



Comprehensive Annual Financial Report

Years Ended December 31, 2018 and 2017



**Serving Benton and Franklin Counties
for over 30 years**

1000 Columbia Park Trail
Richland, WA 99352
Phone: (509) 735-4131
Fax: (509) 735-1800
www.bft.org

This page intentionally left blank.



Ben Franklin Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2018 and 2017



Administrative Services Department
Richland, WA

This page intentionally left blank.

Ben Franklin Transit
Table of Contents

TABLE OF CONTENTS	1
INTRODUCTORY SECTION	3
Letter of Transmittal	5
Certificate of Achievement	9
Board of Directors and Management Team	11
Organizational Chart	12
FINANCIAL SECTION	13
Report of the Independent Auditor	15
Management's Discussion and Analysis	19
Basic Financial Statements	27
Statement of Net Position	29
Statement of Revenues, Expenses, and Changes in Net Position	30
Statement of Cash Flows	31
Notes to the Financial Statements	
1. Summary of Significant Accounting Policies	32
2. Deposits and Investments	35
3. Receivable and Payable Balances	35
4. Capital Assets	36
5. Pension Plans	37
6. Changes in Long-Term Liabilities	47
7. Contingencies & Litigations	47
8. Capital Contributions	47
9. Risk Management	48
10. Lease Obligations	51
11. Defined Benefit Other Postemployment Benefit (OPEB) Plan	51
12. Prior Period Adjustments	53
Required Supplementary Information	55
1. Schedule of Proportionate Share of Net Pension Liability	57
2. Schedule of Employer Contributions for Pensions	59
3. Schedule of Changes in the Employer's Total OPEB Liability	61
STATISTICAL SECTION (LAST TEN FISCAL YEARS)	63
Contents	65
Net Position	67
Changes in Net Position	68
Taxable Sales by Category	69
Direct and Overlapping Sales Tax Rates	70
Demographic and Economic Statistics	71
Principal Employers	72
Selected Operating Information	73

This page intentionally left blank.



Introductory Section



This page intentionally left blank.



1000 Columbia Park Trail Richland, WA 99352-4851
509.735.4131 509.735.1800 fax www.bft.org

June 13, 2019

To the Board of Directors and Citizens Served in the Benton Franklin Public Transportation Benefit Area

I. TRANSMITTAL OF BEN FRANKLIN TRANSIT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017.

Ben Franklin Transit's (BFT's) Comprehensive Annual Financial Report for the years ended December 31, 2018 and 2017 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, BFT's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules, required supplemental information, and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of BFT. All disclosures necessary to enable the reader to gain the maximum understanding of BFT's business have been included. These financial statements have been audited by the Office of the State Auditor of Washington State. The independent auditor's report has been included on pages 15 through 17 with an expression of an unmodified opinion as to the fair presentation of the financial statements noted on page 16.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis of the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A. BFT's operation is accounted for under a single enterprise fund, which uses the same accrual accounting method as private enterprise. Under revenue recognition and matching principles of the accrual accounting method, revenues are recorded when earned, and expenses are recorded as soon as they result in liabilities for benefits provided. Note 1 to the financial statements provides further details of BFT's accounting policies.

II. PROFILE OF THE AGENCY

BFT is a Public Transportation Benefit Area (PTBA) authorized by Washington State Law Chapter 36.57A RCW. It is located in Benton and Franklin counties in Washington State. The Benton Franklin PTBA, also known as "Ben Franklin Transit," was formed on May 11, 1981 when voters passed a 0.3% sales tax to fund public transportation. By authorizing this taxing authority, a municipal corporation (BFT), was formed. Vanpool service was initiated in September 1982 under a contract with the Benton-Franklin Council of Governments.

II. PROFILE OF THE AGENCY (continued)

BFT took over vanpool operations on January 1, 1984. BFT assumed the operation of the PTBA's Dial-A-Ride system January 1, 1985. In 1997, Benton City and the City of Prosser annexed into the PTBA; BFT contracted with the City of Prosser to provide service to the communities of Prosser and Benton City using their Prosser Rural Transit system. In January 1999, BFT assumed these operations. In May 2001, an additional 0.3% sales tax proposition was defeated but then approved in March 2002 increasing the direct PTBA sales tax to its current rate of 0.6%. In April 2005, the unincorporated area of Finley (11.5 square miles in Benton County) was annexed into the PTBA.

Today, BFT provides fixed route, demand response and vanpool services in a 616 square mile area located in Benton and Franklin Counties. The service area includes the entire cities of Kennewick, Pasco, Richland, West Richland, Benton City, Prosser and certain unincorporated areas of Benton and Franklin Counties with a combined population of approximately 290,000 residents. In 2018, combined ridership for all modes of service totaled 3,120,955.

BFT is governed by an appointed nine-member Board of Directors. The Board consists of two Franklin County commissioners, one Benton County commissioner, and a city council member from each of six cities all within BFT's service area: Kennewick, Pasco, Richland, West Richland, Benton City, and Prosser. There is also one non-voting member of the Local Teamsters Union. The Board appoints a General Manager to implement policies authorized by the Board and oversee BFT's daily operations as well as its approximately 330 employees. The overall management of BFT is divided into six departments: Operations, Maintenance, Planning & Service Development, Marketing & Customer Service, Human Resources, Administrative Services.

BFT operates seventeen (17) fixed routes serving Benton City, Kennewick, Pasco, Prosser, Richland, and West Richland. There are eight (8) inter-city routes, which travel between cities and nine (9) local routes that operate within a given city. Fixed route service is derived from a network of four transit center hubs and eight park and ride lots connecting passengers with destinations such as the Tri-Cities Airport, Pasco Amtrak and Greyhound Stations, Grapeline service to Walla Walla, Tri-City Trolley service to Hermiston and Pendleton, and People for People service to Yakima. In addition, fixed route service serves both Columbia Basin Community College and Washington State University – Tri-Cities, most area schools and major local employers such as Battelle and the North Richland area business hub. In 2018, fixed route services carried 2,032,773 passengers.

BFT's demand response mode includes all non-fixed route services including feeder routes in low-density areas and a specialized transportation service known as Dial-A-Ride. Dial-A-Ride provides transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. Dial-A-Ride is provided directly by BFT and through contracts with local transportation providers. In 2018, total demand response ridership was 441,996.

Since its inception in 1984, BFT's vanpool program has expanded to 249 vans with over 2,100 daily weekday riders serving rural employment locations such as the Hanford facility, Washington State Department of Corrections in both Walla Walla and Connell, WA and neighboring agricultural facilities.

II. PROFILE OF THE AGENCY (continued)

As a community partner, BFT provides approximately 28,000 rides each year to special events such as the annual International Hydroplane Race and Air Show, Benton Franklin County Fair, Cable Bridge Run, and Art in the Park.

On October 30, 2018, Tri City Taxi (TCT) ceased operations. TCT had been a BFT contracted demand response provider for well over a decade. BFT initiated a service recovery plan consisting of a series of fixed-route and directly operated demand response services between January and March of 2019. These changes are expected to affect both ridership counts and performance measures. BFT will initiate a new contract to provide purchased transportation services in late 2019 that may further change the mix of services and the performance of the BFT system.

Long Term Financial Planning and Outlook

For long-term operating and capital financial planning purposes BFT has developed and annually updates its six-year Transit Development Plan (TDP). The current TDP is approved through 2023 and is sustainable at 2018 year-end service levels of 367,746 service hours through 2021.

Major Initiatives

BFT's Major Initiatives are formed from its Statement of Mission and Core Values:

- Customer Satisfaction
- Collaboration
- Diversity
- Fiscal Accountability
- Innovation
- Sustainability
- Safety

The initiatives for 2018 were planned in accordance with BFT's TDP; each initiative and/or project was carefully reviewed before implementation to ensure sustainability and adherence to BFT's strategic priorities. Planned initiatives and capital projects for 2018 included:

- Acquired 19 Fixed Route buses as replacement buses
- Acquired 35 Dial A Ride vehicles as replacement vehicles
- Acquired 21 Vanpool vans as replacement vehicles
- Acquired one Non-Revenue support vehicle with a snow plow
- Acquired 1 tractor and trailer for facility and system maintenance
- Acquired 3 utility vehicles for facility and system maintenance
- Acquired and installed asset management software module
- Acquired network servers as replacement servers
- Installed 25 DVRs to complete the bus camera retro fit project
- Maintained Federal Fleet Safety Standards
- Continued BFT's Comprehensive Passenger Amenities Study
- Continued major efforts in salary surveys, benefits analysis, and succession planning
- Continued planning stages and engineering for updates and upgrades to Transit Centers
- Completed water diversion project of Maintenance Operations and Administration Campus

III. ECONOMIC CONDITION AND OUTLOOK

Per the Washington Employment Security Department (WESD), the 2018 Tri-Cities economy added 3,000 jobs - an increase of 2.3 percent over 2017. WESD reported an unemployment rate of 5.4 percent in December of 2018 over a full point below the 6.7 percent unemployment rate posted in December 2017.

According to WESD, the 2019 Tri-City region projected employment growth rate is between 2.0 percent and 2.5 percent. Highest growth is expected in education and health care services, construction, leisure and hospitality, government educational services and finance and insurance. Economic growth in these sectors factor into budgeted sale tax revenues of \$37.0 million or 72% of BFT's projected total revenue for 2019.

Federal and State funding remain an integral revenue source for BFT. These funds are budgeted to contribute about 19% of total revenues for 2019. Federal and State funds are used to subsidize operations and to procure capital assets. BFT is optimistic in its position with these grantors and the ongoing availability of these funding sources. BFT is actively engaged in applying for new and additional funding as they become available.

BFT's Board of Directors continues to believe that transit is an essential service for seniors, the disabled and for people who rely on BFT for mobility throughout the community. BFT is committed to reducing operating costs where applicable and to uphold the highest levels of services possible. These objectives assist BFT in meeting its mission of connecting communities with safe, reliable, customer-friendly, and sustainable transit options.

IV. ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the dedicated services of several departments and the tireless efforts of the Administrative Services staff. We would like to express our appreciation to all that assisted and contributed to the preparation of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ben Franklin Transit for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the sixth consecutive year that BFT has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


Gloria Boyce
General Manager


Robert H. Orvis
Interim Director of Administrative Services



Government Finance Officers Association

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

Presented to

**Ben Franklin Transit
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

This page intentionally left blank.

Board of Directors

Watkins, Matt, Chair – Mayor, City of Pasco
Koch, Bob, Vice Chair – Commissioner, Franklin County
Becken, Steve – Council Member, City of Prosser
Bloom, Richard – Council Member, City of West Richland
Small, Shon – Commissioner, Benton County
Stade, Lisa – Council Member, City of Benton City
Thompson, Bob – Council Member, City of Richland
Trumbo, John – Council Member, City of Kennewick
Didier, Clint – Commissioner, Franklin County
Nelson, Norma – Non-Voting Rep, Teamsters Union

Board of Directors Alternates

Alvarado, Ruben – Council Member, City of Pasco
Peck, Brad – Commissioner, Franklin County
Taylor, Randy – Council Member, City of Prosser
Buel, Rich – Council Member, City of West Richland
Beaver, James “Jim” – Commissioner, Benton County
Sandretto, David – Council Member, City of Benton City
Christensen, Terry – Council Member, City of Richland
McKay, Bill – Council Member, City of Kennewick
Open – Non-Voting Rep, Teamsters Union

