

MARIN EMERGENCY RADIO AUTHORITY

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F.C. 5/15/13 Agenda Item C

MERA Finance Committee Minutes of February 27, 2013 Meeting

Draft: 4/11/13

A. Call to Order

The meeting was called to order by Chair Hymel at 4:04 p.m. on February 27, 2013 in Conference Room 315 at the Marin Civic Center.

Committee Members Present:

County of Marin	Matthew Hymel
Town of Ross	Tom Gaffney
Marin County Transit District	David Rzepinski

Committee Members Absent:

City of Novato	Jim Berg
Tiburon Fire Protection District	Richard Pearce

Staff Present:

MERA Executive Officer	Maureen Cassingham
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Guests Present:

Dan Mullen	Indie Politics
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B. Minutes from January 7, 2013 Finance Committee Meeting

M/S/P Gaffney/Rzepinski to approve the minutes from January 7, 2013 Finance Committee Meeting as presented.

AYES: ALL
NAYS: NONE
Motion carried.

C. Request for Recalculation of MERA Member Debt Service Payments Based on Current Radio Totals

Cassingham reprised Novato Police Chief Berg's request for recalculation of member debt service payments based on current radio allocations. She reviewed the Lando Formula factors in the JPA and her updated spreadsheet comparing member percentages of debt service to percentage of member radios to total radios on the system. The Lando Formula includes a coefficient for user-

type based on approximate radio utilization, not numbers of radios allocated. Rzepinski noted even though the Transit District has cut its usage by half, there is no benefit to him under the current formula. Hymel said other comparisons could be made to time on the system, number of calls and more, and that number of radios is not a driver in the formula. Gaffney recalled the development of the formula anticipated radio utilization, and that Lando did a very credible job in trying to be fair to all. He noted it may not be possible to change the formula since the bonds are based on it. Rzepinski said the Strategic Plan touches on revisiting the formula with the Next Gen System.

Hymel said police use the system more than other types of users. He said if you correlated call volume to system costs, this would bear out. Cassingham noted that the monthly System Usage Reports prepared by DPW cite calls per agency and, by extension, percentage of system use, and that the pie charts are very close to the Lando Formula percentages of radio utilization. For example, police use 60% of the system. Hymel and Gaffney noted that Novato's 10.4% of debt service is close to their annual system usage of 10%.

Hymel said if we can use a parcel tax to pay for the Next Gen System debt, this would eliminate issues with the formula. Gaffney felt the call volume factor was more important than radios and that system use was a more relevant comparison. He also said the current system is equitable. Hymel said many other factors could be used to revise the formula, like call volume, by which a member could do well and with others a member could be hurt. For example, Hymel said if the formula was based on population, the County's share would be 27%. If based on land mass, their share would be 42%. There was a discussion about a member like the Transit District who serves a cross-jurisdictional population and how that might be counted. Rzepinski noted the Transit District's use of the system is down with MDTs.

Hymel summarized that some factors may benefit some members and hurt others and that Novato's call volume is very close to their debt service. Strategically, we are recommending not to revisit the formula since we are looking at a parcel tax to fund the Next Gen System. Gaffney added this formula has served us well and a successful tax will supplant the need for a formula for future capital costs.

D. Report on MERA Parcel Tax Study

Gaffney summarized his review with Cassingham of the three proposals received from NBS, Wulff Hansen and Taussig. The Wulff Hansen proposal was submitted jointly with Goodwin Consulting Group. The Taussig proposal fees are \$37,500, NBS is \$24,765 and Wulff/Goodwin is \$18,000. Goodwin has a good reputation and their approach is for her to conduct the study while Pressman will attend the meetings. Gaffney originally estimated the cost of this work at \$30,000. What is needed is an iron-clad, defensible study since it is the lynch-pin of our whole financial plan. He is recommending the NBS proposal since it is providing three formulae of how to calculate the tax. He has worked with two members of their team and NBS has done more of these studies than anybody. He has also worked with Pressman. Cassingham concurred with Gaffney's recommendation especially noting their approach to the study and MERA's goals.

Hymel confirmed that this study is key to working with the Tax Collector in implementing the parcel tax. Cassingham noted that annual maintenance to update all the parcel information was an

additional cost referenced in all three proposals. Gaffney said annual maintenance was separated from the primary review of the proposals. He said any firm could be used to do this and proposals could be solicited after a successful ballot measure. Cassingham said the proposed timeline varied from what suited MERA's needs to 16 weeks. Mullen said the outreach timeline factored in 90 days for this study but could be adjusted. Gaffney said MERA could work with the vendor on the timeline without compromising the study. Mullen stressed the importance of fine-tuning outreach by being able to work with the selected firm along the way. He said Pressman was good to work with on Twin Cities. Hymel said he supported Gaffney and Cassingham's review of the proposals, noting he had worked successfully with Pressman. Rzepinski said it appears we are only considering two of the three proposals given the extent of Taussig's fees. Gaffney said his goal is to select the firm focused on and most experienced doing the study, which is NBS. They have also worked extensively with the Marin County Tax Collector and the Marin System.

M/S/P Gaffney/Rzepinski to recommend Executive Board approval of NBS to conduct a parcel tax study for MERA per their proposal dated February 26, 2013 in the amount of \$24,765 plus expenses, subject to confirmation by County Tax Collector staff.

AYES: ALL
NAYS: NONE
Motion carried.

E. Proposed Preliminary FY13-14 Operating Budget, New Project Financing and Revenue Bonds Budgets

Cassingham presented the preliminary three budgets for Committee recommendation to the Executive Board. She said the final budgets will be submitted to the Executive and Governing Boards in May. She reported that the Operating Budget reflects a 3.1% increase over prior year which is close to the CPI. The Operating Budget summary backed by Exhibits 1 and 2 notes the primary variances from 2012-13 are in the County System Maintenance and Site Rentals and Leases line items.

Cassingham summarized the recent history of Operating Budget variances, noting the efforts to contain costs yet all attention to the likelihood of future increases with an aging system. The Project Note and Revenue Bond Budgets are respectively set by Board policy and the Bonds themselves. She distributed an update on the Preliminary Reserve Fund balances as of June 30, 2013. Fund 70032 New Project Financing has a projected balance of \$209,995 after approved expenditures. The Replacement Fund 70036 has an estimated balance of \$914,221 subject to fine-tuning of expenditures by DPW for replacement generators. The Emergency Fund balance is untouched at \$504,167 except for interest income. Hymel clarified that these reserves, unlike the Bond Reserve, are set by Board policy including the \$500,000 minimum balances for the Replacement and Emergency Funds. Gaffney requested that the parcel tax study allocation be reduced from \$40,000 to \$30,000 based on the proposals received.

M/S/P Gaffney/Rzepinski to recommend Executive Board approval of proposed Preliminary FY13-14 Operating Budget, New Project Financing and Revenue Bonds Budgets as presented.

AYES: ALL
NAYS: NONE
Motion carried.

F. Discussion of Next Steps—Next Generation System Financing Process and Plan

Cassingham asked the Committee for input on what else needs to be done with regard to the financing process and plan. She and Gaffney reviewed the need for written confirmation from the Bonds Trustee of member last payment dates and the use of the reserve against the final year. She said they also want to confirm if the Project Note can be paid off with parcel tax proceeds. Gaffney also referred to the incremental sale of bonds, holding off on radio purchases until later in the project. Hymel asked about using the tax to pay-off the Note. Hymel asked if the parcel tax could be an “up to amount” that with grants, could be reduced. Gaffney confirmed that you are not required to levy the full amount.

Hymel asked that any research on these matters first be presented to the Finance Committee. Gaffney said it is important to member agencies that the tax will be used to buy their radios. Hymel said we haven’t dealt with the future radio allocation policy. Gaffney favors a one-for-one approach based on current allocations of some 3,000 radios. Rzepinski favored a formula that could be based on population demographics, population aging or other factors for allocating more. Gaffney suggested the possibility of MERA adding more members like Water and Sanitary Districts to spread costs.

G. Other Information Items

Hymel asked if Question 6B of the draft FM3 Public Opinion Survey for MERA provided sufficient information on general obligation bonds to responders. Gaffney asked if the poll should test for reaction to getting grants as a way to reduce project costs. It was agreed the G.O. question would remain as presented and the seeking of grants could be addressed in future public outreach efforts.

H. Open Time for Items Not on Agenda

None.

I. Adjournment

The meeting was adjourned at 5:10 p.m.