

MARIN EMERGENCY RADIO AUTHORITY

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MEMORANDUM

DATE: September 9, 2009

TO: MERA Executive Committee

FROM: Maureen Cassingham, Executive Officer

SUBJECT: AGENDA ITEM B-3: PROPOSED REVISIONS TO MERA RESERVE FUNDS

Recommended Action: Upon recommendation of the MERA Finance Committee, recommend to the MERA Board to combine the maintenance and equipment reserves into a Replacement Fund, and from this new fund create an Emergency Fund of \$500,000.

Background: The MERA Finance Committee (Gaffney, Kreins, Nordhoff and Rzepinski) met on August 4, 2009 to review MERA's reserves. The Committee was advised that the MERA Board, in June 2004, approved the establishment of maintenance and replacement reserves for the system for fiscal year 2004-05. The Board subsequently directed the enhancement of these reserves each year by \$100,000 each, from the operating fund, after the acceptance of our annual audit and fund balance permitting. Per John Maher, unaudited fund balances as of May 31, 2009, for maintenance and replacement after planned transfers, are \$542,536 and \$546,219, respectively.

The original basis for establishing the "replacement reserve" may be attributed to MERA's Project Operating Agreement for bond issuance which addresses a Replacement Fund (see attached Section 3.06) and states "The Authority may withdraw amounts from the Replacement Fund for use in repairing, improving, or replacing the Project or any component thereof." However, no requirement can be found in the JPA agreement, Operating Agreement, or Bond Indenture for a maintenance fund or reserve.

John Maher suggested that the Finance Committee consider recommending "assigning one fund (Replacement Reserve) the responsibility to fund major repairs and replacement of existing equipment or facilities and to subsidize the Operating Budget should maintenance costs be extraordinary" (i.e. in excess of the amount budgeted for the DPW Maintenance contract, which is \$639,000 in FY 09-10). The DPW Maintenance contract is for Preventative Maintenance (backbone) and Corrective Maintenance (site reconnaissance, installation and corrective maintenance on existing equipment, prime site microwave system and mountain-top sites) Programming and Extra Work (parts, materials and factory repairs). Mr. Maher's suggestion could be implemented by the Board, upon the recommendation of the Executive Committee, by combining the current maintenance and replacement reserves (Funds 70033 and 70034, respectively) into one

“Replacement Fund.” This Fund would be enhanced over time to help fund system replacement or major component replacements as identified and recommended by the Ad Hoc Strategic Planning Committee.

Additionally, the Finance Committee recommended that the Executive Committee support Board creation of an Emergency Fund to help cover immediate and/or uninsured costs of catastrophic events and MERA’s self-insured retentions for its liability and property insurance deductibles, which are \$50,000 and \$1,000, respectively. Liability and property insurance limits are currently \$4M and \$25M respectively.

ATTACHMENT: MERA Project Operating Agreement Section 3.06