

File No. 161343

Committee Item No. 9
Board Item No. 31

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 25, 2017

Board of Supervisors Meeting

Date January 31, 2017

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date January 20, 2017
Completed by: Linda Wong Date January 24, 2017

1 [Appropriation - Proceeds from Lease Financing - Public Safety Radio System Project -
2 FY2016-2017 - \$34,184,136]

3 **Ordinance appropriating \$34,184,136 of lease financing to the Department of**
4 **Emergency Management for Public Safety Radio System Project in FY2016-2017, and**
5 **placing the total appropriation of \$34,184,136 on Controller's Reserve pending**
6 **proceeds from the lease financing.**

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9 Note: Additions are single-underline italics Times New Roman;
10 deletions are ~~strikethrough italics Times New Roman~~.
11 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

12 Be it ordained by the People of the City and County of San Francisco:

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14 Section 1. The sources of funding outlined below are herein appropriated to reflect the
15 funding available in FY2016-2017.

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18 **SOURCES Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	770426	80199	Proceeds from Other	\$34,184,136
	CED026 03	Proceeds from	L/T Obligations	
		L/T Debts		
Total SOURCES Appropriation				<u>\$34,184,136</u>

1 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 2 06P00 (Programmatic Projects Budget), 07311 (Cost of Issuance), and reflect the projected
 3 uses of funding for Public Safety Radio System project.

4
 5 **USES Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	770426	06P00	Programmatic Projects	\$34,134,136
	CED026 03	Programmatic Projects Budget	Budgets	
1G AGF ACP	770426	07311	Cost	\$50,000
	CED026 03	Cost of Issuance	of Issuance	
Total USES Appropriation				<u><u>\$34,184,136</u></u>

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 18 Section 3. The Controller is authorized to record transfers between funds and adjust
 19 the accounting treatment of sources and uses appropriated in this Ordinance as necessary to
 20 conform to Generally Accepted Accounting Principles.

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 22 Section 4. The uses of funding outlined above for \$34,184,136 are herein placed on
 23 Controller's Reserve pending proceeds from the lease financing.

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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: BSCT
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: [Signature]
Ben Rosenfield
Controller

Item 9 File 16-1343	Department: Department of Emergency Management (DEM)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would (i) appropriate \$34,184,136 of lease financing funds to the Department of Emergency Management (DEM) for the City’s Radio Replacement Project in FY 2016-2017, and (ii) place the total appropriation of \$34,184,136 on Controller’s Reserve pending receipt of proceeds from the lease financing. <p>Key Points</p> <ul style="list-style-type: none"> • The City currently owns and maintains two primary Motorola radio systems for daily push-to-talk communications, with over 10,000 radios currently in use by City employees. The Five-Year Information and Communications Technology (ICT) Plan for FY 2013-14 to FY 2017-18, previously approved by the Board of Supervisors, recommended replacement of the existing Citywide 800 MHz radio communications system. • The Board of Supervisors approved a resolution in October 2016 (File 16-0967) to authorize the (i) Department of Emergency Management’s (DEM) Executive Director to execute a Purchase and Installation Agreement for the City’s new radio system with Motorola for a maximum guaranteed cost of \$48,000,000 for approximately five years from late 2016 through June 30, 2021; (ii) Department of Technology’s (DT) Executive Director to execute a Maintenance and Support Agreement with Motorola for a maximum guaranteed cost of \$28,000,000 for approximately 18 years from July 1, 2017 through November 1, 2035; and (iii) Office of Public Finance’s Director, in consultation with the City Attorney, to negotiate terms and obtain lease financing on a competitive basis for a not to exceed \$35,000,000 through the State of California’s Department of General Services Golden State Financial Marketplace Program (GS \$mart). <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The requested appropriation would be used to fund \$34,134,136 of the total \$45,134,136 purchase price for the City’s new radio system with Motorola, including infrastructure costs and radio purchases. Over the 10-year term of the lease financing from Bank of America, principal payment will equal \$34,184,136 and interest payment will equal \$3,104,585, totaling \$37,288,721. The average annual lease rent payments are \$3,728,872. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The City currently owns and maintains two primary Motorola radio systems for daily push-to-talk communications, with over 10,000 radios currently in use by City employees. The Five-Year Information and Communications Technology (ICT) Plan for FY 2013-14 to FY 2017-18, previously approved by the Board of Supervisors, recommended replacement of the existing Citywide 800 MHz radio communications system. On April 21, 2015, the Board of Supervisors approved the City's Five-Year Information and Communication Technology Plan for FYs 2016-2020, which includes a Public Safety and Public Service Radio Replacement Project. The Radio Replacement Project will combine the existing public safety and public service radio systems into one comprehensive network, including San Francisco International Airport. The City conducted a competitive Request for Proposals (RFP) process in 2014 and selected Motorola Solutions in 2015 as the highest qualified respondent.

