



Robert J. Daddow
Special Projects Deputy County Executive

TO: Finance Committee
Radio Oversight Committee
Mike McCabe
Phil Bertolini
Laurie VanPelt
Jeff Werner
Pat Coates
Holly Conforti
Shawn Phelps

FROM: Bob Daddow

SUBJECT: 9-1-1 Operating Surcharge: Rate Proposals for July 1, 2016 to June 30, 2017

DATE: April 1, 2016

State law governing the "9-1-1 charge" (e.g. telephone operating surcharge) requires that the County Board of Commissioners annually approve the operating surcharge for each year ending June 30 – in this case, for the period from July 1, 2016 through June 30, 2017. The operating surcharge provides the principal capital and operating support for the County's public safety radio communications system operated on behalf of the County's Sheriff's Office, local units of government's police, fire and emergency medical services, hospitals and related parties within the County boundaries.

Attached to this memorandum are the following exhibits:

- **Exhibit A - Summary of Capital Project Needs and Related Footnotes – Alternative 1:** a schedule for the periods FY-2016 to FY-2021 showing the incremental capital and operating needs of the radio communication system along with funding sources. Exhibit A reflects a key assumption that the full cost of the ESINet (the updated network connections, including hardware and software, replacing a copper-based system launched circa 1963 with current limited technology capabilities) operating costs would be funded out of the operating surcharge with no technical surcharge funds forthcoming from the State. However, due to the required bond issue in FY-2019, a \$.09 surcharge increase in the rates in FY-2020 would be required to fund the debt service over the term of the issue.
- **Exhibits B and C – Calculated Bond Interest and Impact on Surcharge** - these exhibits provide a sensitivity analyses relating to the debt service and impact on the operating surcharge identified in Exhibit A – largely needed due to the \$14.0 million borrowing in FY-2019 (such amount would be an additional \$.09 per month on the operating surcharge starting in FY-2020).

- **Exhibit D – Summary of Capital Project Needs and Related Footnotes – Alternative 2:** a schedule for the periods FY-2016 to FY-2021 showing the incremental capital and operating needs of the radio communication system along with funding sources. Exhibit D reflects an alternative key assumption; that the full cost of the ESINet operating costs would be reimbursed through a telephone company (County's vendor) out of the State's technical surcharge pool of funds.

Under this assumption, no *operating* surcharge funds for the on-going operations would be necessary but the ESINet *capital* costs would still need to be funded through operating surcharges. If this alternative is adopted in the future, the County would be able to continue to levy \$.28 per month at least through FY-2021 and meet its operating and capital needs as noted in Exhibit D.

- **Exhibit E – Quarterly Financial Report to Finance Committee** – showing the Radio Communications Fund quarterly operations as of, and for the quarter ended December 31, 2015. This financial information, along with the CLEMIS Operating Fund and the Fire Records Management System, was previously provided to the Board's Finance Committee.

BACKGROUND

The statutorily required Board of Commissioners' resolution approving a telephone operating surcharge must be submitted to the State no later than May 13, 2016 so that the surcharge can be placed on the telephone bills starting July 1, 2016. Absent the Board of Commissioners' approval, the operating surcharge cannot be placed on the telephone bills and an alternative source of funds (e.g. general funds) would be required to be secured in order to maintain the existing radio system operations and address the future capital needs discussed in this memorandum.

For the period July 1, 2015 through June 30, 2016, Oakland County approved a \$.28 per wireline / wireless device, charge that was applied to County landline and cell phone users. The initial rate of \$.20 cents per month was raised by \$.08 per month in the spring of 2014. Before that action, the surcharge rate remained unchanged for several years.

In addition to the surcharge, the Radio Communications Fund receives funding from a State distribution from state operating surcharges. Based on a formula determined by the State, for FY-2015, the County received \$1,850,000 from this source. The remaining fiscal support comes from tower fees paid by telephone companies and other miscellaneous revenues. Nevertheless, the principal revenue source for the Radio Communications Fund is the operating surcharge approved annually by the Board of Commissioners in accordance with State statutes.

On a quarterly basis, the County administration issues a letter of transmittal covering the quarterly operating results, financial statements and explanatory comments for the Radio Communications Fund. The financial report for the CLEMIS Funds (including the Radio Communication Fund) for the year ended September 30, 2015 has already been submitted to the Finance Committee. The financial statements for the Radio Communication Fund for the quarter ended December 31, 2015 are attached as Exhibit E.

This memorandum covers the financial status of the Radio Communications Fund (Exhibit E) and its capital and operating needs for the next several years (Exhibits A through D, inclusive). Since the 9-1-1 operating surcharge is the principal source of controllable revenue for the Fund, the sizing of the charge going forward is critical to insuring that the capital and operating needs of the Fund are met.

The operating budgets approved by the Board of Commissioners in September 2015 for FY-2016, FY-2017, and FY-2018 and beyond assumed that the operating surcharge would be set at \$.28 per month as defined by State statute.

At present, the radio communication system has 53 towers (County owned, locally owned by governmental units within the County or leased space from private vendors), 1,834 mobile radios and 4,263 portable radios in use. Radio consoles are located in 20 public safety dispatch centers (PSAPs) throughout Oakland County. There are 14 hospital emergency rooms tied to the County's radio communication system and a number of private ambulance companies are tied to the system as well. Some non-public safety units use the County's radio system for a monthly operating fee.

REVENUE / OPERATING ANALYSIS – RADIO COMMUNICATIONS FUND

The County Radio Communication Fund operations are largely funded from two sources: proceeds from a 9-1-1 operating surcharge imposed on County residents and businesses at \$.28 per communication device per month and by proceeds from a companion State-wide operating surcharge assessed to all landline and cellphone users and allocated back to the counties on a State-set funding formula. Only the County-imposed 9-1-1 operating surcharge can be adjusted by the Board of Commissioners and it is this Board action that must be taken now for the period July 1, 2016 through June 30, 2017.

The annual amount of surcharge revenue for the year ended September 30, 2015 was \$5,223,000 (nine months at \$.20 per device per month and three months at \$.28 per month), received from the State and County 9-1-1 charges (fees). The two components included State operating surcharge proceeds of \$1,850,000 and County's operating surcharge proceeds of \$3,373,000.

The last sensitivity analysis was conducted in FY-2014 when the rate remained all year at \$.20 per device, the calculated annual dollar benefit of a penny on the fees is \$172,141 (rounded = \$175,000). The revenue per penny has remained relatively constant from year to year and is adequate for the estimation of the incremental per penny value in connection with Exhibit B and C and for purposes of discussion in this memorandum.

The quarter ended December 31, 2015 reflected total surcharge revenues of \$1,621,000 against an operating budget for the quarter of \$1,650,000 – for an unfavorable variance of \$29,000 (1.8%). Over the past several years, the decline in landlines in homes and businesses had created some loss of revenue against a flat rate of \$.20 per device per month. Also, in past years, the State was not aggressively securing its fees from prepaid phone cards. Fortunately, the State has recently hired employees to secure those fees and collections are improving, State distributions for Oakland increased from \$1,760,000 in FY-2014 to \$1,850,000 in FY-2015 (a 5%

increase even as the State's operating surcharge rate of \$.19 per device remained unchanged). The County has assumed that the proposed budgets for operating surcharges will approximate that of the adopted budget for FY-2016 through FY-2018.

