

STATEWIDE EMERGENCY COMMUNICATIONS BOARD
FINANCE COMMITTEE

August 13, 2015
Conference Call; Dial-in: 1-888-742-5095; Code: 2786437892#

MEETING MINUTES

Member/Alternate

Chair, **Cari Gerlicher** – MN Police Chiefs Association
Mukhtar Thakur/Tim Lee – Director, Mn/DOT-OEC
Commissioner **Blake Huffman/Jill Rohret** – Executive Director, MESB
Commissioner **Ron Antony** – SW ECB
Commissioner **Jack Swanson** – NW RRB
Vice Chair, **Micah Myers** – Central MN ESB

*Members attending are marked with yellow highlight.

Guests:

Name	Representing
Jackie Mines	ECN
Marcus Bruning	ECN
Mike Fink	Motorola
Dave Eischens	Motorola
Cathy Anderson	ECN

CALL TO ORDER

Chair Cari Gerlicher calls the meeting to order at 9:02 a.m. with a quorum.

APPROVAL OF AGENDA

Chair asks for a motion to approve the Agenda.

Blake Huffman moves to approve the agenda as submitted.

Ron Antony seconds.

Motion carries.

APPROVAL OF PREVIOUS MEETING'S MINUTES

Chair asks for a motion to approve the Meeting Minutes.

Jack Swanson moves to approve the agenda as submitted.

Blake Huffman seconds.

Motion carries.

ACTION ITEMS

- New Motorola 7.19 Proposal (Jackie Mines)

Chair Gerlicher says there is a PowerPoint presentation attached to your packet for SUA-2 Plus Option for Motorola that the SECB and several of the partners have been discussing for about the last six weeks. She turns it over to Mines.

Mines says we have been talking over the past couple years of the potential upgrade of 7.19, which is a significant hardware outlay for some of the initial ARMER participants. This affects primarily Rochester areas, St. Cloud area, and Metro PSAP counties who have older equipment that is nearing the end of their life cycle. It does not affect those who joined ARMER more recently, so it doesn't have as big an impact on greater Minnesota.

The SECB went through a strategic planning process, and 7.19 was considered an important strategic initiative. We went to the legislature and asked for money to cover the state's portion of that hardware and also asked for a 50 percent match on the hardware needed to make this happen in those particular agencies.

Since that time, the legislature did approve our budget request. This is very positive for the group, and ECN's intention was to create a grant program for that 50 percent match. After the legislative session ended, Motorola approached the Commissioner of Public Safety, Tim Lee, and myself with a significant discount if MNDOT enters into a five-year contract for the state and the local portion, ECN would pay the entire bill over that five years, and MndOT would then bill back the respective agencies for their hardware and software portions.

The SUA2, which is the software upgrade package, is billed out by MndOT to agencies that are responsible for those costs. SUA2 is an automatic upgrade program that makes sure all software is up-to-date, so there is a bill-back precedent already set between the local agencies and MNDOT. This is an extension to that, called 2-Plus, and it would include not only SUA (software upgrades over next five years) but also equipment for the next five years. The discount takes us from approximately a 68-million dollar bill to a 54-million dollar bill, which is about a 20 percent discount. This discount is extremely helpful to agencies with this hardware but it would also be spread over the SUA cost, so every agency that is paying SUA today would get a discount on that SUA.

This is a good offer for the State of Minnesota. It is helpful for Motorola, as well. They will have a guaranteed income over the five years, not everyone will wait until the end of the five years to upgrade, and they won't get all their money in the fifth year.

We've presented this offer to the Department of Admin to ensure we can actually participate in this type of program and take on this debt, since ECN and MndOT would basically be on the hook for the costs if a county or agency didn't pay their share. We had two meetings with subsystem owners who are affected by this hardware upgrade to see if this would even be possible. It would mean while ECN is paying the bill to MndOT, the counties would be pay their portion over five years on a yearly basis to MNDOT instead of one lump sum to Motorola. The hard part for some may be that they would have to come up with their first year payment when they were planning on making their investment in year five. Some agencies had not anticipated they would make those large payments until toward the end of those five years, but now they would have to come up with it for years one through five. Most counties and agencies came back and said it is hard to say no to this because it is still a very significant discount. Plus, the 50 percent match still applies. The issue is with Motorola coming to us so late with the offer, which is only good if we sign before the end of the year. Some counties and agencies have to go before their boards again for the request, since they have already made their budget requests for next year.

Jack Swanson says looking at the sheet that says Minnesota agency services pricing, Hennepin East, for example, says 349.18 – is that one year or five years' worth or what do those numbers mean.

Mines says the packet didn't come in the order it should have. There are two spreadsheets; the first one is called Minnesota Agency Services Pricing, which we will discuss after the other spreadsheet. We will first discuss the larger spreadsheet, the one that talks about current SUA cost of each of these agencies, the full equipment cost, the 50 percent match, estimated install costs compared to the discounted price for all of those elements under this new offer. If you go to the far right column, you see each agencies discount applied.

