

SERS – SNOHOMISH COUNTY 911 MERGER STEERING COMMITTEE

Meeting 8

Monday May 14, 2018

Location: 6A03 - Snohomish County Admin East

Time: 2:00 – 4:00 PM

Proposed Agenda

1. Welcome/Review of Today's Agenda (2 min.) Mayor Nehring
2. Approval of Meeting Summary from May 7/Meeting 7(3 min.) Mayor Nehring
3. Communications and Other Updates (15 min.) All
 - Staff assurances update
 - Vendor discussions update
 - County Council financing deliberations update
 - Other
4. **Discussion and Action item:** Revisions to Due Diligence Report; Committee action to forward this Draft report as an information item to the Joint Boards on May 17 (35 min.) Terry Peterson
 - What issues surfaced, if any, are critical to resolve prior to a merger vote?
5. **Discussion and Action item:** Review of 5-year SERS pro forma budget and action to forward as information item to Joint Boards on May 17 (20 min.) Terry Peterson
6. **Action item:** Recommendations to Joint Boards on **Organizational Structure Policy Statement** (15 min.) All
7. **Discussion and Potential Action item:** Review of organizational structure Options, pros and cons (30 min.) Brad Steiner, Kurt Mills, Terry Peterson
8. Next Agenda
 - Follow up from Joint Boards
 - Merger timing options
9. Adjourn

Future committee meeting dates/times/locations

- Wednesday, May 30, 1-3 PM Snohomish County, 6th Floor, Executive Conference Room
- Monday, June 11, Snohomish County, Room 6A03
- Monday, June 25, Snohomish County, Room 6A02

SERS-SNO911 Merger Steering Committee

Meeting Summary for May 7, 2018/ 2:00 to 4:00 p.m.

Location: Snohomish County Conference Room - 6th Floor Admin East

Note: *Follow-up action items are noted in italics.* Decisions are underlined.

Meeting Attendance:

Committee Members					
Jon Nehring	x	Bryan Stanifer	x	John Dyer	
Pam Pruitt	x	Tom Mesaros	x	Joanie Fadden (for Ty Trenary)	
Ty Trenary	x				
Guests					
Susan Neely	x	Brian Haseleu	x	Dick Schrock	x
Staff Support Team					
Ralph Krusey		Kurt Mills	x	Karen Reed	x
Brad Steiner	x	Terry Peterson	x	Sharon Brendle (notetaker)	x

1. **Welcome & Review of Today's Agenda:** Jon Nehring called the meeting to order at 2:02 p.m.
2. **Approval of Meeting Summary:** Tom Mesaros moved to approve the meeting summary of April 16th. The motion was seconded by Bryan Stanifer, and approved unanimously.
3. **Communications and Other Updates.**
 - **Approved Work Plan in Clean Format.** Karen provided a clean copy of the revised work plan, containing changes that were approved at the Joint Board meeting on April 19th.
 - **Staff Assurances Update.** Brad Steiner reported that SERS Personnel Committee have a revised formal draft. It's now with Chief Wilson for final review, and Brad will follow up with him in order to move the draft over to the SNO911 Personnel Committee in time for their meeting on Wednesday, May 9th.
 - **Vendor Discussions Update:** Demonstrations are scheduled for this coming Wednesday and Thursday. Brad reports that over 70% of the subscribers have signed up to attend the demo. It's key for the subscribers to observe material that will impact them. Everyone is welcome to attend. Jon Nehring asked if they would be pushing the high-end or low-end products. Brad explained that they wanted Motorola to show us what they have. They aren't interested in the "gold plated" version, but want the agencies to be happy. He wants to make sure there are no expectation gaps. The Sheriff wanted to confirm that this demo was for information gathering purposes only, no decisions will be made that day. Ralph will be scheduling 1 on 1 meetings with agency command. Additional items discussed regarding the upcoming radio replacement project:
 - The Sheriff is concerned with the growth in the County, specifically in the Sky Valley area. Brad explained that Motorola is working on an analysis for the

sky Valley area. He wants to have a special meeting with the Sheriff prior to June 1st. If insight is needed on additional sites, he needs to know.

- Dick Schrock inquired about the issue with tall buildings. Tom mentioned the need for repeaters on those buildings. There was caution stressed that the higher end models will cost more to replace in the future, and those replacements will not be funded by a tax increase, but by assessments. The Sheriff questioned this and said he hopes that on-going costs can be mitigated in a way that the agencies will be supported before they'll be asked to write their own checks. Jon requested that this discussion be concluded since it falls under the future funding issue, and not under the scope of the committee's work.

- **County Council financing deliberations update.** Brad, Susan, and Geoffrey Thomas have met. The Council has begun deliberating, and is moving ahead. The next update will be May 29th at 9:00 AM.

4. **Organizational Structure Policy Statement discussion.** Terry provided a handout which included data received from other agencies.

Karen prepared a revised list of policy goals to serve as guidance in recommending an organizational chart for a merged agency. One error was pointed out in the list: the wording on the 8th bullet should read "chain of command is important."

Under the list of policy goals, the following were points of discussion.

- While Brad is listed as the Executive Director for SERS, there was concern about pulling him off the radio project to handle management issues. One person cautioned that we should be avoiding any actions that would detract us from completing this work.
- There were concerns expressed with how the organization would look with full integration. The plan should be for normal, rather than a stormy period.
- The group acknowledged that the next two years could look different while the organization is in transition. There was a suggestion that the chart should contain temporary additional staff for this period, possibly a radio project team. The committee shouldn't worry about locking in this "temporary" structure, since it's expected to change. The board will be tasked with deciding how the structure evolves.
- **Presentation of Data from other agencies.** Brad and Terry interviewed 3 agencies and received organizational charts from another 2; results of the interviews were summarized in a PowerPoint presentation shared with the group. Brad and Terry found that no one agency was a perfect match for the scenario we are dealing with. The 3 agencies that were chosen were based upon certain criteria (technology and geographical similarities):
 - WCCCA (located in Washington County, Oregon, west of Portland)

- Pierce County (5 PSAPs)
- Washington State patrol.

The slides include a list of the questions asked, along with their responses. A simplified organizational chart for each of the 3 agencies interviewed was also included. Terry also shared organizational charts from two integrated PSAP-Radio agencies on the East Coast: one in Washington DC and one in York, Pennsylvania.

5. **Due Diligence Report.** Terry provided a written report on the work that had been done. Some of the items that were discussed include:

- Facility Lease – SERS has a 5 year agreement. They will need to engage the attorney to determine if any changes to this arrangement can be renegotiated.
- Lease agreements and sublease agreements. It was determined that all but one lease can be transferred. That particular lease-holder is the City of Everett.
- There is still a question on whether/how the FCC licenses can be transferred.
- SERS Monthly Healthcare premiums. Terry reported that SNO911 is currently in negotiation with its bargaining group, so decisions on the PSAP’s final benefits plan is undetermined.
- There are no other debts or obligations by SERS other than what has been described in the report. Additionally, they are not involved in any pending litigation matters. Attorneys for both SNO911 and SERS will need to prepare updated letters prior to the merger.

6. **5 year SERS pro forma budget and discussion of combed SERS-SNO911 pro forma assumptions and issues.** An additional Admin FTE is recommended whether or not a merger occurs. Currently, \$48,000 is spent to the County for the Admin/Finance Contract. There was a question on whether eliminating this amount would constitute a savings or if the amount would be shifted to something else. There was concern about not overstating the savings potential, since that amount could be turned into another FTE.

7. **Next Agenda.**

- Review organizational chart options, and develop the committee’s preferred option.
- Finalize materials for presentation at the May Joint Board meeting.
- The plan is to bring the Due Diligence Report to the next Joint Board Meeting tentatively scheduled for May 17th.
- Timing options for when merger is done.

8. **Closing Comments / Adjourn.** The meeting was adjourned at 4:01 p.m.

Future meeting dates/times/location:

- Monday, May 14, 2-4 PM County Admin East Building, 6th Floor, Room 6A03
- Wednesday, May 30, 1-3 PM 6th Floor, Executive Conference Room
- Monday, June 11, 2-4 PM County Admin East Building, 6th Floor, Room 6A03

May 9, 2018

TO: Merger Steering Committee Members

FM: Terry Peterson, Deputy Director Snohomish County 911

RE: **SERS and SNO911 DRAFT Due Diligence Report**

This memorandum provides an overview of the due diligence process completed as part of the SERS and Snohomish County 911 merger discussion. This report is intended to provide additional insights into the details, including potential risks, of the organizations to assist in the Board decision making process. This objective of this cursory due diligence process was to provide a high-level overview of potential issues that the respective Boards might consider in the evaluation of whether SERS & SNO911 will merge.

Documents Reviewed:

1. SERS provided lease and contract spreadsheet.
2. Excerpts from SERS employee manual related to pay and benefits
3. SERS 2018 Budget Documents
4. Sno County provided Budget vs. Actual finance reports 2015-2018
5. SNO911/SERS 6-year Pro Forma Budget
6. Sampling of lease agreements and sublease agreements
7. Job Descriptions for all employees except Executive Director and Technical Supervisor
8. 2015-2016 SAO Financial Statements Audit Report
9. 2012-2015 SAO Fraud Investigation Report¹
10. SERS Monthly Healthcare Premiums
11. Healthcare/Medical Benefits and Costs Comparison Chart
12. SERS Interlocal Agreement
13. SERS WCIA 5-Year Claim History
14. Letter From Anderson Hunter

Information Still Needed:

1. Asset list
2. FCC License(s) transferability questions (Pending)
3. Letter from Pacifica
4. Legal review of SERS facility lease

¹ The 2012-2015 SAO Fraud Report found approximately \$192K in public funds were misappropriated by the former SERS Director. Another \$46K was found to be questionable. The SERS Board took several actions including termination of the Director, requested a full scale criminal investigation, and made purchase process improvements.

SERS Contracts

Facility Lease. SERS is party to a lease agreement for its office and warehouse/shop space with Pacific Industrial Park. The 5-year agreement is set to expire on June 30, 2022. The 2018 cost of this agreement is \$7,795 per month. The contract contains 5% annual escalation.

Legal counsel should review the contract to confirm if there are any applicable clauses that might allow termination of the agreement ahead of 2022.

Radio Tower Site Leases. SERS is party to approximately **24 lease agreements** related to radio sites. While the terms and conditions of the agreements vary by site, in most cases, SERS owns the tower with communication equipment and communication building. In most cases the underlying real property is owned by a third party lessor. Nineteen (19) of the site lease agreements have language that allows assignability or transfer with written consent, 4 do not have specific language in either case, and one is specifically non-transferrable. The non-transferrable lease agreement is for the 76th Street radio site with the City of Everett.

Legal counsel should review the Everett lease to determine the transferability under a merger with SNO911. Everett should confirm whether they have concerns with the transfer under a merger scenario.

The total annual rental payment expense listed in the *SERS lease tracking spreadsheet* for all of the site lease agreements is \$296,413. In contrast, the *SERS 2018 budget* contains a line item labeled “Rentals – Antenna Site and Easements” with \$426,629 in expenses assigned. The reason for the expense difference between the contract list and the budget is not readily apparent. Mr. Haseleu reports the primary difference between the budget and the lease tracking spreadsheet are non-rent costs associated with the site including utilities and maintenance. SNO911 does not a lot of experience dealing with contracts of this nature.

Radio Tower Sub-Leases. In addition to the radio site lease agreements, SERS is party to approximately **41 sublease agreements** that generate revenue. Most of these agreements are for situations where SERS owns the radio tower and a third-party leases space on the tower. In most cases, the lease revenue is passed through to the land owner as part of the SERS lease agreements discussed above. The total revenue from the 41 sub-leases in 2018 is \$295,795. The SERS Budget vs. Actual reports show the amount collected and retained by SERS for these sublease agreements in 2015-2017 was \$42,615, \$49,171 and \$75,277 respectively. The balance is passed through to land owners.

Should a merger of the two organizations move forward, a full audit of all contractual obligations and revenues should be completed. These lease and sublease obligations should be centrally tracked and continuously managed.

Informal/Un-Documented Agreements

SERS installed and owns a tower and communication building at the King Lake site. There is no formal agreement between SERS and some of the other parties at this site. There may be other situations where SERS equipment and property is located/stored in the field without any written agreement.

SERS should consider formalizing through a written agreement situations that meet this criteria so there is a record of all equipment as well as the agreed to terms and conditions. It may be advisable to secure these agreements prior to merger.

Debts, Legal or Other Obligations

SERS has confirmed that no other debts or obligations exist outside of what is described in this due diligence report. A letter from Anderson Hunter, representing SERS, states there are “...no pending or threatened legal action that should have a material adverse effect on SERS’s financial condition.” A copy of the letter is attached to this report.

A comparable “no litigation” letter needs to be secured from SNO911 Council. Both letters should be updated prior to merger.

Employees and Benefits

SERS employees are non-union. All SERS staff except the Executive Director are non-exempt employees. Most comparable staff within the IT group at SNO911 are exempt employees.

SERS employees are enrolled into healthcare and retirement benefits through Snohomish County; the primary differences between the cost and benefits profiles of the benefit at SERS and SNO911 are summarized in Table 1 below.

Should merger move forward, the differences between compensation packages must be resolved so that employees are treated equitably.

**Table 1:
Comparing Health Care and Retirement Benefits of SERS and SNO911**

SERS	SNO911	Cost Difference
SERS pays into Social Security . (6.2% Employer, 6.2% Employee)	Does not participate in Social Security	See Deferred Comp. SERS employees cannot continue to participate in Social Security after a merger with SNO911 (see section below). But SNO911 could decide to contribute the same amount to deferred compensation, provide the 6.2% to employee pay, or eliminate contribution all together. SNO911 currently operates under two plans – once if which is

		consistent with a Social Security replacement plan.
Participation in Washington State PERS	Participation in Washington State PERS	No Difference
Optional, non-employer matching deferred compensation program.	<i>Currently under review to standardize</i> – North Campus offers \$200/mo. match, South Campus employees currently have a 3.5% automatic contribution and 2.9% match (6.4% total)	Minor difference when compared against SERS participation in Social Security, Depending on management decision. For example, if the decision were to contribute 6.4% to deferred comp for SERS employees, it equates to a difference of 0.2% of base salary for these employees.
Employees are offered a choice of three health plans from Snohomish County for “Non-represented employees, Management/Exempt, AFSCME (A)”. Depending on the plan selection, employees pay a small share of the healthcare premiums through a payroll deduction.	<i>Currently under review to standardize</i> – North and South campuses offer similar plans but vary to the degree of employee contributions.	No significant difference for <i>employer</i> . Total plan cost is within \$4K for all employees. However, under the SNO911 cost share, the <i>SERS employee</i> contribution will likely increase by approximately \$10K total across all seven SERS staff. (See Table 2 below)
Standby and Call Out Pay – SERS employees receive 10% of his/her hourly rate for standby time and if called out, are paid at a 1.5 times rate, with a minimum three hour callout time.	IT staff share on-call rotation and are provided \$250 per week stipend when on rotation. If they are called out the employees are able to bank those hours into an exchange time bank for later use. If someone is called out who is not currently on call, they receive a \$100 stipend and exchange time.	The SERS standby policy is generally more expensive. If this is applied to all on-call staff in the consolidated agency, there is a potential cost increase. Analysis is needed between the difference between standby employee who is actively monitoring vs. IT employee who is on call.
Sick leave is accrued at 8 hours per month with a bank capped at 225 hours. At employment separation, up to 80 hours are cashed out.	<i>Currently under review to standardize</i> – North Campus offers Paid Time Off (PTO), no separate sick leave, no cap on accrual. At employment separation, up to 750 hours are cashed out. At South Campus, employees earn 8 hours per month, no cap on accrual, at employee separation, 25% of sick leave is cashed out, unless the	Offering the North Campus PTO policy (which covers both Sick Leave and Vacation) to SERS will be more expensive than the current SERS policy, due to the higher number of hours employees can cash out upon separation – 750 (combined sick and vacation) PTO at North Campus vs 80 Sick hours at SERS.

	employee is retiring in which case 50% of sick leave is cashed out.	
Vacation accrual and buy-out. Vacation is accrued on a scale tied to years of employment, with a bank capped at 400 hours. At separation, up to 240 hours is cashed out. Time in excess of 240 hours is forfeited upon notice of resignation.	<i>Currently under review to standardize</i> – North Campus offers PTO, no separate sick leave, no cap on accrual. At employment separation, up to 750 hours are cashed out. At a South Campus employee separation, 100% of vacation time is cashed out.	Offering the North Campus PTO policy (which covers both Sick Leave and Vacation) to SERS will be more expensive than the current SERS policy Increase to liability in terms of the difference in the number of hours employees can cash out upon separation – 750 (combined sick and vacation) PTO at North Campus vs 240 Vacation hours at SERS.

Table 2

Current Cost of County Coverage for SERS Employees vs. SNO911 Coverage

Employee Impact Analysis	SERS Employees	Current County Plan (SERS) Per Employee		AWC Healthfirst 250 (SNO911) Per Employee	
		Employee	Employer	Employee	Employer
Employee	2	\$516	\$18,027	\$476	\$9,036
Employee Spouse	2	\$1,176	\$18,027	\$2,119	\$16,897
Employee Child	0	\$0	\$0	\$0	\$0
Employee and Children	0	\$0	\$0	\$0	\$0
Employee Spouse and 1 Child	3	\$1,548	\$18,027	\$2,778	\$21,432
Employee Spouse and 2+ Children	1	\$1,548	\$18,027	\$4,442	\$23,386
Total (All employees)	8	\$9,576	\$144,218	\$17,966	\$139,548

Note: This is a hypothetical based upon 2018 rates. The employee portion of healthcare premiums at SNO911 are actively under discussion by the SNO911 Board of Directors. This table assumes all employees are moved to the AWC Healthfirst 250 plan currently offered at South Campus with likely adopted cost shares. There are other plans offered by both Snohomish County and AWC, that the employee can choose to have coverage, such as Kaiser Permanente, which are not included.

There is a modest difference of approximately \$3K between the total cost of healthcare (employer and employee contributions) between the two plans. However, there is a larger difference in how much the employees contribute.

Social Security

Should merger occur, according to the State Social Security Administrator's office, continuing Social Security coverage for SERS employees is not an option. The decision to not opt-in to Social Security has already been made by SNO911. This represents a significant change to existing SERS staff.

Each SERS employee should review their own financial situation to make a determination of the impact of ending Social Security contributions.

Transfer of FCC Licenses

Ralph Krusey will seek a response to the following question from the attorney SERS has under contract who specializes in the radio and frequency field:

1. The SERS Governing Board is actively considering merger with Snohomish County 911. SERS is the license holder of all frequencies needed to operate the current LMR system. If the two agencies were to legally merge, with Snohomish County 911 designated as the "surviving" agency, what are the impacts of the FCC licenses? Would they need to be transferred to Snohomish County 911? Are there other steps or processes that we need to follow or of which we should be aware?

We will want to review the response from the attorney.

Radio Project

If merger occurs in Jan 2019, and the vendor contract is not yet signed by then, what additional review or levels of approval need to occur? Would these additional approval or review level impact the time to ratify or ultimately impact the project timeline?

SNO911 should stay closely involved and informed as the contract is negotiated. This will help reduce the risk of delay.

There is some expectation that additional FTEs may be required for the ongoing support and maintenance of the new radio system after project construction is completed. The amount of support is not yet known, but the Boards should be aware of this potential need and associated cost.

Staffing Needs

Current SERS staff leadership assessment and the SAO Fraud Investigation, which described the need for additional internal financial control, indicate a need for one FTE specifically to manage the day-to-day office operations and more importantly, have oversight of contracts and lease agreements. This position was previously part of the SERS budget but was reallocated, in part, to fund a temporary executive position.

The need for an additional FTE should be considered regardless of the decision to merge organizations.

If merger does move forward, SNO911's in-house finance staff could absorb and integrate the SERS the Payroll, AP, and HR functions with existing staff. However, the additional oversight over purchasing and procurement, contract management, Accounts Receivable, and other fiscal responsibilities cannot be absorbed with without the additional FTE discussed above. The position would be applied differently in a merged versus standalone agency as the responsibility of focus would shift from just SERS to the entire merged organization.

Pro Forma Budget & Cost Savings

A six-year Pro Forma budget was developed without consideration of the future replacement radio project. *This Pro Forma is an independent work product and should not be confused with SERS budgeting documents.* The Pro Forma budget projects that the 2018 year-end cash at SERS will be approximately \$1.5M. Snohomish County Finance Manager Brian Haseleu noted that if the new radio system is approved, a portion of the replacement reserves would likely be dedicated to project implementation. The Executive Director salary is currently being funded from replacement reserves in 2018. The continuation of this practice is not factored into the Pro Forma after 2018.

The Pro Forma budget projects a 3.77%-3.89% year-over-year increase in costs, based upon the assumptions utilized. The SERS budget documents showed a projected growth of 2.6% per year through 2020. This is based upon an eight-year plan adopted by the SERS Board in 2013. The difference between the Pro Forma and SERS projected growth is primarily found in the assumptions.

Merger: Operational and Cost Considerations of a Merger between SERS and SNO911

Administration

- Elimination of \$48K per year for County Admin/Finance Contract and \$4K in rent paid to SNO911 for datacenter space.
 - Payroll and Accounts Payable and HR work can be absorbed by SNO911 (at current SNO911 staffing levels).
- Basic IT systems can be centrally administered
 - Oversight of software licensing
 - Security and Intrusion Detection on network
 - Phone system integration
 - Email, file servers, costs associated with the maintenance and upkeep of these systems
 - Data backup and protection
- IT and Radio Technical Synergies can be realized
 - Some positions will have overlap which will allow greater coverage and depth of knowledge for the new radio systems
 - As new investments are made in technologies, purchasing for needs of both agencies are possible. Examples: Asset management, network security hardware, servers.

- Development and adoption of best business practices can be deployed across the merged organization
 - Risk Management
 - Financial Oversight and Management
 - Payroll, AP
 - Human Resources
 - Access to highly trained/credentialed staff to manage human resource issues
 - Benefit management

Staffing: FTES, Salaries, Benefits

- 1 additional contracts/admin FTE recommended for SERS operation, whether or not merger occurs – If merger does occur – this position, along with the responsibilities may be absorbed so that person can provide additional oversight across the organization
- Benefits costs are relatively neutral (within \$3K total including all SERS employees), although the cost share to the employees will likely increase.
- SNO911 is doing a salary survey now; SERS positions are not included in that survey. Not clear whether there would need to be any significant change in salary for current SERS employees in a merger.
- Lack of option to remain in Social Security may be a concern for some SERS employees.
- ED position currently funded from reserves, pending tax initiative.

Locating Staff, Equipment

- Current SERS facility lease ends in June, 2022.
- Expected that SERS employees could be housed in SNO911 North and/or South Campus if desired. (Pending space buildout and parking lot additions)
- Additional equipment storage locations for SERS equipment would be required— consider at least 2 ongoing locations to reduce travel time.

DRAFT SERS Six-Year Pro Forma Budget

Lease and Other Revenue	5%
Salary	3%
Benefits	5%
M&O	4%
Equipment Rental and Revolving (ER&R) % of Budget	7%
Replacement Reserves	7%

	2018 Budget	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Lease and Other Revenue (Directly to Reserves)	\$ 119,942	\$ 125,939	\$ 132,236	\$ 138,848	\$ 145,790	\$ 153,080	\$ 160,734
Member Assessments	\$ 2,696,888	\$ 2,798,674	\$ 2,906,629	\$ 3,019,095	\$ 3,136,130	\$ 3,257,918	\$ 3,384,664
Total Revenue	\$ 2,816,830	\$ 2,924,613	\$ 3,038,865	\$ 3,157,943	\$ 3,281,920	\$ 3,410,998	\$ 3,545,397
Salary	\$ 882,104	\$ 908,567	\$ 935,824	\$ 963,899	\$ 992,816	\$ 1,022,600	\$ 1,053,278
Benefits	\$ 325,913	\$ 342,209	\$ 359,319	\$ 377,285	\$ 396,149	\$ 415,957	\$ 436,755
M&O	\$ 1,239,578	\$ 1,289,161	\$ 1,340,728	\$ 1,394,357	\$ 1,450,131	\$ 1,508,136	\$ 1,568,462
Supplies	\$ 116,408	\$ 121,064	\$ 125,907	\$ 130,943	\$ 136,181	\$ 141,628	\$ 147,293
Professional Services	\$ 163,166	\$ 169,693	\$ 176,480	\$ 183,540	\$ 190,881	\$ 198,516	\$ 206,457
Communications	\$ 46,463	\$ 48,322	\$ 50,254	\$ 52,265	\$ 54,355	\$ 56,529	\$ 58,791
Training	\$ 3,000	\$ 3,120	\$ 3,245	\$ 3,375	\$ 3,510	\$ 3,650	\$ 3,796
Rentals (Sites & Easements)	\$ 426,629	\$ 443,694	\$ 461,442	\$ 479,900	\$ 499,096	\$ 519,059	\$ 539,822
Utilities	\$ 76,917	\$ 79,994	\$ 83,193	\$ 86,521	\$ 89,982	\$ 93,581	\$ 97,325
Repair/Maintenance/Support	\$ 294,542	\$ 306,324	\$ 318,577	\$ 331,320	\$ 344,572	\$ 358,355	\$ 372,690
WCIA	\$ 72,000	\$ 74,880	\$ 77,875	\$ 80,990	\$ 84,230	\$ 87,599	\$ 91,103
Operating Contingency (1.5%)	\$ 40,453	\$ 42,071	\$ 43,754	\$ 45,504	\$ 47,324	\$ 49,217	\$ 51,186
Sub-Total	\$ 2,447,595	\$ 2,539,937	\$ 2,635,871	\$ 2,735,541	\$ 2,839,096	\$ 2,946,693	\$ 3,058,495
Transfer to ER&R	\$ 65,378	\$ 69,954	\$ 74,851	\$ 80,091	\$ 85,697	\$ 91,696	\$ 98,115
Transfer to Replacement Reserves	\$ 183,915	\$ 188,782	\$ 195,907	\$ 203,464	\$ 211,337	\$ 219,529	\$ 228,054
Total Operating Budget	\$ 2,696,888	\$ 2,798,674	\$ 2,906,629	\$ 3,019,095	\$ 3,136,130	\$ 3,257,918	\$ 3,384,664
Year over Year Change %		3.77%	3.86%	3.87%	3.88%	3.88%	3.89%
Estimated Ending ER&R Fund Balance	\$ 165,089	\$ 177,516	\$ 190,814	\$ 205,042	\$ 220,266	\$ 236,556	\$ 253,986
Estimated Ending Replacement Reserves Fund Balance	\$ 463,334	\$ 669,905	\$ 995,921	\$ 1,111,781	\$ 1,226,604	\$ 1,339,948	\$ 1,451,323
Estimated Ending M&O Fund Balance	\$ 950,901	\$ 1,032,343	\$ 1,116,926	\$ 1,204,781	\$ 1,296,043	\$ 1,390,848	\$ 1,489,342
Estimated Total Ending Fund Balance	\$ 1,579,324	\$ 1,879,764	\$ 2,303,661	\$ 2,521,604	\$ 2,742,913	\$ 2,967,352	\$ 3,194,651

