



Agenda

PSERN Operator Board of Directors

Monthly Meeting (June 2022)

Location: Executive Conference Room, King County Chinook Building, 401 5th Avenue, Seattle, WA

Virtual meeting: Microsoft Teams (details below)

Date: Thursday, June 23, 2022

Time: 4:00 p.m. – 5:00 p.m.

Microsoft Teams Meeting: Members of the public are invited to participate in the meeting in person at the location above or virtually by telephone or video by using the following phone number and meeting ID: 1-425-653-6586 Meeting ID: 607 105 419#

Directors: Lora Ueland (Chair), Harold Scoggins, Kurt Triplett, Dwight Dively, Chris Elwell, Dan Yourkoski

Alternates: Kristin Meitzler, Mark Schmidt, Matt Morris, Brad Miyake, Shawn Hayes (King County does not have an alternate at present.)

Agenda Details:

1. Call to Order – Lora Ueland 4:00 p.m.
2. Roll Call – Erin Clarke 4:01 – 4:03 p.m.
3. Approve the Minutes – Lora Ueland 4:04 – 4:05 p.m.

(Decision: Motion to approve the minutes from the 05-26-22 Monthly Meeting of the PSERN Board of Directors)

4. Public Comment – Lora Ueland 4:06 – 4:10 p.m.

Board Chairperson to open floor for public comment. Members of the public are invited to address the Board of Directors for a period of time not to exceed three minutes.

5. Action Register Review – Lora Ueland 4:10 – 4:13 p.m.
6. Executive Director Report – Mike Webb 4:13 – 4:18 p.m.

(Discussion)

7. Startup Spending Update – Tracy Plouse 4:18 – 4:20 p.m.

(Discussion)

8. PSERN Project Director Responsibilities – Mike Webb 4:20 – 4:35 p.m.
(Discussion)
9. Financial Startup Update – Tracy Plouse 4:35 – 4:45 p.m.
(Decision)
10. 2023 Operating Budget and Rate Setting Update – Tracy Plouse 4:45 – 4:55 p.m.
(Discussion)
11. PSERN Board of Directors Officer Report – Board Officers 4:55 – 4:57 p.m.
(Discussion)
12. Review New Action Items – Lora Ueland 4:57 – 5:00 p.m.

Next Meeting: July 28, 2022



Meeting of the PSERN Board of Directors – Meeting Minutes

(Monthly Meeting)

Location: Microsoft Teams Meeting

Date: Thursday, May 26, 2022

Time: 4:00 p.m. – 4:53 p.m.

Teams Call: Members of the public are invited to participate in the virtual meeting by telephone or video by using the following phone number and meeting ID: 1-425-653-6586 Meeting ID: 607 105 419#

Attendees:

- **Directors:** Lora Ueland (Chair), Harold Scoggins, Kurt Triplett (present for items 7 & 8 only), Dwight Dively, Chris Elwell
- **Alternates:** Kristin Meitzler, Mark Schmidt, (King County does not have an alternate at present.)
- **Other Attendees:** Spencer Bahner, Tom Bloomingdale, Sean Douglas, Adrian Englet, Julia Holden, Hank Krajewski, Dino Lamanna, Christopher Lombard, David Mendel, Mike Nurse, Tracy Plouse, Troy Rector, Michael Webb, Ellen Whitely, Ned Worcester

Agenda Details:

The agenda has been changed from the original order.

1. Call to Order – Lora Ueland 4:00 p.m.
2. Public Comment – Lora Ueland 4:01 – 4:02 p.m.
 - There were no public comments.
3. Executive Director Report – Mike Webb 4:02 – 4:11 p.m.
 - Mike Webb presented a report summarizing the activities of the PSERN Operator since the last Board of Directors meeting in March.
 - Tracy Plouse started as Finance Manager on May 16th.
 - An early draft of the Transfer Agreement has been received from King County. Legal counsel is engaged and will review.
 - Technical Operations Manager interviews are underway.
 - The previously presented staffing plan is dependent on King County approving eight full-time employees in 2022.
 - Workspace and vehicle acquisition underway. Lead time for vehicles is approximately one year.
 - Upcoming Board topics:
 - June**
 - Update and/or approval on facility acquisition.
 - Update on the 2023 budget and service fee process.
 - Approval of Phase 2 financial advisory project.

July

- Planning a budget workshop in mid-July. Will be half a day during week of July 11th.
- Full update of Board Workplan.
- Approval of significant procurements for IT systems and vehicles.

August

- Update on 2023 budget and service fee process, including revised draft budget & rates.
- Timing of budget workshop week of July to be determined by polling Directors, Alternates and other attendees.

