

**MARIN EMERGENCY RADIO AUTHORITY**

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**MERA Finance Committee**  
**Minutes of July 18, 2012 Meeting**

**Draft: 8/6/12**

A. Call to Order

The meeting was called to order by Chair Hymel at 9:07 a.m. on July 18, 2012 in Conference Room 315 at the Marin Civic Center.

Committee Members Present:

County of Marin	Matthew Hymel
Town of Ross	Tom Gaffney
Marin County Transit District	David Rzepinski

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA General Counsel	Jim Karpiak
DPW Communications Manager	Shelly Nelson

Guests Present:

Terry Price	Price Campaign Solutions
Dan Mullen	Indie Politics

B. Minutes from March 1, 2012 Finance Committee Meeting

*M/S/P Gaffney/Rzepinski to approve the minutes from March 1, 2012, Finance Committee as presented.*

AYES: ALL  
NAYS: NONE  
Motion carried.

C. Fiscal Year 2012/13 Capital Improvement Plan – Tackabery

Nelson, in Tackabery's stead, summarized his written report dated July 18, 2012 on this Plan. She noted they are looking at three sites for the Next Generation System to improve coverage and address possible technology changes. Tomales, the South County-Martha Tiburon location and a North County site, which still needs to be identified, are the proposed locations. She noted the longest lead time tasks for the sites include environmental clearances, development approvals and right-of-way acquisitions. Work is underway at Tomales and Tiburon. Construction funding will coincide with the timing of the Next Gen System.

Nelson noted that DPW has accounted for increasing costs for parts and materials to maintain the current system in the MERA Operating Budget. She reported that capital expenditures have been proposed to be funded from MERA Reserves for the tasks covered in the DPW System Analysis Agreement. Tomales is budgeted at \$16,000, Martha at \$10,000 and the Feasibility Study at \$20,000 for FY12-13. Gaffney noted that these three projects are covered by the \$50,000 allocation in this Agreement for the current fiscal year. She said the Coastal Permit for Tomales was expected at any time, possibly July 25 or 26. The permit timeline of 3 years plus a 3-year extension lines up with the Next Gen System.

Gaffney asked if a tower could be placed on the Tomales Site if we get it. Hymel said we talked previously about confirming where these projects are headed and their timelines. Revere, Hymel, Tackabery and Cassingham met on June 20 to discuss these issues. In the prior write-ups of these projects, there was an estimate of \$2M to construct Tomales. Hymel said the idea around Tomales was to secure the site and use Next Gen funding to implement it with the new technology. Securing the Martha site sooner rather than later before development occurred around it, is a priority whereas this is not an issue with Tomales. Gaffney asked about the cost of the Martha Site. Nelson said Martha would cost \$3M+ since Tomales involves a relocation of existing equipment. Gaffney said we may need funds sooner to secure Martha. Hymel said we would try to have the developer pay as much of the costs as possible. Nelson added, we need to be mindful about spending funds on technology at this point when Next Gen is pending.

Hymel clarified that DPW's intent was to make MERA aware of these issues. Rzepinski said the costs associated with these recommendations have been identified on pages 2 and 3 of this report. Nelson said they are estimating a total cost of \$100,000 for work on the North County site, \$50,000 in each of FY12-13 and FY13-14.

Gaffney asked if the North Site was part of Next Gen. Nelson replied yes but it will take lead time, effort and expense to secure it. We need to start now like the way Tomales has been handled over the last two years, which includes site feasibility study, environmental review and land ownership.

Nelson recapped the County's efforts in pursuing formula grants that support the new system. Gaffney said the Finance Committee has identified the pursuit of grant funds as very important to securing other public funding for a new system. Nelson said writing formula grants is easier than applying for statewide and national grant opportunities. A much smaller package is required versus competitive grants that take more resources. Mullen agreed that grant applications are helpful with public outreach evidencing effort to seek other sources of funding. Nelson said the funding sources identified in the report are just a few of the opportunities for funding interoperability and public safety support. DPW is recommending a budget of \$50,000 for FY12-13 to pursue these grants.

Nelson said a third-party review of the current Motorola System's obsolescence is estimated at \$75,000, which would confirm and verify, independent of DPW, the timing to install a new system. DPW is suggesting a review of the existing CTA system assessment of future funding options and the vendor RFP to ensure that the technology recommended is right for MERA. Hymel saw these two efforts as related and asked if this would be two separate vendors. Nelson said they could be combined. Gaffney asked if this was needed at \$75,000. Hymel said DPW staff was just listing the

projects that have been discussed and might be considered and estimates have been provided for each. Mullen noted his Sausalito experience and questions that arose about whether consolidation was considered and whether certain expenditures were needed. He wished they had had an independent audit of what was proposed. He said he could not speak to the need for a \$300,000 expenditure but a \$75,000 review might be sufficient to cover the issues. Hymel said there is value in an independent assessment but the scope will drive the costs based on system complexity.

Nelson summarized the grant-funded CTA assessment of the MERA system in 2008, resulting in the independent AECOM report provided to the MERA Board and Executive Committee. Gaffney confirmed that CTA is the name of the consulting company which is a subdivision of AECOM that has worked on similar projects. Nelson said the grant to fund the Marin County portion of the study was \$300,000. The study reviewed the existing system and provided options. The options were reviewed by MERA users and a report was given to the Executive Committee. Hymel said we should start by looking at this study. Nelson confirmed the study which was completed in 2008, took 9 months. Gaffney said this review may be sufficient. Hymel said this needs to be confirmed. Rzepinski said the study should be revisited to see if things have changed, which may require supplementation. Nelson said that in 2010, the Federal Engineering Company developed a scope of work and technical specifications for an RFP which Marin County released. Hymel noted that is when proposals were received from Motorola and Harris. Nelson said this was followed by vendor interviews conducted by a panel of 5, plus she and Richard Chuck, and the proposals were scored. This was the technology scrub of the CTA analysis combined with the consultant's scrub of the national and regional approaches. Hymel said this independent information would provide the background for a current review of the latest technology. Rzepinski said this would address any changes since those studies were completed. Nelson said the technology in the proposals is the technology of today, which is an IP-based software technology. She understood the need to refresh the information and the costs quoted in the report were the actual costs for the work performed.

Nelson deferred to Gaffney to address the parcel equivalents study under his report. Estimated cost is \$35,000 in FY12-13.

Nelson said before the expansion project, MERA was experiencing capacity and coverage issues. Five frequencies were acquired and four were installed. The fifth was being held for a command conventional channel. During this time, Nelson acquired grant funding for five radios to deploy a command conventional mutual-aid channel to complement the TAC conventional channels. This equipment has yet to be installed. The frequency has been assigned by the FCC. A radio has been placed on a mountaintop to put it in use per FCC requirements. The radios need to be installed to be in compliance with the grant audit for 2008-09 funding. Installation of a mutual-aid command channel is a better use of the fifth frequency than using it for the expansion project since it would take traffic off the system in a medium-to-large incident.

Hymel asked if the proposed expenditure of \$22,000 for this channel will be compatible with the Next Gen System. Rzepinski asked if this was necessary in that Marin Transit has reduced its volume with MDTs. Nelson said while Transit has reduced its use of the MERA System, it is still one of the top users. Hymel said this will need to be looked at before proceeding with the Next Gen. Nelson clarified that this equipment was bought with grant funds and if the radios are not deployed, we will have to pay the grant back, the \$100,000 for the five Quantars radios. Hymel said we need

clarity regarding Marin Transit's future use of the system and how we use the new equipment to avoid paying back the grant. Nelson said the State would favorably view the implementation of this project. Mullen clarified that this project could enhance Marin's ability to get more grants. Nelson said the State is already giving Marin a great deal of leeway based on its performance to date with other grant projects. Hymel said, conversely, if we do not utilize this funding, there could be negative consequences.

Hymel summarized the last item in the report, which is Project Manager for the Next Generation System. This came up in the June 20 meeting with Revere. One of the challenges in going forward with a ballot measure is there is no one single owner of the Next Gen Project. While there are technical people working on it and Board members from public safety that support it, we could benefit by having a Project Manager that could focus on and be the face of the project. Perhaps it might be a retired Fire Chief or Police Chief who is well respected in the community who understands both the technical and operating issues and can articulate them to elected officials and others. At the time of this discussion, Revere thought Homeland Security funding might be available; however, there are no such resources at this time.