BFT Management Team

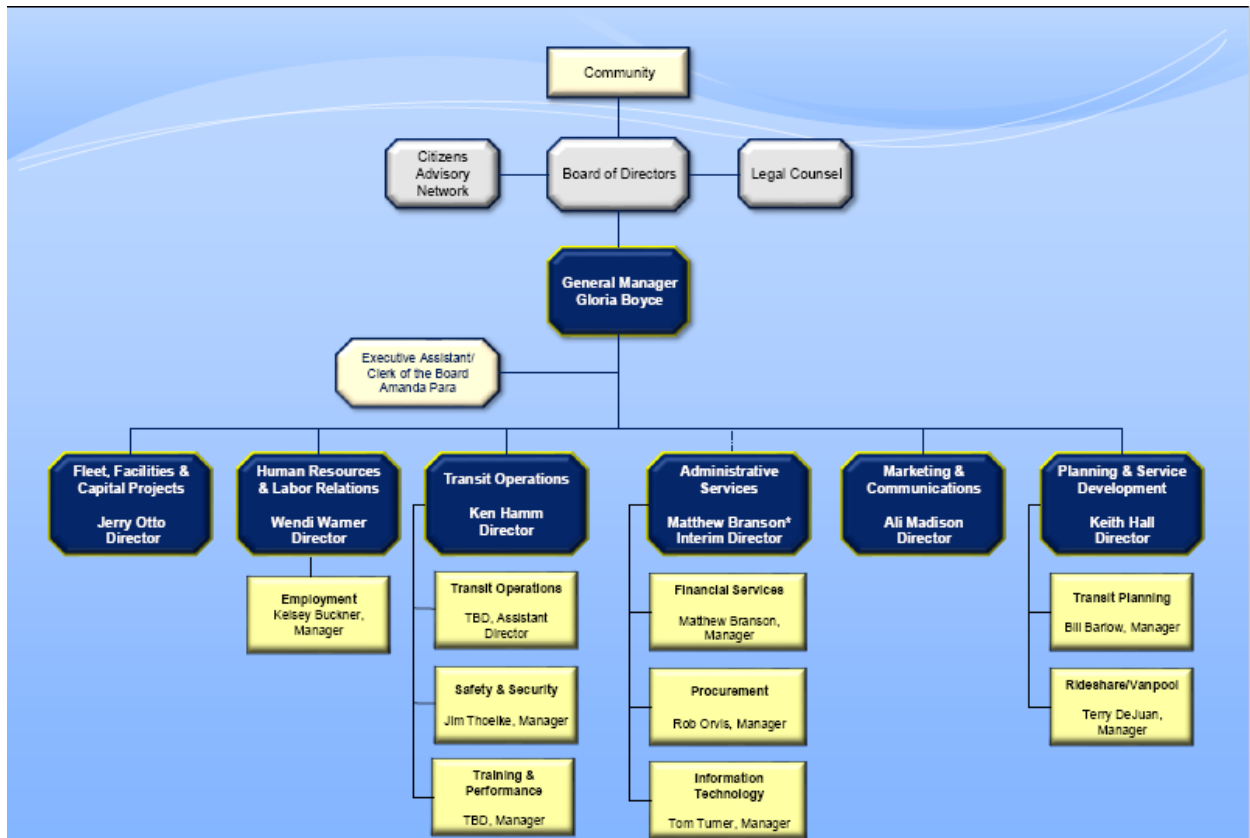
General Manager
Gloria Boyce

Executive Management Team

Jerry Otto – Assistant General Manager, Director of Fleet, Facilities, Capital Projects
Ken Hamm – Director of Transit Operations
Wendi Warner – Director of Human Resources & Labor Relations
Keith Hall – Director of Planning & Service Development
Ali Madison – Director of Marketing & Communications
Matthew P. Branson, CPA – Interim Director of Administrative Services

Ben Franklin Transit Organization Chart

BFT Organizational Chart





Financial Section



This page intentionally left blank.



Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

April 19, 2019

Board of Directors
Ben Franklin Transit
Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Ben Franklin Transit, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ben Franklin Transit, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the Transit's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the Transit. Such information has not been subjected to the auditing

procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated April 19, 2019, on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Transit's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

This page intentionally left blank.

Management's Discussion and Analysis

The Management's Discussion and Analysis of BFT's Comprehensive Annual Financial Report provides a narrative overview and analysis of BFT's financial performance for the fiscal years ended December 31, 2018 and 2017. To obtain a complete understanding of BFT's financial condition, this document should be read in conjunction with the financial statements and accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of BFT exceeded its liabilities and deferred inflows of resources (net position) at December 31, 2018 by \$72.3 million compared to \$61.2 million in 2017. Of this amount, \$37.1 million and \$27.1 million was invested in capital assets and \$35.1 million and \$34.1 million in unrestricted net position in 2018 and 2017 respectively. Unrestricted net position will be used to support ongoing operations and capital investments per BFT's six-year Transit Development Plan (TDP).
- BFT's total net position increased for the year ended December 31, 2018, by 18.1 percent or \$11.1 million compared to the year ended December 31, 2017, due to an increase in sales tax and use of operating grants.
- BFT's total liabilities increased for the year ended December 31, 2018, by \$1.4 million compared to the year ended December 31, 2017 mainly due to the presentation of the OPEB liability following implementation of GASB Statement No. 75.
- BFT saw a decrease of \$0.2 million or 5.7 percent in fare revenue to \$3.6 million in 2018 over 2017 due primarily to a business closure. BFT's contracted service provider for general public paratransit, night (taxi), fixed route-feeder and Sunday services closed its business at the end of October 2018 resulting in a loss of revenues.
- BFT experienced an increase of \$2.4 million in sales tax revenue to \$36.6 million or 7.0 percent over 2017 due to growth in the local economy, increases in construction projects and healthy auto sales in 2018.
- Operating expenses for 2018, excluding depreciation and employer contributions to the state pension, totaled \$36.9 million, an increase of \$1.9 million or 5.6 percent over 2017. This increase in expense is mainly due to extended service hours as implemented by BFT in September 2017 and continued in 2018.
- Federal and State Operating Grants increased by \$2.1 million in 2018 as compared to 2017. Federal, State and Local Capital Contributions increased by \$7.9 million over the same period. Fluctuations are due to the timing of grant availability and the years in which they are budgeted.

Overview of the Financial Statements

The financial statements provide information about BFT's use of accounting methods similar to those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.

Ben Franklin Transit
Management's Discussion and Analysis

The Statement of Net Position presents information on all BFT assets and deferred outflows of resources as well as its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of BFT is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how BFT's net position changed during the current year. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., sales tax collected by merchants but not yet remitted to BFT and earned, and unused vacation leave).

The Statement of Cash Flows presents information on BFT's cash receipts, cash payments, and net changes in cash and cash equivalents for the year. Generally accepted accounting principles require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided within the financial statements.

The Required Supplementary Information contains other information the Governmental Accounting Standards Board deems necessary. BFT's RSI contains additional information related to GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75, Defined Benefit Other Postemployment Benefit (OPEB) Plans.

Financial Statement Analysis

Net Position

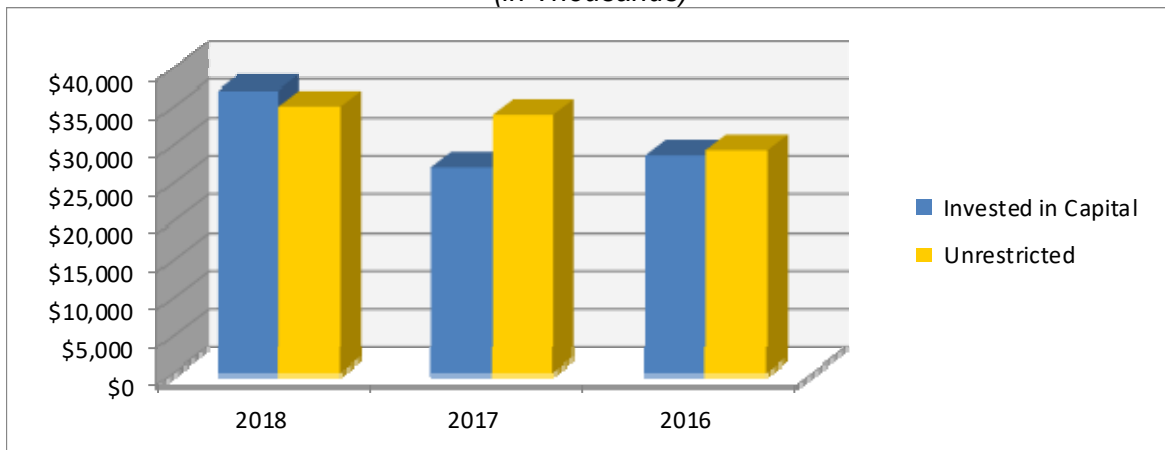
A large majority, \$37.1 million, of BFT's total net position reflects its investment in capital assets such as revenue vehicles, passenger facilities, and shop equipment. BFT uses these capital assets to provide transportation service to the community. Therefore, this portion of the net position balance is not available for future spending. The remaining portion of total net position, \$35.1 million, is unrestricted and available to support future obligations for transportation operations.

Ben Franklin Transit
Management's Discussion and Analysis

Summary Statement of Net Position
As of December 31, 2018, 2017 and 2016
(in Thousands)

	2018	2017	2016
Assets:			
Current Assets	\$ 51,558	\$ 48,043	\$ 43,572
Capital Assets (net)	37,143	27,109	28,692
Total Assets	88,701	75,152	72,264
Deferred Outflows of Resources:			
Deferred Outflows	2,021	1,800	2,340
Total Deferred Outflows	2,021	1,800	2,340
Total Assets and Deferred Outflows of Resources	90,722	76,952	74,604
Liabilities:			
Current Liabilities	2,339	3,109	2,444
Other Noncurrent Liabilities	12,812	10,607	13,370
Total Liabilities	15,151	13,716	15,814
Deferred Inflows of Resources:			
Deferred Inflows	3,300	2,061	714
Total Deferred Inflows	3,300	2,061	714
Net Position:			
Investment in Capital Assets	37,143	27,109	28,692
Unrestricted Net Position	35,128	34,066	29,384
Total Net Position	\$ 72,271	\$ 61,175	\$ 58,076

Net Position by Type
(in Thousands)

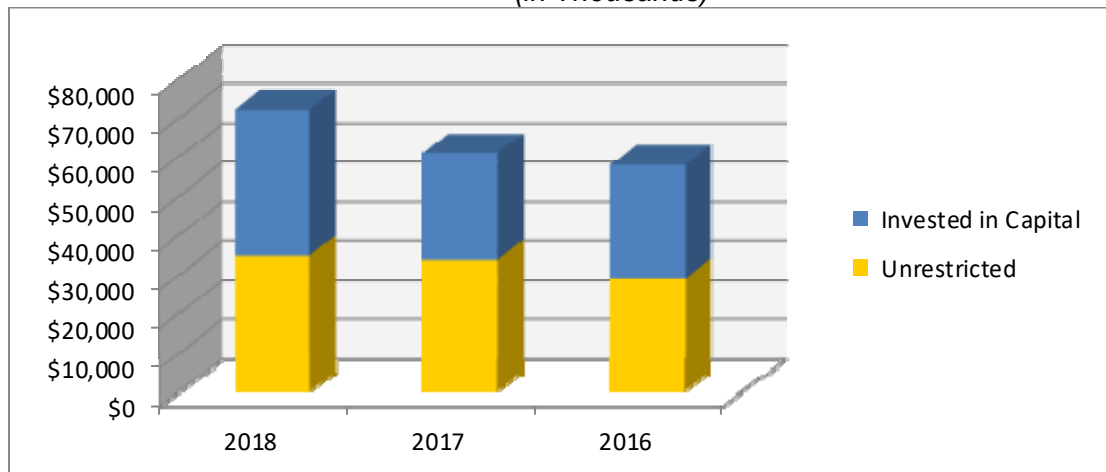


Net position may serve as a useful indicator of BFT's financial position over time. Total net position exceeded liabilities by \$57.1 million and \$47.5 million at December 31, 2018, and 2017 respectively.

The chart on the next page reflects an improvement in BFT's financial condition over 2017. The main contributors to this improved condition are increases in sales tax revenue and efficient operations.

Ben Franklin Transit
Management's Discussion and Analysis

2018 – 2016 Trend of Net Position
(in Thousands)



Summary of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2018, 2017 and 2016
(in Thousands)

	2018	2017	2016
Operating Revenues	\$ 3,894	\$ 4,434	\$ 4,683
Operating Subsidies	40,715	36,214	35,986
Nonoperating Revenues	696	689	87
Total Revenues	45,305	41,337	40,756
Operating Expenses	(36,918)	(34,976)	(31,734)
Depreciation Expenses	(3,787)	(3,360)	(3,542)
Total Expenses	(40,705)	(38,336)	(35,276)
Excess (Deficiency) Before Contributions	4,600	3,002	5,480
Capital Contributions	10,178	2,279	1,382
Total Contributions	10,178	2,279	1,382
Change in Net Position	14,778	5,281	6,862
Total Net Position - Beginning	61,175	58,076	52,336
Prior Period Adjustment	(3,682)	(2,182)	(1,123)
Total Net Position - Ending	\$ 72,271	\$ 61,175	\$ 58,076

Ben Franklin Transit
Management's Discussion and Analysis

Revenues

BFT's passenger fares consist of revenue from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Passenger fares also include fares paid by vanpool customers. BFT customers can purchase fare media and make vanpool payments via the BFT website. Fare media can also be purchased at many of the local sales outlet stores or in person at BFT customer service locations.