Note too, that the County's Radio Communications Fund has financially assisted local units when dispatch centers were consolidated. The assistance involves the acquisition of equipment and software, technical consulting support, networking, movement of equipment and similar costs eligible under State statutes to be charged against the operating surcharge revenues. In addition the County has recently provided assistance in the amount of \$50,000 to local units of government in return for the local unit's agreement to permanently dissolve its dispatch center and returns all dispatch equipment to the County (both County-owned and locally acquired). The local unit must also agree to fund the entire stand-up of a dispatch center if they choose in the future to restore a local dispatch.

When the ESINet is constructed and launched, the funding needed for this capital project will be required over a 5-year period. That funding will most likely be secured either through the County's operating surcharge (Alternative 1) or through the telephone company's access to the State's operating surcharge pool of funds (Alternative 2).

Note however, once the ESINet connection is made to a local unit, a later consolidation of the local dispatch center with another will not avoid the construction costs already incurred by the telephone company in the initial construction. This means the amount otherwise paid to the local units to foster consolidation will instead help fund the costs of construction of the ESINet connection. Because any after-ESINet consolidation will result in a dark line connection and thus, the loss of the construction investment, the County can no longer provide the consolidation assistance payment. Accordingly, the County will continue in funding the \$50,000 assistance payment through December 31, 2016 if local units choose to cease their operations, but after that period the ESINet costs will likely have been incurred for most local units and that construction will have used funds previously dedicated to consolidation assistance.

Another issue to note is the fact that in December 2012, the State imposed new minimum qualifications on dispatch personnel and imposed other standards that may be difficult for the smaller dispatch centers to honor, particularly when temporary duty police officers are used as dispatchers. While there may be no immediate need to consolidate as the local units grapple with these new standards, it is highly likely that the smaller dispatch centers, facing sanctions from the State (one fell out of compliance in calendar 2015), may choose to consolidate dispatch centers with surrounding communities or the Sheriff's Office. The smaller dispatch centers may be struggling to comply with these standards and failure to comply with the standards could expose the local units to litigation costs. Hopefully any such consolidations will take place before an ESINet connection is constructed.

Several other matters not reflective in the attached analysis are pending as well:

- The Sheriff's Office has requested that the radio coverage for the Court House and jail be enhanced and such enhancements could cost \$250,000 to \$500,000. However, the scope of need has yet to be determined in any detail and properly quantified. Because these services are not eligible under the State's regulations set forth for the use of

operating surcharges any such coverage enhancement would be funded by the General Fund.

- Addison Township has requested enhancements to its radio communication coverage; such enhancements and related costs have yet to be determined.
- Royal Oak is contemplating the movement of its city hall in connection with a downtown development project. Presently, the City has title to the tower constructed years ago when the County was launching the radio system upon which the County's radio antenna is located. The tower is currently located in or near the downtown area of Royal Oak. The generator in use was shared with the City halls connection as well.

Generally, when the local unit moves equipment in such a manner, the costs of movement are borne by the local unit. If the County requests the movement, the County pays. Presently, the discussions are underway involving the movement of the tower. The current suggested location by the City moves the tower roughly a mile and a half away from the downtown area; such movement is likely to have an adverse impact on radio coverage that might be difficult to enhance. No costs have been incorporated in the attached exhibits for the movement of the tower.

SUMMARY - OPERATING SURCHARGE FOR JULY 1, 2016 TO JUNE 30, 2017

The County's three-year operating budgets for the Radio Communications Fund are currently based on the \$.28 per device per month, as defined, as the principal revenue source for the FY-2016 through FY-2018 budgets adopted by the Board of Commissioners. Two alternative courses of action are proposed in Exhibit A and D with vastly different operating surcharge funding requirements as noted below:

- **Alternative 1: Funding of ESINet Operations Through Operating Surcharge (Exhibit A)** – this alternative would fund the ESINet out of operations for the FY-2017 through FY-2019 period at \$.28 per device per month, issue bonds in the amount of \$14.0 million and increase the operating surcharge in FY-2020 by \$.09 per device per month for no less than 10 years (largely to cover the debt service – principal and interest – of the debt issued in FY-2019. The \$14.0 million in bonding would fund capital costs at that time and would therefore 'free-up' then current year operating surcharge amounts to fully cover the operating costs for that year.
- **Alternative 2: Funding of the ESINet Operations Through the State's Technical Surcharge Pool (Exhibit D)** – while certainly more attractive to secure this funding from the State's surcharge pool, the likelihood that all of the operating costs can be secured from this pool is suspect longer term without a *state-imposed* increase from the \$.19 per device per month to the maximum amount of \$.25 per month. The State's pool is no longer sustainable and is using its equity up. There can be no assurances longer term that this is viable or even if the State would support its use for Oakland's needs.

Adding to the uncertainty of the use of the State's surcharge pool is the requirement that the network must first be constructed and the costs paid *before* an application by the telephone company can be made for use of the State pool funds. This construction

is likely to continue through the better part of calendar 2017 given the 20 dispatch centers within the County. At that point, the Michigan Public Services Commission could award none, part or all of the requested amounts of operating costs associated with the network. Any operating costs not paid for by the State's surcharge pool fall on the County to fund – namely, the County's operating surcharge.

Given the above, the County administration recommends the following – with the likely outcome of the actual reimbursement of the operating costs being between Exhibit A and Exhibit D but not currently determinable:

- No change to the current operating surcharge of \$.28 per device per month, as defined, for the period July 1, 2016 to June 30, 2017.
- Launch the construction of the ESINet (with the costs incurred being paid by the telephone company until such time as the funding source is determined as outlined above).
- To the extent necessary and given that the likely outcome is somewhere in between Exhibit A and D, bonding would have to be adjusted accordingly and would range between zero and \$14.0 million depending upon events not currently determinable.

RADIO OVERSIGHT COMMITTEE

The Radio Oversight Committee met on March 31, 2016 and unanimously approved the continuation of the \$.28 per device per month surcharge fee.

SUMMARY OF CAPITAL PROJECT NEEDS - RADIO COMMUNICATIONS FUND
OAKLAND COUNTY, MICHIGAN
April 1, 2016

EXHIBIT A

		Nine Months Ended -						
	<u>Description</u>	<u>Notes</u>	<u>Sept. 30, 2016</u>	<u>FY-2017</u>	<u>FY-2018</u>	<u>FY-2019</u>	<u>FY-2020</u>	<u>FY-2021</u>
Capital:								
	Radio Consoles in Dispatch Centers	1	\$ 250,000	\$ 4,000,000	\$ 2,000,000	\$ -	\$ -	\$ -
	Mobile / Portable Radio Replacement	2	-	500,000	4,000,000	6,000,000	6,000,000	3,500,000
	ESINet Capital Needs	3	1,451,513	1,310,251	113,197	-	-	-
	Computer-Aided Dispatch Project	4	198,500	-	-	-	-	-
	WAN Upgrade	5	150,000	200,000	-	-	-	-
	Southfield Radio Reimbursement - Police	6	-	820,000	-	-	-	-
Operating:								
	Cell Site Enhancements	7	50,000	100,000	100,000	100,000	100,000	100,000
	ESINet - Final Operating Costs	3	-	3,406,004	2,731,280	2,731,280	2,731,280	2,731,280
	ESINet Operating Needs In Budget	3	(1,324,742)	(1,348,588)	(1,372,863)	(1,400,000)	(1,400,000)	(1,400,000)
	Incremental Capital and Operating Needs		775,271	8,987,667	7,571,614	7,431,280	7,431,280	4,931,280
	Cash and Cash Equivalents - Beginning	8	18,121,179	18,128,635	10,040,030	3,282,635	10,676,355	4,070,075
	Estimated net cash flow from operations	9	682,727	699,062	614,219	625,000	625,000	625,000
	Eliminate operating transfer out to CLEMIS	10	100,000	200,000	200,000	200,000	200,000	200,000
	Bonding	11	-	-	-	14,000,000	-	-
	Net Cash In-flow for Capital Needs		18,903,906	19,027,697	10,854,249	18,107,635	11,501,355	4,895,075
	ENDING AVAILABLE CASH AND EQUIVALENTS		\$ 18,128,635	\$ 10,040,030	\$ 3,282,635	\$ 10,676,355	\$ 4,070,075	\$ (36,206)