Hymel said this list of projects represents about \$600,000 over the next two years. The purpose today was not to allocate funding to projects but to become aware of what might be needed and how we might fund them and if there are reserves available for these expenditures, they need to be considered. Cassingham said reserve fund balances were updated and presented to the Board on June 20. She noted the New Project Financing and Replacement Reserve funds were available. The New Project fund balance is projected to be \$258,000 as of 6-30-12, and the available Replacement Fund balance would be \$582,000 after retention of the \$500,000 Board-established minimum. She noted there is also the Emergency Fund balance of \$503,000 which has a Board-established minimum of \$500,000.

Cassingham discussed the Reserve Funds Policy which permits capital project expenditures from New Project Funding and the Replacement Fund which has been used for strategic planning expenses and replacement equipment such as new generators. She cautioned a careful use of these limited funds given the unknown costs of maintaining the current aging system. In response to Gaffney's questions regarding the last page of the report on the FY12-13 Proposed MERA Reserves Budgets, the 6/30/12 reserve balances she has provided reflect the deduction of current year expenditures. Replacement Fund income is from the annual transfer of the Operating Fund balance after Board acceptance of the Audit. Gaffney noted he favored proposed expenditures for the North County site and Next Generation System grants and did not support the proposed obsolescence review and review of the CTA Study. He will speak to the Parcel Study later in the meeting. He supported implementation of the Mutual Aid Conventional channel. He supported further consideration of the Next Gen Project Manager. Cassingham noted that the Executive Board and Governing Board have not yet received this information. However, it could be presented to the new Executive Board when it meets on September 12.

Price inquired about the duties of the proposed Project Manager, some of which he and Mullen as consultants to the Outreach Committee, are tasked to do. Hymel said the Finance Committee would focus on the source of funding for this position if the Governing Board approved it. It is not the determiner of whether we do it or not. Price said there is an Outreach Plan under development.

Hymel said this is a position that can do some of the outreach; however, it is more about a position who owns the \$50M Next Gen Project for the MERA Governing Board versus different pieces owned by different people. Price noted his definition of a Project Manager is a person or firm that would oversee the financing, legal, design and management of construction. He said the proposed duties, including public presentations, media liaison and project point of contact, are those of a Public Information Officer. That would be more the purview of the Outreach Committee. Hymel clarified that a Project Spokesperson would be part of the Outreach Plan. Price and Mullen support a police or fire representative speaking for MERA from a public safety perspective backed by others with background on technology and finance. The public safety side would be used to develop support and blunt opposition. Hymel asked who they envisioned taking on these roles. Price said they are working on this. Hymel said contracting for these services would be a way to go. He said we all need to better understand what will be in the Plan and what this Project Manager concept is trying to do. Price proposed that this be discussed at the August 8 Joint Meeting of the Strategic Planning Committees.

Gaffney felt there was merit in having a single employee assisted by Price and Mullen and other experts. Hymel said we need someone who is well respected and trusted, and known in Marin, and can bring all the member agencies along. He does not see that person as a professional public relations specialist but more like a Mussuco or Kreins who has the time, interest and ability to present to the Chiefs' Associations and get buy-in. Price said he would recommend peer relationship...police talking to police, fire to fire, and so on. It does however increase the difficulty of having more people up to speed. Hymel said the problem with the decentralized approach is no one person owns the Project that can present consistent information. Hymel asked Cassingham to refer this matter to the Outreach Subcommittee and further discuss it at the Joint Meeting. Rzepinski asked if we are looking for a face to sell this, like a P.I.O. or are we looking for ownership. Price said they would never recommend a professional P.I.O. He reiterated you can't have ownership without authority, which is problematic with a consultant.

Hymel said MERA, as an organization, has evolved in a bifurcated way. The history is that the Operations Officer has overseen the technical side of MERA and the Executive Officer has overseen administration, which is unique. We will need someone to bring these areas together. Rzepinski asked who has the authority. Hymel noted this would require additional time from Cassingham if she was inclined to do this. Rzepinski said an option was to give the authority to Cassingham over the Next Gen position versus having a P.I.O.

Gaffney requested an attachment to Tackabery's report that would list the additional individual capital projects and related costs in columns for each fiscal year along with total costs for two years. He also asked for inclusion of available sources of funds on the same page for these proposed expenditures.

D. Discussion of Options for Revenue Measures for New System – Karpiak

Karpiak reported on his review of MERA's powers regarding revenue options with his public finance colleague. He said MERA is a JPA whose powers are derivative from its members. MERA cannot levy a tax or property-based charge. His initial research indicates that a property tax is more appropriate than a property assessment for financing a new system. It could be levied by the County on behalf of all MERA members with the Board of Supervisors' approval. Gaffney said MERA, as

a JPA, could issue revenue bonds which would be paid by a property tax. Hymel asked Karpiak if he could develop a written summary of his research that could be provided to the Finance Committee and shared with County Counsel. Gaffney reiterated that the County would have to help MERA by levying the parcel tax and that the MERA member agencies would need to make a formal request to do so. Karpiak noted that at some point, MERA would have to retain Bond Counsel to review this approach along with the Inducement Resolution to be discussed later on the Agenda. Gaffney suggested we work with Nossaman who served as MERA's Bond Counsel for the original bonds and most recently the 2010 Refunded Bonds. Mullen said Bond Counsel could also be helpful and would be needed to review their information before distribution.

E. Discussion of Preliminary Financial Tables - Gaffney

Gaffney summarized his table of possible funding sources indicating there is collective support at this point for a parcel tax which could be used for operating and capital. Mullen said a tax or charge for operating is a more difficult sell.

Mullen also said a sales tax should probably be considered a non-starter in the current environment. He asked Gaffney about a G.O. bond. Hymel said MERA has no authority to do a G.O., whereas the County has the authority. He added that some project expenses would be covered by a G.O. while others would not. Gaffney said the language of a parcel charge could be used for operating, capital and pay-as-you-go. With a property tax, bond money could only be used to support the obligations of the bonds.

Hymel said the member agencies will still be paying for their share of the operating costs. He said the distinction is the non-equipment costs related to the project can be covered by the tax. Mullen confirmed with Gaffney that the G.O. is a property tax. Gaffney clarified with Price that G.O.s are hard to sell due to the problems with assessed values. Mullen said all options have to be looked at so we can advise the public we have looked at everything. Hymel said there are two issues with this discussion, including what voters will support as initially determined by surveys and whether voters prefer a G.O. based on assessed value versus a property tax. We first need to determine whether the G.O. model works for this project. He thinks G.O.s may only be for equipment and a parcel tax can cover expenses a G.O. would not. Gaffney said a G.O. bond can cover soft costs like environmental, labor and radios. He said it cannot be used for pay-as-you-go capital. Property tax can only cover the bond. He clarified that the initial property taxes can be used for project engineering and CEQA in the first year and we don't have to sell a debt at that point.

Hymel asked for clarification for, what a G.O. will cover and what a property tax will cover, to be included in Karpiak's legal summary. He said he thought the difference would be that the County would issue the G.O. and then give the bond proceeds to MERA versus the County levying a property tax to fund bonds issued by MERA. Price asked how this is different from MERA's current funding. Gaffney and Hymel clarified that both options are different since MERA members currently pay for operating and debt. Gaffney said if the County issues G.O. bonds, the County would have to own the facilities. The County currently contracts to operate the system for MERA. He said with a parcel charge, MERA could issue the debt and the County could lease the system on behalf of all the MERA members. He added that all of the DPW projects discussed earlier in the meeting could be covered by either a G.O. or parcel tax.

While a G.O. could be considered as an option, Hymel said MERA could state its preference for a parcel tax when polling. Price cautioned about polling for a sales tax. Hymel said there is a group talking about doing a ¼¢ sales tax for children in 2014. First 5 and the Child Care Council are part of this effort to address the loss of funding for children's services from the State. Gaffney and Hymel clarified for Mullen that the sales tax noted in Gaffney's Alternatives table is ¼¢ or 0.25%, which would generate \$9M-\$10M per year based on current sales levels.

Gaffney discussed Table 1 which outlines the 700 MHz system capital costs and average facilities life provided by Tackabery, which help determine the effective bond term. The radios considerably reduce the average facility life. They represent a large expense with a short life. The average life of the system with the radios is 11.3 years with a bond term of 18 years. Without the radios, this would be a 25-year bond. Rzepinski asked if the cost of the radios would fall to the members, which would be hard on them. Gaffney replied that we would need a policy decision on the number of radios per agency to be included in the bond, possibly on a proportionate basis. Nelson said a breakdown of radios was recently provided to MERA members including original allocations funded by the current Bonds and the numbers since added by the members. Hymel said we will need a radio-purchasing policy for the Next Gen System. He asked if the 18-year bond term is what is driving the \$36 charge per parcel. Gaffney said yes. Hymel said we should poll for voter sensitivity regarding the charge per parcel and term of a tax. Mullen asked about the charge for 25 years versus 18 years. Gaffney said this is why we need a parcel study to determine how many equivalent number of parcels and provide justification for equivalency. He said there are about 105,500 parcel equivalents on the Table 2 estimates. This will need to be fully reviewed and analyzed by a consultant. Hymel noted that Table 4 needs to be revised to reflect that the ballot measure is tentatively scheduled for November 2014.

