

Executive Finance Committee Meeting Agenda
May 16, 2024, 3:00 p.m.



Virtual Meeting Participation Information:
Dial: 1-253-215-8782 Meeting ID No. 84047421982
Webinar link: <https://us02web.zoom.us/j/84047421982>

Physical Meeting Location:
Pierce Transit Training Center
3720 96th Street SW
Lakewood, WA 98499

Call to Order

Approval of Minutes – March 21, 2024, committee meeting

Public Comment:

Citizens wishing to provide comment will be given up to three minutes to comment on transit-related matters regardless of whether it is an agenda item or not. The Chair, at his or her discretion, may reduce the comment time to allow sufficient time for the Board to conduct business.

*To request to speak virtually during public comment, please press the Raise Hand button near the bottom of your Zoom window or press *9 on your phone. If speaking in person, please sign in at the table at the back of the room. Your name or the last four digits of your phone number will be called out when it is your turn to speak. Written comments may also be emailed to Djacobson@piercetransit.org.*

Action Agenda

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 1. FS 2024-024, Authority to Execute a Multi-Year Contract with Sentinel Technologies (Contract No. E1904A) for Managed Cybersecurity Services | Christian Handsaker
IT Assistant Manager |
| 2. FS 2024-025, Authorize the Chief Executive Officer to Increase the Contract Spending Authority with Cabbros Cleaning Service, LLC., (Contract No. 1371) for Continued Janitorial Services | Jace Banta
Facilities Assistant Manager |

Review/Discussion

- | | |
|-----------------------------|------------------------------------------|
| 1. 2024 Q1 Financial Update | Chris Schuler
Chief Financial Officer |
|-----------------------------|------------------------------------------|

Commissioner Comments

Executive Session – None Scheduled

Adjournment

Pierce Transit does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the Clerk's Office at 253.581.8066, before 4:00 p.m., no later than the Tuesday preceding the Board meeting.

**PIERCE TRANSIT
EXECUTIVE FINANCE COMMITTEE MEETING**

March 21, 2024

MINUTES

CALL TO ORDER

Commissioner Walker called the meeting to order at 3:01 p.m.

ATTENDANCE

Executive Finance Committee Commissioners present:

Jim Kastama, City of Puyallup
Ryan Mello, Pierce County Council
Kristina Walker, City of Tacoma, Chair of Committee

Executive Finance Committee Commissioners excused:

Marty Campbell, Pierce County Council, Vice Chair of Committee
Shannon Reynolds, Mayor of Fircrest, represents cities of University Place and Fircrest

Staff present:

Mike Griffus, Chief Executive Officer
Ryan Wheaton, Chief Planning Officer
Dustin Annis, Assistant to the CEO/Deputy Clerk of the Board
Deanne Jacobson, Clerk of the Board

OPENING REMARKS AND HOUSEKEEPING

Commissioner Walker welcomed committee members, staff, and citizens to the virtual meeting and provided attendees with instructions for participation.

APPROVAL OF MINUTES

Commissioners Kastama and Mello **moved** and seconded to approve the July 20, 2023, meeting minutes as presented.

Motion **carried**, 3-0.

PUBLIC COMMENT

No public comments were received.

ACTION AGENDA

1. Election of Chair and Vice Chair

Pursuant to Section of the of the EFC Operating Procedures the committee shall elect a chair and vice chair at the first meeting of the year.

Commissioners Mello and Kastama **moved** and seconded to nominate Commissioner Walker to serve as Chair for calendar year 2024.

There being no other nominations, Commissioner Walker was elected Chair of the Executive Finance Committee for calendar year 2024.

Commissioners Mello and Kastama **moved** and seconded to nominate Commissioner Campbell to serve as vice Chair for calendar year 2024. Commissioner Walker confirmed that Commissioner Campbell is willing to fulfill this role.

There being no other nominations, Commissioner Campbell was elected Vice Chair of the Executive Finance Committee for calendar year 2024.

2. FS 2024-014, Authority to Execute a Contract with Fehr & Peers (Contract No. 1833) to Provide Development Assistance for the All-New Destination 2045 Long Range Plan

Principal Planner Darin Stavish presented on the item, reviewing the scope/deliverables that will be accomplished under the contract. He also provided an overview of the procurement and selection process.

Commissioners Kastama and Mello **moved** and seconded to authorize the Chief Executive Officer to enter into and execute a contract with Fehr & Peers, (Contract No. 1833) to provide development assistance with the all-new Destination 2045 Long Range Plan, for a contract authority not to exceed amount of \$271,412.00.

Motion **carried**, 3-0.

REVIEW AND DISCUSSION

1. Farebox Recovery Overview

Chief Planning Officer Ryan Wheaton provided an overview of the agency's Farebox recovery practices, both historical and current. He reviewed industry-wide standards for farebox recovery, noting fixed route bus systems typically collect around 15-25 percent range. He advised historically Pierce Transit's collection rate has been as high as 22 percent and prior to the pandemic farebox collection rates were between 10-12 percent. He advised that fare evasion does contribute to the lower farebox collection rate as well as other factors.

He advised that the current farebox recovery rate is near 5 percent and that can be attributed to the cost of doing business, declining ridership, reduced service hours, reduced fare programs such as ORCA LIFT/discounted programs, and the fact the agency has not raised fixed route fares to keep up with inflationary costs since 2010. Mr. Wheaton advised that the various discounted or fare free programs help ridership numbers, but they do not improve farebox recovery. He noted that the agency is aware of its farebox recovery rate but has not focused on this aspect over the years.

Commissioner Mello noted that farebox recovery is a metric, but the Board has been focused on other components such as ridership, the customer experience, and safety, as evident in the current strategic plan that was approved by the Board earlier in the year.

Chair Walker recommended that the strategic plan metrics come before the Executive Finance Committee before the full Board.

A question-and-answer period ensued about how the agency makes up for the fare shortfalls and overall policy decisions as it relates to farebox recovery.

CEO Griffus reported that the agency hasn't focused as much on fare recovery in that a large portion of the agency's customers are lower income and do not own a car.

It was noted that a future discussion about fares at an upcoming retreat would be beneficial.

COMMISSIONER COMMENTS

Chair Walker reported that the next meeting is scheduled for May 16, 2024.

EXECUTIVE SESSION

No executive session was scheduled.

ADJOURNMENT

There being no further business before the committee, the meeting was adjourned at 3:30 p.m.

Deanne Jacobson
Clerk of the Board

Kristina Walker, Chair
Executive Finance Committee

TITLE: Authority to Execute a Multi-Year Contract with Sentinel Technologies (Contract No. E1904A) for Managed Cybersecurity Services

DIVISION: Finance

SUBMITTED BY: Christian Handsaker, IT Assistant Manager

RELATED ACTION: N/A

ATTACHMENTS: N/A

RELATION TO STRATEGIC PLAN: Internal

BUDGET INFORMATION

Is it Budgeted? Yes / No

Project Name or Number: NA

Operating Budget

Capital Budget

FUNDING SOURCE:		EXPLANATION:
Local Amount	\$ 482,478	Costs are \$127,584 for 2024, \$118,298 for 2025, 118,298 for 2026, and 1182,98 for 2027. Funds will be budgeted in the Operating budget for 2025-2027.
Grant/Other Amounts	\$ N/A	
Total Expenditure	\$ 482,478	

BACKGROUND:

A cyber security monitoring service is crucial for organizations to safeguard their digital assets and operations effectively. By continuously monitoring networks, systems, and applications, this service detects and responds to potential cyber threats promptly. This proactive approach not only helps in preventing security breaches but also ensures regulatory compliance and mitigates risks. This service provides 24/7 monitoring required by the current environment to protect Pierce Transit and its operations.

This contract was procured through a competitive bidding process. Sentinel Technologies was the successful respondent out of 23 proposals. They had the best combination of technology, price, and experience.

STAFF RECOMMENDATION:

Authorize the Chief Executive Officer to enter into a multi-year contract with Sentinel Technologies for managed cybersecurity services.

ALTERNATIVES:

Pierce Transit does not currently have the staff to perform 24/7 monitoring and response for our digital environment. The alternatives would be to not implement the cybersecurity monitoring system. This is not recommended as it leaves the agency open to cybersecurity threats. The risk of damage from a prolonged attack is significantly higher than if it were detected and remediated in a short period of time. Hiring more staff to monitor cybersecurity threats would result in increased expense since it would require at least two additional FTE's and the per year cost of the proposed contract is less than a single FTE.

PROPOSED MOTION:

Move to: Authorize the Chief Executive Officer to enter into and execute a multi-year contract (Contract No. E1904A) with Sentinel Technologies for managed cybersecurity services in the amount of \$482,478.00.

TITLE: Authorize the Chief Executive Officer to Increase the Contract Spending Authority with Cabbros Cleaning Service, LLC., (Contract No. 1371) for Continued Janitorial Services

DIVISION: Maintenance

SUBMITTED BY: Adam Davis, Chief Maintenance Officer

RELATED ACTION: FS 2022-031, Authorize Chief Executive Officer to Execute a Multi-Year Contract with Cabbros Cleaning Service, LLC., to Provide Janitorial Services for Buildings 4 and 5.

ATTACHMENTS: N/A

RELATION TO STRATEGIC PLAN: Internal

BUDGET INFORMATION

Is it Budgeted? Yes / No

Project Name or Number: Contract No. 1371, Cabbros Cleaning Service, LLC.

Operating Budget

Capital Budget

FUNDING SOURCE:		EXPLANATION:
Current Contract Authority	\$ 540,338	The increased amount includes Operating funds for an additional \$17,117 for contract year 2024-25 and to extend the contract term for janitorial services in Buildings 4 and 5 through June 2027.
Increase Contract Authority Amount	\$ 483,144	
New Contract Authority Amount	\$ 1,023,482	

BACKGROUND:

In July of 2022, Pierce Transit entered into a multi-year contract with Cabbros Cleaning Service after a competitive solicitation and Board approval. As the economy experienced unexpected levels of inflation the contract rates were increased by 8% in 2023-24 and the Contractor has requested an increase of 10% in 2024-25. These increases are to keep up with wage rate increases, increased costs for chemicals, janitorial supplies, materials, and equipment costs which results in a projected shortage in the amount approved by the Board of \$17,117 for the upcoming annual renewal in July for the 2024-25 year. Allowance work that falls outside of the Basic Monthly Service is included in the contract which has allowed staff to easily assign work to this contractor for window washing, pressure washing, emergency janitorial services, deep-cleaning, and carpet cleaning that has improved the overall appearance of Pierce Transit facilities. Staff are pleased with the work performance by Cabbros Cleaning Service. As a result of Cabbros Cleaning Services excellent performance, staff is requesting additional funding to extend the contract.

ALTERNATIVES:

Do not authorize an increase to the spending authority or the extended contract term. This is not recommended as staff are impressed with the janitorial services of Cabbros Cleaning Service provides and it is unnecessary to release a new request for proposals at this time.

RECOMMENDATION:

Staff recommends increasing the contract amount by \$483,144 and extending the contract term for up to two (2) additional years.

PROPOSED MOTION:

Move to: Authorize the Chief Executive Officer to increase the contract spending authority by \$483,144 with Cabbros Cleaning Service (Contract No. 1731) to provide continued janitorial services for a total contract spending authority of \$1,023,482.

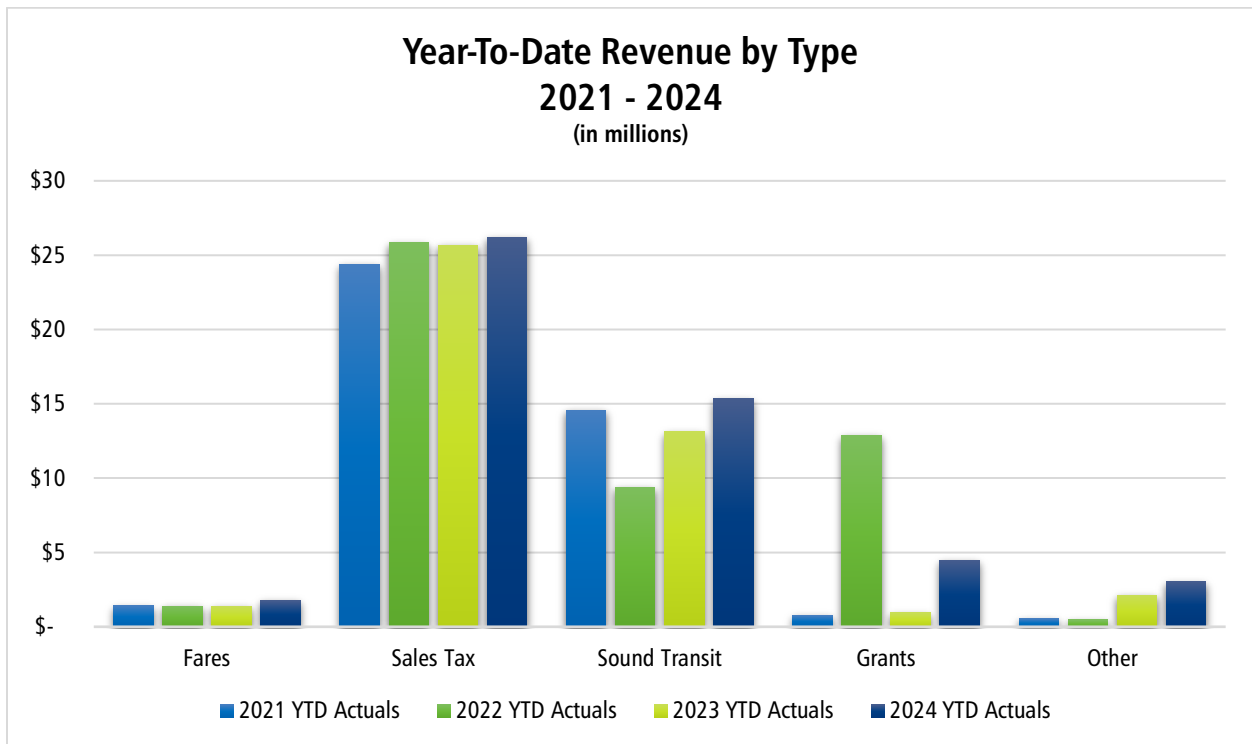
Pierce Transit
Quarterly Financial Report
01.01.2024 – 03.31.2024



Operating Revenues

As of March 31st, Pierce Transit has received 25.81% of the budgeted revenue. A comparison of operating revenue for three prior years and the 2024 Budget to Actuals are provided in the table below. The 2024 budget numbers are for the full year whereas actuals for each year reflect activity through March 31st.

