

BayRICS Authority
STAFF REPORT

DATE: Thursday April 9, 2015
TO: BayRICS Board of Directors
FROM: Barry Fraser, General Manager
SUBJECT: Item 8 – BayRICS Budget Planning Update
RECOMMENDATION:
Information Only

At the January 8, 2015 meeting the Board directed staff to develop a proposed budget for FY 2015-2016 that would keep annual member fees at the current level and focus resources on Bay Area planning for FirstNet. The purpose of this report is to provide an update on the financial status of the JPA and propose three alternatives for BayRICS sustainability: 1) reduce staffing to a part-time General Manager; 2) support current staff structure through grant funding; and 3) a combination of staff reductions and minimal grant funding.

After a comprehensive review of the three alternatives and consultation with BayRICS Treasurer/Fiscal Agent (the Alameda County Auditor-Controller) Staff recommends that Option 1 is the best alternative for the FY 2015-2016 budget. Staff also provides recommendations for implementing this budget proposal and transitioning to a part-time GM administrative structure. Staff proposes that the Board defer final approval of the budget until its July 9, 2015 meeting, to give staff time to address additional considerations and plan for implementing this transition.

I. Current Financial Picture

- a. Revenues: BayRICS revenue from member fees is currently at 88% of budget for the year. One member's annual fees are still outstanding for the year. Staff has communicated the past due amounts to the Director representing this member, who indicates that the agency is in the final stages of processing the payment.
- b. Expenses: BayRICS expenses are 10% 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 approximately \$25,000 in 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 \$230,000 or more by the end of the Fiscal Year.

II. Three Budget Options for FY 2015-2016

At the January 8, 2015 meeting the Board indicated its preference for keeping annual member fees at the current level (\$7,000) and focusing BayRICS resources on Bay Area planning for

FirstNet. The Board and stakeholders have also indicated a strong preference for keeping BayRICS a viable and organization until such time as FirstNet can deploy its system in the Bay Area, or another broadband network becomes available.

With this direction, Staff worked with BayRICS Treasurer/Fiscal Agent to develop three options for sustained operations of the JPA. The Treasurer also developed four-year projections (through FY 2018-2019) for each option, which are attached to this report and summarized below:

1. Current Fee Structure with Part-Time General Manager:
 - Assumes GM salary and benefits are reduced by ~55%
 - Some management tasks would be scaled back to meet GM reduced work schedule (core FirstNet planning would not be impacted)
 - Salary and benefits reduction would allow nearly 4 years of operations before BayRICS reserves are fully depleted (in FY 18-19)
2. Current Staff Structure with Grant Funding (UASI or Other):
 - Assumes full time GM with partial funding from homeland security or other grants totaling \$60,000 to \$80,000 in the first two years, growing to \$180,000 per year beginning with year three.
 - Partial grant funding would extend reserves for two years, through FY 16-17.
 - The U.S. Department of Homeland Security (DHS) currently supports grants for broadband planning and governance
3. Part-time GM with Grant funding:
 - Assumes GM salary and benefits are reduced by 55%
 - Grants beginning with \$60,000 in FY 15-16 with slight increase in future years, would result in no further reduction in BayRICS reserves
 - Some management tasks would need to be scaled back to meet GM reduce work schedule (core FirstNet planning would not be impacted)
 - This option would allow the JPA to continue indefinitely, so long as minimal grant funding is available

V. Staff Recommendation

Staff recommends that the Board adopt a budget for FY 2015-2016 based on Option 1, Part Time General Manager, because this option does not rely on the availability of grant funding for sustainability. This option provides the most certain and stable financial plan to ensure at least four additional years of BayRICS operations.

Option 3: Part-Time GM with Grant Funding, is a viable alternative to Option 1. In an effort to preserve the viability of all options, staff applied for a UASI 2015 grant for \$59,000 to support BayRICS operations beginning in FY 2016-2017. The UASI Approval Authority is scheduled to review that proposal at its meeting on April 9. Staff recommends that this funding, if approved, be kept as a placeholder pending final budget approval and resolution of all transition issues and other considerations.

Staff does not recommend Option 2, Current Staff Structure with Grant Funding, because that option is not sustainable at this time.

The transition to a part-time GM under Option 1 or 3 will require a transition period in which several considerations must be addressed. These considerations are briefly highlighted below. Staff proposes that the Board defer final approval of the budget until its July 9, 2015 meeting, to give staff time to address additional considerations and plan for implementing this transition.

VI. Additional Considerations

1. Filling a Part-Time GM Position. BayRICS tasks are complex, cross many disciplines, and require highly specialized knowledge and experience. It may be difficult to find a competent GM willing and able to work part time. The JPA may need to plan for an extended period of time without staff until a qualified part-time staff becomes available.
2. Some BayRICS responsibilities would be reduced or eliminated. BayRICS has become a clearinghouse and resource to help members track progress on FirstNet and the State's consultation efforts. BayRICS also serves 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 regional interoperability issues.