The Board of Supervisors approved a resolution in October 2016 (File 16-0967) to authorize the (i) Department of Emergency Management's (DEM) Executive Director to execute a Purchase and Installation Agreement for the City's new radio system with Motorola for a maximum guaranteed cost of \$48,000,000 for approximately five years from late 2016 through June 30, 2021; (ii) Department of Technology's (DT) Executive Director to execute a Maintenance and Support Agreement with Motorola for a maximum guaranteed cost of \$28,000,000 for approximately 18 years from July 1, 2017 through November 1, 2035; and (iii) Office of Public Finance's Director, in consultation with the City Attorney, to negotiate terms and obtain lease financing¹ on a competitive basis for a not to exceed \$35,000,000 through the State of California's Department of General Services Golden State Financial Marketplace Program (GS \$mart).

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (i) appropriate \$34,184,136 of lease financing funds to the Department of Emergency Management (DEM) for the City's Radio Replacement Project in FY 2016-2017, and (ii) place the total appropriation of \$34,184,136 on Controller's Reserve pending receipt of proceeds from the lease financing.

In November 2016, the Office of Public Finance secured lease financing from the State's Department of General Services' GS \$mart program. Through the State program, Bank of

¹ Under a lease financing agreement, the lender (in this case the Bank of America) would own the asset (i.e. the public safety radios), which would be leased back to the City (as borrower); the City would pay periodic lease rent to the lender through the term of the lease financing agreement.

America won the final bid with an interest rate of 1.699 percent over a ten-year term with no prepayment penalties. Table 1 below shows the terms and parameters of the lease financing.

Table 1: Terms of Lease Financing from Bank of America

Total Lease Financing Amount	\$34,184,136
Total Interest Costs Over Term	<u>3,104,585</u>
Total Principal and Interest	\$37,288,721
Average Annual Lease Rent Payments over 10 Years	\$3,728,872
Term of Financing	10 Years
Interest Rate	1.699%

Ms. Jamie Querubin of the Controller's Office of Public Finance advises that bond counsel fees in an amount of \$50,000 is included in the \$34,184,136 of project lease financing.

FISCAL IMPACT

According to Ms. Querubin, the requested appropriation would provide \$34,134,136 in lease financing funds to partially pay the total \$45,134,136 purchase price² for the City's new radio system with Motorola, including infrastructure costs and radio purchases. The estimated balance of \$11,000,000 is General Fund monies, previously appropriated by the Board of Supervisors. A summary of proposed sources and uses of the lease financing funds is shown in Table 2 below.

Table 2: Proposed Sources and Uses – FY2016-17

Source of Funds	Amount
Lease Financing Proceeds	\$34,184,136
Total Sources	\$34,184,136
Uses of Funds	
Radio Infrastructure and Radios (Approximately 4,908 New Radios and Software Upgrades)	\$34,134,136
Cost of Issuance (Bond Counsel Fees)	50,000
Total Uses	\$34,184,136

² The Purchase and Installation Agreement between the City and Motorola, approved by the Board of Supervisors in October 2016 (File 16-0967) was for an amount up to \$48,000,000, which included \$45,134,136 in City purchases and \$2,865,864 in purchases by non-City agencies.

Over the 10-year term of the lease financing, principal payment will equal \$34,184,136 and interest payment will equal \$3,104,585, totaling \$37,288,721. The average annual lease rent payments are \$3,728,872.

Average annual lease rent payments up to \$3,728,872 will be appropriated in the annual Department of Emergency Management budget and allocated to the respective funds (General Fund, Airport, Port, SFPUC, Building Inspection, etc.) based on the department's actual purchase of radio equipment.

RECOMMENDATION

Approve the proposed ordinance.

**City and County San Francisco
800 MHz - Radio Replacement Project**

Estimated Sources

<u>Expected Borrowing Amount</u>	<u>\$34,184,136</u>
Total Not to Exceed Sources	\$34,184,136

Estimated Uses:

Project Fund Deposits	\$34,134,136
Cost of Issuance	<u>\$50,000</u>
Total Estimated Uses	\$34,184,136

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *AL*
RE: Appropriation - Proceeds from Lease Financing of \$34,184,136 for the
Public Safety Radio System Project in FY 2016-2017
DATE: December 13, 2016

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$34,184,136 of lease financing to the Department of Emergency Management for Public Safety Radio System Project in Fiscal Year 2016-17, and placing the total appropriation of \$34,184,136 on Controller's Reserve pending proceeds from the lease financing.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

BY *AL*
2016 DEC 13 PM 2:11
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SAN FRANCISCO