

REQUEST FOR COUNCIL ACTION

Date: 01/25/10
Item No.: 13.c

Department Approval

City Manager Approval

Christopher K. Miller

W. J. Mahinen

Item Description: Discussion on Tower Rental Fees

BACKGROUND

Since 1997, the City has captured rental fees from Wireless Service Providers who have located their communications equipment on City-owned towers and ground space. To date, these rental fees have been earmarked for the City's Information Technology function which includes the purchase of hardware and software as well as IT Support Staff.

These fees, along with revenues derived from Joint Powers Agreements, has allowed the City to provide IT services almost exclusively without property tax dollars – a rarity among other municipalities.

With the construction of the initial tower in 1997, the rental fees were initially earmarked to repay a \$725,000 internal loan that was used to purchase land in what is now known as Reservoir Woods. However, in 1999 this loan was repaid from available TIF proceeds; thereby allowing the tower fees to be redirected to the IT function.

The following table shows the amount of tower rental fees since 1999.

Year	Amount
1999	\$70,000
2000	117,000
2001	104,000
2002	160,000
2003	161,000
2004 *	80,000
2005 *	187,000
2006	226,000
2007	255,000
2008	296,000
2009 (not final)	252,000

* Note – some revenues earned in 2004 were not recorded until 2005 *

It is uncertain as to whether the City Council has ever taken a formal action on where to earmark tower rental fees. However, the actual use of those revenues has been regularly communicated through the annual budget process as well as other public discussions. That being said, it is conceivable that a previous policy decision was made to earmark these funds towards information technology to ensure that all City functions benefit from these rental fees.

Tower rental (lease) monies are the City's primary funding source for the provision of email, internet access, computers, printers, software, network servers and switches, security systems, data backup drives, and more. It also pays for approximately 2.5 FTE Support Staff. The following table provides a breakdown of the City's 2010 information technology costs and their applicable funding source.

	<u>Roseville</u>	<u>Contract Agencies</u>	<u>Total</u>
Sources of Funds			
Wireless antenna lease payments	\$ 296,000	\$ -	\$ 296,000
Contributions from contract agencies	-	669,000	669,000
Transfer from the License Center	50,000	-	50,000
Transfer from the Water Department	25,000	-	25,000
Property taxes	50,000	-	50,000
Total	\$ 421,000	\$ 669,000	\$ 1,090,000
Uses of Funds			
Personal Services	\$ 185,000	\$ 613,900	\$ 798,900
Supplies & Materials	12,300	-	12,300
Other Services & Charges	122,500	-	122,500
Capital Outlay	132,000	-	132,000
Total	\$ 451,800	\$ 613,900	\$ 1,065,700

As is shown in the table, the revenues derived from wireless lease agreements are used to pay for Roseville's IT supplies, hardware, software, etc. The revenues derived from partnerships with other agencies are used almost exclusively to provide IT Support to those agencies.

These partnerships help the City spread its fixed costs over a larger service area. Absent these partnerships, the City's costs for network servers, switches, etc, would be much larger. These partnerships also allow the City to maintain a larger complement of IT Staff than if we were to go it alone. And although most of the added Staff spends the majority of their time servicing other agencies, it does afford the City the flexibility to direct 8 full-time Staff to respond to emergencies, high-priority projects, or system-wide troubleshooting needs.

City Staff will be available to answer any Council inquiries.

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

For 2010, tower rental fees are expected to total approximately \$290,000. These monies are used to support citywide purchases of information technology hardware and software, as well as IT Support Staff.

48 **STAFF RECOMMENDATION**

49 Not applicable.

50 **REQUESTED COUNCIL ACTION**

51 For discussion purposes only. No formal Council action is requested.

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Attachments: A: N/A