

Yolo County Debt Committee

Item #6 – Telecommunication Equipment - Phone System Replacement

April 9, 2019

Financing Mechanism:	Lease/Purchase
Requesting Department/Agency:	General Services Department/Information Technology & Telecommunications Division
Time Duration:	Proposed 5 Years
Debt Amount Requested:	\$600,000 - \$1,100,000 (Depends on final vendor selection and phone system options)
Reason before Debt Committee:	1) Amount of debt or obligation exceeds \$500,000. 2) Annual debt service or obligation may exceed \$150,000

Purpose/Project

The current phone system in place is an older Avaya/Nortel system. It has served the county very well over the years but lacks features common in modern systems such as softphones and cell phone integration and has been determined to be past the systems useful life and ready for replacement.

After an extensive review of all County departments' needs and the configuration of the existing system, a Request for Proposals (RFP) was released in June, 2018 released for such a replacement. An evaluation committee was formed including leads from the ITTD Division of General Services and supported by an external consultant who has assisted the procurement effort. This has involved extensive demonstrations, inclusion of County departments, a best and final offer, and inclusion of vendor finance options related to the equipment offerings.

The two finalist vendors have proposed solutions that are approximately \$1.1 - \$1.6 million however the amounts will vary based on the selection of vendor and the determination of final options that are made. A Telecommunications Steering Committee is being formed at this point to evaluate the final options, costs before the final decision, and plans to meet on April 10, 2019. After the final selection is made, a contract and related financing package will be coming back to the full Board of Supervisors and is expected to come forth during May, 2019.

The Telecommunications fund through monthly connectivity charges has accumulated some restricted cash and fund balance that will be contributed to the project in the amount of approximately \$500,000 however that will not be sufficient and thus debt financing will be required in order to complete the project.

At this point in time, the current plan is to do a five-year lease purchase option for the equipment and at the end of the lease, the County will own the equipment. The equipment will serve as collateral during the lease term and would be repossessed should the County cease payments and not fulfill the lease obligations. Each of the vendors have submitted financing proposals related their bid and they both are competitive with an interest rate of 2.575% to 4.4% though these could

change slightly should be movements in the market interest rates between now and execution of the final contracts.

The full financing term sheets are not included at this point as the procurement process is still ongoing.

This lease purchase would result in debt being incurred over \$500,000 and debt service likely over \$150,000 and thus requires review and approval by the Debt committee before consideration by the full Board of Supervisors.