



East Bay Regional Communications System Authority



Participating agencies include Alameda and Contra Costa Counties and the following cities and special districts: Alameda, Albany, Antioch, 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, Rodeo-Hercules Fire Protection District and San Ramon Valley Fire Protection District

AGENDA ITEM 3.0

DRAFT MINUTES

FINANCE COMMITTEE MEETING

REGULAR MEETING – October 2, 2009

1. CALL TO ORDER/ROLL CALL:

A regular meeting of the East Bay Regional Communications System Authority Finance Committee was held on October 2, 2009, in Room 1013 at the Alameda County Office of Homeland Security and Emergency Services, 4985 Broder Boulevard, Dublin, California. The meeting was called to order at 11:00 a.m. by Chair Bill Shinn.

PRESENT: *Committee members Anderson, Arner, Cheeves, Roderick (Alt. for Cm. Haggerty) Shinn, Wilson (Arrived at 11:10 a.m.), and Twa Also Attending: Ed Woo, and Rob Larkins, Wedbush*

ABSENT:

Staff Present:

Executive Director McCammon and Secretary Lyon

2. Comments from the Public:

No comments were made by any member of the public at this time.

3. Approval of Minutes:

On motion of Cm. Anderson, seconded by Cm. Twa and by unanimous vote, with the exception of Cm. Cheeves who abstained and noted that he was not

present at the meeting, the Committee approved the minutes of the June 12, 2009, regular Finance Committee meeting.

5. Receive Report from Robert Larkins, Managing Director, Wedbush Morgan Securities, for Potential Financing to Build Out the Remaining Infrastructure:

Director McCammon requested that the order of number 4 and 5 on the agenda be reversed so that the presentation to the committee by Robert Larkins, Managing Director, Wedbush occurs first.

Robert Larkins, Managing Director, Wedbush gave a presentation on financing considerations. This included an overview of the basic ingredients of a bond financing for a project and defining the obligor. There are two basic alternatives: (1) wholesale, where either (or both) Alameda and Contra Costa Counties take on the primary debt obligation and “sublease” to participating agencies, or (2) the “retail” approach, where all participating agencies are proportionally obligated. The “retail” approach is substantially more complex and generally requires more bond insurance but avoids a lead agency(s) having to “front” the debt. In the model, the first principal payment for both approaches would be due 1/1/2014.

Committee members discussed the advantages and disadvantages of the “wholesale” and “retail” approaches. A mechanism to intercept annual debt service payment from December property tax apportionment can apply in both the “retail” and “wholesale” approach.

Phasing reduces the cost of carrying excess capacity but introduces other costs/risk such as changed market conditions reflected on the Municipal Market Data (MMD) report which shows marked changes in one year.

For the single upfront issue, based on debt service of 24 million, the annual net debt service would be \$2,965,000, at the current rate of 4.38%, which equals \$14.11 per month based on 17,500 users.

For the two phased issue, based on debt service of 24 million, the annual net debt service would be \$2,853,000, at the current rate of 4.38%, which equals \$13.58 per month based on 17,500 users.

Once project costs are defined and the nature of the obligor is determined, it takes about 3-4 months to implement bond financing.

4. Review CTA's Phase II Findings, and Discuss Various Funding Models, as Recommended by the Board of Directors at their August 21, 2009 Meeting:

Director McCammon provided an overview, and said that he met extensively with CTA over the past weeks to revise some incorrect assumptions made by CTA. The first assumption was that the EBRCSA had already purchased all 19 channels for a cell in Alameda County, when in fact the EBRCSA had purchased 10 channels because of the uncertainty of Oakland's participation. Secondly, on one vendor service purchase, 20% of the total cost remains to be paid because 10% is due at the time of installation, and the other 10% is due after testing is complete. After the revisions were made, the overall probable cost to complete EBRCSA 2 Zones is estimated to be \$35,501,800.

Director McCammon distributed a 24 million lease purchase financing proposal from Motorola which appears to have a higher cost than the Wedbush proposal, and payments are due sooner, 18 months after the contract is executed.

Director McCammon next distributed three draft financial models for subscriber fees that include maintenance and operations costs and debt service costs. In comparing the three models, an increase in the number of users reduces the monthly subscriber unit fee costs, although there could be some reduced infrastructure costs. It is unclear whether Oakland will participate.

Cm. Arner asked if a replacement cost is included in these draft financial models and Director McCammon responded that there currently is not.

The general consensus of the Committee is for a replacement cost to be included in the subscriber unit fee to create a reserve, keeping in mind that the goal for the overall cost is to be under \$40.00.

Committee members discussed direction, and generally agreed that the "wholesale" approach with both counties as obligor could be better. Director McCammon will deliver a summary report to the Board of

Directors, and also contact Cm. Twa and Supervisor Bonilla to look into possible options.

7. Review Executive Director Compensation as Recommended by the Board of Directors at their June 19, 2009 Meeting:

Cm. Wilson asked that agenda item number 7 be moved in front of agenda item number 6 in order to allow time for him to comment. Chair Shinn reviewed that this subject was referred to this Committee by the Board of Directors. Director McCammon summarized that he is compensated at \$150.00 per hour with no benefits, and this rate was a result of a compensation study from which he was authorized by the Committee to charge up to \$165.00 per hour. During the initial budget development, it was not known how many work hours would be required.

Cm. Arner noted for the record that according to a recent city compensation survey, benefits can account for as much as 65% of total compensation, and as a result, the EBRCSA is saving significantly by not paying any benefit costs for the Executive Director.

On motion of Cm. Wilson, seconded by Cm. Arner, and by unanimous vote, the Committee approved the Executive Director compensation of \$150.00 per hour as it currently is reflected in the 2009/2010 budget.

6. Receive Update regarding C.G. Uhlenberg's 2008/2009 EBRCSA Audit and 2010 Audit Process:

Director McCammon reported that the 2008/2009 Audit is nearly completed, and it has been very thorough. Director McCammon recommended that the Committee consider hiring C.G. Uhlenberg for the 2010 Audit for several reasons including the significant educational component, due to the complexity of the EBRCSA project, and the lengthy RFP process. The general consensus of the Committee is that they would like to see the final 2008/2009 audit report first before making a decision. The 2008/2009 audit report is expected to be completed in November.

8. Receive Verbal Update of Grant Status (PSIC, COPS, UASI):

Director McCammon reported that final approval for the 1.17 million dollar earmark was received. The Alameda County PSIC funds are being used mainly for site work, and the Contra Costa County PSIC funds are being used mainly for console upgrades. There are NEPA requirements that are

now required that will increase the amount of work involved for the site work. The UASI has a new, complex process of applying for funding with several review panels. Six million was taken off of the top of UASI funding for broadband for the cities of San Jose, Oakland, and San Francisco, leaving 5.7 million to be allocated. In the future, UASI allocations will be risk based, and this change should increase Contra Costa County's UASI allocation.

9. Receive Verbal Update on Status of the Various EBRCSA Projects:

Director McCammon reported that most of his recent focus has been on the CTA report and also implementing agreements with other cities for site work.

Director McCammon summarized that there are two agenda action items planned for the EBRCSA Board of Directors meeting scheduled for August 16. The first is a change order to the Motorola Contract for the purchase of 5 consoles for the City of Pleasanton to be purchased and reimbursed through Alameda County by the Bay Area UASI. The second Board agenda item is a change order to the Motorola Contract to upgrade the existing equipment from circuit switched to IP simulcast technology.

Alt. Cm. Woo provided an update on the status of various EBRCSA projects in Contra Costa County. The ETA for the delivery of the Harris microwave for the West Cell is the end of October 2009.

10. Agenda Items for Next Meeting:

Discuss feedback from the Board of Directors on revised CTA probable cost to complete 2 Zones and Infrastructure Phasing Plan

Receive feedback on potential wholesale approach as a possible funding option for building out the remaining infrastructure

Review number of radio purchases needed, as summarized by user count lists developed, to meet CTA recommendations for Phase 2 compliance and discuss feasibility of possible financing for necessary radio purchases

11. ADJOURNMENT:

The meeting was adjourned at 12:45 p.m. The next meeting date for the Finance Committee is November 6, 2009 at 11:00 a.m., in Room 1013 at the Alameda County Office of Homeland Security and Emergency Services, 4985 Broder Boulevard, Dublin, California.

APPROVED BY A MOTION OF THE EAST BAY REGIONAL COMMUNICATIONS SYSTEM AUTHORITY THIS XXTH DAY OF XX, 2009.

Respectfully submitted,



Susan Lyon
Secretary

DRAFT