	2021		2022		2023		2024		% of Budget Received
	YTD Actuals	YTD Actuals	YTD Actuals	YTD Actuals	YTD Actuals	Budget	YTD Actuals		
Fares	\$ 1,437,687	\$ 1,396,636	\$ 1,391,314	\$ 6,327,840	\$ 1,773,973			28.03%	
Sales Tax	24,397,247	25,852,577	25,674,443	\$ 113,027,500	26,207,051			23.19%	
Sound Transit	14,570,957	9,364,066	13,106,394	\$ 60,117,730	15,339,680			25.52%	
Grants	773,842	12,877,067	930,657	\$ 16,047,540	4,481,570			27.93%	
Other	557,359	466,310	2,126,452	\$ 1,404,240	3,032,373			215.94%	
Total Operating Revenues	\$ 41,737,093	\$ 49,956,656	\$ 43,229,260	\$ 196,924,850	\$ 50,834,647			25.81%	



Highlights from 1st Quarter:

Other revenue has the largest increases over budget by 115.94%. The majority of this is earned interest from investments fueled by higher interest rates. Fares, Sound Transit reimbursement, and Grants are performing at the expected budgeted amounts. Sales Tax is lagging below the 25% mark, in line with typical collections in first quarter being smaller than the remainder of the year.

Revenue Definitions

Fares – Revenues for actual services provided and include fixed route, SHUTTLE and Vanpool services. The current average fare per boarding is \$0.71. The last adult fare increase was in 2010.

Sales Tax – This revenue source provides most of our operating revenue and is based on taxable sales within the Pierce Transit Public Transportation Benefit Area. Currently, Pierce Transit only collects 0.6% of the 0.9% allowable sales tax rate.

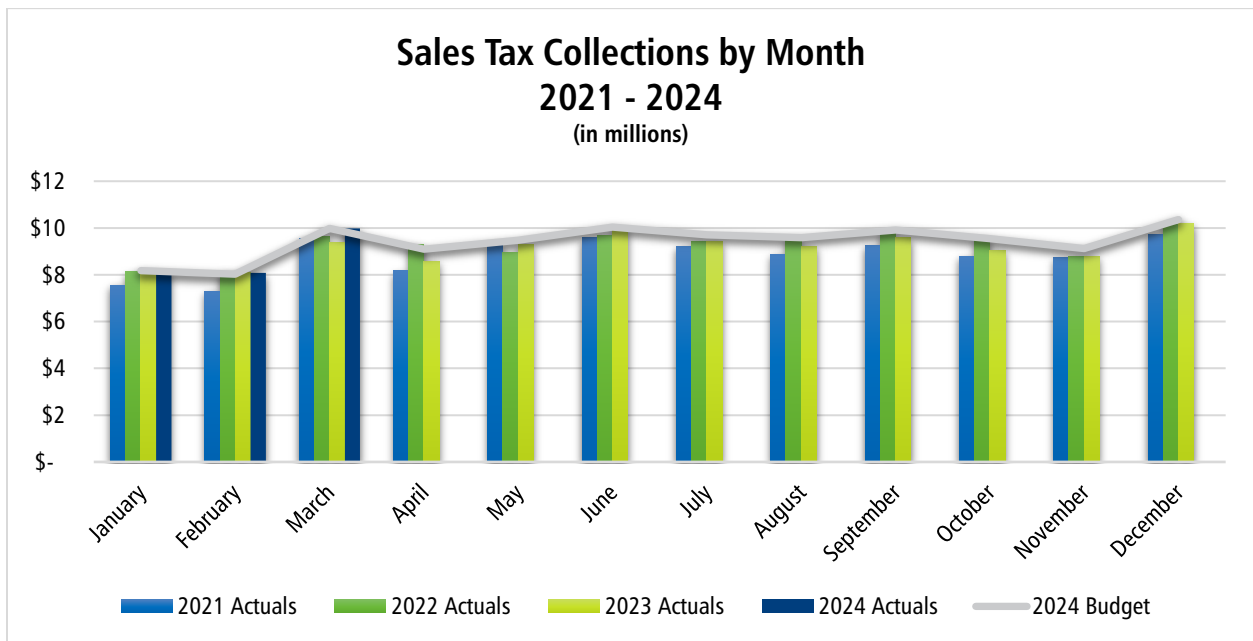
Sound Transit – Are reimbursable expenses for Pierce Transit providing regional transit service from Pierce to King County on behalf of Sound Transit. Reimbursements are based on the costs of services at an hourly rate for service hours required to provide the service.

