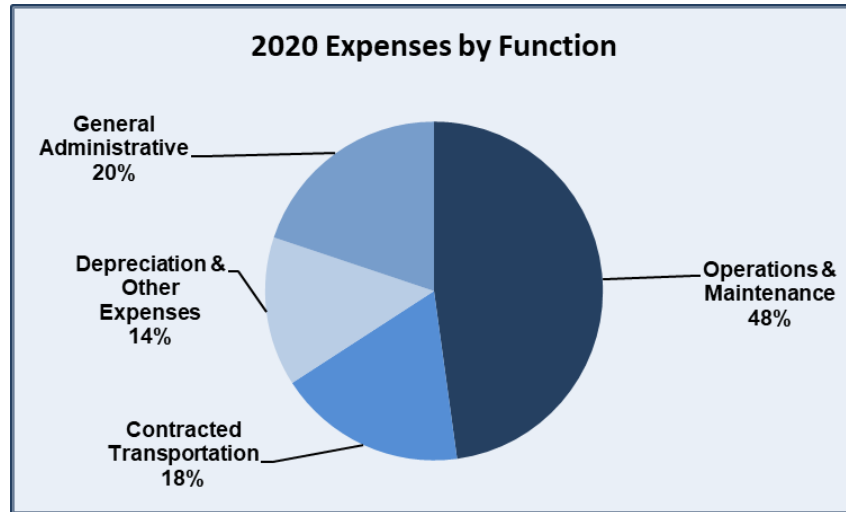
This chart compares revenues by major source for 2020 and 2019.



Expenses

During 2020, total expenses decreased by \$1.4 million, or 0.8 percent. The decrease is due primarily to the COVID-19 pandemic. Fuel prices decreased in 2020, as did the number of gallons consumed.

This chart summarizes expenses by major function.

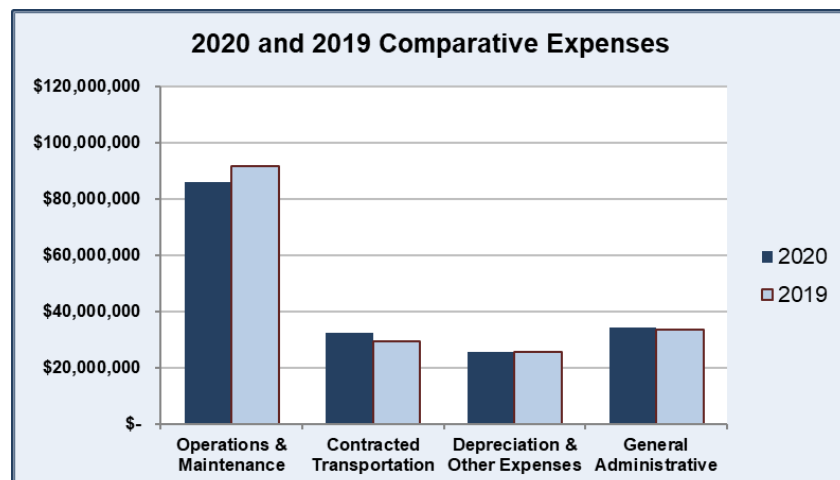


Operations and maintenance expenses in 2020 decreased by \$5.5 million, or 6.0 percent. General and administrative expenses increased by \$0.9 million, or 2.8 percent in 2020.

Contracted transportation expenses increased by \$2.9 million, or 10.0 percent. This increase reflects additional vendor costs associated with the closure and starting of a new contractor for DART services. Additionally, costs increased associated to COVID-19 risks.

Depreciation and other nonoperating expenses increased \$0.2 million, or 0.8 percent. The increase was primarily due to additional assets held by Community Transit in 2020.

This chart compares expenses by function for 2020 and 2019.



Capital Assets

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

As of December 31, 2020, Community Transit's investment in capital assets amounted to \$265.6 million, net of accumulated depreciation. Capital assets increased by 2.5 percent during 2020.

Major capital projects during 2020 included:

- 24 Gillig coaches in the amount of \$13.5 million.
- Facilities master plan – phase I in the amount of \$5.2 million.
- *Swift Orange* line in the amount of \$3.3 million.
- IT infrastructure and software systems in the amount of \$2.9 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 2020 for collection of taxes in 2021	\$ 111,532,676,150
Maximum nonvoted debt capacity at 0.375 percent of valuation	418,247,536
Less outstanding bond issues - net	9,275,962
Nonvoted debt capacity remaining	<u>\$ 408,971,574</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 Notes 10 and 12 in the *Notes to the Financial Statements* for information on Community Transit's response, the effect on operations, and the financial impact.

The 2021 budget, as originally adopted in December 2020 and in response to the continuing COVID-19 pandemic prioritizes safe access to transportation services over expansion of service. This budget continues momentum on technology solutions for customers, facilities expansion to accommodate post-pandemic and regional needs, and commencement of construction on the new *Swift Orange Line*. If you would like more information about the 2021 original budget, please visit this link: https://www.communitytransit.org/docs/default-source/about-documents/budget-financials/adopted-2021-budget-notebook-updated-final-03-10-21.pdf?sfvrsn=51b44761_0. This table provides a summary of the original 2021 budget.

<u>2021 Budget</u>	<u>\$ in millions</u>
Operating Fund Revenues	\$ 173.2
Capital Grants and Contributions	0.7
Other Revenues	0.1
Total Budgeted Revenues	\$ 174.0
Operating Fund Expenditures	\$ 159.2
Capital Projects	96.2
Workers' Compensation Fund	3.0
Debt Service	1.4
Total Budgeted Expenditures	\$ 259.8

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

Basic Financial Statements

Community Transit

Statement of Net Position

December 31, 2020

<u>Assets</u>	<u>2020</u>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 210,472,548
Restricted Assets:	
Cash and Cash Equivalents	1,553,000
Accounts Receivable and Accrued Interest	599,694
Due from Other Governments	44,094,761
Maintenance Parts Inventory	1,630,721
Prepaid Expenses	147,403
<i>Total Current Assets</i>	<u>258,498,127</u>
<i>Noncurrent Assets:</i>	
Capital Assets Not Being Depreciated:	
Land	15,598,947
Intangible Property	1,790,479
Work in Progress	27,712,783
Capital Assets (Net of Accumulated Depreciation):	
Buildings	25,898,703
Site Improvements	42,748,269
Vehicles, Machinery, and Equipment	150,232,175
Intangible Property	1,637,103
<i>Capital Assets (Net of Accumulated Depreciation)</i>	<u>265,618,459</u>
<i>Other Noncurrent Assets:</i>	
Investments	99,779,459
<i>Total Noncurrent Assets</i>	<u>365,397,918</u>
<i>Total Assets</i>	<u>623,896,045</u>
<u>Deferred Outflows of Resources</u>	
Pensions	8,954,087
Other Postemployment Benefits	2,908,514
<i>Total Deferred Outflows of Resources</i>	<u>11,862,601</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 635,758,646</u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit

Statement of Net Position

December 31, 2020

(Continued)

<u>Liabilities</u>	<u>2020</u>
<i>Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	\$ 8,592,864
Accrued Payroll Liabilities	2,416,199
Compensated Absences Payable	5,704,670
Unearned Revenue	4,265,155
Interest Payable	172,292
Bonds Payable - Current Portion	1,267,732
Total OPEB Liability	251,007
Provision for Workers' Compensation Claims	499,000
<i>Total Current Liabilities</i>	<u>23,168,919</u>
<i>Noncurrent Liabilities:</i>	
Compensated Absences Payable	1,188,365
Provision for Workers' Compensation Claims	2,048,000
Net Pension Liability	22,264,215
Total OPEB Liability	14,042,216
Bonds Payable	8,008,230
<i>Total Noncurrent Liabilities</i>	<u>47,551,026</u>
<i>Total Liabilities</i>	<u>70,719,945</u>
<u>Deferred Inflows of Resources</u>	
Pensions	6,216,023
<i>Total Deferred Inflows of Resources</i>	<u>6,216,023</u>
<u>Net Position</u>	
Net Investment in Capital Assets	256,458,779
Unrestricted	302,363,899
<i>Total Net Position</i>	<u>558,822,678</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	<u>\$ 635,758,646</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, 2020