4. Startup Spending Update – Tracy Plouse 4:11 – 4:14 p.m.
 - Spending is tracking under the 2022 baseline
 - Consulting projects and IT systems will start in the second and third quarters.
 - This spending excludes any additional operational startup expenses.
 - Still forecasted to end 2022 with spending as defined in baseline admin startup budget.
 - Future change to reporting format to incorporate technical/operational startup funds.
5. Phase 1 Financial Advisory Report (Clark Nuber) – Mike Nurse 4:14 – 4:25 p.m.
 - Report provides guidance related to certain financial considerations that will need to be addressed as the PSERN Operator comes online in late 2022.
 - Financial Management System and Related Issues
 - Important decision to be made– Accrual, Cash, or Modified Cash basis of accounting.
(The presentation was paused as the Board addressed previous agenda items.)
6. Roll Call – Julia Holden 4:25 – 4:26 p.m.
 - Kurt Triplett joined at 4:25. Quorum noted.
7. Approve the Minutes – Lora Ueland 4:26 – 4:28 p.m.
(Decision: Motion to approve the minutes from the 04-28-22 Monthly Meeting of the PSERN Board of Directors)
 - **MOTION:** A motion was made to approve the minutes of the meeting held on April 28, 2022, by Dwight Dively. Harold Scoggins seconded it. Members unanimously approved the motion.
8. Operational Startup Funding Approval – Mike Webb 4:28 – 4:32 p.m.
 - The plans for technical and operational staff and associated funding requirements were reviewed at previous Board meetings.
 - The PSERN Joint Board approved the request for an additional \$1.2 M in startup funding.
 - **MOTION:** Chief Scoggins made a motion that the PSERN Operator Board approve staffing and spending plans and authorize hiring and other expenditures, as defined in the March and April 2022 reports, up to \$1.2 M in addition to previously approved startup funding. Dwight Dively seconded the motion. Members unanimously approved the motion.
 - Kurt Triplett departed at 4:32.
9. Phase 1 Financial Advisory Report (Clark Nuber) –Mike Nurse 4:32 – 4:42 p.m.
(This agenda item was continued after the Board addressed previous agenda items)

- Financial Management System and Related Issues (*continued*)
 - Cost allocation methodology should be reviewed to ensure consistent usage reporting among members.
 - Consensus is needed between the Board of Directors and management on the need for the establishment of a reserve for capital replacement, estimation and reporting on asset retirement obligations, cost allocation methodology, need to account for pension liability and post-retirement benefits, capital transfer methodology, and lease accounting.
 - Accounting software should be selected that meets the governmental reporting and security requirements.
- Staffing
 - Outsourcing all or part of the financial management work should be considered as long as the result is complete independence from any other organizations.
- Policies and Procedures, Governance
 - Accounting policies and procedures could be drawn from other organizations existing policies and modified to meet PSERN's needs.
 - A risk assessment process should be considered.
 - The control environment is the foundation of internal control responsibilities. Separation of duties is key to internal controls.
 - Recurring month-end and year-end procedures that are reviewed by management and the Board of Directors.
 - The Board of Directors' governance responsibilities requires independence from management, oversight of policy and procedure development, and practice of fiduciary responsibility.
 - Technology security policies and procedures are critical and should be assessed.
 - Suggestions that may need to be addressed in the next version of the procurement policy.
 - Future phases will cover PSERN budget and cost allocation, asset transfer process, guidance for forecasting operating costs, policies and procedures development, internal controls, and possibly audit assistance.

10. PSERN Board of Directors Officer Report – Board Officers 4:42 – 4:43 p.m.

- No officer reports.

11. Review Action Items – Lora Ueland 4:43 – 4:45 p.m.

- Budget workshop to be scheduled for week of July 11th. Erin Clarke to send out poll soliciting availability of Directors, Alternates and other attendees.
- A procurement policy review will be added as an action item.
- An action item and decision log will be developed.

Next Meeting: June 23, 2022

PSERN Board of Directors Staff Report

Agenda Item #6



Title: Executive Director Report – June 2022
Meeting Date: June 23, 2022
PSERN Staff Contact: Michael Webb, Executive Director
Action: Discussion

SUMMARY:

This report provides a summary of the activities of the PSERN Operator since the last report to the Board at the May 2022 meeting.

ANALYSIS:

PSERN Project to Operator Transition

- Monthly operational planning meetings involving the King County and Seattle radio shops and the PSERN Project and Operator are continuing.
- There have been no further developments regarding Project to Operator transition this month.

Staffing/Hiring

- Second round interviews for the Technical Operations Manager position were held during the week of May 30th:
 - 2 candidates were interviewed.
 - An offer was presented to the preferred candidate and was subsequently declined.
 - The next steps in this recruitment are currently being discussed with KCIT HR.
- With additional funding now approved, work on developing job specifications for technical and operational roles is beginning.

Financial Startup

- A separate report is provided that discusses several matters related to PSERN Operator financial startup, including:
 - Recommendation on accounting methodology.
 - Overview of alternatives for cash management and investment services.
 - Financial policy and procedure development.
 - Acquisition of financial management software
- An RFP letter for financial management software has been issued to several firms, with proposals requested by June 15th
 - A decision on recommended solution/vendor is expected by the July meeting.

2023 Operating Budget and Service Fee Development

- A separate report is provided that provides an update on work underway.
- Based on discussion at the April board meeting, a budget workshop is being organized for the week of July 11th:
 - This will be scheduled in the afternoon of either Monday, July 11th or Friday, July 15th.

Records Management

- Pacifica Law Group have provided a draft records management policy/procedure for the Operator.
 - Comments have been provided and a meeting is being scheduled to review/discuss.
 - Once the document has been updated, it will be routed to the Board for discussion and/or approval, as required.

BoD Workplan Updates

- The latest full workplan update was provided to the Board at the January 2022 meeting.
- A full update of the workplan will be prepared for the regular July board meeting.
- No workplan items have been completed since the last update in May.
- Work is currently underway on the following items:
 - (17) Determine place of employment (office/location).
 - See below.
 - (9) Determine what services will be contracted out and what will be done in-house.
 - Develop coordinated (Project/Operator) stakeholder communications plan.
 - Adopt and implement internal financial controls, policies, procedures and processes.
 - (25) Procure business suite software (financial management system).
 - Open PSERN Operator deposit account(s).

Workspace/Facility

- A representation agreement with NAI Puget Sound Properties for real estate brokerage services has been received and is being reviewed:
 - The intention is that once the agreement is executed, this firm will represent and assist the PSERN Operator with its acquisition of a leased operational facility.
- The timelines for identifying a facility and executing the lease will extend into July/August, although occupancy is still targeted for the October-November timeframe.

Upcoming Board Meeting Topics

- Topics expected to be brought forward over the next 3 board meetings include the following:
 - July 2022:
 - Decision on Project Director responsibilities.
 - Approval of any decisions coming from the Budget Workshop.

- Update and/or approval on facility acquisition/lease.
- Full update of Board Workplan.
- Update and/or approval of significant procurements, as required.
- August 2022:
 - Update on 2023 budget and service fee development.
 - Update and/or approval of significant procurements, as required.
- September 2022:
 - Update on 2023 budget and service fee development.
- These topics are in addition to the regular standing items, including the Action Item Log, Executive Director's report and Startup Spending Update.
- A special meeting (budget workshop) is being scheduled for the week of July 11th.

CONCLUSION:

This report has provided a summary of the work undertaken by the PSERN Operator since the previous report in May.

SUPPORTING DOCUMENTATION:

None

PSERN Operator Board of Directors

Staff Report - Agenda Item #7



Title: Startup Spending Update – June 2022
Meeting Date: June 23, 2022
Staff Contact: Tracy Plouse, Finance Manager
Action: Discussion

SUMMARY:

This report provides an update on PSERN Operator start-up expenditures to the end of May 2022, and a forecast of expenditures to Full System Acceptance at the end of March 2023.

BACKGROUND:

As discussed in the January 2022 report to the Board (Start-up Staffing and Spending Plan), in the absence of a financial management system and supporting policy and processes for PSERN, the Executive Director will provide monthly status reports/updates at each Board meeting that describe:

- Year-To-Date spending against the baseline spending plan (for administrative start-up).
- Revisions to expenditure forecasts, including cost estimates and timing.

Currently, all PSERN Operator expenditures are being recorded against specific expense codes within the broader PSERN Project accounts/funds in the King County financial system (Oracle). One project code exists for each of the two budgets, administrative and operational. Reports can be run on demand to show expenditures/transactions coded against the Operator.

At the point the PSERN Operator has its own financial management system later in the fall of 2022, standardized or pro forma financial reports will be provided on a regular basis to be determined by the Board.

ANALYSIS:

Appendix A provides a summary of the Year-to-Date spending of the PSERN Operator as of the end of May 2022. Spending to date is currently on-track and/or below the estimates provided in the baseline spending plan.

The following notes apply:

- The 2023 forecast is for 3 months, as it is based on FSA occurring at the end of March 2023. However, it should be noted that this date is expected to delay significantly. As a result, the startup spending plan will need to be re-profiled in the coming months.
- Staffing spending is shown as tracking under forecast as the Finance Manager started May 16th (budget is based on April 1st). It is not expected that a Technical Operations Manager will start by July 1st, as currently budgeted.
- The majority of expenditures to date are staffing and benefits, with small expenditures for legal services, King County IT services, financial consulting services and miscellaneous administrative expenses (e.g. business license fees)

CONCLUSION:

This report provides an update on administrative and operational start-up expenditures to the end of May 2022 and a revised forecast of expenditures to Full System Acceptance at the end of March 2023. Spending to date is on-track or below the estimates provided in the baseline spending plan, however it is recognized that the spending plan will need to be re-profiled to consider the expected slippage in the FSA date.