Sales tax revenue is received at the end of each month and is based on the business conducted two months prior. These funds come directly from the State Treasurer and are deposited into BFT's bank account.

State and Federal grants are remitted to BFT on an application basis and are also deposited directly into BFT's bank account.

Operating Revenues
(in Thousands)

Operating Revenues	2018	2017	2016
Passenger Fares	\$ 3,621	\$ 3,841	\$ 3,928
Other Operating Revenues	273	593	755
Total Operating Revenues	3,894	4,434	4,683
Nonoperating Revenues			
Operating Subsidies			
Sales Tax	36,600	34,214	33,218
Operating Grants	4,115	2,000	2,768
Other Nonoperating Revenues			
Investment Income	600	316	81
Miscellaneous Income	96	373	6
Total Nonoperating Revenues	41,411	36,903	36,073
Total Revenues	\$ 45,305	\$ 41,337	\$ 40,756

Expenses

Wages and benefits for 2018 of \$25.2 million make up 61.9 percent of operating expenses and increased by 7.8 percent over 2017 due to staffing increases associated with an extension of service hours as implemented by BFT in September 2017 and continued in 2018. Extended service hours result in additional service mile related costs. Fuel and lubricants increased by 11.2 percent over 2017; whereas supplies and materials, which include repair and maintenance costs, increased by 21.8 percent over 2017.

Contracts and services for 2018 of \$6.8 million decreased 7.2 percent due to a business closure when BFT's contracted service provider for general public paratransit, night (taxi), fixed route-feeder and Sunday services closed its business at the end of October 2018. These services were suspended pending a solicitation for a new service provider.

Ben Franklin Transit
Management's Discussion and Analysis

A prior period adjustment was recorded in 2018 as BFT implemented of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

Operating Expenses
(in Thousands)

Operating Expenses	2018	2017	2016
Wage & Benefits	\$ 25,205	\$ 23,392	\$ 21,077
Fuel & Lubricants	2,754	2,476	2,049
Supplies & Material	2,122	1,742	1,438
Contracts & Services	6,837	7,366	7,170
Depreciation & Amortization	3,787	3,360	3,542
Total Operating Expenses	40,705	38,336	35,276
Nonoperating Expenses			
Prior Period Adjustments	(3,682)	(2,182)	(1,123)
Total Non-Operating Expenses	(3,682)	(2,182)	(1,123)
Total Expenses	\$ 37,023	\$ 36,154	\$ 34,153

Operating Grants

In 2018, BFT received \$4.1 million in Federal and State operating grants. BFT uses these operating grants to pay for a portion of the wages of its fixed route coach operators. For 2019, BFT has budgeted to receive \$1.9 million in Federal and State operating grant assistance. Operating grant funds fluctuate based on need and BFT's choice to use funding for capital or operating needs.

Operating Grants
(in Thousands)

2018	2017	2016
\$ 4,115	\$ 2,000	\$ 2,768

Capital Grants

BFT received Federal and State capital grants to assist with the procurement of buses and other capital projects. Investments in capital assets have decreased in recent years. In 2018, BFT received \$10.2 million in capital contributions as focus has shifted to replacing older fleet vehicles. Additionally, BFT is gearing up for transit center technological updates and site improvements and has budgeted for \$5.0 million in federal and state capital grant contributions in 2019.

For more detailed information, please see Note 8 of the Notes to the Financial Statements.

Ben Franklin Transit
Management's Discussion and Analysis

Capital Assets

BFT's capital assets consist of land, vehicles, passenger facilities, shop equipment, and projects in progress with an acquisition value of more than \$5,000 and a useful life of more than one year. BFT's investment in capital assets net of depreciation as of December 31, 2018, totaled \$37.1 million compared to \$27.1 million in 2017. Capital assets, net of depreciation, increased in 2018 by 37.0 percent or \$10.0 million. Major capital acquisitions in 2018 and 2017 included the following:

- 2018 major vehicle acquisitions included 19 Gillig fixed route buses (\$9.2 million), 35 paratransit vehicles (\$3.2 million), 21 vans for the van pool program (\$657k) and integrated technology for fixed route buses (\$1.4 million).
- 2017 major vehicle acquisitions included 44 vans for the van pool program (\$1.48 million) and technology upgrades/retrofits (\$408k).

For more detailed information, please see Note 4 and Note 12 of the Notes to the Financial Statements.

Financial Outlook

BFT recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, BFT has in place a reserve policy to insulate it from short-term revenue downturns and unanticipated expenditures. The BFT Board requested operating reserve is set at a minimum level equal to three months' budgeted operating expenses. In 2017 the BFT Board expanded the reserve policy establishing three additional reserve funds: Fuel Reserves, Fleet Replacement Reserves, and Non-Fleet Capital Reserves. BFT is in compliance with Board policy as all reserve funds are established and fully funded as noted in the following:

Operating Reserves	10,505,000
Fuel Reserves	1,000,000
Fleet Replacement Reserves	6,296,000
Non-Fleet Capital Reserves	5,495,000
Total Reserves	23,296,000

Sales tax revenues for 2018 totaled \$36.6 million exceeding the budgeted amount of \$34.9 million. Through the 2019 Budget process, BFT budgeted \$37.0 million in sales tax revenues. Increases in sales tax revenues in recent years continue to contribute to the overall improved financial position of BFT and help the agency meet operating, fleet, fuel, and non-fleet capital reserve needs as well as future service restoration and expansion.

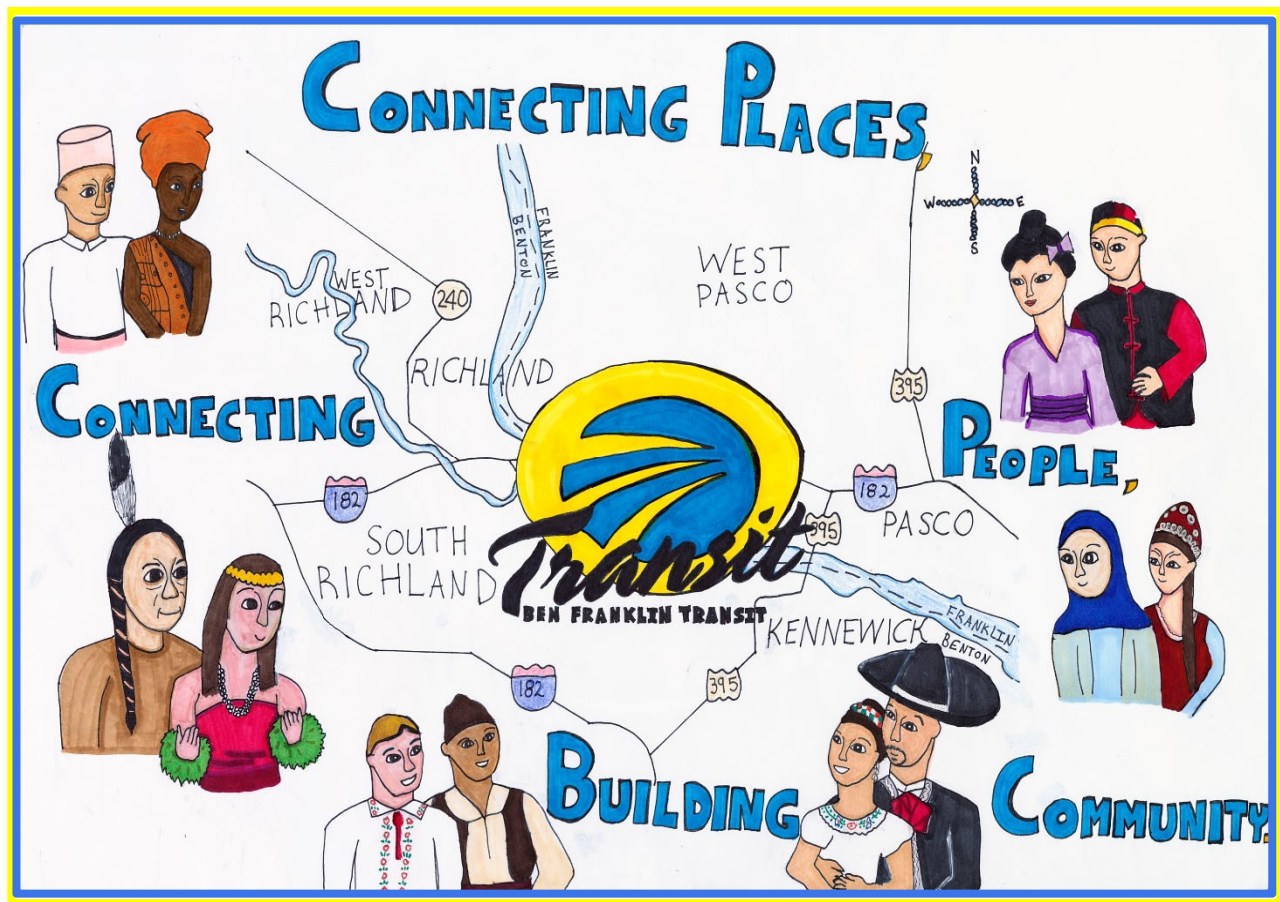
Ben Franklin Transit
Management's Discussion and Analysis

BFT closely monitors revenues when determining service levels and capital expansion as stated in its six-year TDP. Capital investments will focus on modest vehicle replacements as funds allow and maintaining a state of good repair of existing assets for safe and reliable transit operations. With current reserves and a conservative approach in uncertain economic conditions, BFT has a positive financial outlook.

Request for Information

This financial report is designed to provide a general overview of BFT's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Ben Franklin Transit, Attention: Director of Administrative Services, 1000 Columbia Park Trail, Richland, WA 99352 or by calling (509) 735-4131.

Basic Financial Statements



This page intentionally left blank.

Ben Franklin Transit
Comparative Statement of Net Position
As of December 31, 2018 and 2017
(in Thousands)

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 35,954	\$ 39,583
Accounts Receivables	8,460	1,811
Sales Tax Receivables	6,468	6,103
Inventories	470	413
Prepayments	205	133
Total Current Assets	<u>51,558</u>	<u>48,043</u>
Noncurrent Assets		
Capital Assets Not Being Depreciated		
Land	2,209	2,209
Construction in Progress	429	2,099
Capital Assets Being Depreciated		
Buildings & Structures	20,315	19,664
Vehicles	45,781	34,264
Equipment & Furnishings	4,068	2,308
Less: Accumulated Depreciation	<u>(35,658)</u>	<u>(33,435)</u>
Total Capital Assets (Net)	<u>37,143</u>	<u>27,109</u>
Total Noncurrent Assets	<u>37,143</u>	<u>27,109</u>
Total Assets	<u>\$ 88,701</u>	<u>\$ 75,152</u>
Deferred Outflows of Resources		
Deferred Outflows - PERS Pension	\$ 1,997	\$ 1,800
Deferred Outflows - OPEB	24	-
Total Deferred Outflows	<u>\$ 2,021</u>	<u>\$ 1,800</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 90,722</u></u>	<u><u>\$ 76,952</u></u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 1,381	\$ 1,028
Accrued Expenses	667	1,176
Compensated Absences	291	905
Total Current Liabilities	<u>2,339</u>	<u>3,109</u>
Noncurrent Liabilities		
Net Pension Liability	8,280	10,607
Net OPEB Liability	3,775	-
Compensated Absences	757	-
Total Noncurrent Liabilities	<u>12,812</u>	<u>10,607</u>
Total Liabilities	<u>\$ 15,151</u>	<u>\$ 13,716</u>
Deferred Inflows of Resources		
Deferred Inflows - PERS Pension	\$ 3,300	\$ 2,061
Total Deferred Inflows	<u>\$ 3,300</u>	<u>\$ 2,061</u>
Net Position		
Investment in Capital Assets	\$ 37,143	\$ 27,109
Unrestricted	35,128	34,066
Total Net Position	<u>\$ 72,271</u>	<u>\$ 61,175</u>

The accompanying notes are an integral part of this statement.

Ben Franklin Transit
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017
(in Thousands)

	2018	2017
Operating Revenues		
Passenger Fares	\$ 3,621	\$ 3,841
Other Operating Revenues	273	593
Total Operating Revenues	<u>3,894</u>	<u>4,434</u>
Operating Expenses		
Operations	22,890	22,144
Maintenance	6,917	6,434
Administrative Expenses	7,111	6,398
Depreciation & Amortization	3,787	3,360
Total Operating Expenses	<u>40,705</u>	<u>38,336</u>
Operating Income (Loss)	<u>(36,811)</u>	<u>(33,902)</u>
Nonoperating Revenues (Expenses)		
Sales Tax	36,600	34,214
Investment Income	600	316
Operating Grants	4,115	2,000
Gains/(Losses) on Capital Asset Disposition	96	373
Total Nonoperating Revenues (Expenses)	<u>41,411</u>	<u>36,903</u>
Income (Loss) Before Contributions	4,600	3,002
Capital Contributions	10,178	2,279
Change in Net Position	14,778	5,281
Total Net Position - Beginning of Period	61,175	58,076
Prior Period Adjustment	(3,682)	(2,182)
Total Net Position - End of Period	<u>\$ 72,271</u>	<u>\$ 61,175</u>

The accompanying notes are an integral part of this statement.

Ben Franklin Transit
Comparative Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017
(in Thousands)

	2018	2017
Cash Flows from Operating Activities		
Receipts From Customers	\$ 3,530	\$ 3,715
Other Receipts	287	634
Payments to Employees	(11,280)	(9,760)
Payments to Suppliers	(26,989)	(25,536)
Net Cash Provided (Used) by Operating Activities	<u>(34,452)</u>	<u>(30,948)</u>
Cash Flows from Noncapital Financing Activities		
Sales Tax Received	36,235	34,239
Operating Grants Received	1,314	2,255
Net Cash Provided (Used) by Noncapital Financing Activities	<u>37,549</u>	<u>36,494</u>
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	6,399	999
Net proceeds from the Disposition of Capital Assets	96	373
Acquisition and Construction of Capital Assets	(13,821)	(3,959)
Net Cash Used in Capital and Related Financing Activities	<u>(7,326)</u>	<u>(2,587)</u>
Cash Flows from Investing Activities		
Interest and Dividends	600	316
Net Cash Provided by Investing Activities	<u>600</u>	<u>316</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,629)	3,275
Balances - Beginning of the Year	39,583	36,309
Balances - End of the Year	<u>\$ 35,954</u>	<u>\$ 39,583</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (36,811)	\$ (33,902)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	3,787	3,360
PERS Pension Expense / (Credit)	(1,285)	(875)
OPEB Expense / (Credit)	69	-
Change in Assets and Liabilities:		
Receivables, Net	(68)	(116)
Inventories	(57)	(72)
Prepaid Expense	(72)	(7)
Payables	(156)	495
Vacation Accrual	143	170
Net Cash Used by Operating Activities	<u>\$ (34,452)</u>	<u>\$ (30,948)</u>

NON-CASH TRANSACTIONS:

Non-cash investing, capital, or financing activities includes net capital contributions accruals of \$5.2 million in 2018 and \$1.4 million in 2017.

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ben Franklin Transit (BFT) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

- A. Reporting Entity** – The transit was incorporated on May 11, 1981 and operates under the laws of the State of Washington applicable to municipal corporations. BFT was formed under the authority of Chapter 36.57A of the Revised Code of Washington State.

As required by generally accepted accounting principles, the financial statements present BFT as the primary government. Management has considered all potential component units in defining the reporting entity. The transit has no component units. BFT is a separate entity and is fiscally independent of other state and local government entities. Per criteria of GASB 14, BFT is a primary government for reporting and there are no additional entities or funds for which BFT has reporting responsibilities.

BFT is a special purpose government and provides Fixed Route, Para-transit, Vanpool, Taxi Feeder, General Demand, Night Service, and Sunday Service to the public in portions of Benton and Franklin Counties and is supported primarily through user charges and locally generated sales tax.

BFT is governed by a nine-member Board of Directors comprised of two Franklin County Commissioners, one Benton County Commissioner and one City Council member from Benton City, City of Kennewick, City of Pasco, City of Prosser, City of Richland, and the City of West Richland. In 2010 a non-voting board member was added to represent the labor unions of BFT.

- B. Measurement Focus, Basis of Accounting** – BFT's accounting records are maintained in accordance with methods prescribed by the Federal Transit Administration (FTA) per Section 15 of the Federal Transit Act of 1992, as amended and the Washington State Auditor under the authority of 43.09 Revised Code of Washington. The transit uses the Budgeting, Accounting and Reporting System (BARS) for GAAP for Transit Districts in the State of Washington.

The transit's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The transit distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the transit are charges to customers for passenger fares. Operating expenses for the transit include all costs related to providing transit service. These costs include labor, fringe benefits, materials, supplies, services, utilities,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

rentals, leases, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents – It is BFT’s policy to invest all temporary cash surpluses. At December 31, 2018, the treasurer was holding \$36.0 million in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

For purposes of the statement of cash flows, the transit considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – State statutes permit BFT to invest in obligations of the United States, certificates of deposits issued by banks that are designated as public depositories by the Washington Public Deposit Protection Commission (PDPC), and the Local Government Investment Pool (LGIP). Investments are reported at fair market value measured by quoted market price. The reported value of the LGIP is the same as the fair value of the pool shares. For more details see Note 2, Deposits and Investments.
3. Receivables – Taxes receivable consists of uncollected sales tax revenue from the state and related interest and penalties.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Inventories – Inventory consists of fuel, tires, repair parts, and supplies. Purchases are recorded as increases to inventory and valued by the First In, First Out (FIFO) method (which approximates the market value).
5. Prepayments - Prepaid expenses are amounts paid to secure the use of assets or the receipt of services, software licensing and insurance, with an initial cost of more than \$5,000 or an estimated useful life in excess of one year. Such assets are recorded at cost and amortized over estimated economic useful life of the asset.
6. Restricted Assets – Restricted assets are temporary restricted cash and cash equivalents resulting from the sale of property in which the FTA restricts the use of proceeds to the investment of approved capital assets.
7. Capital Assets – Capital assets, which include property, facilities, and equipment, are defined by BFT as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs of normal maintenance and repairs are not capitalized. No depreciation is provided on works in progress until work is completed and the asset is placed in service.

BFT has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, BFT has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Asset	Years
Vehicles	7 - 14
Buildings and Structures	10 - 40
Equipment and Furnishings	5 - 20
Land Improvements	5 - 40

(Also, see Note 4 – Capital Assets)

8. Compensated Absences – Compensated absences are absences for which employees will be paid, such as general leave. All general leave is accrued when incurred.

Per BFT policy, employees may accumulate up to 480 hours of general leave, which includes considerations for sick leave. BFT does not have a separate sick leave program. General leave hours do not expire and carry over year to year. Compensated absences are payable upon request, termination, resignation, retirement, and death.

9. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. 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.
10. Federal, State, and Local Grant Funds – Grants are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, building, and equipment are recorded as capital contributions as the related grant conditions are met. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met. Advances on grants are recorded as a liability until related grant conditions are met.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2018 and 2017 respectfully as follows:

Composition of Cash and Cash Equivalents

	<i>(in Thousands)</i>	
	2018	2017
Demand Deposits	\$ 35,954	\$ 39,583
Investments having original maturities of less than 3 months	-	-
Total Cash and Cash Equivalents	<u>\$ 35,954</u>	<u>\$ 39,583</u>

BFT's bank deposits and certificates of deposit are entirely insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Currently BFT does not have a policy for custodial credit risk as that risk does not currently exist.

NOTE 3 – RECEIVABLE AND PAYABLE BALANCES

Receivables and Payables as of December 31, 2018 and 2017 consist of the following:

	<i>(in Thousands)</i>	
	2018	2017
Accounts Receivable	\$ 8,460	\$ 1,811
Sales Tax Receivable	6,468	6,103
Total Receivables	<u>\$ 14,928</u>	<u>\$ 7,914</u>
Accounts Payable	\$ 1,381	\$ 1,028
Total Payables	<u>\$ 1,381</u>	<u>\$ 1,028</u>

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 4 – CAPITAL ASSETS

Activity for the year ended December 31, 2018 was as follows (*in Thousands*):

Description	Balance Jan 1, 2018	Increases	Decreases	Adjustments	Balance Dec 31, 2018
Capital Assets, Not Being Depreciated:					
Land	\$ 2,209	\$ -	\$ -	\$ -	\$ 2,209
Work in Progress	2,099	429	2,099	-	429
Total Capital Assets, Not Being Depreciated	4,308	429	2,099	-	2,638
Capital Assets, Being Depreciated:					
Vehicles	34,264	13,080	1,564	-	45,780
Building and Structures	19,665	651	-	-	20,315
Equipment and Furnishing	2,308	1,760	-	-	4,068
Total Capital Assets, Being Depreciated	56,237	15,491	1,564	-	70,163
Less Accumulated Depreciation For:					
Vehicles	20,965	3,022	1,564	-	22,423
Building and Structures	11,359	453	-	-	11,812
Equipment and Furnishing	1,111	312	-	-	1,423
Total Accumulated Depreciation	33,435	3,787	1,564	-	35,658
Total Capital Assets, Being Depreciated, Net	22,802	11,704	-	-	34,505
Governmental Activities Capital Assets, Net	\$ 27,109	\$ 12,133	\$ 2,099	\$ -	\$ 37,143

Activity for the year ended December 31, 2017 was as follows (*in Thousands*):

Description	Balance Jan 1, 2017	Increases	Decreases	Adjustments	Balance Dec 31, 2017
Capital Assets, Not Being Depreciated:					
Land	\$ 2,344	\$ -	\$ -	\$ (135)	\$ 2,209
Work in Progress	140	2,099	140	-	2,099
Total Capital Assets, Not Being Depreciated	2,484	2,099	140	(135)	4,308
Capital Assets, Being Depreciated:					
Vehicles	38,020	1,519	2,310	(2,966)	34,264
Building and Structures	24,485	-	-	(4,821)	19,665
Equipment and Furnishing	1,409	480	-	419	2,308
Total Capital Assets, Being Depreciated	63,914	1,999	2,310	(7,368)	56,237
Less Accumulated Depreciation For:					
Vehicles	23,160	2,656	2,310	(2,542)	20,965
Building and Structures	13,456	484	-	(2,581)	11,359
Equipment and Furnishing	1,090	220	-	(198)	1,111
Total Accumulated Depreciation	37,706	3,360	2,310	(5,321)	33,435
Total Capital Assets, Being Depreciated, Net	26,208	(1,361)	(0)	(2,046)	22,802
Governmental Activities Capital Assets, Net	\$ 28,692	\$ 738	\$ 140	\$ (2,182)	\$ 27,109

To strengthen internal controls over financial reporting BFT performed a comprehensive review of all capital assets in 2017. This statement reflects a prior period adjustment of \$2.2 million to correct capital asset values and depreciation expense.

Construction Commitments

At December 31, 2018 and 2017 BFT had no outstanding construction commitments.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the years 2018 and 2017 (*in Thousands*):

Aggregate Pension Amounts – All Plans		
	2018	2017
Pension liabilities	\$ 8,280	\$ 10,607
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$ 1,997	\$ 1,800
Deferred inflows of resources	\$ 3,300	\$ 2,061
Pension expense/expenditures	\$ 857	\$ 987

State Sponsored Pension Plans

Substantially all Ben Franklin Transit's (BFT) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 and 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – June 2017		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other

PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI) capped at three percent annually and a one-time duty related death benefit if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 and 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January 2017 – June 2017		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%
July 2017 – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

BFT's actual PERS plan contributions to plans for the fiscal years 2018 and 2017 ending December 31, were as follows (*in Thousands*):

BFT's Actual Contributions		
	2018	2017
PERS Plan 1	\$ 873	\$ 776
PERS Plan 2/3	\$ 1,270	\$ 1,086

Actuarial Assumptions - 2018

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

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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.

NOTE 5 – PENSION PLANS (continued)

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Actuarial Assumptions – 2017

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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 changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

NOTE 5 – PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the 2018 total pension liability for all DRS plans was 7.4 percent and the discount rate used to measure the 2017 total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate for 2018 and an assumed 7.7 percent long-term discount rate for 2017 to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for 2018 for the test and a 7.5 percent future investment rate of return on invested assets was assumed for 2017 for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability for 2018 and the long-term expected rate of return of 7.5 percent was used to determine the total liability for 2017.