Note 8 - composition of cash and cash equivalents as of January 1, 2016:

Cash	\$ 17,714,554
Accrued interest	103,533
Due from / accounts receivable	1,446,260
Accounts payable	(143,168)
Reserve for working capital / operating cash	(1,000,000)
Net Cash and Cash Equivalents	\$ 18,121,179

Note - the above projections assume no support of PFN a telecom. All capital and operating support would be required of local resources - principally the operating surcharge.

Note 9 - quick estimation of the cash flow available from operations:

Planned use of fund equity - full year	\$ (5,281,745)	\$ (6,056,681)	\$ (4,660,610)
Depreciation add-back in above - full year	6,192,047	6,755,743	5,274,829
Nine months cash flow	910,302	\$ 699,062	\$ 614,219
Annualized	.75		
	\$ 682,727		

CALCULATION OF BOND INTEREST - RADIO COMMUNICATION FUND

OAKLAND COUNTY, MICHIGAN

April 1, 2016

EXHIBIT B

	<u>Beginning</u>	<u>Interest</u>	<u>Payment</u>	<u>Ending</u>
Beginning Balance	\$ 14,000,000	\$ 420,000	\$ (1,641,250)	\$ 14,000,000
FY-2020	12,778,750	383,363	(1,641,250)	12,778,750
FY-2021	11,520,863	345,626	(1,641,250)	11,520,863
FY-2022	10,225,238	306,757	(1,641,250)	10,225,238
FY-2023	8,890,746	266,722	(1,641,250)	8,890,746
FY-2024	7,516,218	225,487	(1,641,250)	7,516,218
FY-2025	6,100,454	183,014	(1,641,250)	6,100,454
FY-2026	4,642,218	139,267	(1,641,250)	4,642,218
FY-2027	3,140,235	94,207	(1,641,250)	3,140,235
FY-2028	1,593,192	47,796	(1,641,250)	1,593,192
FY-2029			(1,641,250)	(263)

Interest rate

3.00 %

Impact on operating surcharge (1 penny = \$175,000):

9.38 cents

Note - See footnote explanations and the letter of transmittal for information concerning this schedule.

CALCULATION OF BOND INTEREST - RADIO COMMUNICATION FUND

OAKLAND COUNTY, MICHIGAN

April 1, 2016

EXHIBIT C

	<u>Beginning</u>	<u>Interest</u>	<u>Payment</u>	<u>Ending</u>
Beginning Balance	\$ 14,000,000	\$ 280,000	\$ (1,558,675)	\$ 14,000,000
FY-2020	12,721,325	254,427	(1,558,675)	12,721,325
FY-2021	11,417,077	228,342	(1,558,675)	11,417,077
FY-2022	10,086,743	201,735	(1,558,675)	10,086,743
FY-2023	8,729,803	174,596	(1,558,675)	8,729,803
FY-2024	7,345,724	146,914	(1,558,675)	7,345,724
FY-2025	5,933,963	118,679	(1,558,675)	5,933,963
FY-2026	4,493,968	89,879	(1,558,675)	4,493,968
FY-2027	3,025,172	60,503	(1,558,675)	3,025,172
FY-2028	1,527,000	30,540	(1,558,675)	1,527,000
FY-2029			(1,558,675)	(1,134)

Interest rate

2.00 %

Impact on operating surcharge (1 penny = \$175,000):

8.91 cents

Note - See footnote explanations and the letter of transmittal for information concerning this schedule.

SUMMARY OF CAPITAL PROJECT NEEDS - RADIO COMMUNICATIONS FUND
OAKLAND COUNTY, MICHIGAN
April 1, 2016

EXHIBIT D

<u>Description</u>	<u>Notes</u>	<u>Nine Months Ended -</u>		<u>FY-2017</u>	<u>FY-2018</u>	<u>FY-2019</u>	<u>FY-2020</u>	<u>FY-2021</u>
		<u>Sept. 30, 2016</u>	<u>Sept. 30, 2016</u>					
Capital:								
Radio Consoles in Dispatch Centers	1	\$ 250,000	\$ 4,000,000	\$ 2,000,000	\$ -	\$ -	\$ -	-
Mobile / Portable Radio Replacement	2	-	500,000	4,000,000	6,000,000	6,000,000	6,000,000	3,500,000
ESINet Capital Needs	3	1,451,513	1,310,251	113,197	-	-	-	-
Computer-Aided Dispatch Project	4	198,500	-	-	-	-	-	-
WAN Upgrade	5	150,000	200,000	-	-	-	-	-
Southfield Radio Reimbursement - Police	6	-	820,000	-	-	-	-	-
Operating:								
Cell Site Enhancements	7	50,000	100,000	100,000	100,000	100,000	100,000	100,000
ESINet - Final Operating Costs	3	-	-	-	-	-	-	-
ESINet Operating Needs In Budget	3	(1,324,742)	(1,348,588)	(1,372,863)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Incremental Capital and Operating Needs								
Cash and Cash Equivalents - Beginning	8	775,271	5,581,663	4,840,334	4,700,000	4,700,000	4,700,000	2,200,000
Estimated net cash flow from operations	9	18,121,179	18,128,635	13,446,034	9,419,919	5,544,919	5,544,919	1,669,919
Eliminate operating transfer out to CLEMIS	10	682,727	699,062	614,219	625,000	625,000	625,000	625,000
Bonding	11	100,000	200,000	200,000	200,000	200,000	200,000	200,000
Net Cash In-flow for Capital Needs		-	-	-	-	-	-	-
		18,903,906	19,027,697	14,260,253	10,244,919	6,369,919	2,494,919	
ENDING AVAILABLE CASH AND EQUIVALENTS		\$ 18,128,635	\$ 13,446,034	\$ 9,419,919	\$ 5,544,919	\$ 1,669,919	\$ 294,919	

Note 8 - composition of cash and cash equivalents as of January 1, 2016:

Cash	\$ 17,714,554
Accrued interest	103,533
Due from / accounts receivable	1,446,260
Accounts payable	(143,168)
Reserve for working capital / operating cash	(1,000,000)
Net Cash and Cash Equivalents	\$ 18,121,179

Note - the above projections assume full support of PFN a telecom. All capital and operating support would NOT be required of local resources - principally the operating surcharge.

Note 9 - quick estimation of the cash flow available from operations:

Planned use of fund equity - full year	\$ (5,281,745)	\$ (6,056,681)	\$ (4,660,610)
Depreciation add-back in above - full year	6,192,047	6,755,743	5,274,829
Nine months cash flow	910,302	\$ 699,062	\$ 614,219
Annualized	.75		
	\$ 682,727		

FOOTNOTES TO SUMMARY OF CAPITAL NEEDS – EXHIBITS A THROUGH D: RADIO COMMUNICATIONS FUND

OAKLAND COUNTY, MICHIGAN

April 1, 2016

The below footnote references are provided as an explanation of the line items included on the attached schedule entitled “Summary of Capital Project Needs – Radio Communications Fund” and in support of the projected operating surcharge needs to cover both the Fund’s operation and capital needs over the period through FY-2021. Critical assumptions follow in assessing the incremental operating surcharge needs, along with timing of the surcharge needs:

The current operating surcharge is \$.28 per month, as defined, for the period through FY-2021 (essentially, the ‘base surcharge’ being analyzed for adequacy).

The operating budgets projected into the future are the expected operating results with little or no variances (such has been the case in the past).

As noted, several of the requests for proposal have yet to be developed on the projections related to the capital needs. As such, the cost estimates have been prepared by radio consultants and Information Technology, CLEMIS and Management and Budget staff.

These footnotes cover the following schedules:

- **Exhibit A** - Summary of Capital Project Needs and Related Footnotes – a schedule for the periods FY-2016 to FY-2021 for the incremental capital and operating needs of the radio communication system along with funding sources. Exhibit A reflects a key assumption that the full cost of the ESINet operating costs would be funded out of the operating surcharge with no technical surcharge funds forthcoming from the State.
- **Exhibits B and C** – these exhibits provide an Exhibit A sensitivity analyses relating to the debt service and impact on the operating surcharge – largely needed due to the \$14.0 million borrowing in FY-2019 (such amount would be roughly 9 additional cents per month on the operating surcharge).
- **Exhibit D** – Summary of Capital Project Needs and Related Footnotes – a schedule for the periods FY-2016 to FY-2021 for the incremental capital and operating needs of the radio communication system along with funding sources. Exhibit D reflects a key assumption that the full cost of the ESINet operating costs would be funded out of the technical surcharge funds forthcoming from the State.

NOTE 1 – RADIO CONSOLES IN DISPATCH CENTERS

Because the County distributed the radio consoles in the dispatch centers circa 2003 through 2006, this computer equipment is aging rapidly. Replacement is planned for FY-2016 through FY-2017. While the County has yet to assemble an estimated cost of the replacement of this equipment based upon a formal study or through a request for information / proposal, the estimated cost could approach \$6

million to \$8 million; depending upon the number of dispatch centers remaining at the time of replacement.

There are now 20 dispatch centers with two dispatch centers considering securing their services from the County Sheriff's Office. The console cost included on the Schedule is highly dependent on the number of dispatch centers, along with the launch of the ESINet (as discussed subsequently).

The difficulty in calculating the amounts needed to be set aside for a console replacement program involves several factors:

- Technology costs generally decline over time. The original consoles were deployed from 2003 through 2006 at a cost of \$5.9 million – meaning they have been in use for 9 to 12 years. The radio consoles are not expected to last more than another year as the County gears up for the conversion to the new equipment. Some benefits inure to the County as dispatch centers are taken out of operation in that the equipment can be retained for parts for continuing dispatch center operations. This delay has benefitted the County in the delay of the console replacement project (originally identified circa FY-2013). The County has recently acquired additional parts in order to keep this system operational.
- Some of the original project costs in 2003 to 2006 were likely one-time installation and start-up costs not requiring replacement. The one-time costs would have included the County's business issues with a radio vendor involving installations and parts that failed, as well as other matters. These costs would likely not recur in a future installation. There is no present way of assessing how much of the \$5.9 million may have been related to these one-time installation costs for the current system.

The County was offered a production version of an IP-based console for testing from one of two vendors under consideration. That vendor provided a high-level estimate of \$5.75 million for 22 dispatch centers, some of which no longer exist. Given this more refined estimate of the cost of replacing the consoles, the County has reflected a cost of \$6.25 million in the attached schedule including a contingency provision pending a formal competitively contract.

The consolidation of dispatch centers into the current facility of the Sheriff's Office is reaching its capacity without moving the dispatch operations to another site. While certainly a few smaller dispatch center operations (perhaps the two under consideration) could be consolidated into the Sheriff's operations, any sizable dispatch operations may be too large to consolidate absent a change of venue or displacement of co-existing operations. There is no current plan to secure additional space in the Sheriff's Office dispatch area to accommodate a larger dispatch center and this analysis does not contemplate any costs associated with the Sheriff's facility needs for its dispatch operation.

NOTE 2 – MOBILE / PORTABLE RADIO REPLACEMENT

In 2013, County administration was notified that the radio communications vendor will no longer support the mobile and portable radios beyond December 31, 2017. The County's radio communications system is the life-blood of public safety communications. Having portable and mobile units not supported by the underlying vendor could be problematic (of course, an assessment of this matter would have to be made circa to determine if the hardware truly needs replacement given it will be functional well beyond December 31, 2017). In addition to the equipment-based review, the County

has commissioned a study to review the current state-of-the-art radio communications systems in use and any alternatives to the existing system architecture.

While the County administration has been notified that the radios will be end-of-life at the end of 2017, history would suggest that few governmental units (unlike the County) set money aside for the replacement equipment. As such, as the end-of-life date closes in, governments seek federal / state assistance and / or bring pressure on the vendor to delay the actual end-of-life date. While the County cannot be assured of a delay in the future, County's maintenance efforts, ability to use the equipment beyond 2017 and the potential delay of the actual end-of-life date suggests that the actual replacement period would be from 2018 to 2021.

At this time and assuming that a future assessment would require replacement, the aggregate original cost of the mobile and portable radios as of December 31, 2014 was \$17.36 million (the last critical time a study was conducted). In order to provide some level of contingency on the replacement costs of the portable and mobile radios, the Schedule has used \$20 million as the cost of these replacements. The timing of the actual purchases is difficult to assess but could require several years to accomplish due to training and needs for replacing the older equipment still functional.

Because the County has been informed that the portable and mobile radios will be at the end-of-life at the end of calendar 2017, the depreciation schedules were adjusted to reflect that all of this equipment would be fully depreciated no later than December 31, 2017.

NOTE 3 – CAPITAL AND OPERATING NEEDS OF ESINet

The ESINet project has two components to it: the capital equipment costs and the annual management of the software and other network components. The capital equipment component will be provided by ECW, Inc. and will be a County cost of launching the ESINet operation. The operating costs provided by PFN, Inc. and the effect on the operating surcharge needs using PFN as a vendor are far more complicated.

PFN is a telephone company providing service regulated through the Michigan Public Services Commission. The PFN customers are principally cellphone services; PFN has few if any landline customers. The technical surcharge billing to customers is *only* through landlines. PFN has no direct means to obtain technical surcharge revenues to cover the costs. However, PFN has the ability (as it has done in several other counties) to provide the operating services relating to an ESINet and seek cost recovery from the State's surcharge pool.

