

C.O.C. 3/21/18 Agenda Item A
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DRAFT: 2/26/18

Measure A Citizens Oversight Committee

Minutes of December 20, 2017 Regular Meeting

Call to Order

The meeting was called to order by Chair Herrerias at 4:00 p.m. on December 20, 2017 at the Marin Civic Center CAO Conference Room 315, San Rafael, California 94903.

Committee Members Present:

District #1	Elizabeth Greenberg
District #2	Bill Levinson
District #3	Chuck Reite
District #4	Larry Luckham
District #5	Paul Herrerias

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Deputy Executive Officer – Next Gen Project	Dave Jeffries

A. Minutes of September 20, 2017 Citizens Oversight Committee Regular Meeting

M/S/P Luckham/Reite to approve the minutes as presented.

AYES: All
NAYS: None
ABSTENTIONS: Levinson
Motion carried.

B. Review of Draft Measure A Special Parcel Tax FY2016/17
Independent Compliance Audit-Maher Accountancy

Maher presented the draft audit noting the steps in his compliance review beginning with money received and the collection process. Expenditures were also reviewed to assure

they are made in accordance with Measure A. He noted the interaction between the Funds that contain Measure A Funds and the Bond proceeds. The way the Bond Indenture is written, Measure A Funds are swept into the Bond Fund for principle and interest payments first.

Maher said the P&Ls reviewed by the Committee show large transfers in and out. This is a mechanical requirement to satisfy Bond terms. For the purposes of his report, he examined both Funds, noting larger expenditures are coming from the Bond funds in FY16-17. On the revenue side, he said he gathers information from NBS, MERA's Tax Administrator, and from the County's tax rolls to assure that all Measure A collections are being made. 100% of that can be verified from available large databases. Parcels charged on an acreage basis are reviewed on a test basis.

Maher noted that MERA's general audit and internal financials may report slightly different amounts due to cash versus accrual basis accounting. A time difference may also occur on interest coming from other funds and manually billed Utility assessments. As a result, not all collections occur at the same time. He noted qualifications regarding the testing included the Low-Income Senior Exemption. He reviewed income versus what was billed. He also noted that the tax rolls do not include Utility-Owned Parcels, which are billed separately, and the treatment by the State of some parcels which have APNs and are accounted for as rights-of-ways and not physical parcels. These parcels, as a result, are not billed for any type of assessments. Likewise, condominiums that have surrounding undeveloped parcels are only billed for the primary parcel or parcels. He is confident about the receipt of all Measure A Funds.

Maher reported on his expenditures review and their qualification under Measure A requirements, noting the explanatory footnote on Page 2 of the Audit. He mentioned the FY15-16 Audited reimbursements for the initial costs of Next Gen Implementation and Bond financing costs, which are not factors in FY16-17. Going forward, expenditures will be for the development of the new system, some of which are capitalizable and some are not. In response to Levinson, Maher said he found no exceptions, noting he looked at 94% of all supporting documentation, while periodically testing routine expenditures.

Luckham inquired about the criteria for the back and forth sweeping of funds between Fund 38 and 39. Maher summarized the Indenture, which requires Measure A monies to be moved to 39, which is the Trustee's account for debt service and interest payments, with the remaining balance being swept back to Fund 38. In FY16-17, only one Trustee payment was required for Bond interest of \$554,330. Each year, there are three sweeps based on tax collections and a year-end true-up. Herrerias asked if these were cash transactions or journal entries. Maher said they were actual movements of monies between the County and Trustee. He also confirmed the Trustee is US Bank and the County uses Bank of America for its accounts.

Levinson asked about what prevents the County from using and paying back these accounts. Maher said the funds are not held long by the County. The funds are in essence

a book entry and held in a County-wide pool as predominantly money market instruments. He confirmed the County has an Auditor-Controller and independent auditors responsible for auditing their accounts. He also commented that the Measure A Audit confirms all the ins and outs and met all requirements.

