

2021 Annual Financial Report



Year Ended December 31, 2021
Community Transit
Snohomish County, Washington
communitytransit.org

2021 Board of Directors

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

Board Alternates

Board Alternate - *Mike Gallagher*
Board Alternate - *Kristiana Johnson*
Board Alternate - *James McNeal*
Board Alternate - *Nate Nehring*
Board Alternate - *Kyoko Matsumoto Wright*

2021 Executive Leadership Team

Chief Executive Officer - *Ric Ilgenfritz*
Director of Administration - *Geri Beardsley*
Director of Planning & Development - *Roland Behee*
Chief Technology Officer - *Tim Chrobuck*
Director of Communications & Public Affairs - *Mary Beth Lowell*
Director of Customer Experience - *Molly Marsicek*
Chief of Staff - *Deb Osborne*
Director of Employee Engagement - *Cesar Portillo*
Interim Chief Operating Officer - *Jim Williams*

Comprehensive Annual Financial Report

For the Year Ended December 31, 2021

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

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Introductory Section

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Ric Ilgenfritz, Chief Executive Officer

Board of Directors

September 23, 2022

Snohomish County Public Transportation
Benefit Area Corporation
Snohomish County, Washington

Subject: 2021 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, 2021. 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, 2021. 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 acted swiftly to control operating costs, defer capital projects, and take advantage of available reserve funds. As federal pandemic mitigation funds became available in 2020 and 2021, Community Transit began planning how to restructure our services to meet the changing needs of our communities in the post-pandemic future.

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 613,000 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 2021, Council Member Kim Daughtry from the City of Lake Stevens served as Chair, Councilmember Joe Marine from the City of Mukilteo served as Vice-Chair, and Councilmember Jan Schuette from the City of Arlington served as Secretary.

Community Transit's Chief Executive Officer (CEO), Ric Ilgenfritz, is responsible for overall administration of the agency as directed through policy guidance issued by the Board of Directors. The agency's principal officers in 2021 were Chief Technology Officer (Tim Chrobuck), 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), and Director of Planning and Development (Roland Behee). Principle officers in 2021 also included a Chief Operations Officer in charge of the Transportation and Maintenance Departments. Steve Kim held this position through most of 2021, and James Williams was the interim Chief Operations Officer for the remainder of 2021.

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. (Starting in the fall of 2021, connections to the University of Washington shifted to Northgate to connect to Sound Transit's Link light rail service.) Both local and commuter services allow riders to connect with services provided by King County Metro, Sound Transit, Everett Transit, Skagit Transit, Amtrak, and the Washington State Ferry System.

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

Ridership

As reported in the Federal Transit Administration's (FTA) National Transit Database Report, Community Transit provided 4.9 million passenger trips in 2021 on bus, DART paratransit, and vanpool services. Overall ridership decreased by 14 percent from 5.7 million in 2020. Bus boardings also decreased by 14 percent from 5.3 million to 4.6 million. Vanpool boardings decreased by 25 percent from 302,000 in 2020 down to 228,000 in 2021. Transit demand (DART) boardings increased 23 percent from 69,400 in 2020 to 85,000 in 2021.

Weekday bus ridership averaged 14,900 boardings (a 14 percent decrease from 17,400 boardings in 2020). Saturday ridership decreased by 8 percent (an average of 8,500 boardings in 2021 compared to 9,200 boardings in 2020). Sunday ridership decreased by 8 percent (6,400 boardings in 2021 down from 7,000 boardings in 2020). The statistical section of this report contains additional detailed operating information about ridership, service hours, and fares.

These decreases in ridership reflect the continuing effect of the pandemic, as well as changes in how businesses structure their employees' work schedules, allowing hybrid and full work-from-home options.

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

The overwhelmingly focus in 2021 was to continue in the strong, effective pandemic response of safe, stable operations that began in 2020 while still advancing progress on agency priorities. Community Transit adjusted service back up to 89 percent of prepandemic levels to support increasing ridership as local economic activity resumed.

Agency staff are working with the City of Everett at their request to support the city's [Transit Consolidation Study](#). This study builds from results of the [Rethink Transit study](#), which evaluated three options for funding and designing Everett Transit's future service. The consolidation study will define a plan for Everett to join Community Transit's public transportation benefit area if Everett voters approve a ballot measure to do so.

We implemented service to the new Sound Transit link light rail station at Northgate, providing new travel options for Snohomish County riders to reach destinations in King County. This service integration enabled us to add 48 new daily trips between the two counties. We also secured \$43.5 million in federal grants for development of the *Swift* Orange Line and advanced planning and design for extensions to both the Blue and Green lines.

Public engagement and customer research programs were expanded, with a focus on reaching underrepresented communities. This effort supports the agency's Diversity, Equity, and Inclusion program, which aligns the agency's policies, practices, and resources to provide equitable opportunities.

Community Transit earned the Washington State Transit Insurance Pool (WSTIP) Safety Star Award (Large Agency Category) for the fourth consecutive year. 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.

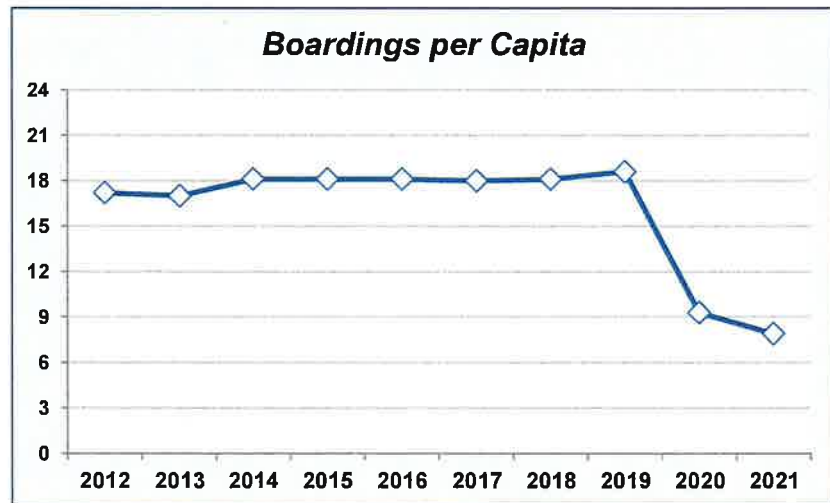
The COVID-19 pandemic continued to significantly impact ridership, service hours, and fare revenue as well as generate additional expenses for personal protective equipment, disinfecting services, and operational labor requirements. Ridership, service hours, fare revenue, and operating expense affect every performance indicator, and the statistics for 2021 continue the anomalous patterns seen in 2020. As businesses redefine where and when their employees work and people in our service area resume more of their prepandemic activities, we will adjust our existing services and explore new service options that meet these changing needs.

Customer Satisfaction and Ridership Growth

Boardings per Capita

Between 2020 and 2021, the population within Community Transit's public transportation benefit area (PTBA) grew by slightly less than 1 percent, which is less than the 10-year average PTBA population growth rate of 1.6 percent.

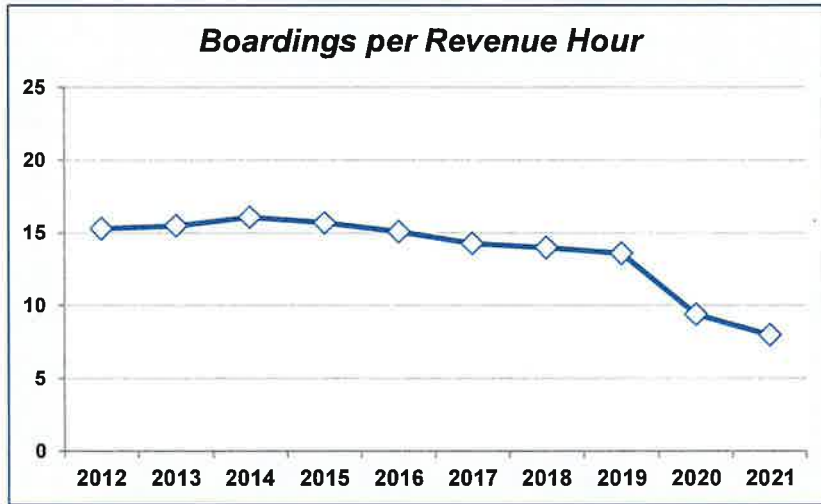
From 2014 through 2018, the system boardings per capita rate of 18.1 remained stable. It increased to 18.6 in 2019, but during 2020 ridership declined by 49 percent which caused the system boardings per capita rate to fall to 9.3. Ridership across all modes experienced a 14 percent decline in 2021 as compared to 2020, which dropped the system boardings per capita measure to 7.9.



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 that trend continued in 2021.

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

In 2020 Community Transit operated 605,000 hours of service across all modes. In 2021, we operated 611,000 hours of service, an increase of just shy of 1 percent. System ridership was significantly impacted by the COVID-19 pandemic. Ridership across all modes was 5.7 million passengers in 2020 and 4.9 million in 2021, a decrease of 14 percent. Bus only boardings were 5.3 million in 2020 and 4.6 million in 2021, also a 14 percent decrease.

Demand response was the only service to show an increase between 2020 and 2021 with 69,000 boardings in 2020 and 85,000 boardings in 2021, a 23 percent increase. Although this was a significant increase in demand response boardings, 85,000 boardings is about 45 percent of the 191,000 boardings this mode served in 2019.

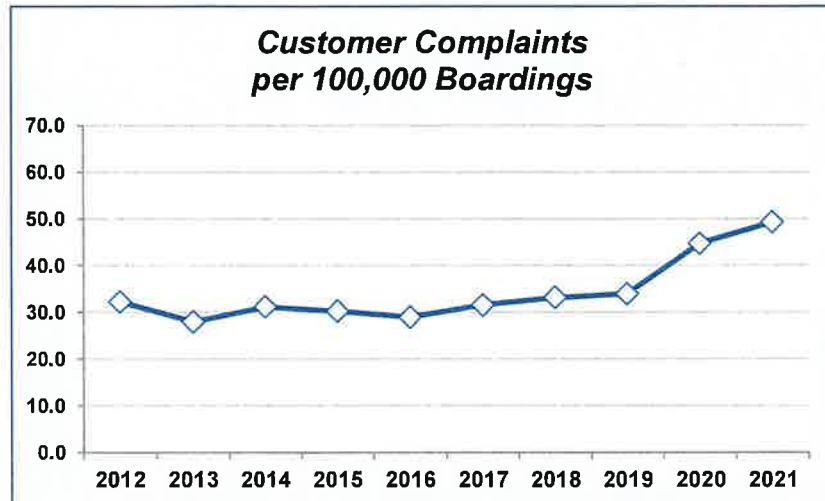
Customer Comment Charts

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. 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 forward are entirely from the automated software system.

Customer Complaints

Customer complaints run a gamut from scheduling concerns, to frequency of stops, to behavior of other riders on a bus. 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.

In 2021 there were 49.3 complaints per 100,000 boardings as compared to 44.8 per 100,000 in 2020, an increase of 10 percent. The 10 percent increase is an improvement from the 32 percent increase between 2020 and 2019. Like the prior year, the top complaints received in 2021 concerned mask requirements, employee behavior or driving skills, and bus scheduling (bus did not stop or was late). Over the 10-year period of 2012 to 2021 inclusive, the agency received an average of 34.4 complaints per 100,000 boardings per year.

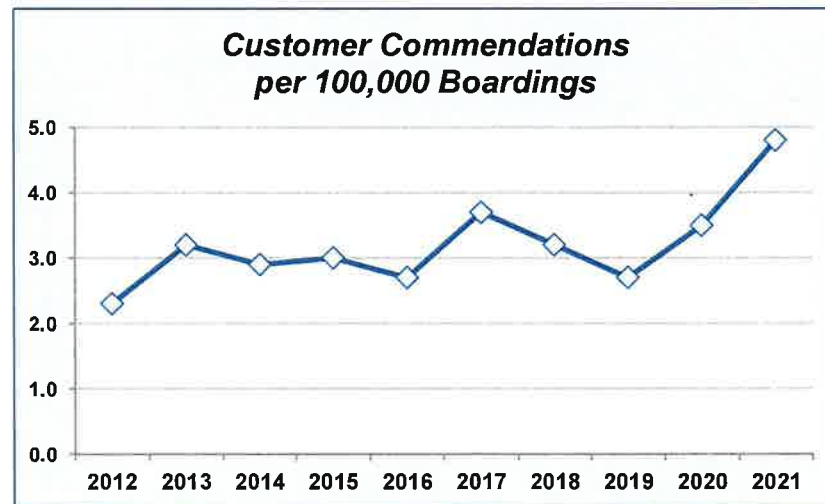


Considered an indicator of customer interest in, concern about, or satisfaction with Community Transit services.

Customer Commendations

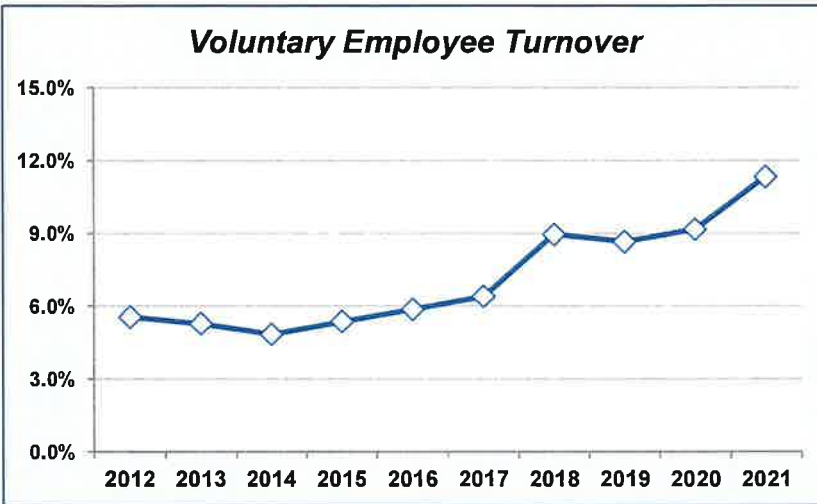
Customer commendations fluctuate from year to year depending on factors such as service changes, inclement weather, and even the number of new bus drivers or new services.