Several issues, however, exist in the above:

- The State surcharge pool is not currently covering all of its committed costs to the local units and the State's needs. Essentially, the 19 cents the State charges on both landline and cellphone services could be raised to the current statutory limits (25 cents). No such actions have been taken by the State to date. It is unknown how much of the operating costs incurred by PFN can be recovered from the State's pool now and into the future.
- The principal costs associated with the ESINet are highly driven by the number of dispatch centers located in Oakland County (i.e. 20, with 2 considering consolidation with the Sheriff's Office). If fewer dispatch centers existed at the time the ESINet is built out, the costs would be

much lower. If a dispatch center chose to consolidate with another dispatch center after the build out, the costs originally incurred by PFN would have to be recovered even as one of the dispatch centers would be closed. Once built, the operating costs become fairly well fixed. Currently, the County is discussing this issue as part of the contract negotiations with PFN. No resolution of this matter is available at this writing.

- The State requires the telephone company to build out and then bring to an operating status the ESINet before it can petition the State for reimbursement of its costs in doing so. As such, this further complicates the ability of the County to determine whether the ESINet costs can be recovered until the State is petitioned and supports in full, rejects in full or pays some presently undetermined portion of the PFN costs.
- The adjustment under the ESINet operating category identifies the current costs being negotiated with PFN (titled 'Final Operating Costs'), less the next row already included in the operating budgets adopted by the Board of Commissioners in September 2015 (titled 'Operating Needs In Budget').

The actual recovery of the operating costs cannot be accurately projected at this time. As such, Exhibit A and D have been provided as the 'best' and 'worst' case scenarios relating to the capital and operating programs under consideration – with the differences being entirely related to how much PFN might be able to secure from the State's surcharge pool.

NOTE 4 – COMPUTER-AIDED DISPATCH

The County's computer-aided dispatch center equipment software for CLEMIS has been re-written as the vendor-acquired software is no longer easily maintained and the software licensing to maintain this equipment is very costly. Certain costs of enhancements and 'bug / fixes' are underway arising from the initial test deployments for several dispatch centers in live production.

The County started this project in 2013 with an anticipated completion in FY-2016. The estimated cost of this project was \$3.5 million and is funded out of the Radio Communications Fund through amounts set aside in equity. The remaining amount in the Fund's equity of \$198,500 will be spent on the enhancements and 'bug / fixes' in the remaining months of FY-2016. Deployment costs to the individual dispatch centers and additional costs, if necessary, will be covered by the CLEMIS Operating Fund beyond December 31, 2015.

Given that the preponderance of the costs for the computer-aided dispatch is for software creation, only a marginal benefit would inure to the Radio Communications Fund in the event that a dispatch center consolidates with a surrounding center relating to this project.

NOTE 5 – WAN UPGRADE

The County's vendor for network communications to various radio towers intends to retire the existing T1 and ISDN network infrastructure as the communications industry is phasing out these network components. As such, the County must invest in either connectivity to the towers or secure replacement communication lines. The County has set aside \$350,000 for the capital costs to migrate to the new network.

In addition, the Fund reimburses the Information Technology Fund \$236,000 annually for its share of the OAKNet operating costs; such costs have been incorporated in the Fund's operating budget.

NOTE 6 – SOUTHFIELD RADIO REIMBURSEMENT – POLICE

During the fall of 2015, the City of Southfield approached the County for the replacement of certain components of its public safety radio communications system. Since the inception and at the choice of the City administration at the time, the City chose not to participate in the County's Open Sky radio system. Instead, they used their own lower-band frequency level radio system.

Yet, because the collections for the County's public safety radio system is based on County-wide operating surcharges, the principal benefit derived by Southfield was the ability, through a 'patch', to communicate with other Open Sky County public safety users. Because the telephone companies are not statutorily required to provide census data relating to its users (and in particular, local government census data), no such information is available relating to what Southfield residents and businesses might have paid in operating surcharges.

Given that it is known that the Southfield residents and businesses have paid amounts in support to the County's radio system, the County has agreed to cover certain replacement costs of its local radio system – principally the portable and mobile radio system based on the formulas in use involving local government users in the County's radio system.

The amounts cited in the Schedule include only the police radio replacements as Southfield is seeking a fire grant in support of those costs. Should the grant not be forthcoming, an estimated additional cost of \$484,000 may be necessary for inclusion on the Schedule.

NOTE 7 – CELL SITE ENHANCEMENTS

The CLEMIS radio shop is continuing to provide enhancements to the radio coverage each year, portion of which could either be capital or operating depending upon the nature of the coverage issue. The amount in the Schedule is provision for continuing that coverage enhancement.

NOTE 8 – BEGINNING CASH BALANCE AT JANUARY 1, 2016

The detail of the beginning cash and cash equivalent balances as of January 1, 2016 was obtained from the attached memorandum for the Radio Communication Fund's operations as of and for the quarter ended December 31, 2015. The accounts receivable is based on actual cash receipts from the telephone companies in January 2016 for the quarter ended December 31, 2015 (essentially 'cash' at or about December 31, 2015). The \$1.0 million working capital cash set aside from this analysis covers roughly two months of operations and cannot be considered available for use in funding the incremental capital or operating needs.

See the Schedule for the details of the cash and cash equivalents.

NOTE 9 – ESTIMATION OF CASH FLOW AVAILABLE FOR INCREMENTAL CAPITAL AND OPERATING NEEDS

The projection of the cash flow available for incremental capital and operating needs has been derived from the Fund's accrual-based operating budget that assumes that all revenues and expense are

essentially cash receipts and payments (which is generally true). The operating losses projected for the Fund are largely caused by depreciation expenses which are generally being funded in the rates (enabling the County to assemble roughly \$18.1 million to date towards the current capital and operating needs). As such, the depreciation expense included in the operating budget, added back to the operating loss, would approximate the net cash flow usable for this Schedule.

As a test of the roughly \$625,000 in 'conservative' cash available for capital and operating needs, the FY-2015 cash flow financial statement in the CAFR reflected a net cash flow of \$1,240,987, after incurring \$161,928 of capital costs for that year – for a total gross actual cash flow of \$1,402,915 (well in excess of the roughly \$625,000 used in the Schedule). Any excess cash flow that comes into fruition would serve to mitigate either the long-term debt needed and / or operating surcharges in future years.

NOTE 10 – ELIMINATION OF OPERATING TRANSFER OUT

Over the past decade or so, the CLEMIS Operating Fund paid the administrators' personnel and other costs (manager, chief, etc.) used in managing the radio communication operations. In turn, an amount of \$200,000 was transferred from the Fund to the CLEMIS Operating Fund to reimburse those costs. Given the Fund's current financial needs, this practice will be discontinued for the time being until such time as it would be possible to restore this reimbursement. The CLEMIS Operating Fund has sufficient resources, funded in large part by the County's General Fund, to accommodate this operating transfer termination.


NOTE 11 – BONDING, DEBT SERVICE AND IMPACT ON OPERATING SURCHARGE RATES

Exhibit A reflects an assumption that PFN will not be able to secure any reimbursement of the operating costs from the State surcharge pool. As such, these incremental cash costs will draw from the resources otherwise available under the 28 cent surcharge fee currently being charged to County telephone users. By FY-2019, the cash position of the Fund would be largely depleted and the need to borrow approximately \$14.0 million would be required to complete the capital and operating programs through FY-2021.

As cited in Exhibits B and C, the debt service costs, however, would require an increase in the operating surcharge of approximately 9 cents starting in 2019 over a 10-year amortization period. A one percent change in the interest rates (which are presently approximately 2% for a 10-year, AAA bond) is nominal as Exhibit B and C are compared – the answer is still 9 cents additional operating surcharge required.

