Proposed Fiscal Year End 2016 Budget

Budget and Finance Committee
April 22, 2015

Jeff McKay
Deputy Air Pollution Control Officer
Status of Current Fiscal Year End (FYE) 2015

Review of Revenue and Expenditure FYE 2016

Review of Proposed Policy Recommendations
Out of $65 M Budget

As of April 2015:

- Permit Fee revenue on target
- Property Tax revenue on target
- Expenditures on target
DISTRICT RESERVE FUNDS
Audited Values

20% of General Fund
15% of General Fund

$(M)

2008 2009 2010 2011 2012 2013 2014

$30 $25 $20 $15 $10 $5 $
During FYE 2015 Board Approved Transfers:

- $1M for 375 Beale Street Design and Construction
- $1.4M for JDE Software Upgrade
OVERVIEW
Proposed Budget for FYE 2016

(Excludes New Building Financing)

- $72.5 M General Fund Budget
- Incorporates Cost Recovery Policy
- Additional GHG funding for 2 new positions
- Hire Staff: From 329 to 334 filled positions
- Addresses Retirement Liabilities
- Includes 2.6% COLA
- Use of Reserves & Proposed Reserve Policy
GENERAL FUND REVENUE SOURCES
(FYE 2016 Proposed Budget)

Excludes Building Proceeds
Excludes Building Financing
CAPITAL and SERVICES & SUPPLIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Financing Uses</th>
<th>Capital</th>
<th>Services &amp; Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$16.2</td>
<td>$4.5</td>
<td>$11.7</td>
</tr>
<tr>
<td>2011</td>
<td>$14.1</td>
<td>$5.0</td>
<td>$9.1</td>
</tr>
<tr>
<td>2012</td>
<td>$12.3</td>
<td>$3.4</td>
<td>$9.0</td>
</tr>
<tr>
<td>2013</td>
<td>$12.3</td>
<td>$2.6</td>
<td>$9.7</td>
</tr>
<tr>
<td>2014</td>
<td>$13.0</td>
<td>$4.2</td>
<td>$8.8</td>
</tr>
<tr>
<td>2015 (Adopted)</td>
<td>$15.3</td>
<td>$3.8</td>
<td>$11.5</td>
</tr>
<tr>
<td>2016 (Proposed)</td>
<td>$18.1</td>
<td>$4.0</td>
<td>$14.1</td>
</tr>
</tbody>
</table>

Total:
- Other Financing Uses: $20.7, $19.1, $15.7, $14.8, $17.2, $19.0, $31.1
- Capital: $5.0M, $5.0M, $3.4M, $2.6M, $4.2M, $3.8M, $4.0M
- Services & Supplies: $9.0M, $5.0M, $3.4M, $2.6M, $4.2M, $3.8M, $4.0M

Total:
- Capital: $4.5, $5.0, $3.4, $2.6, $4.2, $3.8, $4.0
- Services & Supplies: $16.2, $14.1, $12.3, $12.3, $13.0, $15.3, $18.1

For the years 2010 to 2015, the chart shows the actual spending for Other Financing Uses, Capital, and Services & Supplies. For 2016, the chart shows the proposed spending for Other Financing Uses, with separate sections for Capital and Services & Supplies.
FYE 2016 PROPOSED FEES

- Fourth year of Cost Recovery Policy
  - Average 6.4% fee increase in FYE 2016 budget
  - Additional GHG fees to cover new programs
  - Strong involvement by regulated community
CLIMATE PROGRAM STAFFING

- Implementation of the Air District’s 10-Point Climate Action Work Plan

- 4.6 cents per ton of GHG implemented over 2 years

- 4 Positions (2 in 2015 and 2 in 2016)
  - Planning  (2)
  - Inspection (1)
  - Technical (1)
<table>
<thead>
<tr>
<th>FYE 2015 Budgeted Positions</th>
<th>329</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 2016 Recommended Positions</td>
<td>5</td>
</tr>
<tr>
<td>Total Budgeted Positions</td>
<td>334</td>
</tr>
</tbody>
</table>
# FYE 2016 Fund Balance Summary