SUPPORTING DOCUMENTATION:

Appendix A: PSERN Operator Spending (Year-to-Date and Forecast) – May 2022

A summary of expenditures to end of May 2022 and forecasted expenditures during PSERN's startup phase in 2021, 2022 and 2023 (prior to FSA), are provided in the table below.

This covers the administrative staffing and initiatives discussed in the January 2022 report as reflected in the approved baseline expenditure plan indicated in the table. A new table representing the \$1,210,295 operations startup spending plan has been added to Appendix A. As of May 2022 no funds have been expended. The table will be updated every month once transactions post to that account.

Admin Startup Funding

Item	May-22 (actual)	2022 (YTD)	2022 (forecast)	2022 (baseline)	2022 (variance)	2023 (baseline)	Total Startup (forecast)	TOTAL Startup (baseline)
Salary & Benefits	\$ 38,560	\$ 167,757	\$ 661,000	\$ 667,800	\$ (6,800)	\$ 342,000	\$ 1,049,308	\$ 1,049,500
Insurance		\$ -	\$ 5,000	\$ 5,000	\$ -	\$ 1,500	\$ 9,988	\$ 10,000
King County Services		\$ -			\$ -			
<i>HR, IT Support, Office Lease</i>	\$ 1,007	\$ 8,105	\$ 54,200	\$ 54,200	\$ -	\$ 29,900	\$ 91,606	\$ 91,500
Consulting Services		\$ -			\$ -			
<i>Legal Services</i>	\$ 1,034	\$ 8,458	\$ 86,400	\$ 86,400	\$ -	\$ 28,800	\$ 121,966	\$ 122,000
<i>Financial Advisory</i>		\$ 9,148	\$ 60,000	\$ 60,000	\$ -	\$ 30,000	\$ 90,000	\$ 90,000
<i>Security/ Other Consulting</i>		\$ -	\$ 50,000	\$ 50,000	\$ -	\$ 30,000	\$ 80,000	\$ 80,000
Office/Administrative Expenses		\$ 1,668	\$ 12,900	\$ 12,900	\$ -	\$ 8,100	\$ 21,000	\$ 21,000
Transportation Expenses		\$ -	\$ 6,500	\$ 6,500	\$ -	\$ 3,300	\$ 9,800	\$ 9,800
PSEARN-Specific IT Systems		\$ -			\$ -			
<i>Financial/Accounting</i>		\$ -	\$ 37,700	\$ 37,700	\$ -	\$ 16,500	\$ 54,200	\$ 54,200
<i>Asset Management</i>		\$ -	\$ 54,300	\$ 54,300	\$ -	\$ 16,000	\$ 70,300	\$ 70,300
<i>Service Management</i>		\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 9,000	\$ 15,000	\$ 15,000
IT Equipment (all staff)		\$ -			\$ -	\$ 79,400	\$ 79,400	\$ 79,400
Vehicle Fit-Out		\$ -			\$ -	\$ 142,000	\$ 142,000	\$ 142,000
Technician Tools/Equipment		\$ -			\$ -	\$ 12,800	\$ 12,800	\$ 12,800
TOTAL	\$ 40,601	\$ 195,135	\$ 1,034,000	\$ 1,040,800	\$ (6,800)	\$ 749,300	\$ 1,847,367	\$ 1,847,500
TOTAL Startup by Year				\$ 1,040,800		\$ 749,300	\$ 1,847,367	\$ 1,847,500

Tech Startup Funding

Item	May-22 (actual)	2022 (YTD)	2022 (forecast)	2022 (baseline)	2022 (variance)	2023 (baseline)	Total Startup (forecast)	TOTAL Startup (baseline)
Salary & Benefits		\$ -	\$ 267,285	\$ 267,285	\$ -	\$ 548,609	\$ 815,895	\$ 815,895
Automobile		\$ -	\$ 600	\$ 600	\$ -	\$ 1,800	\$ 2,400	\$ 2,400
King County Services		\$ -					\$ -	\$ -
<i>Services/non-labor costs</i>		\$ -	\$ 13,075	\$ 13,075	\$ -	\$ 28,001	\$ 41,075	\$ 41,075
Other Office Costs		\$ -					\$ -	\$ -
<i>Tenant Improvements</i>		\$ -	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 200,000
<i>Office Lease & Utilities</i>		\$ -	\$ 39,000	\$ 39,000	\$ -	\$ 39,000	\$ 78,000	\$ 78,000
<i>Vehicle Lease & Operating</i>		\$ -	\$ 3,275	\$ 3,275	\$ -	\$ 9,825	\$ 13,100	\$ 13,100
<i>Vehicle Acquisition & Fuel</i>		\$ -	\$ 5,288	\$ 5,288	\$ -	\$ 36,863	\$ 42,150	\$ 42,150
<i>Travel, Training, Misc Supplies</i>		\$ -	\$ 4,000	\$ 4,000	\$ -	\$ 10,000	\$ 14,000	\$ 14,000
<i>Cell Phones</i>			\$ 1,200	\$ 1,200	\$ -	\$ 2,475	\$ 3,675	\$ 3,675
TOTAL		\$ -	\$ 533,722	\$ 533,722	\$ -	\$ 676,572	\$ 1,210,295	\$ 1,210,295
TOTAL Startup by Year				\$ 533,722		\$ 676,572	\$ 1,210,295	\$ 1,210,295