	2020
<i>Operating Revenues:</i>	
Passenger Fares	\$ 9,273,274
Regional Transit Service	20,876,827
Advertising	340,000
<i>Total Operating Revenues</i>	30,490,101
<i>Operating Expenses:</i>	
Operations	62,940,768
Maintenance	23,115,784
General and Administrative	34,323,143
Contracted Transportation	32,488,902
Depreciation and Amortization	25,510,630
<i>Total Operating Expenses</i>	178,379,227
<i>Operating Loss</i>	(147,889,126)
<i>Nonoperating Revenues (Expenses):</i>	
Subsidies	199,053,532
Investment Income	3,474,222
Insurance Recoveries and Other Revenues	584,858
Interest Expense	(157,215)
Gain (Loss) on Sale of Capital Assets	114,083
<i>Total Nonoperating Revenues (Expenses)</i>	203,069,480
<i>Net Income Before Contributions and Special Item</i>	55,180,354
Capital Grants and Contributions	14,283,138
Special Item: Assets Transferred to Other Agencies	(96,563)
<i>Change in Net Position</i>	69,366,929
<i>Net Position - Beginning of Year</i>	489,455,749
<i>Net Position - End of Year</i>	\$ 558,822,678

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020
<i>Cash Flows from Operating Activities:</i>	
Cash Received for Operating Revenues	\$ 36,159,351
Cash Received for Miscellaneous Revenue	584,273
Cash Paid to Vendors for Goods and Services	(60,423,851)
Cash Paid for Employee Services and Benefits	(99,222,820)
<i>Net Cash Used for Operating Activities</i>	<i>(122,903,047)</i>
 <i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Subsidies	192,280,246
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>192,280,246</i>
 <i>Cash Flows from Capital and Related Financing Activities:</i>	
Acquisition of Capital Assets	(29,899,967)
Capital Grants and Contributions	30,396,614
Principal Payment on Bonds	(970,000)
Interest Paid on Bonds	(461,999)
Proceeds From the Sale of Capital Assets	117,454
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(817,898)</i>
 <i>Cash Flows from Investing Activities:</i>	
Proceeds from Maturing Investments	40,800,000
Investment Income	2,591,360
Purchase of Investments	(57,683,356)
<i>Net Cash Used for Investing Activities</i>	<i>(14,291,996)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>54,267,305</i>
<i>Cash and Cash Equivalents - Beginning of Year</i>	157,758,243
<i>Cash and Cash Equivalents - End of Year</i>	<i>\$ 212,025,548</i>

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, 2020
(Continued)

	2020
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i>	
Operating Loss	\$ (147,889,126)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>	
Depreciation and Amortization	25,510,630
Miscellaneous Revenue	584,858
 <i>Change in Assets - Decrease (Increase):</i>	
Accounts Receivable	108,216
Due from Other Governments	4,132,327
Maintenance Parts Inventory	(157,746)
Prepaid Expenses	184,229
 <i>Change in Deferred Outflows of Resources - Decrease (Increase):</i>	
Pensions	(978,982)
Other Postemployment Benefits	337,217
 <i>Change in Liabilities - Increase (Decrease):</i>	
Accounts Payable and Accrued Expenses	273,124
Accrued Payroll Liabilities	(3,802,725)
Compensated Absences Payable	974,795
Unearned Revenue	1,428,122
Provision for Workers' Compensation Claims	267,000
Net Pension Liability	836,491
Other Postemployment Benefits	1,139,009
 <i>Change in Deferred Inflows of Resources - Increase (Decrease):</i>	
Pensions	(5,850,486)
 <i>Net Cash Used for Operating Activities</i>	<i>\$ (122,903,047)</i>

Schedule of Noncash Investing, Capital, and Financing Activities

The change in fair value for investments that are not cash equivalents was an increase of \$900,306 in 2020.

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, 2020

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.

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 along with the economic resources measurement focus. 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 expenses 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 expense dates. Each year thereafter, the remaining unexpended portion of each project, as well as related grant reimbursements, is rebudgeted.

Community Transit encumbers expenses 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 expenses for the period ended December 31, 2020.

Revenues: Budgeted vs. Actual (Budgetary Basis) ***Year Ended December 31, 2020***

	<u>2020 Budget</u>	<u>2020 Actuals</u>	<u>Variance Over (Under) Budget</u>
Passenger Fares	\$ 9,652,800	\$ 9,273,274	\$ (379,526)
Regional Transit Service	22,648,801	20,876,827	(1,771,974)
Advertising	340,000	340,000	-
Sales Tax	148,696,595	154,443,134	5,746,539
State and Local Grants	4,723,903	5,020,823	296,920
Federal Grants - Operating	31,023,314	38,006,827	6,983,513
Federal Grants - Capital	39,995,154	14,238,053	(25,757,101)
Investment Income	3,941,165	2,709,963	(1,231,202)
Miscellaneous	459,270	584,859	125,589
Sale of Capital Assets and Inventory	40,000	117,454	77,454
<i>Total Revenues</i>	<u>\$ 261,521,002</u>	<u>\$ 245,611,214</u>	<u>\$ (15,909,788)</u>

Expenditures: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2020

	2020 Budget	2020 Actuals	Variance Under (Over) Budget
Salaries and Benefits	\$ 105,051,748	\$ 96,487,785	\$ 8,563,963
Supplies and Materials	17,313,351	10,411,511	6,901,840
Services and Other Charges	88,768,582	54,042,988	34,725,594
Intergovernmental	7,231,907	5,030,625	2,201,282
Capital Acquisitions	104,805,010	22,133,338	82,671,672
Debt Service - Interest	462,000	462,000	-
Debt Service - Principal	970,000	970,000	-
Total Expenditures	\$ 324,602,598	\$ 189,538,247	\$ 135,064,351

The following schedule reconciles the accrual to budgetary differences for 2020.

	2020
Revenues and Capital Contributions Reported on the Accrual Basis	\$ 247,999,934
Accruals for Sales Tax Revenue	(1,627,832)
Investment Income for Fair Value Reporting	(764,259)
Net Book Value of Retired Equipment	3,371
Revenues Reported on the Budgetary Basis	\$ 245,611,214
	2020
Expenses Reported on the Accrual Basis	\$ 178,633,005
Capital Projects	31,962,694
Accrued Interest Expense	304,785
Change in Actuarial Accrual for Workers' Compensation	(267,000)
Change in Compensated Absences Payable	(974,795)
Change in Actuarial Accrual for Other Postemployment Benefits	(1,476,226)
Pension Expense	5,992,977
Depreciation and Amortization	(25,510,630)
Debt Service - Principal	970,000
Assets Transferred to Other Agencies	(96,563)
Expenses Reported on the Budgetary Basis	\$ 189,538,247

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, 2020, the state-required workers' compensation reserve amounted to \$1,553,000.

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:

Asset Category	Years
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
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, 2020, unearned revenue amounted to \$4,265,155, which consisted 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, 2020, Community Transit had the following cash, cash equivalents, and investments:

<i>Investment Type</i>	<i>2020</i>
Demand Deposits	\$ 12,601,426
Local Government Investment Pool	199,424,122
U.S Treasury Obligations	2,037,812
U.S. Federal Agency Obligations	79,170,911
Municipal Bonds	18,570,736
<i>Total Cash, Cash Equivalents, and Investments</i>	<i>\$ 311,805,007</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, 2020, Community Transit held \$2,037,812 in U.S. Treasury obligations, \$79,170,911 in U.S. Federal agency bonds, and \$18,570,736 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 2020, 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, 2020, the following amounts were due to Community Transit:

<i>Accounts Receivable</i>	<u>2020</u>
Fares and Miscellaneous	\$ 195,952
Interest	402,792
ORCA Fiscal Agent Receivables	<u>950</u>
<i>Total Accounts Receivable</i>	<u>\$ 599,694</u>

<i>Due from Other Governments</i>	<u>2020</u>
Sales Tax Received in January and February	\$ 30,269,242
Operating Grants and Contributions	9,091,897
Capital Grants and Contributions	1,851,030
Sound Transit Regional Service	3,362,233
Fares and Miscellaneous	(1,084,740)
ORCA Fiscal Agent Receivables	<u>605,099</u>
<i>Total Due from Other Governments</i>	<u>\$ 44,094,761</u>

Note 4: Capital Assets

The table that follows summarizes changes in capital assets for the year ending December 31, 2020.

	<i>Beginning Balance 12/31/2019</i>	<i>Additions/ Adjustments</i>	<i>Retirements</i>	<i>Ending Balance 12/31/2020</i>
Capital Assets				
Not Being Depreciated:				
Land	\$ 15,598,947	\$ -	\$ -	\$ 15,598,947
Intangible Property	1,790,479	-	-	1,790,479
Work in Progress (WIP)	11,178,821	30,895,005	(14,361,043)	27,712,783
WIP - Transfers to other Agencies	-	96,563	(96,563)	-
Subtotal	28,568,247	30,991,568	(14,457,606)	45,102,209
Capital Assets				
Being Depreciated:				
Buildings	57,571,950	(248,988)	17,716	57,340,678
Site Improvements	66,554,579	1,857,575	-	68,412,154
Vehicles/Machinery/Equipment	282,472,783	14,048,067	(8,998,498)	287,522,352
Intangible Property	10,787,312	(35,089)	-	10,752,223
Subtotal	417,386,624	15,621,565	(8,980,782)	424,027,407
Less Accumulated				
Depreciation For:				
Buildings	(29,463,038)	(1,967,303)	(11,634)	(31,441,975)
Site Improvements	(22,014,045)	(3,649,841)	-	(25,663,886)
Vehicles/Machinery/Equipment	(127,708,336)	(18,281,490)	8,699,649	(137,290,178)
Intangible Property	(7,503,125)	(1,611,995)	-	(9,115,120)
Subtotal	(186,688,544)	(25,510,629)	8,688,015	(203,511,158)
Total Capital Assets				
(Net of Accumulated Depreciation)	\$ 259,266,327	\$ 21,102,504	\$ (14,750,373)	\$ 265,618,458

As part of Community Transit's *Swift* Bus Rapid Transit (BRT) Green Line project, a portion of 128th street belonging to the WA State Department of Transportation (WSDOT) was widened. All costs related to the widening of the roadway were contributed back to WSDOT. These costs for the year ended December 31, 2020 are \$96,563.

Note 5: Risk Pool and Insurance

A. Risk Pool

Community Transit is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 26-member governmental risk pool 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

fideliy/crime coverage, and cyber liability coverage. WSTIP also manages claims and litigation for its members and provides them with risk management and training.

At the end of 2020, Community Transit retained a \$5,000 property and physical damage deductibles for its all-risk property coverage which includes auto physical damage. Community Transit has a \$5,000 deductible for public official’s liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

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

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

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

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

The pool is governed by a Board of Directors consisting of a representative of each member system. A list of current members and copies of the pools audited and unaudited financial statements can be found on the pools website at <https://www.wstip.org>.

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

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
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
Endorsement 1 – Per Occurrence and Annual Per Member Aggregate	\$250,000	Per Occurrence	\$25,000
Property Coverage All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/members combined	\$5,000
Flood zones A and V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$250,000
All flood zones except A and V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$250,000
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		\$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 \$1.5 million any one vehicle	\$5,000
Boiler And Machinery	\$100 million		\$250,000 or \$350,000 depending on size of boiler
Crime/Public Employee Dishonesty Including faithful performance. Also includes:	\$1 million	Per occurrence	\$10,000
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

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
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 Insurance			
Breach Response Costs	\$500,000	Limit increases to \$1 million if carrier's nominated service providers are utilized	\$5,000
<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	Limit of Liability	
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	
<u>Criminal Reward</u>	\$25,000	Limit	
<u>Coverage Endorsements</u>			
Reputation Loss	\$50,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
Computer Hardware Replacement Cost	\$75,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$25,000	Limit of Liability	

Underground Storage Tank – Pollution Liability Insurance Policy

Community Transit purchases an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier for the 2019-2020 policy term was Great American. The carrier for the 2020-2021 policy term is Great American. Insurance provisions on each policy was essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. Community Transit has a \$25,000 deductible per environmental incident. Tanks must be listed to be covered.

Covered Locations Pollution Liability Insurance Policy

Community Transit purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2018 to April 4, 2021. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is \$5 million each pollution condition – includes claims expenses with a \$5 million aggregate including claims expenses. Community Transit has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

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, 2020, cash and investments set aside for self-insurance totaled \$5,025,834. Community Transit reported a liability on December 31, 2020, of \$2,547,000 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 \$2,547,000 estimated liability, Community Transit expects to pay out \$499,000 within the coming year, and the remaining \$2,048,000 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 2020, Community Transit paid out \$440,437 in unemployment compensation claims. There is no accrued liability for future unemployment claims. The following table shows the claims liabilities for Workers' Compensation. For December 31, 2020, Claims Payments numbers were unavailable at the time these Financial Reports were published.

	<u>2020</u>	<u>2019</u>
Total Claims Liability: Beginning of Year	\$ 2,280,000	\$ 2,007,000
Incurred Claims:		
Provision for Incurred Claims	1,750,000	1,513,000
Change in Provision for Incurred Claims, Prior Year	<u>(121,789)</u>	<u>121,211</u>
Total Provision for Incurred Claims	<u>1,628,211</u>	<u>1,634,211</u>
Total Incurred	3,908,211	3,641,211
Payments:		
Payment Made for Current-Year Claims	494,101	494,101
Payment Made for Prior-Year Claims	<u>867,110</u>	<u>867,110</u>
Total Payments	1,361,211	1,361,211
Total Claims Liability: End of Year	<u>\$ 2,547,000</u>	<u>\$ 2,280,000</u>

Note 6: Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

Note	Description	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
6 A.	General Obligation Bonds	\$ 9,240,000	\$ -	\$ (970,000)	\$ 8,270,000	\$ 1,015,000
	Premiums	1,290,539	-	(284,577)	1,005,962	252,732
	Total Bonds Payable	10,530,539	-	(1,254,577)	9,275,962	1,267,732
6 B.	Compensated Absences	5,918,240	5,172,818	(4,198,023)	6,893,035	5,704,670
6 C.	Workers' Compensation (See Note 5C)	2,280,000	1,628,211	(1,361,211)	2,547,000	499,000
6 D.	Net Pension Liability	21,427,724	836,491	-	22,264,215	-
6 E.	Total OPEB Liability	<u>13,154,214</u>	<u>1,375,080</u>	<u>(236,071)</u>	<u>14,293,223</u>	<u>251,007</u>
	Total Long-Term Liabilities	<u>\$ 53,310,717</u>	<u>\$ 9,012,600</u>	<u>\$ (7,049,882)</u>	<u>\$ 55,273,435</u>	<u>\$ 7,722,409</u>

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
	12/31/2020
Current Portion of Bonds Payable	\$ 1,267,732
Long-Term Portion of Bonds Payable	8,008,230
Total Bonds Payable	\$ 9,275,962

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

Annual Debt Service			Total Debt
Year	Principal	Interest	Service
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	1,235,000	194,500	1,429,500
2026-2027	2,655,000	200,750	2,855,750
Total	\$ 8,270,000	\$1,734,000	\$10,004,000

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, 2020, PTO payable was \$5,256,234. The 2020 current portion amounted to \$5,056,497, which was an increase of \$917,940 compared to 2019. The amount classified as long term was \$199,737, which was an increase of \$54,073 over 2019.

As of December 31, 2020, the vested portion of sick leave payable was \$1,636,801. The 2020 current portion amounted to \$648,173, which was an increase of \$84,436 compared to 2019. The amount classified as long term was \$988,628, which was a decrease of \$81,654 over 2019. Schedules for all categories of compensated absences follow.