Long-Term Expected Rate of Return

The 2018 long-term expected rate of return on the DRS pension plan investments of 7.4 percent and the 2017 long-term expected rate of return on the DRS pension plan investments of 7.5 percent were determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) 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). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, and June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

Asset Class	2018 Target Allocation	2018 % Long-Term Expected Real Rate of Return Arithmetic	2017 Target Allocation	2017 % Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%	20%	1.70%
Tangible Assets	7%	4.90%	5%	4.90%
Real Estate	18%	5.80%	15%	5.80%
Global Equity	32%	6.30%	37%	6.30%
Private Equity	23%	9.30%	23%	9.30%
	100%		100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents BFT's 2018 proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what BFT's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

As of June 30, 2018 (*in Thousands*):

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 6,855	\$ 5,578	\$ 4,472
PERS 2/3	\$ 12,359	\$ 2,702	\$ (5,216)

The table below presents BFT's 2017 proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what BFT's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

As of June 30, 2017 (*in Thousands*):

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 6,706	\$ 5,505	\$ 4,464
PERS 2/3	\$ 13,746	\$ 5,102	\$ (1,980)

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.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

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

At June 30, 2018, and June 30, 2017 BFT reported a total pension liability of \$8.3 million and \$10.6 million, respectively, for its proportionate share of the net pension liabilities as follows (*in Thousands*):

Plan	2018 Liability (or Asset)	2017 Liability (or Asset)
PERS 1	\$ 5,578	\$ 5,505
PERS 2/3	\$ 2,702	\$ 5,102

At June 30, 2018, June 30, 2017, and June 30, 2016 BFT's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/18	Proportionate Share 6/30/17	Proportionate Share 6/30/16	Change in Proportion	
				2017 to 2018	2016 to 2017
PERS 1	0.124894%	0.116013%	0.114841%	0.008881%	0.001172%
PERS 2/3	0.158252%	0.146848%	0.143055%	0.011404%	0.003793%

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

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, and December 31, 2017 BFT recognized pension expense as follows (*in Thousands*):

Plan	2018 Pension Expense	2017 Pension Expense
PERS 1	\$ 938	\$ 398
PERS 2/3	(81)	588
TOTAL	\$ 857	\$ 987

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, and December 31, 2017, BFT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*in Thousands*):

	2018		2017	
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(222)	-	(205)
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	451	-	428	-
TOTAL	\$ 451	\$ (222)	\$ 428	\$ (205)

	2018		2017	
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 331	\$ (473)	\$ 517	\$ (168)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,658)	-	(1,360)
Changes of assumptions	32	(769)	54	-
Changes in proportion and differences between contributions and proportionate share of contributions	530	(179)	165	(327)
Contributions subsequent to the measurement date	653	-	635	-
TOTAL	\$ 1,546	\$ (3,079)	\$ 1,372	\$ (1,855)

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5 – PENSION PLANS (continued)

PERS 1 & 2/3 COMBINED	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 331	\$ (473)	\$ 517	\$ (168)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,880)	-	(1,566)
Changes of assumptions	32	(769)	54	-
Changes in proportion and differences between contributions and proportionate share of contributions	530	(179)	165	(327)
Contributions subsequent to the measurement date	1,104	-	1,063	-
TOTAL	\$ 1,997	\$ (3,301)	\$ 1,800	\$ (2,061)

2018 deferred outflows of resources related to pensions resulting from BFT's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 2017 deferred outflows of resources related to pensions resulting from BFT's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (*in Thousands*):

As of December 31, 2018 (*in Thousands*):

Year ended December 31	PERS 1	PERS 2/3
2019	\$ 10	\$ (319)
2020	\$ (48)	\$ (491)
2021	\$ (145)	\$ (923)
2022	\$ (37)	\$ (284)
2023	\$ -	\$ (47)
Thereafter	\$ -	\$ (121)

As of December 31, 2017 (*in Thousands*):

Year ended December 31	PERS 1	PERS 2/3
2018	\$ (139)	\$ (650)
2019	\$ 44	\$ 25
2020	\$ (10)	\$ (126)
2021	\$ (100)	\$ (525)
2022	\$ -	\$ 68
Thereafter	\$ -	\$ 89

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities *(in Thousands)*:

Description	Balance	Additions	Reductions	Balance	Due Within One Year
	Jan 1, 2018			Dec 31, 2018	
Compensated Absences	\$ 905	\$ 1,858	\$ 1,715	\$ 1,048	\$ 291
Pension Liability - PERS 1	5,505	73	-	5,578	-
Pension Liability - PERS 2/3	5,102	-	2,400	2,702	-
OPEB Liability	3,703	331	259	3,775	-
Total Long-Term Liabilities:	<u>\$ 15,215</u>	<u>\$ 2,262</u>	<u>\$ 4,374</u>	<u>\$ 13,103</u>	<u>\$ 291</u>

During the year ended December 31, 2017, the following changes occurred in long-term liabilities *(in Thousands)*:

Description	Balance	Additions	Reductions	Balance	Due Within One Year
	Jan 1, 2017			Dec 31, 2017	
Compensated Absences	\$ 735	\$ 1,417	\$ 1,247	\$ 905	\$ 303
Pension Liability - PERS 1	6,168	-	663	5,505	-
Pension Liability - PERS 2/3	7,203	-	2,100	5,103	-
Total Long-Term Liabilities:	<u>\$ 14,106</u>	<u>\$ 1,417</u>	<u>\$ 4,010</u>	<u>\$ 11,513</u>	<u>\$ 303</u>

(Also, see Note 1 item 7 – Compensated Absences)

NOTE 7 – CONTINGENCIES & LITIGATIONS

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

BFT participates in a number of Federal and State assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. BFT management believes that such disallowances, if any, will be immaterial.

NOTE 8 – CAPITAL CONTRIBUTIONS

	Capital Contributions	
	<i>(in Thousands)</i>	
	2018	2017
Federal	\$ 8,445	\$ 1,205
State	1,733	1,074
Total	<u>\$ 10,178</u>	<u>\$ 2,279</u>

Capital contributions include accruals of \$4.1 million in 2018 and \$1.4 million in 2017. BFT received \$0.3 million of 2017 accruals in 2018 leaving \$1.1 million of 2017 accruals outstanding.

NOTE 9 – RISK MANAGEMENT

BFT is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member self-insurance program located in Olympia, Washington. WSTIP supplies BFT 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.

At the end of 2018, BFT retained a \$5,000 deductible for its all-risk property coverage which includes auto physical damage. BFT 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. 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 summaries below. For 2018 the carriers included Government Entities Mutual, Munich Reinsurance America, Lloyds of London, and Hallmark Specialty Insurance 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 property carrier for all risk property and boiler and machinery was Alliant Property Insurance Program provided by Alliant Insurance Services. For 2017 the carriers included Governmental Entities Mutual, Munich Re, and Arch for the liability lines; Alterra and Evanston for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; and Beazley for the cyber liability policy. The property carrier for all risk property and boiler and machinery was Alliant Property Insurance Program provided by Alliant Insurance Services

BFT has not presented any claims to WSTIP in either 2018 or 2017 that exceeded its coverage limits through WSTIP.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 9 – RISK MANAGEMENT (continued)

Below is a summary of coverage provided in 2018:

RISK / EXPOSURE	COVERAGE		DEDUCTIBLE
GENERAL LIABILITY			
Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	\$ 25,000,000	Per occurrence	\$ -
Personal Injury and Advertising Injury Contractual liability	\$ 25,000,000	Per offense	\$ -
Vanpool Driver Medical Expense Protection	\$ 35,000	Per occurrence	\$ -
Underinsured Motorist Coverage	\$ 60,000	Per occurrence	\$ -
PUBLIC OFFICIALS LIABILITY	\$ 25,000,000	Per occurrence and aggregate	\$ 5,000
PROPERTY COVERAGE			
All perils subject to the following sublimits:	\$ 500,000,000	Per occurrence, all perils and insureds/ members combined	\$ 5,000
Flood zones A & V – annual aggregate	\$ 10,000,000	Per occurrence, annual aggregate	\$ 500,000
All flood zones except A & V – annual aggregate	\$ 50,000,000	Per occurrence, annual aggregate	\$ 500,000
Earthquake, volcanic eruption, landslide, and mine subsidence –	\$ 25,000,000	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE			
Auto Physical Damage (below \$250,000 in value)	Fair market value	Limited to \$1,350,000 any one vehicle	\$ 5,000
Auto Physical Damage for all vehicles with a model year of 2005 or later and valued over \$250,000	Replacement Cost	Limited to \$1,250,000 any one vehicle	\$ 5,000
BOILER AND MACHINERY	\$ 100,000,000		\$250,000 or \$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY			
Including faithful performance. (Also includes:)	\$ 1,000,000	Per occurrence	\$ 10,000
Employee theft	\$ 1,000,000	Per occurrence	\$ 10,000
Forgery or alteration	\$ 1,000,000	Per occurrence	\$ 10,000
Theft, disappearance and destruction (inside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Robbery and safe burglary (inside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Robbery and safe burglary (outside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Computer fraud	\$ 1,000,000	Per occurrence	\$ 10,000
Funds Transfer Fraud	\$ 1,000,000	Per occurrence	\$ 10,000
Money orders and counterfeit money	\$ 1,000,000	Per occurrence	\$ 10,000
CYBER LIABILITY			
Third Party Liability	\$ 25,000,000	Annual policy and program aggregate of liability for all insured's combined	\$ 100,000
Information Security and Privacy Liability	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Privacy Notification costs	\$ 500,000	Annual aggregate – limit increases to \$1 million if carrier's vendors utilized	\$ 100,000
Penalties for Regulatory Defense and Penalties	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Including a sub-limit for PCI Fines and Penalties	\$ 100,000	(Sub-limit)	
Website Media Content Liability	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
First Party Computer Security			
Cyber Extortion Loss	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Data Protection Loss and Business Interruption Loss	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Including a sub-limit for Forensic expense	\$ 100,000		
And Dependent business interruption	\$ 500,000		
Fraudulent Instruction	\$ 50,000		
Telecommunications Fraud	\$ 50,000		
Consequential reputational loss	\$ 50,000		

* However, if covered loss exists, WSTIP general liability policy also includes a \$50,000 limit of coverage with no deductible.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 9 – RISK MANAGEMENT (continued)

Below is a summary of coverage provided in 2017:

RISK / EXPOSURE	COVERAGE		DEDUCTIBLE
GENERAL LIABILITY			
Bodily Injury & Property Damage Personal Injury & Advertising Injury Contractual Liability	\$ 20,000,000	Per occurrence	\$ -
Personal Injury and Advertising Injury Contractual liability	\$ 20,000,000	Per offense	\$ -
Vanpool Driver Medical Expense Protection	\$ 35,000	Per occurrence	\$ -
Underinsured Motorist Coverage	\$ 60,000	Per occurrence	\$ -
PUBLIC OFFICIALS LIABILITY	\$ 20,000,000	Per occurrence and aggregate	\$ 5,000
PROPERTY COVERAGE			
All perils subject to the following sublimits:	\$ 500,000,000	Per occurrence, all perils and insureds/ members combined	\$ 5,000
Flood zones A & V – annual aggregate	\$ 10,000,000	Per occurrence, annual aggregate	\$ 500,000
All flood zones except A & V – annual aggregate	\$ 50,000,000	Per occurrence, annual aggregate	\$ 500,000
Earthquake, volcanic eruption, landslide, and mine subsidence	\$ 25,000,000	Per occurrence, annual aggregate	5% subject to \$500,000 per occurrence per unit
AUTO PHYSICAL DAMAGE			
Auto Physical Damage (below \$250,000 in value)	Fair market value	Limited to \$1,250,000 any one vehicle	\$ 5,000
Auto Physical Damage for all vehicles with a model year of 2005 or later and valued over \$250,000	Replacement Cost	Limited to \$1,250,000 any one vehicle	\$ 5,000
BOILER AND MACHINERY	\$ 100,000,000		\$ 350,000
CRIME / PUBLIC EMPLOYEE DISHONESTY			
including faithful performance. (Also includes:)	\$ 1,000,000	Per occurrence	\$ 10,000
Employee theft	\$ 1,000,000	Per occurrence	\$ 10,000
Forgery or alteration	\$ 1,000,000	Per occurrence	\$ 10,000
Theft, disappearance and destruction (inside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Robbery and safe burglary (inside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Robbery and safe burglary (outside premises)	\$ 1,000,000	Per occurrence	\$ 10,000
Computer fraud	\$ 1,000,000	Per occurrence	\$ 10,000
Funds Transfer Fraud	\$ 1,000,000	Per occurrence	\$ 10,000
Money orders and counterfeit money	\$ 1,000,000	Per occurrence	\$ 10,000
CYBER LIABILITY			
Third Party Liability	\$ 25,000,000	Annual policy and program aggregate of liability for all insured's combined	\$ 100,000
Information Security and Privacy	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Privacy Notification costs	\$ 500,000	Annual aggregate – limit increases to \$1 million if carrier's vendors utilized	\$ 100,000
Penalties for Regulatory Defense and Penalties	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Including a sub-limit for PCI Fines and Penalties	\$ 100,000	(Sub-limit)	
Website Media Content Liability	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
First Party Computer Security			
Cyber Extortion Loss	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Data Protection Loss and Business Interruption Loss	\$ 2,000,000	Limit of Liability and annual aggregate	\$ 100,000
Including a sub-limit for Forensic expense	\$ 100,000		
And Dependent business interruption	\$ 500,000		
Fraudulent Instruction	\$ 50,000		
Telecommunications Fraud	\$ 50,000		
Consequential reputational loss	\$ 50,000		

* However, if covered loss exists, WSTIP general liability policy also includes a \$50,000 limit of coverage with no deductible.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 10 – LEASE OBLIGATIONS

BFT is committed under various leases for space and equipment. All leases are considered operating leases for accounting purposes because BFT does not acquire interest in the property. Lease expenses for the years ended December 31, 2018 and 2017 totaled \$62.8 thousand and \$95.7 thousand respectively. Future minimum rental commitments for leases are as follows (*in Thousands*):

2018		2017	
Year	Amount	Year	Amount
2019	\$ 92	2018	\$ 77
2020	80	2019	77
2021	75	2020	77
2022	66	2021	72
Total	\$ 313	Total	\$ 303

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018 (*in Thousands*):

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$3,775
OPEB assets	\$-0-
Deferred outflows of resources	\$24
Deferred inflows of resources	\$-0-
OPEB expense/expenditures	\$ 114

a. As a member of the Washington State Public Employees Benefit Board (PEBB) BFT offers employees who retire the option to continue medical coverage on a self-pay basis. BFT's plan is considered to be a single-employer defined benefit plan.

b. The plan is available to non-bargaining employees. The premiums for the retired employees are blended with the rates for active employees. The blending of rates is considered an implicit subsidy paid by BFT. There are no COLAs associated with the plan.

c. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	6
Active employees	75
Total	96

d. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (cont.)

Assumptions and Other Inputs

The discount rate used in the online tool developed by the Office of the State Actuary was 3.58% for the beginning of the measurement year and 3.87% for the end of the measurement year. Projected salary changes were 3.75% plus service-based increases. Healthcare Trend rates used an initial rate of approximately 7%, trending down to about 5% in 2080. Mortality rates were calculated using the Healthy RP-2000 base mortality table with an age setback of 1 year, mortality improvements of 100% scale BB and a generational projection period. An inflation rate of 3% was used. Post-retirement participation percentage was 65% and the percentage with spousal coverage was 45%.

Assumptions for retirement, disability, termination and mortality were based on the 2017 PEBB OPEB Actuarial Valuation Report. Retirement service for each active cohort was based on the average entry age of 35 with service being a component of benefit eligibility.

a. The following presents the total OPEB liability (*in Thousands*) of BFT calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$3,091	\$3,775	\$4,669

b. The following presents the total OPEB liability (*in Thousands*) of BFT calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$4,572	\$3,775	\$3,149

Changes in the Total OPEB Liability

The schedule of changes in the total OPEB liability follows (*in Thousands*):

Plan Name	
Total OPEB Liability at 1/1/2018	\$3,703
Service cost	193
Interest	139
Changes of benefit terms	0
Changes in Experience Data and Assumptions	(217)
Benefit payments	(42)
Other changes	0
Total OPEB Liability at 12/31/2018	\$3,775

Ben Franklin Transit
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (cont.)

- a. The Alternative Measurement Method (AMM) was performed with a valuation date of June 30, 2018. In order to estimate the Total OPEB Liability (TOL) as of the beginning of the measurement period, the TOL was projected backwards to the measurement date of June 30, 2017. The AMM was used to measure the TOL in place of an actuarial valuation.
- b. The backward projection of the liability reflected the estimated service cost, assumed interest, and expected benefit payments.
- c. There were no changes of benefit terms that affected measurement of the TOL since the prior measurement date.
- d. There were no obligations for the payment of benefits transferred from the employer to one or more insurance companies.
- e. There were no changes between the measurement date of the TOL and the employer's reporting date that are expected to have any effect on the TOL.
- g. The total OPEB expense recognized by BFT in the reporting period was \$113.9 thousand.
- h. At December 31, 2018, BFT reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (*in Thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -0-	\$-0-
Changes of assumptions	-0-	-0-
Payments subsequent to the measurement date	24	-0-
TOTAL*	\$24	\$-0-

Deferred outflows of resources of \$24.4 thousand, resulting from payments subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

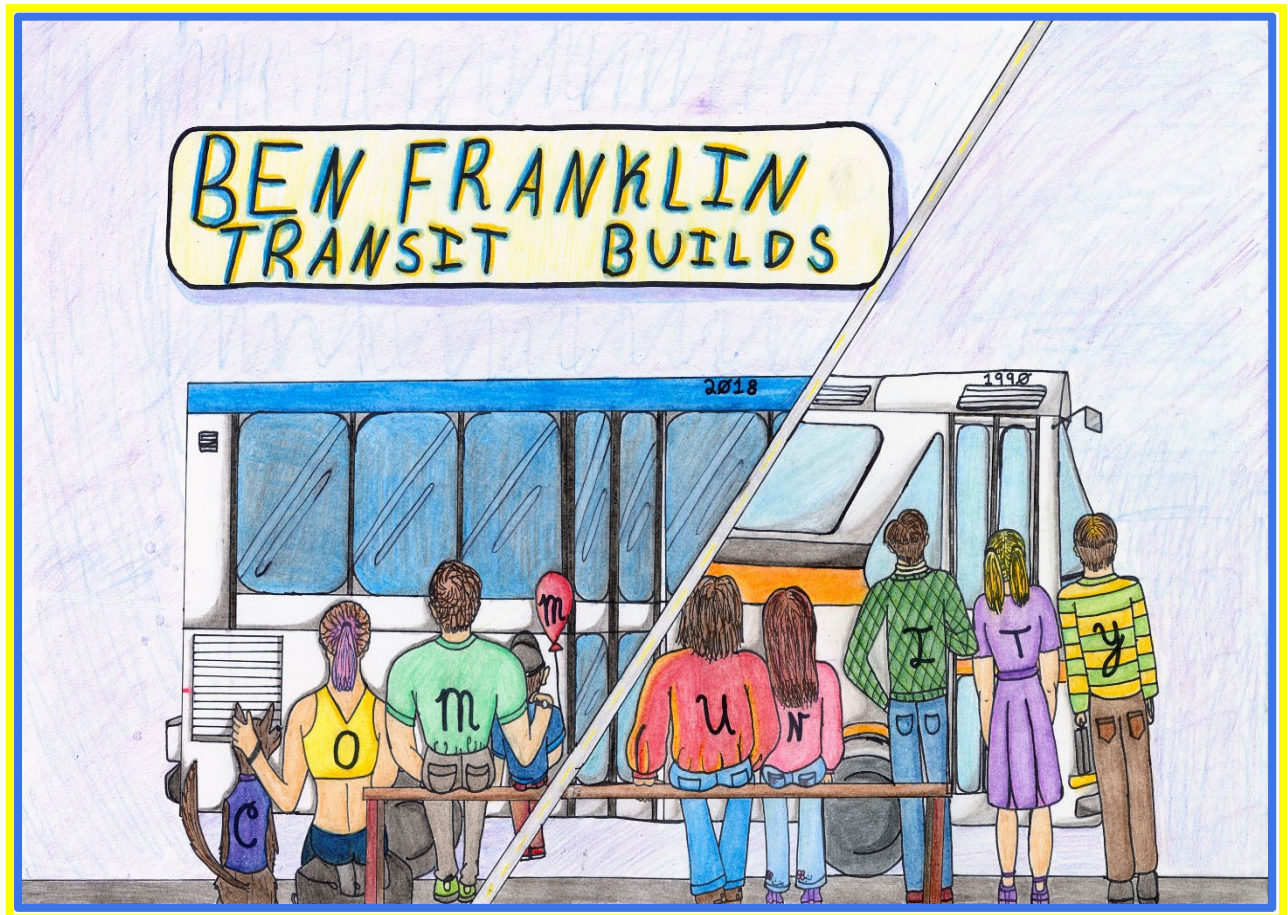
NOTE 12 – PRIOR PERIOD ADJUSTMENTS

2018: Effective for the fiscal year ended December 31, 2018, BFT implemented provisions of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). As a result, the Schedule of Long-Term Liabilities now includes the transit's proportionate share of the net OPEB liability for the single-employer defined benefit plan in which the transit participates. As a result of this implementation the January 1, 2018 beginning Net Position was directly decreased by \$3.7 million.

2017: The prior period adjustment of \$2.2 million listed on the financial statements was due to a correction of an overstatement of capital asset values and associated depreciation.

This page intentionally left blank.

Required Supplementary Information



This page intentionally left blank.

Ben Franklin Transit
Required Supplementary Information
For the Year Ended December 31, 2018

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan1
As of June 30, 2018
Last 10 Fiscal Years
(in Thousands)

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.124894%	0.116013%	0.114841%	0.125862%						
Employer's proportionate share of the net pension liability	\$ 5,578	\$ 5,505	\$ 6,168	\$ 6,584						
TOTAL	\$ 5,578	\$ 5,505	\$ 6,168	\$ 6,584						
Covered payroll*	\$ 16,819	\$ 14,554	\$ 14,312	\$ 14,216						
Employer's proportionate share of the net pension liability as a percentage of covered payroll	33.16%	37.82%	43.10%	46.31%						
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%						

Notes to Schedule:

GASB 68 was implemented for the 2015 financial statements so only four years of data is available. Up to ten years of history will be presented over time as the data is generated.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

Ben Franklin Transit
Required Supplementary Information
For the Year Ended December 31, 2018

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan2/3
As of June 30, 2018
Last 10 Fiscal Years
(in Thousands)

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	0.158252%	0.146848%	0.143055%	0.158146%						
Employer's proportionate share of the net pension liability	\$ 2,702	\$ 5,102	\$ 7,203	\$ 5,651						
TOTAL	\$ 2,702	\$ 5,102	\$ 7,203	\$ 5,651						
Covered payroll*	\$ 16,765	\$ 14,457	\$ 14,138	\$ 14,043						
Employer's proportionate share of the net pension liability as a percentage of covered payroll	16.12%	35.29%	50.95%	40.24%						
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%						

Notes to Schedule:

GASB 68 was implemented for the 2015 financial statements so only four years of data is available. Up to ten years of history will be presented over time as the data is generated.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

Ben Franklin Transit
Required Supplementary Information
For the Year Ended December 31, 2018

Schedule of Employer Contributions
PERS Plan1
As of December 31, 2018
Last 10 Fiscal Years*
(in Thousands)

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 873	\$ 776	\$ 696	\$ 576						
Contributions in relation to the statutorily or contractually required contributions**	(873)	(776)	(696)	(576)						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Covered payroll*	\$ 17,084	\$ 15,755	\$ 14,396	\$ 14,121						
Contributions as a percentage of covered payroll	5.11%	4.93%	4.83%	4.08%						

Notes to Schedule:

GASB 68 was implemented for the 2015 financial statements so only four years of data is available. Up to ten years of history will be presented over time as the data is generated.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Ben Franklin Transit
Required Supplementary Information
For the Year Ended December 31, 2018

Schedule of Employer Contributions
PERS Plan2/3
As of December 31, 2018
Last 10 Fiscal Years*
(in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,270	\$ 1,086	\$ 888	\$ 840						
<u>Contributions in relation to the statutorily or contractually required contributions**</u>	(1,270)	(1,086)	(888)	(840)						
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -						
<u>Covered payroll*</u>	\$ 16,975	\$ 15,713	\$ 14,250	\$ 13,945						
<u>Contributions as a percentage of covered payroll</u>	7.48%	6.91%	6.23%	6.02%						

Notes to Schedule:

GASB 68 was implemented for the 2015 financial statements so only four years of data is available. Up to ten years of history will be presented over time as the data is generated.

