

F.C. 2/20/19 Agenda Item A
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

FINANCE COMMITTEE MEETING

MINUTES OF DECEMBER 6, 2018

DRAFT: 1/31/19

Call to Order

The meeting was called to order by Chair Hymel at 10:05 a.m. on December 6, 2018 at the Marin Civic Center - Room 326, San Rafael, California.

Committee Members Present:

County of Marin	Matthew Hymel
Marin County Sheriff	Robert Doyle
Town of Ross	Tom Gaffney
Central Marin Police Authority	Michael Norton

Committee Members Absent:

Town of Tiburon

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Operations Officer	Ernest Klock

Guests Present:

Public	Richard Pearce
Public	Todd Cusimano

A. **Minutes of November 14, 2018 Finance Committee Meeting**

M/S/P Gaffney/Doyle to approve the minutes from November 14, 2018 Meeting of Finance Committee, as presented.

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

B. Update of Next Gen System Project Budget – (Jeffries)

- Motorola Contract Contingency
- Project Minimum Reserve

Hymel referenced the 12/6 Next Gen Budget from Jeffries, which included approved Change Orders #5, #6 and #9, Gaffney's cash flow projections and his own 12/6 draft Next Gen Budget. Hymel's updated Budget presented, below the line, the previously discussed minimum Project Reserve of \$4M and pending Change Orders (C.O.s) #7, #10 and #11. In response to Hymel, Gaffney said his cash flow ties to Hymel's Budget over the next 20 years including the Reserve and C.O.'s #7, #10 and #11. His projections note total Project costs with a year-by-year breakdown of revenue and expenses. C.O.s #5, #7 and #9 were subtracted from the \$2.2M Contingency which reduced it to \$1.4M and removed the C.O.s from cash flow.

Gaffney noted short-term cash flow borrowing may be needed, depending on when certain Project expenses occur. When the Project is completed, we will start funding only SUA II costs. Hymel said his Budget was to inform the discussion about a minimum Reserve Policy for the Project. He noted the remaining Budgeted Vendor Contingency of \$1.5M plus Unappropriated Project Reserve is \$9.5M over the 20 year life of the Parcel Tax. He said, at the November Committee meeting, he suggested a ballpark minimum reserve of \$4M. The first 10 years Reserve for the Project might be greater due to Project unknowns versus the next 10 years. Whatever the amount the Committee decides on, for example \$4M, should be backed out of available sources. This would reduce the estimated \$9.5M Unappropriated Reserve to \$5.5M.

Hymel said C.O.s #7 and #11 seem likely to receive Governing Board approval in December as well as #10 for radios, accessories and chargers. If this occurs, the remaining available would be \$963K. We will need to quantify the Non-public Safety Radios offset which cannot be funded by Parcel Tax proceeds. The estimated amount for this is \$1M. An inventory remains to be done on this to confirm, but this would not be a draw on the Next Gen Budget.

Gaffney said from a cash flow standpoint, we do not have the \$4M for the minimum Reserve. Hymel said if short-term borrowing is needed, we would also have to recognize the financing costs for same. Gaffney said this might be a borrowing of \$3.5M over 5 years at an estimated 3.25% interest. Hymel confirmed that the borrowing would be solely for cash flow and not to fund a reserve. He also confirmed the \$4M for the Reserve should accumulate over the life of the Project.

Norton asked about stepping down the amount of the Reserve on Project completion. Hymel said after completion, we should be better informed about the amount of future system investments and when they would occur. In years 10 through 20 of the Project, he said there should be fewer risks and unknowns. Gaffney and Hymel concurred that no

additional Change Orders should be considered that reduce the proposed \$4M minimum Reserve. Pearce confirmed that what \$4M was in 2028 dollars, would be less. Cassingham, in response to Hymel, said the \$4M Reserve was a discussion item, that with Committee concurrence, would be included in the December 12 Governing Board discussion of the Next Gen Budget.

C. Motorola Contract Change Order #7-AES/DES Encryption, Radio Management, WiFi, OTAP – (Jeffries)

In response to Klock, Hymel said this had been discussed at the November Finance Committee meeting. Hymel said to Gaffney that those discussions were supportive of this Change Order based on the Committee's confirmation of available resources.

M/S/P Gaffney/Doyle to recommend Change Order #7 to the Governing Board as reasonable and within Project resources.

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

D. Motorola Contract Change Order #8 – Multi-Protocol Label Switching (MPLS) for the Microwave Network – (Klock)

Hymel confirmed with Klock this matter had been referred to the Next Gen Project Oversight Committee for further vetting.

M/S/P Doyle/Gaffney to recommend consideration of Change Order #8 funding identification after Project Oversight Committee vetting is completed.

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

E. Motorola Contract Change Order #10 – Radio Accessories and Portable Chargers

Hymel said clarification is still needed to complete quantity confirmation for Non-public Safety Radios as it pertains to using another reserve. Klock said the totals presented in C.O. #10 is for all radios and accessories including a discount of \$1M. C.O. #10 acceptance locks in per unit pricing and not precise radio counts. Hymel said discussion to date has been about locking in an "up to" number versus locking into a specific count. He added this C.O. would add \$3.5M to the \$7.4M Vendor Radio Budget line item for a new total of \$10.9M. Klock said the actual order cost would be based on the final count.

Gaffney asked, by way of C.O. #10 and #11 if we are committing to those models now. If so, we are committing to them 3 years ahead. In response to Gaffney, Klock confirmed radio useful life was 7 years after they are turned on. The warranty is started when we receive them. Norton asked for a cost estimate of Non-public Safety Radios to be backed out of the total order cost. Cassingham said the original estimate was \$2M, which has been reduced to \$1M. Hymel said, in addition to Non-public Safety Radio costs, related chargers and accessories would also have to be backed out and paid for by the non-Measure A \$2M Reserve.

Gaffney said we are, with this C.O., committing to this radio model. Hymel said prior approvals were postponed due to Gen I concerns, but now we must lock in to preserve the \$1M discount. Doyle confirmed we took delivery of radios with Gen I but are not taking delivery with Next Gen until later in the Project. Norton noted the warranty will not start until delivery. Gaffney asked if there is concern we might be a model behind with our order. Pearce said Jeffries has previously stated the upcoming new model is more like a smart phone with different features we may not need or use.

Hymel said prior discussions of radio categories included Non-public Safety Radios, which are embedded in radio order quantities. Cassingham said Non-member radios are paid for by those users and are not included in this count. Hymel said there is a growth number after November 2014 when Measure A passed. Klock confirmed those radios are not in this count and will continue to be a Member expense. Hymel asked, if by the December Governing Board meeting, we can confirm with Motorola an “up to” number. Klock said the C.O. will be revised to reflect this with likely a plus or minus 10% factor in the count. In response to Gaffney, Klock said the C.O. will preserve MERA’s right to change the quantity of the final order by plus or minus 10%.

M/S/P Doyle/Norton to recommend Change Order #10 to the Governing Board as reasonable and within Project resources.

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

F. Motorola Contract Change Order #11 – Early Order Mobile Radios

Hymel said this C.O. is related to C.O. #7 in that it allows early installation of mobiles and reduces Project Schedule by 8 months. His recollection of discussion at the Committee’s November 14 meeting as being supportive of this C.O. Gaffney concurred that this saves significant costs by shortening the Schedule.

M/S/P Gaffney/Norton to recommend Change Order #11 to the Governing Board as reasonable and within Project resources.

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

G. Other Information Items.

None.

H. Open Time for Items Not on Agenda

None.

I. Adjournment

The meeting was adjourned at 10:25 a.m.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary