



East Bay Regional Communications System Authority



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SPECIAL MEETING FINANCE COMMITTEE

SPECIAL MEETING

DATE: September 25, 2023

TIME: 11:00 a.m.

PLACE: Alameda County Office of Homeland Security and Emergency Services,
Room 1013
4985 Broder Blvd., Dublin, CA 94568

MINUTES

1. **Call to Order/Roll Call:** A Special meeting of the Finance Committee was held on September 25, 2023. The meeting was called to order at 11:06 a.m.

Committee Members Present:

J. Calabrigo, Town Manager, Town of Danville
A. Love, Chief, Oakland Housing Authority
P. Meyer, Chief, San Ramon Valley Fire
S. Muranishi, County Administrator, Alameda County
S. Perkins, Councilmember, City of San Ramon
M. Shorr, Chief Information Officer, Contra Costa County
C. Silva, Councilmember, City of Walnut Creek
L. Smith, City Manager, City of Dublin

Staff Present:

T. McCarthy, Executive Director
C. Boyer, Auditor
C. Soto, Administrative Assistant

2. **Public Comments:** None.
3. **Consider Recommendations to Increase the Monthly Cost of EBRCSA to Ensure Adequate Reserve Funding**

Chair Meyer stated he asked for the meeting because of the Motorola contract and the financial concerns some of the Finance Committee has with it. If the Board is going to approve the contract, it is important to vote on some subscriber fee, whether because of the

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CIP or the cost of the contract or all of the above, it was important to have this discussion. He is hoping to get a recommendation to the entire Board prior to the Motorola contract being approved. He would open the conversation with the following: a July 1, 2024 fee increase to be evaluated every year to ensure that EBRCSA is meeting the goals of EBRCSA to be fiscally prepared and able to meet its obligations.

The Finance Committee discussed how the scenarios of rate increases provided in the staff report were given as options. How often should the reviews be conducted? If annually, when should the review start to facilitate agencies' budget planning, every 18 months? Do review every year with a two-year outlook? There is still no capital replacement plan, and with millions of dollars in capital, just taking care of operating expenses only addresses part of the problem. This would necessitate annual reviews going forward. The Aviat contract is still pending. An additional cost from Motorola is a service management contract quoted at \$98,000. Potentially, as the service area may grow, what other gaps might there be? They support the idea and hope they can come to some solution today on what to do for July 2024. Could 9 months in advance work? Could they have a decision for the December 2023 meeting to implement July 2024? Could they do it again this time next year for a recommendation for the December 2024 meeting?

Bm. Calabrigo stated with what they know from Motorola, they know what the bump in the contract cost is going to be. The big variable is going to be the capital replacement plan.

Craig Boyer, Auditor, stated in the two cash flow scenarios given in the staff report, one is over the years EBRCSA has consistently had capital reserves in the \$10-\$15 million so the first scenario was to try to restore and maintain the \$10-15 million capital reserve scenario. The second scenario was to look at if they went back to the inception of when dues were first implemented per EBRCSA, if they had imposed an increase in dues annually based on CPI, where would EBRCSA be today and then implementing a catch-up to get to the difference between what the dues would be at the CPI increase versus what the dues actually are. With one of the scenarios, the catch-up was completed and then it is kept flat and there going forward. That is the one that has capital reserve deterioration issues going ten years out because there is no additional increases besides catching-up for past activity. The second one, has also implemented a 3% CPI increase once the catch-up was implemented. That second scenario is fairly comparable to the first scenario that was run, which was trying to achieve the \$10-15 million in capital reserves. Those were the scenarios that were run to look at what it would mean in terms of dues structure and how it would affect EBRCSA going forward.

Finance Committee members and the Auditor discussed, in terms of Scenario 1, 2A and 2B, Scenario 1 gets EBRCSA to about \$14 million at the end of the nine years in reserves, Scenario 2A gets EBRCSA to just under \$6 million, and Scenario 2B gets EBRCSA to \$13 million. Scenario 1 and 2B, in terms of the reserve levels at the end of the nine years, are roughly the same. In looking at the numbers in the Motorola contract, could there be an additional increase due to CPI above the numbers provided by Motorola? In all the other operating costs in the budget, what assumptions were being used? For all the other operating costs, if there is a contract associated with it, the contract rate is used, otherwise they use 4% increase per year.

A question was asked regarding the underpayment of fees from last year. The numbers were being calculated.

To just cover the \$1.4 million increase from the Motorola contract, what would rates have to increase to cover that increase? It would take an increase of \$5-6 increase per radio per month to stay even with the one Motorola contract. A point was made in regard to the Motorola contract, if the increase in CPI is up to four percent, it is covered by the contract, but if it is above four percent, Motorola can claim the difference with no ceiling to that number.

Bm. Perkins, seconded by Bm. Silva, made a motion that the Finance Committee recommend to the full Board that EBRCSA adopt a \$5.50 per radio per month increase on July 1, 2024, that would cover the Motorola contract and, implement an annual fee review by the Finance Committee starting in early September.

This represents an 18% increase in subscriber fees. To project a 3% increase going forward, did not solve the problem. EBRCSA has under-funded for a couple of years. The Finance Committee had this discussion earlier this year and the concession was made to reduce the operating reserve by \$1 million. At a minimum, they needed to go back to the Board to recommend to adjust the rates to cover the current costs, and still do not have the capital replacement cost analysis, and do not have the contract from Aviat. The staff report for the increase should include verbiage regarding the significant project costs that were covered by the Board without any rate increases such as the TDMA and microwave upgrades.

EBRCSA's budgeted operating expenses are \$4.5 million and also have \$5 million of capital as well as \$.5 million of debt, with total expenses of \$10 million. So, reserves are about 150%. What EBRCSA held in reserves is primarily capital. It is not an operating reserve to be used year over year. Those dollars will be used once there is a capital replacement plan.

Suggested percent increases and dollar increases were discussed, as well as whether to project one or two years in advance.

On motion of Chair Meyer, seconded by Bm. Love, and by majority vote (Bms. Meyer, Love and Shorr voting aye, Bms. Calabrigo, Muranishi, Perkins, Silva, and Smith voting no), the motion made as an amendment to the previous motion to recommend to the full Board an increase in rates of \$3 per radio, per month as of July 2024, with a minimum escalator of 3% a year beginning in July of that year with an annual review, and a review of the capital replacement program, failed.

On motion of Bm. Calabrigo, seconded by Bm. Smith and by tie vote (Bms. Calabrigo, Perkins, Silva and Smith voting aye, Bms. Love, Meyer, Muranishi and Shore voting no), the motion to recommend to the full Board an increase of \$3 per radio per year in Year 1 (July 2024), \$3 increase per radio per month in Year 2, and annual review of fees with Year 3 and beyond, failed.

On motion of Bm. Smith, seconded by Bm. Silva and by majority vote (Bm. Calabrigo, Love, Perkins, Silva and Smith voting aye, Bms. Meyer, Muranishi and Shorr voting no), the Finance Committee recommended to the full Board a \$3 increase per radio per month for July 2024, a \$3 increase per radio per month for the second year (July 2025), with a minimum 3% increase with an annual review, and a review of the capital replacement plan.

The Finance Committee requested Mr. Boyer provide cash flows for the above increases in the associated staff reports for the Board Meeting on September 29, 2023.

4. Motorola SUA and Maintenance Agreement with Any Necessary Discussion of Increased Subscriber Cost

Executive Director McCarthy stated attorneys from both the Authority and Motorola have reviewed and submitted the contract. This is a six-year contract. The contract was cut down to the most necessary requirements. The Nice recording has been added as a third-party item. Security has also been added to the contract. Motorola is a locked system. This contract gives three complete refreshes for the System, one every two years.

The Finance Committee members and Executive Director discussed the need to have a cap on CPI in the contract, but were told Motorola had that same clause in all its contracts. What they had done for EBRCSA was raise the base amount increase from 3% to 4%. The Committee asked for distinction between operating costs and capital costs associated with this contract.

On motion of Bm. Perkins, seconded by Bm. Silva and by majority vote (Bm. Muranishi absent), the Finance Committee agreed to recommend to the full Board for approval the proposed Motorola Agreement for ASTRO Maintenance, ASTRO SUA, MPLS, MDR, and NICE SUA and Maintenance; and with inclusion of a budget amendment to the full Board for approval.

5. Adjournment: With no further business coming before the Finance Committee, the meeting was adjourned at 12:48 p.m.



Caroline P. Soto
Authority Secretary