In response to Herrerias, Maher confirmed his firm is MERA's Independent Auditor and performs no audits for the County. He reviewed the various categories of expenses paid, noting all met Measure A requirements. In response to Herrerias, he said the first Bond interest payment reflected about an 8 month period. Cassingham confirmed the Bond interest rate as 2.54%. She also noted that expenditure requirements set forth in the Page 2 footnote have been reviewed and confirmed by Bond Counsel.

M/S/P Greenberg/Luckham to recommend Governing Board acceptance of the Independent Compliance Audit of Measure A for FY16-17.

AYES: All
NAYS: None
ABSTENTIONS: None
Motion carried.

C. Review of MERA Measure A Special Parcel Tax Fiscal Year 2016/17
Annual Report – NBS

Cassingham presented the Report, noting the amounts reported as collected and expended differed from the Compliance Audit because they were based on preliminary unaudited year-ending amounts. Herrerias asked about whether the differences were due to the timing of interfund transfers. Cassingham said the amounts did not reflect year-end actuals. She added that this Report also does not include the 2,000+ page tax roll, which will be printed for the public record.

Cassingham said NBS reports on the status of the Project and activities undertaken in FY16-17. Subsequent to Committee review, the Report is presented to the MERA Governing Board and sent on to the County's Chief Fiscal Officer. Levinson asked about whether the Project was advancing as expected. Jeffries said he would address this under Agenda Item D.

M/S/P Levinson/Greenberg to recommend Governing Board acceptance of the Measure A Special Parcel Tax Fiscal Year 2016/17 Annual Report from NBS subject to revision of the amounts collected and expended to reflect the Independent Compliance Audit reported amounts for timely submission to the County by year-ending.

AYES: All
NAYS: None
ABSTENTIONS: None
Motion carried.

Cassingham said the corrected copy, once received from NBS, will be emailed to the Committee. Levinson suggested that audited amounts be used by NBS going forward. Herrerias asked if the Committee was satisfied with the status of the Project as reported. Levinson asked that this be tabled until Item D is presented. Cassingham reiterated that the Project status accuracy reflected what occurred in FY16-17. Jeffries' report reflects current Project activity. It was agreed approval of Project status be acted on after Agenda Item D.

D. Update on Status of Next Gen System Project

Jeffries reported that Regional Planning Committee (RPC) approval of MERA's application for licensing our frequencies was a key next step. The application was first submitted to the RPC in November. Due to lack of quorum and issues with application distribution, no action was taken. The RPC met on December 14 with two Counties raising some concerns over interference. One was resolved; however, the other has engaged a consultant to review possible interference. The application was tabled until January 11 to permit time for study completion and dissemination. The Consultant may also be seeking some of MERA's frequencies for their client.

Jeffries said once approved by the RPC, MERA's application goes to the Frequency Coordination Committee and the FCC for final licensing. Reite asked if the RPC was a State agency. Jeffries said the RPC was quasi-governmental, chaired by a Cal OES (Office of Emergency Services) official. Members are from regional radio systems. Their main purpose is to deconflict channel interference in 700/800 MHz Systems. MERA's allocated channels apparently only conflict with El Dorado and Monterey Counties, which can be mitigated. Motorola and its frequency consultant, the Spectrum Firm, feel the application should be approved as presented.

In response to Greenberg, Jeffries said the concerned county's consultant's study, which may be political, can be considered by the RPC, but it has the power to approve the application in spite of its findings. The consultant's client county may wish to expand its system in the future, which is why they may want some of MERA's frequencies. She asked about the next steps if the RPC does not approve MERA's application. Jeffries responded that while an RPC denial is not expected, they may direct changes in our frequency use plan and resubmission at a future meeting. If there is any conflict with the East Bay, there may be direction to reduce power or change antennas, which could impact coverage.

Levinson asked who the ultimate arbiter is. Greenberg said it is mostly likely the FCC. Reite clarified that before approaching the FCC, other levels of review must be undertaken. Jeffries said after the RPC, Frequency Coordination Committee review follows. The RPC, however, is the most critical approval. In response to Reite, Jeffries said this Committee is comprised of members of APCO (Association of Public Communications Officers).