PSERN Operator Board of Directors

Staff Report - Agenda Item #8



Title: PSERN Project Director Responsibilities
Meeting Date: June 23, 2022
Staff Contact: Michael Webb, Executive Director
Action: Discussion

SUMMARY:

This report discusses the proposed reassignment of PSERN Project Director responsibilities to the PSERN Operator Executive Director. This topic is also the subject of a separate report to the Project Joint Board at the June meeting. The PSERN Operator Board is being requested to discuss and consider this proposed reassignment of responsibilities.

BACKGROUND:

As discussed in the staff report presented to the PSERN Joint Board at the June 2022 meeting, recent organizational changes in King County IT have affected the leadership of the PSERN Project. Project staff are currently performing many of the Project Director's responsibilities on an interim basis, however a long-term solution is needed.

Several options to address this challenge have been considered and evaluated, and Project staff are requesting the Joint Board to consider assigning those responsibilities to the PSERN Operator Executive Director.

As per the PSERN Operator ILA section 4.4 (g), The PSERN Operator Board of Directors has the power to "Direct the activities of the Executive Director". Furthermore, the Executive Director duties are specified in section 6.1 of the Operator ILA and provided for reference in Appendix A.

ISSUES:

Assuming the Joint Board approves the recommendation of Project staff discussed above, the Operator Board needs to consider and address the following issue:

Issue #1: Does the PSERN Operator Board support assigning the PSERN Project Director responsibilities to the PSERN Operator Executive Director?

ANALYSIS:

There are clear and significant benefits to the Project, as described in the report to the Joint Board.

From the perspective of the PSERN Operator, there are both benefits and risks associated with the proposed reassignment of responsibilities.

Benefits:

- Closer alignment and coordination between the activities of the Project and the Operator organizations between now and the wind-down of the Project, leading to a smoother transition of operational responsibilities as radio user agencies transition.
- Improved ability to optimize spending and resource deployment plans for both organizations and avoid overlap of responsibilities during the Operator startup phase.

Risks:

- Significant increase in the workload of the Executive Director, which will have the effect of delaying progress on PSERN Operator startup activities, including hiring of staff, establishment of operational and administrative policies and procedures, and acquisition of support systems, equipment and facilities.
- Potential for conflict between the two sets of responsibilities.

In considering or assessing these benefits and risks, it is important to consider the current status of the Project and the planned transition of PSERN operational responsibilities from the Project to the Operator. As defined in both ILAs, the timing of the transition is currently set at the "Full System Acceptance" (FSA) milestone defined in the Motorola contract. Currently, FSA is forecast for April 2023, but is expected to delay further.

As discussed in the April 2022 report to the Board (Operational Startup Funding Requirements), the PSERN Operator will be exposed to financial risk if FSA is delayed significantly past the end of March 2023. To mitigate this risk, the Board has been requested to consider fixing the date at which PSERN service fees commence, which would be the same date at which the PSERN Operator becomes operationally responsible for the network. However, it is not clear at the present time what this date should be due to uncertainty in the Project schedule.

Because of this uncertainty and the associated financial implications, it is highly likely that PSERN Operator startup activities will need to delay relative to the timeline in the April 2022 report. This will reduce the impact of the first risk discussed above, although it is impossible to quantify the impact until a revised timeline is established.

A further mitigation of this risk will occur once the PSERN Technical Operations Manager is hired, enabling many of the operational startup activities to be assigned to that person.

There are two potential areas of conflict that may arise:

- Any transaction involving the PSERN Operator and the County, such as the PSERN Transfer Agreement
- Discussions involving transfer of Project funds to the Operator

These will require the Executive Director to be recused from participation in the County's consideration of such matters, along with assigning someone else to represent the County's interests.

RECOMMENDATIONS:

Overall, I support the proposed reassignment of Project Director responsibilities as discussed above and in the Joint Board report. I agree with the discussion in the staff report presented to the Joint Board regarding the feasibility and appropriateness of trying to recruit a new, dedicated Project Director given the experience to date.

Moreover, I feel that recruiting and hiring efforts should be focused on recruiting for positions and skillsets that will be required by the Operator organization over the long term, given the impending ramp-up in operational responsibilities of both the Project and Operator organizations as radio users transition to the new network.

As indicated above, significant work is needed to establish a revised project schedule and FSA date. This will gate two additional activities/decisions affecting the PSERN Operator:

- A decision (by both Boards) on when to transfer operational responsibility and commence collection of PSERN service fees.

- Revising the PSERN Operator technical/operational startup plan and timing, in consideration of the Project schedules.

At this point, the Operator Board is being requested to discuss and consider this proposed reassignment of responsibilities. Depending on the Joint Board discussion and the Operator Board's feedback at the June meetings, this issue is expected to come back for decision at the July meetings.

CONCLUSION:

This report has discussed the proposed reassignment of PSERN Project Director responsibilities to the PSERN Operator Executive Director. As PSERN Operator Executive Director, I support the proposal but recognize there are certain risks that need to be considered, along with significant work to be undertaken to develop a coordinated, revised plan and timeline for the Project and Operator startup.

SUPPORTING DOCUMENTATION:

Appendix A: Executive Director Duties

Ref: Operator ILA, section 6.1

The Executive Director shall:

- a. Manage the PSERN Operator's day-to-day activities consistent with applicable policies, procedures, and standards;
- b. Retain appropriate PSERN Operator staff either through the direct hire of such staff or through an agreement with an agency to provide such staff;
- c. Hire, evaluate, supervise, discipline, and terminate staff in compliance with applicable budget, policies, procedures, agreements and standards;
- d. Propose and administer Annual Budgets including a contingency;
- e. Consistent with applicable budget and procurement policies adopted by the Board, approve expenditures and sign contracts in amounts as established by the Board of Directors without additional approval of the Board of Directors;
- f. Track the performance of PSERN systems and Services;
- g. Provide support to the Board of Directors;
- h. Recommend policies, procedures, and standards, and changes thereto, including without limitation policies governing the procurement of goods, services, public works and improvements, staffing and emergency responses;
- i. Provide written monthly reports to the Board of Directors describing the PSERN Operator's budget status, PSERN System performance against targets, partial or full PSERN System outages, purchases equal to or greater than \$10,000, and usage statistics;
- j. Maintain and manage records in accordance with applicable state and federal laws and regulations;
- k. Prepare an annual report for the PSERN Operator as required by RCW 23.95.255; and
- l. Perform other duties as assigned by the Board of Directors.

PSERN Board of Directors Staff Report

Agenda Item #9



Title: Financial Startup Update – June 2022
Meeting Date: June 23, 2022
PSERN Staff Contact: Tracy Plouse, Finance Manager
Action: Discussion/Decision

SUMMARY:

This report provides a summary of recent work undertaken and the decisions that need to be made regarding financial systems startup, including adoption of an accounting methodology, the selection of a financial software system and cash management services.

BACKGROUND

PSERN needs to establish its financial management processes, policies and systems in order to be able to commence operations. The staff report “Staffing and Spending Plan” (January 2022) report identifies the need for the PSERN Operator to establish a financial management system and supporting policy and process as a matter of urgency.

The staff report “Acquisition of Financial Advisory Services” (January 2022) describes the Phase 1 – Financial Start-Up Advisory scope of work to be performed by Clark Nuber. That phase has been completed and the report was presented to the Board in May 2022. In that report the pros and cons of selecting an accounting basis (cash vs. accrual) were discussed. Cash management and investing was identified in the report as one of the top 12 most important areas around which to build and implement financial controls. A list of financial/accounting software programs was presented in the report as well as transaction, security, accounting period, journal entry and reporting considerations.

ISSUES:

To establish the PSERN Operator’s financial management capabilities, the Board should consider and address the following issues:

Issue 1: What accounting methodology should the PSERN Operator adopt?

Issue 2: How should the PSERN Operator manage its cash and investments?

Issue 3: What other work is needed to setup the Operator’s financial management capabilities?

ANALYSIS:

The following analysis and discussion addresses the issues identified in the previous section.

Issue 1: What accounting methodology should the PSERN Operator adopt?

It is the recommendation of PSERN Operator staff that PSERN adopt the accrual basis of accounting. This recommendation is made for the following reasons:

- The Washington State BARS Manual section 3.1.1.40 states the following:

Proprietary funds

Code 400 - Enterprise Funds - *may* be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are **required** for any activity whose principal revenue sources meet any of the following criteria:

- Debt backed solely by a pledge of the net revenues from fees and charges.
 - **Legal requirement to recover cost.** An enterprise fund is required to be used if the cost of providing services for an activity including capital costs (such as depreciation or debt service) must be legally recovered through fees or charges.
 - **Policy decision to recover cost.** It is necessary to use an enterprise fund if the government's policy is to establish activity fees or charges designed to recover the cost, including capital costs (such as depreciation or debt service).
- The Washington State Auditor's Office's *Audit Connection* blog dated April 20, 2018 expresses concerns that local governments are failing to use an enterprise fund and gives the direction of GASB 34 stated above ([When should I use enterprise funds? - Office of the Washington State Auditor](#)).
 - If we choose to follow GASB (Government Accounting Standards Board) and establish an enterprise fund (recommended), GASB requires that all accounting for this fund use GAAP full accrual accounting.
 - The accrual basis of accounting accounts for transactions when they occur. Revenues are recorded when earned and expenditures are recorded when incurred, regardless of when the related cash is received or disbursed. Expenditures are matched to associated revenues. This allows for a better picture of the organization's economic resources.