Grants – Revenues to offset costs of running services. Included in grant revenues are Commute Trip Reduction and Special Needs Operations. These revenues are provided by Pierce County and Washington State.

Other – Other includes interest and advertising revenues that are received with more consistency as well as revenues that cannot be classified in one of the other revenue types.

Sales Tax Collections by Month

	2021	2022	2023	2024	% of Budget
	Actuals	Actuals	Actuals	Budget	Received
January	\$ 7,560,658	\$ 8,126,107	\$ 8,177,567	\$ 8,172,870	\$ 8,150,248 99.72%
February	7,296,946	8,108,303	8,115,984	8,026,199	8,075,504 100.61%
March	9,539,643	9,618,167	9,380,893	9,981,299	9,981,299 * 100.00%
April	8,167,998	9,280,481	8,587,248	9,090,730	
May	9,243,797	8,936,817	9,281,166	9,472,175	
June	9,587,077	9,684,670	9,964,047	10,040,661	
July	9,206,214	9,421,412	9,441,416	9,705,071	
August	8,885,088	9,526,356	9,220,604	9,592,439	
September	9,264,407	9,765,463	9,582,250	9,914,641	
October	8,786,442	9,529,305	9,057,537	9,542,580	
November	8,736,757	8,784,403	8,782,920	9,128,598	
December	9,739,080	10,146,049	10,206,699	10,360,235	
Total Sales Tax	\$ 106,014,106	\$ 110,927,532	\$ 109,798,330	\$ 113,027,500	\$ 26,207,051 23.19%



*There is a two-month delay between when the sales tax is collected and remittance to Pierce Transit. The projection is based on the current year's monthly budgeted amount for this report until the remitted amount is finalized. The above chart and graph include the budget amount for the month of March which will be received by May 31st.

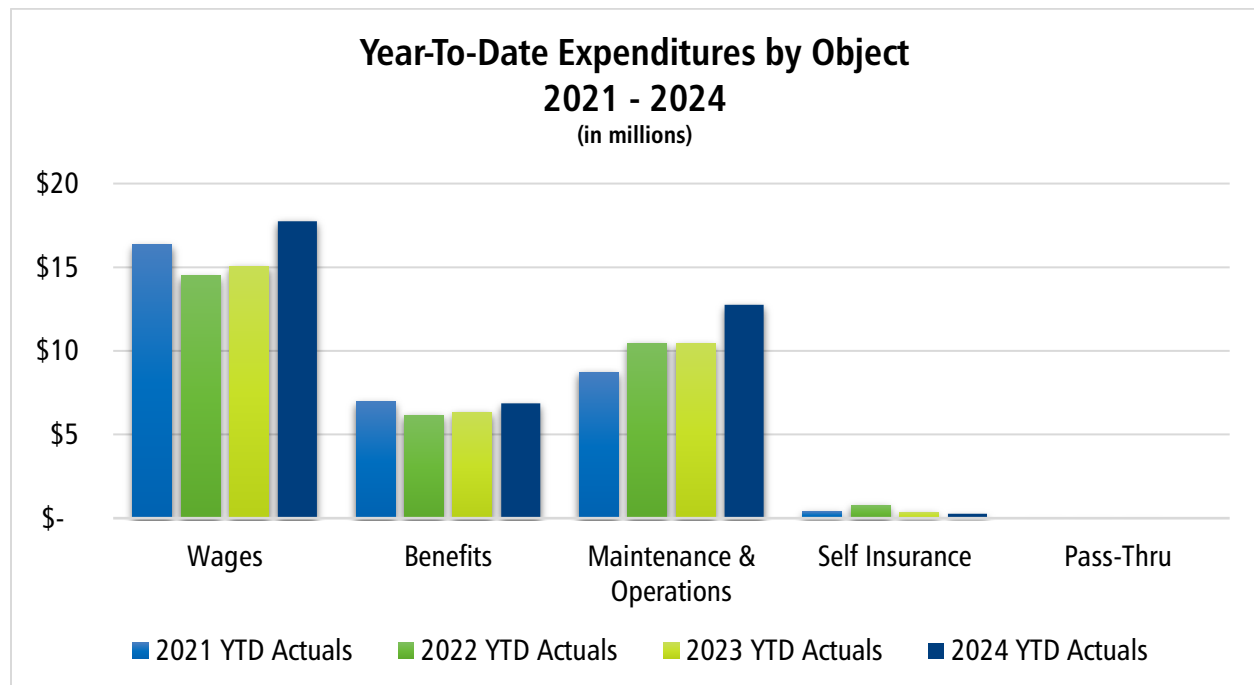
1st Quarter 2024 collections are up 2.08%, or \$532,608 over year-to-date 2023 actuals.

