



FINANCE COMMITTEE

REGULAR MEETING MINUTES

LOS ANGELES REGIONAL
INTEROPERABLE COMMUNICATIONS SYSTEM AUTHORITY

Thursday, October 25, 2018 • 1:00 p.m.
Los Angeles Regional Interoperable Communications System
Headquarters
Large Conference Room
2525 Corporate Place, Suite 200, Monterey Park, CA 91754

Finance Committee Members Present:

John Geiger, CEO, County of Los Angeles
Bill Song, Commander, Los Angeles County Sheriff's Dept.
Karolyn (Kay) Fruhwirth, Asst. Dir., EMS Agency, County of LADHS
Rebekka Hosken, Finance Director, CA Contract Cities Assoc.
Marie DiBernardo, Police Captain, City of Inglewood Police Dept.
Ron Sagmit, Police Lieutenant, City of Signal Hill Police Dept.

Alternates For Finance Committee Members Present:

Michael Iwanaga, CEO, County of Los Angeles
Chris Bundesen, Assistant Fire Chief County of Los Angeles Fire Department
Ric Walczak, Lieutenant, City of Covina Police Dept.

Officers Present:

Susy Orellana-Curtiss, LA-RICS Administrative Deputy
Beatriz Cojulun, LA-RICS Committee Secretary

Absent:

John Curley, Chief of Police, City of Covina Police Dept.

Scott Edson, LA-RICS Executive Director



NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

I. CALL TO ORDER

Alternate Chair Michael Iwanaga called the Regular Meeting of the Finance Committee to order at 1:10 p.m.

II. ANNOUNCE QUORUM – Roll Call

Alternate Chair Iwanaga asked for a roll call and acknowledged a quorum was present. Chair John Geiger joined the meeting after roll call taken.

III. APPROVAL OF MINUTES (A-B)

A. July 26, 2018 – Regular Meeting Minutes

Committee Member Kay Fruhwirth motioned first, seconded by Committee Member Rebekka Hosken.

Ayes 6: Iwanaga, Bundesen, Song, Walczak, DiBernardo, and Sagmit.

MOTION APPROVED.

IV. PUBLIC COMMENTS – (None)

V. CONSENT CALENDAR – (None)

VI. REPORTS (B)

B. Project Status

LONG TERM EVOLUTION (LTE) UPDATE – Program Manager Justin Delfino

Program Manager Delfino provided an update on LTE Round 2 and the newly hired engineering and architecture firm, David Evans and Associates, Inc. (David Evans). With the amount of approximately \$500,000, David Evans will initiate the design and construction of seven (7) identified sites, which already have approved Notices to Proceed (NTP). By June 2019, the seven (7) sites are scheduled for completion, as well as six (6) other sites, for a combined thirteen (13) sites.



LAND MOBILE RADIO (LMR) UPDATE – Program Manager Delfino

Program Manager Delfino mentioned LA-RICS staff and Motorola Solutions, Inc. (Motorola) have encountered a setback with the Universal (UNIV) site. LA-RICS intended to use of the rooftop at UNIV but, due to competing projects for an energy upgrade from power outages, can no longer entertain use of that rooftop. Therefore, the \$434,706 that was being carried for Phase 2 will be removed from UASI Grant '16 and moved to UASI Grant '17.

Further, Program Manager Delfino stated that six (6) other sites are planned for construction with UASI Grant '16 and scheduled for completion by March 1, 2019.

Lastly, Program Manager Delfino informed the Committee if more detailed information is desired, the Authority's Operations and Technical (Ops/Tech) Committee hold standing meetings every 4th Tuesday of every other month and they are welcome to attend. The next Ops/Tech meeting is scheduled for Tuesday, November 27, 2018. There are also monthly LA-RICS Authority JPA Board of Directors (Board) meetings where a broader level of information such as photos and descriptions of site construction and project progress is available. The primary focus is the build-out of the LMR System. He highly encourage attendance to those meetings, as the scope of the PM presentations moving forward would include those with a fiscal impact only.