Issue 2: How should the PSERN Operator manage its cash and investments?

The Washington State Auditor's BARS manual states that any moneys which are not required for immediate expense should be invested by action of the governing body. State law limits the types of investments allowable for local governments. In addition, local governments are only allowed to have depository bank accounts with qualified public depositories. The management of cash and investing involves the analysis of short term and long-term cash requirements to meet obligations, determine the amount of cash to be invested and the best way to invest that cash. This requires staff to analyze cash and investments on a daily or weekly basis, moving funds between cash and investments.

Most local governments similar to the PSERN Operator use their county treasurer's or the state's investment pool to invest funds. For cash, which includes generating Accounts Payable (AP) checks, deposits, and payroll they either use a qualified public depository or the county treasurer. The King County Treasurer offers services that include investing, management of depository account, issuance of warrants and payments and use of a credit card program. Cash is invested on a daily basis by their office and is moved from investments to cash when required for payments or issuing of warrants. This eliminates the need for PSERN staff to manage investments.

Since all school districts in the State of Washington are required to use their county treasurer for cash management

and investing, the Finance Manager is well versed in this system. The Executive Director also had a discussion with staff from the King County Treasurer earlier this year regarding their services. The Finance Manager had a further discussion with Eben Sutton (Financial Services Administrator), Mike Smith (Chief Investment Officer) and support staff on May 20, 2022.

The PSERN Operator could also establish a traditional deposit account with a qualified public depository for deposits, issuance of checks and a credit card program. Cash requirements would then need to be analyzed and excess cash transferred to an investment account or vice versa. If the county treasurer investment pool is used this would entail moving funds from one institution to another. The benefit of using King County Treasurer for cash management is that they will provide this analysis, invest excess cash and transfer from investment accounts when required for AP or payroll. The benefit of using King County's credit card system includes lower fees and potentially higher credit limits. Since the PSERN Operator is a new entity it is possible that commercial banks would limit credit card issuance and limits.

Further analysis will be undertaken (including legal review) and a recommendation to proceed with entering into an agreement with King County Treasurer for cash management services will be provided to the board at the July 2022 meeting. The documents requiring signature will be prepared and presented at that time.

Issue 3: What other work is needed to setup the Operator's financial management capabilities?

Financial Accounting Software Selection

A Request for Proposals (RFP) was sent to vendors that were listed in Clark Nuber's Financial Advisory Phase 1 report. Some of the major areas that the RFP asked for responses to include accounts payable, purchasing, accounts receivable, journal entries, budgeting, payroll and security. The deadline for proposals was June 15, 2022 at 5:00 p.m. The proposals will be analyzed for completeness, the capability to handle the areas mentioned, price, compatibility with BARS and experience. The top 2-3 respondents will be asked for an online demonstration of their software. Once all of the analysis has been done, a vendor will be chosen and an agreement will be negotiated. A further update on progress will be provided to the Board at the July 2022 meeting.

Development of Financial Policies and Procedures

Financial Management policies will be developed and will be in one document. The initial list includes budget & financial plan, internal controls, segregation of duties, conflicts of interest, bank account reconciliations, procurement, revenue, expenditures and reserves, capital asset management, cash management & investment, accounting & financial reporting, credit card use, and employee expense reimbursements. These policies will be developed with input and assistance from Clark Nuber, Pacific Law Group, MRSC and similar organizations. The target completion date is October 31, 2022. The procurement, internal controls and credit card use policies will take priority as they pose the largest potential risk.

RECOMMENDATION:

As a result of the analysis presented, it is recommended that the Board approve the PSERN Operator adopting the accrual basis of accounting for all of the PSERN Operator's funds.

CONCLUSION.

This report has described three issues: the adoption of an accounting methodology, a discussion of cash management options, and an update of work to be done to set up financial management capabilities. It is recommended that the Board adopt the accrual-based accounting methodology primarily due to the fact that an enterprise fund will need to

be created and enterprise fund accounting requires accrual-based accounting. Cash management options were discussed and a recommendation will be made to enter into an agreement with King County Treasurer to provide these services at the July board meeting. An update on work to be done to set up financial management capabilities summarized policies that will be developed as well as the RFP that was sent to firms regarding financial software. The RFPs will be analyzed and a recommendation for financial software will be made to the Board at the July meeting.

SUPPORTING DOCUMENTATION:

None

PSERN Operator Board of Directors

Staff Report - Agenda Item #10



Title: 2023 Operating Budget and Rate Setting Update
Meeting Date: June 23, 2022
Staff Contact: Tracy Plouse, Finance Manager
Action: Discussion

SUMMARY:

This report discusses the additional work and analysis required to further investigate and validate operating costs and address the outstanding issues described in the April 2022 report related to cost allocation methodology, rate stabilization fund requirements and establishment of operating and capital reserves.

Clark Nuber has been engaged to perform Phase 2 Financial Advisory work and will facilitate the July 11, 2022 board workshop around these issues and make recommendations. A draft agenda for the workshop (Appendix A) and an updated timeline for budget development and approval (Appendix B) have been provided.

BACKGROUND/ANALYSIS:

The April 2022 report titled 2023 PSERN Operating Budget and Rate Setting discussed a number of issues and considerations related to establishing the 2023 PSERN Operator operating budget and service fee rates.

While preliminary, updated views of the operating budget and service fees were presented, further work, analysis and decision-making is required between now and August 2022. These are summarized as follows:

- Further estimation and validation of operating costs needs to be done
- The cost allocation methodology to be used needs to be confirmed, based on a re-estimation of the split of operating costs between radios and consoles
- Rate stabilization fund requirements and allocation method need to be determined
- A determination needs to be made of if and when additional operating and capital reserves should be established and how they should be funded

At the April meeting, the Board requested to spend a longer time in a future or separate meeting to discuss the budget and rates and to consider a monthly briefing to address such things as how many radios have we expanded, how does dispatch consolidation impact rates. The Executive Director suggested a budget workshop. It was agreed that a workshop of the board should be organized for mid July 2022

Clark Nuber is being engaged to facilitate the workshop and a preliminary agenda is provided as Appendix A. The board is requested to provide feedback on this proposed agenda.

An analysis of the issues, with recommendations, will be provided in a 3-hour board workshop facilitated by Clark Nuber during the week of July 11. The board will be asked to make decisions regarding operating costs, allocation methodology, rate stabilization funds, and operating and capital reserves. Those decisions will drive the 2023 budget development and rate setting processes. The target date for final board approval of 2023 budget is October 2022.

A detailed timeline for budget development is attached (Appendix B). It shows the target for final approval of

the 2023 PSERN Operator budget and service fee rates is October 2022.

CONCLUSION:

An analysis of the issues, with recommendations, will be provided in a 3-hour board workshop facilitated by Clark Nuber during the week fo July 11. The board will be asked to make decisions by August 2022 regarding operating costs, allocation methodology, rate stabilization funds, and operating and capital reserves. Those decisions will drive the 2023 budget development and rate setting processes. The target date for final board approval of 2023 budget is October 2022.

SUPPORTING DOCUMENTATION:

Appendix A: Draft Board Workshop Agenda (week of July 11, 2022)

This draft agenda is subject to Board feedback. We are also awaiting a proposal from Clark Nuber for their work to facilitate the workshop.



DRAFT Agenda
PSERN Operator Board of Directors Workshop
Budget and Rate Setting
July 11, 2022 Time TBD (3 hours)

Welcome	Mike Webb
Introductions	All
Expected Outcomes from Workshop	Mike Webb
Review of 2023 Budget Development Timeline	Tracy Plouse
Review of Budget and Rate Setting Issues from Phase I Financial Advisory Work	Mike Nurse
Analysis & Discussion of Operating Cost Determination Methodologies	Mike Nurse
Analysis & Discussion of Cost Allocation Options	Mike Nurse
Analysis & Discussion of Rate Setting And Impacts on Budget	Mike Nurse
Analysis & Discussion of Rate Stabilization Funding	Mike Nurse
Analysis & Discussion of Operating and Capital Reserves	Mike Nurse
Next Steps	Mike Webb

Appendix B: 2023 Budget Development Timeline

Task	Target Timing/Deadline
Board Workshop - See Appendix A Draft Agenda	July 11, 2022
Board discussion regarding operating costs, cost allocation methodology, rate setting, rate stabilization funding and operating and capital reserves	July 11, 2022 Board Meeting
Board action/decisions regarding operating costs, cost allocation methodology, rate setting, rate stabilization funding and operating and capital reserves	July 28, 2022 Board Meeting
Draft budget developed by PSERN Operator staff (Executive Director, Finance Manager, etc.)	August 25, 2022 Board Meeting
Revised draft budget presented to board for discussion if further revision from August 25, 2022 meeting is required	September 23, 2022 Board Meeting
Final budget presented to board for adoption	October 27, 2022 Board Meeting