Herrerias asked if the RPC process impacted the steps reported in the NBS Annual Report. Jeffries said the actions reported were either completed in FY16-17 or still in process in FY17-18. Much work is progressing in spite of the RPC delay. Levinson encouraged a parallel process in working with the RPC should it be needed if the application is denied. Jeffries said the intention is to follow the process while identifying our options if needed. He added it is critical to remind the RPC that MERA is moving to 700 MHz due to the removal of T-Band frequencies by the Federal Government.

Jeffries provided an update on the Project Schedule, which will be officially updated in late-Spring 2018, after customer design review. Motorola is projecting completion in mid-2021, in part due to the RPC issue as well as underestimation of the CEQA timeline. CEQA optimistically is estimated at 12 to 14 months. Also, computer-simulated microwave paths, once field-checked, have been affected by certain obstacles like trees and existing antennas.

Levinson asked how much schedule slippage we are expecting. Jeffries said approximately 24 months. Levinson asked about the related impacts on administrative costs. Jeffries said, in consultation with Cassingham, the costs for extending Federal Engineering's services, County DPW services, RGS services and Legal have been tentatively estimated at \$2M. He added this matter will be presented to Motorola for a discussion about their liability due to schedule delays created by them.

Jeffries said 2 additional transmitter sites and one microwave site will also increase Project costs. Motorola has committed to funding the additional site equipment to meet the Contract. MERA will have to bear the additional site development costs. One of the 3 is a new site and the other 2 are existing. Greenberg asked about the potential for equipment obsolescence, given the delayed Project Schedule. Jeffries said no equipment has been ordered and discussions are ongoing with Motorola about order timing. First is the ordering of the mountain top equipment, which must be tested before installation. The subscriber equipment order will follow.

Jeffries discussed equipment delivery, factoring in programming and testing timing, followed by training and distribution. Vehicles will be a long transition piece. His preference is delivery just before programming. Another delivery timing issue is the release of new models. An additional issue is that some agencies need to replace radios now, which is another programming challenge. Upgrades from Motorola were originally conditioned on MERA purchasing more expensive multi-band radios. Project delays have greatly factored into delayed delivery in 2020. There remains the contractual issue of the \$500,000 subscriber equipment discount if ordered per the original schedule by 12-31-17, which is still under discussion.

Levinson inquired about the Project contingency. Jeffries said it was around 20%. Jeffries confirmed the dollar amount was approximately \$8M. Levinson expressed concern over Schedule slippage, which creates a potential multiplier effect on costs. He assumed there

was a strategy to assess other sources of Project revenues, if needed, and to create a public messaging effort to convey Project status, costs and expectations. Cassingham said, in response to schedule issues, MERA is working with Motorola on their commitment to extending the life of the Motorola portion of the current System. Jeffries said the challenge is the third-party current System equipment like power supplies, which Motorola is being asked to support.

Jeffries said once the Schedule and any related costs are known after customer design review is completed, accurate public updates will be issued in mid-2018. Staff is conducting internal reviews of the Schedule ahead of this to determine where we can expedite portions of the Schedule to catchup or conduct Project tasks in parallel. Cassingham said while there are multiple reasons for Schedule delay, other tasks are being expedited. Jeffries cited working ahead on the Muir Beach site and expediting preliminary CEQA work on existing sites as examples. In response to Greenberg and Herrerias, Jeffries said Motorola had projected the CEQA process at 6 to 8 months versus 12 to 14 months.

Jeffries concluded his report with a recap of the November 29 Project Oversight Committee meeting, status of the Project cutover plan from Gen I to Gen II, and all the weekly meetings and calls associated with Project coordination. He noted the 2 additional sites at the existing Mt. Tiburon Site and the new location at the Mill Valley Water Tank owned by MMWD. Dialing down interference to accommodate the RPC-created coverage issues, necessitating these sites. The Sonoma Mtn. Site would become microwave only, with no Radio Frequency.

Levinson inquired about adequacy of Project staffing. Jeffries recapped the full and part-time staff from DPW, Federal Engineering and RGS, including their internal resource staff. He confirmed additional staff would not advance the Project. Cassingham confirmed the adequacy of staffing and the ability to contract for additional technical and staffing resources if needed.