Administrative Deputy Susy Orellana-Curtiss provided information in connection with Item B – LTE Update. She stated that the County of Los Angeles Auditor-Controller (A-C), who serves as the Fiscal Agent to the Authority, forwarded a report to the Authority this past Wednesday, October 24, 2018, after the filing of the Finance Committee Agenda, therefore was not available for this Agenda posting. The Board previously requested a report, as LA-RICS entered into an Asset Transfer Agreement and Business Agreement with AT&T. LA-RICS' initial payment was for \$6 million dollars, at which point the Board requested quarterly updates on the utilization of those funds. The first A-C quarterly report was received after the posting of the Finance Committee Agenda but will be included in the next Board meeting agenda. Administrative Deputy Orellana-Curtiss assured the Committee that report from A-C would be presented to the Finance Committee moving forward. She went on to inform the Committee that to-date, as of Quarter 1 of 2018 (July – September Fiscal Year [FY] 2018-19), the Authority has spent \$251,645 under the three (3) tiers of member funded items which the AT&T Business Agreement revenues cover. Those three (3) budget categories are: JPA Member funded activities, LTE Administrative costs, and LMR Administrative costs, with all three categories' expenditures to-date totaling \$251,645.

There were no questions at the conclusion of the report.



VII. DISCUSSION ITEMS (C-E)

(ALTERNATE CHAIR IWANAGA RECOMMENDED DISCUSSION ITEMS C, D AND E BE TAKEN OUT-OF-ORDER AND PROCEEDED WITH ADDRESSING ADMINISTRATIVE MATTERS F AND G AHEAD OF DISCUSSION ITEMS)

C. Repayment of the Cash Advance to the Los Angeles Regional Interoperable Communications System Authority

Administrative Deputy Susy Orellana-Curtiss provided some background information in connection with Discussion Item C. The LA-RICS Authority adopted a funding plan per the Joint Power Authority (JPA) terms that set forth stipulated cost factors for the Members of the Authority and the cost to stand up the LTE/LMR Systems, as well as Operations and Maintenance (O&M) costs post deployment of the systems. The Funding Plan was adopted in 2014, which triggered a Member Opt-Out period, where 24 members opted to remain in the Authority. The Funding Plan contemplated costs factors that included ongoing non-grant funded Management/Administration items, as well as items that were outside of the purview of what the grants fund. For the most part, the grant funds the system deployment, but for the Broadband Technology Opportunities Program (BTOP) funded LTE System, there was a 20% match requirement made up significantly by cash match. Per the Adopted Funding Plan, remaining members had an obligation to pay for their cost share.

Administrative Deputy Orellana-Curtiss went on to state that since 2014, the County of Los Angeles (County) provided funding to continue the operation of the JPA pending a loan determination or loan payment term that was to be discussed at a later date. The County provided a cash loan for FY 2014-15, FY 2015-16, FY 2016-17, and FY 2017-18 for LA-RICS to continue to operate. This Committee recently approved the LA-RICS Operating Budget for FY 2018-19, and as your Committee is aware, LA-RICS is now operating on the revenue received from AT&T via the Asset Transfer and Business Agreements. For the four (4) years prior, the County provided the operating funds as a loan on behalf of the Members, resulting in LA-RICS accumulating a debt of approximately \$18.6 million dollars, as detailed in the enclosed letter. The Authority has been in discussions with the County, specifically the Chief Executive Officer (CEO), regarding how to address the \$18.6 million dollar debt incurred to-date. Administrative Deputy Orellana-Curtiss went on to indicate the CEO issued a letter to the Chair of the Board, Sheriff Jim McDonnell, and Vice-Chair, Fire Chief Daryl Osby, as well as LA-RICS' Executive Director Scott Edson regarding the \$18.6 million dollar loan. The letter is included in your agenda packet.

Committee Member Kay Fruhwirth asked for sentence clarification on Agenda Item C Attachment (County response Letter), "After a review of several operational cost models, our office has determined that a subscriber cost rate that includes repayment of the cash advance retains a competitive advantage over other providers." Administrative Deputy Orellana-Curtiss stated discussions with the CEO's Office resulted in the request for information pertaining to other systems that operate in the region, specifically the cost existing users pay now for existing systems such as ICI. Those costs are higher than the projected rate for the LA-RICS LMR system, assuming existing LMR Operations and Maintenance baseline costs do not increase.

There were no other questions. This item will be presented to the Board on November 1, 2018.

D. Subscription Based Funding Plan

Administrative Deputy Orellana-Curtiss stated there have been discussions regarding issues with the existing Adopted Funding Plan, which contemplated cost factors that were assigned to each member agency based on population and geography. Existing costs were taken into consideration to support the LMR System and apportioned in accordance with these cost factors.

