

F.C. 9/11/19 Agenda Item A

MARIN EMERGENCY RADIO AUTHORITY

c/o Town of Corte Madera
300 Tamalpais Drive, Corte Madera, CA 94925
PHONE: (415) 927-5050
WWW.MERAONLINE.ORG

FINANCE COMMITTEE MEETING

MINUTES OF JULY 10, 2019

DRAFT: 8/21/19

Call to Order

The meeting was called to order by Chair Hymel at 2:06 p.m. on July 10, 2019 at the Novato Fire Protection District Administration Office, Heritage Conference Room, 95 Rowland Way, Novato California 94945

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 Deputy Executive Officer- Next Gen Project	Dave Jeffries
MERA Operations Officer	Ernest Klock

A. **Minutes of February 20, 2019 Finance Committee Meeting**

M/S/P Norton/Gaffney to approve the minutes from February 20, 2019 Meeting of Finance Committee as presented.

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

B. Report on Motorola Change Order #8: Multi-Protocol Label Switching (MPLS) for the Microwave Network – (Jeffries)

Jeffries provided an informational update on C.O. #8 and the Project Oversight Committee's (POC) discussion of the options. The differences between Layer 2 and MPLS technologies were reviewed, along with 5 implementation options and pricing. The POC asked for further research and cost refinement of Options 1 and 4, leaving Option O for comparison. An updated presentation will be made to the POC at the end of August followed by presentation to the Finance Committee for cost analyses and Governing Board for final action.

Norton asked about where the POC is leaning. Jeffries said keeping in mind Option O, the POC is looking at bringing in MPLS with lesser costing options and further consideration of the MPLS SUA.

C. Update on Next Gen System Project Budget

Jeffries reviewed the updates, including addition of a fourth column showing percentage of line item expenditure to date and interest earned on investments as another funding source. A fifth column will show percentage of line item expenditures in comparison to Project progress, which is awaiting a final Project Schedule. Motorola Contract milestone estimates are likewise awaiting the Schedule to be updated. Jeffries added, Budget updates will be presented every 3 months going forward.

Hymel asked about the refinement of non-safety radio costs. Jeffries said Griffin is working on a Member Agency survey for an updated radio count. Hymel said given discussion of MPLS in August, it would be helpful to update the non-public safety radio cost line item at that time. Jeffries said a rough idea of this should be possible by late-August.

Gaffney and Hymel noted that the revenue line item for these radios should be presented as non-Measure A Funds. Gaffney said there is \$2.3M available for non-safety radios. Hymel said this is why we need a new cost estimate based on the updated inventory of same. Gaffney suggested new terminology for this funding source as "other non-parcel tax revenue".

Jeffries noted the NGP list of acronyms requested by a MERA Board member, which is attached to his report. This will be updated periodically.

D. Report on Retirement of 2010 Refunding Revenue Bonds and Future Payment Options

Cassingham said the Committee has discussed for some time the retirement of the 2010 Bonds to achieve interest savings. Also, the Committee has had ongoing discussions about the continuation of Debt Service payments after Bonds retirement to go toward funding for a Gen 3 System or offset increased NGP Member Operating costs.

Cassingham requested direction and recommendation for Bonds retirement using member payments for the early Bonds Call. Savings are \$81,600 in interest. Regarding continuation of member debt service payments after retirement, she noted feedback from the New Member Orientation, which included one member's reluctance to do so in view of their own budget concerns. Hymel noted with the drop in member payments, every increase would have impacts. His idea is to smooth those impacts. Half the member payments go away on Bonds retirement, which is a big windfall.

Hymel said, with increased NextGen Operating costs, there could be some level of a flat payment stream to address them in whole or in part. For example, there would be a 50% windfall in member costs with a potential 20% increase in Operating expense. Jeffries reminded about past discussions of a set-aside for Gen 3. Hymel said this could be like a replacement reserve. Jeffries and Cassingham said this issue deserves discussion by the Governing Board sooner rather than later given the timing of cessation of Member Debt Payments.

In response to Hymel, Cassingham confirmed the last fiscal year of 2010 Bonds Debt Service is 20-21. Gaffney said member payments would go down but operating costs would go up. Hymel said current aggregate member payments to MERA are \$4.2M including \$1.9M for Operating, \$2.1M for 2010 Bonds, and \$225,000 for the Project Note. Hymel said he is trying to avoid the windfall drop-off from Bonds Debt Services to experiencing step-by-step NGP Operating increases and no set-aside for Gen 3.