Swanson says if I look at the middle box, St. Cloud's cost is \$327,000 over five years.

Mines replies right. With the discount, it's \$299,000.

Swanson asks if the last box is most applicable for a county or entity.

Mines explains the difference between the two highlighted boxes. For example, Hennepin County goes from seven million to five million, so you would take the five million and divide it over five years, so they would be paying one million dollars a year.

She says the first spreadsheet he asked about is just the cost of install. There was enough interest expressed that people wanted the install costs and how they applied to each of them. Some agencies do their own partial or full installs.

Swanson says it looks like Anoka and Minneapolis are doing that.

Mines says our initial cost that MNDOT had put together was based on the initial conversation with Motorola without all the detail from Motorola. Tim Lee had put together anticipated discounts based on the size of each agency and how much equipment they had. Then we asked Motorola for very specific information, and they came back with these install prices and how they applied to each agency. From the first to the second meeting, some agencies went up higher because they have more work done by Motorola.

Swanson asks if the install prices are in addition to the 5 year SUA.

Mines says yes. If you look at the expanded, larger spreadsheet, the install is separated out, so you have 7.19 install next to the last box. Those are the numbers Motorola provided.

Tim Lee says this larger spreadsheet in the package is actually the old one, where he started out based on percentages. The install costs are wrong on this sheet, so you have to go by the costs on other sheet attached for install costs. This wasn't the final spreadsheet - this is the very first spreadsheet he did when I didn't know how Motorola was spreading those costs.

Chair asks if he is looking at the sheet on page 12 of 20 in the packet.

Lee says yes, if you look at that sheet, the \$4.3 million of the install cost got spread across all agencies based on equipment ownership percentage. That was just my first guess as to how those were split. We updated the spreadsheet with the install costs that are on the other spreadsheet, so some of these agencies final totals go up and down based on what we were given for their actual install costs.

Mines inquires if it is the Minnesota Agency Services Pricing spreadsheet that's incorrect or if it is the bigger one.

Lee responds that it is the bigger spreadsheet that is incorrect.

Mines says we will have to put version numbers on the spreadsheets because this is the last one received electronically from MNDOT.

Chair says that would be helpful for this conversation so everyone is on the right page. Tim Lee is saying page number 12 of 20 is incorrect and asks which page number is correct.

Lee says he has to make sure we have the final one, because some of the agencies are talking directly to Motorola about what they can and can't do for their own install, but the Motorola install costs are on page 6 of 20.

Mines says in the expanded spreadsheet, the only items incorrect are the 7.19 install costs on second to last column.

Lee says that is correct.

Mines reiterates that the hardware and SUA are correct in the Minnesota Agency Services Pricing.

Lee says yes, and that changes everyone's five-year total off to the very right-hand side of page 12. He will send the correct spreadsheet to Mines so she can disseminate it to the group.

Blake Huffman says you were talking earlier about big counties and cities in terms of their buy-in. He asks what our strategy is to getting Hennepin, Ramsey, and those with the bigger numbers on board.

Mines says generally speaking, for example, Ramsey County said this is a no-brainer and they can request this of their board because costs are significantly decreased, but they had their initial budget in before this. The City of St. Cloud was prepared for this, too. A couple agencies will find it more difficult. For example, City of Minneapolis' plan was to request the money later on like in years three, four, and five and move forward with their request for the budget this upcoming year.

Jill Rohret says she wants to point out that what most agencies have their budget requests in. If you look at the expanded spreadsheet in the first column that says Current 2016 SUA estimate. That's what most had in their 2016 budget, so when you compare that number to the final adjusted column and divide by five, that's what's causing the concern for 2016 - - like for Minneapolis, they had budgeted a certain amount, about \$66,000, and the change is quite different for 2016.

Mines uses the example of the City of Minneapolis. The original cost is \$1.99M or almost two million. They might have planned to ask for capital cost in 2018, 19, or 20. Using that example, \$1.396 or about \$1.4 million is what they would now have to pay but we would be expecting they would be able to be billed out over five years starting in year one, so they'd have to come up with about \$280k in year one, which they weren't anticipating.

In the last meeting, the majority of affected owners said they were pretty comfortable with moving forward, but ECN and MNDOT will need more than a verbal, "we're pretty comfortable" from the radio guys. ECN is responsible for the money going to MnDOT, and MnDOT is on the hook for the contract. We need to know in year one that we have enough to cover it. If Minneapolis can't make year one and they asked if we can take their total bill and divide it over four years, they would pay the same amount but wouldn't start paying us until year two and would have larger payments. We can't cover the cost to everyone if everyone chooses this option. If the majority went with paying the amount over the five years and there are only a few that need help, we might be able to do that. It's complicated, but that's the request that came out of this group last time.