Administrative Deputy Orellana-Curtiss provided the Committee an example of what were to occur if a member were to opt-out. In 2014, the Funding Plan triggered an opt-out period, the agency had a set rate based on population and geography cost factors, when agencies opted out, costs went up accordingly. The costs that were tied to the agency that opted out then had to be distributed to the remaining members. At the time of the release, adoption, and following adoption of the Funding Plan, the Interim Executive Director met with agencies regarding what triggered the opt-out and concerns they had with the existing Funding Plan. The primary feedback received from agencies was the need for a stable Funding Plan that was not subject to change or dependent of member makeup, because there was a need for agencies to budget with some sense of continuity, without the risk of year-to-year variables. Given all of the feedback received to-date, Administrative Deputy Orellana-Curtiss stated there is a better understanding of the LMR Deployment, a good handle on reconciliation of site costs within the system, redesigning it to ensure alignment to the remaining agencies, as well as potential subscribers. Administrative Deputy Orellana-Curtiss stated the purpose of this discussion item is to provide your committee with the steps that would be needed to revise the existing Funding Plan.

Administrative Deputy Orellana-Curtiss referred to Truc L. Moore, Counsel to the Authority, to walk the Committee through the steps required to revise the Funding Plan in connection with the terms and conditions of the Joint Powers Agreement. Counsel

Moore provided the details regarding what would be required to make revisions to the existing Funding Plan:

- Finance Committee would adopt any recommended changes and vote to recommend it to the Board.

NOTE: The entire Finance Committee does not need to participate preparing the amendments. Counsel recommended forming an Ad Hoc Sub-Committee.

- The Chair will be asking for Ad Hoc Sub-Committee volunteers. Ad Hoc Committee should be less than a quorum. Certain LA-RICS team members will assist with the preparation of the new model, as well consultant assisting, as needed.
- After the Ad Hoc prepares material for the Finance Committee to review, those items can be included on the Regular Finance Committee Agenda. At that point, the Finance Committee can discuss the revisions to the Funding Plan.
- If the Finance Committee is comfortable with the revisions to the Funding Plan, and would like to recommend it for Board approval, the Committee votes on adopting a recommendation for consideration of the JPA.
- Once the revised Funding Plan goes to the JPA for consideration, the Board will review and determine if the revised Funding Plan is appropriate, if so they can move to adopt the revised Funding Plan.
- If the Board adopts the revised Funding Plan, they set a 45-day opt-out period allowing any JPA Members an opportunity to withdraw from the JPA if they believe that their financial impact has substantially increased.

Counsel Moore mentioned that if the current Subscription Model lowers participant's costs; there should be no expectation of Member withdrawals. In the event that a Member takes the position that the revised plan significantly increased their cost, Members would be allowed the opportunity to withdraw during that 45-day opt-out period.

Administrative Deputy Orellana-Curtiss concurred with Counsel Moore as to the formation of a Finance Ad Hoc Committee that allows for detailed analysis of the revision to the Funding Plan.

The concept is over time with the changes in communications world and LTE going to FirstNet with the focus of the LA-RICS Authority on the land mobile radio system, what makes the most sense for the region is a subscription based rather than a member

based offering, which is what incited the need to revise the Funding Plan. Chair Geiger commented, as Counsel Moore mentioned, there is possibly an opt-out window, we do not envision that happening but the opportunity is there. The subscriber being a member or a subscriber is certainly no longer exclusive. The Ad Hoc will work toward establishing a set rate based on capital expense; refresh costs, O&M, and loan/debt service. Chair Geiger further informed the Committee that as of today, loan and debt service in the model does not need to be included. In an abundance of caution and as a matter of fiscal prudence, Chair Geiger recommended establishing backup rate setting alternatives, which include debt repayment. These are the areas that a small Work Group such as the Ad Hoc Committee that meets more frequently can address and engage subject matter experts as may be needed. The next natural step is for agency representatives or other stakeholders interested in participating in the Ad Hoc Committee to contact the main office at LA-RICS within the next week or so to commence this work. When the Ad Hoc Committee has work product/material readily available for review, it will be presented to this Committee for vetting.

Committee Alternate Chris Bundesen inquired as to when the Funding Plan needs to be in place, as well as when LA-RICS anticipates onboarding or starting.

Chair Geiger understands that onboarding will be in various phases, as they want to plug in. It is not until the system goes live that there would be a question of charging. Administrative Deputy Orellana Curtiss stated we plan to go live in Quarter 1 of calendar year 2021.

Committee Member Fruhwirth asked Administrative Deputy Orellana-Curtiss if LA-RICS is currently funding O&M with the AT&T funding. Administrative Deputy Orellana-Curtiss clarified there is no O&M since the LTE system was assigned to AT&T and there is not O&M for LMR until the system is accepted and the warranty period concludes. Committee Member Fruhwirth asked if the funding would last until the placement of the subscription fee. Administrative Deputy Orellana-Curtiss said that it would last if LA-RICS deploys the LMR system on schedule. The initial payment of \$6 million dollars can carry LA-RICS through two (2) fiscal years. LA-RICS receives an additional payment of \$3 million dollars at completion and transition of thirteen (13) LTE Round 2 sites with an additional \$3 million dollars at the completion and transition of the final (thirteen) 13 sites from LTE Round 2. The reason LA-RICS is pushing aggressively for the committee to meet, is that LA-RICS needs to set a revision to the existing funding plan, as the rate/cost is the first question that potential/interested users request. Even though some of the users may not be coming in as a paying customer until 2021, they are planning for the equipment purchases and other factors that need to line up prior to coming onto LA-RICS in 2021. That is why LA-RICS needs to push the rate setting aggressively, in an effort to have an answer for them.

E. Subscription Rate Setting

Administrative Deputy Orellana-Curtiss shared with the Committee the Subscription Rate Setting (handouts supplied at this time), which reflects the current make-up of the mobile radio costs. She went on to ask the Committee consider any items they'd like the working group to address, and if Committee Members would like to participate in the working group or have staff that they would like to recommend for working group participation. Administrative Deputy Orellana-Curtiss stated the handout outlines the existing costs that are included in the adopted Funding Plan. Included are administrative costs that are not paid for by the grant, as well as the O&M \$4 million dollar amount for O&M was the maintenance proposal that was provided by Motorola when they entered into the agreement for the deployment of the LMR System a few years ago. LA-RICS used that as a baseline figure because Motorola provided a proposal to maintain the system for that dollar value. Included in the \$11 million dollar amount is also a 10-year lifecycle. Administrative Deputy Orellana-Curtiss stated currently this is cost associated with replacing the major components of what makes up the LMR System which totals \$55 million dollars spread out over ten (10) years. The team is currently preparing a comprehensive scope of work in accordance with the current makeup of the LMR system and assessing whether or not there is a need to add items into the O&M and Lifecycle costs as well as any revised Funding Plan cost factors. Administrative Deputy Orellana-Curtiss asked the Committee to please keep it in mind updates to these baseline LMR costs maybe impact the initial rate estimates and that will be discussed in the working group.

Chair Geiger mentioned certain items that may require input from the operations and technical staff would be to look at the system that has a 10-year average lifecycle and to assess when the refresh will be needed, as it will be a new system.

Committee Member Fruhwirth noticed the presentation does not include the \$18 million debt. Chair Geiger stated there are scenarios that he has seen that have a zero debt service as well as other repayment scenarios. However, the CEO letter, nothing is due or called, in purposes of the actual rate that will go up on 2021, there is no indication that it has to include debt service, although it is a matter of fiscal prudence to have scenarios that include repayment. It would be good to see the numbers, in worst case scenario if you were paying full debt service, 15-25 years what does it look like. As Administrative Deputy Orellana-Curtiss suggested, the early numbers that were calculated using that debt service, still made the rates fairly competitive.

Committee Member Bundesen asked for clarification on what the County would entertain and if there would be possibility of a variety of debt repayment scenarios that can be done in 10-15 years. He also asked if the rates needed to be competitive, would the County be willing to extend repayment periods so that the user costs would



be the most competitive in the region. Chair Geiger stated the County's dominant interest is interoperability, a tool that public safety is able to use; the term of debt service should not get in the way of that. Certainly one of the ways that a tool is most robust is by having user constituency, interoperability cannot exist without all hands in the game. The County is amenable to hearing all proposals coming in, especially with the CEO September letter indicating that a debt is not being called or considered at this time.

Committee Member Budesen asked Administrative Deputy Orellana-Curtiss if LA-RICS could provide information on other system costs. Administrative Deputy Orellana-Curtiss stated that there is some information available and would share it at the next meeting.

Administrative Deputy Orellana-Curtiss asked the Committee representative please provide the Committee Secretary, Beatriz Cojulan, names for recommendation from your agency to start engaging in ad hoc committee discussions. The names will be forwarded to the Chair.

Chair Geiger would like the Ad Hoc Committee to meet before the Thanksgiving holiday, especially to prepare the Agenda.

