

# **Attachment 1**

## **City of Beverly Hills Comments on Proposed LA-RICS Funding Plan**

The City of Beverly Hills (“City”) has received the LA-RICS Draft Proposed Funding Plan (“Plan”) which was authorized for distribution by the LA-RICS Board of Directors for member comment. The City acknowledges that this document has been distributed pursuant to Section 5.01 of the LA-RICS Joint Powers Agreement.

The City has a longstanding commitment to interoperable communications and understands the tangible benefits to public safety that are realized by having its police and fire personnel operating on a regional communications network along with other first responders. To that end, the City joined LA-RICS as a charter member in 2009 to help shape the future of interoperable communications in the Los Angeles region and has remained actively engaged in the Joint Powers Authority (“JPA”) during its developmental phase.

After carefully reviewing the Plan, the City has developed the comments that follow which center around issues of Plan resiliency, costs and service levels, return on local investment, increase in the project’s scope, and compliance with the Joint Powers Agreement. The City sincerely hopes the Board revises the Plan to address these concerns and ultimately adopts a Funding Plan that will permit the maximum feasible participation by member agencies.

### **Resiliency of the Funding Plan**

In order to continue membership in the JPA, the City desires certainty regarding the costs it will incur as a member. Part of that certainty relates to the resiliency of the Plan and its ability to endure even though circumstances or opportunities surrounding LA-RICS may change. The City has identified two (2) issues that threaten the Plan’s resiliency.

#### **1. Grant Funds**

The Plan relies almost exclusively on grant funds for the initial construction of both the Land Mobile Radio (“LMR”) and broadband data (“LTE”) systems. However, nearly 50% of the grant funds necessary for the LMR system construction have not been secured and are not guaranteed to be awarded to LA-RICS. Furthermore, the Plan does not have any contingency provisions to address how the JPA will proceed if the anticipated grant funds do not materialize. Because the Plan is silent on this issue, these costs would need to be apportioned among the LA-RICS members to continue the project or bring the LA-RICS project to a halt. If the former occurs, the unanticipated cost increases could adversely affect members’ ability to remain in the JPA.

#### **2. Withdraw of Members**

Section 5.01 of the Joint Powers Agreement allows for members to withdraw from LA-RICS at no cost after the Board of Directors adopts the Funding Plan. While the Plan acknowledges the potential of members withdrawing once costs are determined, there are no cost containment

provisions to manage the risk which would be incurred by the remaining members of the JPA. Because the Joint Powers Agreement does not provide for an additional period of time to reconsider withdrawing from the JPA at no cost if the 35 day withdrawal period results in a significant and adverse fiscal impact to the remaining members, these costs would need to be apportioned among those remaining members to allow the project to continue or bring the LA-RICS project to a halt. Again, if the former occurs, the unanticipated cost increases could adversely affect members' ability to remain in the JPA.

### **Unknown and Fluctuating Costs and Service Levels**

As indicated above, the City desires certainty regarding the costs it will incur for continuing as a member of the JPA or withdrawing its membership and possibly re-joining at a later date. Additionally, the City needs to know what level of service its first and secondary responders can expect from the LMR and LTE systems. The City has identified six (6) issues with the Plan that expose JPA members to unknown and fluctuating costs and service levels.

#### 1. LMR Coverage

While LA-RICS is planning to develop an LMR system with 95% coverage, this stated goal represents an anticipated average level of coverage throughout the Los Angeles County region. The actual coverage that would be enjoyed locally by each member is unknown. Because a significant portion of the City is located in a foothill area which poses challenges for LMR coverage, it's possible that the base LMR system would not provide 95% average coverage within the City. Therefore, the City may need to construct or maintain additional sites or facilities at unknown additional costs in order to ensure LMR coverage remains at a level that is greater than or equal to coverage it currently enjoys with its own LMR system.

#### 2. LTE Coverage

The Plan refers to coverage zones where data downlink and uplink coverage varies by geographical area within the LA-RICS territory. However, there is no description as to which zone(s) apply to each member. Therefore, it's possible that anticipated LTE coverage for the City could vary between 70.4% and 96.5% (when considering that the City may fall into either the Foothills, Foothills - Developed, or LA Basin zones). Additionally, these coverage percentages represent an average level of coverage throughout each zone. Actual coverage that would be enjoyed locally within the City of Beverly Hills is unknown. Because a significant portion of the City is located in a foothill area which may be considered challenging terrain, it's possible that the base LTE system would not provide the anticipated level of coverage within the zone(s) where the City is located. Therefore, the City may need to construct additional LTE sites or facilities at additional unknown costs in order to ensure LTE coverage is provided at level that is acceptable and consistent.

Furthermore, the LTE system is described in the Plan as a “starter” system which is being planned for and developed in a very compressed timeframe. This presumes that additional investments in capital and infrastructure may be necessary for in order for LA-RICS members to truly enjoy a fully-functional LTE system.

3. Incomplete Information

While the JPA has contracted with the vendor to develop both systems at known costs, the actual costs which would be allocated to members are based on estimates only. Many members did not respond to surveys requesting information that is critical for constructing member cost estimates, and the member data that was submitted was not validated by the JPA or an independent third party. Therefore, costs estimates are based upon incomplete information that could lead to actual costs incurred by members that differ significantly from those which have been presented in the Draft Fee Estimates section of the Plan (Appendix 3). Additionally, members’ actual usage on the systems has the potential to significantly alter cost allocations to members from year to year. The Plan does not address these issues and provides for no cap on cost increases that members may incur even though a specific member’s usage on the systems remain relatively unchanged. Mechanisms to address this issue, such as rate fixing or a rate stabilization fund, could be employed to cushion these impacts and smooth out year-to-year changes.

4. Formula Construction

The Plan relies heavily on the variable titled “number of dispatched calls for service” to allocate LMR system costs to the JPA membership. This variable is problematic because it relies solely on member reported data which can be misinterpreted or mistakenly calculated and is not independently verifiable. Therefore, the use of this variable to calculate cost does not necessarily provide information as to how members are using the system. If the desired outcome of using this variable to allocate cost relates to determining a member agency’s workload and thus propensity of using the LMR system, the City recommends using a much more reliable variable such as the amount of air time on the system used by each member agency.

5. Centralized Operations and Maintenance

The Plan indicates that members will realize costs savings from LA-RICS’s centralized operations and maintenance (“O&M”) of the LMR system. However, the Plan does not indicate what the anticipated O&M service levels will be for the system. Therefore, members may need to maintain their own personnel or contract with a third party, at unknown costs, to supplement the O&M services that may be available from LA-RICS to ensure their portion of the LMR system remains operational at acceptable levels.

6. Withdrawing and Rejoining

The Plan does not indicate with specificity what financial obligations would be incurred by agencies that withdraw from LA-RICS within 35 days of adoption of the Funding Plan and then choose to join at a later date. A brief section of the Plan (Appendix 2) describes why certain fees and charges should be levied against “late adopters.” However, this section is unclear about what charges would actually be assessed for joining at a later date, and the formulas and examples provided are ambiguous and contradictory. This lack of clarity further erodes the Plan’s ability to provide members with the information necessary to conduct an accurate cost-benefit analysis of remaining in the JPA versus withdrawing.

**Return on Local Investment**

The City currently maintains an interoperable LMR system that provides outstanding local service and is part of a regional radio system network that provides interoperability with other first responders and wide-area coverage throughout the Los Angeles county region. Nearly \$7 million has been invested by the City to accomplish this feat, and the system still has many years of useful life remaining. Before migrating to LA-RICS, or any other LMR solution, the City desires to recoup the full return on its investment. The City has identified two (2) issues that impact its return on investment.

1. Credits for Infrastructure

One of the stated benefits of LA-RICS is the reuse of infrastructure assets to leverage investments that members have made in existing radio sites and equipment. The City has invested millions of dollars to construct its Project 25 compliant, trunked digital LMR system. This investment includes the development and purchase of radio sites and equipment that have been identified by for inclusion in both LA-RICS systems.

Section 5.02 of the Joint Powers Agreement allows for members to use their equipment or property in lieu of other contributions that may be required. However, the Board of Directors eliminated the prospect of providing credits or offsets to members providing infrastructure to the JPA during its March 2014 meeting. In recognition of the sizeable investment made by members to develop these assets which would clearly benefit LA-RICS, the City recommends that the Plan be revised to consider member credits for the use of their property and equipment in a manner that would reduce the costs they otherwise would incur if infrastructure credits were not allowed.

2. Unclear Migration Plan to LA-RICS

During the stakeholder meeting process, members repeatedly requested that a phasing plan which recognized the life cycle of existing infrastructure and equipment be included in the Funding Plan. This phasing would allow members to migrate from their existing LMR systems to LA-RICS over a period of time and is necessary to ensure members don’t begin incurring costs for

LA-RICS while they still have operable radio systems in use. As it is currently written, the Plan does not provide members with a migration path where double-paying is avoided while still maintaining membership in the JPA.

### **Increase in Scope of LA-RICS**

The City became a member of LA-RICS in 2009 to assist the JPA in developing an interoperable LMR network for the entire Los Angeles county region. In 2010, the scope of the LA-RICS project was increased beyond its original intention of creating an LMR system and now includes the construction of a public safety broadband data (LTE) network. This development was brought about by a \$154 million grant that was awarded to LA-RICS under the federal Broadband Technology Opportunity Program (BTOP).

While a regional public safety LTE system would certainly benefit all members, some members may not have the need for the LA-RICS's LMR system. Therefore, these agencies may want to participate in the LTE system, but not the LMR system because it may be many years before their systems reach the end of their useful lives. During its March 2014 meeting, the Board of Directors decided this issue by prohibiting members from participating in one system only and mandating full participation by all members. The City recommends that the Plan be revised to allow for less than full participation in order to better meet member agencies' unique needs and allow them to recoup the full return on their LMR system investments which may have been made years ago.

### **Compliance with the Joint Powers Agreement**

The Joint Powers Agreement specifies that the Funding Plan must include a development schedule and phasing plan which will permit the maximum feasible participation by members. However the Plan, as it is currently written, does not meet this criteria. This missing aspect of the Plan is critical for members to fully understand the scope of the LA-RICS project and the 15-30 year commitments that they would be obligated to make if they continue their membership in LA-RICS. Without a development schedule and phasing plan, members cannot determine the fiscal impact on their respective agencies and cannot plan to migrate onto the LA-RICS system.

Since 2009, the City of Beverly Hills has supported LA-RICS's efforts to develop an interoperable communications system that will benefit first responders and communities throughout the Los Angeles region. However, the Funding Plan that has been authorized for distribution by the Board of Directors for member comment—a document that will serve as the guiding financial blueprint for the next 15 years as the JPA expends over \$500M—is both ambiguous and incomplete. Throughout the Plan, key information needed by stakeholders to conduct fiscal analyses is either missing or vague. If this plan was adopted by the Board of Directors as-is, significant financial decisions would still need to be contemplated

by the membership in the near future and the prospect of needing to adopt a second or amended Funding Plan would almost certainly be necessary.

The City of Beverly Hills respectfully requests that the Board of Directors take its comments into consideration as it works to revise the LA-RICS Funding Plan.