<i>Paid Time Off (PTO)</i>	<u>2020</u>
Beginning Balance - Current Liability	\$ 4,138,557
PTO Earned	4,282,700
PTO Paid	<u>(3,364,760)</u>
<i>Ending Balance - Current Liability</i>	<u>5,056,497</u>
Beginning Balance - Long-Term Liability	145,664
PTO Earned	194,271
PTO Paid	<u>(140,198)</u>
<i>Ending Balance - Long-Term Liability</i>	<u>\$ 199,737</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>	<u>2020</u>
Beginning Balance - Current Liability	\$ 563,737
Sick Leave Earned	361,662
Sick Leave Paid	<u>(277,226)</u>
<i>Ending Balance - Current Liability</i>	<u>648,173</u>
Beginning Balance - Long-Term Liability	1,070,282
Sick Leave Earned	334,185
Sick Leave Paid	<u>(415,839)</u>
<i>Ending Balance - Long-Term Liability</i>	<u>\$ 988,628</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 2020:

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

	2020
Pension Liability	\$ 22,264,215
Deferred Outflows of Resources	\$ 8,954,087
Deferred Inflows of Resources	\$ 6,216,023
Pension Expense	\$ 2,263,222

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 that includes financial statements and required supplementary information for each plan. The report 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 2020 are shown in the following table:

Actual Contribution Rates	Employer Plans 1, 2, 3	Employee Plan 1	Employee Plan 2	Employee Plan 3
January 2020 through August 2020:				
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
September 2020 through December 2020:				
Base Plan Contribution	7.92%	6.00%	7.90%	varies
PERS Plan 1 UAAL	4.87%			
Administrative Fee	0.18%			
Total	12.97%	6.00%	7.90%	varies

Community Transit’s actual employer contributions to the plans, excluding administrative fees, were \$3,099,233 to PERS Plan 1 and \$5,117,013 to PERS Plan 2/3 for the fiscal year ended December 31, 2020.

Actuarial Assumptions

The total pension liability for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The total pension liability was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 Society of Actuaries’ Pub. H-2020 mortality rates, which vary by member status, as the base table. The Office of the State Actuary applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The Office of the State Actuary applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Changes in methods and assumptions made since the last valuation consist of:

- Updated demographic assumptions based on the results of the latest demographic experience study. More information can be found in the Office of the State Actuary’s *2013-2018 Demographic Experience Study* available at leg.wa.gov/osa.

- Updated early retirement factors and joint-and-survivor factors used in the model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- Inclusion of liabilities and assets for Plan 3 members purchasing total allocation portfolio annuities when determining contribution rates and funded status.
- A new method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. The Office of the State Actuary set these values at 2018 and will project them into the future using assumptions until the next demographic experience study in 2025. More information on this method change is available at leg.wa.gov/osa.

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 was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on the Office of the State Actuary’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 at various future times.

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, 2020, 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.

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
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	\$ 18,960,014	\$ 15,137,049	\$ 11,803,030
PERS 2/3	\$ 44,347,134	\$ 7,127,166	\$ (23,523,498)

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, 2020, Community Transit reported total pension liabilities of \$22,264,215 for its proportionate share of the net pension liabilities as shown:

2020 Liability	
PERS 1	\$ 15,137,049
PERS 2/3	\$ 7,127,166

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

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.420678%	0.428746%	0.008068%
PERS 2/3	0.540610%	0.557270%	0.016660%

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, 2020, based on the actuarial valuation for the total pension liability as of June 30, 2019. Update procedures were used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, Community Transit recognized pension expense as shown:

2020 Pension Expense		
PERS 1	\$	1,086,423
PERS 2/3	\$	1,176,799

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, Community Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual investment earnings on pension plan investments	-	84,278
Contributions subsequent to the measurement date	1,668,298	-
Total	\$ 1,668,298	\$ 84,278

PERS 2/3	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 2,551,422	\$ 893,204
Net difference between projected and actual investment earnings on pension plan investments	-	361,957
Changes of assumptions	101,511	4,868,471
Changes in proportion and differences between contributions and proportionate share of contributions	1,896,275	8,113
Contributions subsequent to the measurement date	2,736,581	-
Total	\$ 7,285,789	\$ 6,131,745

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:

<i>Year Ended December 31</i>	<i>PERS 1</i>	<i>Year Ended December 31</i>	<i>PERS 2/3</i>
2021	\$ (382,453)	2021	\$ (2,592,647)
2022	(12,029)	2022	(342,209)
2023	116,697	2023	491,373
2024	193,507	2024	990,610
2025	-	2025	86,590
Thereafter	-	Thereafter	(216,254)
Total	\$ (84,278)	Total	\$ (1,582,537)

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, 2020, based on Census data collected as of December 31, 2019:

Aggregated OPEB Amounts	2020
OPEB liabilities	\$ 14,293,223
Deferred outflows of resources	\$ 2,908,514
OPEB expenses	\$ 1,712,297

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.

Roll Forward Disclosure

The actuarial valuation was performed as of December 31, 2019. Update procedures were used to roll forward the total OPEB liability to December 31, 2020.

The following table provides a summary of the number of participants in the plan as of December 31, 2019:

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

Community Transit's obligation is unfunded at December 31, 2020. 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 Assumptions and 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.

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, 2020. 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	
Valuation Date	December 31, 2019; rolled forward to December 31, 2020
Fiscal Year	December 31, 2020
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	
	Retiree	Spouse
Under Age 65 (Age 60 Rates)		
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

Premera Blue Cross Plan F	\$2,708	\$2,586
Premera 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	\$11,784,442	\$14,293,223	\$17,584,098

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	\$17,176,571	\$14,293,223	\$12,042,596

Changes in the Total OPEB Liability*

Total OPEB Liability at 01/01/2020	\$13,154,214
Service cost	990,742
Interest	384,338
Benefit payments	(236,071)
Total OPEB Liability at 12/31/2020	\$14,293,223

*Assumes all actuarial assumptions are exactly realized. Updated procedures were used to roll forward the Service Cost and Total OPEB liability to the December 31, 2020 measurement date.

At December 31, 2020, Community Transit reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience*	\$569,602
Changes of assumptions	\$2,338,912
TOTAL	\$2,908,514

*Economic/demographic (gains) and losses for the period ending December 31, 2020 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:	
2021	\$337,217
2022	\$337,217
2023	\$337,217

2024	\$337,217
2025	\$337,217
Thereafter	\$1,222,429

Note 7: Net Position

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, 2020.

	2020
Net Investment in Capital Assets	\$ 256,458,779
Unrestricted Net Position	
Designated - Vehicle Replacement	44,650,122
Designated - Future Capital Improvements	113,752,436
Designated - Workers Compensation	2,457,059
Undesignated	141,504,282
Total Unrestricted Net Position	302,363,899
Net Position	\$ 558,822,678

Note 8: Commitments

A. Paratransit Service (DART)

Community Transit’s contract with Homage Senior Services was terminated on September 30, 2020. On October 1, 2020, Community Transit entered into a new five-year contract with Transdev for the provision of paratransit service, with renewal options for five additional one-year terms. The next table shows the annual cost of the contract.

Homage

<i>Contract Period</i>	<i>Approximate Annual Revenue Service Hours</i>	<i>Annual Cost</i>
Jan 1, 2020 to Sep 30, 2020	90,000	\$ 8,462,700

Transdev

<i>Contract Period</i>	<i>Approximate Annual Revenue Service Hours</i>	<i>Annual Cost</i>
Oct 1, 2020 to Dec 31, 2021	101,250	\$ 10,577,036
Jan 1, 2022 to Dec 31, 2022	81,000	\$ 8,793,125
Jan 1, 2023 to Dec 31, 2023	81,000	\$ 9,124,515
Jan 1, 2024 to Dec 31, 2024	81,000	\$ 9,474,868
Jan 1, 2025 to Dec 31, 2025	81,000	\$ 9,850,166

The annual cost of paratransit service is within the annual budget. Paratransit Services amounted to \$9,288,539 during 2020. Actual annual vehicle hours amounted to 36,370 for 2020.

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, 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 \$6,917,177 in 2020. Actual annual revenue hours amounted to 44,999 in 2020.

Contract service with First Transit for Sound Transit service amounted to \$16,003,443 in 2020. Actual revenue hours amounted to 90,343 in 2020.

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	<u>2020</u>
Cash and Cash Equivalents	\$ 4,584,325
Accounts Receivable	<u>28,700</u>
Total Assets	\$ 4,613,025
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 1,315,734
Deferred Receipts	<u>3,931,702</u>
Total Liabilities	\$ 5,247,436
Total Operating Revenues	\$ 409,395
Total Expenses	\$ 409,396

D. Transit Police Contract with Snohomish County

On December 16, 2020, 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, staffing levels include one half-time lieutenant, two full-time sergeants, two full-time master patrol deputies, one full-time administrative staff person, and thirteen 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, 2021, to December 31, 2023. 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 \$3,088,618 in 2020.

<i>Year</i>	<i>Annual Cost</i>
2021	\$ 3,106,357
2022	3,199,548
2023	3,295,353

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 and 2020.