Robert J. Daddow
Special Projects Deputy County Executive

TO: Radio Oversight Committee
Jeff Werner
Pat Coates
Steve Murphy
Holly Conforti
Shawn Phelps

FROM: Bob Daddow 

SUBJECT: Radio Communication Fund – Financial Statements and Schedules
For The Quarter Ended December 31, 2015

DATE: March 3, 2016

The following financial statements are attached as of and for the quarter ended December 31, 2015 for the Radio Communications Fund.:

- Statement of Net Position (Exhibit A). This statement provides the assets, liabilities and net assets (e.g., equity) of the Radio Communications Fund.
- Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-1). This statement compares the adopted budget to actual operating results.
- Operating Transfers In and Out (Exhibits A-2 and A-3) - the operating transfers in and out to the General, CLEMIS and Information Technology Funds represent cost reimbursements for the administrative and other support of the radio communications system and operations and the Fund's cost reimbursements from other funds for services and equipment provided.
- Brief Explanations (Exhibit A-4) – a set of explanations of operating budget to actual variances included in the financial statements and schedules above.

The Radio Communications Fund has a number of planned projects as outlined in a memorandum to the Finance Committee dated March 31, 2015; such memorandum was used in setting the July 1, 2015 to June 30, 2016 operating surcharge. A similar memorandum will be prepared shortly to address the operating surcharge needs for the period from July 1, 2016 to June 30, 2017 as required by State statutes. This memorandum will be used in the support of that operating surcharge along with a more significant discussion of the status of the planned projects requiring capital funds. The

Board of Commissioners will be required to act on the setting of the operating surcharge no later than mid-May 2016.

In connection with the required State statutes in the spring of 2015, the Board of Commissioners approved the extension of the \$.20 per communication line per month, as defined, for the period July 1, 2015 to June 30, 2016 on May 6, 2015 as well as an \$.08 increase – bringing the total surcharge to \$.28 per month. The Radio Communication Fund operating budgets for FY-2016 and beyond are currently based on \$.28 telephone operating surcharge (fee). As outlined in the March 31, 2015 memorandum noted above used in connection with the current year's operating surcharge, additional fee increases may be necessary depending upon the cost projections arising from planned projects.

At present, the radio communication system has 53 towers (County owned, locally owned by governmental units within the County or leased space from private vendors), 1,834 mobile radios and 4,263 portable radios in use. Radio consoles are located in 20 public safety dispatch centers (PSAPs) throughout Oakland County. There are 14 hospital emergency rooms tied to the County's radio communication system and a number of private ambulance companies as well. Some non-public safety units use the County's radio system for a monthly operating fee.

Further comments on the status of significant planned projects and preliminary funding requirements, the following is the status of the major projects in progress:

- **Radio Consoles:** because the County distributed the radio consoles located in the dispatch centers as the first priority in the radio project (circa 2003 through roughly 2006), this equipment is aging rapidly and has become a critical project. Replacement is planned for calendar 2016 through FY 2017. An estimated cost could approach \$6 million to \$8 million, depending upon the number of dispatch centers remaining in Oakland County at the time of replacement. The original deployment of consoles cost roughly \$5.9 million for 31 dispatch centers in the early 2000s. There are now 20 dispatch centers. Several local units are considering either continuing with their local dispatch centers or moving the function to the County Sheriff's operation. No final decisions have been made by the local units at this writing.

At September 30, 2015 the unreserved equity-designated for projects includes \$3.0 million set aside to address the console replacement anticipated to be purchased. Additional reserves in the amount of \$3 million to \$5 million may be needed to finish the installations in FY-2017. The capital needs of this Fund are not independent from other capital needs as noted subsequently.

- **Mobile / Portable Radios:** County administration was notified in 2013 that the radio communications vendor will no longer support the current version of the OpenSky mobile and portable radios and underlying infrastructure after calendar year 2017. While the County administration has been notified that the radios will be end-of-life, history would suggest that few governmental units (unlike the

County) set money aside for replacement equipment. As such, as the end-of-life date closes in, governments seek federal / state assistance and/or bring pressure on the vendor to delay the actual end-of-life date. While the County cannot be assured of a delay in the future, the County's maintenance efforts, ability to use the equipment beyond 2017 and the potential delay of the actual end-of-life of the equipment itself suggests that the actual replacement period could be delayed, from 2018 and beyond. A contractor has been secured to assess the alternatives associated with the replacement of this equipment.

At this time and assuming that a future assessment would require replacement, the aggregate original cost of the mobile and portable radios as of September 30, 2014 was \$17.36 million. The County has restricted equity relating to depreciation in the amount of \$14.85 million as of December 31, 2015. Additional funds of perhaps \$6.1 million over the next 4 to 5 years may be required to ensure that there are sufficient available resources to replace the mobile and portable radios beginning in FY 2018 through anticipated completion (projected circa FY-2022).

- **Computer-aided Dispatch Project:** the County's computer-aided dispatch center equipment software for CLEMIS is being re-written as the vendor-acquired software is no longer easily maintained and the software licensing to maintain this equipment is very costly. The County started this project in 2013 with an anticipated completion in FY 2016. However, technical issues in 2015 caused delays in the project as a number of issues were detected as more users were added to the CLEMIS system. Those issues have been resolved by the CLEMIS programmers and it is anticipated that training and deployment will begin in earnest in the second quarter of 2016 (roughly a half dozen CAD users have received earlier versions of the CAD software for testing and use). Completion of the deployment is expected in the first quarter of 2017.

Additionally, several new counties have joined the CLEMIS consortium in the interim, bringing additional revenues but creating additional programming needs, including Lapeer, St. Clair and Lenawee Counties.

The estimated cost of this project was \$3.5 million. At present, there is \$86,367 remaining in the original reserve as of December 31, 2015.

- **NG-911 Project Needs:** in FY-2009-2010 as the equipment at that time was obsolete and parts were unavailable from the vendor, the County acquired new call-taking equipment (NG-911 Project) utilizing a cost sharing with the local public safety dispatch centers. Unlike older telephony-based call-taking equipment, NG-911 systems are IP-based software-driven systems and can be expected to have a shorter useful life than earlier systems before requiring a technology refresh. It is therefore anticipated that the call-taking equipment at the 20 local PSAPs will need to be replaced in the 2016-2018 time frame.

Additionally, the County is preparing for the establishment of a local NG-911 ESInet (Emergency Services IP network) through a leased commercial network, as the present 911 network provider gradually migrates away from the legacy copper-wire trunks installed in 1963.

A request for proposal was issued and the project awarded to Peninsula Fiber Network (PFN) for the ESInet and Emergency Call Works for the call processing equipment. The earlier projections used in the discussions involving the telephone operating surcharge have been modified downward at this point in the contract negotiations with the vendor. However, as PFN is proposing the potential for significant cost recovery from the State and Technical Surcharge pool, the actual cost of the ESInet cannot be determined until such time as that cost recovery is approved by the Michigan Public Services Commission, in part or in whole, or denied. If approved, a separate technical surcharge outside the Board of Commissioner approval would be required of the Michigan Public Services Commission that would fund a fair amount of this project.

Comments concerning the financial information follow:

- The Fund has approximately \$19.1 million in cash, investments and receivables, net of liabilities and excluding prepaid expenses and inventories at December 31, 2015 (\$18.8 million at September 30, 2015).
- The ending equity has been classified as ‘unrestricted – designated for projects’ in the amount of \$17,939,952 in Exhibit A as of December 31, 2015 with the following components:
 - Funding of depreciation: \$14.85 million (net of recent purchases of new equipment of \$266,000) would normally have been set aside currently in equity to be used towards future capital projects.
 - PSAP software and CAD update project implementation: \$3,500,000 originally set aside less costs incurred leaves a net remaining amount of \$86,367.
 - Console replacement - \$3,000,000 for equipment replacement. Up to an additional \$5.0 million may be needed to complete this project but since no request for proposal has yet been released, the amount cannot be reasonably determined at this point in time.
 - Total unrestricted equity for the Radio Communications Fund is \$17,939,952 (rounded).

The City of Southfield has requested that the County assist in acquiring its portable and mobile radios (at an estimated cost of \$800,000). Southfield did not join the radio communications system at the time offered in the early 2000s and is not presently using

the Harris radios today. Converting Southfield to the Harris radio system has some serious barriers not least of which is securing adequate, clear frequencies to accommodate them and replacing a fairly extensive bi-directional system in many of the high-rise units within the City. The City's residents have been funding the operating surcharge since its inception. The final resolution of this matter is pending.

Should there be any questions concerning the above, please contact me.

**County of Oakland
Radio Communications Fund
Statement of Net Position
December 31, 2015**

EXHIBIT A

ASSETS

Current assets:

Cash and cash equivalents	\$ 17,714,554.04
Accrued interest on investment	103,533.08
Due from other funds	-
Due from other governments	26,547.85
Accounts receivable	1,420,712.85
Inventories	363,686.36
Prepaid items	245,943.04
Total current assets	<u>19,874,977.22</u>

Non-current assets:

Capital projects in progress	1,369,169.95
Tower rights	8,585,770.20
Equipment	26,489,858.48
Structures	12,952,637.08
Less accumulated depreciation	<u>(28,226,338.52)</u>
Total capital assets (net of accumulated depreciation)	<u>21,171,097.19</u>
Total assets	<u>41,046,074.41</u>

LIABILITIES

Current liabilities:

Vouchers payable	45,409.72
Due to municipalities	4,885.65
Due to other funds	-
Accounts payable	92,872.31
Unearned revenue	252,225.60
Total current liabilities	<u>395,393.28</u>
Total liabilities	<u>395,393.28</u>

NET POSITION

Net Investment in capital assets	21,171,097.19
Unrestricted-designated for projects	17,939,952.49
Unrestricted	1,539,631.45
Total net position	<u><u>\$ 40,650,681.13</u></u>

County of Oakland
Radio Communications Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Three Months Ended December 31, 2015

	2016			Year to Date		Favorable (Unfavorable)
	Amended Budget	Percent of Revenue	Allotment	Actual	Percent of Revenue	Variance
Operating revenues:						
E 911 Surcharge - Radio system	\$ 6,600,000.00	88.57%	\$ 1,650,000.00	\$ 1,621,317.60	87.87%	\$ (28,682.40)
Antenna site management	325,000.00	4.36%	81,250.00	84,075.21	4.56%	2,825.21
Leased equipment	230,788.00	3.10%	57,697.00	60,435.78	3.28%	2,738.78
Parts and accessories	220,000.00	2.95%	55,000.00	55,636.55	3.02%	636.55
Outside agencies	70,000.00	0.94%	17,500.00	16,452.72	0.89%	(1,047.28)
Productive labor	6,000.00	0.08%	1,500.00	7,281.00	0.39%	5,781.00
Miscellaneous	-	0.00%	-	5.50	0.00%	5.50
Total operating revenue	7,451,788.00	100.00%	1,862,947.00	1,845,204.36	100.00%	(17,742.64)
Operating expenses:						
Salaries	650,319.00	8.73%	162,579.75	144,961.44	7.86%	17,618.31
Fringe benefits	383,964.00	5.15%	95,991.00	86,795.18	4.70%	9,195.82
Contractual services:						
Communications	275,000.00	3.69%	68,750.00	85,233.33	4.62%	(16,483.33)
Contracted services	-	0.00%	-	900.00	0.05%	(900.00)
Electrical service	100,000.00	1.34%	25,000.00	17,382.89	0.94%	7,617.11
Equipment maintenance	325,000.00	4.36%	81,250.00	78,224.71	4.24%	3,025.29
Freight and express	8,500.00	0.11%	2,125.00	799.12	0.04%	1,325.88
Indirect costs	168,000.00	2.25%	42,000.00	51,070.75	2.77%	(9,070.75)
Laundry and cleaning	700.00	0.01%	175.00	142.20	0.01%	32.80
Membership, dues	1,000.00	0.01%	250.00	-	0.00%	250.00
Personal mileage	3,500.00	0.05%	875.00	755.85	0.04%	119.15
Printing	500.00	0.01%	125.00	-	0.00%	125.00
Professional services	500,000.00	6.71%	125,000.00	112,904.08	6.12%	12,095.92
Rebillable services	500.00	0.01%	125.00	-	0.00%	125.00
Software rental lease purchase	30,000.00	0.40%	7,500.00	6,350.00	0.34%	1,150.00
Software support maintenance	1,324,742.00	17.78%	331,185.50	23,401.89	1.27%	307,783.61
Special projects	40,000.00	0.54%	10,000.00	-	0.00%	10,000.00
Tower charges	434,392.00	5.83%	108,598.00	99,698.47	5.40%	8,899.53
Training	75,000.00	1.01%	18,750.00	-	0.00%	18,750.00
Travel and conference	22,500.00	0.30%	5,625.00	-	0.00%	5,625.00
Workshops and meetings	100.00	0.00%	25.00	-	0.00%	25.00
Total contractual services	3,309,434.00	44.41%	827,358.50	476,863.29	25.84%	350,495.21
Commodities:						
Dry goods and clothing	1,900.00	0.03%	475.00	-	0.00%	475.00
Expendable equipment	100,788.00	1.35%	25,197.00	499.85	0.03%	24,697.15
Metered postage	126.00	0.00%	31.50	-	0.00%	31.50
Office supplies	5,000.00	0.07%	1,250.00	282.15	0.02%	967.85
Parts and accessories	200,000.00	2.68%	50,000.00	71,613.81	3.88%	(21,613.81)
Shop supplies	12,000.00	0.16%	3,000.00	5,122.46	0.28%	(2,122.46)
Small tools	5,000.00	0.07%	1,250.00	657.22	0.04%	592.78
Total commodities	324,814.00	4.36%	81,203.50	78,175.49	4.24%	3,028.01
Depreciation:						
Equipment, structures and tower rights	6,192,047.00	83.09%	1,548,011.75	1,422,596.52	77.10%	125,415.23
Internal services:						
Building space allocation	31,511.00	0.42%	7,877.75	7,877.76	0.43%	(0.01)
Info Tech CLEMIS	1,201,000.00	16.12%	300,250.00	214,881.25	11.65%	85,368.75
Info Tech Development	-	0.00%	-	134.00	0.01%	(134.00)
Info Tech Operations	207,765.00	2.79%	51,941.25	61,699.44	3.34%	(9,758.19)
Info Tech Managed Print Services	1,037.00	0.01%	259.25	223.84	0.01%	35.41
Insurance fund	17,660.00	0.24%	4,415.00	660.72	0.04%	3,754.28
Maintenance Department charges	35,000.00	0.47%	8,750.00	2,957.10	0.16%	5,792.90
Motor Pool fuel charges	9,000.00	0.12%	2,250.00	2,012.25	0.11%	237.75
Motor Pool	33,000.00	0.44%	8,250.00	9,411.87	0.51%	(1,161.87)
Telephone communications	30,982.00	0.42%	7,745.50	7,731.56	0.42%	13.94
Total internal services	1,566,955.00	21.03%	391,738.75	307,589.79	16.67%	84,148.96
Total operating expense	12,427,533.00	166.77%	3,106,883.25	2,516,981.71	136.41%	589,901.54
Operating income (loss)	(4,975,745.00)	-66.77%	(1,243,936.25)	(671,777.35)	-36.41%	572,158.90

