

BayRICS Authority
STAFF REPORT

DATE: Thursday January 8, 2015
TO: BayRICS Board of Directors
FROM: Barry Fraser, General Manager
SUBJECT: Item 8 – BayRICS Budget Planning Staff Report
RECOMMENDATION:
Information Only

I. Background

BayRICS was established as a Joint Powers Authority (JPA) in August 2011 to oversee development of the BayWEB wireless broadband network and other regional public safety communications systems. The JPA's charter agreement provided that each member pay an annual fee, initially set at \$24,500 per member per year, to support administrative, legal, and other authorized costs incurred by the Authority. By the end of the 2013-2014 Fiscal Year, the JPA had accumulated a reserve fund of approximately \$405,000.

In December 2013, the BayWEB project ended before the network was completed. The Board subsequently decided to reduce member fees to \$7,000 per member for the 2014-2015 Fiscal Year, and to pay additional administrative expenses out of the reserve fund.

The purpose of this report is to provide an update on the financial status of the JPA and propose several alternative scenarios for funding continued operations in Fiscal Year 2015-2016 and beyond. Based on feedback from the Board, staff will develop a draft Fiscal Year 2015-2016 budget, to be presented for Board's review at a future meeting.

II. Current Financial Picture

- a. Revenues: BayRICS revenue from member fees is currently at 80% of budget for the year. Two member's annual fees are still outstanding for the year. Staff has communicated the past due amounts to both members, who indicate that they are in the process of making the payments.
- b. Expenses: BayRICS expenses are 11% below budget forecasts for the year, and staff projects that BayRICS will maintain this reduction in actual spending throughout the remaining Fiscal Year, which should result in \$31,000 cost savings for the year.
- c. Reserve Funds: BayRICS began the Fiscal Year with a Reserve Fund of approximately \$405,000. We anticipated a draw on the reserve of \$190,509 to cover all expenses, which would leave a balance of approximately \$215,000 at the end of the Fiscal Year. However, with additional budget adjustments, our reserve fund balance is expected to be \$240,000 or more by the end of the Fiscal Year.

III. BayRICS Proposed Workload Going Forward

Although the BayWEB project has come to an end, staff and the Board have successfully completed a number of other accomplishments in 2014. Most notably, BayRICS has become a clearinghouse and resource to help members track progress by FirstNet and the State's consultation efforts. At some point in the future, BayRICS member agencies must make important decisions regarding participation in FirstNet. While it may not be feasible for each agency to dedicate resources and staff time to monitoring the progress and track record of FirstNet, it is important that the region keep up with these developments. BayRICS can serve this role, at a very low cost per member.

BayRICS has also served a key role in the regional coordination of P25 voice communications systems, evidenced by work conducted by staff to manage the region's Fleetmap Channel Guide and to sponsor a forum for system operators to meet and resolve interoperability issues, such as the *System Key Exchange Procedures* developed by BayRICS in 2014.

IV. Some Budget Options for FY 2015-2016

The following options are not recommendations, but possible scenarios for purposes of Board discussion:

1. Close-Out Option:
 - BayRICS JPA dissolves or suspends operations on July 1, 2015
 - Approximately \$18,000 of reserves is returned to each member
2. Continue Current Fee Structure (\$7,000/Member) and Budget:
 - Would allow 1+ additional year of operations until reserves are exhausted
3. Current Fee Structure with Part-Time General Manager:
 - Salary and benefits reduction would allow 4-6 years of scaled-back JPA operations
4. Current Fee Structure with Grant Funding (UASI or Other) to Supplement:
 - \$180,000/year UASI grant would support continuous operation, but only for as long as grant funding is available
 - DHS has indicated an emphasis on grants that support broadband planning
5. Member Fee Increase:
 - Annual Fee of \$15,000 would support three years of operation
 - Annual Fee of \$20,000 would support continuous operation (no reserves used)
6. A combination of the above options:
 - Example: Current Fees *plus* Part Time GM *plus* \$40,000 UASI grant would allow continuous operations without using reserve funds