



MINUTES

LOS ANGELES
REGIONAL INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY

FINANCE COMMITTEE MEETING

Thursday, April 25, 2013 • 1:00 p.m. to 2:30 p.m.

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

Official Voting Members Present:

Stephen Sotomayor, Chair, representative for City of Los Angeles Police Department
Andree Stecker, representative for County of Los Angeles Department of Health Services
Doug Cline, representative for County of Los Angeles Fire Department
Dave Culver, representative for County of Los Angeles Sheriff's Department
Olivia Valero, representative for City of Long Beach
David Culver Lantzer, representative for Los Angeles Area Fire Chiefs' Association
Daniel Jordan, representative for California Contract Cities Association
Eric E. Tsao, representative for City of Torrance, At Large
Erick Lee, representative for Culver City, At Large
Greg Simay, Chair, representative for City of Burbank, At Large
Steve Smith, representative for City of Covina, At Large

Representatives For Official Voting Members Present:

Eick Beck, representing James Alther, for the LAUSD Police Department
Joshua Drake, representing Karen Kalfayan for City of Los Angeles, Chief Legislative Analyst

Others Present:

Pat Mallon, LA-RICS

Official Voting Members Absent:

Ed Roes, City of Los Angeles Administrative Office
Jan Takata, County of Los Angeles Chief Executive Office
James Alther, representative for the LAUSD Police Department
June Gibson, representative for the City of Los Angeles Fire Department
Karen Kalfayan, representative for City of Los Angeles, Chief Legislative Analyst
Robert Barnes, representative for Los Angeles County Police Chiefs Association



I. CALL TO ORDER

II. ANNOUNCE QUORUM – Chair Stephen Sotomayor asked for a verbal roll call, quorum was reached .

III. APPROVAL OF MINUTES

1. March 28, 2013, LA-RICS Finance Committee Meeting Minutes **approved.**

IV. REPORTS –

LA-RICS Project Update

Chair Stephen Sotomayor referred to Executive Director Pat Mallon for a procurement update. Executive Director Mallon stated that LA-RICS continues with negotiations and has no additional updates to release at this time.

V. NEW BUSINESS –

2. Action Item: Selection of the Vice Chair and Secretary.

Chair Sotomayor stated that the departure of Vice Chair Kevin McClure created a vacancy within the Committee; therefore, he opened the floor for nominations for Vice Chair. Committee Member Eric Lee nominated Committee Member Greg Simay and Committee Member Dave Culver seconded the nomination; which was accepted.

Chair Sotomayor stated that the Committee had previously agreed not to fill the Secretary position because LA-RICS' Staff provides support to satisfy that position.

MOTION APPROVED.

VI. OLD BUSINESS –

3. Discussion Item: LA-RICS Funding/Finance Plan.

Chair Sotomayor stated that the Finance Ad Hoc Committee began looking at the highest rated vendor's proposal and working on a funding/finance plan. He further stated that the Subcommittee will present to the Finance Committee a framework and outline of a funding plan. The Subcommittee was able to identify grant funding which would allow LA-RICS to continue the project with a steady cash flow, but there was also a need to identify a continued cash flow, considering there is not enough grant funding to cover the overall system cost.

One suggestion was the use of short-term credit. The idea behind this approach is to look at how to finance the infrastructure costs of the project separately from the equipment purchase costs. The design costs can be covered under the existing grants, but the infrastructure which is the more tricky part of system design may require the use of short term credit in absence of grant funding and the required waivers necessary to expend grant funds on construction.



Whether the Authority decides to use vendor financing programs, or some other form of debt financing, the hope is to never tap into that credit line. The best course of action would be to utilize potential future grant allocations, provided that Congress continues to make them available; the Department of Homeland Security continues to provide them; and the UASI Approval Authority continues to allocate them to LA-RICS. The goal is to offset all costs with the grants and to have credit available to offset the periods of time during which there might not be available grants.

If the credit had to be used within that period, it would eventually be carried into a bond against the system. The cost of this would be significantly less than that of the entire system being bonded, allowing member agencies to carry those costs up until the point where member agencies could move onto the system. There is still a policy decision on what members will pay up front to be part of the system.

The idea is to maximize the grants, reduce cost to member agencies, and potentially roll any debt into a bond, if necessary. This would allow agencies to migrate from their systems to the new system. One of the key elements that was kept in mind by the Ad Hoc Committee was that membership in the system is essential in keeping the systems cost low. When approaching the LA-RICS Project, the idea was to share the cost of a combined radio system in order to allow for efficiencies and economy of scale. The reality is that system membership plays a significant role in dictating the cost of the system.

Another element that was considered by the Ad Hoc Committee was the baseline system. The baseline system is a digital trunked radio system, analog conventional system, LARTACs, and narrowband data. There are other options that can be applied, but at an additional cost. The short-term credit could help finance that baseline system; the larger issue being that agencies desiring to have specialized improvements done to the system would encumber additional cost. This is one point that should be brought forward to the Board for their decision on how to move forward.

Another point is does LA-RICS approach LMR as wanting to build a baseline system or building everything? Funding would be much higher if LA-RICS tried financing every improvement.

Committee Member Simay reminded everyone what the division of cost reasonability is: individual agencies would continue to be responsible for their subscriber units, probably to the base station level and take advantage of both purchases. Executive Director Mallon stated that the user equipment and the agency level dispatch consoles are the responsibility of the individual agencies.

Director Mallon further stated that there is an area of significant concern as LA-RICS goes through the sites and takes a look at the environmental compliances, and what sites could be impacted. LA-RICS will recommend to the Board some contingency budget that is outside of the contract value, regardless of which contractor is retained.



Committee Member Lee wanted to know who would be in debt. Chair Sotomayor stated that LA-RICS is able to carry bonds and seek credit; however, it is unclear who would be responsible for the debt until such options were explored.

Chair Sotomayor stated that another item to address is if the JPA wants to entertain add-ons as one project cost or have member agencies be responsible for improvements that they want to make depending on the benefiting agency. In addition, he also stated that using short-term credit could provide agencies the flexibility to join the system once migration to the system made fiscal sense. Any debt service could potentially lead to a flat subscriber fee. Chair Sotomayor also stated the Committee should consider if there should be a penalty for a late entry into the system?

Executive Director Mallon stated that he would like the Committee to consider and recommend to the Board the benefits that some of the entities can expect to obtain within its ownership. Also as suggested, regardless of which proposer is looked at, the majority of sites are LA County owned sites, and then it is LA City, followed by some independent cities. If there is an expectation in those independent cities of receiving some kind of cash contribution for the use of that site, it would significantly impact the cost.

Chair Sotomayor continued on the idea of subscriber fees and related it to the participating agencies benefit, the volume of units, and maintenance and operations fees.

Executive Director Mallon stated when the RFP was released it requested an option for 15 years of maintenance, and also clearly stated in the RFP that LA-RICS also reserved the option to maintain in-house. He suggested this should be an option the Authority should consider, with the input of this Committee. The Board should determine if it is beneficial to self-maintain or contract out.

Chair Sotomayor stated that LA-RICS has to look at the migration plan for member agencies and the many different factors such as life of the system, equipment compatibility, and when it would make sense for a member agency to migrate.

Committee Member Culver wanted to know if cities in LA County were ever surveyed to find out how much they spend on their systems, how much their maintenance costs are, and poll them for their interest in a different system that would offer the advantages of interoperability and whether they would be willing to pay the same amount that they are currently paying or if they have been presented a cost benefit analysis for their consideration. Committee Member Simay stated that to his recollection there has not been a survey for cost.

It was stated that independent cities want to know what the countywide system will cost and how it will be funded. The JPA should also look into how they will market the approach, maybe a marketing package, Executive Director Mallon stated that LA-RICS is currently working on this.

Chair Sotomayor stated that the next meeting should take action on recommendations for policy decisions the Committee makes to the Board. He further stated that this would depend



on the status of negotiations and the ability to discuss specifics about the proposed system costs.

The FY 2013-2014 project budget will be brought forward to the Committee at the next meeting.

VII. PUBLIC COMMENT – None

VIII. ITEMS FOR FUTURE DISCUSSION BY THE COMMITTEE

Action Item: Approve Recommendation of the FY 2013-14 Budget to the LA-RICS JPA Board of Directors.

Workshop: LTE & LMR Funding Plans and Project Phasing
Workshop: Contract Cities and the Cost Allocation Model

VIII. ADJOURNMENT AND NEXT MEETING:

Meeting adjourned at 2:22 p.m. by consensus.

The next meeting has been changed from May 23, 2013 to May 30, 2013, at 1:00 p.m., location to be determined.

APPROVED
AS AMENDED