In 2021 Community Transit received 4.8 commendations per 100,000 boardings, as compared to 3.5 per 100,000 boardings in 2020. Over the 10-year period of 2012 to 2021 inclusive, the agency received an average of 3.2 commendations per 100,000 boardings per year.



Considered an indicator of customer satisfaction with Community Transit services.

Voluntary Employee Turnover



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

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.

left in 2019 and 2020. Voluntary employee turnover statistics include employees who left the agency due to vaccination requirements.

Voluntary turnover totaled 88 employees in 2021, 16 more than the 72 employees who

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 fare revenue, and changes in the cost of operating the services provided.

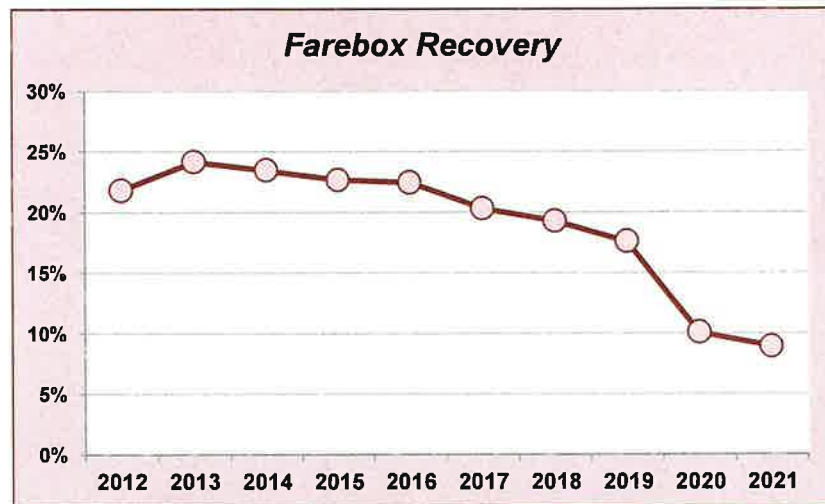
Service Changes: In response to the COVID-19 pandemic, in 2020 Community Transit deferred service increases and reduced service across all modes by 213,000 hours. Service has been restored to about 89 percent of prepandemic levels.

Fare Revenue: In 2021 Community Transit, along with other transit agencies in the region, instituted a fare reduction policy for customers who met a low-income threshold.

Operating Expenses: In 2021, one of the state-sponsored pension plans that Community Transit participates in became fully funded and, therefore, was reported as a net pension asset this year for the first time. This resulted in a 680 percent decrease in total pension expense. As a result, while revenue hours increased by 0.9 percent, operating expense decreased by 9.3 percent.

Farebox Recovery

Farebox recovery measures the proportion of operating costs paid for by passenger fare revenue. Farebox recovery is affected by changes in fare rates, operating expense, or the number of passengers using our service. Farebox recovery is also affected by the addition of new service and the type of service added. For example, bus service is more expensive to add than vanpool service.



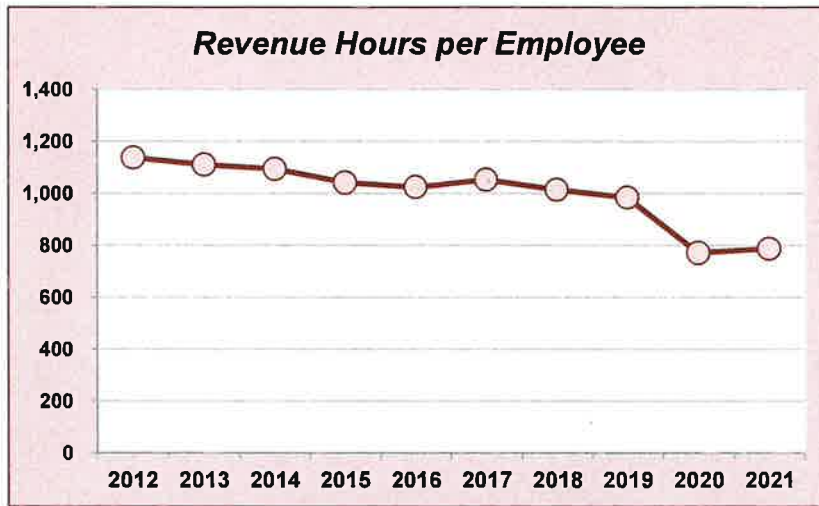
Fares divided by operating cost.

Farebox recovery may decrease when new service is added because it takes time for the new service to mature. Expenses associated with implementing new service begin before the service is available for public use. Once the service is available, full operating expenses exist from day 1, regardless of actual ridership numbers.

Between 2012 and 2019 the average farebox recovery rate was 21.5 percent. Between 2014 and 2019, Community Transit added 208,000 hours of bus service, a 55 percent increase. The dip in farebox recovery through 2019 was anticipated because of these service additions. The chart shows the effect of the pandemic with a 2020 farebox recovery rate of 10 percent. The pandemic created a reduction in ridership, therefore also in fare revenue, and fare collection was suspended for four months. At the same time, operating expense decreased by only 3.2 percent because reaction to the pandemic required new cleaning protocols, personal protective supplies, and more labor to ensure social distancing.

In 2021, the farebox recovery rate was 9 percent, reflecting the fare reduction program offered to low-income riders as well as a 1 percent drop in ridership as compared to 2020, and a 9 percent reduction in overall operating expense.

Revenue Hours per Employee



Revenue hours divided by year-end employee count.

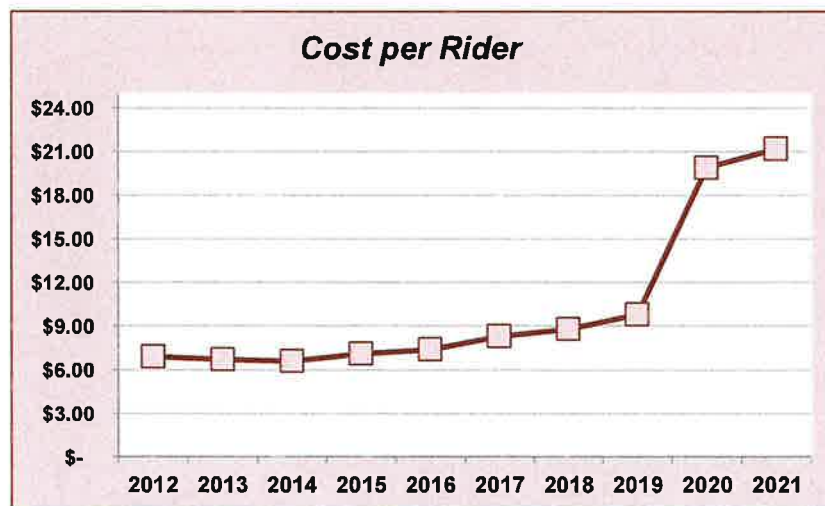
Revenue Hours per Employee measures how much service Community Transit operates per employee and is one indicator of workforce labor efficiency.

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 did eliminate over 50 positions and either froze or delayed hiring for other positions. The 2 percent increase between 2020 and 2021 reflects the rehire of all laid-off employees and the addition of staff to work on the agency’s service improvements.

Cost per Rider



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

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 can be one indicator of cost efficiency but must be reviewed with consideration for policy decisions to offer low-cost, no-cost, or other fare options.

Between 2012 and 2019, the average cost per rider was \$7.68. During 2020, the cost per rider rose to \$19.89, a pandemic related anomaly. The number of riders who used our services in 2020 declined by 49 percent as compared to 2019. Fares were suspended between March and July of 2020, and more buses were deployed to routes to ensure we could offer social distancing for our passengers. Many employers, including Community Transit, began work-from-home programs for employees whose work could be completed remotely. These factors caused the 2020 cost per rider to spike.

In 2021, a low-income fare program offering reduced fares (1/2 of the full fare) to riders who qualified for the program was implemented. That and the work-from-home option many businesses continued to use contributed to lower fare revenue. As compared to 2020, the 2021 cost per rider increase by 6.5 percent from \$19.89 to \$21.19.

Cost per Passenger Mile



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. Factors that increase the cost per passenger mile include fewer miles to absorb operating expense and increased operating expense.

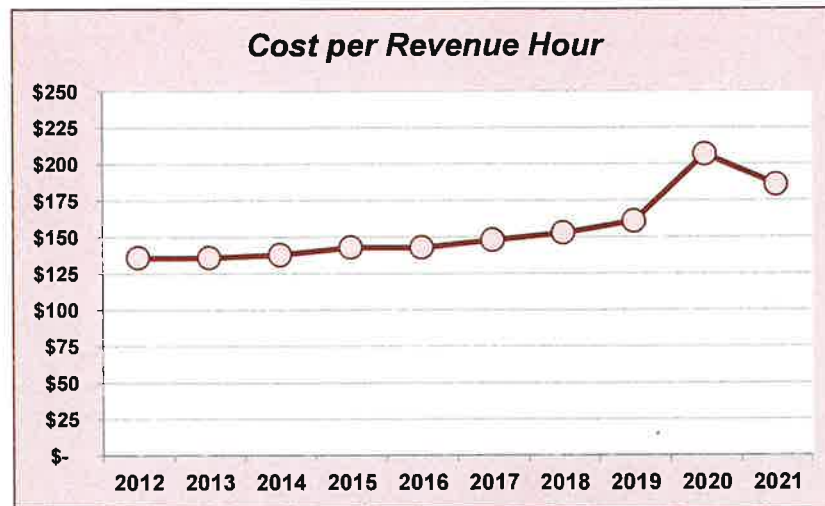
Service on many routes, including commuter routes into Seattle and the

University district, were reduced in 2020 because ridership declined precipitously. However, expenses did not decline in the same proportion as service. Most fixed expenses remained relatively stable, pandemic-related mitigation measures increased some expenses, and labor expense did not decline proportionately because Community Transit leadership made the decision to retain as many employees as possible. These factors contributed to the spike in cost per passenger mile between 2020 and 2019 of 122 percent from \$1.15 to \$2.55.

Between 2020 and 2021, the cost per passenger mile increased less dramatically (10 percent) from \$2.55 to \$2.82. Factors contributing to this change include implementation of the regional low-income fare program and more significantly, opening of Link light rail in north King County. Some routes that used to serve Seattle and the University district were rerouted to the new light rail location, thus reducing the number of revenue miles against which to distribute expense.

Cost per Revenue Hour

Cost per Revenue Hour measures the cost of operations for one revenue hour of service. This systemwide performance measure indicates efficiency of the unit cost of operations and is affected by changes in operating expense and the number of revenue hours operated.



Operating cost divided by revenue hours.

In 2020 Community Transit operated 26 percent fewer revenue hours while operating expense decreased by only 3.2 percent. Because the decrease in expense was not proportional to the decrease in revenue hours, the cost per revenue hour increased from \$161 in 2019 to \$207 in 2020. In 2021 Community Transit’s revenue hours remained consistent with 2020 (an actual increase of 0.9 percent) while operating expense decreased by 9.3 percent. Because revenue hours did not substantially change but operating expense decreased, the cost per revenue hour dropped by 10.5 percent to \$186.

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 844,400 in 2021². Over the past ten years, the county’s population has grown an average of 1.65 percent per year. In 2021, Snohomish County accounted for the second largest share of overall population growth in Washington State, at 16 percent. The largest share of growth was in King County, at 29 percent. Snohomish County is home to over 20,500 businesses, ranging from small family farms to the world’s largest advanced manufacturing facility producing state-of-the-art aerospace equipment. The county boasts a labor force of about 422,000 workers, and the median household income is \$89,663.

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

² This population estimate is from [The Washington State Office of Financial Management](#) as of June 30, 2021.

Snohomish County is the manufacturing center of Washington State with 29 percent of the county's workforce engaged in manufacturing jobs. The aerospace industry accounts for about 30,600 jobs in the county. South Snohomish County includes a cluster of medical device, research, and biopharmaceutical companies. Snohomish County also has the state's second highest concentration of tech-based jobs. Boeing, Providence Regional Medical Center, the Everett Clinic, Naval Station Everett, and the Tulalip Tribes Enterprises 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. In 2021, sales tax continued to increase despite the COVID-19 pandemic. By year end 2021, sales tax revenues recorded on a cash basis exceeded 2020's collections by \$31.5 million (20.2 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 February 2022 forecast which considers the effect of the COVID-19 pandemic.

<u>Washington State Economic Indicators</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Unemployment	5.2%	4.1%	4.1%	4.3%	4.6%	4.7%
Percent Change in Real Per Capita Income	2.6%	-2.4%	2.8%	2.2%	2.0%	1.9%
Percent Change in Personal Income	3.5%	-1.4%	3.7%	3.2%	3.0%	3.0%

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 and COVID-19 relief funds that Community Transit has received, please see Note 12 to the Financial Statements.

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 September 1, 2022, for the period 2022 through 2027 and is available at [Six-Year Transit Development Plan, 2022-2027](#).

Major Initiatives Planned

The COVID-19 pandemic reaffirmed the importance of public transit in providing people with the mobility and access they need to jobs, services, and schools. Unprecedented one-time federal funding received in 2020 and 2021 has created an opportunity for us to make investments in four key areas: service improvements, strengthened financial reserves, innovation, and an expanded capital program.

Access to Sound Transit’s Link light rail is an important agency priority to connect our communities regionally and support ongoing growth and economic development. We will continue to build high-capacity transit with the addition of one more *Swift* line, the *Swift Orange Line*, which will serve Link light rail when it reaches the City of Lynnwood in Snohomish County in 2024. We begin trials in 2022 for new, on-demand service concepts for the Lynnwood area, and we continue to work with communities to understand local needs and pilot programs that offer alternatives to fixed-route services.



In concert with regional partners, we will launch the new myORCA mobile app and website in 2022, making it easier and faster to pay for rides on any regional service. We will also bring the spirit of innovation to the fleet, as we take a deep dive into the zero-emission study we began in 2021. The goal will be updating fleet plans with an eye toward refining service and addressing the changing climate with cleaner, quieter vehicles.

We have a steadfast commitment to providing a safe and healthy environment for customers and employees and to encouraging the return of former and new riders to transit. We monitor state and local guidance to ensure we continue to follow appropriate COVID-19 safety measures. We will invest in new, air-purifying technology on buses to provide an even higher level of confidence in the safety of transit for our customers. Staff will also focus on strengthening relationships with

community organizations, government agencies, and others who represent populations that have traditionally not had a strong voice in Community Transit's public input in order to understand Community Transit's customers (including nonriders), their needs, and their barriers to using our services.

To support service expansion and the larger fleet and workforce that will operate and support it, we need to modernize and expand our base facilities. In 2022, we will complete construction of the renovation of our Kasch Park Casino Road facility, while also beginning renovations and construction on our operations, maintenance, body shop, vehicle storage, and training facilities.

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. 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.

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, 2020. This was the 32nd 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 2020, the agency had completed their 26th consecutive annual audit with no audit findings.

The agency also earned its third Government Finance Officers Association Certificate of Achievement for Excellence in Budgeting for the 2021 Annual Budget.

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

Letter of Transmittal (continued)

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.



Ric Ilgenfritz
Chief Executive Officer

Community Transit—Principal Officials

Board of Directors—as of December 31, 2021

<u>Name</u>	<u>Title</u>	<u>Expiration of Term</u>
Kim Daughtry, Board Chair	Council Member, City of Lake Stevens	2/22
Joe Marine, Vice-Chair	Council Member, City of Mukilteo	2/22
Jan Schuette, Secretary	Council Member, City of Arlington	2/22
Jared Mead	Council Member, Snohomish County	2/22
Tom Merrill	Council Member, City of Snohomish	2/22
Jon Nehring	Mayor, City of Marysville	2/22
Lance Norton	Labor Representative	2/22
Sid Roberts	Mayor, City of Stanwood	2/22
Nicola Smith	Mayor, City of Lynnwood	12/21
Stephanie Wright	Council Member, Snohomish County	2/22

Chief Executive Officer

Ric Ilgenfritz

Director of Administration

Geri Beardsley

Interim Chief Operations Officer

James Williams

Director of Communications and Public Affairs

Mary Beth Lowell

Chief of Staff

Deb Osborn

Director of Customer Experience

Molly Marsicek

Chief Technology Officer

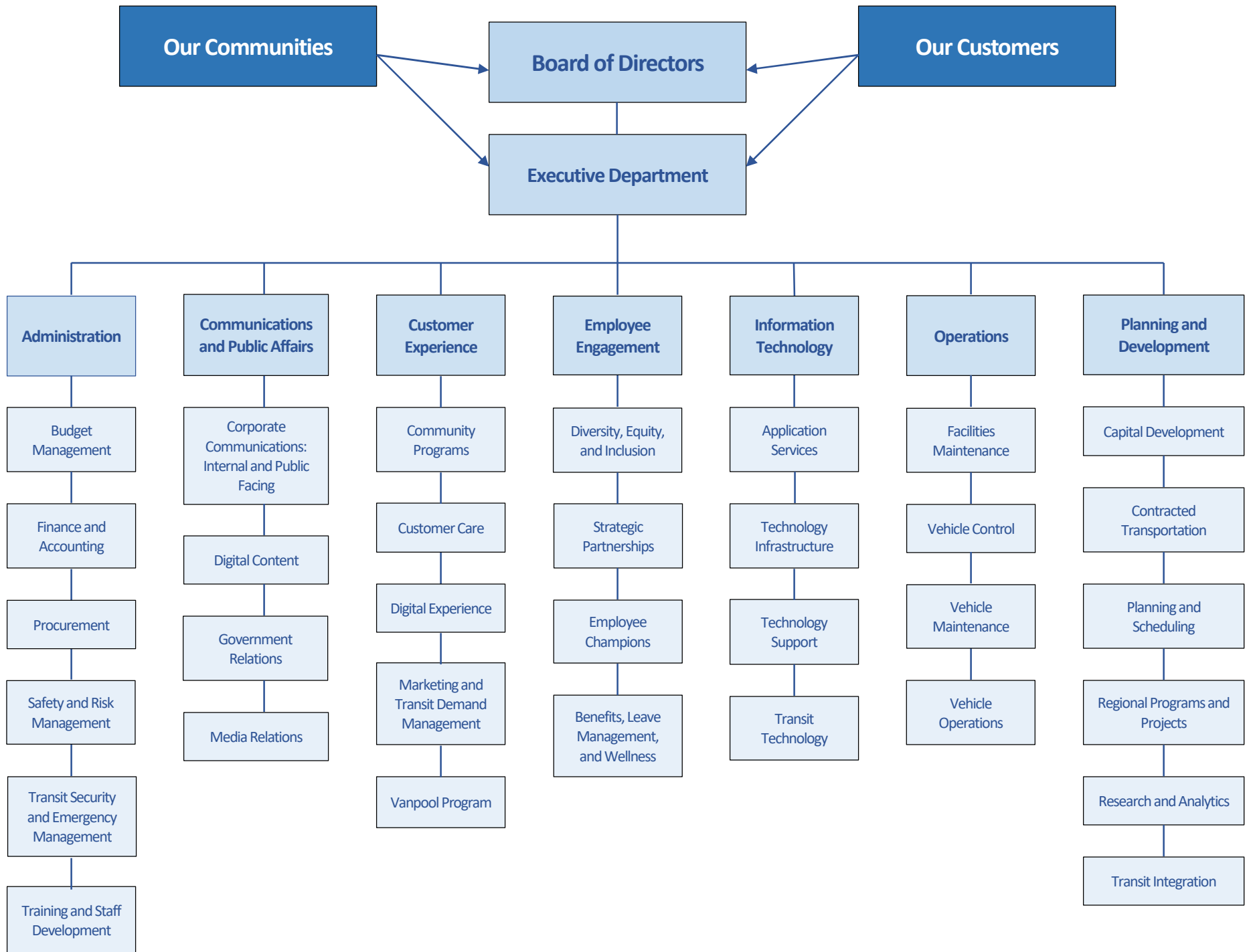
Tim Chrobuck

Director of Employee Engagement

Cesar Portillo

Director of Planning & Development

Roland Behee





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Community Transit
Washington**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

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Financial Section

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

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

Board of Directors
Community Transit
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Community Transit's of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Community Transit, as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 12 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Transit is unknown. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated September 23, 2022, 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 style with a large, sweeping initial "P" and a long, trailing flourish at the end.

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2022

Management's Discussion and Analysis

This section of Community Transit's Annual Comprehensive Financial Report (ACFR) represents management's overview and analysis of Community Transit's financial performance for the fiscal year ended December 31, 2021. 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, 2021, Community Transit's net position totaled \$664.2 million. Of this amount, \$364.0 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 \$105.4 million.
- Capital grants and contributions amounted to \$11.8 million.
- Community Transit's primary source of funding is from local sales taxes. In 2021, sales tax revenue increased by \$31.5 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 2021. The improvement was mainly due to an increase of \$31.5 million in sales tax, while restraining expenses. Net investment in capital assets increased by \$32.9 million, restricted net position increased by \$10.7 million, and unrestricted net position increased by \$61.7 million. This resulted in an increase in total net position of \$105.4 million.

Current assets net of current liabilities amounted to \$221.0 million for the year ended December 31, 2021, as compared to \$235.3 million for 2020.

Sales tax revenues increased by 20.2 percent for 2021 as compared to 2020. In 2021, sales tax continued to increase despite the COVID-19 pandemic.

Cash reserves available to meet current and future obligations decreased to \$190.9 million in 2021 from \$212.0 million in 2020. As of December 31, 2021, Community Transit had \$8.0 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, 2021, Community Transit's net position totaled \$664.2 million. A summary of Community Transit's net position follows.

Summary Statement of Net Position

	2021	2020
Assets:		
Current and Other Noncurrent Assets	\$ 466,234,777	\$ 358,277,586
Capital Assets	297,274,791	265,618,459
Total Assets	763,509,568	623,896,045
 Deferred Outflows of Resources:		
	12,106,302	11,862,601
 Liabilities:		
Current and Other Liabilities	24,278,497	23,168,919
Noncurrent Liabilities	29,881,317	47,551,026
Total Liabilities	54,159,814	70,719,945
 Deferred Inflows of Resources:		
	57,246,656	6,216,023
 Net Position:		
Net investment in capital assets	289,382,842	256,458,779
Restricted	10,730,675	-
Unrestricted	364,095,883	302,363,899
Total Net Position	\$ 664,209,400	\$ 558,822,678

Community Transit’s improved net position was due mostly to an increase of \$31.5 million in sales tax, while restraining expenses that resulted in an increase of \$67.2 million in investments. Public transportation is a capital-intensive enterprise. Consequently, 43.6 percent of Community Transit’s net position was invested in capital assets in 2021, as compared to 45.9 percent in 2020. Because these capital assets are used to provide services to citizens, they are not available for future spending.

There were 1.6 percent in external restrictions on assets affecting net position in 2021, with no external restrictions on assets for 2020. 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 22.7 percent of total net position for vehicle replacements and other capital improvements in 2021 compared to 28.2 percent in 2020. An additional \$3.9 million was designated for workers’ compensation in 2021; correspondingly, \$2.5 million was designated in 2020. The remaining \$209.7 million in 2021 is available to support our public obligation for future transit operations as compared to \$141.5 million in 2020.

Deferred outflows of resources increased by \$0.2 million from 2020 to 2021, while deferred inflows of resources increased by \$51.0 million.

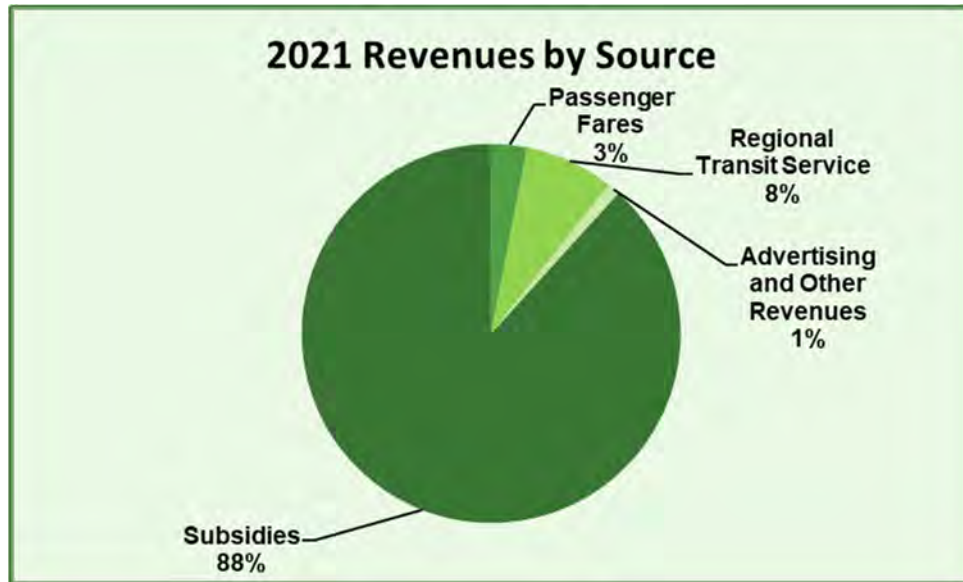
Community Transit’s net position increased by \$105.4 million during the current fiscal year. Key elements of this increase follow.

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

	2021	2020
Operating Revenues:		
Passenger Fares	\$ 7,835,281	\$ 9,273,274
Regional Transit Service	19,461,954	20,876,827
Advertising	400,715	340,000
Nonoperating Revenues:		
Subsidies	228,303,016	199,053,532
Other Revenues	(251,284)	4,173,163
	255,749,682	233,716,796
Expenses:		
Operations and Maintenance	77,937,624	86,056,552
General and Administrative	28,329,904	34,323,143
Contracted Transportation	29,277,592	32,488,902
Depreciation and Amortization	24,326,120	25,510,630
Nonoperating Expenses	139,624	157,215
	160,010,864	178,536,442
Net Income (Loss) Before Contributions and Special Item	95,738,818	55,180,354
Capital Grants and Contributions	11,841,363	14,283,138
Special Item: Assets Transferred to Other Agencies	-	(96,563)
Total Change in Net Position	107,580,181	69,366,929
Net Position—Beginning of Year	558,822,678	489,455,749
Prior Period Adjustment for Correction of Error	(2,193,459)	-
Net Position—Beginning of Year Restated	556,629,219	489,455,749
Net Position—End of Year	\$ 664,209,400	\$ 558,822,678

Revenues

During 2021, revenues increased by \$22.0 million, or 9.4 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 20.2 percent in 2021, resulting in an additional \$31.5 million in sales tax revenue.

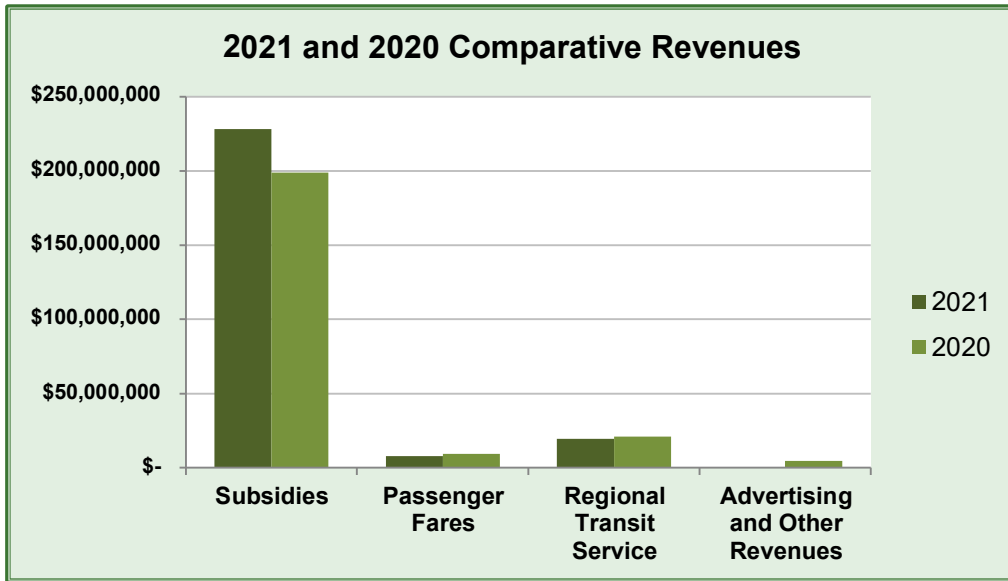
Subsidies also include federal and state operating grants and other local contributions in addition to sales tax. Total subsidies increased by \$29.2 million, or 14.7 percent, over the preceding year. In 2021, grants and contributions decreased by \$2.4 million.