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).*

*** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).*

Ben Franklin Transit
Required Supplementary Information
For the Year Ended December 31, 2018

Schedule of Changes in the Employer's Total OPEB Liability
OPEB
As of June 30, 2018
(in Thousands)

		<u>2018</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Total OPEB Liability										
Service Cost	\$	193								
Interest		139								
Changes in Experience Data and Assumptions		(218)								
Changes in Benefit Terms		-								
Benefit Payments		(42)								
Other		-								
Net Changes in total OPEB Liability		72								
Total OPEB Liability - Beginning		3,703								
Total OPEB Liability - Ending		3,775								
Covered payroll*	\$	4,567								
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	82.66%								

Notes to Schedule:

* Covered payroll is the payroll of employees who are provided with OPEB through the OPEB plan.

GASB 75 was implemented for the 2018 financial statements so only one year of data is available. Up to ten years of history will be presented over time as the data is generated.

The Alternative Measurement Method (AMM) tool, prepared by the Washington State Office of the State Actuary was used to generate the OPEB information for BFT, relying on inputs from BFT for eligible counts, average ages and covered payroll.

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

This page intentionally left blank.



Statistical Section



This page intentionally left blank.

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

This part of BFT's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about BFT's overall financial health.

CONTENTS

PAGE

Financial Trends: These schedules contain trend information to help the reader understand how BFT's financial performance and well-being have changed over time.

- Net Position.....67
- Changes in Net Position.....68

Revenue Capacity: These schedules contain information to help the reader assess BFT's most significant local revenue source, the sales tax.

- Taxable Sales by Category.....69
- Direct and Overlapping Sales Tax Rates.....70

Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which BFT's financial activities take place.

- Demographic and Economic Statistics.....71
- Principal Employers.....72

Operating Information: This schedule contains service and infrastructure data to help the reader understand how the information in BFT's financial report relates to the services BFT provides and the activities it performs.

- Selected Operating Information.....73

Source: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.*

This page intentionally left blank

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Position										
Invested in capital assets	\$ 37,143	\$ 27,109	\$ 28,692	\$ 30,351	\$ 26,881	\$ 22,779	\$ 23,518	\$ 26,423	\$ 28,197	\$ 24,862
Unrestricted	35,128	34,066	29,384	21,985	29,549	26,547	19,319	14,240	6,148	7,048
TOTAL Net Position	\$ 72,271	\$ 61,175	\$ 58,076	\$ 52,336	\$ 56,430	\$ 49,326	\$ 42,837	\$ 40,663	\$ 34,345	\$ 31,910

Source: Comprehensive Annual Financial Report

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues										
Passenger Fares	\$ 3,621	\$ 3,841	\$ 3,928	\$ 3,981	\$ 4,220	\$ 3,822	\$ 4,105	\$ 4,246	\$ 3,936	\$ 3,969
Other Operating Revenues	273	593	755	1,246	457	356	800	159	172	1,207
Total Operating Revenues	\$ 3,894	\$ 4,434	\$ 4,683	\$ 5,227	\$ 4,677	\$ 4,178	\$ 4,905	\$ 4,405	\$ 4,108	\$ 5,176
Operating Expenses										
Operations	\$ 22,890	\$ 22,144	\$ 20,364	\$ 19,255	\$ 19,985	\$ 18,354	\$ 17,552	\$ 17,516	\$ 16,876	\$ 18,120
Maintenance	6,917	6,434	5,575	5,691	7,199	7,416	7,930	7,105	6,600	6,881
Administrative Expenses	7,111	6,398	5,795	4,819	4,899	4,699	4,035	3,707	3,227	3,360
Depreciation & Amortization	3,787	3,360	3,542	3,802	3,210	3,388	3,996	3,082	3,163	3,443
Other Operating Expenses	-	-	-	-	-	-	-	-	-	805
Total Operating Expenses	40,705	38,336	35,276	33,567	35,293	33,857	33,513	31,410	29,866	32,609
Operating Income (Loss)	\$ (36,811)	\$ (33,902)	\$ (30,593)	\$ (28,340)	\$ (30,616)	\$ (29,679)	\$ (28,608)	\$ (27,005)	\$ (25,758)	\$ (27,433)
Nonoperating Revenues (Expense)										
Sales Tax	\$ 36,600	\$ 34,214	\$ 33,218	\$ 30,667	\$ 27,864	\$ 26,650	\$ 25,902	\$ 25,733	\$ 23,897	\$ 22,774
Interest Income	600	316	81	40	18	23	22	25	46	110
Operating Grants	4,115	2,000	2,768	193	4,493	7,324	1,983	4,800	1,041	1,090
Gain (Loss) of Sale of Assets	96	373	6	113	43	9	(134)	13	1	67
Total Nonoperating Revenues (Expense)	\$ 41,411	\$ 36,903	\$ 36,073	\$ 31,013	\$ 32,418	\$ 34,006	\$ 27,773	\$ 30,571	\$ 24,985	\$ 24,041
Net Income (Loss) Before Contributions	\$ 4,600	\$ 3,002	\$ 5,480	\$ 2,673	\$ 1,802	\$ 4,327	\$ (835)	\$ 3,566	\$ (773)	\$ (3,392)
Capital Contributions	10,178	2,279	1,382	5,933	5,300	2,162	2,006	893	4,188	4,594
Net Income (Loss) After Contributions	\$ 14,778	\$ 5,281	\$ 6,862	\$ 8,606	\$ 7,102	\$ 6,489	\$ 1,171	\$ 4,459	\$ 3,415	\$ 1,202
Changes in Net Position	\$ 14,778	\$ 5,281	\$ 6,862	\$ 8,606	\$ 7,102	\$ 6,489	\$ 1,171	\$ 4,459	\$ 3,415	\$ 1,202

Source: Comprehensive Annual Financial Report

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

TAXABLE SALES BY CATEGORY
Benton County and Franklin County (combined)
2017 - 2008
(in Thousands)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
CATEGORY (NAICS version)	CODE										
Retail Trade	44-45	\$ 2,695,291	\$ 2,607,444	\$ 2,448,277	\$ 2,249,885	\$ 2,130,696	\$ 2,020,399	\$ 1,907,943	\$ 1,822,339	\$ 1,705,787	\$ 1,705,728
Agriculture, Forestry, Fishing	11	4,651	4,577	4,506	4,427	5,093	19,902	8,855	9,328	7,073	8,187
Mining	21	-	1,561	1,596	1,045	440	2,030	2,642	2,507	2,468	2,437
Utilities	22	88,777	3,157	3,113	3,103	2,754	2,753	3,770	2,934	7,133	4,315
Construction	23	760,913	838,873	797,438	663,360	672,974	518,156	554,473	495,300	518,471	657,126
Manufacturing	31-33	90,568	92,698	83,173	84,310	79,589	68,407	81,707	68,632	67,432	81,500
Wholesale Trade	42	390,114	429,692	423,059	393,572	374,469	351,767	369,514	341,156	339,643	344,938
Transportation & Warehousing	48-49	45,948	13,007	11,727	11,074	11,824	13,218	8,777	11,185	7,298	7,993
Information	51	186,623	190,396	187,984	173,402	163,155	152,607	156,319	156,088	151,129	147,155
Finance, Insurance	52	41,806	39,148	30,523	24,640	24,192	23,858	23,827	23,596	24,761	26,076
Real Estate, Rental/Leasing	53	102,899	108,299	115,333	102,696	100,739	96,958	102,274	104,115	104,889	100,824
Professional, Scientific & Technical Svcs	54	240,369	83,982	66,366	66,098	70,350	81,480	72,643	67,625	44,929	44,983
Management, Education & Health Svcs	55-62	234,236	112,511	99,879	92,201	89,172	83,265	101,349	73,282	71,897	69,802
Arts, Entertainment & Recreation	71	50,589	45,945	42,709	39,422	37,477	36,099	30,824	28,683	24,653	27,188
Accommodations & Food Services	72	542,924	501,052	470,265	428,646	402,109	389,513	382,091	356,502	331,688	310,605
Other Services	81	151,416	141,831	138,861	139,635	131,758	108,730	158,414	132,330	130,998	114,508
Public Administration, Other	92-00	125,086	4,174	3,927	3,082	3,322	5,611	1,764	874	694	650
TOTAL TAXABLE SALES		\$ 5,752,210	\$ 5,218,347	\$ 4,928,736	\$ 4,480,598	\$ 4,300,113	\$ 3,974,753	\$ 3,967,186	\$ 3,696,476	\$ 3,540,943	\$ 3,654,015

Notes:

Source: Quarterly Business Review (QBR), Washington Department of Revenue

Ben Franklin Transit
Statistical Section
For the Years Ended December 31, 2018

DIRECT AND OVERLAPPING SALES TAX RATES
Last Ten Fiscal Years

Fiscal Year	Direct PTBA Sales Tax Rate		Local Sales Tax Rate		State Sales Tax Rate		Total Sales Tax Rate	
2018 Benton	0.6	%	2.1	%	6.5	%	8.6	%
2018 Franklin	0.6		2.1		6.5		8.6	
2017 Benton	0.6		2.1		6.5		8.6	
2017 Franklin	0.6		2.1		6.5		8.6	
2016 Benton	0.6		2.1		6.5		8.6	
2016 Franklin	0.6		2.1		6.5		8.6	
2015 Benton	0.6		2.1		6.5		8.6	
2015 Franklin	0.6		2.1		6.5		8.6	
2014 Benton	0.6		1.8		6.5		8.3	
2014 Franklin	0.6		2.1		6.5		8.6	
2013 Benton	0.6		1.8		6.5		8.3	
2013 Franklin	0.6		2.1		6.5		8.6	
2012 Benton	0.6		1.8		6.5		8.3	
2012 Franklin	0.6		2.1		6.5		8.6	
2011	0.6		1.8		6.5		8.3	
2010	0.6		1.8		6.5		8.3	
2009	0.6		1.8		6.5		8.3	

Note:
Franklin County Local Sales Tax Rate is 2.1% (effective 4/1/2012).

Source: Washington Department of Revenue

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

	Population			Personal Income (in Thousands)			Per Capita		Unemployment Rate Seasonally Adjusted
Year	Benton County	Franklin County	Combined Total	Benton County	Franklin County	Combined Total	Benton County	Franklin County	Kennewick-Pasco-Richland (Benton & Franklin Counties)
2018	197,420	92,540	289,960	***** DATA NOT YET PUBLISHED *****			*****		5.4%
2017	193,500	90,330	283,830	\$ 8,821,085	\$ 3,214,574	\$ 12,035,659	\$ 45,587	\$ 35,587	5.8%
2016	190,500	88,670	279,170	8,635,175	3,133,509	11,768,684	45,329	35,339	6.9%
2015	188,590	87,150	275,740	8,247,984	2,996,827	11,244,811	43,735	34,387	6.9%
2014	186,500	86,600	273,100	7,681,189	2,797,353	10,478,542	41,186	32,302	7.7%
2013	183,400	84,800	268,200	7,385,518	2,631,005	10,016,523	40,270	31,026	9.1%
2012	180,000	82,500	262,500	7,426,980	2,586,293	10,013,273	41,261	31,349	9.5%
2011	177,900	80,500	258,400	7,467,886	2,562,718	10,030,604	41,978	31,835	8.4%
2010	175,177	78,163	253,340	7,111,836	2,393,507	9,505,343	40,598	30,622	8.1%
2009	171,122	74,478	245,600	\$ 6,590,250	\$ 2,231,808	\$ 8,822,058	\$ 38,512	\$ 29,966	7.5%

Note:

2018 estimates of Personal Income (In Thousands) and Per Capita are scheduled to be released in November 2019

Sources:

Population data - Washington State Office of Financial Management, Forecasting Division

Personal Income and Per Capita Personal Income data - US Department of Commerce, Bureau of Economic Analysis

Last updated November 16, 2018 - new estimates for 2017; revised estimates for 2009-2016.

All state and local area dollar estimates are in current dollars (not adjusted for inflation).

