

AT&T Cellular Service to Los Angeles County Callboxes

SAFE Regular Board Meeting

October 23, 2008

Background

- In October 2005, SAFE awarded a 10-year contract to AT&T to provide cellular service to Los Angeles callboxes
- SAFE anticipated transitioning service and callboxes from analog to digital by the end of 2007
- Callbox builder was hired in 2006 to design/develop/test/build new digital callboxes
- Delays with digital callbox builder have resulted in a prolonged schedule
- Current schedule anticipates full deployment of newly redesigned digital callboxes by June 2009

AT&T's Offer

- **AT&T would like to turn off analog service; SAFE is their last analog customer in the region**
- **In September, AT&T offered SAFE \$1 million to expedite the digital transition and turn off analog service by November 30, 2008**
- **AT&T's offer is essentially a buy-out of the analog service portion of the contract; the contract requires AT&T to provide analog service until SAFE has completed the transition of boxes to digital format**

Expediting the Transition

- **Expediting the process would require LA SAFE to take certain actions and manage associated risk:**
 - Shorten the testing period
 - Accelerate the manufacturing period
 - Accelerate the installation period
 - Increase maintenance efforts after installation
 - Shortening the test period could reduce SAFE's ability to verify that the callboxes meet specifications
 - Due to potential circumstances beyond SAFE's control, installation of the 2,700 new callboxes might not occur prior to analog system shutoff, and some areas might not have callbox coverage for some period of time
 - To successfully transition the callboxes early, SAFE would be relying on a contractor that has had repeated issues

Current Situation

- **AT&T and SAFE disagree on the cost to accelerate the project – AT&T wants to pay no more than \$1 million; SAFE estimates the cost at least \$1.7 million**
- **AT&T wants to “lock-in” an analog service shut-off date**
- **AT&T stands to save millions of dollars if they can negotiate a contract amendment to buy out the analog service provision in the contract; SAFE obtains no benefit from this deal which could significantly impact the quality and maintenance of the newly designed digital callbox**