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, which ended December 31, 2019. An amendment to the contract was approved to extend the contract to December 31, 2020. In 2020, Community Transit received \$20,876,827 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 \$11,518,174. Twenty-six GILLIG LLC—USA 40-foot coaches were also delivered in 2017 and cost \$13,774,202. In addition, eighteen bus rapid transit coaches were ordered from New Flyer of America in the amount of \$14,801,521 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 \$21,881,736. Sixteen 60-foot New Flyer coaches were ordered in 2020 in the amount of \$14,299,102 for delivery in 2021.

H. Lease Obligation

As of December 31, 2020, Community Transit had no capital leases and various operating leases. Total operating lease expense for 2020 was \$539,063. 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>
2021	\$ 205,979
2022	57,166
2023	11,555

Note 9: Contingencies and Litigations

A. 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.

B. 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.

C. 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

Revenues and Funding

On December 27, 2020, the [Coronavirus Response and Relief Supplemental Appropriations Act of 2021 \(CRRSAA\)](#), was signed into law. This includes \$900 billion in supplemental appropriations for COVID-19 relief. Of that, \$14 billion has been allocated to support the transit industry during the COVID-19 public health emergency. Similar to the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), the supplemental funding will be provided at 100-percent federal share, with no local match required. Funding will support expenses eligible under the relevant program, although the Act directs recipients to prioritize payroll and operational needs.

CRRSAA funding will be disbursed through FTA apportionments to its Urbanized Area (Section 5307), Rural Formula, Tribal Transit and Enhanced Mobility for Seniors and Individuals with Disabilities programs. Community Transit has not officially received its allocation, but staff anticipate that this will equal approximately \$30 million, with notification being received in the spring of 2021.

The American Rescue Plan Act of 2021 (ARPA), which President Biden signed on March 11, 2021, includes \$30.5 billion in federal funding to support the nation's public transportation systems as they continue to respond to the COVID-19 pandemic and support the President's call to vaccinate the U.S. population. ARPA helps hard-hit public transit agencies avoid layoffs and service reductions, which disproportionately harm workers who are more likely to depend on public transportation.

The \$30.5 billion contained in ARPA is intended to assist with operating costs, including payroll and PPE expenses. This includes dedicated funds to support rural transit agencies, transit service for the elderly and individuals with disabilities, and transit on Tribal lands. As with CRRSAA, Community Transit has not received its allocation of ARPA, but anticipates approximately \$50 million in funding, to be announced later in the spring or summer of 2021.

In April 2021, Community Transit received notice that it had been approved for an FTA Capital Improvement Grant (CIG) to fund Community Transit's *Swift Orange Line* project, in the amount of \$37.15 million. This FTA discretionary grant program funds transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. Federal transit law requires transit agencies seeking CIG funding to complete a series of steps over several years.

Contract Bus Services

Community Transit contracts with a company called First Transit to operate express commuter bus service. This contract extends through December 31, 2022. Bloomberg and BBC News each reported on April 23, 2021, that FirstGroup PLC, the parent company of US-based First Transit and First Student, will be selling both divisions to EQT Infrastructure, a Stockholm-based investment firm for \$4.6 billion US dollars or about £3.3 billion.

According to a news release from First Transit, First Student and First Transit operations will continue as usual and uninterrupted with the same local teams and leadership. The sale is subject to both FirstGroup shareholder approval and regulatory approval. It is expected to be completed in the second half of 2021. The FirstGroup news release can be found on the First Transit website: <https://www.firstgroupplc.com/~media/Files/F/Firstgroup-Plc/reports-and-presentations/press-release/proposed-sale-of-first-student-and-first-transit.pdf>

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, 2020, Community Transit had several small tax abatement agreements involving less than three taxpayers. The Department of Revenue cannot disclose tax information for less than three taxpayers for either state or local estimates. In 2020, two categories qualified for this classification. The categories were computer hardware/software/peripherals and high technology sales.

Note 12: COVID-19 Pandemic

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, to the United States and other countries. The United States declared a Public Health Emergency on February 3, 2020 by the World Health Organization. By late March, 2020, many states had issued stay-at-home orders, including Washington State. As of the writing of this document (March 29, 2021), as reported by the CDC, the United States has recorded 30,085,827 cases of COVID-19, and 546,704 deaths. Washington State, where Community Transit is located, has had 361,115 confirmed and probably cases, and 5,218 deaths.

The impact on Community Transit ridership has been substantial. Community Transit Planning and Development staff originally estimated in the 2020 budget that total ridership from all modes of service would be about 11.6 million riders. Total 2020 ridership from all modes totaled 5,719,638 riders, which represents a 51 percent decrease from budget expectations, and a decrease of 48 percent from 2019 actual ridership of 11,093,866 riders. Similarly, fare revenues also decreased, by almost 60 percent from 2019.

Community Transit has taken a number of actions to address the pandemic. During the course of the spring, 2020, service levels to about 85% of pre-pandemic levels. Additionally, planned 2020 service expansions were eliminated. Responding to the COVID-19 pandemic, Community Transit prepared two scenarios for service growth through 2025: "Slow Recovery" and "Rapid Recovery". The Slow Recovery scenario assumed deeper financial impacts to the economy. The Rapid Recovery scenario forecasted the economy to bounce back quickly, once the pandemic is over. Management then took steps to adjust expenditures to fit the forecast within expected revenues in the "slow" recovery scenario. This included adjusting direct staffing levels downward, primarily in the areas of coach operators, maintenance employees and coach operator instructors. Additionally, other expenditures, including travel and training, professional services contracts, and select capital projects, were limited or contained. Selected open positions were "frozen" to save costs. Other savings included fuel, as diesel costs plummeted during 2020 and Community Transit's fuel usage declined commensurate with the service adjustments made. Community Transit's books are closed for fiscal year 2020.

Community Transit estimates that it has spent nearly \$5 million toward its corona virus response.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed, providing \$2 trillion in aid to hospitals, small businesses, and state and local governments. Community Transit was awarded \$39.17 million in CARES Act funds. Total CARES Act drawdowns for 2020 was \$33,045,123, which has been applied to FTA-eligible 2020 operating costs. The remaining \$6 million dollars in CARES Act funds will be applied to a purchase of 40 foot buses that will be delivered to Community Transit in 2021.

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

PERS Plan 1							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	0.428746%	0.420678%	0.375860%	0.375570%	0.374817%	0.336190%	0.323760%
Employer's proportionate share of the net pension liability	\$15,137,049	\$16,176,563	\$16,786,035	\$17,821,089	\$20,129,438	\$17,585,864	\$16,309,562
Covered payroll	\$65,054,500	\$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	23.27%	27.45%	33.65%	37.74%	44.90%	45.93%	45.99%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
PERS Plans 2/3							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	0.557270%	0.540610%	0.480152%	0.480489%	0.476787%	0.429238%	0.411328%
Employer's proportionate share of the net pension liability	\$7,127,166	\$5,251,161	\$8,198,168	\$16,694,696	\$24,005,849	\$15,336,918	\$8,314,424
Covered payroll	\$65,054,413	\$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	10.96%	8.93%	16.47%	35.44%	53.71%	40.27%	23.59%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	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							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required contributions	\$3,099,233	\$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>(3,099,233)</u>	<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	\$ 64,611,290	\$ 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	4.80%	4.94%	5.08%	4.92%	4.78%	4.42%	4.07%
PERS Plans 2/3							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily or contractually required contributions	\$5,117,013	\$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>(5,117,013)</u>	<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	\$64,611,290	\$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	7.92%	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 2020

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 13,154,214	\$ 9,413,812	\$ 8,177,537
Service cost	990,742	493,350	427,266
Interest	384,338	402,113	383,362
Changes in benefit terms	0	0	0
Differences between expected and actual experience***	0	697,602	0
Changes of assumptions	0	2,346,371	596,929
Benefit payments***	(236,071)	(199,034)	(171,282)
Other changes	0	0	0
Total OPEB liability - ending	<u>14,293,223</u>	<u>13,154,214</u>	<u>9,413,812</u>
Covered-employee payroll	60,569,129	59,381,499	47,296,845
Total OPEB liability as a % of covered payroll	23.60%	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, 2020 measurement date.

