

Agenda Item D

MARIN EMERGENCY RADIO AUTHORITY

c/o Novato Fire Protection District

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DATE: August 12, 2015
TO: MERA Finance Committee
FROM: Maureen Cassingham, Executive Officer
SUBJECT: AGENDA ITEM **D**: PROPOSED GEN III REPLACEMENT RESERVE OPTIONS

Recommended Action: Recommend an Option(s) for creating a Gen III Reserve for Executive and Governing Board consideration.

Background: Over the last two-plus years, MERA's Finance Committee, and Executive and Governing Boards have discussed the importance of establishing a Gen III Reserve and various ways of funding it. On December 10, 2014, the Governing Board directed the Finance Committee to develop a Gen III Reserve Plan, including continued debt service or other funding sources. Parallel with these discussions was the inclusion of the System Upgrade Agreement in the Vendor RFP to permit a cost/benefit analysis of an SUA to extend Next Gen useful life.

To summarize points made thus far to assist the Committee in developing a Plan, here are some of the key issues:

- 1) Determination of the amount of the Reserve to be accumulated given the uncertainty of future equipment needs that are highly subject to technology changes. For example, would the Reserve be intended to pay for 100% replacement costs, fund soft costs (planning, preliminary studies, design, etc.) plus a percentage of construction or soft costs only up to bond financing. All this depends on a guestimate by DPW of Gen III Project costs which would, when known, affect member contributions to the Reserve.
- 2) Determination of sources of funding for the Reserve including continuation of all or a portion of current Member debt service of \$2.1M/year for a Reserve and/or an SUA or increasing member operating contributions to include a Gen III Reserve allocation, which would be in addition to the operating cost increases that will come with Next Gen.
- 3) Determination of the timing of establishment of the Reserve which, if funded in whole or part by continued debt service, could commence in FY20-21 subsequent to the collection of final member debt service payments in August 2020.
- 4) Institution of annual Governing Board review of the Gen III Reserve once established in concert with Annual Operating Budget adoption, which would assure regular updates on Gen III Project costs and Reserve goals.