While that came from a couple subsystem owners, other subsystem owners said if they went to their Board right now and asked for it, the Board would pick option two even if they could afford option one, with option one being to pay the amount over five years.

The request from the affected owners is to have the Finance Committee write a letter to each agency so they can present it to their Board with only option one, which is, "here's your cost over five years, you've now received your discount." The difference is that the billing takes place each year annually.

Others want us to give them two options, option 1 to pay over five years, option 2 to pay this over four years. They want the letter to come from the Finance Committee chair so they can take it to their Board so the Board finds it more legitimate, as opposed to staff saying, "this is our option/this is the cost of this."

The real issue is are you comfortable with this discount, and do we want to allow everyone to take an option to pay it over five years or over four years. Since our budget has to cover this, ECN can't afford more than a couple agencies saying they'd need option two.

Swanson asks if there will need to be an upgrade in Greater Minnesota at some point.

Mines says no, not in the foreseeable future. There are a couple things to consider. The first is we can only see out into the future so far, we know in the next five years, Motorola would like us to take 7.15 and 7.19. As we've done strategic planning, the Board has agreed those two are good options to take because we want to keep the ARMER radio system up-to-date and protect against security breaches for at least the next five years, because we don't know what the next generation of wireless broadband and FirstNet will give us or when they can provide mission critical voice over LTE.

For the foreseeable future, we can only see five years down the line and don't know what will happen after that. Maybe the Board will say they're not going to upgrade anymore because FirstNet is being deployed and gives us mission critical voice, or we might decide we need to upgrade the system some more. Future upgrades will probably affect everyone as after the 7.19 upgrade everyone is on the same platform.

Lee says it comes back to Motorola providing us with a lifecycle that projects out ten years what they see for upgrades and what hardware might have to change as a result of those upgrades. We know the hardware has to change for some of the subsystems before 7.19, but after that we don't know. We'll be looking at future lifecycle stuff Motorola presents to us and just deal with it as it comes.

Swanson says you have to ask everyone to pony up the money in year one, because if you offer two options, most will take option two, and if you can't make that, then you can't do this deal. They have to figure out a way to pay for it if we're going to do this by the end of the year.

Micah Myers says looking at a city like St Cloud, who could pay their full upgrade amount in 2016, if you had enough of those agencies, how many could you carry for that first year?

Mines defers to Tim Lee.

Lee says it's hard to say and depends on how much money was involved for each of those agencies. If everyone was able to do the first year except Hennepin County, we could probably cover it, but if Hennepin County can't do the first year, he doesn't know. He has \$700,000 or 800,000 he could cover the first year, but that's it. The bigger ones are more critical to get on the first year, so it depends on how it adds up there.

Huffman asks how we solve this so these agencies can jump in.

Lee says in the conversations we've had with owner agencies that have equipment with 7.19, everyone says this makes sense. They won't know until they go before their board or city council. They're looking for a letter out of the Finance Committee so they can go to their Boards and start actual conversations to see where it goes.

Chair says part of her thinks let's be ethical and let those who can afford it get started and those who need help, let's try to help them. Then, politics come into play, and it turns into a mess. It seems like it is wiser to send a letter to everybody saying this is a five-year deal, here's our window of opportunity, you have to make this happen. Take

it to the Board so they go into the decision-making knowing there isn't any wiggle room, and if anyone comes and says I can't do that, we make a case-by-case decision.

Rohret says she thinks what people would come back is the difference between that first on the extended spreadsheet and the adjusted number. People will still pay something in 2016; it's whether they can make that difference.

Chair says she understands that but also thinks once you throw the option before the political board that says they want us to do it in five but if you ask they'll let you do it in four. Most would take the four-year deal. She feels we have to first try to force the issue as to who can do the five-year plan.

Mines says that's exactly where she was coming from. Let's go out with either all or nothing; either everyone goes forward or we don't do it. We can get that information to the regional board and the regional boards come back with yes or no.

Chair says Hennepin County, for example, they were planning on \$264,000, but their total is much greater than that. Maybe they say they can't come up with the full \$1.5 million but can come up with \$800,000. Maybe we start having conversations to see how much we can spread out Tim's money, but we should approach everyone with the five-year plan. She asks for input from those who deal with Boards.

Swanson says from Roseau County's perspective, using Hennepin County as an example, if you came to our board and said we had planned for \$264,000 and now we need over a million. If you quadruple a request, that is going to come under serious scrutiny from a Board of commissioners.

Chair says she agrees it should come under scrutiny, but you also need to say that over five years, you're going to be saving \$3.5 million. That has to be clearly understood for everyone as well. . If I were a commissioner and could save some money the first year and wrap it into the fourth year and get interest on it, I would take that option.