County of Oakland
Radio Communications Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Three Months Ended December 31, 2015

	2016			Year to Date		Favorable (Unfavorable) Variance
	Amended Budget	Percent of Revenue	Allotment	Actual	Percent of Revenue	
Non-operating revenues (expenses):						
Planned use of fund balance	5,250,245.00	70.46%	1,312,561.25	-	0.00%	(1,312,561.25)
Income from investments	180,000.00	2.42%	45,000.00	46,510.85	2.52%	1,510.85
Total non-operating revenues (expenses)	5,430,245.00	72.87%	1,357,561.25	46,510.85	2.52%	(1,311,050.40)
Income (loss) before transfer	454,500.00	6.10%	113,625.00	(625,266.50)	-33.89%	(738,891.50)
Transfers in	31,500.00	0.42%	7,875.00	18,000.00	0.98%	10,125.00
Transfers out	(486,000.00)	-6.52%	(121,500.00)	(121,500.00)	-6.58%	-
Change in net position	\$ -	0.00%	\$ -	(728,766.50)	-39.50%	\$ (728,766.50)
Net Position - beginning				41,379,447.63		
Net Position - ending				<u>\$ 40,650,681.13</u>		

RADIO COMMUNICATIONS - FUND 53600 Operating Transfers In - Fiscal Year 2016
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Description	Amount
Transfer from the General Fund, Sheriff's Dept. to Radio Communications Fund per Res. 15-294 for Sheriff's contract with Independence Township	\$ 4,500.00
Transfer from the General Fund, Sheriff's Dept. to Radio Communications Fund per Res. 15-295 for Sheriff's contract with Lyon Township	4,500.00
Transfer from the General Fund, Sheriff's Dept. to Radio Communications Fund per Res. 15-296 for Sheriff's contract with Oakland Township	4,500.00
Transfer from the General Fund, Sheriff's Dept. to Radio Communications Fund per Res. 15-297 for Sheriff's contract with Orion Township	4,500.00

Total	\$ 18,000.00
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RADIO COMMUNICATIONS - FUND 53600 Operating Transfers Out - Fiscal Year 2016

Description	Amount
Budgeted Operating Transfer from Radio fund to Info Tech fund for 1st quarter FY 2016 OakNet operation costs.	\$ 59,000.00
Budgeted Operating Transfer from Radio Communications fund to CLEMIS fund for 1st quarter FY 2016 administrative support	50,000.00
Budgeted Operating Transfer from Radio Communications fund to Info Tech fund for 1st quarter FY 2016 Help Desk support	12,500.00
Total	\$ 121,500.00

RADIO COMMUNICATIONS FUND 53600

Fiscal Year 2016 – 1st Quarter

Brief Explanation of “Actuals”

Following are some comments regarding Radio Communications fund's 1st quarter Fiscal Year 2016 financial statements.

STATEMENT OF NET POSITION

- Radio Communications fund reports all monetary assets as Cash. Available cash is invested and managed by the Treasurer as a pool. The Treasurer's Office allocates interest earned to the participating funds on a monthly basis.
- Due from other governments is the amount due from municipalities for leased equipment.
- Accounts receivable includes \$1,273,000 for accrued E-911 operational surcharge revenue which is paid to the County quarterly. The remaining balance is prepaid rent and rent due from antenna site co-locators, amounts due from non-governmental external users for leased equipment and anticipated amounts due for re-banding efforts.
- Inventories are parts and accessories used to maintain customer equipment and the radio system; including equipment purchased for the completion of the radio system.
- Prepaid items are rent paid in advance per the lease agreements for co-location of radio system equipment and advanced maintenance contract payments.
- The 821 MHz radio system was fully operational on July 1, 2010 and all related asset expenditures for equipment and radio tower structures were originally capitalized with a ten-year life. The useful-lives for all portable and mobile radios were updated in Fiscal Year 2014 to end in 2017, when this equipment will no longer be supported.
- Tower rights are the County's rights to co-locate equipment on towers constructed by the Radio fund on land owned by various municipalities. Ownership of the towers was transferred to the municipalities upon completion of construction in 2010 in exchange for ongoing rights to place radio equipment on those towers.
- Vouchers payable and Accounts payable are accrued 1st quarter expenses.
- Due to municipalities is the City of Novi's share of lease payments for co-locators on Novi's antenna site as is set forth in the Board of Commissioners Resolution 98-291.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Revenues:

- The Board of Commissioners Resolution 15-128 increased the E-911 surcharge rate by \$0.08 to \$0.28 for the period covering July 1, 2015 through June 30, 2016. The revenue reported for this quarter is based upon current estimated surcharge filings.
- Antenna site management revenue is for telecommunications companies that have contracted with Oakland County to place equipment on county-owned towers.
- Parts and accessories revenue is for amounts billed for radio equipment repair requests.
- Productive labor revenue is higher than anticipated due to increased demand for service.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Cont'd)

RADIO COMMUNICATIONS FUND 53600

Fiscal Year 2016 – 1st Quarter

Brief Explanation of “Actuals”

Expenses:

- Salary variance is favorable due to lower than anticipated overtime, on-call hours and unfilled positions.
- Communications cost is unfavorable due to higher than anticipated cell tower connectivity costs.
- Contracted services are for leased space at the Oakland County International Airport.
- Indirect cost expense is based on the County’s Indirect Cost allocation. It includes Human Resources, Payroll, Treasurer, Accounting, and Budgeting and Administrative services.
- Professional services expense is for costs relating to the CAD Upgrade project and radio system.
- Software rental, lease purchase and software support maintenance is favorable due to the timing of the ESInet project.
- Special projects expense is favorable due to the timing of projects. The budget for this line item is for costs associated with tower painting.
- Tower charges represent our payment for tower rental agreements.
- Expendable equipment, parts and accessories and shop supplies combined are slightly under budget.
- Depreciation is favorable due to timing of capital projects.
- Internal service expense is favorable (overall) based on actual usage that falls below budgeted expectations.

Non-Operating Revenues and Expenses:

- Income from investments represents the portion of income from cash managed and allocated by the Treasurer’s Office to Radio fund.
- Transfers in includes: \$4,500 approved on Resolution 15-294 for the Sheriff’s contract with Independence Township, \$4,500 approved on Resolution 15-295 for the Sheriff’s contract with Lyon Township, \$4,500 approved on Resolution 15-296 for the Sheriff’s contract with Oakland Township, and \$4,500 approved on Resolution 15-297 for the Sheriff’s contract with Orion Township.
- Transfers out includes \$50,000 for administrative support provided by the CLEMIS fund, \$12,500 for Help Desk support provided by the Information Technology fund and \$59,000 to the Information Technology fund for OakNet operation costs.