Gaffney reviewed Table 3 which outlines the amount of the bond issue. Price asked about breaking out what the annual cost would be for 20-year and 25-year bond terms. Hymel said there will be a "willingness-to-pay" issue. If there is resistance, we may have to regroup.

Mullen asked for clarification about the radios. Nelson said the question is how will the radios be paid for. Hymel clarified that Gaffney was pointing out that the radios have a short useful life which shortens the length of the bond term. If included in the bond, it raises the annual amount and shortens the term. Gaffney said bond money must be spent within three years of approval. Price asked if extra radios could be purchased up front. Gaffney and Nelson commented on the history of the original MERA radio purchases which had to be warehoused while awaiting completion of the system. Nelson also noted that original member agency radio requests were very high which required her to negotiate reductions for some agencies. Hymel said once we do the poll, we may not want to formalize a radio policy until we determine the willingness-to-pay. It may be that members might have to pay some portion of the radio costs. Mullen said there may be little polling differentiation in margin of error between \$36 and \$45. When you get to the \$70-\$90 range, it is a challenge getting support. The ideal is \$50 per parcel or less. If polling is supportive, then we can see what else can be included. Price said we will be polling to determine support for a tax as well as for the amount. Gaffney said we will need resolutions of support from the MERA members. Hymel said this will be a savings to the members in that when the current bonds are paid for, they will no longer have to pay for capital. Members originally paid for capital and operating. The new system will cost twice as much as the current system. Given the financial condition of our members, Hymel

said we can no longer fund new capital, which is why we are looking at a parcel tax. Gaffney said this will relieve member agency budgets. Hymel said voters may respond that members should continue MERA funding as is. We would respond that members will continue to pay for operating.

Gaffney noted on Table 3, capitalized interest is not included since we can continue to use the existing system. We need, however, to make sure we do not need it. It would be 9% of project costs if included in the financing costs, or about \$4M. Hymel said Bond Counsel would need to review this. Gaffney noted the policy decisions that will need to be made associated with Table 5 – Financing Plan Outline. He said the current Bonds and Project Note are retired in FY20-21, which will save members over \$2.2M annually. There will be upfront costs for the replacement system which can be paid through MERA. Of the estimated \$46M in capital costs, \$7M are soft costs. As soon as we accrue parcel taxes, we can pay for them. Hymel said if we are successful in November 2014, we cannot get a parcel charge on the property tax rolls until October 2015 which becomes a cash flow issue. Hymel said polling should help determine if we are better off in a November election versus a June election. Gaffney asked about mailed ballots. Mullen said that would cost several hundred thousand dollars. Hymel said a November ballot wouldn't cost as much, possibly \$70,000. A limited June ballot might cost as much as \$800,000.

Price discussed the timing of the poll and outreach-related tasks. Hymel asked about their current timing assumptions for the poll. Mullen said later this year but noted that would compete with the Presidential election. If conducted after the election, you can get voter fatigue. Price cautioned against polling too early especially if delays are experienced elsewhere in the process.

F. Discussion of Bond Counsel Inducement Resolution

Karpiak said whichever entity issues debt should approve the Inducement Resolution. Hymel said it doesn't hurt anything to proceed except there needs to be some education beforehand of the Board of Supervisors and MERA Governing Board. Gaffney said the reimbursement action is permissive and that all project-related soft costs are reimbursable. Karpiak said he has questions regarding timing. Gaffney will contact MERA Bond Counsel Stava and arrange a conference call between Stava, Karpiak, Cassingham and him to discuss it.

G. Other Information Items

Gaffney asked if more members were needed on this Committee which is now reduced to 3 members. Rzepinski commented on the reduced number and quorum requirements. Hymel suggested adding MERA Police and Fire members to the Finance Committee. Hymel mentioned Chief Revere and Chief Gray was also suggested.

H. Open Time for Items Not on Agenda (*limited to two minutes per speaker*)

None.

I. Adjournment

The meeting was adjourned at 10:43 a.m.