Swanson says if he was in Hennepin County, he would take the four-year option if it was offered.

Huffman says in Ramsey County, they are forward looking and they like the savings, but it might be a more difficult sell if there is a sizeable holdout like Hennepin County. Ramsey County will get there, but it could set off a domino of conversations we can avoid if we get Hennepin County on board right away.

Rohret says she thinks the idea you take the five-year plan and that's what you present is probably the way it should be presented. MESB's Executive Committee met yesterday and wants to see something official so they can start making that discussion. They like the idea of saving the money, but the problem is they didn't have this planned for a few years. Making them change it at this short time will be difficult. If they had this information in February, it would be a different story. Rohret says her biggest concerns are Hennepin County, simply due to numbers, and Minneapolis. She feels that Motorola and we need to entertain the idea that if we can't make it go in 2016, it would be nice to have it offered again in 2017 and get the information to people in January so they can properly adjust their budgets.

Swanson says from a process perspective speaking for counties, we have to submit our preliminary levy and budget by the end of September, so for these counties they have about six weeks to make this decision, which is not very long.

Chair asks if a Motorola representative can answer the question if they feel Motorola would push back a year so counties could go forward and appropriately allocate these types of funds.

Dave Eischens says there are a couple things driving this significant discount, and he does not know if the offer can be replicated next year. The reason this came when it did, Minnesota, along with Michigan, was one of the first

states to get a statewide system out there, so they one of the first facing the upgrade. We were asked if we could do something to help financially. The program we're doing is going to roll out nationwide shortly, and having Minnesota up front, he does not feel Motorola can replicate this offer next year. He says we need to focus on trying to get it done this year if at all possible.

Micah Myers says there are some agencies already like Dakota County, who have already purchased things and are moving forward. He asks if they have already signed agreements, will they be able to take advantage of the savings. He says they will be moving forward in 2016 and asks how early adopters are handled or if they're missing the opportunity.

Mike Fink clarifies that Dakota hasn't purchased anything yet. He thinks Chisago has and maybe Hennepin had purchased a little equipment.

Myers says Chisago County had already moved forward and was trying to pull back because of their equipment order.

Mines says some counties have made purchases without the discount and that's where we're going to start getting into some issues. .

Chair asks if we've had some counties making those purchases, will the discount be retroactive for them by Motorola.

Eischens says yes, we're working through that, and we'll find something to accommodate those folks if we get this contract executed this year. He says they will be able to come up with something to take care of those folks.

Mines asks him to explain what he means by that. She asks if he's saying that the equipment that's ordered will be discounted or Motorola will make them whole with a discount in some other fashion and says if they purchase a \$10,000 piece of equipment for 7.19 upgrade now but the contract isn't signed until the first of the year or a year from now, will you go back and retroactively give them the 20 percent discount but in some other fashion in some other hardware?

Eichens says in some of the cases, he thinks Hennepin and Dakota, because there are some things that need to be done because of the grant programs, if the equipment is shipped, he can't discount that because it's an accounting nightmare, there are things we can do on installation and other things that would make them whole, and that's the plan right now.

Mines says that's great news for the locals, but we won't see an advantage at the state level.

Chair says the question before the committee is do we have the finance committee send a letter from the SECB to those affected stating this is a financial opportunity for a 20 percent savings over a five-year term, or do we tell them it's a five-year deal, but if you have to squeeze it into four, we can try to make it happen.

Myers says they are ready to move forward, and if we can get the savings, that helps me with the project. His administration is committed, but he doesn't want to give them an option to get out. He feels we should stick to as Chair addressed it, knowing we will work it out with those agencies for a finite amount.

Micah Myers makes a motion to move forward crafting a letter articulating the five-year process knowing that on a case-by-case basis, we will try to have dialog with those who absolutely can't do the five-year deal and may need the four -year partial option.

Blake Huffman seconds.

Discussion

Swanson says we would be foolish not to take the discount, although he is concerned for the locals.

Motion carries.

Mines says she will draft a memo under Chair Gerlicher's name identifying the financial opportunity of the 20 percent savings over five years; we will not mention an option 2, and she asks Rohret for her input on the spreadsheet as to what should be in it for ease of understanding.

OLD BUSINESS

None.

NEW BUSINESS

Marcus Bruning says the northwest Emergency Communications Board met yesterday afternoon, and a request for financial support will be coming to Director Mines for completing a full participation plan for Norman County.

Myers gives an update on public safety broadband and says they have been working with OEC and are having a tabletop exercise August 26 as part of the process we're going through. There will be invite and registration information going out today, and we are looking at getting folks from all areas of public safety, from law enforcement to school administration officials. This is partly through the grant funding we receive from this group, and he extends his thanks for that.

DISCUSSION ITEMS

None.

Meeting is adjourned at 9:50 a.m.