Currently, BayRICS full-time GM conducts a wide variety of tasks related to FirstNet planning and consultation, including technical research, participation on a number of boards, committees and working groups, and management of a variety of programs and tools that provide outreach and information about FirstNet to BayRICS members. The GM also oversees advisory groups and management of tasks that support P25 system interoperability and BayLoop microwave system management, and performs a variety of administrative and legal compliance tasks necessary to maintain the JPA.

Transitioning to a part time GM would require some reorganization of BayRICS operations, with possibly the need to "offload" some tasks to other entities, to ensure that, to the fullest extent possible, critical core services are not degraded. This transition planning and implementation could take several months.

3. Grant Administration, Proposal Development and Funding Availability in future years. If the Board selects an option that includes a grant funding component, planning will be required to 1) ensure that resources are available to develop and administer and audit the grants, and 2) develop an alternate plan if grant funding is not available in future years.
4. Development of a succession plan. Succession planning allows organizations to maintain effective performance through leadership continuity. Good succession planning requires identifying potential leaders and preparing them to take on leadership roles.

At the January 8 Board meeting, Directors raised the need for a viable secession plan that would ensure BayRICS continued operations in the event that staff become incapable of performing key functions. Secession planning should be a part of the transition plan developed under any of the options adopted by the Board.

Scenario #1: Part-Time General Manager

Revenues	FY15-16	FY16-17	FY17-18	FY18-19
Annual Member Fees	\$ 91,000	\$ 91,000	\$ 91,000	\$ 91,000
Interest	\$ 500	\$ 500	\$ 500	\$ 500
Fund Balance (draw on reserve)	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Total Revenues	\$ 146,500	\$ 146,500	\$ 146,500	\$ 146,500
Expenses	FY15-16	FY16-17	FY17-18	FY18-19
Administration	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000
Audit	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Legal	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Insurance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Miscellaneous	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Total Expenses	\$ 146,500	\$ 146,500	\$ 146,500	\$ 146,500
Reserve Fund	FY15-16	FY16-17	FY17-18	FY18-19
Balance -beginning	\$ 220,000	\$ 165,000	\$ 110,000	\$ 55,000
Draw on reserve	\$ (55,000)	\$ (55,000)	\$ (55,000)	\$ (55,000)
Balance - ending	\$ 165,000.00	\$ 110,000.00	\$ 55,000.00	\$ -

1. The General Manager's hours have been reduced by 55%
2. Management tasks may need to be reduced to coincide with the part time GM
3. This scenario will result in the reserve fund being depleted near the end of FY18-19

Scenario #2: Grant Funding

Revenues	FY15-16	FY16-17	FY17-18	FY18-19
Annual Member Fees	\$ 91,000	\$ 91,000	\$ 91,000	\$ 91,000
Interest	\$ 500	\$ 500	\$ 500	\$ 500
Fund Balance (draw on reserve)	\$ 121,000	\$ 99,000	-	-
Administration Grant	\$ 59,000	\$ 81,000	\$ 180,000	\$ 180,000
Total Revenues	\$ 271,500	\$ 271,500	\$ 271,500	\$ 271,500
Expenses	FY15-16	FY16-17	FY17-18	FY18-19
Administration	\$ 229,000	\$ 229,000	\$ 229,000	\$ 229,000
Audit	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Legal	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Insurance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Miscellaneous	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Total Expenses	\$ 271,500	\$ 271,500	\$ 271,500	\$ 271,500
Reserve Fund	FY15-16	FY16-17	FY17-18	FY18-19
Balance -beginning	\$ 220,000	\$ 99,000	-	-
Draw on reserve	\$ (121,000)	\$ (99,000)	-	-
Balance - ending	\$ 99,000.00	\$ -	\$ -	\$ -

1. The General Manager's hours have not been reduced
2. Grant revenues have been budgeted at an increasing rate
3. This scenario will result in the reserve fund being depleted near the end of FY16-17

Scenario #3: Part-Time GM & Grant Funding

Revenues	FY15-16	FY16-17	FY17-18	FY18-19
Annual Member Fees	\$ 91,000	\$ 91,000	\$ 91,000	\$ 91,000
Interest	\$ 500	\$ 500	\$ 500	\$ 500
End of Year Deposit to Reserve Fund	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
Administration Grant	\$ 59,000	\$ 59,000	\$ 59,000	\$ 59,000
Total Revenues	\$ 151,500	\$ 145,500	\$ 145,500	\$ 145,500
Expenses	FY15-16	FY16-17	FY17-18	FY18-19
Administration	\$ 103,000	\$ 103,000	\$ 103,000	\$ 103,000
Audit	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Legal	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Insurance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Miscellaneous	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Total Expenses	\$ 145,500	\$ 145,500	\$ 145,500	\$ 145,500
Reserve Fund	FY15-16	FY16-17	FY17-18	FY18-19
Balance -beginning	\$ 220,000	\$ 225,000	\$ 230,000	\$ 235,000
Increase in reserve fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Draw on reserve	\$ -	\$ -	\$ -	\$ -
Balance - ending	\$ 225,000	\$ 230,000	\$ 235,000	\$ 240,000

1. The General Manager's hours have been reduced by 55%
2. Grant revenues have been budgeted at \$59,000 as recommended by the UASI Approval Authority
3. This scenario will result in a modest increase to the reserve fund