

MARIN EMERGENCY RADIO AUTHORITY

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F.C. Meeting 2/27/13

Agenda Item B

MERA Finance Committee **Minutes of January 7, 2013 Meeting**

draft: 1/29/13

A. Call to Order

The meeting was called to order by Chair Hymel at 3:32 p.m. on January 7, 2013 in Conference Room 410B at the Marin Civic Center.

Committee Members Present:

County of Marin	Matthew Hymel
Town of Ross	Tom Gaffney
City of Novato	Jim Berg
Tiburon Fire Protection District	Richard Pearce
Marin County Transit District	David Rzepinski

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Operations Officer	Craig Tackabery

Guests Present:

Terry Price	Price Campaign Solutions
Dan Mullen	Indie Politics

B. Minutes from July 18, 2012 Finance Committee Meeting

M/S/P Rzepinski/Gaffney to approve the minutes from July 18, 2012 Finance Committee Meeting as presented.

AYES: ALL
NAYS: NONE
ABSTENTIONS: BERG AND PEARCE
Motion carried.

It was agreed that Items D and E will be addressed before Item C. For the purposes of the minutes, these items will be recorded according to the order of the Agenda.

C. Discussion of Next Generation System Financing Presentation –
January 16 Governing and Executive Boards' Workshop

Mullen reviewed the four proposed slides for the Financing presentation at the Workshop, beginning with project cost. A major discussion item may be radios. Costs will be presented in descending order of amounts. Gaffney said Tackabery will have to answer any questions about the line items. Hymel said the slide should reflect initial project costs apart from bond issuance costs. Mullen stressed the importance of using one project total cost across all the materials being developed. Hymel said at this point, this is a general project budget for which a parcel tax strategy range can be developed. As we go forward, these amounts will be refined. Suggesting a \$35-\$40 range per parcel is as close as we can estimate now.

Hymel said we need to anticipate useful life questions since the current System has only been in use 14 years and double bond payments will be needed for a period of time as we finance the new System. We lost some useful life with the original radios which should not be purchased upfront. Useful life beyond 20 years cannot be promised. Gaffney said projected new system useful life with radios is 11.3 years with an 18-year bond term and 16.3 years without radios with a 25-year bond term. Hymel said there could be negativity about making payments beyond existing current life, so we need to be confident that we are not repeating that. Mullen said we need to present options and cases to voters based on length and amount of tax, factoring in useful life.

Mullen reviewed the next slide of funding options and dollar amounts they might generate. Gaffney said member support should be shown as an option. Hymel said it should reflect the \$2.4M members already pay plus \$4.5M for the annual cost of the new system. Mullen said there are uncertainties with grants and low-interest loans, so some options cannot be counted on. Hymel said the parcel tax can be reduced if grants and loans are secured. Gaffney said the parcel tax ranges presented could reflect grants/loans and without them. Hymel said property tax is calculated on assessed value which would vary the rates. Rzepinski confirmed with Gaffney there are no restrictions on the use of G.O. bonds proceeds. Mullen responded to Hymel that there is merit to polling on parcel tax and G.O.s as well as a sales tax. Members will want to know what voters thought about these options. It was agreed sales tax would not be included in the Workshop presentation. Hymel added that we should say we are recommending a parcel tax at this time pending testing. Price said we may also poll on a higher range like \$50-\$60. Cassingham confirmed the Committee's support for continued member payment of O & M expense as important to public support. Rzepinski said there may be increased O & M costs with the new system, which we need to be clear about with members. Berg confirmed what each member is paying for now, namely operations, bonds and project note, and that their current individual contributions be made clear to them.

Mullen said a parcel tax would reduce member annual capital expenses plus the project is proposed to pay for new radios. Hymel said member costs will not decrease until the current bonds are retired in 2021 and members will continue to pay for replacement radios. Price said every agency is impacted differently and they will get presentations specific to them. Hymel said each should be advised of what a parcel tax will do for them in alleviating costs. Without it, costs could conceivably triple. Gaffney said new system costs should be passed through to the beneficiaries, which is what would happen with a parcel tax. Mullen said if the overall project cost is deemed too daunting for taxpayers, Plan B could shift radio costs to the members, which would create a fiscal

hardship for them. Rzepinski and Berg commented on using fewer budget line items and consolidating the contingency into one of the other categories of expense. It was agreed that project cost categories be more generalized, include capitalized interest and bond issuance, and be consistent between the Financing and DPW presentations. Berg said the categories must however, be clear enough to identify key areas of expenditures.

Rzepinski and Hymel discussed the overall purpose of the Workshop as, not deciding, but to explain the project and get support for the poll. Price said this is the first time the project has been presented to the membership as a full package, along with laying out a plan for and generating support of the Next Gen Project. Rzepinski said Tackabery will also be describing replacement technology that plans for the future. Price said the Workshop video makes the case for the need of the new system, and Tackabery will review the nuts and bolts of it. The Committee then previewed the video.