<table>
<thead>
<tr>
<th>FUND BALANCES</th>
<th>6/30/2014 Audited</th>
<th>6/30/2015 Projected</th>
<th>6/30/2016 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve for Building and Facilities</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$1,360,000</td>
</tr>
<tr>
<td>Reserve for Capital Equipment Contingency</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$14,501,024</td>
</tr>
<tr>
<td>Reserve for Economic Contingency (20%)</td>
<td>$10,114,309</td>
<td>$10,114,309</td>
<td>$14,501,024</td>
</tr>
<tr>
<td>Reserve for Fleet Contingency</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
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<td>Reserve for IT-Desktop Equipment</td>
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<td>$1,000,000</td>
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<td>$1,800,000</td>
<td>$1,800,000</td>
<td>$1,600,000</td>
</tr>
<tr>
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<td>$360,900</td>
<td>$360,900</td>
<td>$360,900</td>
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</tr>
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<td>Reserve for Tech- Mobile Monitoring Instruments</td>
<td>$450,000</td>
<td>$450,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Reserve for GHG Abatement Technology Study</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Reserve for Woodsmoke Program</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Reserve for Worker’s Comp Self-Funding</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Unreserved and Undesignated</td>
<td>$7,404,751</td>
<td>$7,404,751</td>
<td>$500,000</td>
</tr>
<tr>
<td>Prior Approved Transfers</td>
<td>$1,858,036</td>
<td>$1,858,036</td>
<td>$1,858,036</td>
</tr>
<tr>
<td>Proposed Use of Fund Balance</td>
<td>$1,316,825</td>
<td>$1,316,825</td>
<td>$1,316,825</td>
</tr>
<tr>
<td>TOTAL SPECIAL RESERVES</td>
<td>$25,047,060</td>
<td>$23,189,024</td>
<td>$21,872,199</td>
</tr>
<tr>
<td>Building Proceeds</td>
<td>$14,668,200</td>
<td>$14,668,200</td>
<td>$14,668,200</td>
</tr>
<tr>
<td>Building Financing Cost</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>TOTAL BUILDING PROCEEDS</td>
<td>$14,668,200</td>
<td>$14,668,200</td>
<td>$14,668,200</td>
</tr>
<tr>
<td>TOTAL FUND BALANCE</td>
<td>$39,715,260</td>
<td>$37,357,224</td>
<td>$27,040,399</td>
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</tbody>
</table>
### FYE 2016 USE OF RESERVES RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>375 Beale Building Acquisition</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$900,000</td>
</tr>
<tr>
<td>Lab &amp; Monitoring Equipment</td>
<td>$416,825</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,316,825</strong></td>
</tr>
</tbody>
</table>
Current Fund Balance Policy: 15% of General Fund Expenditures

- FYE 2016 Budget of $73M = $11M (minimum)
- Proposed Policy: 20% = $14.5M (minimum)
UNFUNDED LIABILITIES
(based on June 30, 2013 Valuation)

- CalPERS Retirement
  - $232M Obligation – 77% Funded
  - $53M Unfunded

- OPEB Medical
  - $50M Obligation – 40% Funded
  - $30M Unfunded
CalPERS projects required contributions will increase from about 15% of salary to about 20% of salary over five years.

- Required contribution (ARC) FYE 2016 = $5.25M
- Proposed FYE 2016 Prefund = $250,000:
  - 105% of ARC = $5.5M
Reduce year-to-year changes in future budgets

Use CalPers return on funds to reduce future obligations
Unfunded Liability =$30M

FYE2016 OPEB Estimated Normal Cost = $2M

Propose continuation of prefund amount = $3M

Proposed Policy: 90% minimum funded level

No target date in Policy
375 Beale Street projected acquisition date: January 2016
- Contribution of $9M; reducing obligation
- FYE 2016 Monthly Base Financing is $100,000
- HOA approximately $1M/year, SSO additional

939 Ellis Street monthly lease of $91,925
- Lease becomes $114,906 beginning October 1, 2015
SUMMARY
Budget FYE 2016

- Budget balanced
- Reserve drawdown of $1.3M
- Budgeted positions increased to 334
- Other Post-Employment Benefits (OPEB):
  - Contribution remains at $3M
  - 90% Funding Target
- Additional CalPERS contribution ($250K)
- Minimum Reserve increased to 20% of Budget
Consider recommending that the Board of Directors:

1. Adopt the FYE 2016 Proposed Budget
2. Approve 20% Minimum Reserve Policy
3. Approve 90% OPEB Funding Target Policy
NEXT STEPS

- April 15 - Held 1st Public Hearing on Proposed Fees
- May 20 – 1st Public Hearing on Proposed Budget
- June 3 – 2nd Public Hearing and Adoption of:
  1. Proposed Fees
  2. Proposed Budget
Budget & Finance Committee Meeting
April 22, 2015

Third Quarter Financial Report
Fiscal Year Ending (FYE) 2015

Stephanie Osaze
Finance Manager
General Fund Reporting on 3rd Quarter financial results (July 1, 2014 – March 31, 2015):

- Revenues
- Expenditures
- Investments
- General Fund Balance
- Purchasing Report Requirements
# 3rd Quarter Results FYE 2015

## General Fund - Revenues

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>FYE 2015 Budget</th>
<th>FYE 2015 Actual (as of 3/31/2015)</th>
<th>Percentage of Budgeted Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>County receipts</td>
<td>$22,523,540</td>
<td>$14,143,237</td>
<td>63%</td>
</tr>
<tr>
<td>Permit Fees</td>
<td>$27,519,936</td>
<td>$26,344,843</td>
<td>96%</td>
</tr>
<tr>
<td>Title V Permit Fees</td>
<td>$3,867,100</td>
<td>$4,039,072</td>
<td>104%</td>
</tr>
<tr>
<td>Asbestos Fees</td>
<td>$2,300,000</td>
<td>$2,387,824</td>
<td>104%</td>
</tr>
<tr>
<td>Toxic Inventory Fees</td>
<td>$554,359</td>
<td>$361,974</td>
<td>65%</td>
</tr>
<tr>
<td>Penalties and Settlements</td>
<td>$1,720,000</td>
<td>$1,876,389</td>
<td>109%</td>
</tr>
<tr>
<td>Interest Revenue</td>
<td>$190,000</td>
<td>$137,312</td>
<td>72%</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>$114,717</td>
<td>$67,193</td>
<td>59%</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$58,789,652</strong></td>
<td><strong>$49,357,843</strong></td>
<td><strong>84%</strong></td>
</tr>
</tbody>
</table>
## Revenue Comparison

Prior Year vs. Current Year

<table>
<thead>
<tr>
<th></th>
<th>FYE 2014 (As of March 31, 2014)</th>
<th>FYE 2015 (As of March 31, 2015)</th>
<th>$ DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>County receipts</td>
<td>$13,680,809</td>
<td>$14,143,237</td>
<td>$462,428</td>
</tr>
<tr>
<td>Permit Fee receipts</td>
<td>$24,241,276</td>
<td>$26,344,843</td>
<td>$2,103,567</td>
</tr>
<tr>
<td>Title V Permit Fees</td>
<td>$3,379,635</td>
<td>$4,039,072</td>
<td>$659,437</td>
</tr>
<tr>
<td>Asbestos Fees</td>
<td>$2,020,834</td>
<td>$2,387,824</td>
<td>$366,991</td>
</tr>
<tr>
<td>Toxic Inventory Fees</td>
<td>$439,115</td>
<td>$361,974</td>
<td>$(77,141)</td>
</tr>
<tr>
<td>Penalties and Settlements</td>
<td>$2,306,306</td>
<td>$1,876,389</td>
<td>$(429,917)</td>
</tr>
<tr>
<td>Interest Revenue</td>
<td>$598,623</td>
<td>$137,312</td>
<td>$(461,311)</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>$113,609</td>
<td>$67,193</td>
<td>$(46,416)</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$46,780,206</strong></td>
<td><strong>$49,357,843</strong></td>
<td><strong>$2,577,637</strong></td>
</tr>
</tbody>
</table>
## General Fund - Expenses

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>FY 2015 Budget</th>
<th>FYE 2015 Actual (as of 3/31/2015)</th>
<th>Percentage of Budgeted Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Personnel - Salaries</td>
<td>$35,030,516</td>
<td>$24,978,191</td>
<td>71%</td>
</tr>
<tr>
<td>* Personnel - Fringe Benefits</td>
<td>$15,399,074</td>
<td>$12,125,074</td>
<td>79%</td>
</tr>
<tr>
<td>Operational Services and Supplies</td>
<td>$21,267,586</td>
<td>$10,858,632</td>
<td>51%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$5,295,352</td>
<td>$2,621,384</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$76,992,528</strong></td>
<td><strong>$50,583,281</strong></td>
<td><strong>66%</strong></td>
</tr>
</tbody>
</table>

* Consolidated (Includes Special Funds)
## Expenditure Comparison

### Prior Year vs. Current Year

<table>
<thead>
<tr>
<th></th>
<th>FYE 2014 (As of March 31, 2014)</th>
<th>FYE 2015 (As of March 31, 2015)</th>
<th>$ DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Personnel - Salaries</td>
<td>$ 24,366,343</td>
<td>$ 24,978,191</td>
<td>$ 611,848</td>
</tr>
<tr>
<td>*Personnel - Fringe Benefits</td>
<td>$ 11,437,961</td>
<td>$ 12,125,074</td>
<td>$ 687,113</td>
</tr>
<tr>
<td>Operational Services and Supplies</td>
<td>$ 9,785,438</td>
<td>$ 10,858,632</td>
<td>$ 1,073,194</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$ 2,370,226</td>
<td>$ 2,621,384</td>
<td>$ 251,158</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 47,959,968</td>
<td>$ 50,583,281</td>
<td>$ 2,623,313</td>
</tr>
</tbody>
</table>

*Consolidated includes Special Funds
3rd Quarter Results FYE 2015

Investments

Cash and Investments with County Treasury:
( Based on the March 2015 Account Balance)

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$52,512,174</td>
</tr>
<tr>
<td>TFCA</td>
<td>$74,112,609</td>
</tr>
<tr>
<td>MSIF</td>
<td>$34,423,877</td>
</tr>
<tr>
<td>Carl Moyer</td>
<td>$2,159,235</td>
</tr>
<tr>
<td>CA Goods Movement</td>
<td>$13,097,006</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$176,304,901</strong></td>
</tr>
</tbody>
</table>

(For: Bay Area Air Quality Management District)
<table>
<thead>
<tr>
<th>FUND BALANCES</th>
<th>6/30/2014 Audited</th>
<th>Board Approved Transfer</th>
<th>6/30/2015 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve for Building and Facilities</td>
<td>$500,000</td>
<td>$(500,000)</td>
<td>$-</td>
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<tr>
<td>Reserve for Capital Equipment Contingency</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<td>$10,114,309</td>
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<td>$500,000</td>
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<tr>
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<td>$1,000,000</td>
<td>$(1,000,000)</td>
<td>$-</td>
</tr>
<tr>
<td>Reserve for Pension &amp; Post Employment Liability</td>
<td>$1,800,000</td>
<td>$1,800,000</td>
<td>$1,800,000</td>
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<td>Reserve for Tech-GHG Monitoring Equipment</td>
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<td>$450,000</td>
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<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

| Unreserved and Undesignated                     | $7,404,751        | $(358,036)               | $7,046,715          |

| TOTAL SPECIAL RESERVES                          | $25,047,060       | $(1,858,036)             | $23,189,024         |

| Building Proceeds                               | $14,668,200       | $(500,000)               | $14,168,200         |

| TOTAL BUILDING PROCEEDS                         | $14,668,200       | $(500,000)               | $14,168,200         |

| TOTAL FUND BALANCE                              | $39,715,260       | $(2,358,036)             | $37,357,224         |
Section 4.3 of the Purchasing Procedures states:

Recurring payments of routine business needs such as utilities, licenses, office supplies etc. that are more than $70,000 shall be presented in the Quarterly Financial Report.

In an effort of full disclosure, the list also includes benefit payments.
# FYE 2015 Vendor Payments