1st Quarter 2024 collections are up 0.10%, or \$26,683 over year-to-date 2023 budget.

Operating Expenditures by Object

As of March 31st, Pierce Transit has expended 19.47% of the budgeted expenditures. A comparison of operating expenditures for three prior years and the 2024 Budget and Actuals are provided in the table below. The 2024 budget numbers are for the full year whereas actuals for each year reflect activity through March 31st. Non-Departmental Pass-Thru funds are payments made to Pierce County as part of the 5307 agreements.

	2021	2022	2023	2024		% of Budget Expended
	YTD Actuals	YTD Actuals	YTD Actuals	Budget	YTD Actuals	
Wages	\$ 16,345,062	\$ 14,502,176	\$ 15,058,924	\$ 94,062,320	\$ 17,746,190	18.87%
Benefits	\$ 6,974,331	\$ 6,146,235	\$ 6,331,471	\$ 33,253,880	\$ 6,862,039	20.64%
Total Personnel	\$ 23,319,393	\$ 20,648,411	\$ 21,390,395	\$ 127,316,200	\$ 24,608,229	19.33%
Maintenance & Operations	\$ 8,712,028	\$ 10,448,928	\$ 10,420,048	\$ 61,279,320	\$ 12,750,629	20.81%
Total Operating Expenditures	\$ 32,031,421	\$ 31,097,339	\$ 31,810,443	\$ 188,595,520	\$ 37,358,858	19.81%
Self Insurance	\$ 405,906	\$ 764,845	\$ 356,789	\$ 3,330,240	\$ 258,016	7.75%
Pass-Thru	\$ -	\$ -	\$ -	\$ 1,326,210	\$ -	0.00%
Total Expenditures	\$ 32,437,327	\$ 31,862,184	\$ 32,167,233	\$ 193,251,970	\$ 37,616,875	19.47%



Highlights from 1st Quarter:

Overall operating expenditures are under budget by 5.53% when compared to 25% of the annual budget. All categories are under budgeted expectations. Our largest expense category is personnel costs, currently 65.4% of the overall expenditures. As of March 31st, we have a vacancy rate of 13.47%, which is attributing to the cost savings of wages and benefits.

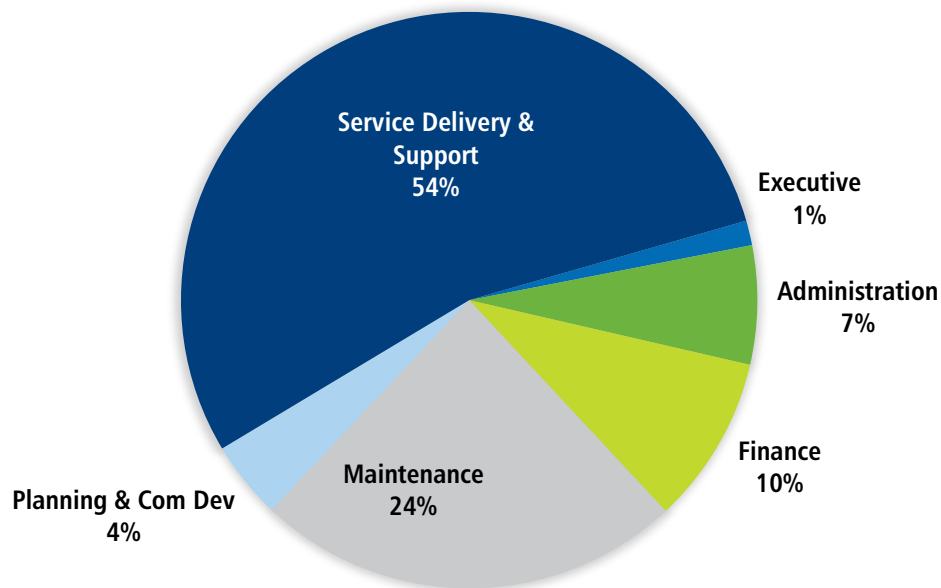
No non-departmental pass-thru payments have been made to Pierce County as part of the 5307 agreement in the first quarter of 2024. Historically payments have been made later in the year.

Operating Expenses by Division

Pierce Transit consists of six divisions: Executive, Administration, Finance, Maintenance, Planning & Community Development, and Service Delivery & Support. All divisions are under one-fourth of the annual budget in the first quarter.

