

Agenda Item B-1

MARIN EMERGENCY RADIO AUTHORITY

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DATE: March 11, 2015

TO: MERA Executive Board

FROM: Maureen Cassingham, Executive Officer

SUBJECT: AGENDA ITEM **B-1**: REPORT AND RECOMMENDATIONS FROM
FINANCE COMMITTEE RE:
NEXT GEN PROJECT FINANCING

Recommended Action(s): Upon recommendation of the MERA Finance Committee:

- (1) Phase bond issuance for the Next Gen Project based on actual cash flow requirements;
- (2) Authorize Finance Committee Vice Chair Gaffney and the Executive Officer to identify the most cost-effective surety policy as a substitution for MERA's currently invested Bond Reserve of \$1.5M to free up the Reserve, supplemented by FY15-16 parcel tax proceeds, to address FY15-16 Project costs of \$3.5M; and,
- (3) Present the surety policy cash flow option and recommendation to the Executive and Governing Boards at their May meetings.

Background: At its March 2 meeting, the Finance Committee received the attached report on Next Gen Project Cash Flow Projections for FY15/16 and FY16/17. The Committee also discussed options for funding the Project's FY15-16 initial costs.

It was agreed that postponing bond financing until at least FY16-17 would be possible by using FY15-16 parcel tax proceeds supplemented by a current Bond Reserve substitution surety to provide first year cash flow, resulting in over \$2M interest savings in year-one, which would go back into the Project. This delay in financing would also allow for completion of the Validation Action and reliable confirmation of actual parcel tax proceeds based on FY15-16 collections.

Also, rather than have the Reserve Fund sit virtually dormant and earn very little interest (.75% - Federal Home Loan Mortgage Corporation), MERA would be better served by using these funds now for initial Project costs by buying a surety for an estimated \$18,000 and reducing the next financing by the amount of this Reserve.

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To this end, Finance Committee Vice Chair Gaffney and staff offered to conduct a review of surety policies, financial advisors and costs, consult with Bond Counsel and Standard & Poor's Rating Services or surety substitution and present this option to the Executive and Governing Boards in May, 2015.

ATTACHMENTS:

B-1a Next Gen Project Cash Flow Projections - FY15/16 and FY16/17
(Finance Committee – 3/2/15 Item C – 2 pages)

AND

Appendix G – Estimated Costs Updated 10-18-13 v2
(Finance Committee – 3/2/15 – Item C – 1 page)