



CITY OF LONG BEACH

TECHNOLOGY AND INNOVATION DEPARTMENT

R-20

333 WEST OCEAN BOULEVARD • LONG BEACH, CA 90802 • (562) 570-6455 • FAX (562) 570-5270

September 11, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager, or designee, to execute a contract, and any necessary amendments, with Motorola Solutions, Inc., of Los Angeles, CA, for the purchase, delivery, and implementation of radio communications equipment, for a total purchase price not to exceed \$17,700,000, which will be automatically reduced based on multi-agency purchase volumes achieved under Motorola Solutions, Inc., Territory Los Angeles Volume Subscriber Pricing Program;

Authorize the City Manager, or designee, to execute a lease-purchase agreement, and related financing documents, with Motorola Solutions, Inc., of Los Angeles, CA, for the financing of the radio communications equipment, in a total principal amount not to exceed \$17,500,000, and in an aggregate amount not to exceed \$23,300,000 including principal, interest, and fees, payable over terms not to exceed 12 years;

Increase appropriations in the General Services Fund (IS 385) in the Technology and Innovation Department (TI) by \$541,000 for implementation costs, offset by a transfer from the General Fund; and,

Increase appropriations in the General Fund (GF) in the Citywide Activities Department (XC) by \$541,000 for transfer to the General Services Fund for implementations costs, offset by additional Measure A revenue. (Citywide)

DISCUSSION

The City of Long Beach (City) Police, Fire, Public Works, Disaster Preparedness, and Airport Departments rely on a Motorola-based radio dispatch, radio signal, and portable and mobile radio infrastructure for day-to-day and emergency response radio communications. After providing more than 12 years of reliable services to the City, the currently used XT series of portable and mobile radios will no longer be supported by the manufacturer beginning December 2018. This obsolescence of the XT series not only affects the City, but also many of the public agencies across the region. In addition, the XT series does not support the current interoperability standards and objectives of the City and the Southern California region. City Council approval is requested for acquiring replacement APX Series portable and mobile radios from Motorola. The APX series radios support all new interoperability standards, increase interoperability within the City and with agencies across the Southern California region, and position the City for reliable radio services for the next ten years.

At the City Council study session on October 24, 2017, staff presented an overview of unfunded critical technology infrastructure needs totaling \$88 million. Included in the critical needs was \$21 million for replacement of public safety communications technology. This consists of 2,675 radios, of which 1,895 are portable (handheld) and 780 are mobile (vehicle). At the time, no action was recommended as additional alternatives were being researched and improved pricing was being sought.

Over the past year, the City, along with the Los Angeles Mayor's Office of Public Safety and the Federal Emergency Management Agency (FEMA), have evaluated funding alternatives for FEMA and Urban Area Security Initiative (UASI) grant funds. We have been informed that UASI grant funds are not available for the purchase of these radios. Those funds are primarily allocated to the completion of the Los Angeles-Regional Interoperable Communications System (LA-RICS) project in the near term. For these reasons, and the prevalence of the need to replace public safety communication technologies across the region, there is no realistic federal grant funding source available in the timeframe needed for this critical technology.

To secure the best available pricing, the City initiated and negotiated a volume pricing agreement with Motorola Solutions, Inc. (Motorola). Motorola has agreed to offer the City the same terms and conditions as afforded to the County of Los Angeles (L.A. County) in the Motorola/L.A. County master contract (L.A. County Master Agreement) along with the newly negotiated enhanced pricing options available with the Motorola's Territory Los Angeles Volume Subscriber Pricing Program (Pricing Program). The Pricing Program provides a better pricing structure than the L.A. County Master Agreement.

The Pricing Program provides a substantial volume pricing discount where the relevant purchase quantity includes any government purchaser located within L.A. County (with the exceptions of the City of Los Angeles and L.A. County) who has issued a purchase order for the radios prior to the end of the discount period on October 19, 2018. The negotiated discount levels are outlined below. The percentages shown below are approximate, as the actual discounts are specified in terms of specific dollar amounts for each of the items to be purchased. The volumes shown below refer to the number of combined units (portable and mobile radios) purchased by all eligible government purchasers during the discount period.

**Motorola Volume Pricing Discount
Territory Los Angeles Volume Subscriber Pricing Program**

Volume	Discount from List Pricing	City Equipment Cost * (\$ in millions)
Level 3 – 4,500 units	50%	\$17.7
Level 4 – 6,000 units	55%	\$16.0
Level 5 – 8,000 units	58%	\$15.0
Level 6 – 10,000 units	61%	\$14.0
Level 7 – 14,000 units	64%	\$13.0

** Pricing discounts are based on total volume purchase from the L.A. Region.*

The Pricing Program offers an aggressive pricing structure that exceeds the discounts offered under the L.A. County Master Agreement, and achieves a significantly lower price than any other known contract with similar volumes. The smallest City discount is no lower than the Level 3 volume discount - about 50 percent - which would result in a City cost of \$17.7 million. Although

the City is only purchasing 2,675 units, and does not independently meet the volume requirements for a Level 3 discount, the City qualifies for the Level 3 discount based on the total L. A. County orders that are in the process of being placed by other government agencies. The Motorola radio is a standard across most public safety agencies, both nationally and regionally. That fact, along with the very favorable volume pricing discount negotiated by the City, is expected to encourage other governmental agencies to participate in the pricing program and allow the City (and all other participants) to achieve a purchase volume discount greater than Level 3. The City's contract with Motorola will require that the invoices be automatically adjusted downward by Motorola to match the appropriate discount based on the final total quantity of radios purchased under the Pricing Program.

This purchase is proposed without a competitive bid process because the City's installed radio dispatch system has features that are integrated with Motorola portable/mobile radios. In addition, the City's purchase of Motorola radios along with other Los Angeles and Orange County public safety agencies will allow for better interoperability with regional resources, and could play an essential role in the City's timely response and recovery in a major disaster. Although the City Charter Section 1801 generally requires that contracts for City purchases be awarded to the lowest responsible bidder after a competitive bid process, the City Charter also allows for awards without a competitive bid process if accompanied by a Resolution adopted by City Council.

The radios will be financed through a lease-purchase agreement with Motorola and a cash contribution from the Airport as detailed in the Fiscal Impact section. This matter was reviewed by Deputy City Attorney Amy R. Webber on August 15, 2018 and by Finance Director John Gross on August 30, 2018.

TIMING CONSIDERATIONS

City Council action is requested on September 11, 2018, to ensure that a purchase order is placed prior to the end of Motorola's Pricing Program discount period on October 19, 2018, and to provide support to other governmental agencies to participate and reduce the City's cost.

FISCAL IMPACT

The total cost for the equipment procurement and implementation, excluding interest, will not exceed \$18,241,000, comprised of \$17,700,000 for equipment and \$541,000 for implementation. The equipment cost may be significantly less, depending on which level of discount the City receives from the volume of overall purchases within the Los Angeles region.

The terms of the lease-purchase agreement with Motorola will be for 12 years, and the total costs will not exceed \$23,300,000 (if the lease-purchase is not paid off in FY 22 as planned), lease-purchase agreement will be executed on or about September 15, 2018, with interest beginning to accrue after October 15, 2018, and debt service payments due in October of each year. The City will not have a debt service payment in October 2019 (FY 20) and will have an interest only payment of approximately \$1.4 million in October 2020 (FY 21). Although the lease-purchase agreement is technically for 12 years, it is the City's intent to pay off the lease purchase of approximately \$18.3 million, without penalty, in October 2021 (FY 22) with Measure A funds, as previously recommended and consistent with the current Measure A Plan in the FY 19 Proposed Budget. The purpose of extending the term for 12 years is to maximize the City's financial

flexibility. If the City elects to continue making debt service payments beyond FY 22, the annual debt service payments would be approximately \$2,200,000. In addition to the purchase costs, there are also implementation costs that will be paid from FY 18 Measure A funds. The implementation costs are expected to be incurred with vendors other than Motorola.

The dollar amount of the financing will be based on the final net purchase price of the equipment. The various estimated costs are shown below and depend on the discount received. The total costs shown include approximate interest costs, assuming the City pays off the lease-purchase in FY 22. Actual interest costs will depend on the interest rate in the financial market at time of purchase. The Airport will not participate in the financing and, instead, will make a cash purchase of approximately \$214,000 for its equipment. The Airport has sufficient existing appropriation authority for their share of the cost.

Estimated Costs by Fiscal Year Depending on Level of Discount Based on Volume

Level 3 is minimum discount rate, Level 5 and Level 7 are examples of potential discount rates

Item and Cost (\$ in millions)	Level 3	Level 5	Level 7
General Fund (Measure A)			
FY 19 equipment purchase	0 (financed)	0 (financed)	0 financed
FY 19 installation/implementation	0.5	0.5	0.5
FY 20 interest payment	0.0	0.0	0.0
FY 21 interest payment	1.4	1.3	1.0
FY 22 interest payment	0.8	0.6	0.5
FY 22 pay-off lease-purchase*	17.5	14.8	12.8
Total Cost (from Measure A)	20.2	17.2	14.8
Current Funding Plan (FY 19 Budget)	15.5	15.5	15.5
Funding Surplus (shortfall)	(4.7)	(1.7)	0.7
Airport Fund Cost			
FY 19 equipment purchase	0.21	0.18	0.15
Total Cost (from Airport Fund)	0.21	0.18	0.15

* Pay-off lease-purchase amounts are based on discount level and net of Airport cash contribution

The Measure A Plan (Plan) included in the FY 19 budget provides for a total cost of \$15.5 million for public safety communications technology and is intended to primarily fund public safety portable and mobile radios. At a Level 3 discount, the discount for which the City currently qualifies, the total Measure A cost would be about \$20.2 million. At that price, for which approval is being requested, the City would need an additional \$4.7 million in FY 22, above the planned Measure A resources, to pay off the lease-purchase. If the quantity of radios purchased in the L.A. Region results in a Level 5 discount, then FY 22 additional Measure A (or other General Fund) resources of approximately \$1.7 million would be needed. At a Level 7 discount, there would be an estimated savings of \$700,000. If the Measure A funding from the FY 19 Measure A Plan is not adequate, paying off the lease-purchase in FY 22 is recommended to be funded by reallocation of Measure A, or from any increased Measure A revenue that may be available, or other funding sources may need to make up the difference.