Unemployment Rates - Washington State Employment Security Department/LMPA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Last updated February 14, 2019

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

PRINCIPAL EMPLOYERS
Current Year and 9 Years Ago

Principal Employers:	2018			2009		
	Number of Employees	Rank	Percent of Employment	Number of Employees	Rank	Percent of Employment
PNNL/Battelle	4,500	1	3.35%	4,397	1	3.67%
KADLEC Medical Center	3,734	2	2.78%	1,671	8	1.39%
ConAgra (Lamb Weston)	3,400	3	2.53%	2,600	3	2.17%
Washington River Protection Solutions	2,325	4	1.73%	-	-	0.00%
Kennewick School District	2,514	5	1.87%	1,820	6	1.52%
Pasco School District	2,200	6	1.64%	1,748	7	1.46%
Mission Support Alliance, LLC	1,918	7	1.43%	-	-	0.00%
Richland School District	1,800	8	1.34%	1,525	9	1.27%
CH2M Hill	1,500	9	1.12%	2,420	5	2.02%
Tyson Foods	1,400	10	1.04%	1,500	10	1.25%
URS-Washington Division	--	-	--	3,350	2	2.80%
Bechtel	--	-	--	2,600	3	2.17%
Other	108,902		81.15%	96,161		80.27%
Total Number of Employees	<u>134,193</u>		<u>100%</u>	<u>119,792</u>		<u>100%</u>

Note:

Resident civilian labor force and employment in Kennewick/Richland/Pasco (Benton & Franklin Counties)

Sources:

2018 & 2009 employer information – Tri-City Industrial Development Council (TRIDEC)

Employee workforce – WA Employment Security Department, historical resident labor force and employment (not seasonally adjusted) annual averages

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

SELECTED OPERATING INFORMATION
2018 – 2009
(in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
UNLINKED PASSENGER TRIPS										
A. Fixed Route	2,033	2,184	2,420	2,652	2,824	2,789	3,009	3,080	3,300	3,664
B. Demand Response	442	475	503	510	496	467	468	469	514	657
C. Vanpool	646	643	709	795	828	862	1,201	1,293	1,261	1,177
Total	3,121	3,302	3,632	3,957	4,148	4,118	4,678	4,842	5,075	5,498
PASSENGER MILES										
A. Fixed Route	8,801	9,195	9,976	10,931	11,648	20,981	22,746	23,258	23,892	22,385
B. Demand Response	3,310	3,628	4,086	3,752	3,782	2,820	2,785	2,367	2,551	3,153
C. Vanpool	21,326	21,608	22,376	25,387	27,036	27,595	38,780	50,633	49,380	46,078
Total	33,437	34,431	36,438	40,070	42,466	51,396	64,311	76,258	75,823	71,616
TOTAL ACTUAL MILES										
A. Fixed Route	2,682	2,406	2,345	2,331	2,307	2,308	2,310	2,444	2,610	2,734
B. Demand Response	2,777	3,056	3,126	3,142	3,055	2,832	2,832	2,759	2,798	3,456
C. Vanpool	3,471	3,421	3,516	3,804	4,079	4,047	4,663	5,032	4,963	4,549
Total	8,930	8,883	8,987	9,277	9,441	9,187	9,805	10,235	10,371	10,739
TOTAL ACTUAL HOURS										
A. Fixed Route	169	147	140	140	139	140	141	142	140	155
B. Demand Response	164	180	185	174	170	163	176	168	162	220
C. Vanpool	72	71	78	84	84	88	114	117	110	108
Total	405	398	403	398	393	391	431	427	412	483

Notes:

1) 2018 data source - BFT

2) Data for unlinked passenger trips and passenger miles reflect the National Transit Database (NTD) data for 2017 and years prior and are computed on a statistically sampled basis and subject to statistical variations from year to year.

2) Data for total actual miles and hours match the NTD reported data for 2016 and years prior.

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

SELECTED OPERATING INFORMATION (continued)
2018 – 2009
(in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
VEHICLE REVENUE MILES										
A. Fixed Route	2,558	2,245	2,161	2,149	2,120	2,118	2,089	2,246	2,453	2,535
B. Demand Response	2,492	2,665	2,766	2,789	2,712	2,456	2,480	2,503	2,538	3,063
C. Vanpool	3,471	3,421	3,516	3,804	4,034	4,047	4,663	5,032	4,963	4,549
Total	8,521	8,331	8,443	8,742	8,866	8,621	9,232	9,781	9,954	10,147
VEHICLE REVENUE HOURS										
A. Fixed Route	164	140	133	132	131	131	133	133	133	147
B. Demand Response	151	150	156	150	148	138	151	158	148	169
C. Vanpool	72	71	78	84	84	88	114	117	110	108
Total	387	361	367	366	363	357	398	408	391	424
TOTAL OPERATING EXPENSES										
A. Fixed Route	\$ 17,892	\$ 15,423	\$ 13,583	\$ 13,202	\$ 14,017	\$ 13,751	\$ 12,373	\$ 11,731	\$ 12,371	\$ 12,764
DEMAND RESPONSE										
B. Demand Response	16,220	16,629	15,352	15,127	14,989	13,724	12,998	12,275	12,610	13,642
C. Vanpool	2,466	2,574	2,389	2,442	2,970	2,885	3,152	3,172	2,959	2,664
Total	\$ 36,578	\$ 34,626	\$ 31,324	\$ 30,771	\$ 31,976	\$ 30,360	\$ 28,523	\$ 27,178	\$ 27,940	\$ 29,070
FARE REVENUE										
A. Fixed Route	\$ 1,325	\$ 1,484	\$ 1,317	\$ 1,285	\$ 1,462	\$ 1,278	\$ 1,376	\$ 1,372	\$ 1,304	\$ 1,202
B. Demand Response	411	480	490	486	476	392	413	380	378	399
C. Vanpool	1,885	1,878	2,122	2,210	2,282	2,156	2,318	2,493	2,254	2,368
Total	\$ 3,621	\$ 3,842	\$ 3,929	\$ 3,981	\$ 4,220	\$ 3,826	\$ 4,107	\$ 4,245	\$ 3,936	\$ 3,969

Notes:

1) 2018 data source - BFT

2) Data for revenue miles and hours match the NTD reported data for 2017 and years prior.

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

SELECTED OPERATING INFORMATION (continued)
2018 – 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
COST PER PASSENGER MILE										
A. Fixed Route	\$ 2.03	\$ 1.68	\$ 1.36	\$ 1.21	\$ 1.20	\$ 0.66	\$ 0.56	\$ 0.50	\$ 0.52	\$ 0.57
B. Demand Response										
Directly Operated	5.87	6.12	4.79	4.61	4.66	6.01	5.66	6.90	6.53	5.71
Purchased Transportation	2.39	2.22	2.03	1.75	1.48	2.27	2.20	2.05	1.68	2.34
Taxi / Purchased Transportation	2.99	2.41	2.23	3.71	2.89	3.00	3.01	2.72	2.91	N/A
Total Demand Response	11.24	10.75	9.05	10.07	9.03	11.28	10.87	11.67	11.12	8.05
C. Vanpool	0.12	0.12	0.11	0.10	0.11	0.10	0.08	0.06	0.06	0.06
COST PER TOTAL ACTUAL MILE										
A. Fixed Route	\$ 6.67	\$ 6.41	\$ 5.79	\$ 5.66	\$ 6.08	\$ 5.96	\$ 5.51	\$ 4.80	\$ 4.74	\$ 4.67
B. Demand Response										
Directly Operated	6.26	6.21	5.53	5.41	5.53	5.47	5.03	4.74	4.88	4.59
Purchased Transportation	4.96	4.76	4.58	3.80	3.27	3.41	3.52	3.38	2.42	2.65
Taxi / Purchased Transportation	3.70	3.20	3.14	3.35	2.91	3.19	3.27	3.54	4.03	N/A
Total Demand Response	14.91	14.17	13.25	12.56	11.71	12.07	11.82	11.66	11.33	7.24
C. Vanpool	0.71	0.75	0.68	0.64	0.73	0.71	0.68	0.63	0.60	0.59
COST PER UNLINKED PASSENGER TRIP										
A. Fixed Route	\$ 8.80	\$ 7.06	\$ 5.61	\$ 4.98	\$ 4.96	\$ 4.93	\$ 4.23	\$ 3.81	\$ 3.75	\$ 3.48
B. Demand Response										
Directly Operated	43.18	45.05	38.64	37.18	37.21	36.02	32.43	30.07	28.04	24.51
Purchased Transportation	19.05	18.45	17.31	13.94	12.92	13.34	12.97	12.07	9.93	13.58
Taxi / Purchased Transportation	22.54	19.10	17.93	19.24	17.23	19.07	20.83	20.97	21.00	N/A
Total Demand Response	84.77	82.60	73.88	70.36	67.36	68.43	66.23	63.11	58.97	38.09
C. Vanpool	3.82	4.00	3.37	3.07	3.59	3.35	2.62	2.45	2.35	2.26
COST PER TOTAL ACTUAL HOUR										
A. Fixed Route	\$ 105.87	\$ 104.92	\$ 97.02	\$ 94.30	\$ 100.84	\$ 98.49	\$ 90.33	\$ 82.57	\$ 88.37	\$ 82.58
B. Demand Response										
Directly Operated	100.33	94.29	86.23	92.07	93.71	91.32	76.62	76.23	81.29	67.02
Purchased Transportation	85.18	80.29	77.88	65.07	56.65	55.39	53.58	50.48	38.54	49.31
Taxi / Purchased Transportation	102.45	89.70	71.16	76.32	64.55	69.83	71.53	68.68	90.49	N/A
Total Demand Response	287.96	264.28	235.27	233.46	214.91	216.54	201.73	195.39	210.32	116.33
C. Vanpool	34.25	36.25	30.63	29.07	35.36	32.71	27.66	27.21	26.93	24.68
FARE REVENUE PER PASSENGER										
All modes combined	\$ 1.16	\$ 1.16	\$ 1.08	\$ 1.01	\$ 1.02	\$ 0.93	\$ 0.88	\$ 0.88	\$ 0.78	\$ 0.72

Notes:

- 1) 2018 data source - BFT
- 2) Data for unlinked passenger trips and passenger miles reflect the National Transit Database (NTD) data for 2017 and years prior and are computed on a statistically sampled basis and subject to statistical variations from year to year.
- 2) Data for total actual and revenue miles and hours match the NTD reported data for 2017 and years prior.
- 3) Fare revenue includes passenger revenue, the sale of maps, and revenue from contracts to provide additional service, advertising revenue and miscellaneous revenue.

Ben Franklin Transit
Statistical Section
For the Year Ended December 31, 2018

SELECTED OPERATING INFORMATION (continued)
2018 – 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FULL-TIME EQUIVALENT EMPLOYEES										
A. Fixed Route	176.3	161.4	115.1	116.1	119.2	120.1	128.7	119.9	128.7	133.5
B. Demand Response	139.5	129.2	101.0	102.0	107.0	105.9	119.4	106.7	121.3	114.0
C. Vanpool	10.3	10.4	9.9	7.9	8.8	10.0	12.0	9.8	7.7	9.4
Total	326.0	301.0	226.0	226.0	235.0	236.0	260.1	236.4	257.7	256.9
CAPITAL ASSETS - FLEET VEHICLES										
A. Fixed Route	72	60	63	62	68	69	63	94	75	75
B. Demand Response	123	118	118	123	147	97	108	88	96	96
C. Vanpool	335	347	334	346	386	337	364	353	360	383

Notes:

1) 2018 data source – BFT

2) 2017 and years prior data source - NTD

3) Full-Time Equivalent Employees excludes Purchased Transportation.

Ben Franklin Transit's Mission

The mission of Ben Franklin Transit is to provide exceptional and cost effective transportation services that consistently exceed customer expectations while promoting the principles and practices of livable communities and sustainable development.



Ben Franklin Transit Core Values

CUSTOMER SATISFACTION

The result of an ability to constantly and consistently exceed the expectations of external and internal customers

COLLABORATION

The process of bringing together knowledge, experience, ideas, and skills to achieve a common goal

DIVERSITY

The appreciation and respect for different characteristics of individuals and groups that make them unique and able to offer different perspectives, skills, and talents

FISCAL ACCOUNTABILITY

The commitment and practice of being exemplary stewards of public resources

INNOVATION

The use of progressive and creative approaches to problem solving and goal accomplishment

SUSTAINABILITY

The ability to successfully serve the future needs of the people who live, work and play within the community with available resources

SAFETY

The state of being free from the occurrence or risk of injury, danger, or loss; a condition of having removed or reduced the potential for harm, injury, danger, or loss