Cumulative Vendor Payments in Excess of $70,000 without Board Review

<table>
<thead>
<tr>
<th>VENDOR NAME</th>
<th>AMOUNT PAID (July 2014 - March 2015)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLIANT INSURANCE SERVICES</td>
<td>416,584</td>
<td>Various Business Insurance Policies</td>
</tr>
<tr>
<td>CA PUBLIC EMPLOYEE RETIREMENT SYSTEM</td>
<td>4,716,788</td>
<td>Health Insurance Plan</td>
</tr>
<tr>
<td>CA PUBLIC EMPLOYEE RETIREMENT SYSTEM</td>
<td>6,373,962</td>
<td>Retirement Benefits &amp; 457 Supplemental Plan</td>
</tr>
<tr>
<td>CAPCOA</td>
<td>620,241</td>
<td>Pass through EPA grants</td>
</tr>
<tr>
<td>COMPUCOM SYSTEMS, INC.</td>
<td>150,120</td>
<td>Microsoft license agreement</td>
</tr>
<tr>
<td>COMPUTER DISCOUNT WAREHOUSE</td>
<td>77,249</td>
<td>IT Servers Maintenance</td>
</tr>
<tr>
<td>CSAC EXCESS INSURANCE AUTHORITY</td>
<td>551,941</td>
<td>Life Insurance Plan &amp; LTD Insurance</td>
</tr>
<tr>
<td>CUBIC TRANSPORTATIONS SYSTEMS</td>
<td>241,312</td>
<td>Clipper Transit Subsidy</td>
</tr>
<tr>
<td>DIRECT MAIL CENTER</td>
<td>84,222</td>
<td>Bulk Mailing Services</td>
</tr>
<tr>
<td>EMPLOYEE BENEFIT SPECIALISTS</td>
<td>189,611</td>
<td>Medical &amp; Dependent Care Flexible Spending Plan</td>
</tr>
<tr>
<td>ENTERPRISE FLEET SERVICES</td>
<td>379,404</td>
<td>Fleet Leasing and Maintenance services</td>
</tr>
</tbody>
</table>
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Cumulative Vendor Payments in Excess of $70,000 without Board Review

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<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPLUS TECHNOLOGY, INC.</td>
<td>138,543</td>
<td>Cisco Maintenance and Support</td>
</tr>
<tr>
<td>HARTFORD LIFE INS. CO.</td>
<td>303,873</td>
<td>457 Supplemental Insurance</td>
</tr>
<tr>
<td>NETAPP INC.</td>
<td>85,198</td>
<td>SF &amp; SAC Net Application Support</td>
</tr>
<tr>
<td>PACIFIC GAS &amp; ELECTRIC COMPANY</td>
<td>309,566</td>
<td>Utilities</td>
</tr>
<tr>
<td>PREFERRED BENEFIT INSURANCE AD</td>
<td>521,198</td>
<td>Dental Insurance Plan</td>
</tr>
<tr>
<td>RENNE SLOAN HOLTZMAN &amp; SAKAI</td>
<td>138,868</td>
<td>Human Resources Consulting Services</td>
</tr>
<tr>
<td>RICHMOND PARKWAY BUSINESS PARK</td>
<td>166,950</td>
<td>Building Lease</td>
</tr>
<tr>
<td>SONOMA TECHNOLOGY INC.</td>
<td>119,873</td>
<td>Programming &amp; Special Studies</td>
</tr>
<tr>
<td>THERMO ENVIRONMENTAL INSTRUMENTS</td>
<td>153,580</td>
<td>Air monitoring and source test instrumentation</td>
</tr>
<tr>
<td>VERIZON WIRELESS</td>
<td>146,630</td>
<td>Cell phone services</td>
</tr>
</tbody>
</table>
Budget & Finance Committee

April 22, 2015

Renewal of IT Infrastructure

Damian Breen
Deputy Air Pollution Control Officer
PREVIOUS IT PROCUREMENT

• Procurement Through 6 Year Lease
  o Flattens annual infrastructure expenditures
  o Creates a uniform and supportable environment
  o Takes advantage of volume discount pricing

• 2010 Procurement
  o $2M capital lease for IT infrastructure
  o $368,000 annual payments due in July for 6 years
  o Final payment due July 2015, Fiscal Year Ending (FYE) 16
CURRENT INFRASTRUCTURE
NEW IT PROCUREMENT

• New IT Infrastructure Cycle for 375 Beale Street Move
  o Board approved prepayment of previous lease
  o New infrastructure cycle to start with move

• New Infrastructure Implementation
  o Bids received for 375 Beale Street IT infrastructure design services RFP
  o Procurement and installation of new infrastructure in early FYE 16
RFP for 375 Beale Street infrastructure design closes

Enter into new lease agreement for 375 Beale Street IT infrastructure

RFP for Procurement & Installation

Infrastructure design complete

Infrastructure Operations Ready at 375 Beale Street

RFP for 375 Beale Street infrastructure design closes
CURRENT ACTION

• Informational Only - No Current Action Required

• Upcoming Actions
  
  o The Board will be asked to approve award of infrastructure design contract on the May 6, 2015 consent calendar

  o The Board will be asked to approve a new infrastructure implementation contract and lease in early FYE 16