

**C.O.C. 3/20/19 Agenda Item A**  
**MARIN EMERGENCY RADIO AUTHORITY**

c/o Novato Fire Protection District  
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**Measure A Citizens Oversight Committee**

**Minutes of December 19, 2018 Regular Meeting**

**DRAFT; 1/31/19**

**Call to Order**

The meeting was called to order by Chair Herrerias at 4:04 p.m. on December 19, 2018 at the Marin Civic Center CAO Conference Room 315, San Rafael, California 94903.

**Committee Members Present:**

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

**Committee Members Absent:**

District #1	Elizabeth Greenberg
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**Staff Present:**

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

**Guests Present:**

Maher Accountancy	John Maher
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- A. Minutes of September 19, 2018 Citizens Oversight Committee Regular Meeting  
Levinson requested Greenberg's name be added across from "Committee Members Absent: District #1."

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

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

B. Review of Draft Measure A Special Parcel Tax FY 17/18 Independent Compliance Audit  
Maher Accountancy

Maher presented the Audit, noting the procedures used to produce it. The intent is to verify whether Measure A revenues were properly calculated, collected and used for the Next Gen System Project. On the revenue side, his firm independently obtains the County of Marin Tax Rolls with all the demographic data based on land use and recalculates those fees. Then, this is compared to what NBS uses, along with identification of any discrepancies. Other analytics are used, including comparing this year to last year's calculations for some 96,000 parcels. He looks into any differences between the County rolls and NBS information. Maher noted the handful of bills that are separately issued to Utility-owned Parcels, representing some \$17,000 in revenue, a portion of which is uncollected at the end of the year and written off. This is a very small number. His findings are that everything material is stated correctly. The revenue side came out very clean.

Maher said the revenue cash flow that first secures the 2016 Bonds is collected by the County and sent to the Trustee. He tracks all the movements of the revenues within the Funds held by the Trustee. The next step is to address Measure A expenditures, some of which are normally recurring and some of which are capital and directly paid by the Trustee from Bond proceeds.

Maher noted changes in Page 2 of the Audit, stating that, in the past, Measure A Funds were looked at narrowly. Because these Funds earn income, it was concluded the public would be interested in the reporting of these earnings. The beginning balance has therefore been restated as if this view was held last year. Luckham asked if use of the interest was restricted by Measure A. Maher said technically no, but he wanted to show it as income. Luckham agreed with this treatment.

Maher said, in the expenditure section, the direct cost of capital assets were expenditures to capital contractors such as engineers and Project management. Below the total expenditure line was a line recognizing the direct cost of capital assets funded from Debt proceeds, which helps the reader better understand the scope of what is happening. The total expenditure of Measure A Revenue is the net of those expenses. Adding the \$2.8M in excess revenues over expenditures, plus Measure A cash and cash equivalents, equals \$8M+ at year ending. This total resides in part with the Trustee and part with the County.

Levinson asked if Bond interest income was not mentioned in Measure A, do we have the authority to spend it. Cassingham said the expectation would be that interest earned on the investment of Bond proceeds would go to the betterment of the Project. Maher said a case could be made that the interest income is funding Debt interest. He added that the Measure was broadly stated and the Indenture of Trust more specifically guides the use of revenues and interest.

Maier reviewed the 5 Audit Notes. Note 3 includes the description of Measure A. Note 4 describes the Direct Cost of Capital Assets funded by the 2016 Bonds. Herrerias asked for clarification of capital assets reported in the P&L and in the Audit. Maier said the characterization of the reports is different in that the lion's share of Fund 70038 is capitalizable. In this Audit, those expenses are left in their natural state before capitalizing them as indirect. Third-party payments, such as to Motorola and Federal Engineering (FE) are direct capital expenditures. He added that this Audit is a cash basis versus MERA financial statements, which are full accrual reporting.

In response to Herrerias, Maier said the Audit includes Funds 70038 and 70039. He said the \$30M+ in Bond proceeds are not considered Measure A revenues, but he did think about adding a note to this effect and would entertain including such an explanation. He asked for Committee guidance on this wording. Herrerias wanted an explanation about how Measure A Funds interact with the Bond proceeds. Herrerias asked about noting Maier's reconciliation of the Compliance Audit and MERA's Audited Financial Statements. Maier said this would go beyond what was specifically required of the Measure A Independent Compliance Audit and preferred not to go beyond the Measure's charge. This Audit is not a financial statements audit but an audit of a fund which collects and expends Measure A monies and monitors the Senior Exemption.

*M/S/P Luckham/Reite to recommend Governing Board acceptance of the Independent Compliance Audit of Measure A for FY17/18 with an addition to Note 4 describing the relationship between Measure A Revenues and the 2016 Bond Proceeds.*

AYES: All

NAYS: None

ABSTENTIONS: None

Motion carried.

Maier confirmed that the interest earned on Measure A Revenues in the Marin County Fund was included in this Audit as was done in prior year.

C. Review of MERA Measure A Special Parcel Tax Fiscal Year 2017/18 Annual Report – NBS

Cassingham presented the Measure A Annual Report prepared by NBS, MERA's Parcel Tax Administration Consultant. She noted Pages 4 and 5, which reference FY17/18 Measure A collections and expenditures and reconcile with Maier's Independent Compliance Audit. She added that the 2,400+ page Tax Roll cited in the Report has been printed for the public record.

Cassingham said after Committee Report acceptance, it is agendaized for MERA Governing Board action and forwarded to the County Fiscal Officer for filing with the Board of Supervisors. In response to Levinson, Cassingham said floating and mobile

homes are exempt based on a County determination due to settlement of a legal challenge. The County does apply the Parcel Tax if there is an underlying APN.

*M/S/P Luckham/Reite to recommend Governing Board acceptance of the MERA Measure A Special Parcel Tax Fiscal Year 17/18 prepared by NBS as presented.*

AYES: All

NAYS: None

ABSTENTIONS: None

Motion carried.

D. Review of Funds 70038 and 70039-Next Gen Project Revenues and Expenditures –

FY17-18 Adjustments through October 8, 2018

FY18-19 August 30, 2018, through December 7, 2018

Cassingham presented the Balance Sheet and P&L detail for the two Funds. She noted the availability of invoice hard copies for Committee review. On page 4 of the FY17-18 P&Ls for Fund 70038, she cited two June payables to RGS for Next Gen staffing not previously seen by the Committee. She also noted a \$225 June payment to Richards Watson for legal expenses, likewise not previously reviewed by the Committee.

Cassingham cited Fund 70038 receipts in FY18-19 through December 7, 2018, from the County for quarterly interest of \$27,522. She noted expenditures for RGS Contract Services, NBS for Tax Administration, Novato Fire District for quarterly Administrative Staff Services, Marinfo for Web support, Richards Watson Legal Services and a duplication reimbursement to the Next Gen Project Administrative Assistant.

Cassingham reviewed the FY17-18 Fund 70039 P&L 3 expenditures for DPW Communications Tech services, title company expense and court reporter services. For FY18-19, there have been no County staff and consulting expenses posted pending processing by the Trustee. These expenses will be recorded in January 2019 and presented to the Committee at its March 2019 meeting. She said Project expenditures have decreased due to CEQA process but will increase once final design is completed and site construction commences. Levinson noted the Agenda should state the proposed action to be taken on this matter.

*M/S/P Luckham/Reite acceptance of Funds 70038 and 70039 Next Gen Project Revenues and Expenditures for FY17-18 and FY18-19 through December 7, 2018 as presented.*

AYES: All

NAYS: None

ABSTENTIONS: None

Motion carried.

E. Update on Status of Next Gen Project (Jeffries)

Jeffries summarized his report noting a revised Project Schedule will be received in the Spring. A final Schedule has been delayed by the CEQA process. Currently a draft Subsequent Environmental Impact Report (SEIR) is in development. Some sections, including supporting studies, are under review by staff to move it forward. He said the draft SEIR should be released to the public in January or February 2019.

Regarding public outreach, staff has made several informational presentations on the Project, most recently to Muir Beach and Marin County Office of Education (MCOE) due to Next Gen Project towers in their respective jurisdictions at the new Muir Beach Fire Station site and Coyote Peak at MCOE Walker Ranch.

Jeffries reported on Motorola Contract Change Orders (C.O.s) #5, #6 and #9, which were approved by the Governing Board in October. 3 additional C.O.s, #7, #10 and #11 were approved on December 12. He noted the title of C.O. #7 in his report should be “Radio Management, OTAP and WiFi”. Radio Management software permits portable radio tracking and OTAP/WiFi permit remote radio programming by over the air or WiFi hotspots at each Member location. C.O. #10 includes accessories beyond the Motorola Contract minimums like extended batteries and shoulder mics. Chargers, absolutely essential to portable radios, were listed in the Motorola Contract as optional. The system cannot operate without chargers. This C.O. captures these expenses which, if included in the original Contract, would have increased Project costs accordingly.

Jeffries said C.O. #11 permits the receipt of mobile radios early which will allow installation as dual bands prior to the start of the new system. This will save 8 months on the Project Schedule and gets us off the current System faster. Cost of this C.O. is \$400K+ which reduces staff costs by some \$800,000 or \$100K per month. One remaining C.O., for enhancement to the microwave data system, is still under study. Current estimated cost is \$1.7M and a return on this investment analysis is part of the continued study.

Jeffries reviewed the two Next Gen Project Budgets attached to his staff report beginning with the Budget revised on 9/26 which included C.O.s #5, #6 and #9, followed by the 12/12 Budget, which reflects C.O.s #7, #10 and #11. Herrerias requested a list of all the approved C.O.s. Jeffries recapped #5 as no cost Motorola equipment for Tiburon and Mill Valley sites required by the RPC. He cautioned there were some additional site development costs for MERA related to C.O. #5. C.O. #6 was for equipment needed at the Sonoma Mt. Site and existing Site Readiness and C.O. #9 was for equipment spares. Cassingham added C.O. costs are MERA commitments but not expended at this time. Jeffries said C.O.s #6 and #9 will be billed when the equipment is shipped later on.

Jeffries said the 12/12/18 Project Budget includes \$4.5M in Change Orders. C.O. #7, #10 and #11 will also be billed when shipped. These costs, along with a recommended \$4M

Project Contingency, leaves an Unappropriated Project Reserve of around \$1M. The Project Budget handout at today's meeting begins with the 10/24 Budget column, followed by Audited Expenditures for each line item through 12/7/18 and the Revised 12/12 Project Budget. The Handout also includes a table of Project Funding Sources, which could change based on a final inventory of Non-public Safety Radios and related accessories. This equipment, by law, must be paid for from other MERA Reserves. Cassingham confirmed MERA's 70036 Replacement Fund would be used for this purpose.

In response to Levinson, Jeffries described the System Upgrade Agreement (SUA) which refreshes the system software after the 3-year initial warranty through Year 15 of the Project. Levinson said he liked the Budget format but expressed reservation about the sufficiency of the Site Acquisition/Construction line item. Jeffries said it reflects the latest estimates from DPW. Construction bidding after CEQA will provide better cost clarity. He acknowledged the risk. The original line item included the possibility of new sites but, now that sites are known, the cost has been reduced accordingly. Levinson noted the cost difference between the original Site Construction line item is approximately the amount of the Contingency. Jeffries said there have been changes in other line item costs, such as Administrative Fees, which were extended through the Project life that could be attributed to this difference.

Jeffries reviewed the table of Motorola Project Milestones listed on the Budget handout. The milestone payments are expressed as a percentage of the total Motorola Base Contract. Payment #2 for design review is expected to be made in mid-2019. Completion of Customer Design Review should lock in a precise base contract payment schedule along with C.O. payables. In response to Herrerias, Jeffries said milestone percentages are applied to Budget line item #1 for the Vendor Contract minus field equipment.

Levinson asked if each of the Budget line items had its own reserve. Jeffries said no and that the Contingency was to address any increases in line item costs. He confirmed estimated Project completion was 2022. Levinson said he felt the Unappropriated Project Reserve was low. Jeffries said this amount was in addition to the Project Contingency of \$4M. Herrerias asked about the difference between these two line items. Jeffries said any unappropriated reserves were earmarked by the Governing Board for use to extend Next Gen System life. Herrerias asked if unexpended Project Funds could be given back to taxpayers. Jeffries said while this might be a possibility, the Board is committed to using Measure A Funds to extending system life for a full 20 years, including funding replacement radios after their 10- to 12-year useful lives.

Levinson supported revision of the "Budgeted Vendor Contingency" line item to "Budgeted Contingency", given the current title limits its use. Jeffries said this suggestion would be presented to the Governing Board. In response to Reite, Jeffries clarified that the milestone table is specific to the Motorola Base Contract and does not include site development costs which are handled under separately bid contracts. Herrerias asked for a 100% total at the bottom of the Milestone table. Jeffries so noted. He also requested a

list of Change Orders, what each included, costs and when payment is due. Levinson suggested adding a total line of \$72M below the Contingency and Reserve.

Reite inquired about current System Tiburon Site case law. Jeffries said local agency permitting, given this court decision, is not required for the Next Gen Project. MERA still has to comply with State and Federal requirements. Reite inquired about the CEQA process schedule. Jeffries said we are a little behind due to the time needed to assure completeness of the underlying studies like RF and Alternate Sites. In response to Herrerias, Jeffries said the most challenging parts of CEQA are the RF emissions and visual impacts. Also distinguishing Next Gen from 5G, which is a commercial data system and has nothing to do with emergency voice communications, will also be addressed.

Jeffries, in response to Herrerias, said the FE Project Manager was doing well given the delays due to CEQA. The FE Contract is under review due to task modifications, Project Schedule and projected site construction activities. As for future Motorola Change Orders, he said, except for the one pending for the microwave system, the six approved C.O.s are all that are needed or expected to fill Project gaps or enhance it. The pending C.O. may ultimately not be re-presented to the Governing Board if further vetting determines it is not necessary. Herrerias and Levinson encouraged increasing the Contingency and Reserve to address future Project unknowns as well as revisiting them after CEQA.

Herrerias suggested receiving the Updated Budget with the previously described suggested revisions at the next meeting. He also asked for the Committee's expressed cautions about Contingency and Reserve sufficiency and support for increasing same, to be communicated to the Governing Board.

F. Other Informational Items

Cassingham presented a verbal report on the Reinvestment of the remaining \$30M in 2016 Bonds Proceeds in a new Guaranteed Investment Contract (GIC), noting the 11/30/18 expiration date of the previous Natixis Funding Company investment. Of the six firms identified, competitive bidding produced 2 bids and the award of contract was made on December 10 to Bayerisch Landesbank at a 3.042% interest rate. The Nataxis rate of 1.19% in 2016 reflected the bid climate at that time. Interest income of an additional \$1M for the Project over 2019 and 2020 will be realized with the new GIC.

Jeffries announced Administrative Assistant Anderson's resignation.

G. Open Time for Items Not on Agenda

None.

H. Adjournment

The meeting was adjourned at 5:34 p.m.

Respectfully submitted by:

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Maureen Cassingham  
MERA Executive Officer  
and Secretary