Committee Member Fruhwirth asked for clarification on the number of members allowed for the Ad Hoc Committee. Counsel Moore stated that out of the ten (10) Finance Committee Members, must be less than a quorum, therefore the most that can be in the Ad Hoc is five (5) members representatives. For example, is the Sheriff's Department would like to send two (2) of their fiscal employees, they can do that because they are representing one (1) entity. At the member level, there cannot be more than five (5) member representatives. Not having to reach a quorum and sending out notification as in a regular meeting, avoids having the Brown Act slow down the discussion process. If there are more agencies interested than required for the Ad Hoc, then a selection will be made by the Chair.

VIII. ADMINISTRATIVE MATTERS (F-G)

F. FINANCE COMMITTEE VICE-CHAIR - ELECTION

(ALTERNATE CHAIR IWANAGA RECOMMENDED DISCUSSION ITEMS C, D AND E BE TAKEN OUT-OF-ORDER AND PROCEEDED WITH ADDRESSING ADMINISTRATIVE MATTERS F AND G AHEAD OF DISCUSSION ITEMS)

Administrative Deputy Orellana-Curtiss mentioned the Vice-Chair position was last filled three (3) years ago when the make-up of the Board was a bit different. Now that LA-RICS is engaging Committee members regarding potential revisions to the funding plan, as well as setting a subscription rate for LMR users, the Committee needs to fill the vacant Vice-Chair seat. The Vice-Chair would be able to hold Committee meetings, such as the current one, when the Chair is not available. Therefore, nominations were requested in order for the Committee to form a vote, and the Vice-Chair position would be effective immediately.

Alternate Chair Iwanaga nominated Commander Bill Song for Vice-Chair consideration as the first motion and was seconded by Committee Member Bundesen.

Ayes 5: Fruhwirth, Hosken, Walczak, DiBernardo, and Sagmit.

MOTION APPROVED.

G. 2019 SCHEDULE OF LA-RICS FINANCE COMMITTEE MEETING

Alternate Chair Iwanaga recommended the approval of the 2019 Finance Committee Regular Meeting Schedule in the Agenda.

Administrative Deputy Orellana-Curtiss read into the record that upon the Chair's review of this Agenda item, concluded in order to allow time for reports to be prepared and included for Board agenda inclusion, especially since we would be addressing significant items, would require more time between Finance Committee meeting and Board agenda posting date to prepare. He requested more time be allotted for the Finance Committee to convene and then provide a written report to the Board. Therefore, the handout replaces Agenda Item G of the Agenda Packet, reflecting the Finance Committee with alternative dates and moving meetings to the 3rd Thursday of the month instead of the 4th Thursday of the month. Since Board meetings convene on the 1st Thursday of the month, this would allow the Finance Committee more time to prepare reports for JPA Board Meetings.

Administrative Deputy Orellana-Curtiss stated once the dates on the handout are adopted, if there are any changes to the dates, it then would be considered a Special Meeting of the Committee. Therefore, the Committee was encouraged to make any changes at this time. Administrative Deputy Orellana-Curtiss proposed meeting on December 20, 2018 due to significant items in today's discussion and envisioning needing the Committee preparing reports to the Board for action. If quorum is not secured, a meeting cancellation would be sent out to attendees.

The dates on the handout reflect meetings for the calendar year 2018 and 2019, which the Finance Committee has been asked to adopt:

2018

November 15
December 20

2019

January 17
February 21
March 21
April 18
May 16
June 13
July 18
August 15
September 19
October 17
November 14 (3rd Thursday)
December – No meeting (will adjourn on January 23, 2020)

All Regular Meetings will be held at 1:00 p.m. Pacific Time at the at the LA-RICS Headquarters, 2525 Corporate Place, Suite 200, Large Conference Room, Monterey Park, California 91754.

Chair Geiger recommended moving the start time to 1:30 p.m.

Chair Geiger motioned first, seconded by Committee Member Song.

Ayes 6: Rhodes, Bundesen, Walczak, DiBernardo, Fruhwirth, and Sagmit.

MOTION APPROVED.

VIII. MISCELLANEOUS – (None)

IX. CLOSED SESSION REPORT – (None)

The Committee did not enter into Closed Session.

X. ITEMS FOR FUTURE DISCUSSION AND/OR ACTION BY THE COMMITTEE

XI. ADJOURNMENT and NEXT MEETING:

The Finance Committee meeting adjourned at 1:49 p.m. The next meeting is on Thursday, November 15, 2018, at 1:30 p.m., at the LA-RICS Headquarters, 2525 Corporate Place, Large Conference Room, Monterey Park, CA 91754