***These are to be re-determined using actual employer contributions for the period January 1, 2020 to December 31, 2020. 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 expected and actual experience for the period ending December 31, 2020 that is adjusted by the difference between actual employer contributions for the period January 1, 2020 to December 31, 2020 and the expected employer contribution of \$236,071.

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Statistical Section



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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.*

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

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- Retail Taxable Sales, Ten-Year Comparison90
- Snohomish County Overlapping Sales Tax Rates, Ten-Year Comparison92

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

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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 Comparison98
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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

Year	<i>Invested in Capital Assets</i>	<i>Restricted</i>	<i>Unrestricted</i>	<i>Total Net Position</i>
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
2020	256,458,779	-	302,363,899	558,822,678

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

	2011	2012	2013	2014
Expenses				
Operations	\$ 37,726,737	\$ 32,845,965	\$ 32,837,759	\$ 34,908,009
Maintenance	23,770,972	23,081,564	22,847,341	23,893,920
General and Administration	19,662,212	20,544,387	19,748,865	21,012,151
Contracted Transportation	24,109,118	22,883,391	22,547,152	23,370,984
Depreciation and Amortization	16,903,602	17,726,870	15,573,477	15,150,735
Total Operating Expense	122,172,641	117,082,177	113,554,594	118,335,799
Interest Expense	121,103	121,103	121,103	99,684
Environmental Expense - Net	(787,496)	2,043	(559)	-
Total Expenses	121,506,248	117,205,323	113,675,138	118,435,483
Operating Revenues				
Passenger Fares	18,808,975	17,633,704	19,331,239	19,769,863
Regional Transit Service	14,050,993	16,474,072	16,402,918	16,870,539
Advertising	586,006	878,743	784,946	836,580
Total Operating Revenues	33,445,974	34,986,519	36,519,103	37,476,982
Nonoperating Revenues				
Subsidies (including sales tax)	77,123,349	80,469,900	83,455,798	87,315,853
Investment Income	103,664	113,277	85,009	51,917
Capital Grants and Contributions	20,752,349	3,015,353	9,801,132	3,201,352
Special Item: Assets Transferred	-	-	-	-
Gain (Loss) on Sale of Capital Assets	(192,886)	99,347	171,733	374,748
Miscellaneous	402,021	192,504	492,203	323,544
Total Nonoperating Revenue	98,188,497	83,890,381	94,005,875	91,267,414
Change in Net Position	\$ 10,128,223	\$ 1,671,577	\$ 16,849,840	\$ 10,308,913

Data Source: Comprehensive Annual Financial Report

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

2015	2016	2017	2018	2019	2020
\$ 40,771,330	\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341	\$ 62,940,768
22,818,852	23,807,878	21,185,149	22,945,561	23,266,130	23,115,784
22,396,557	25,027,437	26,556,609	27,478,218	33,397,598	34,323,143
23,797,411	25,065,500	26,385,830	28,157,121	29,539,633	32,488,902
16,886,860	21,570,394	20,793,554	23,117,914	24,340,661	25,510,630
126,671,010	140,840,130	146,928,875	161,549,923	178,840,363	178,379,227
55,401	20,643	102,180	187,668	173,955	157,215
-	-	-	-	-	-
126,726,411	140,860,773	147,031,055	161,737,591	179,014,318	178,536,442
20,798,527	21,892,470	21,844,659	22,399,353	23,158,991	9,273,274
16,600,685	17,805,248	18,463,732	18,971,605	19,835,763	20,876,827
901,627	691,667	720,837	420,834	320,000	340,000
38,300,839	40,389,385	41,029,228	41,791,792	43,314,754	30,490,101
92,768,390	121,089,965	136,363,753	147,627,509	161,458,340	199,053,531
141,991	516,727	1,342,087	3,683,078	6,152,752	3,474,222
26,563,126	10,118,236	27,589,400	35,381,275	35,289,466	14,283,138
-	-	-	-	(25,558,498)	(96,563)
236,380	232,463	291,677	58,450	(949,822)	114,083
122,074	102,994	158,266	449,046	1,696,177	584,858
119,831,961	132,060,385	165,745,183	187,199,358	178,088,415	217,413,269
\$ 31,406,389	\$ 31,588,997	\$ 59,743,356	\$ 67,253,559	\$ 42,388,851	\$ 69,366,928

Financial Trends
Expenses
Ten-Year Comparison

	2011	2012	2013	2014
Operations	\$ 37,726,737	\$ 32,845,965	\$ 32,837,759	\$ 34,908,009
Maintenance	23,770,972	23,081,564	22,847,341	23,893,920
General and Administration	19,662,212	20,544,387	19,748,865	21,012,151
Contracted Transportation	24,109,118	22,883,391	22,547,152	23,370,984
Depreciation and Amortization	16,903,602	17,726,870	15,573,477	15,150,735
Interest Expense	121,103	121,103	121,103	99,684
Environmental Expense - Net	(787,496)	2,043	(559)	-
Total	\$ 121,506,248	\$ 117,205,323	\$ 113,675,138	\$ 118,435,483

Note:

- Negative environmental expense is the result of insurance recoveries.

Financial Trends
Expenses
Ten-Year Comparison (continued)

	2015	2016	2017	2018	2019	2020
\$	40,771,330	\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341	\$ 62,940,768
	22,818,852	23,807,878	21,185,149	22,945,561	23,266,130	23,115,784
	22,396,557	25,027,437	26,556,609	27,478,218	33,397,598	34,323,143
	23,797,411	25,065,500	26,385,830	28,157,121	29,539,633	32,488,902
	16,886,860	21,570,394	20,793,554	23,117,914	24,340,661	25,510,630
	55,401	20,643	102,180	187,668	173,955	157,215
	-	-	-	-	-	-
	\$ 126,726,411	\$ 140,860,773	\$ 147,031,055	\$ 161,737,591	\$ 179,014,318	\$ 178,536,442

Revenue Capacity
Revenues
Ten -Year Comparison

	2011	2012	2013	2014
Passenger Fares	\$ 18,808,975	\$ 17,633,704	\$ 19,331,239	\$ 19,769,863
Regional Transit Service	14,050,993	16,474,072	16,402,918	16,870,539
Advertising	586,006	878,743	784,946	836,580
Investment Income	103,664	113,277	85,009	51,917
Sales Tax	63,707,622	67,474,497	74,783,559	79,551,377
Federal Operating Grants	10,018,375	8,912,452	5,420,276	4,501,976
State and Local Grants	3,397,352	4,082,951	3,251,963	3,262,500
Miscellaneous	402,021	192,504	492,203	323,544
Gain (Loss) on Sale of Capital Assets and Inventory	(192,886)	99,347	171,733	374,748
Capital Grants and Contributions	20,752,349	3,015,353	9,801,132	3,201,352
Total	\$ 131,634,471	\$ 118,876,900	\$ 130,524,978	\$ 128,744,396

Revenue Capacity
Revenues
Ten -Year Comparison (continued)

	2015	2016	2017	2018	2019	2020
\$	20,798,527	\$ 21,892,470	\$ 21,844,659	\$ 22,399,353	\$ 23,158,991	\$ 9,273,274
	16,600,685	17,805,248	18,463,732	18,971,605	19,835,763	20,876,827
	901,627	691,667	720,837	420,834	320,000	340,000
	141,991	516,727	1,342,087	3,683,078	6,152,752	3,474,222
	84,461,446	115,767,687	131,303,285	141,940,687	153,582,161	156,070,967
	5,382,205	2,571,033	2,361,047	2,769,940	3,958,953	38,006,827
	2,924,739	2,751,245	2,699,421	2,916,882	3,917,226	4,975,737
	122,074	102,994	158,266	449,046	1,696,177	584,858
	236,380	232,463	291,677	58,450	(949,822)	114,083
	26,563,126	10,118,236	27,589,400	35,381,275	35,289,466	14,283,138
	\$ 158,132,800	\$ 172,449,770	\$ 206,774,411	\$ 228,991,150	\$ 246,961,667	\$ 247,999,933

Revenue Capacity

Retail Taxable Sales: Ten -Year Comparison

	2011	2012	2013	2014
Retail Trade	\$ 4,110,736,250	\$ 4,434,861,770	\$ 4,776,585,174	\$ 5,094,954,029
Services	1,265,885,029	1,339,152,739	1,415,327,911	1,526,760,475
Construction	928,487,118	996,643,693	1,266,602,241	1,245,768,615
Manufacturing	114,846,515	113,867,225	125,252,673	141,909,617
Utilities, Transportation, Warehousing	22,714,141	24,808,872	23,877,203	24,555,477
Wholesaling	432,293,228	443,307,713	466,040,552	527,040,180
Information, Finance, Insurance, Real Estate	492,407,859	509,717,328	566,088,660	613,207,570
Other Business	73,490,727	76,333,910	79,764,871	83,672,206
Total	\$ 7,440,860,867	\$ 7,938,693,250	\$ 8,719,539,285	\$ 9,257,868,169

Community Transit received approximately 63 percent of its 2020 revenue from local sales and use taxes. The rate charged in 2020 was 1.2 percent on all taxable sales within the Snohomish County Public Transportation Benefit Area (PTBA). The amount received for collections in 2020 amounted to \$156,070,967. 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 2020 was not available at the time of the 2020 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)

2015	2016	2017	2018	2019	2020
\$ 5,389,818,610	\$ 5,785,007,864	\$ 6,113,182,131	\$ 6,474,817,911	\$ 6,934,440,068	\$ 7,210,762,729
1,645,458,103	1,761,468,768	1,898,820,895	2,216,103,919	2,408,803,192	2,315,820,619
1,374,640,163	1,679,005,992	1,882,968,353	2,162,162,872	2,477,993,339	2,435,578,140
157,524,936	157,277,938	201,098,246	228,667,957	210,664,092	215,123,395
26,348,215	28,655,205	32,833,083	36,458,796	40,638,472	63,269,006
557,248,332	554,064,777	573,885,354	631,874,317	674,948,489	695,095,188
697,387,982	754,699,755	773,612,235	805,839,057	816,258,345	829,004,804
99,481,593	94,649,815	99,194,258	106,140,571	120,105,019	82,649,252
\$ 9,947,907,934	\$ 10,814,830,114	\$ 11,575,594,555	\$ 12,662,065,400	\$ 13,683,851,016	\$ 13,847,303,133

Revenue Capacity

Snohomish County Overlapping Sales Tax Rates: Ten -Year Comparison

Year	<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>
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	1.2%	2.7%	6.5%	10.4%
2020	1.2%	2.7%	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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2020	233,716,796	152,868,597	80,848,199	970,000	462,000	1,432,000	56.46 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, 2020, the current portion was \$1,267,732 and the long-term portion was \$8,008,230, resulting in a total bonds payable of \$9,275,962. 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>
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
2020	2021	154,392,389

- * 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>
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	0.02%
2015	1,810,857	3	0.01%
2016	-	-	0.01%
2017	12,935,115	22	n/a
2018	11,765,416	20	0.03%
2019	10,530,539	18	Not Available
2020	9,275,962	15	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 2020 for Collection of Taxes in 2021	\$111,532,676
Debt Limit (0.375 Percent of Assessed Value)	418,248
Less Outstanding Bond Issues - Net	9,275
Legal Debt Margin	\$ 408,973

	2011	2012	2013	2014
Debt Limit	247,417	220,917	220,894	228,921
Total Net Debt Applicable to Limit	5,389	5,381	5,327	3,584
Legal Debt Margin	\$ 242,028	\$ 215,536	\$ 215,567	\$ 225,337
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.2%	2.4%	2.4%	1.6%

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)***

2015	2016	2017	2018	2019	2020
254,645	275,727	301,456	339,723	379,832	418,248
1,810	-	12,935	11,765	10,531	9,275
\$ 252,835	\$ 275,727	\$ 288,521	\$ 327,958	\$ 369,301	\$ 408,973
0.7%	0.0%	4.3%	3.5%	2.8%	2.2%

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>
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	52,349	4.0%
2018	805,120	85,758	55,982	3.6%
2019	822,083	88,442	58,729	2.8%
2020	831,107	90,497	Not Available	6.7%

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, 2020 and 2011

Employer	2020			2011		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Boeing	29,800	1	10.70%	39,000	1	10.61%
Providence Regional Med. Ctr.	10,154	2	3.65%	3,500	4	0.95%
Snohomish County Government	5,243	3	1.88%	2,500	6	n/a
Tulalip Tribes Enterprises	4,171	4	1.50%	3,100	5	0.84%
Everett Naval Station	3,850	5	1.38%	6,000	2	1.63%
Washington State Government	3,444	6	1.24%	6,000	3	1.63%
Fred Meyer/QFC	3,207	7	1.15%	-	-	n/a
Walmart	3,049	8	1.09%	-	-	n/a
Edmonds School District	2,750	9	0.99%	2,000	9	0.54%
Premera Blue Cross	2,519	10	0.90%	2,400	7	0.65%
Phillips Medical Systems	-	-	n/a	2,000	10	0.54%
Everett Clinic	-	-	n/a	2,100	8	0.57%
Total, Principal Employers	68,187			68,600		
Total County Employment	278,500			367,481		
Percentage of Principal Employers to Total County Employment	24.48%			18.67%		

Data Sources:

Snohomish County Economic Alliance

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

Year	County Population	PTBA Population	Age Distribution for Snohomish County		
			0-19	20-64	65+
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%
2020	831,107	607,522	25.0%	61.6%	13.4%

Note: 2019 and 2020 age distribution data was not available due to COVID19. Thus, 2018 data was used for both 2019 and 2020.

Data Source:

U.S. Census Bureau

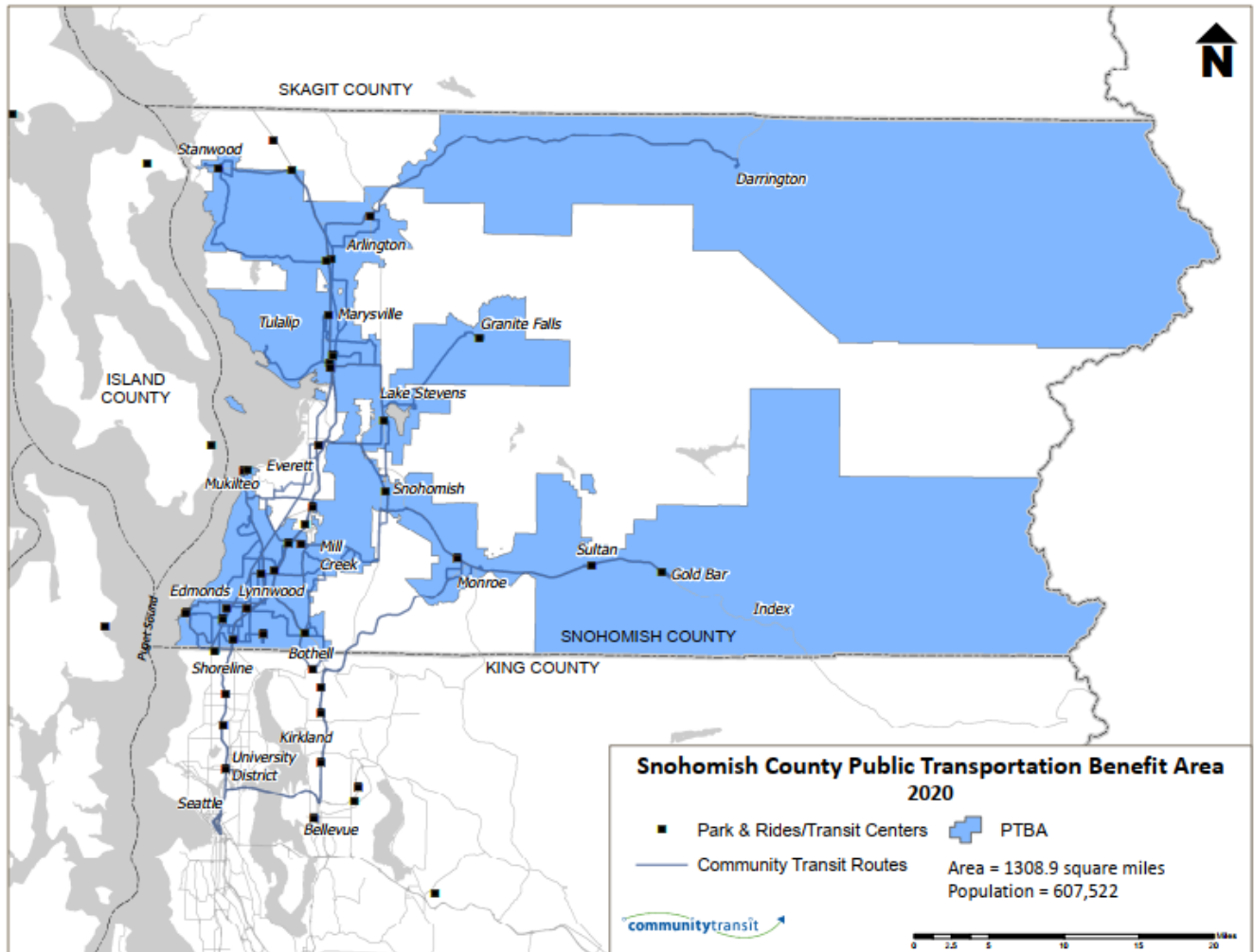
County population by age and gender: <https://www.economicalliancesc.org/>

