

MARIN EMERGENCY RADIO AUTHORITY

c/o Novato Fire Protection District
95 Rowland Way, Novato, CA 94945
PHONE: (415) 878-2690 FAX: (415) 878-2660
WWW.MERAONLINE.ORG

F.C. 7/17/13 Agenda Item B

MERA Finance Committee Minutes of May 15, 2013 Meeting

Revised Draft: 7/11/13

A. Call to Order

The meeting was called to order by Chair Hymel at 10:03 a.m. on May 15, 2013 in Conference Room 315 at the Marin Civic Center.

Committee Members Present:

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

Committee Members Absent:

None

Staff Present:

| | |
|-------------------------|--------------------|
| MERA Executive Officer | Maureen Cassingham |
| MERA Operations Officer | Craig Tackabery |

Guests Present:

| | |
|-------------|--------------------------|
| Dan Mullen | Indie Politics |
| Terry Price | Price Campaign Solutions |

B. Minutes from February 27, 2013 Finance Committee Meeting

M/S/P Gaffney/Rzepinski to approve the minutes from February 27, 2013 Finance Committee Meeting as presented.

AYES: ALL

NAYS: NONE

ABSTENTIONS: Berg and Pearce

Motion carried.

C. Report on Coverage Committee (Tackabery)

See Item D.

D. Next Generation System Project Budget (Tackabery)

The Committee agreed to combine discussion of these agenda items due to their interrelatedness. Tackabery said this report had been presented to the Executive Board. He said the best long-term solution for improving coverage is the 700 MHz System plus another 2-4 sites. Hymel reviewed parcel tax funding source for the project budget base case which includes the replacement of existing radios and the Tomales, Martha and North County sites. He said additional radios and coverage options might be funded by continuing member debt service payments if the amount of the parcel tax could not cover them. The base case needs defining and additional sites need cost-benefit analysis. Hymel said the Executive Board discussed call volume and location overlays to the coverage maps to help evaluate the additional sites. They also discussed the challenges of funding the base case at \$45 a parcel given poll results.

Gaffney said the Parcel Tax Study is underway and we will know the number of equivalent parcels in the next week. We are looking at a \$46M project and \$54M with bonds.

Rzepinski clarified coverage issues are related to the current system and additional sites would be needed with the Next Gen. Tackabery said some coverage issues are addressed in the project budget by Tomales, Tiburon and Northern Marin. Gaffney asked how these sites would improve Southern Marin coverage along with Stinson. Hymel said this is why a cost-benefit analysis for each site is needed. Additional sites would be beyond the base case since a \$35 parcel tax would barely fund the base. Gaffney said the revenue from the parcel tax depends on the number of equivalent parcels, which is under study. His original estimate of 105,000 parcels at \$40 per parcel covered a \$46M project and \$54M amount of the bond issue.

Berg said one of the biggest cost drivers in the budget is the 5,000 radios at \$16M and asked if the number could be reduced. The current number on the System is 2,900 so why the additional 2,100. Gaffney asked if 5,000 included future radios. Rzepinski said while he is struggling with his future participation in MERA, he knows his future operational demand and size of fleet will go up.

Gaffney reviewed his updated financial program which finds that a \$35 parcel tax will generate \$39.4M in proceeds. The \$39.4M includes 3,000 radios. Hymel said BOS asked why we are looking at a \$35 tax when the poll finds we would be lucky to get \$29. We need to clarify our base case as either having 5,000 radios at \$40 or 3,000 radios at \$35. Gaffney said the budget is based on preliminary bids and lowering our target will use up our flexibility. Hymel responded that we don't control our target; it is the willingness of the voters to pay. Pearce said the system we are trying to fund is based on a request for bids and it is unknown if this is the ideal system. Hymel said this is why we are trying to define the base case and get everyone comfortable with system replacement, the proposed technology and base budget. What is added will depend on what we can raise from the parcel tax and members.

Price said the pollsters said the swing voters see the tax amount as one factor. We cannot hurt our case by lowering the amount. Other messaging will be more important. While voters did not care

about the bond term, they were interested in the amount. Price and Mullen are recommending getting the cost between \$29 and \$34. Gaffney said the EDU count will have a huge impact with multi-family units factored as less than 1 EDU. He has built in safeguards in the bond budget including the amount of reserve fund, capitalized interest and a 4% interest rate. Hymel said, based on Executive Board discussion, coverage from a public-safety standpoint is the right answer. The question is whether we can pay beyond what the parcel tax generates for the additional sites which is a member-agency discussion. Once the parcel study is done, we will know what the \$29-\$34 parcel tax range will generate against the base case. This will also tell us what remains to be funded beyond the tax.

Pearce said if we are looking for coverage, is the 700 MHz the right system for our topography. Hymel said 700 MHz is good for most of the County and gains interoperability. He said 700 MHz was selected because it is the new standard; however, we still face the same topography. We cannot confuse technology with coverage. Rzepinski said while some are focused on coverage, other members may be relieved that radios are covered in the project. Hymel said, based on the poll, what are the available revenues to deal with the minimum base case and can we do more than just replacement. If more funding is required, would members be willing to pay an additional few years of current debt service to do this.

Gaffney said lowering the tax would not enhance the vote tremendously. Hymel said we are not close to 2/3; in fact, we are significantly below 2/3. Berg said he would be surprised if Marin voters wouldn't support this measure. He said reducing the radio count to 3,000 would make available \$6.5M which could fund three more sites. Hymel agreed with 3,000 radios in the base case but disagreed *that this cut* would achieve funding for new sites.

Gaffney said using 3,000 replacement radios will increase the life of facilities for a longer bond issue which increases net proceeds. The goal is for facility life to go longer than the issue, possibly 20 to 25 years. Hymel added that the parcel tax goes out longer. Gaffney clarified with Berg that members will have to replace their radios after seven years at their own expense, which is what they are doing now. He wants the facilities to be worth more than the outstanding bonds.

Hymel summarized the base case as including 2,900 replacement radios plus the Tomales, Martha and North County sites and the options being additional radios and coverage sites. If we cannot fund the base case, members will have to help with the difference. Rzepinski said once the base case is known and what the tax will generate, the members will have to decide on any shortfall and funding the options. Berg said adding the extra sites to the base case would likely increase member support.

Berg, in response to Pearce, said he served on the bid panel and it was left to the vendors to propose what technology would work best for Marin. Hymel said we need to be assured the Police and Fire Chiefs are comfortable with this threshold. This will confirm that this is the right technology and then we deal with the coverage issues. Pearce suggested to present what has been done and how the 700 MHz selection was made to get buy-in and explain why we need \$2-4M for each extra site. He said it was important to tie this all together to present to the members. Berg suggested going back to the vendors for their reasons for proposing the 700 MHz system for Marin to reassure ourselves on the technology. Hymel agreed that this package would help reaffirm 700 MHz. He said this would

also address the need to replace a system that is coming to an end. He asked Tackabery to work with Pearce on this. Tackabery said he would work with Jeffries on this in his new role. Hymel said Jeffries will need technical support as he talks to the Chiefs. Berg agreed with Hymel to go back to summarize all this in a white paper, adding all three bidders proposed the same technology. Price said he thought there were Federal requirements to move to this interoperable technology. Mullen confirmed these proposals were made in 2010 and asked if they are stale-dated in 2013. Hymel said the bids are warranted for so long so you seek new bids when you have project funding. These bids were used to create a project budget. Gaffney suggested asking the bidders if a different technology would solve or improve coverage issues. Tackabery said there is a new national public safety standard and we should focus on helping the most users. Pearce said we need a third party to look at what has been proposed and that needs to be reviewed by DPW. Hymel said we need to confirm that 700 MHz is the best for coverage. Price said this confirmation and package needs to be accelerated because it could affect everything else we are doing with outreach.

Hymel asked Tackabery to confirm with Ops if coverage can be addressed with a different technology. If not, we need to focus on the coverage issues. If we made the technology decision in the RFP, we need to provide the rationale for doing so. The additional sites will need a cost-benefit analysis as part of this. He expects this package of information to confirm the technology and help guide decisions on sites.

Price reviewed the handout on MERA Survey Findings and Conclusions, which includes a section on lowering the annual tax amount. Finding 5 notes the most compelling reasons to support our measure as the criticality of the system to first responders and the need to upgrade it to deal with major emergencies. Raising awareness of these reasons is more important than price point. Conclusions focus more on benefits than technology. Voter reaction is different than elected officials. Voters think public safety is doing a great job; they won't realize the need without raising the urgency level. Price said urgency will support a higher tax. First responders will play a key role in this messaging. He said accountability provisions weighed higher with voters than the dollar amount. Mullen added that this needs to be presented as a County-wide solution. Hymel said a secondary poll will reinforce if we are making progress with our outreach. We, however, need a plan for what we can raise by only replacing radios, which will allow us to go out longer. He asked Gaffney to project a structure for member agency support if needed above the tax after existing bonds are retired. The structure should raise revenues sufficient to pay for additional sites at \$2M - \$4M per site, over say, five years.

Gaffney confirmed consensus of this Committee to use 3,000 radios for the base case. Hymel said Tackabery told the Executive Board that to get to 100% coverage, five new towers would be needed at \$2M - \$4M per tower. There was further discussion about determining the new towers based on cost benefit and the call volume involved. Some threshold would be needed since funding all five is not likely. We need a member financing structure to have this conversation. Hymel and Gaffney agreed we should not let the revenue sources dictate the project. We should identify what the parcel tax will generate and if more is needed, members may need to help. Hymel summarized what has been agreed on, which is a \$29-\$34 parcel tax and 3,000 replacement radios. Tackabery will confirm the tech solution and he will talk with Pearce to assure the Chiefs' support. Tackabery will also produce a base case budget. Gaffney will work on longer-term bonds and what a \$29-\$34 tax would yield along with what extending member contributions would generate if there is a gap

between the tax and coverage costs. Hymel said our hope is with the next survey, public support is there for a tax that will not require member capital contributions.

Pearce inquired about new legislation that would reduce the threshold from 66 $\frac{2}{3}$ % to 55%. It was agreed this would be a big help. Rzepinski noted there are two bills in the works now. Hymel said Tackabery also needs to explain the five additional sites and the merits of each. Staff recommendations are needed for each site. Pearce said it needs to be clear what each one achieves. Berg inquired about the 25% budget contingency. Tackabery said contingencies are to address uncertainties and this amount is standard at this level. The more that is undertaken, like site acquisitions, the more certainty is achieved.

Price said another outreach issue is to assure that we aren't seeking a Cadillac system when a Ford will do. They also want to clarify when another RFP process, which based on this discussion, will occur after the election. Hymel said one RFP has been done to inform the project budget. He said a comprehensive RFP process open to all qualified bidders will be conducted after we have the revenues. Mullen said the issues discussed today must be finalized as soon as possible and presented to the various committees for timely approval. Mullen asked Tackabery about his timeline. Tackabery said he will meet with the Ops Group in early June for their technical feedback on these matters, including which of the additional sites have more merit and benefit. Hymel said Ops should know what is in the base case when they analyze the other sites. Gaffney asked about the effects of ranking sites since some will rank above others. Rzepinski said it is important for members to know we have clearly identified a solid base and the options, costs and financing methods. This will help build member support. Pearce said this will assure we are comprehensively looking at options.

Price said we will need a decision on this package soon since this is the basis for their outreach materials. Hymel said we need to reinforce no system will provide 100% coverage. Even if one could be identified, it would be cost prohibitive. We are already above 97%. Price discussed the member outreach schedule as starting in June/July and asked when this package will be presented. Discussion ensued about rescheduling the July 10 Executive Board to the third or fourth week in July and scheduling a Finance Committee meeting before it. Hymel asked how much of the package is really new information or just confirming. Not all must be nailed down before the BOS Workshop. Price said they are reaching out to members before that. They are reviewing how many contacts to make with members and possibly reducing the number. The first round must be done by early November, hopefully with some early buy-in followed by a second round in January/February. Price said while every aspect cannot be nailed down, we can have as much of the coverage and radio issues identified as possible.

Gaffney agreed he could have a conceptual structure for extending member bond payments and the amount each year would generate at \$2M-\$4M per site or \$10M-\$20M total. Tackabery cautioned you need to decide what system you are building as you cannot add parts later. Coverage financing needs to factor this in. He clarified Gaffney is working on revenue and he is working on costs. Hymel added Gaffney needs to structure the financing on annual debt service of \$1.7M.

Tackabery asked for clarification about the project budget and that no funds can be spent on pensions. The support staff time line item includes salaries and pensions. Hymel said of the \$2.2M

for these costs, about \$400,000 would be for pensions. The Committee discussed the need to separate these costs and pay for them from another source. Gaffney and Tackabery said managing the project is a capital cost. *Price said the polling showed a positive response to a question that stated (tax) cannot be spent on administration, salaries or pensions. Rzepinski clarified the RGS staff costs are administrative and there is no pension, so this only affects County staff costs. It was agreed that this issue be further reviewed.*

E. Update on Next Generation System Feasibility Study

Tackabery reported that the Feasibility Study would be tied in to the July Finance Committee and Executive Board presentations. He said it has been challenging to finalize it given the ongoing work on coverage issues.

F. Grant-Writing Services Proposed (Tackabery)

Tackabery is working to identify successful grant recipients to come up with resources that have assisted them with competitive grants. Berg asked about responding to questions about MERA seeking grants. Hymel said we have received \$2M in formula grants to date. At most, we are hoping for \$5M in Federal and other competitive grants. If successful, we can reduce reliance on member agencies and parcel tax revenues. We are trying to be as aggressive as possible in pursuit of grants, which is why we are seeking technical assistance with this.

G. Update on MERA Parcel Tax Study (Gaffney)

Gaffney said NBS is continuing its work on the Study with initial EDU analysis and counts look promising.

H. Other Information Items

- Current and Proposed Bond Terms
- Silicon Valley Regional Interoperability Authority – Project Information and Budget

Cassingham said the Silicon Valley project information was distributed previously. Pearce commented he liked it as a base study. Hymel encouraged Pearce as incoming MERA President to seek any information he needs from Tackabery. Price will include him in the outreach informational loop.

Cassingham and Gaffney are working on current Bond term information with the Trustee. A decision needs to be made on the use of the Bond Reserve.

I. Open Time for Items Not on Agenda

None.

J. Adjournment

The meeting was adjourned at 11:38 a.m. The next meeting will be scheduled in mid-July preceding an Executive Board meeting in late July.