

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: September 20, 2010

Reviewed by: BP

SUBJECT: Resolution No. 2010-49 - Approving a project operating agreement with the East Bay Regional Communications System Authority (EBRCSA) and authorizing the execution and implementation of same.

REPORT BY: Beth Pollard, City Manager

RECOMMENDATION

Approve Resolution No. 2010-49, approving a project operating agreement with the East Bay Regional Communications System Authority (EBRCSA) and authorizing the execution and implementation of same.

BACKGROUND

The EBRCSA was created as a Joint Powers Authority (JPA) on September 11, 2007, with the goal of developing and operating a state of the art radio communications system that would provide regional interoperability. The new system will replace a patchwork of systems currently in use in Contra Costa and Alameda Counties. All of the systems are in need of replacement or upgrading, and most lack adequate capacity. Current systems utilize four different frequency bands allowing for no interoperability between agencies operating in different frequency bands.

The EBRCSA currently includes 36 member agencies consisting of both counties, 29 cities, 4 special districts, and the University of California. The JPA Board of Directors includes 23 representatives consisting of Elected Officials, Police Chiefs, Fire Chiefs, and City Managers. The Albany City Manager and Police Chief are both members of the Board, representing the Alameda County City Managers Association and the Alameda County Police Chiefs Association, respectively.

The EBRCSA system was designed by Motorola through a procurement process initiated by Alameda County. EBRCSA hired CTA communications to complete a review of the original design and make recommendations as to the final design and provide cost information on the final build out of the system as well as the operating and maintenance costs.

The current estimated cost to complete the new system is \$69,952,910. EBRCSA has secured approximately \$39 million in funds from the Bay Area Super Urban Area Security

Initiative, Urban Area Security Initiative, State Homeland Security and COPS grant programs. To date, funds have been used to develop the system and purchase equipment. The West Contra Costa County Cell is now complete and will be available for use once the testing is complete. The East Alameda County Cell is 80% complete and expected to be operational by the end of the year. The full system is targeted to be up and available to all system users prior to January 1, 2013.

DISCUSSION

System Financing:

EBRCSA has been working with Alameda and Contra Costa Counties on a financing strategy that incorporates a combination of grants and debt financing to fund the remaining \$30,987,000 needed to complete the system. An additional \$13,987,000 in grants are anticipated to be received over the next 4 years, leaving a total of \$17,000,000 to be financed.

Both Alameda and Contra Costa counties are currently preparing to issue new debt to fund projects unrelated to EBRCSA. In doing so, both counties are taking advantage of American Recovery and Reinvestment Act bonds, which will require the transactions to be completed prior to the end of 2010.

In lieu of EBRCSA independently undertaking a \$17,000,000 financing, both counties have agreed to increase the size of their issuance to include the needed EBRCSA funds. Based on the distribution of system users, Alameda will increase their issuance by \$10,200,000 and Contra Costa will increase their issuance by \$6,800,000. EBRCSA will then issue bonds to the counties.

The opportunity to partner with the two counties on the financing offers significant advantages to EBRCSA. The size of the issuance and creditworthiness of the counties will result in a much lower interest rate, avoid the need to go through a rating process, reduce issuance costs and lower costs for all participants.

Cost to each member agency will be allocated based upon the total subscriber units (radios). Monthly per radio charges (user fees) will be determined based upon a total annual debt service payment of \$2,066,000, plus total system operations and maintenance costs of \$3,850,000, divided by the total number of radios operating on the system. Monthly user fees are estimated to fall within a range of \$40.00 to \$45.00 per radio. Debt service payment will commence in 2013/14, once the entire system is operational, and run through 2028.

As more users join during the intervening two years (prior to the first debt service payment) the rate will be adjusted to match the total user count. The initial payment will be set reflecting the additional users. For agencies that are able to use the system prior to commencement of debt service payments, the monthly per radio user fees are expected to range from \$26-\$29 per month to cover maintenance and operations.

The new user fees will replace current costs being paid by member agencies to support their radio systems. Agencies may also choose to fund their share of the system costs up front in lieu of participating in the financing. This would reduce their monthly user fees by approximately one-third.

City of Albany:

In the case of the City of Albany, staff recommends that the City pay its share of the capital costs up front, rather than incurring interest and other financing charges.

Action Required:

In order to capitalize on the opportunity to partner with Alameda and Contra Costa Counties on their respective financings, EBRCSA will need each member agency to adopt a resolution approving the operating agreement that will financially commit the City of Albany to participate, based upon the number of radios that it plans to operate on the system.

SUSTAINABILITY IMPACT

N/A

FISCAL IMPACT

Almost \$53 million of the approximately \$70 million cost to construct the regional system is projected to be paid for through outside agency grants. By participating in a regional agency, the City is able to benefit from the acquisition of grants and sharing of overhead costs for increasingly complex, regulated, and technical emergency communications.

The capital, operating, and maintenance costs of the system are being assessed to member agencies based on the number of radios per agency. After careful review, the City of Albany has determined at this time it can operate with a total of 74 radios (reduced from the initial estimate of 83 radios). Based on this radio count, the City of Albany's share of the capital costs for the radio system is currently estimated at \$114,330. If more agencies join the system prior to the financing, that cost could decrease; likewise if the other agencies' radio counts decrease, there could be an increase, but the current projection is based on a conservative estimate of number of radios. There are sufficient resources in equipment replacement funds to support the up-front payment, which will save the City in interest and other financing costs. To finance the radio purchase would cost \$15.65 per radio per month for 15 years, for a total outlay of \$173,715 instead of \$114,330 payment up front. The monthly operating and maintenance charges are currently estimated at \$29.17 per radio, or \$21,585 annually beginning in fiscal year 2013-14.

- Attachments:
- A – Resolution No.
 - B – Alameda Radio User Count and related documents
 - C – Operating Agreement