Regional transit service revenues decreased \$1.4 million, or 6.8 percent, in 2021. The 2021 decrease was due to additional service that was provided outside of the contract in 2020 that was not continued in 2021.

Passenger fares for 2021 decreased by \$1.4 million, or 15.5 percent, over the preceding year. The decrease was attributed to the COVID-19 pandemic, which resulted in lower ridership.

Advertising and other revenues decreased in 2021 by \$4.4 million, or 97.7 percent. The 2021 decrease was primarily due to a decrease of \$4.4 million in investment income. The investment income decrease was due to lower interest rates and a drop in fair value on various investments that included U.S. treasury obligations, federal agency securities and municipal bonds.

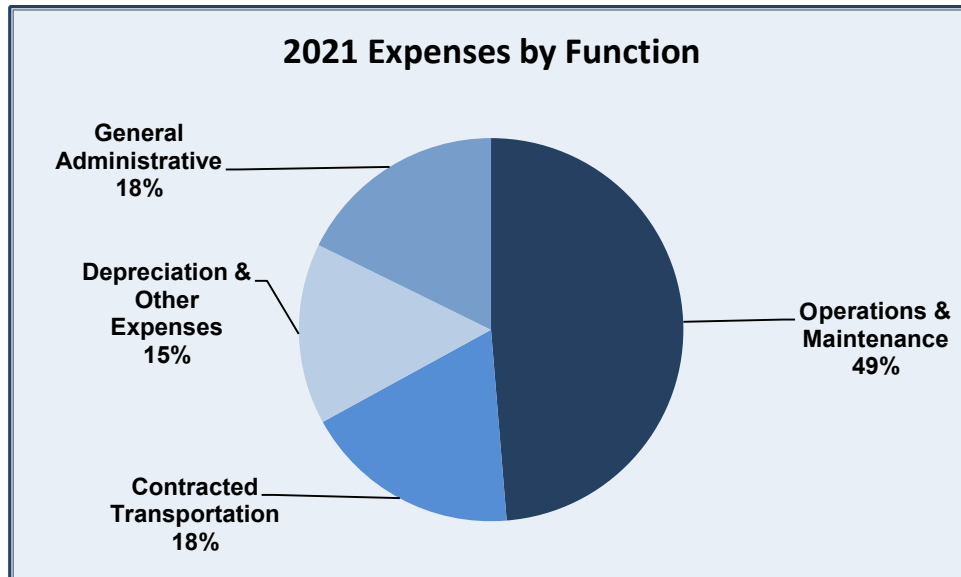
This chart compares revenues by major source for 2021 and 2020.



Expenses

During 2021, total expenses decreased by \$18.5 million, or 10.4 percent. The decrease is due primarily to the COVID-19 pandemic. Fuel prices increased in 2021, as did the number of gallons consumed.

This chart summarizes expenses by major function.



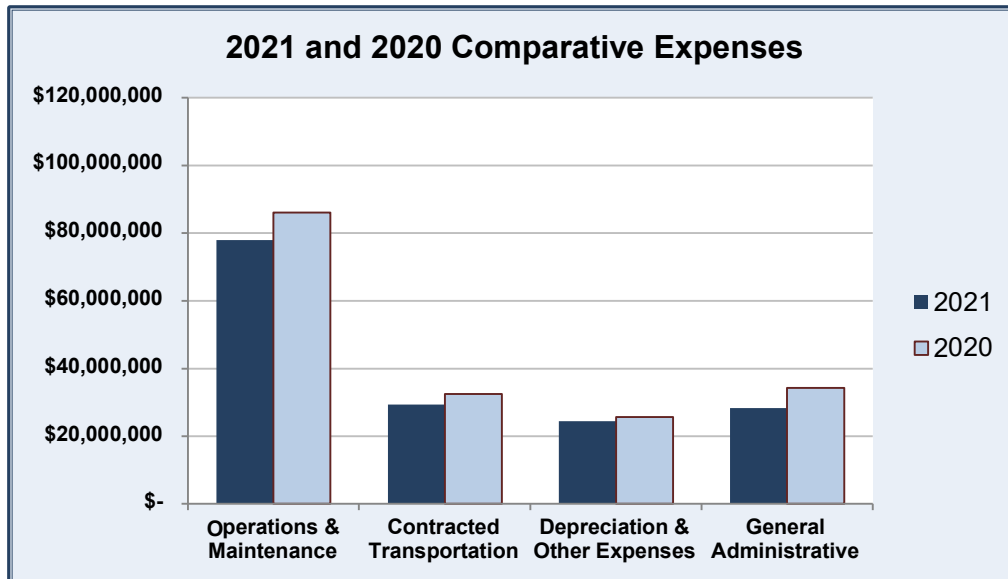
Operations and maintenance expenses in 2021 decreased by \$8.1 million, or 9.4 percent.

General and administrative expenses decreased by \$6.0 million, or 17.5 percent in 2021.

Contracted transportation expenses decreased by \$3.2 million, or 9.9 percent.

Depreciation and other nonoperating expenses decreased \$1.2 million, or 4.7 percent.

This chart compares expenses by function for 2021 and 2020.



Capital Assets

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

As of December 31, 2021, Community Transit's investment in capital assets amounted to \$297.3 million, net of accumulated depreciation. Capital assets increased by 11.9 percent during 2021 due mainly to facility renovations.

Major capital projects during 2021 included:

- Facility renovations (phase 1) in the amount of \$24.1 million.
- Revenue vehicles (coaches & DART vans) in the amount of \$14.4 million.
- Facility renovations (phase 2,3 & 5) in the amount of \$9.9 million.
- *Swift Orange Line* in the amount of \$3.9 million.
- IT infrastructure and software systems in the amount of \$3.8 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 2021 for collection of taxes in 2022	\$ 119,223,260,643
Maximum nonvoted debt capacity at 0.375 percent of valuation	447,087,227
Less outstanding bond issues - net	8,008,231
Nonvoted debt capacity remaining	<u>\$ 439,078,996</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 12 in the *Notes to the Financial Statements* for information on Community Transit's response, the effect on operations, and the financial impact.

The 2022 budget sets the stage for the agency's future growth and expansion. The projects and initiatives planned for 2022 lay groundwork for service innovation and help redefine the future of public transportation services in Snohomish County. Federal stimulus funds and a quicker than anticipated economic rebound from the COVID-19 pandemic provide Community Transit with the resources and the blueprint to move to the next level with new services, new facilities, and the ability to connect with light rail.

If you would like more information about the 2022 original budget, please visit this link:

https://www.communitytransit.org/docs/default-source/about-documents/budget-financials/adopted-2022-budget-book---final-1-31-22.pdf?sfvrsn=c60acd56_0

This table provides a summary of the original 2022 budget.

<i>2022 Budget</i>	<i>\$ in millions</i>
Operating Fund Revenues	\$ 263.1
Capital Grants and Contributions	67.5
Other Revenues	0.6
<i>Total Budgeted Revenues</i>	<i>\$ 331.2</i>
Operating Fund Expenses	\$ 171.9
Capital Projects	191.2
Workers' Compensation Fund	2.9
Debt Service	1.4
<i>Total Budgeted Expenses</i>	<i>\$ 367.4</i>

Requests for Information

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

Lori Fox, Controller
Community Transit
2312 West Casino Road
Everett, WA 98204

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Basic Financial Statements

Community Transit
Statement of Net Position
December 31, 2021

<u>Assets</u>	<u>2021</u>
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 189,234,904
<i>Restricted Assets:</i>	
Cash and Cash Equivalents	1,633,714
Accounts Receivable and Accrued Interest	736,565
Due from Other Governments	51,651,757
Maintenance Parts Inventory	1,881,792
Prepaid Expenses	129,476
<i>Total Current Assets</i>	<u>245,268,208</u>
<i>Noncurrent Assets:</i>	
<i>Capital Assets Not Being Depreciated:</i>	
Land	18,684,203
Intangible Property	1,790,479
Intangible Property - Transfers to Other Agencies	1,490,720
Work in Progress	60,132,553
Work in Progress - Transfers to Other Agencies	3,377
<i>Capital Assets (Net of Accumulated Depreciation):</i>	
Buildings	23,966,356
Site Improvements	39,358,682
Vehicles, Machinery, and Equipment	148,055,782
Intangible Property	3,792,639
<i>Capital Assets (Net of Accumulated Depreciation)</i>	<u>297,274,791</u>
<i>Other Noncurrent Assets:</i>	
Investments	166,978,633
Net Pension Asset	53,987,936
<i>Total Other Noncurrent Assets</i>	<u>220,966,569</u>
<i>Total Noncurrent Assets</i>	<u>518,241,360</u>
<i>Total Assets</i>	<u>763,509,568</u>
<u>Deferred Outflows of Resources</u>	
Pensions	8,012,583
Other Postemployment Benefits	4,093,719
<i>Total Deferred Outflows of Resources</i>	<u>12,106,302</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u><u>\$ 775,615,870</u></u>

Continued on the following page.

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Net Position
December 31, 2021
(Continued)

<u>Liabilities</u>	<u>2021</u>
<i>Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	\$ 10,262,789
Accrued Payroll Liabilities	3,484,251
Compensated Absences Payable	5,215,763
Unearned Revenue	3,200,869
Interest Payable	151,146
Bonds Payable - Current Portion	1,289,304
Total OPEB Liability	236,375
Provision for Workers' Compensation Claims	438,000
<i>Total Current Liabilities</i>	<u>24,278,497</u>
<i>Noncurrent Liabilities:</i>	
Compensated Absences Payable	1,001,373
Provision for Workers' Compensation Claims	1,927,000
Net Pension Liability	5,151,886
Total OPEB Liability	15,082,131
Bonds Payable	6,718,927
<i>Total Noncurrent Liabilities</i>	<u>29,881,317</u>
<i>Total Liabilities</i>	<u>54,159,814</u>
<u>Deferred Inflows of Resources</u>	
Pensions	55,588,520
Other Postemployment Benefits	1,658,136
<i>Total Deferred Inflows of Resources</i>	<u>57,246,656</u>
<u>Net Position</u>	
Net Investment in Capital Assets	289,382,842
Restricted For:	
Pensions	10,730,675
Unrestricted	364,095,883
<i>Total Net Position</i>	<u>664,209,400</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	<u>\$ 775,615,870</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, 2021

	2021
<i>Operating Revenues:</i>	
Passenger Fares	\$ 7,835,281
Regional Transit Service	19,461,954
Advertising	400,715
	27,697,950
<i>Operating Expenses:</i>	
Operations	56,894,282
Maintenance	21,043,342
General and Administrative	28,329,904
Contracted Transportation	29,277,592
Depreciation and Amortization	24,326,120
	159,871,240
	(132,173,290)
<i>Nonoperating Revenues (Expenses):</i>	
Subsidies	228,303,016
Investment Income	(891,530)
Insurance Recoveries and Other Revenues	303,639
Interest Expense	(139,624)
Gain (Loss) on Sale of Capital Assets	336,607
	227,912,108
<i>Net Income Before Contributions</i>	95,738,818
Capital Grants and Contributions	11,841,363
	107,580,181
<i>Net Position - Beginning of Year</i>	558,822,678
Prior Period Adjustment for Correction of Error	(2,193,459)
<i>Net Position - Beginning of Year, Restated</i>	556,629,219
<i>Net Position - End of Year</i>	\$ 664,209,400

The accompanying notes are an integral part of this statement.

Community Transit
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021
<i>Cash Flows from Operating Activities:</i>	
Cash Received for Operating Revenues	\$ 24,978,346
Cash Received for Miscellaneous Revenue	301,307
Cash Paid to Vendors for Goods and Services	(59,136,947)
Cash Paid for Employee Services and Benefits	(95,328,330)
<i>Net Cash Used for Operating Activities</i>	<i>(129,185,624)</i>
 <i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Subsidies	222,773,006
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>222,773,006</i>
 <i>Cash Flows from Capital and Related Financing Activities:</i>	
Acquisition of Capital Assets	(56,908,760)
Capital Grants and Contributions	11,426,364
Principal Payment on Bonds	(1,015,000)
Interest Paid on Bonds	(413,500)
Proceeds From the Sale of Capital Assets	348,495
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(46,562,401)</i>
 <i>Cash Flows from Investing Activities:</i>	
Proceeds from Maturing Investments	24,500,000
Investment Income	1,489,711
Purchase of Investments	(94,171,623)
<i>Net Cash Used for Investing Activities</i>	<i>(68,181,912)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(21,156,931)</i>
 <i>Cash and Cash Equivalents - Beginning of Year</i>	 212,025,549
 <i>Cash and Cash Equivalents - End of Year</i>	 <i>\$ 190,868,618</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, 2021
(Continued)

	2021
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i>	
Operating Loss	\$ (132,173,290)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i>	
Depreciation and Amortization	24,326,120
Miscellaneous Revenue	303,639
 <i>Change in Assets - Decrease (Increase):</i>	
Accounts Receivable	(45,663)
Due from Other Governments	(1,611,987)
Maintenance Parts Inventory	(251,071)
Prepaid Expenses	17,927
Net Pension Asset	(53,987,936)
 <i>Change in Deferred Outflows of Resources - Decrease (Increase):</i>	
Pensions	941,504
Other Postemployment Benefits	(1,185,205)
 <i>Change in Liabilities - Increase (Decrease):</i>	
Accounts Payable and Accrued Expenses	390,884
Accrued Payroll Liabilities	1,068,052
Compensated Absences Payable	(675,899)
Unearned Revenue	(1,064,286)
Provision for Workers' Compensation Claims	(182,000)
Net Pension Liability	(17,112,329)
Other Postemployment Benefits	1,025,283
 <i>Change in Deferred Inflows of Resources - Increase (Decrease):</i>	
Pensions	49,372,497
Other Postemployment Benefits	1,658,136
 <i>Net Cash Used for Operating Activities</i>	<i>\$ (129,185,624)</i>

Schedule of Noncash Investing, Capital, and Financing Activities

The change in fair value for investments that are not cash equivalents was a decrease of \$2,472,449 in 2021.

