

SERS –SNO911 Joint Board Meeting on Merger

Thursday, April 19, 2018

10:15 A.M. – 12:00 Noon

Offices of South Snohomish County Fire & Rescue RFA

12425 Meridian Ave. S, Everett, WA

Proposed Agenda

1. Call to Order and Introductions (*5 min.*) Deputy Chief Guptill (Chair, SNO911 Board) and Mayor Nehring (Chair SERS Board)
2. Review and Approval of Agenda (*2 min.*) Mayor Nehring
3. *Action Item:* Merger Steering Committee Charter and Work Plan Proposed Revisions (*30 min.*) Mayor Nehring, Karen Reed
4. *Action Item:* Statement on Merger Goals (*20 min.*) Mayor Nehring, Tom Mesaros
5. *Action Item:* Proposed Legal Structure for Integrating the Two Agencies: Merger (*15 min.*) Karen Reed
6. *Discussion/potential action:* Assurances to SERS staff (*15 min.*) Mayor Nehring, Brad Steiner, SERS
7. Next steps (*3 min.*)
 - Calendar Joint Board Meeting for May 17, agenda to include:
 - Due Diligence Progress Report
 - Options/Recommendation on Organization Structure Policy
 - 5-year Pro Forma Budget Presentation
8. Roundtable / Closing Comments (*15 min.*)
9. Potential Executive Session
10. Adjourn

SERS-SNO911 MERGER STEERING COMMITTEE

DRAFT Committee Charter

This document was approved by the SERS-SNO911 Merger Steering Committee on April 16, 2018. It is redlined to show changes to the version approved by the Committee on February 26, 2018. The Committee requests approval of this revised version by the Boards of SERS and SNO911.

- A. Mission:** The mission of the SERS-SNO911 Merger Steering Committee (“Committee”) is to develop information and materials necessary to allow the SERS and SNO911 Boards to make a decision as to whether and how SERS and SNO911 should consolidate or merge or integrate operations in some manner, by developing a recommended plan consistent with the **Scope and Purpose Statement (Attachment A)**. The Committee is advisory to the Boards of the Snohomish Emergency Radio System Agency (SERS) and Snohomish County 911 (SNO911).
- B. Input from Boards.** The Committee will accomplish its mission by developing and bringing forward a series of work products to the SERS and SNO911 Boards (collectively, “the Boards”) for review, input, and adoption.
1. Committee work products will be circulated in advance to Board members, and Boards will be asked to approve or request changes to a work product at the Board meeting where the work product is first presented.
 2. A Board may determine it needs additional time to deliberate on a work product rather than approve it, and if so, the Committee will shift its work plan so as to not delay the schedule any further than necessary. A Board choosing to deliberate on a work product will make every effort to conclude its deliberations by the end of its next regularly scheduled meeting.
 3. Whenever Boards have input/request changes to Committee products, the Committee will make revisions to address that input and bring the revised work product back up to the Boards as soon as practicable for their approval.
 4. If Boards have conflicting input, the Committee will seek to reconcile that in the revised work product, however, if the Committee (or either Board) observes an irreconcilable

conflict in input from the Boards, it will ask for a joint Board deliberation and direction on the matter. Both Boards must approve a work product for it to be considered approved.

5. **Stopping Work on Project.** Work on the project will end if either the SERS or SNO911 Board votes not to proceed further at any point. Alternately, project work may be put on hiatus until a later date by vote of either Board.

C. Communications.

1. **Employees.** The Committee will keep the SERS and SNO911 employees informed of its work throughout the process.
2. **Access to Committee Deliberations and Materials.** The Committee will post meeting agendas, meeting summaries, and non-sensitive materials online so that members of the public, Board members and employees can review the deliberations by accessing either the SERS or SNO911 websites. Committee meetings will be open to the public, but not posted as “public meetings,” since this is an ad hoc, temporary Committee. The Committee is not required to take public comment at its meetings, but may elect to do so at the discretion of the Committee chair.
3. **Public Communications.** Committee members may be called on from time to time to comment about the activities of the Committee or on the subject matter under deliberation. In such communications, Committee members will take care to distinguish official Committee positions from positions of individual Committee members.

- D. **Timeline:** The Committee will seek to conclude its work as expeditiously as possible in ~~by the first week of June,~~ 2018, as generally outlined on the attached Scope and Purpose Statement (**Attachment A**), after which time the individual member agencies and the Boards will individually deliberate on the merger process and timeline.

- E. **Committee Membership, Chair and Vice-Chair:** The Committee members include: Three (3) representative from the SERS Board and three (3) members from the SNO911 Board, plus one Alternate for Sheriff Ty Trenary, one of the SNO911 Board representatives. The Alternate is

encouraged to attend all meetings and may vote in the absence of Sheriff Trenary. (A list of members and the staff support team is set forth at **Attachment B**).

1. **Committee Chair, Vice-Chair:** Jon Nehring will serve as Chair of the Committee, and Tom Mesaros will serve as Vice-Chair. The Chair and Vice-Chair will review and approve agendas in advance of meetings. The Chair will preside over the meetings; the Vice-Chair will preside over the meeting in the absence of the Chair. The Chair and/or Vice-Chair will serve as spokespeople for the Committee when and as necessary.
2. **Resignation and Appointment of Replacement Members.** Any member of the Committee may resign, and such resignation shall be effective upon submitting written notice to the Committee Chair and his/her respective Agency Board Chair. The Agency Board Chair shall take prompt action to appoint a replacement member.

F. Committee Decision Making:

1. **Quorum.** A quorum at any committee meeting shall consist of Committee members who represent a simple majority.
2. **Participation by Telephone.** Committee members are encouraged to attend each meeting in person. Participation by telephone may be allowed in special circumstances at the discretion of the Committee Chair.
3. **Rules of Order.** The Committee will operate informally but shall use the latest edition of Robert's Rules of Order where necessary to process decisions.
4. **Votes.** Each member of the Committee has one vote. The SNO911 Alternate may vote only in the absence of Sheriff Ty Trenary.
5. **Routine Items.** Routine actions of the Committee will be confirmed by the vote of a majority of the members of the Committee present and voting.

6. **Work Products.** When deciding on a recommendation or recommendations to forward to the SERS and SNO911 Boards the Committee will strive to reach a consensus, defined as approval from not less than two-thirds of the Committee members from both SERS and SNO911.
 - a. If the Committee is unable to reach a consensus level of support for a proposed recommendation, then that item may still be forwarded to the Boards as a Committee recommendation if it is approved by 50% or more of the Committee members present and voting, including at least 1 vote from representatives from SERS and at least 1 vote from representatives from SNO911.
 - b. If the Committee is unable to reach recommendation level support described in subparagraph b above, then the proposal recommendation shall either be:
 - i. deferred to discussion and resolution at the next Committee meeting, **or**
 - ii. Forwarded for consideration by the SERS and SNO911 Boards with the notation that the Committee Force was unable to reach a recommendation on the option(s) under consideration.
 - c. Recommendations to the Boards will note the level of support from the Committee (consensus, recommendation, or no recommendation).
 - d. Wherever appropriate, the Committee will identify options before making a recommendation to the SERS and SNO911 Boards, and any recommendations to the Boards will include a summary of the options considered.

- 7. **Meeting Schedule, Meeting Materials.** The Committee will meet approximately twice each month, on dates agreed by the Committee. Staff will forward agendas and materials (to the extent available) to Committee members for review in advance of meetings.

- 8. **Staff support for Task Force:** Staff support will be provided by the Executive Directors of SERS and SNO911, an independent facilitator, and such additional agency staff as may be called upon from time to time.

G. Approval and Amendment of this document: This document shall be approved by vote of both the SERS and SNO911 Boards and any amendments to this document must also be approved by vote of both Boards, provided that the Committee has authority to adjust the schedule and topics for its work, within the overall project timeline.

Approved:

SERS

SNO911

By _____

Board Chair

Date: _____

By _____

Board Chair

Date: _____

Attachment A

SERS-SNO911 Merger Steering Committee

SCOPE and PURPOSE STATEMENT

The purpose of the SERS-SNOHOMISH COUNTY 911 Merger Steering Committee is to develop a preferred plan and approach for consolidating, merging or otherwise integrating the two agencies, including:

- Recommended timeline
- Service levels
- Cost Allocation/~~integrated rate structure~~
- Organizational structure
- Legal structure
- Transition Plan
- Consolidated agency Pro-forma budget for (5) years
- Transition/integration issues ~~related to radio system replacement project~~

WORK PLAN AND TIMELINE

Process/Timeline: The Committee will work through issues in the general sequence described below and develop a series of recommendations for consideration by each agency Board. The Committee will report to the Boards on a monthly basis, bringing forward recommendations for consideration as they become available.

The Committee plans to meet twice a month. Committee agendas, meeting summaries and meeting materials will be posted on the SNO911 website, with a link also on the SERS website.

The proposed timeline is to have a complete set of recommendations for consideration/action by the Boards ~~as soon as practicable in 2018 in June~~. Actual transition/integration of the two agencies would occur ~~as soon as the Boards agree after June, and could be several months later~~. (See proposed Boards ~~Briefing/a~~Action ~~to~~Schedule on p. 3)

Committee Tasks

February

- Adopt recommended scope and purpose statement, work plan and timeline for submittal to Boards
- Adopt committee charter
- Develop informal agreement with SERS Future Funding Sub-Committee to ensure communication between the two processes moving forward
- Develop plan for, and launch, due diligence review
- Ask SERS legal counsel for opinion on SERS Board vote process required to approve a merger, consolidation of SERS and SNO911, or an acquisition of SERS by SNO911, and whether SERS ILA will need to be amended in order to sign contracts with County for implementation of radio system replacement
- ~~Review radio project vendor scope of work in RFP~~

March

- Review input from all SERS and SNO911 Board members as to issues/concerns/ideas related to Merger
- Discuss vendor scope of work to understand timeline, risks, etc. with radio construction project
- ~~• Develop 2-3 scenarios for timing/sequencing of events, based on radio system project timeline and other considerations~~
- Develop recommendation with respect to commitments to current SERS staff
- Develop recommendation on preferred legal structure for integration (merger, consolidation or acquisition)
- Review SERS and SNO911 current budgets and five year budget projections – operating, capital and reserves. Provide direction to staff for preparing 5-year integrated budget pro forma (Excluding costs of radio system replacement project and its future operation).

April

- Develop 2 scenarios for addressing ongoing costs of SERS and SNO911 once the entities are merged, and identify actions necessary to implement. ~~(Rate formula)~~
 - **Due diligence report – part 1:** review all existing SERS contracts and obligations, including but not limited to facilities contracts/leases, identify issues related to integration of the two agencies, and develop recommendations as appropriate.
 - Organizational structure: identify issues, develop recommendations
 - ~~○ Reporting~~
 - ~~○ IT functions~~
- ~~Facilities plan. Develop 2 scenarios relative to office, equipment storage space; review other issues related to facilities, leases, properties (Due Diligence)~~

May

- Review County approved ordinance placing radio replacement project funding on the ballot and remain apprised of County approach to radio system replacement.
- Assuming a choice of funding mechanism has been made by County Council, review a staff-developed five-year funding scenario for integrated agency. Identify key assumptions, cost savings, additions. Provide direction on any refinements, follow up questions
- **Due diligence report – part 2:** complete due diligence, including but not limited to report on any outstanding SERS litigation and process for transferring SERS FCC licenses. Prepare report for Boards review.
- Develop recommendations on:
 - ~~○ Rate formula under integrated operations~~
 - Organizational structure
 - Facilities
 - Pro forma 5-year budget

- Develop 2-3 scenarios for timing/sequencing of events, based on radio system project timeline and other considerations
- Develop/Review documents needed to implement recommendations (articles of merger, merger plan, interlocal agreement amendments/amendments to rate structure)

June

- Finalize and present recommendations package
 - Timing
 - Documentation needed, potentially including:
 - Articles of merger/consolidation
 - Resolution approving transition plan, ~~fee formula changes~~
 - Bylaws changes

Items for Board Briefings/Action, by Month

February	Approve Steering Committee members, legal counsel for each agency
March	Review results of board survey Approve Committee scope and purposes, work plan, timeline Assurances to SERS staff related to integration/merger
April	Choice of legal structure (merger, consolidation or acquisition)
May (Joint Board meeting requested)	Preferred timeline discussion Organizational structure recommendation Facilities recommendations <u>Due Diligence Report Presentation</u> 5-year Pro-Forma budget presentation Rate structure discussion
June	Review and begin deliberations on final recommendations package <u>Timeline discussion</u>

The Committee’s work plan beyond the tasks noted in this document will be determined based on direction/schedule approved by the Boards.

Attachment B: Committee Members and Support Team

SERS
Jon Nehring, SERS Board President, Mayor, City of Marysville
Pam Pruitt, SERS Board Member, Mayor, City of Mill Creek
Bryan Stanifer, Deputy Police Chief, City of Lynnwood
SNO911
Tom Mesaros, Council member President , City of Edmonds
John Dyer, Police Chief, City of Lake Stevens
Ty Trenary, Sheriff, Snohomish County
Alternate for Ty Trenary: Joanie Fadden
COMMITTEE Support Team:
Ralph Krusey, Executive Director, SERS
Kurt Mills, Executive Director, SNO911
Terry Peterson, Deputy Director, SNO911
Karen Reed, Karen Reed Consulting, Facilitator
Sharon Brendle, SNO911
Also invited to meetings: SERS Future Funding Sub-Committee members
Richard Schrock, Susan Neely, Brian Haseleu

Statement on SERS-SNO911 Merger Goals

Document dated 4.16.18

Approved by Merger Steering Committee on 4.16.18 and recommended for approval by the SERS and SNO911 Boards

Surveys of SERS and SNO911 Board members have identified many perceived benefits of merging SERS and SNO911, and have also identified some concerns that the Merger Steering Committee will seek to address. Action on a plan of merger is several months in the future. The purpose of this document is to confirm and clarify why SERS and SNO911 are engaged in the merger project, and what we hope to achieve through a merger.

The Boards of SERS and SNO911 affirm that they seek to merge their two respective agencies in order to achieve the following **goals**:

- Improved coordination and communication between the public safety call answering and dispatch operation, and the radio system that supports it.
- Enhanced ability to promote and work towards realizing a shared vision and goals for the two integrally linked critical public safety operations.
- Better clarity for the public about who is providing the 911 services in Snohomish County, leading to better accountability of the merged agency.
- Better service to the public and the public safety personnel in Snohomish County, though better coordination of the two operations at the line staff and management level, and unified regional oversight.
- Secure potential economies and efficiencies through integrating the two operations.
- Oversight and policy direction provided by a regionally representative board of directors.
- Greater efficiency in oversight and better alignment in policy direction, through the work of a single board of directors rather than two.
- Enhanced ability to provide administrative support for the SERS operation.

A **sample mission statement** for the merged agency reflecting these goals might be:

Our mission: Provide excellent 911 services for the public and public safety providers in the most efficient and effective manner possible across all Snohomish County.

March 27, 2018

TO: SERS and SNO911 Boards of Directors

FM: Jon Nehring and Tom Mesaros, as Chair and Vice-Chair of the SERS-SNO911 Merger Steering Committee

CC: Merger Steering Committee Members and Support Staff, Brad Cattle (legal counsel for SERS), Deanna Gregory (legal counsel for SNO911)

RE: **Merger Steering Committee Recommendation on Legal Structure for Integrating the Two Agencies**

Based upon review and discussion of the attached matrix developed with input from legal counsel, the Committee recommends utilizing a merger process for a potential integration of SERS and SNO911. We request your support for this recommendation.

We considered three different legal process options: a merger, a consolidation (the process used in creating SNO911 from SNOPAC and SNOCOM), and an acquisition of SERS assets by SNO911. The similarities and differences of each of these options is described on the attached matrix.

The rationale for our recommendation is as follows:

1. Any of the three processes will require approval by a supermajority vote of both Boards (as defined in the respective agency Interlocal Agreements (ILAs)).
2. The merger process is likely to be the simplest of the options available because it does not require formal documentation to transfer SERS assets to SNO911: the transfer of assets—contracts, leases, property, etc. -- occurs automatically as a matter of law upon merger. The only exception to this would be if existing contracts expressly prohibit transfer, in which case, negotiation and documentation would be required. This is also true for a consolidation. By contrast, an acquisition would require documentation of all asset transfers.
3. The merger process will require some amendment of the SNO911 ILA to address cost allocation, but the necessary amendments can likely be achieved by supermajority vote of the SNO911 Board. It is possible that if the agencies decided to require major changes to the SNO911 ILA as a condition of merger that would require approval of legislative bodies of member agencies, but this seems unlikely/unnecessary, since the SNO911 ILA expressly contemplates the expansion of SNO911 authorities to incorporate SERS services and activities. In comparison, a consolidation would require development of a new interlocal agreement and creation of a new agency as successor to both SERS and SNO911.
4. Because of the automatic transfer of assets and the need for only minor modifications of the SNO911 ILA, the merger process is not only the simplest, we expect it would be the least expensive and could (if the agencies chose), be completed most quickly. It is the most efficient option.

We would be pleased to answer any questions you may have.

Attachment: Legal Process/Structure Choices for Integration of SERS and SNO911

Legal Process/Structure Choices for Integration of SERS and SNO911

Both SERS and SNO911 are nonprofit corporations whose members are municipal corporations. Both agencies are formed under Ch. 39.34 (Interlocal Cooperation Act) and Ch. 24.06 RCW (Nonprofit Miscellaneous and Mutual Corporations Act).

Issue	Merger	Consolidation	Acquisition
Legal process	Boards approve a plan of merger and articles of merger . Articles designate a “ surviving ” agency (in this case, SNO911). Articles of merger filed with state. Update bylaws/ILA as/if necessary.	Boards approve a plan of consolidation and articles of consolidation . Agencies form a new agency. Articles of consolidation filed with state. Update bylaws/ILA as necessary. (This was the process used to bring SNOCOM and SNOPAC together.)	Boards approve acquisition—transfer of assets to acquiring agency (SNO911). Acquired agency (SERS) would dissolve following asset transfer. Any assets/liabilities <i>not</i> transferred are distributed to SERS member agencies per dissolution clause in ILA.
Board Vote Required	SNO911: Supermajority Vote as defined in ILA SERS: Supermajority Vote as defined in ILA	SNO911: Supermajority Vote as defined in ILA SERS: Supermajority Vote as defined in ILA	SNO911: Supermajority Vote as defined in ILA SERS: Supermajority Vote as defined in ILA
Transfer of assets/liabilities/contracts	Assets transfer automatically to surviving agency.	Assets transfer automatically to new consolidated agency	Documentation prepared to transfers each assets from acquired agency (SERS) to acquiring agency (SNO911)--deeds, assignments, etc. -- documentation of transfer required for each item of property.
Cost	Costs of developing documentation –articles, bylaws.	Costs of developing documentation –articles, bylaws, new ILA (could be largely based on existing SNO911 ILA), plus associated start-up costs	Costs of developing asset transfer documentation.
Time	Fast, once deal points are agreed. No SNO 911 ILA changes needed (unless something major is proposed that triggers Section 18 requirement to get approval from member agencies)	New ILA is required (see above).	More work needed to transfer assets but no need to amend SNO911 ILA.
Interlocal Agreement	SNO911 ILA should not need to be amended to accomplish merger. SERS ILA automatically expires upon merger.	Would need to create a new ILA for the new agency. Both ILAs would automatically expire upon the creation of the new ILA.	SNO911 ILA should not need to be amended to accommodate an acquisition of SERS. SERS ILA would need to be formally dissolved.
Other issues:	A new taxpayer ID will not need to be secured for the merged agency.	New taxpayer ID is required—it’s a new corporation.	A new taxpayer ID will not need to be secured for the merged agency