

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : July 6, 2015

TO : Supervisor Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : Project WO614 Build-out Ten Sites to Digital Project Status and Financing Request

REQUEST

The Office of the Comptroller has completed a review of the current financing for Project WO614 – Build-out of Ten Sites to Digital (Project) to determine if certain incurred project costs are eligible for bond financing. After discussion and analysis with the Office of Emergency Management (OEM), the following actions are recommended:

- OEM will increase the frequency of project financial reporting by producing a monthly financial and project status update in a format consistent with the revised budget, detailing spending by category, contract and any other items and categories that may be requested by the Comptroller's Office. A copy of the report will be provided to the Comptroller's Office.
- OEM will modify the contract with Motorola Solutions, Inc. to reflect the increase in the not-to-exceed amount.
- Request \$1,480,000 in cash from the Appropriation for Contingency to finance non-bond eligible costs associated with the project, plus provide a contingency for any remaining costs, particularly those that are not bond eligible.
 - Increase cash financing for the project by \$1,480,000 using funds from the Appropriation for Contingency, and
 - Decrease general obligation bond financing by \$1,220,000 for items that are not eligible for bond financing.
 - Increase expenditure authority by \$260,000 to replenish some of the contingency for the project.
 - This will decrease the Appropriation for Contingency by \$1,480,000 and decreases the 2015 general obligation bond issue by \$1,220,000.

BACKGROUND

Since 2010, appropriations totaling approximately \$16.0 million have been allocated to Project WO614 Build Out Ten Sites to Digital (Project). The project was established to replace the analog radio system that is currently used by first responders for communications. The funding for the replacement and upgrade project has come from \$13.0 million in general obligation bonds and \$3 million in property tax levy. Most of the financing for the project has been provided from general obligation bonds. The department has requested \$1.56 million in 2016 to complete the project. Therefore, the estimated total project costs are \$17.5 million, excluding this transfer request.

Project Budget			
Year	Amount	Bonds	Property Tax Levy
2010	\$1,954,065	\$2,011,000	(\$56,935)
2013	\$1,842,168	\$1,842,168	\$0
2014	\$10,126,100	\$7,126,100	\$3,000,000
2015	\$2,009,183	\$2,009,183	\$0
	\$15,931,516	\$12,988,451	\$2,943,065
2016 Req	\$1,559,183	\$1,559,183	\$0
TL Est. Proj. Costs	\$17,490,699	\$14,547,634	\$2,943,065

Milwaukee County operates an analog 800MHz trunked radio system that provides support to the Milwaukee County Sheriff's Department, Milwaukee County Transit System (MCTS), Milwaukee County Department of Transportation (MCDOT), Zoo, Parks, and first responder agencies (police/fire/emergency management services) of seventeen municipalities throughout the region. The system began as a single site, 8-channel, analog trunked system. Between 1993 and 2000, the system ultimately grew to nine sites, and a 14-channel system with over 4,200 subscriber radios.

Due to the fact that many system components of the current trunked radio system are no longer manufactured nor supported, Milwaukee County was at a critical point requiring that the radio system, dispatch consoles and radios be replaced.

Waukesha County was also looking to replace its radio communication system. A partnership with Waukesha County was approved. The partnership allowed Milwaukee County and Waukesha County to use the new digital system to serve both counties. A joint request for proposal was issued by the two counties and Motorola was selected as the primary vendor for the installation of the new digital radio systems.

Milwaukee County will be entering into agreements with the seventeen Milwaukee County municipalities, who share in the use of the radio system and pay a subscriber fee for service in accordance with Resolution File No. 14-696.

The County also uses the radio system and has committed to purchasing radios for use by various County departments. The Airport has purchased its radios under a purchase order separate from the project costs.

It is anticipated that the resulting integrated system will not only enhance public safety by promoting interoperability but also expand wide-area coverage, improve reliability, and do so at lower end-user operating and programming costs than if the two County systems remained isolated.

Service Contract

The contract with Motorola, submitted by the Information Management Services Division of the Department of Administrative Services, was approved in November of 2013. In 2015, the Radio Services Section of IMSD was moved to the OEM. The contract was approved for a not-to-exceed amount of \$17,751,797, including annual licensing and maintenance fees.

Category	Amount
Radio Infrastructure	\$5,675,537
Network - Microwave Backhaul	\$485,082
Radio Tower Site Work	\$1,312,674
Dispatch Consoles and Network	\$645,745
Subscriber Costs	\$5,410,698
Training	\$79,841
Total Milwaukee County Contract Cost (one time)	\$13,609,577
Annual Maintenance Fee (10 Years)	\$4,142,220
Total Not-To-Exceed (Motorola)	\$17,751,797

The annual operating costs are \$414,222 for ten years for a total of \$4,142,220. The annual operating expenses will begin in 2016. As stated previously in this report the estimated capital project costs, including this transfer request, are \$17,750,699. The not-to-exceed amount consisted of two components: a capital project amount \$13,609,577 and an operating amount of \$4,142,220 for a total of \$17,751,797.

The OEM tracked the budget and costs in a different manner than the November 2013 report for the contract. However, they did provide a list of the project categories and costs for the \$17,750,699 total project costs.

Description	Expenditures			Total
	To Date	Encumbered	Planned	
Infrastructure	\$2,575,692	\$4,139,505	\$2,483,703	\$9,198,899
Shared Core	\$86,468	\$315,709	\$0	\$402,178
Subscriber Radios	\$4,017,615	\$201,028	\$1,118,032	\$5,336,675
Contingency	\$105,223	\$322,525	\$1,060,978	\$1,488,726
Internal Charges	\$22,736		\$27,450	\$50,186
Professional Services	\$435,956	\$53,235	\$332,835	\$822,026
Capitalized Interest	\$233,633		\$218,377	\$452,010
Total*	\$7,477,322	\$5,032,002	\$5,241,374	\$17,750,699

*The totals may vary due to rounding.

Based on data from the OEM, \$16.0 million of the \$17,750,699 relates to the Motorola contract. Since the not-to-exceed amount for the contract is \$17,751,797, including \$4,142,220 for the maintenance fee for a total of \$20.1 million, the department will exceed the not-to-exceed amount of \$17,751,797 by approximately \$2.4 million. It should be noted that the contract amount will need to be increased by \$2.4 million, but the overall project budget will only be increased by \$260,000.

To date, the department has expended \$7.5 million, with \$5.0 million encumbered. The remaining \$5.2 million, including the \$260,000 increase in expenditure authority, will be expended by the end of 2016.

	Approved NTE Amount	Revised NTE Amount	Change
Capital	\$13,609,577	\$16,005,411	(\$2,395,834)
Operating	\$4,142,220	\$4,142,220	\$0
	\$17,751,797	\$20,147,631	(\$2,395,834)

The Department will be submitting a request to increase the Motorola contract amount for the September cycle of the Finance, Audit and Personnel Committee.

Appropriation Transfer

In May 2014, the County Board and County Executive approved County Board Resolution 14-491 that included a \$3 million appropriation transfer for the purchase of subscriber radios. The increased 2014 funding allowed the County to take advantage of lower unit costs for the hand-held radios. Financing was provided from property tax levy. The Office of the Comptroller recommended the use of cash financing for the radios since a majority of the items financed by the \$3 million fell below the County's capitalization threshold (\$2,500).

In 2015, the Office of the Comptroller learned that the radio purchases totaled approximately \$5.4 million. Many of the items, primarily radios, were below the capitalization threshold and therefore would need to be cash financed to avoid violating State Statues. Based on the information provided to the Comptroller's Office, the total amount of radios is approximately \$6.1 million. In addition, some of the costs associated with the various build out locations should be financed with cash.

Subsequently, the Comptroller's Office conducted another review that has resulted in the need for an appropriation transfer of \$1,480,000 to add \$1,220,000 in cash to finance items, primarily radios that are below the capitalization threshold and an increase of \$260,000 in expenditure authority is needed to replenish some of the contingency for the project. Financing would be provided from the Appropriation for Contingency. The Year-end Fiscal Projected (April 2015) surplus is \$20 million. If this request is approved the projected surplus will be \$18.5 million.

The \$1,220,000 increase in cash will be offset with a reduction in the 2015 general obligation bond issue.

RECOMMENDATION

The Office of the Comptroller is recommending approval of an allocation of \$1,480,000 from the Appropriation for Contingency to finance the non-bond eligible aspects of Project WO614 Build-out Ten Sites to Digital. This action will reduce the total amount of the 2015 general obligation bond issuance by \$1,220,000. Since the attached resolution will utilize funds from the Appropriation for Contingency, a two-thirds vote by the Milwaukee County Board (14 votes) is required for approval.

The Comptroller's Office further recommends that the Office of Emergency Management request an increase to the contract with Motorola Solutions Inc. by approximately \$2.3 million for the September cycle of Finance, Audit and Personnel Committee and provide monthly financial and project status reports to the Comptroller's Office.



Scott B. Manske
Comptroller

Attachments

pc: Chris Abele, County Executive
Supervisor Willie Johnson Jr., Co-Chair, Committee on Finance, Audit and Personnel
Supervisor Theo Lipscomb, Sr., Co-Chair, Committee on Finance, Audit and Personnel
Christine Westrich, Director, Office of Emergency Management
Teig Whaley-Smith, Director, Department of Administrative Services
Steve Kreklow, Director, Office of Performance, Strategy and Budget
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Manager
Stephen Cady, County Board Fiscal and Budget Analyst
Vince Masterson, Fiscal and Strategic Asset Coordinator
Erik Viel, Director, Radio Services Division, OEM