Capital Grants and Contributions differs from the statement of revenues, expenses, and changes in net position due to the accrual of revenues.

The accompanying notes are an integral part of this statement.

Community Transit
Notes to the Financial Statements
December 31, 2021

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 transit agencies for the provision of regional smart card fare (ORCA) collection services. Community Transit's undivided interests in the assets, liabilities and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis.

In fiscal year 2021, Community Transit implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB No. 98 established the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replaced instances of *comprehensive annual report* and its acronym in the generally accepted accounting principles for state and local governments.

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 in their entirety when approved, regardless of anticipated expense dates, and are accounted for on the full accrual basis. Each year thereafter, the remaining unexpended portion of each project, as well as related grant reimbursements, is re-budgeted.

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, 2021.

Revenues: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2021

	<u>2021 Budget</u>	<u>2021 Actuals</u>	<u>Variance Over (Under) Budget</u>
Passenger Fares	\$ 7,925,226	\$ 7,835,281	\$ (89,945)
Regional Transit Service	18,872,630	19,461,954	589,324
Advertising	90,000	400,715	310,715
Sales Tax	176,252,662	183,591,334	7,338,672
State and Local Grants	4,720,403	6,894,090	2,173,687
Federal Grants - Operating	38,417,280	34,030,932	(4,386,348)
Federal Grants - Capital	11,485,139	11,658,285	173,146
Investment Income	1,598,805	1,542,061	(56,744)
Miscellaneous	463,200	303,639	(159,561)
Sale of Capital Assets and Inventory	70,000	348,495	278,495
Total Revenues	<u>\$ 259,895,345</u>	<u>\$ 266,066,786</u>	<u>\$ 6,171,441</u>

Expenses: Budgeted vs. Actual (Budgetary Basis)
Year Ended December 31, 2021

	<u>2021 Budget</u>	<u>2021 Actuals</u>	<u>Variance Under (Over) Budget</u>
Salaries and Benefits	\$ 104,754,795	\$ 97,542,268	\$ 7,212,527
Supplies and Materials	14,176,007	13,049,483	1,126,524
Services and Other Charges	80,755,475	50,694,742	30,060,733
Intergovernmental	6,296,976	5,364,778	932,198
Capital Acquisitions	99,102,781	47,227,596	51,875,185
Debt Service - Interest	413,500	413,500	-
Debt Service - Principal	1,015,000	1,015,000	-
Total Expenses	<u>\$ 306,514,534</u>	<u>\$ 215,307,367</u>	<u>\$ 91,207,167</u>

The following schedule reconciles the accrual to budgetary differences for 2021.

	<u>2021</u>
<i>Revenues and Capital Contributions Reported on the Accrual Basis</i>	\$ 267,591,045
Accruals for Sales Tax Revenue	(3,969,738)
Investment Income for Fair Value Reporting	2,433,591
Net Book Value of Retired Equipment	11,888
<i>Revenues Reported on the Budgetary Basis</i>	<u>\$ 266,066,786</u>
	<u>2021</u>
<i>Expenses Reported on the Accrual Basis</i>	\$ 160,010,864
Capital Projects	58,187,798
Accrued Interest Expense	273,876
Change in Actuarial Accrual for Workers' Compensation	182,000
Change in Compensated Absences Payable	675,899
Change in Actuarial Accrual for Other Postemployment Benefits	(1,498,214)
Pension Expense	20,786,264
Depreciation and Amortization	(24,326,120)
Debt Service - Principal	1,015,000
<i>Expenses Reported on the Budgetary Basis</i>	<u>\$ 215,307,367</u>

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

Restricted assets (are those) whose use is subject to constraints that are either 1) externally imposed by creditors, grants, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021, the state-required workers' compensation reserve amounted to \$1,553,000. In addition, a technology grant was received in advance from the Washington State Transit Insurance Pool (WSTIP) in the amount of \$80,714.

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

Asset Category	Years
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, 2021, unearned revenue amounted to \$3,200,869, 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.

For purposes of calculating the restricted net position related to the net pension asset, Community Transit includes the net pension asset and the related deferred outflows and deferred inflows.

Note 2: Cash and Investments

As of December 31, 2021, Community Transit had the following cash, cash equivalents, and investments:

<i>Investment Type</i>	<i>2021</i>
Demand Deposits	\$ 19,564,343
Local Government Investment Pool	171,304,275
U.S Treasury Obligations	11,901,779
U.S. Federal Agency Obligations	118,834,269
Municipal Bonds	36,242,585
<i>Total Cash, Cash Equivalents, and Investments</i>	<i>\$ 357,847,251</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 voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the Securities and Exchange Commission (SEC). Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

C. Investments Measured at Fair Value

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, 2021, Community Transit held \$11,901,779 in U.S. Treasury obligations, \$118,834,269 in U.S. Federal agency bonds, and \$36,242,585 in municipal bonds that were valued by a pricing service that uses a matrix pricing model (Level 2 inputs). Community Transit reported negative investment income due to a drop in fair value on various investments that included U.S. treasury obligations, federal agency securities and municipal bonds.

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 2021, 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, 2021, the following amounts were due to Community Transit:

Accounts Receivable	2021
Fares and Miscellaneous	\$ 238,736
Interest	494,000
ORCA Fiscal Agent - nongovernment source	3,829
Total Accounts Receivable	\$ 736,565

Due from Other Governments	2021
Sales Tax Collected in Future Periods	\$ 34,238,981
Operating Grants and Contributions	10,652,169
Capital Grants and Contributions	2,266,029
Sound Transit Regional Service	5,074,091
Fares and Miscellaneous	(563,876)
ORCA Fiscal Agent - other government agencies	(15,637)
Total Due from Other Governments	\$ 51,651,757

Note 4: Capital Assets

The table that follows summarizes changes in capital assets for the year ending December 31, 2021.

	<i>*Prior Period Adjustment</i>	<i>Beginning Balance 1/1/2021</i>	<i>Additions/ Adjustments</i>	<i>Retirements</i>	<i>Ending Balance 12/31/2021</i>	
Capital Assets						
Not Being Depreciated:						
Land		\$ 15,598,947	\$ 3,085,256	\$ -	\$ 18,684,203	
Intangible Property		1,790,479	-	-	1,790,479	
** Intangible Property-To Be Transferred			1,490,720	-	1,490,720	
Work in Progress (WIP)	(2,193,459)	25,519,324	58,266,847	(21,460,159)	60,132,553	
WIP - Transfers to other Agencies		-	3,377	-	3,377	
Subtotal	(2,193,459)	42,908,750	62,846,199	(21,460,159)	82,101,331	
Capital Assets						
Being Depreciated:						
Buildings		57,340,678	-	(1,170,248)	56,170,430	
Site Improvements		68,412,154	348,178	-	68,760,332	
Vehicles/Machinery/Equipment		287,522,352	15,606,683	(19,196,853)	283,932,182	
Intangible Property		10,752,223	3,039,347	-	13,791,571	
Subtotal	-	424,027,407	18,994,208	(20,367,101)	422,654,514	
Less Accumulated						
Depreciation For:						
Buildings		(31,441,975)	(1,924,341)	1,162,241	(32,204,075)	
Site Improvements		(25,663,886)	(3,737,764)	-	(29,401,650)	
Vehicles/Machinery/Equipment		(137,290,178)	(17,777,209)	19,190,985	(135,876,401)	
Intangible Property		(9,115,120)	(883,812)	-	(9,998,932)	
Subtotal	-	(203,511,158)	(24,323,126)	20,353,226	(207,481,058)	
Total Capital Assets						
(Net of Accumulated Depreciation)						
	\$	(2,193,459)	\$ 263,424,999	\$ 57,517,282	\$ (21,474,034)	\$ 297,274,788

***Prior Period Adjustment:** Prior Period adjustments were made for work in progress expenses previously reported as capital but should have been expensed. The 1/1/2021 beginning balance has been amended to reflect the prior period adjustment.

****Intangible Property – To Be Transferred:** A new line was added for non-depreciable intangible assets for SWIFT Orange Line project easements and rights-of-way. The assets are capitalized by Community Transit but transferred to other agencies once the assets are developed since Community Transit will not be maintaining the assets.

Community Transit
Notes to the Financial Statements
December 31, 2021

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 fidelity/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 2021, 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 pool’s audited, and unaudited financial statements can be found on the pool’s 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
Personal injury and advertising injury Contractual liability	\$25 million	Per offense	\$0
Vanpool driver medical expense protection	\$35,000	Per occurrence	\$0
Underinsured motorist coverage (by mode)	\$60,000	Per occurrence	\$0
Endorsement 1 -Communicable Disease Liability	\$500,000 \$2 million	Per occurrence Annual aggregate	\$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

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
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
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	

<i>Risk/Exposure</i>	<i>Coverage</i>		<i>Deductible</i>
Dependent Business Loss <i>Resulting from Security Breach</i> <i>Resulting from System Failure</i>	\$750,000 \$100,000	Limit of Liability 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	
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 carrier for the policy is Great American and the policy term was October 1, 2020 to October 1, 2021, and the new policy is from October 1, 2021 to October 1, 2022 with annual renewals. Insurance provisions on each policy were 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 carrier for the policy is Beazley Eclipse and the term was from April 4, 2018 to April 4, 2021, and the new policy is from April 4, 2021 to April 4, 2024. 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, 2021, cash and investments set aside for self-insurance totaled \$6,328,083. Community Transit reported a liability on December 31, 2021, of \$2,365,000 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 \$2,365,000 estimated liability, Community Transit expects to pay out \$438,000 within the coming year, and the remaining \$1,927,000 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 2021, Community Transit paid out \$108,338 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, 2021, Claims Payments numbers were unavailable at the time these Financial Reports were published.

	<u>2021</u>	<u>2020</u>
Total Claims Liability: Beginning of Year	\$ 2,547,000	\$ 2,280,000
Incurred Claims:		
Provision for Incurred Claims	1,261,000	1,750,000
Change in Provision for Incurred Claims, Prior Year	<u>(703,159)</u>	<u>(121,789)</u>
Total Provision for Incurred Claims	<u>557,841</u>	<u>1,628,211</u>
Total Incurred	3,104,841	3,908,211
Payments:		
Payment Made for Current-Year Claims	195,757	494,101
Payment Made for Prior-Year Claims	<u>544,084</u>	<u>867,110</u>
Total Payments	739,841	1,361,211
Total Claims Liability: End of Year	<u>\$ 2,365,000</u>	<u>\$ 2,547,000</u>

Note 6: Changes in Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

<i>Note</i>	<i>Description</i>	<i>Beginning Balance 1/1/2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance 12/31/2021</i>	<i>Due Within One Year</i>
6 A.	General Obligation Bonds	\$ 8,270,000	\$ -	\$ (1,015,000)	\$ 7,255,000	\$ 1,070,000
	Premiums	1,005,962	-	(252,732)	753,230	219,303
	Total Bonds Payable	9,275,962	-	(1,267,732)	8,008,230	1,289,303
6 B.	Compensated Absences	6,893,035	4,622,901	(5,298,800)	6,217,136	5,215,763
6 C.	Workers' Compensation (See Note 5C)	2,547,000	557,841	(739,841)	2,365,000	438,000
6 D.	Net Pension Liability	22,264,215	-	(17,112,329)	5,151,886	-
6 E.	Total OPEB Liability	14,293,223	1,276,290	(251,007)	15,318,506	236,375
	Total Long-Term Liabilities	\$ 55,273,435	\$ 6,457,032	\$ (24,669,709)	\$ 37,060,758	\$ 7,179,441

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 12/31/2021
Current Portion of Bonds Payable	\$ 1,289,303
Long-Term Portion of Bonds Payable	6,718,927
Total Bonds Payable	\$ 8,008,230

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

Annual Debt Service			
Year	Principal	Interest	Total Debt Service
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	1,295,000	132,750	1,427,750
2027	1,360,000	68,000	1,428,000
Total	\$ 7,255,000	\$ 1,320,500	\$ 8,575,500

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, 2021, PTO payable was \$4,773,051. The 2021 current portion amounted to \$4,563,037, which was a decrease of \$493,460 compared to 2020. The amount classified as long term was \$210,014, which was an increase of \$10,277 over 2020.

As of December 31, 2021, the vested portion of sick leave payable was \$1,444,085. The 2021 current portion amounted to \$652,726, which was an increase of \$4,553 compared to 2020. The amount classified as long term was \$791,359, which was a decrease of \$197,269 over 2020. Schedules for all categories of compensated absences follow.

Paid Time Off (PTO)	2021
Beginning Balance - Current Liability	\$ 5,056,497
PTO Earned	3,671,481
PTO Paid	(4,164,941)
Ending Balance - Current Liability	4,563,037
Beginning Balance - Long-Term Liability	199,737
PTO Earned	183,816
PTO Paid	(173,539)
Ending Balance - Long-Term Liability	\$ 210,014

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.

Sick Leave	2021
Beginning Balance - Current Liability	\$ 648,173
Sick Leave Earned	436,697
Sick Leave Paid	<u>(432,144)</u>
Ending Balance - Current Liability	<u>652,726</u>
Beginning Balance - Long-Term Liability	988,628
Sick Leave Earned	330,907
Sick Leave Paid	<u>(528,176)</u>
Ending Balance - Long-Term Liability	<u>\$ 791,359</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 2021:

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

	2021
Pension Liabilities	\$ 5,151,886
Pension Assets	\$ 53,987,936
Deferred Outflows of Resources	\$ 8,012,583
Deferred Inflows of Resources	\$ 55,588,520
Pension Expense	\$ (13,129,883)

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 Annual Comprehensive 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 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 2021 are shown in the following table:

Actual Contribution Rates	Employer Plans 1, 2, 3	Employee Plan 1	Employee Plan 2	Employee Plan 3
January 2021 through June 2021:				
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
July 2021 through December 2021:				
Base Plan Contribution	6.36%	6.00%	6.36%	varies
PERS Plan 1 UAAL	3.71%			
Administrative Fee	0.18%			
Total	10.25%	6.00%	6.36%	varies

Community Transit’s actual employer contributions to the plans, excluding administrative fees, were \$2,872,265 to PERS Plan 1 and \$4,780,350 to PERS Plan 2/3 for the fiscal year ended December 31, 2021.