Herrerias, with Committee concurrence, received Item D as informational. He confirmed Committee acceptance of the Project status items in the NBS Annual Report as presented for FY16/17.

E. Final Report on Measure A Parcel Tax Delinquent Utility Parcel Payments

Cassingham reported that all delinquent payments from utilities from the past have been collected, plus penalties, thanks to attorney-generated demand letters. \$7,600 was expended in legal fees, which recovers a potential \$60,000 in delinquencies over the 20-year-life of Measure A.

F. Review of Funds 70038 and 70039-Next Gen Project Revenues and Expenditures
from September 13, 2017 to December 14, 2017

Cassingham recapped the Balance Sheets and P&Ls for both Funds for this period after addressing outstanding questions posed by the Committee on September 20, 2017. As requested, she provided copies of the Balance Sheets for both Funds for FY16-17. She confirmed the Nataxis interest payments on the Bond payment as quarterly in February, May, August and November. Finally, the debt service interest expense was a general journal of \$554,330, not a payment. This interest is payable annually in February and August.

Cassingham addressed Herrerias' post-meeting hard-copy review questions. In response, she said some invoices are not date stamped by NFPD because they are emailed or mailed directly to the Executive Officer. DPW invoice periods of service have been inconsistent with date stamping due to the need for resubmission for correction and delayed reissuance, which sometimes took months. She provided hard copy examples of those invoices, noting MERA will not pay until invoices are corrected and resubmitted.

Cassingham asked for any questions about the Fund 38 and 39 Balance Sheets and P&Ls before the Committee, and made available invoice hard copies for inspection. She noted that some of the P&L memo fields still needed correction or additional information to the extent the field space allows. Herrerias asked about the US Bank "Other Current Assets" and specifically the Surplus Account. Cassingham said this Account is required by the Indenture to be maintained by the Trustee. After payment of principle and interest, the Trustee pays Bond administrative expenses and fees and transfers any balance to MERA Fund 70038.

In response to Herrerias, Cassingham noted the Project Fund, also established by the Indenture, pays for Project expenses as requisitioned through the Trustee. She added that the Revenue Fund received the parcel tax payments from the County. Herrerias commented that these payments are assurance for Bond principal and interest. Cassingham said the transfer of Parcel Taxes is pursuant to the Financing Agreement between MERA and the County. Herrerias noted the significant difference between the tax amount collected and expended. Cassingham said only interest is being paid at this time. Jeffries added that Project milestone payments to Motorola have been affected by schedule delays. Herrerias asked about the percentages and amounts of upcoming payments. Cassingham said the next milestone was another 10% payment, the same amount as the kick-off meeting payment. Jeffries said the 40% backbone equipment payment, along with the subscriber equipment payment, have been delayed by RPC approval and design completion.

In response to Herrerias, Jeffries said there are two Motorola contract cost components for the basic system and system life extension. The core contract is \$24M, plus the

Fire Station Alerting Change Order of \$3M. The cost for system life extension is \$9.9M over 12 years, or about \$800,000+ per year. He added that the system is under warranty for the first three years, which is included in the core Contract. He reviewed the separate site acquisition and construction allocation of \$10M. Herrerias asked about total Project costs. Jeffries said the Project is \$69.5M including Project construction of \$47M, life extension of \$10M and \$12M for future life extension, other related Project costs like additional sites and contingency.

Herrerias inquired about the Bond premium. Luckham responded that it is capitalized underwriter expense. Herrerias suggested that the Committee compare the balance sheets for prior year to FY17-18. The Committee accepted the reports as presented.

G. Other Informational Items

Herrerias requested reordering the next Committee meeting agenda to permit additional time for Funds review. Reite advised he is unable to attend the March 21, 2018, Committee meeting. Levinson inquired as to whether the Committee was asking the right questions. Cassingham and Jeffries concurred that the Committee was being diligent and responsible in asking effective questions and addressing staff responses. If more research is needed on a matter, staff will do it and report back. Herrerias added that Maher's Audit and NBS's Annual Report are effective checks and balances, as well.

H. Open Time for Items Not on Agenda

None.

I. Adjournment

The meeting was adjourned at 5:32 p.m.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary