



AGENDA

PSERN Operator Board of Directors Meeting

June 2023

Location: PSERN Conference Room 19717 62nd Ave S, E102, Kent, WA 98032

Virtual meeting: Microsoft Teams (details below)

Date: Thursday, June 22, 2023

Time: 3:45 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: 975 100 443#

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

Alternates: Undersheriff Jesse Anderson, Shawn Hayes, Kristin Meitzler, Brad Miyake, Mark Schmidt

Agenda Details:

1. Call to Order – Chief Scoggins 3:45 p.m.
2. Roll Call – Tracey Doss 3:45 p.m.
3. Public Comment – Chief Scoggins 3:45 – 3:46 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.

4. Consent Agenda – Chief Scoggins 3:46 – 3:50 p.m.

Note: Directors can request to have any item removed from the consent agenda.

- a. Approve May 25 Meeting Minutes
- b. Payment Approvals
- c. Resolution 23-06, PSERN Operator Participation in PERS
- d. Resolution 23-07, PSERN Operator Participation in Deferred Compensation Program

(Decision: Approve the Consent Agenda)

5. Action Register Review – Chief Scoggins 3:50 – 3:52 p.m.
6. Executive Director Report – Mike Webb 3:52 – 4:02 p.m.

(Discussion)

7. Startup Spending Update – Tracy Plouse 4:02 – 4:10 p.m.
(Discussion)
8. 2022 Financial Statement Update- Tracy Plouse 4:10 – 4:20 p.m.
(Discussion)
9. 2024 Budget – Tracy Plouse 4:20 – 4:57 p.m.
(Decision)
10. PSERN Board of Directors Officer Report – Board Officers 4:57 – 4:58 p.m.
(Discussion)
11. Review New Action Items – Chief Scoggins 4:58 – 5:00 p.m.
(Discussion)

Adjourn

Next Meeting: July 27, 2023

PSERN Board of Directors
Agenda Item #4



Title: Consent Agenda
PSERN Operator Board of Directors Meeting Date: June 22, 2023
PSERN Staff Contact: Tracey Doss, Administrator
Action: Decision

Appendix A: May 25, 2023 Meeting Minutes

Appendix B: Payment Approval

Date	Payment Type	Amount
5/18/23	Special District Journal Entry	116,890.46
5/24/23	Warrants	19,936.16
TOTAL		\$136,826.62

Appendix C: Resolution 23-06 PSERN, Operator Participation in PERS

Appendix D: Resolution 23-07 PSERN, Operator Participation in Deferred Compensation Program

MOTION: That the PSERN Operator Board approve the Consent Agenda.

Appendix A: Meeting Minutes from May 25, 2023



Minutes PSERN Operator Board of Directors Meeting May 2023

Location: PSERN Conference Room 19717 62nd Ave S, E102, Kent, WA 98032

Virtual meeting: Microsoft Teams (details below)

Date: Thursday, May 25, 2023

Time: 3:45 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: 975 100 443#

Directors Present: Chief Harold Scoggins (Chair), Dwight Dively, Commissioner Elwell, Kurt Triplett, Kristin Meitzler in for Lora Ueland, Chief Dan Yourkoski

Other Attendees: Celeste Bolden, Deanna Gregory, Dina Lamanna, Donna Mah, Tracey Doss, Andrew Dziedzic, Adrian Englet, Julia Holden, Hank Krajewski, Assistant Chief Lombard, Vonnie Mayer, David Mendel, Kimberly Nuber, Tracy Plouse, Preetah Raju, Alex Rampley, Mark Schmidt, Mike Webb, Ellen Whitely

1. Call to Order – Chief Scoggins 3:45 p.m.
2. Roll Call – Tracey Doss 3:45 p.m.
3. Public Comment – Chief Scoggins 3:45 – 3:46 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.

No public comment.

4. Consent Agenda – Chief Scoggins 3:46 – 3:50 p.m.

Note: *Directors can request to have any item removed from the consent agenda.*

- a. Approve April 27 2023 Meeting Minutes
- b. Payment Approvals
- c. Staffing Agreement Amendment
- d. Resolution 23-04, Enroll PSERN Operator in SSA

Motion: Dwight Dively made a motion to approve the consent agenda. Kurt Triplett seconded the motion. Member unanimously approved the motion.

5. Action Register Review – Chief Scoggins 3:48 – 3:49 p.m.

Action item #13 related to in-building sites, has been transferred to the Operator log from the Project log. Item #16, to prepare an operational support agreement, can be removed since no agreement is needed.

6. Executive Director Report – Mike Webb 3:49 – 3:53 p.m.

The amendment to the staffing agreement was approved via consent agenda. The reporting and cost allocation changes have been implemented that were discussed in the April meeting. The PSERN Operator staffing is currently at 6, 3 are partly funded by the Project and an accountant position has been reposted.

The Operator is working with legal counsel to prepare an HR manual. The Board approved the resolution to enroll in Social Security Administration, which is a prerequisite step to enrolling in PERS.

Tracy has been working on the preliminary 2024 budget and services fees which will be discussed in agenda item 11. She will also discuss the 2022 financial statements filed with the Washington State Auditor's Office.

Work is progressing on the IT environment to implement the Microsoft 365 environment. The asset management system, and the service management and ticketing system are up and running.

A key item in the upcoming June meeting is the 2024 budget and service fee approval; for July, the plan and recommendations to start employing staff directly by January 2024.

7. Radio Site Sublease Agreements – Mike Webb 3:53 – 3:59 p.m.

This report is a follow up to a report presented in March 2022, on radio site sublease agreements, a passive revenue opportunity which has not been quantified yet. The Operator has continued to work in the background on putting preparatory activities in place. The Operator has regular enquires from service providers and some private ones about collocating. Some of the enquires are from Dish Networks, Pano AI, a private company that detects early stages of wildfires, StarTouch, T-Mobile and Verizon.

A template sublease has been drafted using existing staff resources, as well as engaging with prospective tenants. Target execution of new sub-leases is after FSA in January 2024. Policy and technical matters are discussed in the report. A standard set of terms and conditions has been agreed upon for the draft sublease, similar to the County leases. There is still work to do in some areas to establish all-encompassing policy and practices.

8. Transfer Agreement – Mike Webb 3:59 - 4:07 p.m.

The Transfer Agreement is the legal instrument for transferring ownership and ongoing management responsibility of the PSERN system from the County to the PSERN Operator and includes assets, lease agreements and other contracts and miscellaneous equipment. The agreement has been reviewed by the County and legal staff and the Operator and legal counsel. King County Council approval is required before the agreement can be executed.

The Operator is seeking approval from the Board of the agreement in its substantially final form. Assuming no materials changes, the agreement will be executed after KC Council approval, expected in September. The assets will transfer, and the agreement will close shortly after FSA.

The Transfer Agreement contains contracts and leases to be assigned, site specific assets, subleases, licenses, permits, funds and documents and other equipment to be transferred. It also contains retained assets, KCERCS equipment removal & definition of assets, condition of assets and disclosure of known deficiencies, as-is transfer and release, legislative approval, delivery of documents by the County and the Operator, closing dates, prorations, and dispute resolutions provisions. It also has a list of exhibits that defines the agreements, forms of assignment and bills of sale.

There are some implications from the perspective of the Operator. There are unassignable leases and permits, specifically with the USFS, that the Operator will need to complete negotiations with before the closing date.

The transfer of project funds, such as the already approved funds, \$2.6M in rate stabilization funds, \$3M for Maloney powerline, \$1M for coverage study, and other funds that still need to be determined by the Joint Board and any outstanding contract changes need to be considered.

The agreement enacts the Operator's obligations defined in the ILAs and SLAs to maintain and support the system.

The asset transfer is as-is, the County will disclose known deficiencies.

The County will support the Operator with access to information for up to a year, there may be a charge depending on the request.

It is recommended that the Board approve the agreement in its substantially final form. Any material changes will be brought back to the Board for consideration and approval. Execution of the agreement by the Operator will be contingent on King County Council approval.

The exhibits are not exhaustive and additional assets can be added without any significant changes.

Motion: Dwight Dively made a motion that the PSERN Operator Board adopt Resolution 23-03, approving the Puget Sound Emergency Radio Network Transfer Agreement (the "Agreement"), authorizing the Executive Director of the PSERN Operator to negotiate and finalize terms and conditions of the Agreement in the best interest of the PSERN Operator, and authorizing the Executive Director to execute the Agreement on behalf of the PSERN Operator. Kurt Triplett seconded the motion. Members unanimously approved the motion.

9. Startup Spending Update – Tracy Plouse 4:07 – 4:09 p.m.

The startup spending plan was updated at the April Board meeting. Spending is still below estimates, mostly due to delays in staffing. The Startup Spending Table includes estimates to the end of 2023. Assuming the Operator does not acquire and fund additional staff, existing startup funds will be sufficient to fund the organization through the rest of 2023.

10. 2022 Financial Report – Tracy Plouse 4:09 – 4:17 p.m.

The financial reports for the Operator do not start until August 2022, when the actual cash was transferred, and the Operator had access to the funds. Prior to that, the County reported the transactions for the Operator in their annual report.

Washington State Auditor's Office (SAO) requires annual filing of financial statements by all government entities. The Operator's fiscal year is the same as the calendar year and are due May 30. Financial statements include Statement of Net Position, Statement of Revenues, Expenses & Changes in Net Position, Statement of Cash Flows, and notes to the financial statements. Other required information is the Management Discussion and Analysis (MD&A) and supplemental schedules.

Statement of Net Position is a snapshot of the Operator's assets and liabilities at the end of the year. On December 31, 2022 the Operator's net position was \$2,824,451.

Statement of Revenues, Expenses & Changes in Net Position is the result of business operating activities over the fiscal year. All revenue reported by the Operator were non – operating

revenues, including start-up funding and interest collected on investments. Operating revenues will not be reported until the Operator begins charging for services. All expenses reported were operating expenses of \$385,752.

Statement of Cash Flows presents information regarding where cash came from and what it was used for; no operating revenues, non-operating revenues from start-up funds transferred from the Project, and interest. Collection of user fees does not begin until January 1, 2024.

Mike Webb asked Tracy Plouse to talk about the new GASB 87. Leases over a year now have to be reported by the lessee as both an asset and a liability and booked as part lease expense and part interest expense. This will be a significant consideration for the Operator in 2024 reporting financial statements on a large lease portfolio.

11. 2024 Draft Budget – Tracy Plouse

4:17 – 5:03 p.m.

The 2024 budget presented is for discussion. It will be brought to the Board for adoption at the June meeting.

The draft budget assumes that the commencement of operation and the collection of Operator service fees begins on January 1, 2024. Two sets of scenarios are presented for discussion: one set with operating reserve collected in 2024 and one without. Subsequent years reflect an operating reserve set at 5% of the total operating expense. The assumption is that headcount will be 24 FTE in 2024 and remain steady through 2028, and that the Operator will begin employing its own staff on January 1, 2024. Wages were calculated using the King County 2023 classifications and salary schedules, escalated by 3.6% for 2024 and 4% for following years. The Federal Planning Bureau Consumer Price Index inflation forecast from February 5, 2023 was used to calculate the percentage increases.

Costs other than wages and benefits were escalated by 3.6% for 2024 and 3% for subsequent years.

The operating expenses for 2024 were calculated and then divided by the number of radios and consoles to come up with the service fee rates. The following number of radios and consoles purchased were used: 13,937 public safety radios, 4506 non-public safety radios, and 144 consoles.

Network operating expenses, including lease costs, have been revised based on the actual costs incurred by the Project in 2022; certain expenses are still estimates based on limited operational history. Costs for Motorola post-warranty support, approximately \$1.4M annual, are assumed to begin January 1, 2026, 2 years after full system acceptance.

Previously the Board asked staff to apply the \$2.6M as an overall offset to operating expenses rather than an agency-by-agency calculation of subsidies. This would reduce rates for all agencies from year to year, avoiding larger increases from one year to the next for scenarios 3 & 4. Scenarios 1 & 2 use the original formula for the \$2.6M, which is a reduction by 1/3 each year in the first 3 years.

These scenarios are revised in the draft budget:

Scenario 1 – Allocation of rate stabilization funds decreases by 1/3 in each of years 2 and 3. This scenario includes the collection of a 5% operating reserve in each year.

Scenario 2 – Allocation of rate stabilization funds is the same as Scenario 1, but no operating reserve funds are collected in the first year.

Scenario 3 – Rates are calculated by allocating the \$2.6M over three years (2026, 2027 and 2028) in a manner that results in a uniform increase from year to year (current projection is 7.0%, 6.8% and 6.3% but this is likely to be updated). This includes a 5% operating reserve beginning in year one.

Scenario 4 – The rates are calculated the same as in Scenario 2 but do not include the collection of a 5% operating reserve in 2024. To reduce the 2025 escalation, a small portion (5%) of rate stabilization funds is applied in 2025.

The 2024 Draft Operating Budget table includes a baseline if there were no rate stabilization funds applied. Motorola post-warranty costs begin in year 3 (2026) column in the table as part of the line item for network technology costs, resulting in the large jump in cost.

In previous service fee estimates, going back to 2014, 78% of the annual budget was paid with radio user fees and 22% of the annual budget is paid with console fees. This split has been maintained in the current set of scenarios.

The 4 scenarios are converted into year-to-year rates in the PSERN Draft Rates Table. The rate increase for scenarios 1 & 2 are not uniform from year to year due to the application of the rate stabilization funds. In scenarios 3 & 4, the increase is more uniform, around 7% – 8%, by the application of the rate stabilization funds. In scenarios 1 & 2 the reason for the big jump in 2026 is due mostly to the Motorola post-warranty agreement beginning in 2026. The Operator is effectively “buying down” the rates with the rate stabilization funds which are emphasized in the first couple of years. In scenarios 3 & 4, most of the \$2.6M is applied in the years after the post-warranty agreement kicks in to offset the increase, making the following years’ increases more uniform.

Mike Webb discussed two additional items. First, the method to determine radio quantities, which is how the service fee rates are determined from the operating budget. Numbers used up to this point are the quantity of radios in the 2021 final inventory in the Motorola contract. Deployment is still underway and there is uncertainty around the final number of radios to be deployed. In addition, some agencies have supplied their own radios, and an audit of the radios active in the system needs to be done to get an accurate number. The actual number of radios by agency, both public safety and non-public safety, will not be known until the end of this year. The Operator is proposing that 2024 rates use final inventory quantities, with a true-up done for the 2025 budget and rates. A once a year true-up will have to happen as part of the budget development process. Radios kept for emergency purposes, or in a pool for backups, if these should be counted, will need to be addressed or if there are other criteria that needs to be applied.

The second item is the allocation of network operating costs between radios and consoles. Much of what has gone into the current budget (78/22 split) is based on analysis going back as far as 2014. The Operator worked from the numbers in the ILA and the requirement that network operating expenses be split between radios and consoles (which is not defined in the ILA), plus the corporate/admin expenses and got the 78% / 22% overall split used in service fee estimates. Previous budgets used a 70% / 30% split for network operating costs and the split between radios and consoles. The ILA calls for staff and personnel related costs to be split 83% / 17%. The result is a higher increase in console rates in 2026 and beyond due to the Motorola post-warranty services beginning. Going forward into the June meeting, Operator staff will do a more detailed determination of which expenses are console related, and which are radio related. However, there will still be common costs and a percentage allocation will have to be used.

Kurt Triplett suggested that the Operator reach out to the Dispatch financial staff to develop an understanding of how they would treat the different amounts for console and radio rates.

Concerns over the rate increases for the radios and consoles was raised by multiple members.

The Operator will also consider how any surplus project funds could be applied to the rate stabilization over a longer period, look at how network operating costs could be split, and have conversations with Dispatch Center staff to get feedback about radio console fees and what would be the impact.

The Operator will work on finalizing the scenario that does not have the operating reserve in 2024 (scenario 4) and will update costs and assumptions to be more accurate and will bring an additional scenario that provides an updated split of network operating costs between radio and console costs. Some feedback on the radio and console rates impacts will also be brought forward to the June meeting.

A resolution for the 2024 Budget will be brought to the June meeting for decision.

12. PSERN Board of Directors Officer Report – Board Officers 5:03 p.m.

No Members reports.

13. Review New Action Items – Chief Scoggins 5:03 p.m.

The Operator has an action item to come back with some further analysis and proposed budget scenarios for the June meeting.

Adjourn 5:04

Next Meeting: June 22, 2023

Appendix B: Payment Approval

Payment Date	Payee	Description	Invoice #	Invoice Date	Warrant #	Total Warrant Amount
5/18/23	King County PSERN Project	King County Contracted Services	04302023	05/18/2023	Journal Entry	\$116,890.46
Subtotal						\$116,890.46
5/24/23	Johnson Controls	Security System	38829162	05/06/2023	10038095	452.77
5/24/23	Pacifica Law Group	Legal Services	83254	05/09/23	10038096	588.00
5/24/23	SourcePanel	Budget Analyst Consulting	I050823B	05/03/23	10038097	1,950.00
5/24/23	SourcePanel	Budget Analyst Consulting	I050823C	05/08/23	10038098	1,202.50
5/24/23	WFT Company Two	Lease – Kent Facility	June 2023	05/15/23	10038100	12,220.58
5/24/23	USPS	Office Supplies	o1957363085	3/27/2023	10038099	\$96.50
5/24/23	Amazon	Office Supplies	114-0564552-0772258	3/27/2023	10038099	\$65.93
5/24/23	Amazon	Office Supplies	114-3452690-7053026	3/28/2023	10038099	\$71.74
5/24/23	Amazon	Office Supplies	114-6650411-0942655	3/29/2023	10038099	\$11.62
5/24/23	Amazon	Office Supplies	114-3452690-7053026	3/29/2023	10038099	-\$31.02
5/24/23	Amazon	Office Supplies	114-0911707-7332238	3/30/2023	10038099	\$31.92
5/24/23	USPS	Office Supplies	840-59800355-3-6212128-2	4/4/2023	10038099	\$28.75
5/24/23	AT&T Mobility	Utilities	287321209309X03272023	4/12/2023	10038099	\$51.35
5/24/23	Puget Sound Energy	Utilities	2.20031E+11	4/13/2023	10038099	\$1,246.54
5/24/23	Amazon	Tech Supplies	114-0928221-9278615	4/15/2023	10038099	\$606.64
5/24/23	Amazon	Tech Supplies	114-2704068-0877053	4/16/2023	10038099	\$305.18
5/24/23	Lumen	Utilities	636165310	4/16/2023	10038099	\$559.48
5/24/23	Bills Locksmith Service	Office Supplies	06UKF6UZEHVOM71019	4/18/2023	10038099	\$50.87
5/24/23	Century Link	Utilities		4/18/2023	10038099	\$148.99
5/24/23	Keeneys Office Supply	Office Supplies	KI-00095685	4/19/2023	10038099	\$47.42

Payment Date	Payee	Description	Invoice #	Invoice Date	Warrant #	Total Warrant Amount
5/24/23	Amazon	Office Supplies	113-1022092-8831415	3/23/2023	10038099	-\$63.05
5/24/23	Vagaro	Tech Supplies	APRIL 2023 MONTHLY SUBSCRIPTION	3/26/2023	10038099	\$81.91
5/24/23	Mouser Electronics	Tech Supplies	73107727	3/30/2023	10038099	\$207.91
5/24/23	Neobits	Tech Supplies	NW579555	3/31/2023	10038099	\$230.70
5/24/23	Inflow Inventory	Tech Supplies	IC-083947	4/15/2023	10038099	\$328.00
5/24/23	Mouser Electronics	Tech Supplies	73461228	4/24/2023	10038099	\$34.27
5/24/23	Mouser Electronics	Tech Supplies	73461228	4/24/2023	10038099	\$3.24
5/24/23	Credit Card Security Deposit Reconciliation					-592.58
Subtotal						\$19,936.16
GRAND TOTAL						\$136,826.62



Resolution Authorizing Participation in PERS

Resolution No. _____

New employers use this form to join the Public Employees' Retirement System (PERS).

Send completed form to:
Employer Support Services
Department of Retirement Systems
PO Box 48380 • Olympia, WA 98504-8380

www.drs.wa.gov • 800.547.6657
360.664.7200 • TTY: 711

Important Information

Fill out this resolution for authorizing and approving your participation in the Washington State Public Employees' Retirement System (PERS). It must be fully excuted and signed before you submit it to DRS.

Authorization

_____, a political subdivision of the state of Washington, authorizes and approves the following:

1. Its eligible employees shall participate in PERS as allowed by RCW 41.40.06
2. The necessary funds shall be made available to cover its proportionate share for participation in PERS
3. PERS membership shall begin on _____
(mm/dd/yyyy)

Tax Status (select one)

- Will submit tax-deferred member contributions
 Will not submit tax-deferred member contributions

Purchase of Previous Service (select one)

- Not applicable**
Check this box if your agency is newly created **and** the effective date of PERS participation is equal to the date of hire of the first employee(s).
- Option A**
Employer pays all previous service costs (both member and employer contributions). Payment must be completed within 15 years from entry into PERS.
- Option B**
Employer and member share previous service cost. Payment must be completed within five years from entry into PERS. Choose one of these variations:
- B1** Member pays member contributions. Employer pays employer contributions.
 - B2** Member pays _____% of previous service cost.
- Option C**
Member pays all previous service costs (both member and employer contributions). Payment must be completed within five years from entry into PERS.

Complete and sign the authorizing and approving participation signature section on the back of this form.
Please return the completed and signed form to drs.employersupport@drs.wa.gov.
Or you can return the completed and signed form through the mail to the address above.



Authorizing Signatures

Resolution Number _____

Passed this _____ day of _____, 20____.

Authorizing signatures and titles

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____



Deferred Compensation Program (DCP) Resolution No. _____

Email completed form to:
Employer Support Services

drs.employersupport@drs.wa.gov

This resolution can be used to:

- Authorize an organization's participation in the Washington State Deferred Compensation Program (DCP)
- Change the automatic enrollment option for organizations currently participating in DCP

Participation Status

_____ (legal name of organization),
a political subdivision of Washington state, authorizes and approves this resolution.

- Organization is requesting to participate in the Washington State Deferred Compensation Program.
Or
 Organization already offers DCP and is changing the automatic enrollment option.

Automatic Enrollment Option

[RCW 41.50.770](#) permits counties, municipalities, and other political subdivisions to participate in the DCP automatic enrollment provision as outlined in [WAC Chapter 415-501](#).

Does the organization want to participate in automatic enrollment? Yes No

Employer Contributions

Does (or will) the organization contribute dollars to any employee DCP account? Yes No

If yes, and the organization will participate in automatic enrollment and delay submitting employer contributions for DCP participants until at least 90 days following the initial employee deferral.

Authorizing Signature(s)

The organization:

1. Requests to participate in DCP, as allowed by [RCW 41.50.770](#).
2. Has reviewed the program provisions and agrees to accept all terms and conditions.
3. Understands and agrees that all employee deferrals are held in trust by the Washington State Investment Board for the exclusive benefit of program participants and eligible beneficiaries.

Passed this _____ day of _____, 20_____

Signature

Title

Printed Name

Optional: To include additional resolution signatures, add a separate sheet of paper.





PSERN Operator Board of Directors Action Log - Open Items

#	Date Opened	Item	Responsible	Due Date	Notes
13	2/24/22	Request for additional information related to In-Building Sites to include details of funding options for the remaining 10 areas recommended by the task force, any budget considerations, improvements found in Coverage Testing, impacts of additional sites on Operator rates, Operations Board and Technical Committee perspective, and impact on backhaul capacity.	Operator Staff	TBD	Planning work for how to fulfill this set of requests will begin once the in-building sites are live on the system and testing is complete. This action item was moved from the Project Action Log to the Operator Action Log on 4/27/23.
14	3/24/22	2024 budget and service fee development.	Mike Webb/ Tracy Plouse	6/22/23	On the June agenda.
17	5/25/23	The Operator has an action item to come back with some further analysis and proposed budget scenarios for the June meeting.	Tracy Plouse	6/22/23	On the June agenda.



PSERN Operator Board of Directors Action Log - Closed Items and Archive

#	Date Opened	Item	Responsible	Due Date	Notes
1	4/28/22	Summary of portfolio of PSERN leases	Project Staff	6/1/22	Operator Workshop held July 11th.
2	4/28/22	Budget workshop to discuss 2023 budget and rate setting	Mike Webb/Tracy Plouse	7/15/22	Update at July board meeting.
3	6/23/22	Operator staff will send a calendar invite for the July 11, 2022 budget workshop.	Tracy Plouse	6/24/22	
4	3/24/22	Facility recommendation and approval	Mike Webb	8/25/22	Leased approved at 8/25 meeting.
5	6/23/22	Review availability for the August and September regular Board meetings.	Board Members	7/28/22	Need to confirm quorum
6	4/28/22	Provide a report on possible changes to the Operator ILA associated with a change to the milestone at which the Operator takes over operational responsibility. Assess the Motorola contract for any concerns.	Mike Webb	9/22/22	This pertains to the proposal to set the date for operational transition and PSERN service fee commencement to something other than FSA.
7	5/26/22	Review existing procurement policy to consider issues identified in Clark Nuber phase 1 report.	Mike Webb/Tracy Plouse	9/22/22	Procurement policy amendments approved.
8	8/25/22	Update the draft budget and service fee estimates to reflect revised CPI rates.	Tracy Plouse	9/22/22	Updated budget report provided at September meeting.
9	9/22/22	Approval of warrant vouchers (checks) needs to be added to future board meetings as a standing item. This could be done as part of a consent agenda that would also include approval of previous meeting minutes.	Mike Webb/Tracy Plouse	10/27/22	Will be incorporated as part of consent agenda starting with October meeting

10	9/22/22	Operator staff will bring additional information on the alternatives to modifying or setting the Operator Transfer date and the associated funding requirements and approaches	Mike Webb	10/27/22	Closed, follow up item added to action log.
11	1/26/23	Mike Webb will consult with legal counsel on the wording of the motion for the Board to approve the transfer agreement prior to sending for Council approval.	Mike Webb	2/23/23	This is complete. Wording for the agreement has been provided. Pacifica advised the wording to be" it is also recommended that the Board plan to approve the Agreement, in substantially final form."
12	10/27/22	The Operator will add the decision regarding collection of service fees from agencies beginning in 2024 to a future Board meeting.	Mike Webb/Tracy Plouse	NA	FSA will not occur until December and there is no ability for the Operator to collect fees until after FSA. Recommend this item be closed. The Board of Directors agreed that this item should be closed at the 4/27/23 meeting.
15	3/24/22	Report on proposed plan for development of sublease agreement templates to be drawn up for discussion.	Mike Webb	5/25/23	Agenda item #8 of the 5/25/2023 Board meeting.
16	10/27/22	Operator staff will prepare a draft operational support agreement between the County and the Operator.	Mike Webb	5/25/23	Recommended to close this item as there is no OSA.

PSERN Board of Directors Staff Report

Agenda Item #6



Title: Executive Director Report – June 2023
Meeting Date: June 22, 2023
PSERN Staff Contact: Michael Webb, Executive Director
Action: Discussion

SUMMARY:

This report provides a summary of the activities of the PSERN Operator (PSERN) since the last report to the Board at the May 2023 meeting.

DISCUSSION:

PSERN Operator Staffing & Hiring

- Staffing for the PSERN Operator currently sits at 6, with 3 positions partly funded by the Project through to FSA as indicated below:
 - Executive Director (50%)
 - Finance and Administration Manager
 - Technical Operations Manager (50%)
 - Radio Operations Supervisor (50%)
 - Administrator III
 - Administrative Specialist
- Interviewing for the Accountant position is underway. Target start date is mid-July.
- A decision on timing for recruitment of an HR Specialist role prior to FSA will be made in the next 2 months.

