



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Public Safety & Neighborhood Services Committee Date: February 13, 2013

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Computer Aided Dispatch System Replacement Funding

OVERVIEW

On July 18, 2012, the Police Department presented its Five-Year Plan (Plan) to the Public Safety & Neighborhood Services Committee (PS&NS). The Plan outlined the Department's funding needs in areas adversely impacted by budgetary constraints since FY 2009. Among the funding needs outlined was \$8.0 million for the replacement of the Department's 9-1-1 Computer Aided Dispatch System (CAD) in FY 2017. The current CAD System, installed over 25 years ago, is technologically obsolete which minimizes its operational capabilities, and makes technical support difficult and expensive.

The replacement of the system is critical as it is used to dispatch police officers to citizen calls for service. A new system will ensure reliability, improve response times, and enhance capabilities. Additionally, with the anticipated replacement of the Police CAD system, efficiencies can also be gained through integrating it with a citywide dispatching function. Currently the City's dispatching functions are managed with multiple independent systems within the Fire-Rescue, Public Utilities, and Environmental Services Departments that do not communicate with one other. Cost savings and operational efficiencies could be accomplished with one cross-departmental system. A funding source for the Police Department component of the CAD system was not identified in the Five-Year Plan.

The action before the PS&NS Committee on February 13th, 2013 will authorize the set-aside of \$6.9 million in one-time reimbursement monies from the County of San Diego to contribute toward the CAD System replacement. These monies were received by the City in November 2012 as a reimbursement of Property Tax Administration Fees (PTAF) charged to the City that the California State Supreme Court has ruled as unauthorized. Per the requested action, the \$6.9 million received by the City as property tax revenue in FY 2013, would be appropriated and expended as a transfer to a CAD Replacement Project within the Capital Improvements Program Budget for use in replacing the CAD System. In addition to this action, the City Council is being

asked to adopt a resolution to allow for the reimbursement of eligible CAD System replacement expenditures with financing proceeds if the City elects to finance the project in the future. This report reviews the estimated CAD System replacement project timeline and costs, and provides further information regarding the funding options for its replacement.

FISCAL/POLICY DISCUSSION

CAD Project Implementation Timeline and Costs

The current cost estimate for the Police Department CAD System is \$8.0 million. The Department anticipates that the timeline for implementation of the system can range from 3-5 years, depending on the extent of its integration with other citywide dispatch systems beyond the Police Department's, to include Fire-Rescue, Public Utilities, Environmental Services, and General Services. During this timeframe, an extensive needs assessment and design phase will take place in addition to the RFP, vendor negotiations, and installation. A consultant has been selected by the City to oversee this multi-year process.

The current estimated timeline and estimated cost for the CAD system replacement is very preliminary. Project costs could be significantly more than \$8.0 million depending on the design and RFP process for the Police Department CAD System and the extent of its cross-departmental integration. The consultant selected to oversee the project has just begun work to design and develop system requirements, in addition to evaluating the potential savings and efficiencies to be realized in consolidating dispatching facilities, support staff, and other supportive systems citywide. It is too early in the project to estimate the project's overall costs, the exact implementation timeline for the project, or specific costs for each of the years of implementation. This information will be available once the project manager concludes an assessment of system requirements and the full scope of the project.

With the current preliminary timeline for full implementation of the Police CAD System, it is anticipated that in FY 2014 and FY 2015, 10% of the total project costs will be expended. By the end of FY 2016, 90% of the costs are anticipated to be expended. Assuming cross-departmental CAD System integration, FY 2016 - FY 2018 would be dedicated to the installation of a CAD System for Fire-Rescue and enterprise departments. The chart below displays the preliminary timeline for project implementation.

Preliminary CAD System Implementation Timeline

FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Project Start-Up, Requirements, RFP Drafting					
		PD Installation, Training, Cutover			
			Fire-Rescue Installation, Training, and Cutover		
			Enterprise Department Installations		

As noted in the staff report, the \$8.0 million estimate for the CAD System replacement only includes the cost of software, hardware, vendor system implementation, and first year maintenance costs for the Police Department CAD System. The estimate does not include ongoing annual maintenance and support costs. Annual maintenance costs are currently estimated a 15% of the cost of the system (\$675,000). Annual costs associated with system

support, staffing, and training costs have not been determined at this time. Ongoing maintenance and support for the current CAD system totals \$173,000, with \$75,000 budgeted for software maintenance, and \$98,000 for application support. With this, at minimum, an additional \$500,000 in annual maintenance costs will be associated with the implementation of the new CAD system.

The charts below detail the cost components of the current \$8.0 million estimate for the replacement of the Police CAD System and an estimate of the minimal ongoing maintenance and support.

CAD System Cost Estimate - One-time	
Software - CAD	\$ 2,500,000
Software - Mobile	1,000,000
Software - Interfaces	1,000,000
Hardware	750,000
Vendor Implementation Costs	1,500,000
Maintenance Costs	675,000
Project Contingency - 8%	575,000
Total	\$ 8,000,000

CAD System Cost Estimate - Ongoing	
Maintenance	\$ 675,000
Support/Staffing	na
Training	na
Total	\$ >675,000

Currently \$130,850 is budgeted within the Police Department for seven months funding of a CAD Project Manager who began work on the project November 26, 2012. Full-year funding for the Consultant’s work will cost approximately \$215,000.

Funding Options for Replacing the CAD System

The staff report discusses different options to fund the replacement of the CAD System. One possible approach involves setting aside \$6.9 million (received from the County) in a CIP fund dedicated to the replacement of the Police Department CAD System. Idle funds in a CIP account accrue interest at the rate earned by the City’s pooled investment holdings (approximately 0.60% at the end of calendar 2012). As replacement of the Police Department CAD System is estimated to cost \$8.0 million, the staff report indicates that the remaining required funds could be borrowed utilizing the City’s lease purchase program or be built into a future City bond issuance.

An alternative approach would be to use lease purchase financing to entirely fund the CAD System replacement. The FY 2014-2018 Five-Year Financial Outlook assumed a new \$8.0 million Police Department CAD System would be lease-purchased over a 7-year term at an estimated annual cost of \$1.3 million beginning in FY 2017. Based on the need for essential equipment in the coming fiscal year, the City typically annually approves a Master Lease Agreement in the beginning of each fiscal year to secure optimal finance terms for anticipated

lease purchase needs. In May 2012, the City Council approved the terms of the FY 2013 Master Lease Agreement with JP Morgan Chase Bank. In accordance with the terms of the current Master Lease Agreement, tax-exempt interest rates for a 7-year lease purchase financing are currently very low (approximately 1.4%); however, it should be noted that interest rates for a 7-year financing term have historically ranged as high as 4%, and could be even higher depending on market conditions when the CAD System needs to be funded.

Another financing option briefly cited in the staff report suggests that the Police Department CAD System and/or a citywide CAD System expansion be addressed with long-term bonds. Although the City has typically financed technological equipment (i.e., the ERP/SAP System) with shorter-term lease purchase financing, the IBA believes it is possible to include CAD System replacement in a future bond issue if the projected useful life of the new CAD system is relatively long-term (20 to 30 years). As with lease purchase financing, bond financing the CAD System would benefit from lower tax-exempt interest rates.

In the event the CAD System is to be financed with short-term lease purchase financing or long-term bonds, the City Council is being asked to adopt a reimbursement resolution at this time. An adopted reimbursement resolution allows the City to reimburse itself, in accordance with US Treasury regulations, with financing proceeds from either a short-term lease purchase financing or long-term bonds.

Mid-Year Budget Monitoring Report

In accordance with Municipal Code Section 22.0229 (a), *“In the month of February or at such time during any fiscal year after the City has six months of actual budgetary data and the Mid-Year Budget Monitoring Report is projecting a surplus or a deficit relative to the adopted General Fund budget, the Mayor shall report such deficit or surplus to the City Council and provide a recommendation to the City Council, and accompanying budget amendment resolution, to address the reported deficit or surplus. The Mayor may recommend budgeting all, none, or a portion of any projected surplus”*. The FY 2013 Mid-Year Budget Monitoring Report is scheduled to be heard at the February 27th Budget & Finance Committee and the March 11th City Council meetings. The report will provide more information regarding the current financial condition of the City, and whether the current fiscal year is projected to end with a surplus or deficit. It will be beneficial for Council to consider this proposal for setting aside the \$6.9 million after knowing the FY 2013 budget status reported in the upcoming Mid-Year Report review.

CONCLUSION

The action before the PS&NS Committee on February 13th, 2013 will authorize the set-aside of \$6.9 million in one-time reimbursement monies from the County of San Diego to contribute toward the CAD System replacement. In the event the CAD System is to be financed with short-term lease purchase financing or long-term bonds, the City Council is being asked to adopt a reimbursement resolution at this time. An adopted reimbursement resolution allows the City to reimburse itself, in accordance with US Treasury regulations, with financing proceeds from either a short-term lease purchase financing or long-term bonds.

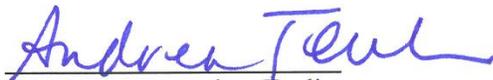
This report reviews the CAD System replacement project timeline and costs, and provides further information regarding the funding options for the project. While our office agrees it is appropriate to use the \$6.9 million in one-time revenue from the County to contribute toward funding the CAD System replacement, it will be beneficial for Council to consider this proposal for setting aside the \$6.9 million after knowing the FY 2013 budget status reported in the upcoming Mid-Year Report.



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