Actuarial Assumptions

The total pension liability for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report. The total pension liability was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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-2010 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.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

The June 30, 2020, Actuarial Valuation Report is a noncontribution rate-setting valuation under current funding policy. For purposes of the 2020 report, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. The OSA will revert to the methods outlined in the 2019 report when preparing the 2021 Actuarial Valuation Report, which will be a contribution rate-setting valuation. The 2021 report will serve as the basis for the 2022 Annual Comprehensive Financial Report results.

To produce measures at June 30, 2020, the OSA relied on the same data, assets, methods, and assumptions as the 2019 report, unless otherwise noted in the 2020 report. The OSA projected the data forward one year, reflecting assumed new hires and current members exiting the plan as expected. The OSA estimated June 30, 2020, assets by relying on the fiscal year-end 2019 assets, reflecting actual investment performance over the year, and reflecting assumed contribution amounts and benefit payments. The OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. The OSA also considered any material impacts to the plans from 2021 legislation.

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, 2021, 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%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents Community Transit's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.4 percent, as well as what Community Transit's proportionate share of the net pension liability or asset 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	\$ 8,776,528	\$ 5,151,886	\$ 1,990,824
PERS 2/3	\$ (15,380,115)	\$ (53,987,936)	\$ (85,781,494)

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.

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

At June 30, 2021, Community Transit reported its proportionate share of the net pension liability/(asset) as follows:

	2021 Liability/ (Asset)
PERS 1	\$ 5,151,886
PERS 2/3	\$ (53,987,936)

Community Transit's proportionate share of the collective net pension liability/(asset) was as follows:

	Proportionate Share 6/30/2020	Proportionate Share 6/30/2021	Change in Proportion
PERS 1	0.428746%	0.421859%	-0.006887%
PERS 2/3	0.557270%	0.541960%	-0.015310%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, 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*.

Pension Expense

For the year ended December 31, 2021, Community Transit recognized pension expense as shown:

2021 Pension Expense	
PERS 1	\$ (1,208,789)
PERS 2/3	\$ (11,921,094)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, Community Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	5,716,869
Contributions subsequent to the measurement date	1,398,193	-
Total	\$ 1,398,193	\$ 5,716,869

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,622,116	\$ 661,840
Net difference between projected and actual investment earnings on pension plan investments	-	45,121,251
Changes of assumptions	78,894	3,834,037
Changes in proportion and differences between contributions and proportionate share of contributions	1,530,290	254,523
Contributions subsequent to the measurement date	2,383,090	-
Total	\$ 6,614,390	\$ 49,871,651

Deferred outflows of resources related to pensions resulting from Community Transit’s contributions subsequent to the measurement date will be recognized as adjustments to the net pension liability or asset 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>
2022	\$ (1,514,400)	2022	\$ (12,019,534)
2023	(1,387,741)	2023	(11,208,855)
2024	(1,312,165)	2024	(10,723,750)
2025	(1,502,563)	2025	(11,603,070)
2026	-	2026	(97,781)
Thereafter	-	Thereafter	12,639
Total	\$ (5,716,869)	Total	\$ (45,640,351)

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 for the year 2021:

Aggregated OPEB Amounts	2021
OPEB liabilities	\$ 15,318,506
Deferred outflows of resources	\$ 4,093,719
Deferred inflows of resources	\$ 1,658,136
OPEB expenses	\$ 1,749,221

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

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

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

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

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

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

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	0
Active employees	758
Total	817

Community Transit’s obligation is unfunded at December 31, 2021. 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 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	
Measurement Date	December 31, 2021
Valuation Date	December 31, 2021
Measurement Period	January 1, 2021 to December 31, 2021
Discount Rate*	2.06% 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 2.06% as of December 31, 2021.

Initial Health Coverage Claims Cost (including administrative expenses)		
Age	Per Participant	
Under Age 65 (Age 60 Rates)	Retiree	Spouse
KP WA Classic	\$13,623	\$13,539
KP WA CDHP	\$10,744	\$10,580
KP WA SoundChoice	\$11,043	\$10,959
KP WA Value	\$12,093	\$12,009
KP NW Classic	\$12,869	\$12,786
KP NW CDHP	\$10,786	\$10,609
UMP Classic	\$12,039	\$11,955
UMP CDHP	\$10,699	\$10,580
UMP Plus	\$11,511	\$11,427
UMP Select	\$10,851	\$10,767
Weighted Average	\$12,369	\$12,284

Age 65 and Over	Retiree	Spouse
KP WA Medicare Plan	\$4,217	\$4,097
KP NW Senior Advantage	\$4,147	\$4,027
Uniform Medical Plan Classic	\$6,574	\$6,514
United Healthcare PEBB Balance	\$3,024	\$2,904
United Healthcare PEBB Complete	\$3,568	\$3,448
Premera Blue Cross Plan F	\$2,787	\$2,667
Premera Blue Cross Plan G	\$2,384	\$2,264
Weighted Average	\$5,306	\$5,222

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 2021 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	\$12,542,925	\$15,318,506	\$18,981,169

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 2.06%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.06%) or 1-percentage point higher (3.06%) than the current rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	\$18,515,353	\$15,318,506	\$12,830,461

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/2021	\$14,293,223
Service cost	1,010,557
Interest	415,884
Differences between expected and actual experience	(1,834,533)
Changes of Assumptions	1,684,382
Benefit payments	(251,007)
Total OPEB Liability at 12/31/2021	\$15,318,506

At December 31, 2021, Community Transit reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience*	\$1,658,136	\$505,602
Changes of assumptions		3,588,117
TOTAL	\$1,658,136	\$4,093,719

*Economic/demographic (gains) and losses for the period ending December 31, 2021 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:	Annual Recognition
2022	\$322,780
2023	\$322,780
2024	\$322,780
2025	\$322,780
2026	\$322,780
Thereafter	\$821,683

**Community Transit
Notes to the Financial Statements
December 31, 2021**

Note 7: Net Position

Community Transit’s net position includes a restricted component which consists of the reported net pension asset and the related deferred outflows and deferred inflows.

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 restricted, designated and undesignated net position, as of December 31, 2021.

	2021
Net Investment in Capital Assets	\$ 289,382,842
Restricted Net Position	
Pensions	10,730,675
Unrestricted Net Position	
Designated - Vehicle Replacement	44,315,176
Designated - Future Capital Improvements	106,156,989
Designated - Workers Compensation	3,881,301
Undesignated	209,742,417
Total Unrestricted Net Position	364,095,883
Net Position	\$ 664,209,400

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.

Contract Period	Approximate Annual Revenue Service Hours	Annual Cost
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 \$7,424,422 during 2021.

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.

Contract Period	Revenue Service Hours	Annual Cost
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 \$7,134,449 in 2021. Actual annual revenue hours amounted to 41,414 in 2021.

Contract service with First Transit for Sound Transit service amounted to \$14,718,721 in 2021. Actual revenue hours amounted to 82,052 in 2021.

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	2021
Cash and Cash Equivalents	\$ 3,963,235
Accounts Receivable	638,168
Total Assets	\$ 4,601,403
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 1,867,949
Deferred Receipts	3,007,088
Total Liabilities	\$ 4,875,037
Total Operating Revenues	\$ 441,411
Total Expenses	\$ 441,412

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 \$3,106,357 in 2021.

Year	Annual Cost
2022	3,199,548
2023	3,295,353

E. 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 June 30, 2022. In 2021, Community Transit received \$19,461,954 from Sound Transit.

F. 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.

In December of 2020 and first quarter of 2021 we received sixteen 60-foot New Flyer coaches in the amount of \$14,028,784.96 (\$876,799.06 each including tax). Then in February 2021 we ordered eight 60-foot New Flyer coaches that were delivered in December 2021 through first quarter of 2022 at the amount of \$7,126,450.64 (\$890,806.33 including tax).

In May of 2021 a new bus solicitation was issued and Community Transit entered into a new five-year contract with New Flyer of America on December 16, 2021, for a total of 85 diesel buses in a mix of 40-foot, standard 60-foot, and bus rapid transit 60-foot coaches over the term of the contract.

In December of 2021, the Board authorized an order of twenty-one BRT 60 ft New Flyer diesel buses for \$20,241,127 (includes tax and contingency) that will be ordered in 2022 after completion of a successful Buy America Audit. These buses are for both the new Swift Orange Line and the Swift Blue Line expansion.

G. Lease Obligation

As of December 31, 2021, Community Transit had no capital leases and various operating leases. Total operating lease expense for 2021 was \$698,078.33. The leases consist of the park-and-pool lot program, temporary vanpool parking, IT infrastructure services, communication sites, Everett Mall Human Resources recruitment lease, Pitney Bowes, and copiers. The park-and-pool lot program, communication site leases, and IT infrastructure leases are cancelable by either party with a 30- to 90-day notice depending on the contract. The Everett Mall lease ended October 2021. The temporary vanpool parking is now a yearly lease beginning in February 2022. 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.

Year	Annual Cost
2022	\$ 41,594
2023	20,426
2024	5,107

Note 9: Contingencies and Litigations

A. Legal Proceedings

There are several 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 expenses 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.

Community Transit
Notes to the Financial Statements
December 31, 2021

Note 10: Subsequent Events

Revenues and Funding

In mid-February 2022, Community Transit received notification from the Federal Transit Administration (FTA) of the execution of a \$37.1 million grant that supports the construction of the Swift Orange Line, which will connect Edmonds College with Mill Creek via the Lynnwood light rail station. Both new services begin operating in 2024. 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.

Diesel Fuel and Gasoline Expense

During 2020 and the first half of 2021, diesel fuel contract prices ranged from a low of \$.70 per gallon to a high of \$2.43 per gallon. Gasoline in the same period ranged from \$.61 per gallon to \$2.68 per gallon. The 2022 budget was developed based on prices that Community Transit experienced during this period. In the second half of 2021, prices continued to rise, as a result of the increased demand for crude oil. During the COVID-19 pandemic, fuel prices dropped significantly as local and global travel decreased. As a result, oil refiners worldwide and in the US cut back on fuel production. Demand changed significantly during the summer of 2021 as travel resumed. More limited supply and increased demand have led to increasing prices.

Community Transit planned for 2022 diesel prices to equal \$2.40 per gallon and gasoline prices to equal \$3.00 per gallon. In 2022 through March, diesel prices have averaged \$3.31 per gallon and gasoline has averaged \$3.61 per gallon. Community Transit expects to exceed its fuel budget significantly and will take a budget amendment to the Board of Directors in May 2022 requesting \$3,285,248 in budget authority to cover the anticipated higher cost of fuel for the remainder of the year.

Community Transit
Notes to the Financial Statements
December 31, 2021

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, 2021, 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 2021, 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 (April 25, 2022), as reported by the CDC, the United States has recorded 80,807,564 cases of COVID-19, and 988,707 deaths. Washington State, where Community Transit is located, has had 1,483,332 confirmed and probably cases, and 12,608 deaths.

The impact on Community Transit ridership has been substantial. Total 2021 ridership from all modes totaled 4,874,392 riders, while 2020 ridership from all modes totaled 5,677,279. Similarly, fare revenues in 2021 amounted to \$7,835,281, which was a decrease from the total 2020 fare revenue of \$9,273,274.

Community Transit implemented a series of cost-saving strategies to address the financial impact of the pandemic. These measures included adjusting direct staffing levels downward, primarily in the areas of coach operators, maintenance employees and coach operator instructors. Additionally, other expenses, including travel and training, professional services contracts, and select capital projects, were limited or contained. Because of these efforts, Community Transit entered 2021 in a strong financial position with plans to pivot towards growth plans based on a rapid recovery scenario in the future.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), which includes \$900 billion in supplemental appropriations for COVID-19 relief, \$14 billion of which will be allocated to support the transit industry during the COVID-19 public health emergency, was signed into law. The act directs recipients to prioritize payroll and operational needs. As of December 31, 2021, Community Transit has \$33.8 million CRRSAA funds available.

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

PERS Plan 1

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net pension liability	0.421859%	0.428746%	0.420678%	0.375860%
Employer's proportionate share of the net pension liability	\$ 5,151,886	\$ 15,137,049	\$ 16,176,563	\$ 16,786,035
Covered payroll	\$ 64,822,950	\$ 65,054,500	\$ 58,932,204	\$ 49,881,866
Employer's proportionate share of the net pension liability as a percentage of covered payroll	7.95%	23.27%	27.45%	33.65%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%

PERS Plans 2/3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net pension liability	0.541960%	0.557270%	0.540610%	0.480152%
Employer's proportionate share of the net pension liability	\$ (53,987,936)	\$ 7,127,166	\$ 5,251,161	\$ 8,198,168
Covered payroll	\$ 64,822,950	\$ 65,054,413	\$ 58,834,403	\$ 49,771,462
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-83.29%	10.96%	8.93%	16.47%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%

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

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years* (as of June 30)

(continued)

2017	2016	2015	2014
0.375570%	0.374817%	0.336190%	0.323760%
\$ 17,821,089	\$ 20,129,438	\$ 17,585,864	\$ 16,309,562
\$ 47,217,768	\$ 44,826,960	\$ 38,290,475	\$ 35,459,496
37.74%	44.90%	45.93%	45.99%
61.24%	57.03%	59.10%	61.19%
2017	2016	2015	2014
0.480489%	0.476787%	0.429238%	0.411328%
\$ 16,694,696	\$ 24,005,849	\$ 15,336,918	\$ 8,314,424
\$ 47,107,467	\$ 44,696,052	\$ 38,087,086	\$ 35,246,857
35.44%	53.71%	40.27%	23.59%
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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ 2,872,265	\$ 3,099,233	\$ 3,084,721	\$ 2,785,410
Contributions in relation to the statutorily or contractually required contributions	<u>(2,872,265)</u>	<u>(3,099,233)</u>	<u>(3,084,721)</u>	<u>(2,785,410)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 66,948,475	\$ 64,611,290	\$ 62,451,846	\$ 54,811,840
Contributions as a percentage of covered payroll	4.29%	4.80%	4.94%	5.08%

PERS Plans 2/3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily or contractually required contributions	\$ 4,780,350	\$ 5,117,013	\$ 4,817,848	\$ 4,094,539
Contributions in relation to the statutorily or contractually required contributions	<u>(4,780,350)</u>	<u>(5,117,013)</u>	<u>(4,817,848)</u>	<u>(4,094,539)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 66,948,475	\$ 64,611,290	\$ 62,451,846	\$ 54,663,153
Contributions as a percentage of covered payroll	7.14%	7.92%	7.71%	7.49%

* 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)

(continued)

2017	2016	2015	2014
\$ 2,390,019	\$ 2,186,830	\$ 1,831,790	\$ 1,489,527
<u>(2,390,019)</u>	<u>(2,186,830)</u>	<u>(1,831,790)</u>	<u>(1,489,527)</u>
\$ -	\$ -	\$ -	\$ -
\$ 48,599,566	\$ 45,704,111	\$ 41,422,068	\$ 36,567,727
4.92%	4.78%	4.42%	4.07%

2017	2016	2015	2014
\$ 3,331,932	\$ 2,840,622	\$ 2,334,035	\$ 1,820,562
<u>(3,331,932)</u>	<u>(2,840,622)</u>	<u>(2,334,035)</u>	<u>(1,820,562)</u>
\$ -	\$ -	\$ -	\$ -
\$ 48,490,161	\$ 45,595,885	\$ 41,266,619	\$ 36,342,265
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 2021

Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 14,293,223	\$ 13,154,214	\$ 9,413,812	\$ 8,177,537
Service cost	1,010,557	990,742	493,350	427,266
Interest	415,884	384,338	402,113	383,362
Changes in benefit terms	0	0	0	0
Differences between expected and actual experience**	(1,834,533)	0	697,602	0
Changes of assumptions	1,684,382	0	2,346,371	596,929
Benefit payments**	(251,007)	(236,071)	(199,034)	(171,282)
Other changes	0	0	0	0
Total OPEB liability - ending	<u>15,318,506</u>	<u>14,293,223</u>	<u>13,154,214</u>	<u>9,413,812</u>
Covered-employee payroll	60,551,531	60,569,129	59,381,499	47,296,845
Total OPEB liability as a % of covered payroll	25.30%	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.