Employment Transition to Operator

- Summit Law Group has begun work to develop an Employee Policy Handbook for the PSERN Operator that will define policy and practice for hiring, employment contracts, job descriptions, leave, benefits and compensation:
 - A kick-off meeting for work to develop an employee handbook occurred on June 13.
 - The goal is to have a draft ready for Board discussion/review by the August meeting.
- Washington State Department of Retirement Systems (DRS) has provided documents for completion to make PSERN Operator a PERS member effective January 2, 2024:
 - The ILA requires that the Operator become a member of Washington State PERS.
 - Resolutions (23-06 and 23-07) are being presented to the Board for approval to

participate in PERS and the Deferred Compensation Program (DCP) at the June meeting (see agenda 4).

- Please note that resolution 23-06 (PERS) needs to be signed by all voting Board members.
- The Association of Washington Cities (AWC) has provided pricing and options for employment benefits programs (health, dental, etc.):
 - AWC will approve PSERN's membership at its June meeting.
 - A report to the Board outlining recommendations for a benefit program under AWC will be prepared for either the July or August meetings.

2023/2024 Operating Budget and Service Fee Development

- A draft full-year operating budget for 2024 is being presented for approval at the June meeting.
 - Further work to update network operating expenses (including sub-lease revenue) has been undertaken and incorporated in the proposed budget.
 - Two scenarios for setting service fee rates have been provided.
- Information is being gathered to enable PSERN Operator staff to contact all user agency finance representatives and communicate expected 2024 service fees once the budget has been approved.

Financial Startup

- The PSERN Operator's 2022 financial statements have been updated due to an error in lease capitalization and re-submitted to the State Auditor.
- The updated 2022 Financial Report is discussed in agenda item 8.
- Training on the financial management system (Caselle) is ongoing and further configuration and setup work is in-progress.

IT Systems

- Work to implement Microsoft 365 for the PSERN Operator (including email using the PSERN.org domain) is underway.
 - A date for use of PSERN.org email addresses will be confirmed in the coming weeks.

Operational Planning

- Populating the PSERN Operator's asset management system (CommShop) is underway as a collaborative effort with Project staff.

Radio Site Subleasing

- Discussions are underway with the following organizations regarding potential sub-lease agreements: NOAA (for a weather alert transmitter), Verizon, T-Mobile, Pano AI, Dish Networks and Snohomish PUD.

Upcoming Board Meeting Topics

- Topics expected to be brought forward over the next 3 board meetings include the following:
 - July 2024:
 - Report on plans and recommendations for PSERN Operator benefits program and other employment startup matters.
 - August 2024:
 - Further update on employment startup matters, including review and discussion of draft Employee Policy Handbook.
 - September 2024:
 - Approval of Employee Policy Handbook.
- These topics are in addition to the regular standing items, including the Action Item Log, Executive Director's report, Startup Spending Update and any approvals that may be required.

CONCLUSION:

This report has provided a summary of the work undertaken by the PSERN Operator since the previous report in May 2023.

SUPPORTING DOCUMENTATION:

None

PSERN Operator Board of Directors Staff Report - Agenda Item #7



Title: Startup Spending Update – Through May 2023
Meeting Date: June 22, 2023
Staff Contact: Tracy Plouse, Finance & Admin Services Manager
Action: Discussion

SUMMARY:

This report provides an update on PSERN Operator startup expenditures to the end of May 2023 and an updated spending plan/forecast for the first and second half of 2023, after which the PSERN Operator is assumed to be operational and collecting service fees.

BACKGROUND:

As discussed in the January 2022 report to the Board (Startup 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.
- Revisions to expenditure forecasts, including cost estimates and timing.

A total of \$3.05M has been approved as startup funds and transferred from the Project to the Operator.

DISCUSSION/ANALYSIS:

Appendix A provides a summary of the spending of the PSERN Operator as of May 31, 2023. Year-to-date expenditures by month for the 2023 fiscal year are summarized below.

Month	Expenditures
January 2023	\$ 75,969
February 2023	284,374
March 2023	150,076
April 2023	129,894
May 2023	125,931
TOTAL	\$ 766,246

As discussed at the April 2023 Board meeting, the PSERN Operator will not acquire any additional technical or operational staff to be funded from startup funds. As a result, the PSERN Operator expects that startup funds will be sufficient to support it through to the point at which service fees can be collected in January 2024 (after FSA). Spending forecasts for the first and second half of 2023 have been provided in this report.

The Operator expects to have unspent startup funds of approximately \$1.09 M at the end of June 2023.

The following notes apply:

- The forecast is currently assuming that the majority of one-time startup expenses (facility setup, IT hardware and software, tools, etc.) will occur in the first half of 2023.
- Costs for the first half of fiscal year 2023 are less than forecasted due to delays in staffing and other startup costs. It is anticipated that the Operator's startup funds will have a surplus of approximately \$300,000 at the end of 2023 due primarily to these delays.
- The timing of the purchase of two vehicles is currently shown in the second half of 2023. A delivery date of late June 2023 is anticipated.
- Delayed expenditures have been pushed from the first half of 2023 forecast into the second half. The total forecasted costs have not changed.

CONCLUSION

This report provides an update on startup expenditures to the end of May 2023, a forecast of expenditures to the end of June 2023 and a further forecast to the end of December 2023.

SUPPORTING DOCUMENTATION:

Appendix A: PSERN Operator Spending (Year-to-Date and Forecast) – May 2023

A summary of expenditures to end of May 2023 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 prior reports to the board. The table will be updated every month once transactions post to that the applicable account.

AS OF MAY 31, 2023

Expenditure Category	2021 Actual	2022 Actual	2023 YTD Actual	2023 Forecast First Half	2023 Forecast Second Half	Total Forecasted Operator Costs 2021-2023
Contracted Salaries, Wages & Benefits	\$44,661	\$455,769	369,902	\$470,339	436,584.40	\$1,407,353
Insurance	3,488	\$4,513	-	-	6,000	\$14,001
Contracted Services	7,506	29,179	38,534	65,618	54,720	\$157,023
Professional & Consulting Services	8,413	79,038	16,996	26,635	127,500	\$241,586
Office/Administrative Expenses	-	111,774	218,745	287,819	218,732	\$618,325
PSERN-Specific IT Systems		7,850	121,918	177,208	92,856	\$277,914
Cash Security Deposits/Petty Cash		39,088	150			\$39,088
	\$64,068	\$727,210	\$766,246	\$1,027,619	\$936,392	2,755,289
				Startup Funds Made Available	\$	3,056,158
				Variance	\$	300,869

PSERN Operator Board of Directors

Staff Report - Agenda Item #8



Title: 2022 Annual Financial Statements Update
Meeting Date: June 22, 2023
Staff Contact: Tracy Plouse, Finance & Admin Services Manager
Action: Discussion

SUMMARY:

This report provides a summary of the PSERN Operator's Revised 2022 fiscal year financial statements as of December 31, 2022.

BACKGROUND:

At the May 2023 board meeting the fiscal year 2022 financial statements were presented. Subsequent to the presentation it was discovered that a lease had been accounted for incorrectly according to GASB Statement 87, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

DISCUSSION/ANALYSIS:

Appendix A provides a copy of the report that was submitted to the Washington State Auditor's Office. It contains the Management's Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position and the Statement of Cash Flows. Finally, it provides the prescribed notes to the financial statements that pertain to the reporting period.

Changes from the May 2022 presentation are summarized as follows:

- The Statement of Net Position
 - For the twelve months ending December 31, 2022, the total net position of the PSERN Operator increased by \$2,810,612 (\$0 to \$2,810,612). Originally this was reported as an increase of \$2,824,451 (\$0 to \$2,824,451).
 - Leases are summarized in Note 5 of the Notes to the Financial Statements. As of December 31, 2022 the PSERN Operator recognized the lease for the Kent, WA facility in its financial statements. The lease asset was \$675,506 after deducting accumulated amortization and the lease liability was \$691,215, with \$56,082 being due within one year. Originally both the asset and the liability were reported to be \$699,952.50, with \$68,115 of the liability being due within one year.

CONCLUSION

This report provides a summary of the PSERN Operator's revised 2022 Financial Statements submitted to the Washington State Auditor's Office. Revisions were due to recalculation of lease asset and liability following GASB Statement 87.

SUPPORTING DOCUMENTATION:

Appendix A: PSERN Operator 2022 Revised Financial Statements

PUGET SOUND EMERGENCY RADIO NETWORK OPERATOR MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ending December 31, 2022

INTRODUCTION

Puget Sound Emergency Radio Network Operator (PSERN Operator) offers readers of the PSERN Operator's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2022. The following Management's Discussion and Analysis is intended to serve as an introduction to the PSERN Operator's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements. We encourage readers to consider the information presented here in conjunction with the PSERN Operator's financial statements, which follow this section.

BACKGROUND

Puget Sound Emergency Radio Network Operator is a nonprofit organization that was formed in 2021 under the terms of an Interlocal Agreement that includes King County and the cities of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Mercer Island, Redmond, Renton, Seattle, and Tukwila. Under the terms of the Interlocal Agreement the PSERN Operator was created as a separate, independent governmental administrative agency.

The PSERN Project is a voter-approved capital project to upgrade and expand the emergency radio system for public safety response in King County, Washington. As of December 2022, the Project is housed in the King County IT Department's Emergency Radio Communications Division. When the Project is completed in 2023, operations of the new PSERN System will transfer to the PSERN Operator. The PSERN Operator is the nonprofit organization that will own, operate, and manage PSERN when the PSERN Project is completed. It is anticipated that Full System Acceptance (FSA) will occur in December of 2023, at which point all assets and operational responsibilities will transfer from the PSERN Project to the PSERN Operator. In 2022 the Operator was focused on startup of the organization including hiring staff and establishing business operations to be fully prepared to assume operational responsibilities upon FSA.

The PSERN Operator is governed by its Board of Directors, comprised of four voting members and two nonvoting members as provided in the Interlocal Agreement. Actions of the Board of Directors of the PSERN Operator are conducted as provided in the Interlocal Agreement, the bylaws and policies of the PSERN Operator.

OVERVIEW OF THE FINANCIAL STATEMENTS

The PSERN Operator’s financial statements present a nonprofit corporation organized under the laws of the State of Washington, Revised Code of Washington (RCW), Chapters 24.06 and 39.34, to provide an emergency public safety radio system that will be used for dispatching and communications between fire, law enforcement, and other first responders when the Project is complete in 2023. The PSERN Operator is not a segment of any other local government, nor is it a component thereof.

The financial statements include a statement of net position, statement of revenues, expenses, and changes in fund net position, statement of cash flows, and notes to the financial statements.

The **Statement of Net Position** provides a record, or snapshot, of the assets and liabilities at the close of the year. It presents the financial position of the PSERN Operator on a full accrual historical cost basis. The net difference between the PSERN Operator’s assets and liabilities is shown as the PSERN Operator’s net position. Net position is further broken down into the separate categories to show the net position is invested in net capital assets and unrestricted net position of the PSERN Operator.

The **Statement of Revenues, Expenses, and Changes in Fund Net Position** presents the results of the business activities over the course of the fiscal year and the resulting change in net position of the PSERN Operator. All changes in net position are reported as soon as the underlying event, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future years.

The **Statement of Cash Flows** is the third basic financial statement and is related to the other financial statements by the way it links changes in assets, and liabilities to the effect on cash equivalents over the course of the fiscal year. The statement reports cash receipts, cash payments and net changes resulting from operating, financing, and investing activities. It presents information regarding where cash came from and what it was used for.

The **Notes to Financial Statements** provide useful information regarding the PSERN Operator’s significant accounting policies; it explains significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL POSITION

Total net position for the PSERN Operator totaled \$2,810,611 on December 31, 2022.

STATEMENT OF NET POSITION

	<u>2022</u>
Assets:	
Current and other assets	\$3,598,037
Capital assets, net	<u>85,693</u>
Total Assets	3,683,730

Liabilities:	
Current and other liabilities	237,986
Non-current liabilities	635,133
Total Liabilities	873,119
Net Position:	
Net invested in capital assets	85,693
Unrestricted	2,724,918
Total Net Position	\$2,810,611

Analysis of changes in Total Net Position:

For the twelve months ending December 31, 2022, the total change in net position of the PSERN Operator increased by \$2,810,611 (\$0 to \$2,810,611).

The largest portion of the current and other assets is made-up of Cash and Cash Equivalents (\$2,903,565 or 99.8%). The increase of \$2,810,611 is the result of startup funds transferred from the PSERN Project to the PSERN Operator in August and September 2022.

Capital Assets increased by \$85,693 in 2022. The additions to capital assets were from office furnishings for the PSERN Operator facility located in Kent, WA.

RESULTS OF OPERATIONS

Condensed Statement of Revenues, Expenses and Changes in Net Position as of December 31:

	<u>2022</u>
Revenues	
Operating Revenues	\$0
Nonoperating Revenues	3,210,203
Total Revenues	<u>3,210,203</u>
Expenses	
Operating Expenses	399,592
Nonoperating Expenses	0
Total Expenses	<u>399,592</u>
Change in Net Position	2,810,611
Net Position - Beginning	0
Net Position - Ending	<u><u>\$2,810,611</u></u>

Analysis of changes in Revenues, Expenses and Changes in Net Position:

- There were no operating revenues for the fiscal year. Collection of operating revenues will commence once FSA occurs and the PSERN Operator begins collecting user fees
- Non-operating revenues increased by \$3,210,203 due to startup funds and investment interest.
- Operating expenses increased by \$399,592 due to startup expenditures to ensure that the PSERN Operator is prepared to assume operational responsibilities upon FSA

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets: The PSERN Operator's capital assets as of December 31, 2022 totaled \$85,693. Overall capital assets changes are due to increases in office furnishings for the new facility located in Kent, WA.

Debt acquired in 2022 consists of: An 88-month lease for the facility located at 19717 62nd Ave S Suite E102, Kent, WA 98032. The facility consists of a floor area of approximately 4,489 square feet of office area and 3,000 square feet of climate-controlled warehouse space. The lease was effective November 1, 2022. Per GASB 87 the lease asset and liability were included in the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed and intended to provide a general overview of the PSERN Operator's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the PSERN Operator at 19717 62nd Ave S E102, Kent, WA 98031.

Puget Sound Emergency Radio Network Operator
Statement of Net Position
As of December 31, 2022

	2022
ASSETS	
Current Assets:	
Unrestricted Cash and Cash Equivalents	\$ 2,903,565
Receivables	-
Accounts Receivable	-
Interest Receivable	4,880
Due from Other Governments	-
Prepaid Expenses	-
Inventories	-
Total Current Assets	2,908,445
Non-Current Assets	
Non-Current Receivables	
Security Deposit Receivable	14,087
Capital Assets Being Depreciated	
Machinery & Equipment	85,693
Less Accumulated Depreciation	-
Total Capital Assets	85,693
Leases	-
Office Lease	691,215
Less Accumulated Amortization	15,709
Total Leases	675,506
Total Non-Current Assets	775,286
TOTAL ASSETS	3,683,731
LIABILITIES	
Current Liabilities	
Accounts Payable	103,602
Interest Payable	5,171
Payroll Payable	-
Leases Payable	56,082
Due to Other Governments	73,131
Total Current Liabilities	237,986
Non-Current Liabilities	
Leases Payable - Non-Current	635,133
Total Non-Current Liabilities	635,133
TOTAL LIABILITIES	873,119
NET POSITION	
Invested in Capital Assets - Ending Balance	85,693
Unrestricted Net Position - Ending	2,724,919
TOTAL NET POSITION	\$ 2,810,612

Puget Sound Emergency Radio Network Operator
Statement of Revenues, Expenses and Changes in Net Position
For the Period Ending December 31, 2022

Operating Revenues	
Charges for services	\$ -
Total Operating Revenues	-
 Operating Expenses	
Operating Expenses	399,592
Total Operating Expenses	399,592
 Operating Income (Loss)	 (399,592)
 Non-Operating Revenues (Expenses)	
Start-Up Funds	3,192,420
Leases	-
Interest	17,783
Total Non-Operating Revenues (Expenses)	3,210,203
 Income (Loss)/Change in Net Position	 2,810,611
 Total Net Position - December 31	 \$ 2,810,611

The notes to the Financial Statements are an integral part of this statement.

**Puget Sound Emergency Radio Network Operator
Statement of Cash Flows
For the Period Ending December 31, 2022**

Cash Flows from Operating Activities	
User Fees	\$ -
Cash Payments to Suppliers for Goods and Services	<u>(244,753)</u>
Net Cash Provided (Used) by Operating Activities	<u>(244,753)</u>
Cash Flows from Non-Capital Financing Activities	
Non-Capital Funds Received from Other Governments	<u>(42,918)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(42,918)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	<u>(42,918)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(42,918)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>12,903</u>
Net Cash Provided (Used) by Investing Activities	<u>12,903</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(317,686)
Cash and Cash Equivalents - January 1	<u>-</u>
Cash and Cash Equivalents - December 31	<u>2,903,565</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(399,592)
Change in Assets and Liabilities	
Increase (Decrease) in Accounts Payable	60,827
Increase (Decrease) in Due to Other Governments	73,131
Increase (Decrease) in Accrued Expenses	<u>20,880</u>
Net Cash Provided (Used) by Operating Activities	\$ (244,753)

The notes to the Financial Statements are an integral part of this statement.

**Puget Sound Emergency Radio Network Operator
Notes to the Financial Statements**

For the Fiscal Year Ended December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Puget Sound Emergency Radio Network Operator (PSERN Operator) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant:

Reporting Entity

The PSERN Operator is a nonprofit corporation governed by a six-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The PSERN Operator has no component units.

Basis of Accounting and Presentation

The proprietary fund 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 PSERN Operator distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with the PSERN Operator's principal ongoing operations. The principal operating revenues are charges to users for service provided by the Puget Sound Emergency Radio Network (anticipated to commence January 2024). Operating expenses include the cost of network services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non- operating revenues and expenses.

Assets, Liabilities, Fund Balance, Net Position

1. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the PSERN Operator considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and Cash Equivalents include currency on hand and investments in the King County Investment Pool.

2. **Investments** (See Note 2)

3. **Receivables**

Interest Receivable consists of amounts earned on investments at the end of the year.

4. Amounts Due to Other Governments

Due to Other Governments represents the amount owed to King County for wages, benefits and services per the Interlocal Agreement.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits and short- term investments with original maturities of three months or less from the date of acquisition.

Unrestricted

Cash on Hand	\$25,000
On Deposit with King County Treasurer	\$2,878,565
Total Unrestricted	\$2,903,565
Total cash and investments	\$2,903,565

Investments

In accordance with State law, the PSERN Operator’s governing body has entered into a formal Interlocal Agreement with the PSERN Operator’s ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2022, the PSERN Operator had the following investments:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	\$2,802,570.57	.99 years

Interest Rate Risk. As of December 31, 2022, the Pool’s average duration was 0.99 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool’s market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2022, the PSERN Operator’s investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool

policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least “A”), municipal securities (rated at least “A” by two NRSROs), commercial paper (rated at least the equivalent of “A-1”), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

NOTE 3 – RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables as of December 31, 2022 were as follows:

Interest Receivable	\$ 4,880
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B. Payables

Payables as of December 31, 2022 were as follows:

Accounts Payable	\$103,602
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NOTE 4 – RISK MANAGEMENT

The Puget Sound Emergency Radio Network Operator (PSERN Operator) is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool’s fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose PSERN Operators throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- 1 Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- 2 Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- 3 Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
(4)	Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.			
(5)	This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.			
(6)	Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.			
(7)	Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.			
(8)	Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.			
(9)	Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
(10)	Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.			

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 5 – LEASES

On September 1, 2022, the PSERN Operator implemented GASB 87 (Statement). This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Lessee Leases

The lease asset balance as of December 31, 2022 is \$699,952.50. The PSERN Operator executed an 88-month facility lease with WFT Company Two, LLC in September 2022. Lease payments begin in February 2023. For the year ending December 31, 2022 the annual depreciation is \$0.

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2023	\$ 56,081	\$ 32,808	\$ 88,890
2024	82,984	26,774	109,758
2025	90,139	22,911	113,050
2026	97,722	18,718	116,440
2027	105,759	14,177	119,936
2028-2030	258,530	13,368	271,898
Totals	\$ 691,215	\$ 128,756	\$ 819,972

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Business-Type Activities:					
Leases	\$ -	\$ 635,133	\$ -	\$ 691,215	\$ 56,082

PSERN Operator Board of Directors

Staff Report - Agenda Item #9



Title: 2024 PSERN Operating Budget and Rate Setting
Meeting Date: June 22, 2023
Staff Contact: Tracy Plouse, Finance & Admin Services Manager
Action: Decision

SUMMARY:

This report presents a 2024 operating budget, two scenarios for service fee rates, and a resolution for the Board's review and approval. In comparison to the draft budget presented at the May meeting, this version includes additional updates to operating expense projections and includes an additional scenario for cost allocation.

ANALYSIS AND DISCUSSION:

At the May 25, 2023 meeting, staff presented a draft 2024 operating budget for the Board's review, with the intention of bringing forward a proposed 2024 budget at this June meeting for adoption by the Board. Since the May meeting, staff have made additional updates to operating expense projections and further developed two scenarios for determination of service fee rates, as discussed below.

Operating Expense Budget

The following assumptions have been made in the development of the 2024 operating expense budget:

- Commencement of operation and collection of PSERN Operator service fees occurs January 1, 2024.
- As directed by the Board at its May 2023 meeting, the 2024 budget is based on scenario 4 – collection of a 5% operating reserve will commence in 2025 and \$2.6M of rate stabilization funds are allocated over three years (2026 – 2028) to smooth out increases due to Motorola post warranty services being added in 2026).
- Headcount is set at 24 FTE in 2024 and projected to remain steady through 2028.
- The Operator will employ its own staff beginning January 1, 2024. Wages were calculated using the 2023 King County classifications and salary schedule and were escalated by 3.6% for 2024¹.
- Network operating expenses, including lease costs, have been extensively reviewed and revised based on the actual costs incurred by the Project throughout 2022; however, certain expenses are still estimates and based on limited operational history and experience and will need to be adjusted as more operational experience is obtained.
- Costs for Motorola post-warranty support are assumed to start 2 years after commencement of operation (January 1, 2026); Motorola post warranty support costs have been updated based on the schedule of payments in Change Order 8 of the Motorola contract².

¹ Federal Planning Bureau Consumer Price Index - Inflation forecasts [02/05/2023]. The September 2022 budget used the CPI-W King County estimates, which are not available until August 2023.

² Change Order 8 updates the Motorola post warranty service costs to reflect all contract changes that occurred prior to that point. Previous operating expense budgets used post-warranty service costs in the base contract.

A more detailed list of the assumptions used for the 2024 budget has been attached as Appendix B to this report.

A summary of the PSERN Operator's proposed operating budget for 2024 and projected budgets for 2025-2028 is shown in Table 1 below. A more detailed budget report can be found in Appendix A.

Table 1: 2024 Budget Consolidated Operating Costs Summary

Puget Sound Emergency Radio Network Operator
 2024 Budget (with 4 year proforma 2025 - 2028)
 Consolidated Operating Costs - Summary

Description	Fiscal Year					Total	
	2024	2025	2026	2027	2028		
Revenue - investment income	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(125,000)	
Salaries & benefits	5,558,710	5,781,050	6,012,300	6,252,790	6,502,900	30,107,750	
Employee related costs	90,270	92,980	95,760	98,640	101,590	479,240	
Premise costs	213,020	219,400	225,980	232,760	239,750	1,130,910	
Corporate technology costs	145,980	150,360	154,870	159,530	164,320	775,060	
Professional services	220,000	165,000	167,250	169,570	171,960	893,780	
King County services	1,500	1,550	1,600	1,650	1,700	8,000	
Radio site costs	2,888,690	2,957,410	3,030,960	3,108,930	3,195,940	15,181,930	
Network technology costs	33,030	34,020	1,961,520	1,994,760	2,027,750	6,051,080	
Baseline - No Operating Reserve or Rate Stabilization Funds	Total Operating Expenses	9,126,200	9,376,770	11,625,240	11,993,630	12,380,910	54,502,750
			2.7%	24.0%	3.2%	3.2%	
Baseline - No Operating Reserve or Rate Stabilization Funds	<i>May, 2023 DRAFT BUDGET</i>	9,065,310	9,315,050	11,087,790	11,466,860	11,866,480	52,801,490
	<i>Variance (vs May, 2023 budget)</i>	60,890	61,720	537,450	526,770	514,430	1,701,260
		0.7%	0.7%	4.8%	4.6%	4.3%	3.2%
Scenario 4A: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025	Operating Reserve	-	468,840	581,260	599,680	619,050	2,268,830
	Rate Stabilization Funds	-	-	(1,493,060)	(916,790)	(209,550)	(2,619,400)
	Total Operating Expenses	9,126,200	9,845,610	10,713,440	11,676,520	12,790,410	54,152,180
		0.0%	7.9%	8.8%	9.0%	9.5%	
Scenario 4B: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025	Operating Reserve	-	468,840	581,260	599,680	619,050	2,268,830
	Rate Stabilization Funds	-	-	(1,414,480)	(916,790)	(288,130)	(2,619,400)
	Total Operating Expenses	9,126,200	9,845,610	10,792,020	11,676,520	12,711,830	54,152,180
		0.0%	7.9%	9.6%	8.2%	8.9%	

Service Fee Rate Calculation

Two options for calculation of 2024 service fee rates are presented for Board approval:

1. Scenario 4A - Scenario 4, as defined in the May draft budget, with updated network operating costs (subleases, Motorola post warranty support), and the allocation of all network operating costs set at 70% / 30% (radios/consoles); and
2. Scenario 4B - Scenario 4, as defined in the May draft budget, with updated network operating costs, and explicit breakdown of network operating costs into radio and console categories, where possible, and with the allocation of shared network operating costs set at 80% / 20% (radios/consoles).

For reference, the 2022 and 2023 KCERCS service fees as follows:

Current KCERCS Service Fees		
	Rate per Public Safety Radio per month	
Agency	2022	2023
King County	\$39.00	\$41.50
EPSCA	\$25.25	\$20.25
Seattle	\$26.06	\$25.64
VCC (average)	\$6.63	\$5.59
2024 Proposed Budget (Sc. 4B)	\$36.92	

Dispatch agencies are not currently charged for consoles on a per-console basis.

The method of calculating service fees³ defined in the PSERN Operator ILA, and further directed by the Board, was used, with costs being allocated into Employee-Related, Corporate/Administrative and Network Operating categories.

Scenario 4A calculates the service fee rates using a 70% / 30% (radios/consoles) split for all Network Operating costs, as has been presented in previous draft budgets going back to early in the PSERN Project.

For Scenario 4B, Network Operating costs were scrutinized further to assign costs directly to radio and/or consoles, when possible. This alternative approach to cost split is consistent with the ILA and results in an 80% / 20% (radios / consoles) split.

Specifically, the revised allocation method used in Scenario 4B is summarized as follows:

- Allocation for the categories in the Motorola post warranty support agreement (2026 onwards):
 - LMR minus dispatch - 100% radio.
 - Dispatch - 100% consoles.
 - Microwave - allocated based on the % of sites on the microwave that are dispatch versus RF (radio transmit/receive) sites.
 - MPLS - allocated based on % of sites on the MPLS network that are dispatch versus RF sites.

³ Expenditures are allocated to determine rates as follows: Employee-related 83% radios/17% consoles | Corporate Administrative 75% radios/25% consoles | Network Operating 70% radios/30% consoles for Scenario 4A or Network Operating explicitly allocated or 80% radios/20% consoles for Scenario 4B.

- Site operating costs (lease costs, equipment maintenance, etc.) are allocated 100% to radio for sites that are RF only.
- Site operating costs are split 50/50 for Master sites and sites that are microwave-only or a combination of RF/microwave and dispatch.
- Leased line costs and fiber costs that are only used to connect to dispatch sites will be allocated 100% to consoles.
- All other network operating expenses that cannot be explicitly allocated as above are split 80% / 20%, as this is consistent with the allocation for the other costs based on the rules above.

This alternate costing allocation results in a decrease to the service fee rates for consoles – a decrease of approximately 19% in 2024, which is a \$235/month decrease per console.

The PSERN Project has undertaken radio deployment using radio quantities and entitlements by agency that were determined back in 2021 (“Validated Final Inventory”) and defined in Change Order 13 within the Motorola contract. The radio quantities used to determine the rates are defined in Change Order 13.

It is expected that quantities for deployed radios will need to be revised and updated once radio deployment and user transition is completed. The radio quantities do not include any radios that were purchased directly by radio agencies.

However, it will take a significant amount of time to update and confirm these quantities, with that work not likely to be complete until FSA is achieved in December 2023. As a result, it is recommended that the 2024 service fee rates and agency billings be determined based on the 2021 Validated Final Inventory.

Therefore, the following numbers of radios and consoles were used in calculating rates:

- Public Safety radios – 13,616
- Non-Public Safety radios – 3,958
- Consoles – 144

The proposed service fee rates for Public Safety and Non-Public Safety radios and Consoles for Scenarios 4A and 4B are provided in Table 2 below.

PSERN Operator staff believes that Scenario 4B provides a more accurate allocation of network operating costs to radios and consoles. However, this Scenario results in higher radio costs up-front and higher increases in console rates when the Motorola post warranty services are added in 2026.

It is also important to consider the future changes to the mix of services – radio quantities are more likely to increase in future years than console quantities. Console quantities can be expected to reduce if additional dispatch centers elect to consolidate. If these changes occur, the impact to radio and console service fees will be reduced in comparison to Scenario 4A.

Overall, staff believe that Scenario 4B is preferred.

Table 2: 2024 Budget Summary Rate Table

Puget Sound Emergency Radio Network Operator
 2024 Budget (with 4 year proforma 2025 - 2028)
 Operator Cost Allocation Rates - Summary Rate Table

Scenarios	PSERN Draft Rates (Monthly)														
	Public Safety Radios					Non-Public Safety Radios					Consoles				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
Scenario 4A: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025	\$34.89	\$37.67	\$40.42	\$44.08	\$48.32	\$27.21	\$29.38	\$31.53	\$34.38	\$37.69	\$1,234.63	\$1,328.48	\$1,511.74	\$1,643.91	\$1,796.87
<i>annual % increase</i>		8.0%	7.3%	9.1%	9.6%		8.0%	7.3%	9.1%	9.6%		7.6%	13.8%	8.7%	9.3%
Scenario 4B: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025	\$36.92	\$39.75	\$42.75	\$46.35	\$50.50	\$28.80	\$31.01	\$33.35	\$36.16	\$39.39	\$999.22	\$1,086.51	\$1,286.60	\$1,380.47	\$1,498.61
<i>annual % increase</i>		7.7%	7.5%	8.4%	8.9%		7.7%	7.5%	8.4%	8.9%		8.7%	18.4%	7.3%	8.6%
Variance - Scenario 4B vs 4A	\$2.03 5.8%	\$2.09 5.5%	\$2.33 5.8%	\$2.27 5.2%	\$2.18 4.5%	\$1.58 5.8%	\$1.63 5.5%	\$1.82 5.8%	\$1.77 5.2%	\$1.70 4.5%	(\$235.41) -19.1%	(\$241.97) -18.2%	(\$225.15) -14.9%	(\$263.44) -16.0%	(\$298.25) -16.6%

Note: In 2026, the projected console rate increase is higher than radios for all scenarios. This is because of the significant increase in network operating expense in 2026, due to the commencement of Motorola post-warranty services and the allocation of those costs between radio and consoles.

Comparison to May 2023 Draft Operating Budget and Services

In comparison to the draft budget presented in May 2023, the proposed 2024 operating expense budget has increased from \$9.065M to \$9.126M, an increase of \$61K (0.7%). This is primarily attributable to the following factors:

- Radio sublease revenue: increase of \$84K based on a more fulsome review of the subleases being assigned to the Operator from King County.
- Network Operating Expenses: increase of \$145K, as more accurate radio site costs were provided since May 2023.

Based on the fee schedule in Change Order 8 of the Motorola contract, the Motorola post-warranty services costs have increased by \$475K starting in 2026.

Capital Costs

The proposed 2024 budget does not include any provision for capital expenses. While the PSERN Operator's capital expense requirements in 2024 are very limited, it is expected that in subsequent years budgets for capital items will be needed. The following are potential capital expenditures that may be required within the next 5 years:

- Vehicles, particularly as vehicles transferred from King County come to the end of their operational life.
- Radio site infrastructure replacement, in particular generators and HVAC equipment due to end of operational life or failure.
- IT and test equipment or software.

If capital requirements are identified in 2024, the PSERN Operator would seek Board approval to expend funds transferred from the PSERN Project after FSA as "surplus Project funds".

RECOMMENDATION:

It is recommended that the Board approve Scenario 4B of the 2024 draft budget and service fee rates. Staff's view is that this scenario provides a more accurate allocation of network operating costs to radios and consoles and is more sustainable in the longer term.

It should be noted that, by adopting the 2024 budget, the Board authorizes the PSERN Operator to begin collecting service fees on January 1, 2024, assuming Full System Acceptance has been achieved by that time.

The Operator Board is therefore, being requested to approve the following motion:

Approve Resolution No. 23-05 adopting service fees to be effective January 1, 2024 and a budget for 2024 as provided therein.

SUPPORTING DOCUMENTATION:

Appendix A: 2024 Budget Detail

Appendix B: 2024 Budget Assumptions

Appendix C: Resolution 23-05

Appendix A: 2024 Budget Detail

Puget Sound Emergency Radio Network Operator
 2024 Budget (with 4 year proforma 2025 - 2028)
 Consolidated Operating Costs - Detailed