	2021	2022	2023	2024		% of Budget Expended
	YTD Actuals	YTD Actuals	YTD Actuals	Budget	YTD Actuals	
Executive	436,105	457,386	459,975	2,916,750	517,479	17.74%
Administration	1,768,934	1,890,817	1,862,504	11,562,090	2,489,447	21.53%
Finance	3,529,555	3,631,094	2,365,482	15,322,210	3,534,293	23.07%
Maintenance	7,445,093	7,303,737	7,889,696	42,729,460	8,950,351	20.95%
Planning & Com Dev	1,447,594	1,374,742	1,630,858	11,848,620	1,633,189	13.78%
Service Delivery & Support	17,404,139	16,439,563	17,601,928	104,216,390	20,234,099	19.42%
Subtotal Operating Expenditures	32,031,421	31,097,339	31,810,443	188,595,520	37,358,858	19.81%

OPERATING EXPENDITURES BY DIVISION 2024

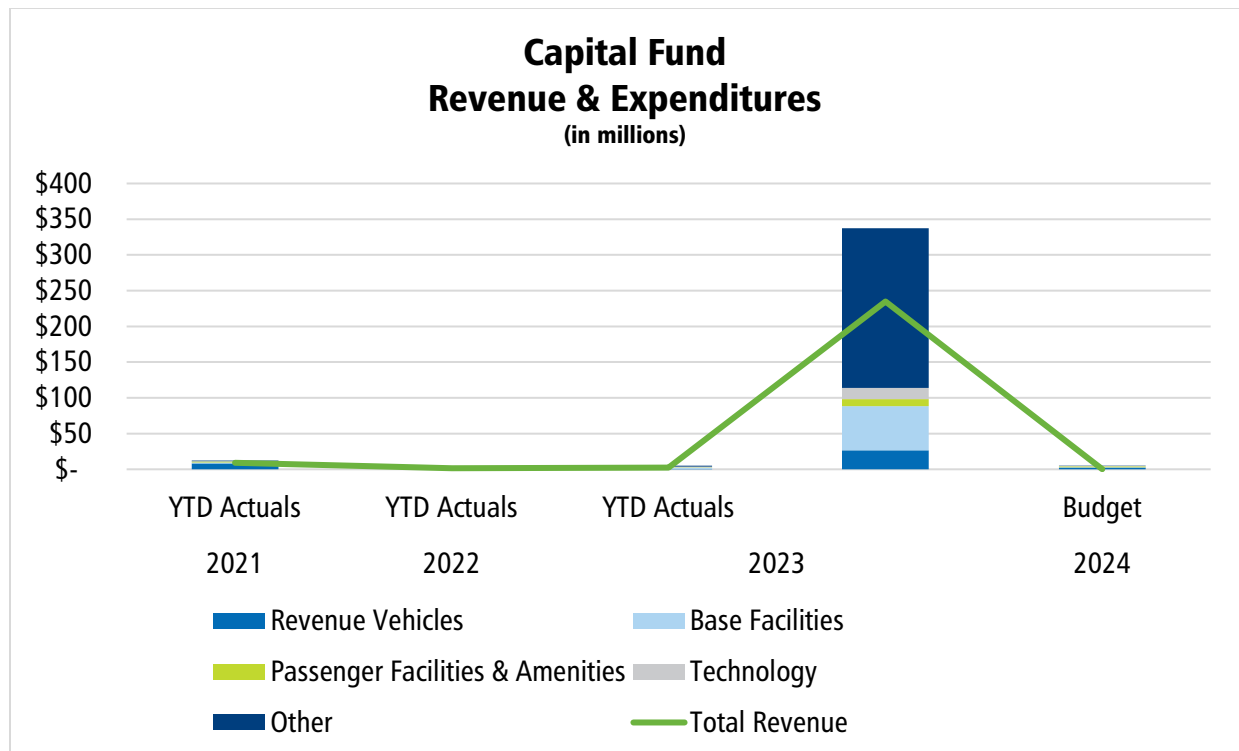


Capital Budget

Capital Fund is designated to provide funding and budgets for projects that meet the guidelines of capital, broadly defined as greater than \$5,000, or aggregate purchases over \$50,000, and useful life of more than one year. Capital projects are budgeted for the full amount in the year that they are added to the capital portfolio. Any unspent budgets are carried forward to the next budget year along with any remaining funding. Funding for projects is received from Federal, State, and other sources and is project specific. Expenditures over revenue are covered using reserves and transfers from the Operating Fund. Classifications of capital expenditures are defined by the National Transit Database (NTD).

	2021 YTD Actuals	2022 YTD Actuals	2023 YTD Actuals	2024 Budget	2024 YTD Actuals
Revenue					
Interest	\$ 17,710	\$ 20,789	\$ 451,642	\$ 175,000	\$ 147,660
Grants	9,022,305	1,276,589	1,862,778	234,631,590	\$ 28,461
Total Revenue	\$ 9,040,014	\$ 1,297,378	\$ 2,314,420	\$ 234,806,590	\$ 176,121
Expenditures					
Revenue Vehicles	\$ 8,374,593	\$ -	\$ 8,018	\$ 26,452,730	\$ 2,323,384
Base Facilities	1,135,066	2,508,281	2,488,807	61,899,580	\$ 537,306
Passenger Facilities & Amenities	1,528,416	328,091	402,040	9,831,360	\$ 1,357,021
Technology	350,892	558,298	645,979	15,595,150	\$ 460,699
Other	845,345	505,820	1,465,980	223,540,660	\$ 436,340
Total Expenditures	\$ 12,234,311	\$ 3,900,490	\$ 5,010,825	\$ 337,319,480	\$ 5,114,749
Net Income (Loss)	\$ (3,194,297)	\$ (2,603,112)	\$ (2,696,405)	\$ (102,512,890)	\$ (4,938,629)

% Covered by Outside Funding	73.75%	32.73%	37.18%	69.56%	0.56%
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Summary

Overall, the revenues outpaced the expenditures and added approximately \$8.3M to our reserves that will be invested until needed for continued operations, planned system recovery and future capital investments.

Revenue	
Operating	50,834,647
Capital	176,121
Total	51,010,768
Expenditures	
Operating	37,616,875
Capital	5,114,749
Total	42,731,624
Net Income (Loss)	8,279,144

Reserve Requirements

Operating: A minimum of two months of agency operating expenditures of the current year and is currently \$32.6 million, plus \$1.2 million to protect the agency from self-insurance risks.

Capital: A minimum of 50% of the previous three years average of annual asset depreciation at any point in the Six-Year Financial Plan; 100% in the final year of the Six-Year Financial Plan and is currently \$8.0 million each year and \$16.0 million in the final year.

Budget Revisions & Amendments

Budget revisions are done when the approved budget moves from one account to another. Revisions do not have a financial impact on the agency budget. Budget revisions do require the Board of Commissioners' approval when capital projects are increased by \$50,000 or more cumulatively over the life of the project.

Budget amendments occur when unforeseen expenses are anticipated, and the agency budget is increased. Budget amendments require Board of Commissioner approval. Below is a list of changes made to the budget in the 1st quarter of 2024 and a table showing the new fund balances caused by the changes.

2024 Budget Summary											
Budget	Revenues & Other Sources			Expenditures & Other Uses						Original Ending Balance	Revised Ending Balance
	Original Beginning Balance	Balance Adjustments	Adjusted Beginning Balance	Original Budget	Amendments	Revised Budget	Original Budget	Amendments	Revised Budget		
Operating	154,432,880	(3,875,010)	150,557,870	196,924,850	-	196,924,850	199,325,870	-	199,325,870	152,031,860	148,156,850
Capital	66,537,730	14,846,630	81,384,360	59,749,030	-	59,749,030	118,286,760	(12,062)	118,274,698	8,000,000	22,858,692
Total	220,970,610	10,971,620	231,942,230	256,673,880	-	256,673,880	317,612,630	(12,062)	317,600,568	160,031,860	171,015,542

Fund	Item Description	Quarter	Beginning Fund Balance	Revenues	Transfers-In	Sources	Expenditures	Transfers-Out	Uses	Ending Fund Balance	Fact Sheet or Resolution #
Operating	Beginning Fund Balance Adjustment		(8,711,950)			-			-	(8,711,950)	N/A
			(8,711,950)	-	-	-	-	-	-	(8,711,950)	
Insurance	Beginning Fund Balance Adjustment		4,836,940			-			-	4,836,940	N/A
			4,836,940	-	-	-	-	-	-	4,836,940	
Capital	Beginning Fund Balance Adjustment		14,846,630			-			-	14,846,630	N/A
	Increase Project #652 - Shatterproof Film	1				-	4,632		4,632	(4,632)	N/A
	New Project #679 - Tire Mount Machine	1				-	13,190		13,190	(13,190)	N/A
	Close Project #510 - Hastus Upgrade	1				-	(29,884)		(29,884)	29,884	N/A
			14,846,630	-	-	-	(12,062)	-	(12,062)	14,858,692	
	Grand Total		10,971,620	-	-	-	(12,062)	-	(12,062)	10,983,682	

Budget Revision & Amendment Highlights:

2024 Beginning balances were up \$10,971,620 compared to budget due to underspending the budgeted 2023 year-end estimates agency wide and higher than budgeted revenues, mostly from interest earned on investments.

Projects Closed this Quarter

Project Name & Number	Budget	Actual
Hastus Upgrade – 510	\$961,975	\$932,091
Commerce Tunnel Refurbishment – 524	\$3,635,363	\$3,590,040
Support Vehicle Replacement – 606	\$292,463	\$286,561
Vanpool Replacement 2021 – 611	\$814,118	\$423,589
Vanpool Replacement 2022 – 628	\$1,453,062	\$992,406
Building 1 Iron Worker – 644	\$58,710	\$58,635
Computer/Laptop Replacement 2023 – 647	\$332,750	\$61,542