Berg said Brown's comments point out that we have no choice but to move to the next level of technology given FCC requirements. He also noted that smaller agencies should be featured more. Mullen said we are trying to achieve a balancing act by incorporating Kinsey's more proactive-versus-reactive approach. Gaffney said we should state we are approaching the end of the system's useful life and must replace it with technology that meets FCC requirements. Price said the video is targeted for the Workshop and will be modified for individual member and public presentation. Hymel suggested the video be used on the Workshop front-end followed by project details. Pearce asked if it could be personalized per agency, possibly with an action shot of that member or with their logo. Mullen said it may be possible to insert member agency photos into the video. Hymel said Kinsey spoke to the project as a "have to" but voter support may hinge on MERA members being on the front-end. Price agreed all members need to be recognized in the video. Mullen said this will be accomplished in the Workshop PowerPoint.

Price distributed the latest Fact Sheet and FAQs and asked for comments. These materials will be revised as we move forward with polling and member input. Hymel clarified the Committee's position to reduce the parcel tax if potential grants were received but that we would move forward if there are no grants. Gaffney asked about the FAQs' reference to the system having a 20-year life and it has worked for 13 years. Tackabery said we are targeting 2018 as the system's 20-year life from 1998. Berg asked if an increase in staff is implied with the increase in radios. Hymel said this implies we have doubled the number of radios over what was planned and we thought it would last 20 years and it has been 13 years. This should be revised since the original system's completion was delayed. Mullen said the 20-year design was to handle an expansion to 2,500 radios. Hymel said we now have 2,900 radios on the system. Gaffney suggested including a pointed question on why the new system is needed. Hymel said we need to note the regionalism of the system and addition of mutual-aid agencies. Pearce mentioned the number of talk groups versus chat groups. Berg said we should address why we need three years to build the new system by including the design, engineering and other major tasks involved.

D. Discussion of Next Generation Financing Structure

Gaffney reviewed Funding Alternatives. A proposed Parcel Tax of \$37 per parcel, which is the more likely option, does not reflect capitalized interest of \$4.3M for a \$54M project. He noted that the Authority cannot lease facilities that do not exist but can lease existing facilities we are

improving them. Therefore, it does not make sense to capitalize interest and incur more cost. He will review Table 3 on the Amount of Bond Issue with Bond Counsel.

Hymel asked, given the timeline and number of variations for this project, if a range could be provided for the cost per parcel. For the 1/16 Workshop, a range is easier to develop since not all the details are known at this time. He noted it is appropriate to factor in grants from which some \$2M have been received to date. He said without other funding sources, member agency contributions could double to replace the current system. Contributions could be increased by three times during the overlapping financing and double thereafter. Gaffney said these member impacts could be presented at the Workshop. Hymel said examples could be presented for several members to compare their current and future contributions without outside sources to show the magnitude of the increase. Gaffney discussed presentation of both a parcel tax and property tax to show the affects of assessed valuation on a property tax levy. He said low interest loans should be included along with grants to reflect our consideration of them. Hymel said these resources could reduce bond issuance but cannot be assured. Mullen said we should anticipate questions on the difference between parcel and property taxes and the preference for a parcel tax.

E. Discussion of Next Generation Depreciation Plan

Cassingham said Berg had inquired about including a depreciation plan in the financing. Hymel and Gaffney said to incorporate depreciation, would in essence require members to pay twice. The approach is that a system would be paid off in say 20 years, when obsolete, followed by another debt. Hopefully the Next Generation System will build on our backbone and won't cost as much.

F. Proposed Reimbursement Resolution for Next Generation System Expenditures from Proceeds of Tax Exempt Securities

Cassingham presented the Resolution which preserves the Authority's ability to reimburse itself for project costs if and when it issues bonds for the Next Gen System.

M/S/P Gaffney/Berg to recommend Governing Board adoption of a Resolution Declaring the Official Intent to Reimburse Expenditures from the Proceeds of Tax Exempt Securities.

AYES: ALL
NAYS: NONE
Motion carried.

G. Proposed Changes in Outreach Consultants' Budget

Price and Mullen summarized the proposed changes from the current Outreach Budget. Cassingham confirmed the availability of an additional \$32,000 if needed from the Replacement

Fund. Price said, for example, the brush fire poll was not included in the original budget. Hymel suggested the Committee defer to the Outreach Subcommittee on the substance of the expenditures.

M/S/P Gaffney/Pearce to confirm availability of funds from the Replacement Fund for the proposed Outreach Budget changes and deferring substance and oversight of same to the Outreach Subcommittee.

AYES: ALL
NAYS: NONE
Motion carried.

H. Legislative Update

Tackabery summarized the County's 2013 Federal and State Legislation Programs and Policy Guidelines adopted December 11, 2012. He noted the Legislature's possible consideration of changing local vote thresholds. Hymel added that the proposed lower threshold of 55% may be extended to schools first, possibly followed by public safety, counties and cities. He said Marin County would likely support this expanded local authority. Price said a 55% threshold could be a huge help to our measure.

I. Other Information Items

None.

J. Open Time for Items Not on Agenda

K. Adjournment

The meeting was adjourned at 5:05 p.m.