No appropriation is needed in FY 18 for the lease-purchase costs as they are in the future, but, funds are needed for the implementation costs. An appropriation increase in the General Fund –

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Measure A (GF) in the Citywide Activities Department (XC) of \$541,000 is requested for a transfer to the General Services Fund, offset by additional Measure A revenue. A commensurate appropriation increase of \$541,000 is requested in the General Services Fund (IS 385) in the Technology and Innovation Department (TI), offset by the transfer of Measure A funds, for actual implementation costs. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LEA ERIKSEN
DIRECTOR OF TECHNOLOGY AND INNOVATION



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

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ATTACHMENT

APPROVED:


PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING THE CITY
5 MANAGER TO EXECUTE A CONTRACT WITH MOTOROLA
6 SOLUTIONS, INC., WITHOUT ADVERTISING FOR BIDS,
7 TO PROVIDE RADIO COMMUNICATIONS EQUIPMENT, IN
8 AN AMOUNT NOT TO EXCEED \$17,700,000; AND
9 AUTHORIZING THE CITY MANAGER TO EXECUTE A
10 LEASE-PURCHASE AGREEMENT FOR THE FINANCING
11 OF THE RADIO COMMUNICATIONS EQUIPMENT IN AN
12 AGGREGATE AMOUNT NOT TO EXCEED \$23,300,000

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14 WHEREAS, the Charter of the City of Long Beach, Section 1801, permits the
15 City Manager to enter into a contract on behalf of the City, in writing or otherwise, without
16 advertising for bids, for services, supplies, materials, equipment or labor for actual
17 emergency work when authorized by resolution; and

18 WHEREAS, at the City Council study session on October 24, 2017, staff
19 presented an overview of unfunded critical technology infrastructure needs, which included
20 the replacement of public safety communications technology; and

21 WHEREAS, over the past year, the City of Long Beach, along with the Los
22 Angeles Mayor's Office of Public Safety and the Federal Emergency Management Agency
23 ("FEMA") evaluated funding alternative and priorities for FEMA and Urban Area Security
24 Initiative ("UASI") grant funds; and

25 WHEREAS, UASI funds are primarily allocated to the completion of the Los
26 Angeles-Regional Interoperable Communications System project in the term; there are
27 also other high priority needs for UASI funds; and

28 WHEREAS, for these reasons, and the prevalence of the need to replace

1 public safety communication technologies across the region, there is no realistic federal
2 grant funding source available in the timeframe needed for this critical technology; and

3 WHEREAS, to secure the best available pricing, the City initiated and
4 negotiated a volume pricing agreement with Motorola Solutions, Inc. ("Motorola"); and

5 WHEREAS, Motorola has agreed to offer the City the same terms and
6 conditions as afforded to the County of Los Angeles in the Motorola/L.A. County master
7 contract along with the newly negotiated enhanced pricing options available with the
8 Motorola's Territory Los Angeles Volume Subscriber Pricing Program; and

9 WHEREAS, this purchase is proposed without a competitive process
10 because the City's Police, Fire, Public Works, Disaster Preparedness, and Airport
11 Departments rely on a Motorola based radio dispatch, radio signal, and portable/mobile
12 radio infrastructure for day-to-day and emergency response radio communications; and

13 WHEREAS, the City's purchase of Motorola radios along with other Los
14 Angeles and orange County public safety agencies will allow for better interoperability with
15 regional resources, and could play an essential role in the City's timely response and
16 recovery in a major disaster;

17 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
18 follows:

19 Section 1. The City Manager is hereby authorized to enter into a contract
20 with Motorola Solutions, Inc., without advertising for bids, for the purchase, delivery, and
21 implementation of radio communications equipment, for a total purchase price not to
22 exceed Seventeen Million Seven Hundred Thousand Dollars (\$17,700,000); and to
23 execute a lease-purchase agreement in a total aggregate amount not to exceed Twenty-
24 Three Million Three Hundred Thousand Dollars (\$23,300,000).

25 Section 2. This resolution shall take effect immediately upon its adoption
26 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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I hereby certify that the foregoing resolution was adopted by the City Council
of the City of Long Beach at its meeting of _____, 2018 by the
following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664