Gaffney said we need to calculate the concurrent operating costs of the current System and Next Gen, which goes away on cutover. Gaffney and Hymel agreed to calculate a 10-year budget after FY20-21. Norton confirmed that members have been including Debt Services in their budgets since 1999. He asked if there have been discussions about debt service going away after 20 years. Jeffries said at that time, there was no discussion about funding Next Gen until parcel tax discussion began in 2013. Hymel said member agencies could not afford funding Gen 1 and setting aside for Next Gen.

In response to Norton, Hymel said while members have viewed MERA Debt Service as an ongoing part of their budgets, they may be mindful retirement is close. Hymel said the decision points are, do you do replacement and at what levels, level operational increases over time, or do nothing and face significant costs later. He asked for smoothing at a minimum over time. In response to Gaffney, Norton favored a partial drop in MERA payments. Gaffney asked about a cost estimate for operating two systems before cutover. Cassingham said the operating cost increase for Next Gen had been estimated at 14% to 20% due to additional sites. Jeffries added that a final Next Gen Schedule would identify cutover duration of parallel systems operation.

Gaffney suggested adding a reserve to future operating costs. He and Hymel said any action is a Governing Board decision of the majority members. Gaffney added the Board sets the rate of member operating contributions. He said it is important to start the

Governing Board conversation about continuing Debt Service Payments after Bonds retirement. Hymel said he can work with Klock on 21-22 and 22-23 projections. Gaffney offered to assist in coming up with scenarios. It was agreed scenarios would be presented at the next Finance Committee meeting. Jeffries suggested September, when C.O. #8 would be presented.

Hymel said replacement set-asides should include full and partial levels. Jeffries noted we have no idea what Gen 3 costs will be for technology 20 years out. Hymel will work on a model with flat-line replacement including full-costs and a replacement reserve, operating cost increases and impacts of doing nothing. In response to Gaffney, it was agreed there would be no Debt Service Payment reductions in the last year to achieve the interest savings from the early Bond Call.

M/S/P Gaffney/Doyle to recommend Governing Board approval of the Early Bond Call of the 2010 Refunding Revenue Bonds using current member payment amounts for same.

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

E. May 2019 MERA Arbitrage Report and Rebate Calculation for 2016 Special Parcel Tax Revenue Bonds and MERA 2016 Bonds Post Issuance Certificate Filing.

Cassingham presented the Willdan Report and Rebate Calculation, along with the Post Issuance Certificate for the 2016 Bonds. The action requested is to review and receive and file. The intention was to draw attention to the outside possibility of exceeding the Arbitrage yield. She believes the upcoming Bond proceeds drawdown as the Project proceeds should make this possibility negligible.

Hymel said Arbitrage is borrowing at tax-exempt rates and investing those funds, earning higher rates. Gaffney said getting close to an Arbitrage problem is a good thing with investment earnings. The IRS penalty would be to pay back the excess. Hymel said the calculation shows there is no issue at this time. Cassingham added it is important to monitor as we are close to the yield.

Norton said getting closer means we should increase Project expenditures or reduce interest income. Gaffney recommended getting close to Arbitrage yield is the goal without exceeding it by much. In response to Norton, he confirmed the yield was a 5-year calculation.

F. Discussion of County Agreements Staff Costs

Given past discussion of invoicing issues by MERA Boards, Cassingham reported MERA continues to work with DPW on pending invoices for certain staff costs

associated with the System Maintenance, Technical Services and Communication Services Agreements. A number of these matters arose with the County staff retirements, vacancies and internal transfers of the MERA billing function. We should be wrapped up shortly for this fiscal year.

Cassingham reported on considerable progress, thanks to the efforts of Misty Petrocelli in DPW administration. Her diligence in providing the necessary documentation and understanding of the presentation needs to the Bond Trustee and Citizens Oversight Committee was greatly appreciated. Hymel was pleased with this report. Klock said Petrocelli will be transitioning out of this role. Ariana Carey's replacement, Edtiana, will be in place in the next month. Petrocelli has developed a training binder for future work order and invoice processing. Klock said Cassingham should notify him if more fine-tuning is needed. Cassingham said there should not be given Petrocelli's work and there have been problems over the last 3 to 4 years. Klock confirmed Petrocelli would be available to assist the transition over the next 2 to 3 months.

D. Other Information Items.

None.

E. Open Time for Items Not on Agenda

None.

F. Adjournment

The meeting was adjourned at 2:43 p.m.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary