



MINUTES

LOS ANGELES REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY

FINANCE COMMITTEE MEETING

Thursday, March 22, 2012 • 1:00 p.m. to 2:30 p.m.

Los Angeles Sheriff's Department Headquarters, Media Conference Room
4700 W. Ramona Blvd., Monterey Park, CA 91754

Official Voting Members Present:

Dave Culver, representative for County of Los Angeles Sheriff's Department
June Gibson, representative for City of Los Angeles, Chief Legislative Analyst
Stephen Sotomayor, Chair, representative for City of Los Angeles Police Department
Ed Roes, City of Los Angeles Administrative Office
Erick Lee, **Secretary**, representative for Culver City, At Large
Kevin McClure, Vice Chair, representative for Los Angeles County Police Chiefs Association
Steve Smith, representative for City of Covina, At Large
Eric E. Tsao, representative for City of Torrance, At Large
Daniel Jordan, representative for California Contract Cities Association
David Lantzer, representative for Los Angeles Area Fire Chiefs Association
Greg Simay, Chair, representative for City of Burbank, At Large
Andree Stecker, representative for County of Los Angeles Department of Health Services
Jan Takata, County of Los Angeles Chief Executive Office

Representatives For Official Voting Members Present:

Kevin Nida, representing John Vidovich for the City of Los Angeles Fire Department

Others Present:

Pat Mallon, LA-RICS

Official Voting Members Absent:

Stephen W. Hannah, representative for City of Long Beach
Doug Cline, representative for County of Los Angeles Fire Department
James Alther representative for LAUSD Police Department



I. CALL TO ORDER

A meeting of the Los Angeles Regional Interoperable Communications System Finance Committee was called to order on March 22, 2012, at 1:00 p.m. by the Chair Stephen Sotomayor.

II. ANOUNCE QUORUM – Roll Call

Formal roll call performed with an acknowledgement of a quorum.

III. APPROVAL OF MINUTES

1. A motion was made for approval of the minutes from the February 23, 2012, Finance Committee Meeting. **MOTION APPROVED**

Motion to Amend Minutes

Committee Member Erick Lee asked for additional comments made by Executive Director Pat Mallon to be added to page 5 (at the end of third paragraph), "He stated that LA-RICS does not have any existing contracts to be funded before the grants expire, but does expect them to be extended." **MOTION APPROVED**

IV. REPORTS

2. Summary of Legislation: H.R. 3630

Chair Sotomayor referred Agenda Item 2, National Governor's Association Memo, regarding Details of D-block Agreement. The conference was summarized by 1) reallocated D-block; 2) requires the giveback of T-band spectrum; and 3) available funding for the nationwide broadband build-out. There will be a more thorough discussion of the H.R. 3630 at the next JAP meeting by Executive Director Mallon.

3. Joint Technology & Operations Committee Meeting

Chair Sotomayor referred to the Power Point presentation that was discussed at the Joint Committee Meeting (Operations & Technical), Agenda Item 3.

Technical Committee Chair Kevin Nida stated that the purpose of the Operations and Technical Joint Committee Meeting was to share an informational presentation on the potential impact of H.R. 3630. The presentation consisted of information from APCO (Association of Public Safety Communications Officials) and Simulcast Trunked Radio System (as part of a secondary responder network). The Board first brought up their concern about there was only information for first responders and not any for secondary responders. Those on ICIS will be brought over once the channels are brought over. This was not an issue for the independent cities, but was an issue for those larger cities in the County.

The Operations and Technical Committees came up with a design using the existing contract (got County Counsel's approval) and the existing analog trunk system that GE had



built for the city about 20 years ago, recently upgrade as the P25. They will be presenting some maps (showing mobile coverage and mobile talkback) and the design at the JPA meeting. This will cover more than just the design, but also cover independent cities and would be a secondary network, but would serve the region. Technical Committee Chair Kevin Nida went on to briefly review the presentation maps that were distributed at the Joint Committee Meeting and that will also be presenting at the JPA meeting.

Chair Sotomayor stated that what has been coined as secondary responders as UHF does not have the capacity to hold the entire region's radio needs, but if you utilize the existing systems and upgraded them, you can see that the capacity comes out.

4. Project Management (PM) RFP Update

Chair Sotomayor addressed the issue of Project Phasing and what the needs of the Executive Director might be as far as for the finance and the funding plan, as well as the timeline for such. The PM team, under their contract, would be able to assist the Finance Committee as well.

Executive Director Pat Mallon first commented specifically on the PM RFP and stated LA-RICS had hoped to present it to the Board last week, they ran into some interpretation of liability that needed to be resolved, which have been worked out and will be bringing the PM Contract to a JPA Special Meeting next week on Thursday, March 29, 2012. The PM firm will be on board with LA-RICS on Monday, April 2, 2012. One of the elements incorporated into the PR firm's contract was to assist the project staff and members of the committee in the development of a funding plan.

One of the first steps in Phase 1 of the project is to develop a detailed design for both the LMR and LTE; both of those functions can be done with existing grant funds. At that time negotiations should be completed and we should know what the anticipated costs are for the system that we have designed and have included in the request. He asked that the committee consider an Ad Hoc Work Group to work along staff and with the consultants to develop a phased funding plan which would allow the project to interweave a detailed design.

The project is a point of moving forward to wait for what the costs are at negotiations and stop process and go into development of funding plan, and then present that to the Board and still be able to meet the grant guidelines. There is pressure to complete the LTE system by the end of August 2013. For any vendor to do that, both proposers say that they can meet that schedule, but if LA-RICS becomes the source of that delay then there is no recourse in saying that they didn't meet their schedule.

Executive Director Mallon went on to say that Michelle of Auditor-Controller to advise the Committee that LA-RICS has to go through an audit each year by an independent firm, which has been completed for this year, but was not completed in time to be presented to this Committee, but will be presented to the Board on Thursday, April 5, 2012.

Committee Member Greg Simay wanted to know that if in view of the H.R. 3630, will there be a de-emphasis of the LMR in favor of the broadband portion? Executive Director Mallon replied that they have to move forward with both. With the H.R. 3630 and the relocation of the T-Band frequencies they have to consider what the options are. Executive Director



Mallon met with the FCC a few weeks ago in Denver, and at this point they do not know where they expect these agencies that are T-Band to do. Once again all options have to be considered.

Chair Sotomayor reiterates the suggestion of creating an Ad Hoc Committee and to work with the PM team to look at ways that they can create a funding plan and design, and the phasing of implementation, operations, and maintenance of the system (with a 60 day review period). He asked for a motion to form an Ad Hoc Committee.

Committee Member Erick Lee asked if there would be two funding plans, an interim funding plan and a long term funding plan. Executive Director Mallon stated that in essence that would be what plan since it being approached in two phases. One which would recognize if there are sufficient funds that would be able to do the detailed design, but before the actual construction can start equipment would be purchased but would require a detailed funding plan. Committee Member Lee suggested a Grant Ad Hoc Committee would be able to scope that and ultimately a funding plan.

Committee member Simay wonders when a participating agency would begin to incur a financial obligation. He believes that they are on safe territory as long as they are using grant funds. The only thing that comes into question is that there is a matching grant requirement, about 60 million when it comes to the broadband portion. How can that obligation be met effectively through grants in support of the LMR portion?

Executive Director Mallon stated that they cannot mix up the LMR grant funds to make up the financial funds for other federal dollars. The BTOP grant required \$59 million in match; approximately \$20 million of that is cash, \$39 million is in-kind, which is 29% if the total project cost. The in-kind match was based on the underlined value of the land for 192 sites that were included in the BTOP grant application. LA-RICS has put out a list of 255 sites that the vendor can choose from and he believes that they have settled closer to 132 sites. They are currently looking at how many of the 192 are on the list of 132. There is a vendor now and know what their plan is, so now we can look at how many of those 192 sites are within the 132 sites.

Executive Director Mallon stated that one of the first projects for the PM team is to have a real estate appraisal on the value of that property for those sites that were included in the initial grant application, but that were also included with the plan of the contractor. For example, out of the 192, they use 150 sites of their system design; using three years of appraised value of the 150 sites a making up an in-kind match; the next thing is to determine what the dealt is between the 150 against the 230 that they are using and request a grant modification requesting those additional 180-182 sites, and get an appraisal on those. That can be applied to the grant. The other thing that can be done is ask for a reduction on the map, since there was a 20% requirement and LA-RICS went on a 29%, they can ask for a reduction in that in-kind match. For the cash match there is a \$20 million cash match requirement, LA-RICS has placed a request with LA County for a \$7 million allocation of cash for the upcoming fiscal year to begin the Phase 1. Moving into the next fiscal year, they have to see how the cash allocation has to be distributed amongst all of the members. That's one of the things that the Ad Hoc Committee will have to do.

Chair Sotomayor states that the meeting has now addressed Item 7 on the Agenda, which is decided that it will continue.



Chair Sotomayor readdressed the motion to create an Ad Hoc.

MOTION APPROVED

V. NEW BUSINESS

5. Presentation: LA-RICS Fiscal Year (FY) 2012 – 2013 Budget

Gina Samy, LA-RICS Budget, states that the LA County budget will be approved in May 2012 and the \$7 million will be included for County contribution. She addressed Attachment 6, comments, and questions that followed.

Gina Samy stated that "Other Governmental Agency Contributions" means LA County. She will place an asterisk with footnote on pages one and two, for clarification purposes.

The question of the \$7 million from LA County being a contribution or a loan came up. Executive Director Mallon stated that at this time he does not know if it is a contribution for the project or at least their portion of the cash match requirement, they will verify that.

Rachelle Anema, Auditor-Controller, stated that there will be another Finance Committee meeting prior to the Board of Supervisors County budget and should have staff come back and clarify. A copy of the Single Audit Report was requested and she said that it would be emailed.

Sara Henry, Grant Specialist, stated that this is just a preliminary draft that has not even been requested.

Committee Member Eric Tsao asked if the grant monies first go to the grant recipient, being LA City and LA County, then it goes to LA-RICS. Executive Director Mallon stated that UASI grant goes to LA City with LA-RICS as a sub-recipient. SHSGP grant goes through LA County into a revolving fund, which they have not been required to have a sub-recipient.

Sara Henry explained that there are two bank accounts with the LA County Treasury: 1) operating funds, and 2) grant expenditures. The SHSGP grant monies flow into the County because they are LA-RICS bank as well as the Grant Administrator within the County. The UASI grant monies go directly to LA-RICS, since it has a sub-recipient agreement.

Committee Member Lee suggested that on the Budget Summary, page one, rather than just a Federal Grants heading, there should be a listing of grants that were spent, UASI '09, UASI '10, SHSPG '11, along with expenditures. This would be clearer when presented to the Board and the public.

Chair Sotomayor said to Executive Director Mallon to let the Finance Committee know by when the budget needs to be approved before presenting it to the Board. Executive Director Mallon stated that the budget needs to be approved in May in order to present it to the Board at the June 2012 JPA Meeting. Chair Sotomayor stated that this would be included as an Action Item on the Agenda.



6. LA-RICS Grant Update (LA City handout)

Arnaldo De La Paz, LA-RICS Grants, addressed Attachment 6, comments, and questions that followed.

Sara Henry describes each funding source:

- SHSGP '07 – Grant status closed
- SHSGP '08 – Some of the funds were returned to the LA County SHSGP Task Force
- SHSGP '09 & '10 – Vendor contract (design and equipment)

Committee Member Lee asked if the SHSGP '09 grant that is due to expire in 60-days will be returned. Sara Henry stated that LA-RICS is in the process of asking for an extension. Executive Director Mallon is asked if there is a contingency plan if the extension does not go through, he stated that there will be a contract before the expiration, but if there is no contract, funds cannot be spent. Money would be returned to the SHSGP Approval Authority for redistribution. Due to the requirements, an extension can be requested until April 2012; it is very likely that the extension will be approved.

Sara Henry explained that some grants allow extensions in six-months intervals. After the first extension and hitting the one-year mark, that is when it is not likely to get an extension, especially if enough money is not used.

7. Presentation: BTOP Grant Match Requirements

Topic continued from Item 4.

Committee Member Eric Tsao wants to know that if the \$7 million cash coming from LA County would be a loan or a contribution from the County. Executive Director Mallon stated that it comes from the County.

Committee Member Simay stated that if you look at broadband in isolation it will be a good system for data transmission and eventually voice. As far financing goes, it looks like the in-kind match will be met. The \$20 – \$30 million problem seems a lot easier to the hundreds of million for the LMR. Hopefully one of the things that can be done is, especially since the future of LMR is in doubt by H.R. 3630, that there should be both LTE and LMR financial plans be presented separately so that the agencies can decide which one they want without having to commit to the other. There are substantial risks now that they do not have H.R. 3630, if financing is part of strategy that normally would have been adopted to handle the \$7 million problem there will probably have to have financing with 8 – 10 year life or try a more traditional life of 20 – 30 years there is more of a risk that midway into the debt schedule and having to abandon a substantial portion of the investment.

Executive Director Mallon states that there is a Membership Committee that has already been formed by the JPA Chair and is working to address this issue of splitting things. He believes that the issue of the \$20 million is a bit premature to start assuming that the unfunded portion of the LMR is in the hundreds of millions. Estimated cost cannot really be discussed at this point until the contract negotiations are complete and the question of membership is resolved.



Chair Sotomayor stated that when membership is resolved that the Finance Committee and the Membership Committee should meet since one impact the other. Based on the Executive Director's comments he gathers that BTOP match requirements is that there will be a cash match has to be met by every participating agency. Executive Director Mallon added that there is an in-kind match as well, that if it ends up short, they can ask for an adjustment to the budget to reduce it from the 20% match requirements.

Sara Henry, LA-RICS Grant Specialist, goes on to detail the matching amounts, the total is \$63 million of that \$19 million is cash. What constitutes cash are the \$14 million that LA-RICS has dedicated to equipment purchases. The other cash match would be in cost that would have been paid for LA-RICS staff. Every quarter there is report for expenditures and also grant match tracking. The \$40 million would be cash towards equipment; another \$5 million would be for LA-RICS staff that the County is paying for. In terms of in-kind there is \$37 million from member contribution and until the sites are confirmed and there are access agreements that dedicate that site to the project, we cannot calculate land contributions. The one final thing is that LA-RICS works closely with the Department of Commerce and they understand that until LA-RICS gets a vendor on board and get sites confirmed these things right now are what was allocated in the award, this is the same number that was disseminated in 2010, so obviously there have been some changes, they will have to go back to the Department of Commerce and match up exactly what they are doing. Chair Sotomayor wanted to know that if the actual match procedure has to be currently around with the grant, are there certain times or like Captain Nida previously mentioned that they would realize the cost savings when the broadband system is actually up and running in the essence that they already paid for those services outside contract, so he wonders if member cities is part of that broadband network when they start moving up the contracted services that they have for their mobile data start moving on to LA-RICS system, could that in essence cover part of that equipment on the backend with the realized cost savings that they might pull off. Sara Henry does not believe so, not from her understanding with the members with the BTOP, it has to be within the performance period of the grant. Sotomayor reiterated that it currently moves with the spending and the drawdowns. Sara Henry agreed. Chair Sotomayor reiterates that no other federal grant can be used for matching and can only be other contribution in the period of the grant (almost over a year period).

Sara Henry stated that resulting from H.R. 3636 the Department of Commerce understands the changes that are going to take place with the First Net Organization broadband that is going to be deployed across the nation and LA-RICS grantors have brought up slowing down the grants, so that they have to time figure out the framework for the nationwide network, therefore even they give a 6-month extension, LA-RICS still has to continue working hard as up until now. There is talk with the NTIA about giving them some leeway on some of the grant. They have confirmed that LA-RICS to get a BTOP extension as an administrative action from the Department of Commerce. They also talked about the Substantial Complete requirements, which is two-thirds by August 2012. When they get closer to the two-thirds deadline, LA-RICS will have to submit a justification to have on file. They are currently defining the policy for documenting the two-thirds justification.

Chair Sotomayor emphasized that they have to move as fast as they can because they do not only have to face a grant deadline, but face a political deadline. He also wanted to the performance deadline, which Sara Henry stated that it was August 13, 2013. Sara Henry



also mentioned that the state of New Jersey did an RFP were they had to reissue their RFP and they had formerly requested an extension and are tracking how that goes as well.

Sara Henry stated that LA-RICS is one of twenty-one waiver recipients; all other waiver recipients for the broadband network have committed to support the seven BTOP recipients, there is support nationwide to make sure that our project moves forward and use the funding for First Net components.

Chair Sotomayor would like to be able to discuss at the next meeting the relationship between First Net, the state, and LA-RICS. Sara Henry stated that the upcoming deadline with the FCC will appoint an Interoperability Board and by law they are supposed to establish the First Net by August 22, 2012. On a statewide level there is an ability to opt in or out of First Net. LA-RICS has been in a conversation with the Bay-RICS, which currently has a state seat that has not been very active, therefore the plan is toward the end of April 2012 for Bay-RICS and LA-RICS to talk to state about the public safety broadband network. It is reaching out to the State Technology Deputy as well as the Governor's Office. So they are definitely looking into working with LA-RICS in some coordinated effort in reaching out to the state.

Committee Member Lee wanted clarification on the \$19 million cash required to be spent by the BTOP grant, m\$14 million is going to be the purchase of LA-RICS equipment and those purchases are funded by grant funds or LA County. Sara Henry replied that it has to be the member agencies, and as Executive Director mentioned that LA-RICS has asked for \$7 million on the FY 2012-13 budget from the County.

Chair Sotomayor addressed the attached supplemental handout.

8. ACTION ITEM: Approve The LA-RICS 2012 Finance Committee Meeting Schedule

Chair Sotomayor asked for motion to approve. **MOTION APPROVED**

VII. PUBLIC COMMENT – None

VIII. ITEMS FOR FUTURE DISCUSSION BY THE COMMITTEE:

1. Workshop: Contract Cities and the Cost Allocation Model
2. Workshop: Project Funding Sources and Financing Methods
3. Workshop: LTE & LMR Funding Plans and Project Phasing

IX. ADJOURNMENT AND NEXT MEETING:

The next meeting will be held:

When: April 26, 2012, at 1:00 p.m.

Where: The Los Angeles Sheriff's Department Headquarters, Media Conference Room, 4700 W. Ramona Blvd., Monterey Park, CA 91754.

Meeting adjourned at 2:24 p.m. by consensus.