Notes:

2018 includes salary for CAO, ED salary/benefits are funded from Replacement Reserves
 2018 Salary includes 2.5% Personnel Contingency, Standby Pay, and Anticipated Overtime
 Benefits based upon 40% of salary, includes L&I, ESD.
 Professional Services includes Sno County support, legal, memberships, FCC licensing & Eng.
 Utilities includes Antenna sites, fuel
 Replacement Reserves is budgeted based upon 7% of previous year adopted budget
 Replacement Reserves Fund Balance based upon County Finance forecast for years 2018-2020
 Replacement Reserves Fund Balance years 2021-2024 based upon transfer from Operating Budget + Lease Revenue - 2013-2017 average fund expenditure of \$226,452 per year (adjusted at the same rate as the fund revenue forecast).
 Equipment Rental and Revolving (ER&R) is primarily designed to fund rolling stock (think trucks, equipment, etc) and has been used to replace generators
 ER&R Fund Balance includes \$58,470 2018 Budgeted Expense, for years 2019-2024 includes \$57,527 annual expense (based on 2015-2017 actual expenditures average, adjusted at the same rate as fund growth forecast)
 M&O Fund Balance based upon 2015-2017 BVA, % under expended average 2.91%
 Does not include the Management FTE recommended in the due diligence report
 Does not include costs associated with facility lease that expires in 2022
 Does not include technical or other FTEs that may be needed for routine maintenance as part of the radio project

SERS-SNO911 Merger Steering Committee

Proposed Policy Goals to Serve as Guidance in Recommending an Organizational Chart for a Merged Agency

The following policy goals are recommended to serve as guidance in developing the organization chart / reporting structure for a merged SERS-SNO911 agency.

The organization chart / reporting structure should:

1. Have clear lines of responsibility.

In the view of the merger steering committee, this means:

- a. There will be 1 Chief Executive Officer of the Agency.
- b. Each employee shall have no more than 1 person to whom they directly report (excepting the CEO who reports to the Board).

2. Promote a high functioning agency.

In the view of the merger steering committee, this means:

- a. Where there are clear best practices in terms of organizational structure, they should be applied.
- b. The structure should be organized by function.
- c. Common operations should be integrated, rather than siloed, where it will improve operational efficiency and improve service levels to the public (examples: payroll, accounts payable, human resources, finance, common IT platforms (such as email, cell phones and laptops should be managed from one operational group)).
- d. Managers should have a reasonable span of control (not an excessive number of direct reports—that number will differ depending on the management position)

3. Ensure adequate internal oversight and management control.

4. Be designed without regard to the current individuals serving in leadership capacity at the two agencies: these people may change over time. The focus should instead be on function of the positions and the overall organizational structure.

5. Reflect the importance of both the PSAP operation and the radio system that supports it.

In the view of the merger steering committee, this means:

- a. The executive director of radio system operations formerly situated within SERS should report directly to the CEO of the merged agency.