



East Bay Regional Communications System Authority



Participating agencies include Alameda and Contra Costa Counties and the following cities and special districts: Alameda, Albany, Antioch, Berkeley, Brentwood, Clayton, Concord, Danville, Dublin, El Cerrito, Emeryville, Fremont, Hayward, Hercules, Lafayette, Livermore, Martinez, Moraga, Newark, Oakley, Pinole, Pittsburg, Pleasant Hill, Pleasanton, Richmond, San Leandro, San Pablo, San Ramon, Union City, Walnut Creek, East Bay Regional Park District, Kensington Police Community Services District, Livermore Amador Valley Transit Authority, Moraga-Orinda Fire District, Rodeo-Hercules Fire District, San Ramon Valley Fire District, California Department of Transportation, Ohlone Community College District, Contra Costa Community College District, Dublin-San Ramon Services District and University of California, Berkeley

FINANCE COMMITTEE MEETING

REGULAR MEETING

DATE: April 19, 2024

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 regular meeting of the Finance Committee was held on Friday, April 19, 2024. The meeting was called to order at 11:01 a.m.

Committee Members Present:

P. Meyer, Chief, San Ramon Valley Fire Protection District
J. Calabrigo, Town Manager, Town of Danville
T. Dupuis, Chief Information Officer/Registrar of Voters, Alameda County
M. Nino, County Administrator, County of Contra Costa
S. Perkins, Councilmember, City of San Ramon
L. Smith, City Manager, City of Dublin

Staff Present:

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

- 2. Public Comments:** None.
- 3. Approval of Minutes of February 16, 2024 Finance Committee Meeting**

On motion of Bm. Perkins, seconded by Bm. Calabrigo and by unanimous vote, the Finance Committee approved the minutes of the February 16, 2024 Finance Committee meeting.

- 4. FY 24/25 EBRCSA Budget**

Craig Boyer, Auditor, stated generally speaking, FY 24/25 budget is fairly consistent with the FY 23/24 budget. They were higher on revenues because they were assuming

higher interest rates given better rates of return on investments over the past year, radio count and dues per month are the same as the prior year. On the expense side, expenses are fairly consistent with the prior year. The bottom line is they are budgeting a net loss of approximately \$2.7 million. The majority of that is due to the Walton Lane capital item. Even if you back that out, there is still a structural deficit of the budget based on the current fee structure. The next page is the expenditure detail, most of the expenditures are fairly consistent with the prior year. The most notable changes are that in the prior year, they had budgeted \$161,000 for the Capital Improvement Plan; it was a separate line item called Planning. This year that item has been moved to the CSI Telecommunications budget. Most other changes are being driven by changes in contract terms with Motorola as well as Aviat.

Bm. Nino joined the meeting at 11:06 a.m.

In regard to the third schedule which is the reserve balances, the Authority has three different reserve balances. The first being the operating reserve. The policy requires EBRCSA to budget at 50% of expenditures. The second reserve is the debt service reserve; by policy it is to be budgeted at \$1 million, and the third reserve is the capital reserve. Any remaining fund balance that is not reserved to either operating or debt service gets reserved to the capital reserve. Total reserves are being projected at the end of FY 23/24 to be \$15 million, with approximately \$12 million going to capital reserves. With the FY 24/25 budget, they are projecting that total reserves will end at \$12 million with approximately \$9 million in capital reserves. This is the effect of the deficit they are budgeting. The last three pages give a series of cash flow projections. Normally, there is one, the first one that shows based on the budget schedule prior how that is affecting cash flow for this year as well as 10 -year period going forward. Provided were also a couple different scenarios. One is if EBRCSA were to implement an annualized 3% increase in rates, that would affect cash flow projections. The third schedule is if EBRCSA were to implement a 5% annualize rate increase. With the first cash flow schedule, they are projected to end with \$15 million of total reserves. If you look at the schedule over the 10-year projection, they end with about \$15 million. This assumes with the capital expenditures they are only budgeting for known capital expenditures. Right now, they have several capital expenditure items. Those are known for about the next five years. After that, capital expenditures drop quite a bit. Given that the reserve balances are maintained, they dip down in the middle of the projection. If they retain dues where they are, and assuming the capital assumptions are right, they should see consistency over the period. If you move to the second cash flow schedule you are looking at total reserves of \$15 million, and end with \$25 million. Again, if the assumptions are right, a 3% annual increase should build the reserves by about \$10 million, and with the third cash flow schedule, they would go from a starting point of \$15 million of total reserves to approximately to \$35 million at the end of the ten-year period. A 5% increase would increase reserves by approximately \$20 million at the end of the 10-year period.

D. Swing stated the Operations Committee had made a motion to increase the rate by \$1 per radio per month for FY 24/25, another \$1 increase in FY 26/27, and a third \$1 increase in FY 28/29.

Finance Committee members discussed their approval of the budget numbers, and discussed the scenarios of an increase in rates of either 3% or 5% and their effect on the 10-year projections. The wild card in the 10 -year projections is the capital replacement plan. Fortunately, the Motorola contract will take a lot of capital effectively off the table.

It is like they are paying for it with operating funds as opposed to putting into the capital budget. There were questions about the legal expenses going from \$26,000 to \$108,000 and then going back down. They had a lot of bills racked up with review and double review of documents. There was a lot of self-initiated work. On the assumptions for the forecasting, what were the assumptions that were made for administration cost.

Mr. Boyer stated for Administrative costs they increase it by 4%, by CPI increase per year. If there is something contractual where they know the actual amount, they will use that. But otherwise it is generally 4% unless they get other information. Debt service payments will go away in 2027 so the debt service balance will roll into the capital reserve. When that is paid off in 26/27, debt service policy goes away so they lose that opportunity to gain the transfer of \$850,000 to \$1 million. One silver lining is in 2019 they entered into a contract with Motorola, for the MPLS upgrade. They chose to finance that over seven years and with a \$1.3 million payment which is probably why the capital expenses dropped somewhat in 28/29. They will eliminate that \$1.3 million in 2026 for long term protection. With respect to the CSI group, it will be brought back to the Board by the December meeting with a completed CIP plan.

On motion of Bm. Perkins, seconded by Bm. Smith and by unanimous vote, the Finance Committee agreed to submit the proposed budget for FY 24/25 to the full Board for approval.

5. EBRCSA Rate Increase Discussion

Mr. Swing stated there had been a flat level payment to Motorola for the past 10 years, and having entered into a new agreement with Motorola for the next six years, the new agreement increased operations and capital costs. Also, there has not be a subscriber rate increase since 2017. Discussions with the Auditor and Executive Director covered what it would look like if the Authority increased the rates by a one-time increase of 3% for one year or 5% for one year. The revenue is about \$252,000 at 3% and \$376,000 at a 5% increase. Subscriber unit charge would increase by \$1 at 3% and \$3 per radio per month at 5%. He was recommending a 3% rate increase as of July 1, 2024, and discussions to be had by the Finance Committee for subsequent increases and recommendation to the full Board in December of 2024.

Bm. Smith stated she was supportive of a 3% increase at this point until they get the capital expenditure plan put into place and understand where the Authority is headed.

Bm. Perkins agreed and stated projecting rate increases beyond the immediate is not recommended until they have data on the capital program. A one-time modest increase is appropriate.

Bm. Nino stated she was also supportive of 3% increase. She wanted to confirm the timing of bringing back subsequent increases to the full Board and look at something for FY 25/26.

On motion of Bm. Nino, seconded by Perkins and by unanimous vote, the Finance committee agreed to adopt the staff recommendation of a 3.3% or \$1 per unit per month increase as of July 1, 2024, subject to reconsideration once the capital improvement plan is brought before the Finance Committee and the full Board that rate increases will be

reconsidered after that time and there may a potential for a further increase or reconsideration as of July 1, 2025.

Bm. Calabrigo left the meeting at 11:37 a.m.

6. Redwood Public Law Contract

Bm. Meyer stated he had spoken to Meyers Nave and they were understanding of EBRCSA moving to Redwood Law Firm representation. There is a cost savings with Redwood Law Firm.

On motion of Bm. Smith, seconded by Bm. Perkins and by majority vote (Bm. Calabrigo absent), the Finance Committee agreed to recommend to the full Board the approval of a contract with Redwood Public Law.

7. CSI Telecommunications Contract

Executive Director McCarthy stated this was a renewal of EBRCSA's contract with CSI. This contract is with CSI for radio engineer assistance, microwave support, and frequency deconfliction. They have been very happy with their work. They will be working with EBRCSA on the capital replacement project.

The Finance Committee asked that the Executive Director get the contract changed to a fiscal year renewal period.

On motion of Bm. Perkins, seconded by Bm. Nino and by majority vote (Bm. Calabrigo absent), the Finance Committee agreed to recommend to the full Board approval of the contract with CSI Telecommunications.

8. Motorola Maintenance Agreement

Executive Director McCarthy stated they have had previously had an agreement with Motorola for two people, one person was on site part-time during the week to maintain the master site, and one was on call. Motorola has changed them both to technicians on call. They do all the Microsoft security patches and everything that has to be done to the master and prime sites. EBRCSA will look to see how this item may be done differently, more efficiently in the future.

On motion of Bm. Perkins, seconded by Bm. Meyer and by majority vote (Bm. Calabrigo absent) the Finance Committee agreed to recommend to the full Board the renewal of the Services Agreement with Motorola Solutions Inc. to continue System support and training for the EBRCSA System.

9. Radio Interoperability EBRCSA MOU

Executive Director McCarthy stated this contract allows coverage by other agencies in other jurisdictions, use of the System. It formalizes a standing exercise amongst these agencies.

The Finance Committee heard this item as an informational item, no motion was needed.

10. Updates on East Bay Regional Communications System Authority Projects

- Encryption

Alameda and Contra Costa Counties have the encryption. It is now with the radios shops which are working on agencies' handheld radios and those in cars. EBRCSA has done its part in encrypting all consoles.

- Microwave/Ethernet/MPLS Project Update

This project is down to three sites: Concord, Walnut Creek and Pleasant Hill, which need fiber. Alameda County is totally done. Projected completion is within the next four weeks.

- Cyber Security Active Eye Update

Some equipment for cyber security has been delivered and installed in the back. They cannot plug it in until they finish the three sites mentioned previously. The cyber security active eye can be worked on as soon as the above sites are completed.

- SUA Update

They have started work on the SUA update. The project list is being put together and they are setting up the team. This is the brand new SUA that was just signed.

- The City of Antioch Site on Walton Lane

The City of Antioch has not renewed the lease for the land with the microwave. Executive Director McCarthy has spoken to Antioch with no luck. He is now speaking with the tower company to see if they can come to an agreement to put the EBRCSA microwave on site.

- Wiedemann Project San Ramon

This project is coming to an end. It is the project site in Norris Canyon. They are currently working on punch list items. This site will cover a dead zone currently in that area.

11. Agenda Items for Next Meeting

- Contra Costa County MOU: This is being worked on.

12. Adjournment: With no further business coming before the Finance Committee, the meeting was adjourned at 11:55 a.m.