**These are to be re-determined using actual employer contributions for the period January 1, 2021 to December 31, 2021. For self-insured plans, this is the difference between actual retiree claims/expenses and the actual retiree contributions for the retirees covered during this period. For fully insured plans this is the difference between the actual age-adjusted total retiree premiums and actual collected retiree contributions.

The difference between expected and actual experience for the period ending December 31, 2021 should be adjusted by the difference between actual employer contributions for the period January 1, 2021 to December 31, 2021 and the expected employer contribution of \$251,007 shown above. The actuarial valuation reflects changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.74% to 2.06%. The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement.



**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.*

- Net Position, Ten-Year Comparison..... 92
- Change in Net Position, Ten-Year Comparison..... 93
- Expenses, Ten-Year Comparison..... 95

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

- Revenues, Ten-Year Comparison 97
- Retail Taxable Sales, Ten-Year Comparison 99
- Snohomish County Overlapping Sales Tax Rates, Ten-Year Comparison 101

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

- Bond Coverage, 2004, 2010 and 2017 Bond Issues, Last Ten Fiscal Years 102
- Snohomish County Assessed Valuation, Ten-Year Comparison 103
- Outstanding Debt by Type, Ten-Year Comparison 104
- Legal Debt Margin Information, Ten-Year Comparison..... 105

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

- Snohomish County Demographic and Economic Statistics, Ten-Year Comparison 107
- Snohomish County Principal Employers,
Fiscal Years Ending December 31, 2021 and 2012 108
- Snohomish County Population Demographics Statistics, Ten-Year Comparison 109

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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- Service Statistical Data, Ten-Year Comparison 111
- Ridership, Ten-Year Comparison 112
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- Capital Assets, Active Revenue Vehicles, Ten-Year Comparison..... 117

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Financial Trends

Net Position: Ten-Year Comparison

Year	Invested in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2021	289,382,842	10,730,675	364,095,883	664,209,400

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

	2012	2013	2014	2015
Expenses				
Operations	\$ 32,845,965	\$ 32,837,759	\$ 34,908,009	\$ 40,771,330
Maintenance	23,081,564	22,847,341	23,893,920	22,818,852
General and Administration	20,544,387	19,748,865	21,012,151	22,396,557
Contracted Transportation	22,883,391	22,547,152	23,370,984	23,797,411
Depreciation and Amortization	17,726,870	15,573,477	15,150,735	16,886,860
Total Operating Expense	117,082,177	113,554,594	118,335,799	126,671,010
Interest Expense	121,103	121,103	99,684	55,401
Environmental Expense - Net	2,043	(559)	-	-
Total Expenses	117,205,323	113,675,138	118,435,483	126,726,411
Operating Revenues				
Passenger Fares	17,633,704	19,331,239	19,769,863	20,798,527
Regional Transit Service	16,474,072	16,402,918	16,870,539	16,600,685
Advertising	878,743	784,946	836,580	901,627
Total Operating Revenues	34,986,519	36,519,103	37,476,982	38,300,839
Nonoperating Revenues				
Subsidies (including sales tax)	80,469,900	83,455,798	87,315,853	92,768,390
Investment Income	113,277	85,009	51,917	141,991
Capital Grants and Contributions	3,015,353	9,801,132	3,201,352	26,563,126
Special Item: Assets Transferred	-	-	-	-
Gain (Loss) on Sale of Capital Assets	99,347	171,733	374,748	236,380
Miscellaneous	192,504	492,203	323,544	122,074
Total Nonoperating Revenue	83,890,381	94,005,875	91,267,414	119,831,961
Change in Net Position	\$ 1,671,577	\$ 16,849,840	\$ 10,308,913	\$ 31,406,389

Data Source: Comprehensive Annual Financial Report

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

2016	2017	2018	2019	2020	2021
\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341	\$ 62,940,768	\$ 56,894,282
23,807,878	21,185,149	22,945,561	23,266,130	23,115,784	21,043,342
25,027,437	26,556,609	27,478,218	33,397,598	34,323,143	28,329,904
25,065,500	26,385,830	28,157,121	29,539,633	32,488,902	29,277,592
21,570,394	20,793,554	23,117,914	24,340,661	25,510,630	24,326,120
140,840,130	146,928,875	161,549,923	178,840,363	178,379,227	159,871,240
20,643	102,180	187,668	173,955	157,215	139,624
-	-	-	-	-	-
140,860,773	147,031,055	161,737,591	179,014,318	178,536,442	160,010,864
21,892,470	21,844,659	22,399,353	23,158,991	9,273,274	7,835,281
17,805,248	18,463,732	18,971,605	19,835,763	20,876,827	19,461,954
691,667	720,837	420,834	320,000	340,000	400,715
40,389,385	41,029,228	41,791,792	43,314,754	30,490,101	27,697,950
121,089,965	136,363,753	147,627,509	161,458,340	199,053,531	228,303,016
516,727	1,342,087	3,683,078	6,152,752	3,474,222	(891,530) *
10,118,236	27,589,400	35,381,275	35,289,466	14,283,138	11,841,363
-	-	-	(25,558,498)	(96,563)	-
232,463	291,677	58,450	(949,822)	114,083	336,607
102,994	158,266	449,046	1,696,177	584,858	303,639
132,060,385	165,745,183	187,199,358	178,088,415	217,413,269	239,893,095
\$ 31,588,997	\$ 59,743,356	\$ 67,253,559	\$ 42,388,851	\$ 69,366,928	\$ 107,580,181

*Includes unrealized loss on investments in the amount of \$2,472,449.

Financial Trends
Expenses
Ten-Year Comparison

	2012	2013	2014	2015
Operations	\$ 32,845,965	\$ 32,837,759	\$ 34,908,009	\$ 40,771,330
Maintenance	23,081,564	22,847,341	23,893,920	22,818,852
General and Administration	20,544,387	19,748,865	21,012,151	22,396,557
Contracted Transportation	22,883,391	22,547,152	23,370,984	23,797,411
Depreciation and Amortization	17,726,870	15,573,477	15,150,735	16,886,860
Interest Expense	121,103	121,103	99,684	55,401
Environmental Expense - Net	2,043	(559)	-	-
Total	\$ 117,205,323	\$ 113,675,138	\$ 118,435,483	\$ 126,726,411

Note:

- Negative environmental expense is the result of insurance recoveries.

Expenses
Ten-Year Comparison (continued)

2016	2017	2018	2019	2020	2021
\$ 45,368,921	\$ 52,007,733	\$ 59,851,109	\$ 68,296,341	\$ 62,940,768	\$ 56,894,282
23,807,878	21,185,149	22,945,561	23,266,130	23,115,784	21,043,342
25,027,437	26,556,609	27,478,218	33,397,598	34,323,143	28,329,904
25,065,500	26,385,830	28,157,121	29,539,633	32,488,902	29,277,592
21,570,394	20,793,554	23,117,914	24,340,661	25,510,630	24,326,120
20,643	102,180	187,668	173,955	157,215	139,624
-	-	-	-	-	-
\$ 140,860,773	\$ 147,031,055	\$ 161,737,591	\$ 179,014,318	\$ 178,536,442	\$ 160,010,864

Revenue Capacity
Revenues
Ten -Year Comparison

	2012	2013	2014	2015
Passenger Fares	\$ 17,633,704	\$ 19,331,239	\$ 19,769,863	\$ 20,798,527
Regional Transit Service	16,474,072	16,402,918	16,870,539	16,600,685
Advertising	878,743	784,946	836,580	901,627
Investment Income	113,277	85,009	51,917	141,991
Sales Tax	67,474,497	74,783,559	79,551,377	84,461,446
Federal Operating Grants	8,912,452	5,420,276	4,501,976	5,382,205
State and Local Grants	4,082,951	3,251,963	3,262,500	2,924,739
Miscellaneous	192,504	492,203	323,544	122,074
Gain (Loss) on Sale of Capital Assets and Inventory	99,347	171,733	374,748	236,380
Capital Grants and Contributions	3,015,353	9,801,132	3,201,352	26,563,126
Total	\$ 118,876,900	\$ 130,524,978	\$ 128,744,396	\$ 158,132,800

Revenue Capacity
Revenues
Ten -Year Comparison (continued)

	2016	2017	2018	2019	2020	2021
\$	21,892,470	\$ 21,844,659	\$ 22,399,353	\$ 23,158,991	\$ 9,273,274	\$ 7,835,281
	17,805,248	18,463,732	18,971,605	19,835,763	20,876,827	19,461,954
	691,667	720,837	420,834	320,000	340,000	400,715
	516,727	1,342,087	3,683,078	6,152,752	3,474,222	(891,530) *
	115,767,687	131,303,285	141,940,687	153,582,161	156,070,967	187,561,073
	2,571,033	2,361,047	2,769,940	3,958,953	38,006,827	34,030,932
	2,751,245	2,699,421	2,916,882	3,917,226	4,975,737	6,791,726
	102,994	158,266	449,046	1,696,177	584,858	303,639
	232,463	291,677	58,450	(949,822)	114,083	336,607
	10,118,236	27,589,400	35,381,275	35,289,466	14,283,138	11,841,363
	\$ 172,449,770	\$ 206,774,411	\$ 228,991,150	\$ 246,961,667	\$ 247,999,933	\$ 267,671,760

*Includes unrealized loss on investments in the amount of \$2,421,621.

Revenue Capacity

Retail Taxable Sales: Ten -Year Comparison

	2012	2013	2014	2015
Retail Trade	\$ 4,434,861,770	\$ 4,776,585,174	\$ 5,094,954,029	\$ 5,389,818,610
Services	1,339,152,739	1,415,327,911	1,526,760,475	1,645,458,103
Construction	996,643,693	1,266,602,241	1,245,768,615	1,374,640,163
Manufacturing	113,867,225	125,252,673	141,909,617	157,524,936
Utilities, Transportation, Warehousing	24,808,872	23,877,203	24,555,477	26,348,215
Wholesaling	443,307,713	466,040,552	527,040,180	557,248,332
Information, Finance, Insurance, Real Estate	509,717,328	566,088,660	613,207,570	697,387,982
Other Business	76,333,910	79,764,871	83,672,206	99,481,593
Total	\$ 7,938,693,250	\$ 8,719,539,285	\$ 9,257,868,169	\$ 9,947,907,934

Community Transit received approximately 70 percent of its 2021 revenue from local sales and use taxes. The rate charged in 2021 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 \$187,561,073. 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 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)

2016	2017	2018	2019	2020	2021
\$ 5,785,007,864	\$ 6,113,182,131	\$ 6,474,817,911	\$ 6,934,440,068	\$ 7,346,299,507	\$ 8,627,189,009
1,761,468,768	1,898,820,895	2,216,103,919	2,408,803,192	2,335,887,799	2,810,771,488
1,679,005,992	1,882,968,353	2,162,162,872	2,477,993,339	2,420,087,618	2,882,785,104
157,277,938	201,098,246	228,667,957	210,664,092	214,624,362	251,250,491
28,655,205	32,833,083	36,458,796	40,638,472	60,767,757	98,797,019
554,064,777	573,885,354	631,874,317	674,948,489	711,760,274	876,007,506
754,699,755	773,612,235	805,839,057	816,258,345	846,816,146	953,418,839
94,649,815	99,194,258	106,140,571	120,105,019	77,834,491	115,733,619
\$10,814,830,114	\$ 11,575,594,555	\$ 12,662,065,400	\$ 13,683,851,016	\$ 14,014,077,954	\$ 16,615,953,075

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>
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%
2021	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
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
2021	255,749,682	135,545,120	120,204,562	1,015,000	413,500	1,428,500	84.15 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, 2021, the current portion was \$1,289,304 and the long-term portion was \$6,718,927, resulting in a total bonds payable of \$8,008,231. 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>
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
2021	2022	170,299,965

- * 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

Fiscal Year	Limited Sales Tax General Obligation Bonds - Net (1)	Total Debt Per Capital (2)	Percentage of Personal Income (3)
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	0.02%
2016	-	-	0.01%
2017	12,935,115	22	0.01%
2018	11,765,416	20	0.01%
2019	10,530,539	18	0.03%
2020	9,275,962	15	0.03%
2021	8,008,230	13	0.03%

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 2021 for Collection of Taxes in 2022	\$119,223,261
Debt Limit (0.375 Percent of Assessed Value)	447,087
Less Outstanding Bond Issues - Net	8,008
Legal Debt Margin	\$ 439,079

	2012	2013	2014	2015
Debt Limit	220,917	220,894	228,921	254,645
Total Net Debt Applicable to Limit	5,381	5,327	3,584	1,810
Legal Debt Margin	\$ 215,536	\$ 215,567	\$ 225,337	\$ 252,835
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.4%	2.4%	1.6%	0.7%

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)***

2016	2017	2018	2019	2020	2021
275,727	301,456	339,723	379,832	418,248	447,087
-	12,935	11,765	10,531	9,275	8,008
\$ 275,727	\$ 288,521	\$ 327,958	\$ 369,301	\$ 408,973	\$ 439,079
0.0%	4.3%	3.5%	2.8%	2.2%	1.8%

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

Year	County Population (1)	Household Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2012	717,000	\$ 64,033	\$ 45,796	7.5%
2013	722,900	64,391	46,733	6.7%
2014	730,500	68,637	44,967	4.6%
2015	741,000	75,292	47,713	5.0%
2016	757,600	77,985	49,511	3.9%
2017	772,860	80,579	52,349	4.0%
2018	789,400	85,758	55,982	3.6%
2019	805,120	88,442	58,729	2.8%
2020	822,083	90,497	62,267	6.7%
2021	831,107	98,283	Not Available	5.0%

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, 2021 and 2012

Employer	2021			2012		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Boeing	27,700	1	9.25%	41,000	1	10.94%
Providence Regional Med. Ctr.	7,350	2	2.45%	3,500	4	0.93%
Everett Clinic	6,951	3	2.32%	2,100	8	n/a
Everett Naval Station	4,300	4	1.44%	6,350	2	1.69%
The Tulalip Tribes	3,413	5	1.14%	3,200	5	0.85%
Washington State Government	3,319	6	1.11%	6,000	3	1.60%
Snohomish County Government	2,877	7	0.96%	2700	6	n/a
Edmonds School District	2,850	8	0.95%	2000	9	n/a
Everett Public Schools	2,533	9	0.85%			0.00%
Mukilteo Public Schools	2,500	10	0.83%			0.00%
Premera Blue Cross	-	-	n/a	2,400	7	0.64%
Philips Medical Systems	-	-	n/a	2,000	10	0.53%
Total, Principal Employers	63,793			71,250		
Total County Employment	299,484			374,803		
Percentage of Principal Employers to Total County Employment	21.30%			19.01%		

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+
2012	722,900	528,849	26.8%	62.7%	10.5%
2013	730,500	533,746	26.0%	62.9%	11.1%
2014	741,000	542,727	25.7%	62.7%	11.6%
2015	757,600	555,637	25.3%	62.6%	12.1%
2016	772,860	565,244	25.0%	62.4%	12.6%
2017	789,400	576,493	24.9%	61.9%	13.2%
2018	805,120	587,366	24.8%	61.5%	13.7%
2019	822,083	598,002	25.0%	61.6%	13.4%
2020	831,107	607,522	25.0%	61.6%	13.4%
2021	840,131	613,289	24.4%	60.5%	15.1%

Data Source:

U.S. Census Bureau

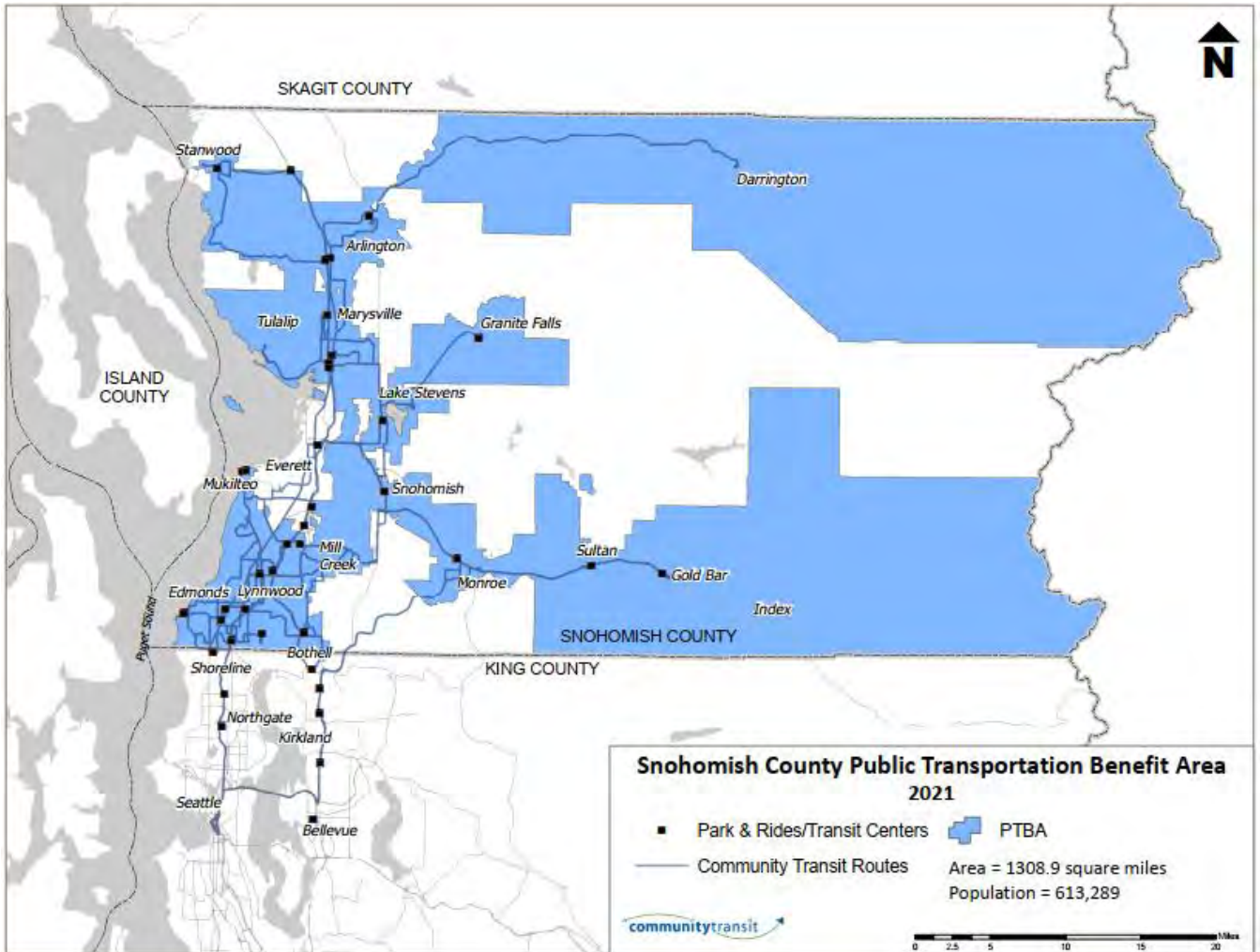
County population by age and gender: <https://www.economicalliancesc.org/>

Operating Information

Snohomish County

Public Transportation Benefit Area Map

2021



Operating Information

Service Statistical Data: Ten-Year Comparison

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Directly Operated Service										
Average Weekly Ridership	124,481	-								
Passengers per Hour	19.94	-								
Fare Revenue per Passenger	\$ 1.50	\$ -								
Cost per Passenger	\$ 9.19	\$ -								
Cost per Mile	\$ 11.42	\$ -								
Farebox Return	16.3%	0.0%								

Motor Bus Directly Operated										
Average Weekly Ridership		102,143	112,920	117,368	121,575	123,343	126,618	134,599	85,498	76,928
Passengers per Hour		18.53	19.77	18.43	17.16	15.61	15.33	14.42	10.16	9.08
Fare Revenue per Passenger		\$ 1.41	\$ 1.28	\$ 1.27	\$ 1.26	\$ 1.27	\$ 1.26	\$ 1.28	\$ 0.95	\$ 0.92
Cost per Passenger		\$ 9.10	\$ 8.56	\$ 9.48	\$ 9.89	\$ 11.19	\$ 11.67	\$ 12.91	\$ 20.00	\$ 19.95
Cost per Mile		\$ 11.12	\$ 11.37	\$ 11.68	\$ 11.65	\$ 12.34	\$ 12.62	\$ 13.37	\$ 14.32	\$ 12.64
Farebox Return		15.4%	15.0%	13.4%	12.8%	11.3%	10.8%	9.9%	4.7%	4.6%

Commuter Bus Directly Operated										
Average Weekly Ridership		22,489	22,980	22,613	22,784	22,463	23,526	23,634	6,951	4,752
Passengers per Hour		34.03	30.10	29.38	28.02	26.30	26.30	26.05	11.88	6.99
Fare Revenue per Passenger		\$ 2.97	\$ 3.20	\$ 3.44	\$ 3.80	\$ 3.72	\$ 3.60	\$ 3.53	\$ 3.78	\$ 3.37
Cost per Passenger		\$ 9.76	\$ 10.83	\$ 11.82	\$ 11.79	\$ 11.50	\$ 12.30	\$ 13.01	\$ 33.56	\$ 49.02
Cost per Mile		\$ 15.65	\$ 16.53	\$ 17.62	\$ 17.19	\$ 16.08	\$ 17.35	\$ 18.23	\$ 19.03	\$ 15.37
Farebox Return		30.5%	29.5%	29.1%	32.2%	32.3%	29.3%	27.1%	11.3%	6.9%

Contract Commuter Service										
Average Weekly Ridership	28,951	28,838	31,269	31,851	32,373	33,111	34,052	35,591	9,587	6,042
Passengers per Hour	46.15	41.95	40.01	40.00	38.02	36.80	34.99	35.38	13.73	8.73
Fare Revenue per Passenger	\$ 3.36	\$ 3.54	\$ 3.26	\$ 3.45	\$ 3.70	\$ 3.61	\$ 3.57	\$ 3.42	\$ 4.12	\$ 4.12
Cost per Passenger	\$ 6.71	\$ 5.95	\$ 5.60	\$ 5.33	\$ 5.29	\$ 5.62	\$ 6.12	\$ 6.39	\$ 22.54	\$ 34.83
Cost per Mile	\$ 12.59	\$ 10.25	\$ 10.18	\$ 9.87	\$ 9.67	\$ 9.99	\$ 10.19	\$ 10.66	\$ 12.33	\$ 11.41
Farebox Return	50.0%	59.6%	58.3%	64.7%	69.9%	64.2%	58.3%	53.5%	18.3%	11.8%

DART/Paratransit										
Average Weekly Ridership	3,747	3,620	3,704	3,661	3,734	3,740	3,846	3,666	1,334	1,636
Passengers per Hour	2.28	2.27	2.28	2.24	2.35	2.39	2.29	2.24	1.91	1.67
Fare Revenue per Passenger	\$ 1.43	\$ 1.69	\$ 1.67	\$ 1.86	\$ 1.95	\$ 1.98	\$ 2.04	\$ 2.26	\$ 1.93	\$ 2.63
Cost per Passenger	\$ 37.60	\$ 38.48	\$ 39.22	\$ 38.93	\$ 39.49	\$ 42.15	\$ 44.16	\$ 47.08	\$ 143.06	\$ 95.61
Cost per Mile	\$ 4.62	\$ 4.64	\$ 4.83	\$ 4.73	\$ 4.99	\$ 5.41	\$ 5.48	\$ 5.68	\$ 14.60	\$ 9.27
Farebox Return	3.8%	4.4%	4.3%	4.8%	4.9%	4.7%	4.6%	4.8%	1.4%	2.8%

Vanpool										
Average Weekly Ridership	17,697	17,840	17,787	17,551	16,688	16,565	16,719	15,842	5,808	4,382
Passengers per Hour	6.13	6.25	6.26	6.37	6.13	6.13	6.02	5.54	4.65	4.71
Fare Revenue per Passenger	\$ 2.85	\$ 2.97	\$ 3.02	\$ 3.21	\$ 3.22	\$ 3.22	\$ 3.45	\$ 3.78	\$ 5.00	\$ 7.83
Cost per Passenger	\$ 4.17	\$ 4.27	\$ 4.65	\$ 4.39	\$ 4.93	\$ 5.09	\$ 5.20	\$ 5.32	\$ 11.22	\$ 12.49
Cost per Mile	\$ 0.78	\$ 0.82	\$ 0.89	\$ 0.85	\$ 0.93	\$ 0.96	\$ 0.98	\$ 0.93	\$ 1.64	\$ 1.80
Farebox Return	68.4%	69.4%	64.9%	73.2%	65.3%	63.2%	66.3%	71.0%	44.6%	62.7%

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
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
2021	-	4,000,232	247,087	314,172	85,060	227,847	4,874,398	1,024,314

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

Year	Directly Operated	Motor Bus Directly Operated	Commuter Bus Directly Operated	Contract Commuter	DART Paratransit	Vanpool	Total: Community Transit Service	Sound Transit
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
2021	-	440,436	35,357	35,968	50,919	48,425	611,105	93,650

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
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
2021	-	6,311,028	788,159	959,250	877,538	1,582,130	10,518,105	2,119,822

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
2012	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
Jan 2013	1.75	1.25	0.75	3.50	2.75	1.50	4.50	3.75	1.75	1.75
Feb–Dec 2013	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
2014	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
Jan-Jun 2015	2.00	1.50	1.00	4.00	3.00	2.00	5.25	4.00	2.50	2.00
July-Dec 2015	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2016	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2017	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
Jan-Sep 2018	2.25	1.50	1.00	4.25	3.00	2.00	5.50	4.00	2.50	2.25
2019 - 2021	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, 2021

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	844,400
Population - PTBA	613,289
Major Park-and-Ride Lots (250 or more parking stalls)	10
Minor Park-and-Ride Lots (fewer than 250 parking stalls)	14

Employees

Operations	488
Maintenance	106
General and Administrative	164
Total	758

Active Revenue Vehicles

Directly Operated	151
Commuter Service	57
Vanpool Vans	362
Contract Commuter	85
DART/Paratransit	52
Total	707

Number of Scheduled Routes

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

Operating Information

Capital Assets—Active Revenue Vehicles

Ten-Year Comparison

Year	Directly Operated	Motor Bus Directly Operated	Commuter Bus Directly Operated	Contract Commuter	DART Paratransit	Vanpool	Total: Community Transit Service
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
2021	-	151	57	85	52	362	707

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.

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.