Operating Information

Snohomish County

Public Transportation Benefit Area Map

2020



Operating Information

Service Statistical Data: Ten-Year Comparison

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Directly Operated Service										
Average Weekly Ridership	133,676	124,481								
Passengers per Hour	17.10	19.94								
Fare Revenue per Passenger	\$ 1.38	\$ 1.50								
Cost per Passenger	\$ 9.38	\$ 9.19								
Cost per Mile	\$ 10.13	\$ 11.42								
Farebox Return	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	85,498
Passengers per Hour			18.53	19.77	18.43	17.16	15.61	15.33	14.42	10.16
Fare Revenue per Passenger			\$ 1.41	\$ 1.28	\$ 1.27	\$ 1.26	\$ 1.27	\$ 1.26	\$ 1.28	\$ 0.95
Cost per Passenger			\$ 9.10	\$ 8.56	\$ 9.48	\$ 9.89	\$ 11.19	\$ 11.67	\$ 12.91	\$ 20.00
Cost per Mile			\$ 11.12	\$ 11.37	\$ 11.68	\$ 11.65	\$ 12.34	\$ 12.62	\$ 13.37	\$ 14.32
Farebox Return			15.4%	15.0%	13.4%	12.8%	11.3%	10.8%	9.9%	4.7%

Commuter Bus Directly Operated										
Average Weekly Ridership			22,489	22,980	22,613	22,784	22,463	23,526	23,634	6,951
Passengers per Hour			34.03	30.10	29.38	28.02	26.30	26.30	26.05	11.88
Fare Revenue per Passenger			\$ 2.97	\$ 3.20	\$ 3.44	\$ 3.80	\$ 3.72	\$ 3.60	\$ 3.53	\$ 3.78
Cost per Passenger			\$ 9.76	\$ 10.83	\$ 11.82	\$ 11.79	\$ 11.50	\$ 12.30	\$ 13.01	\$ 33.56
Cost per Mile			\$ 15.65	\$ 16.53	\$ 17.62	\$ 17.19	\$ 16.08	\$ 17.35	\$ 18.23	\$ 19.03
Farebox Return			30.5%	29.5%	29.1%	32.2%	32.3%	29.3%	27.1%	11.3%

Contract Commuter Service										
Average Weekly Ridership	30,899	28,951	28,838	31,269	31,851	32,373	33,111	34,052	35,591	9,587
Passengers per Hour	37.57	46.15	41.95	40.01	40.00	38.02	36.80	34.99	35.38	13.73
Fare Revenue per Passenger	\$ 3.74	\$ 3.36	\$ 3.54	\$ 3.26	\$ 3.45	\$ 3.70	\$ 3.61	\$ 3.57	\$ 3.42	\$ 4.12
Cost per Passenger	\$ 7.31	\$ 6.71	\$ 5.95	\$ 5.60	\$ 5.33	\$ 5.29	\$ 5.62	\$ 6.12	\$ 6.39	\$ 22.54
Cost per Mile	\$ 11.43	\$ 12.59	\$ 10.25	\$ 10.18	\$ 9.87	\$ 9.67	\$ 9.99	\$ 10.19	\$ 10.66	\$ 12.33
Farebox Return	51.1%	50.0%	59.6%	58.3%	64.7%	69.9%	64.2%	58.3%	53.5%	18.3%

DART/Paratransit										
Average Weekly Ridership	3,929	3,747	3,620	3,704	3,661	3,734	3,740	3,846	3,666	1,334
Passengers per Hour	2.31	2.28	2.27	2.28	2.24	2.35	2.39	2.29	2.24	1.91
Fare Revenue per Passenger	\$ 1.42	\$ 1.43	\$ 1.69	\$ 1.67	\$ 1.86	\$ 1.95	\$ 1.98	\$ 2.04	\$ 2.26	\$ 1.93
Cost per Passenger	\$ 41.33	\$ 37.60	\$ 38.48	\$ 39.22	\$ 38.93	\$ 39.49	\$ 42.15	\$ 44.16	\$ 47.08	\$ 143.06
Cost per Mile	\$ 5.28	\$ 4.62	\$ 4.64	\$ 4.83	\$ 4.73	\$ 4.99	\$ 5.41	\$ 5.48	\$ 5.68	\$ 14.60
Farebox Return	3.4%	3.8%	4.4%	4.3%	4.8%	4.9%	4.7%	4.6%	4.8%	1.4%

Vanpool										
Average Weekly Ridership	17,172	17,697	17,840	17,787	17,551	16,688	16,565	16,719	15,842	5,808
Passengers per Hour	5.76	6.13	6.25	6.26	6.37	6.13	6.13	6.02	5.54	4.65
Fare Revenue per Passenger	\$ 3.30	\$ 2.85	\$ 2.97	\$ 3.02	\$ 3.21	\$ 3.22	\$ 3.22	\$ 3.45	\$ 3.78	\$ 5.00
Cost per Passenger	\$ 4.44	\$ 4.17	\$ 4.27	\$ 4.65	\$ 4.39	\$ 4.93	\$ 5.09	\$ 5.20	\$ 5.32	\$ 11.22
Cost per Mile	\$ 0.82	\$ 0.78	\$ 0.82	\$ 0.89	\$ 0.85	\$ 0.93	\$ 0.96	\$ 0.98	\$ 0.93	\$ 1.64
Farebox Return	74.4%	68.4%	69.4%	64.9%	73.2%	65.3%	63.2%	66.3%	71.0%	44.6%

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	Directly Operated	Motor Bus Directly Operated	Commuter Bus Directly Operated	Contract Commuter	DART Paratransit	Vanpool	Total: Community Transit Service	Sound Transit
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
2020	-	4,445,897	361,446	498,511	69,387	302,038	5,677,279	1,321,028

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>
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
2020	-	437,507	30,419	36,308	36,370	64,978	605,582	102,510

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	Directly Operated	Motor Bus Directly Operated	Commuter Bus Directly Operated	Contract Commuter	DART Paratransit	Vanpool	Total: Community Transit Service	Sound Transit
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
2020	-	6,207,498	637,568	911,051	679,859	2,068,568	10,504,544	2,299,292

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

Year	Local Service			Commuter: South County			Commuter: North & East County			
	Regular	Youth	Senior/ Disabled	Regular	Youth	Senior/ Disabled	Regular	Youth	Senior/ Disabled	Paratransit Fares
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

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

Year	Local Service			Commuter			DART
	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. This fare is available only 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.

Year	Local Service			Commuter			DART
	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
2020	2.50	1.75	1.25	4.25	3.00	2.00	2.50

In response to the COVID-19 pandemic, Community Transit temporarily suspended fare collection effective March 20, 2020. Fare Collection resumed on Swift routes effective June 1, 2020, and on all routes effective July 1, 2020.

Operating Information

Miscellaneous Operational Data: December 31, 2020

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	829,856
Population - PTBA	607,522
Major Park-and-Ride Lots (250 or more parking stalls)	8
Minor Park-and-Ride Lots (fewer than 250 parking stalls)	14

Employees

Operations	501
Maintenance	122
General and Administrative	162
Total	785

Active Revenue Vehicles

Directly Operated	151
Commuter Service	70
Vanpool Vans	461
Contract Commuter	85
DART/Paratransit	52
Total	819

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

<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>
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
2020	-	151	70	85	52	461	819

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.