Description	Fiscal Year					Total	
	2024	2025	2026	2027	2028		
REVENUE - OTHER							
Investment revenue	a (25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(125,000)	
						(125,000)	
SALARIES & BENEFITS							
Salaries	e 3,330,270	3,463,480	3,602,020	3,746,100	3,895,940	18,037,810	
Overtime	e 351,580	365,640	380,270	395,480	411,300	1,904,270	
Stand-by / after hours support	e 478,150	497,270	517,160	537,850	559,360	2,589,790	
Benefits	e 1,398,710	1,454,660	1,512,850	1,573,360	1,636,300	7,575,880	
		5,558,710	5,781,050	6,012,300	6,252,790	6,502,900	30,107,750
EMPLOYEE RELATED COSTS							
Training & conferences	e 48,000	49,440	50,920	52,450	54,020	254,830	
Travel (fuel, parking, tolls, etc)	e 5,000	5,150	5,300	5,460	5,620	26,530	
Mobile phones	e 22,270	22,940	23,630	24,340	25,070	118,250	
Office supplies, postage, shipping	e 10,000	10,300	10,610	10,930	11,260	53,100	
Other misc - meals, memberships, etc	e 5,000	5,150	5,300	5,460	5,620	26,530	
		90,270	92,980	95,760	98,640	101,590	479,240
PREMISE COSTS							
Facility Lease - Kent, WA	a 109,490	112,770	116,150	119,640	123,230	581,280	
Facility utilities	a 58,430	60,180	61,990	63,850	65,770	310,220	
Insurance	a 15,000	15,450	15,910	16,390	16,880	79,630	
Janitorial services	a 12,080	12,440	12,810	13,190	13,590	64,110	
Security system	a 4,220	4,350	4,480	4,610	4,750	22,410	
Office phones	a 1,800	1,850	1,910	1,970	2,030	9,560	
Voip lines	a 12,000	12,360	12,730	13,110	13,500	63,700	
		213,020	219,400	225,980	232,760	239,750	1,130,910
CORPORATE TECHNOLOGY COSTS							
Lumen - network connectivity	a 10,570	10,890	11,220	11,560	11,910	56,150	
Accounting Software License	a 99,160	102,130	105,190	108,350	111,600	526,430	
MS Office 365 annual license	a 26,250	27,040	27,850	28,690	29,550	139,380	
Tech Supplies (laptop replacements, peripherals, etc.)	a 10,000	10,300	10,610	10,930	11,260	53,100	
		145,980	150,360	154,870	159,530	164,320	775,060
PROFESSIONAL SERVICES							
Legal Services	a 120,000	90,000	90,000	90,000	90,000	480,000	
Consulting	a 100,000	75,000	77,250	79,570	81,960	413,780	
		220,000	165,000	167,250	169,570	171,960	893,780
KING COUNTY SERVICES							
Cash management / investment services	a 1,500	1,550	1,600	1,650	1,700	8,000	
		1,500	1,550	1,600	1,650	1,700	8,000
RADIO SITE COSTS							
Radio subleases (revenue offset)	n (583,840)	(602,350)	(621,520)	(641,350)	(661,880)	(3,110,940)	
Radio site leases	n 1,439,570	1,472,040	1,508,350	1,541,840	1,583,130	7,544,930	
Insurance - radio sites	n 505,000	520,150	535,750	551,820	568,370	2,681,090	
Fire monitoring	n 8,360	8,610	8,870	9,140	9,410	44,390	
Fire suppression	n 159,730	164,520	169,460	174,540	179,780	848,030	
Generator maintenance	n 207,800	207,800	207,800	214,030	220,450	1,057,880	
HVAC maintenance	n 92,950	95,740	98,610	101,570	104,620	493,490	
Fuel / diesel	n 182,690	188,170	193,820	199,630	205,620	969,930	
Utilities	n 122,150	125,810	129,580	133,470	137,470	648,480	
Fibre / backhaul	n 447,080	460,500	474,320	488,550	503,210	2,373,660	
Tower inspection	n 42,200	43,470	44,770	46,110	47,490	224,040	
Tower riggers	n 50,000	51,500	53,050	54,640	56,280	265,470	
Misc site maintenance / repairs	n 75,000	77,250	79,570	81,960	84,420	398,200	
Site maintenance supplies / parts	n 60,000	61,800	63,650	65,560	67,530	318,540	
Transportation	n 50,000	51,500	53,050	54,640	56,280	265,470	
Road maintenance	n 30,000	30,900	31,830	32,780	33,760	159,270	
		2,888,690	2,957,410	3,030,960	3,108,930	3,195,940	15,181,930
NETWORK TECHNOLOGY COSTS							
MCM radio activity support & mtce	n 6,610	6,810	7,010	7,220	7,440	35,090	
MCM Commshop annual license	n 19,810	20,400	21,010	21,640	22,290	105,150	
Jira software annual license	n 6,610	6,810	7,010	7,220	7,440	35,090	
MSI radio management subscription	placeholder - to be confirmed n -	-	-	-	-	-	
MSI -post warranty support services (including upgrades)	n -	-	1,926,490	1,958,680	1,990,580	5,875,750	
		33,030	34,020	1,961,520	1,994,760	2,027,750	6,051,080
Baseline - No Operating Reserve or Rate Stabilization Funds		Total Operating Expenses 9,126,200	9,376,770	11,625,240	11,993,630	12,380,910	54,502,750
			2.7%	24.0%	8.2%	8.2%	
Scenario 4A: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025		Operating Reserve	468,840	581,260	599,680	619,050	2,268,830
		Rate Stabilization Funds	-	(1,493,060)	(916,790)	(209,550)	(2,619,400)
		Total Operating Expenses	9,126,200	9,845,610	10,713,440	11,676,520	12,790,410
			0.0%	7.5%	8.6%	8.0%	8.5%
Scenario 4B: "Smoothing" Rate Stabilization Allocation, 5% Operating Reserve Beginning 2025		Operating Reserve	468,840	581,260	599,680	619,050	2,268,830
		Rate Stabilization Funds	-	(1,414,480)	(916,790)	(288,130)	(2,619,400)
		Total Operating Expenses	9,126,200	9,845,610	10,792,020	11,676,520	12,711,830
			7.5%	8.6%	8.2%	8.5%	

**Puget Sound Emergency Radio Network Operator
2024 Budget (with 4 year proforma 2025 - 2028)
Budget Assumptions**

- 1 Commencement of operation and collection of PSERN Operator service fees January 1, 2024
- 2 The Operator will employ its own staff beginning January 1, 2024. Headcount is projected to be 24 FTE in 2024 and will remain steady through 2028. Wages were calculated using the 2023 King County classifications and salary schedule and were escalated by 3.6% for 2024.
- 3 The following numbers of radios and consoles was used in calculating rates:
These numbers do not include any radios that are on the PSERN network, but purchased directly by agencies.

Column1	Public Safety	Non-Public Safety	Total
Portables	8,927	2,343	11,270
Mobiles	4,192	1,436	5,628
Control Stations	497	179	676
	13,616	3,958	17,574
Consoles			144

- Deployment of radios is still underway and the radio / console count will be trued-up in 2025.
- 4 Employee related and corporate / administrative budget costs are estimated based on the PSERN Operator being fully autonomous after FSA.
 - * premises costs include lease for the facility, along with other operating costs for maintaining the facilities
 - * technology and employee related costs are estimated assuming 24 FTE
 - * consulting and legal costs are estimated to be higher in 2024 to account for collective bargaining and start-up of the PSERN Operator operations
 - 5 Network operating expenses, including lease costs, have been extensively reviewed and revised based on the actual costs incurred by the Project throughout 2022; however, certain expenses are still estimates and based on limited operational history and experience and will need to be adjusted and refined as more operational experience is obtained.
 - * assume annual costs for network operating costs (leases, subleases, etc) on a cash-basis (i.e. annual payment recorded in year of receipt)
 - * assume Motorola will assign all MSI sites to PSERN Operator after FSA (estimated costs for leases and network operating costs - these numbers need to be further refined
 - * where available, network operating costs are budgeted based on maintenance contract values (i.e. Cummins contract for generator maintenance, McKinstry contract for HVAC maintenance, etc)
 - 6 Costs for Motorola post-warranty support are assumed to start 2 years after commencement of operation, January 1, 2026.
 - * costs based on schedule of payments in Motorola contract, change order 8
 - * excluded Motorola post-warranty support for on-site response and preventative maintenance (as the PSERN Operator will perform those functions in-house)
 - 7 The 2024 budget (and proforma statements) do not include any amounts for capital replacement.
 - 8 2 scenarios presented:
 - Scenario 4A with Network Operating at 70/30 split (and no further refinement of allocation of network operating costs between radio & consoles)
 - Scenario 4B with Network Operating at 80/20 split (and further refinement of allocation of network operating costs between radio & consoles)
 - * allocation methodology used to determine the split in costs between radios and consoles is as summarized:
 - allocation for the categories in the Motorola post warranty support costs is as follows:
 - LMR minus dispatch → 100% radio
 - Dispatch → 100% consoles
 - Microwave → allocated based on the % of sites on the microwave that are dispatch versus RF sites
 - MPLS → allocated based on % of sites on the MPLS network that are dispatch versus RF sites
 - radio site operating costs are allocated 100% to radio for sites that are RF only and split 50/50 for master sites and sites that are microwave only or a combination of RF/microwave and dispatch (eg. Valleycom, RCECC, Capital Hill, Norcom)
 - leased line costs that are only used to connect to dispatch sites will be allocated 100% to consoles
 - all other backhaul costs (eg. City of Seattle dark fibre) will be allocated 100% to consoles
 - Both scenarios include an operating reserve (at 5%) to commence in 2025 along with rate stabilization funds applied in 2026 onwards to smooth out the rates (to offset the MSI post warranty support services that commence in 2026)
 - 9 Where applicable, 10.1% estimate has been used for taxes.

² Federal Planning Bureau Consumer Price Index - Inflation forecasts [02/05/2023] September 2022 budget used the CPI-W King County estimates, which are not available until August 2023

Appendix C: Draft Resolution 23-05

PUGET SOUND EMERGENCY RADIO NETWORK OPERATOR

RESOLUTION NO. 23-05

A RESOLUTION of the Puget Sound Emergency Radio Network Operator Board of Directors adopting the 2024 Budget.

RECITALS

WHEREAS, in accordance with Section 4.4 of the Puget Sound Emergency Radio Network Operator Interlocal Cooperation Agreement (the “Interlocal Agreement”), by and among King County and the cities of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Mercer Island, Redmond, Renton, Seattle, and Tukwila, the Board of Directors (the “Board”) of the Puget Sound Emergency Radio Network Operator (“PSERN Operator”) is responsible for approving a budget for PSERN Operator; and

WHEREAS, budget for the 2024 period has been prepared by PSERN Operator staff and presented to this Board for consideration; and

WHEREAS, after due consideration the Board now desires to adopt the 2024 budget as set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PUGET SOUND EMERGENCY RADIO NETWORK OPERATOR AS FOLLOWS:

Section 1. Adoption of 2024 Budget. The Board hereby approves and adopts the 2024 budget in the total amount of \$[] (the “2024 Budget”). The 2024 Budget represents operating and capital costs that would be due and payable in fiscal year 2024. A summary budget for 2024 is attached hereto as Exhibit A and is incorporated herein by reference.

Section 2. Mid-Annual Review. The Board shall provide for a mid-annual budget review of the 2024 Budget and shall make modifications to such budget as determined to be necessary and in the best interest of the PSERN Operator.

Section 3. Further Authority; Prior Acts. All PSERN Operator officials, agents, and representatives are hereby authorized and directed to undertake all action necessary or desirable from time to time to carry out the terms of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified and confirmed.

Section 4. Severability. If any section, subsection, paragraph, sentence, clause or phrase of this resolution is declared unconstitutional or invalid for any reason, such decision shall not affect the viability of the remaining portions of this resolution.

Section 5. Effective Date. This resolution shall take effect immediately upon its passage and adoption.

PASSED at a regular meeting of the Puget Sound Emergency Radio Network Operator Board of Directors on this [] day of [], 2023.

CONCURRED by the Chairperson of the Puget Sound Emergency Radio Network Operator Board of Directors on this [] day of [], 2023.

Harold Scoggins, Chairperson, Board of Directors,
Puget Sound Emergency Radio Network Operator