

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

DRAFT: 1/30/15

MERA Finance Committee **Minutes of November 6, 2014 Meeting**

Call to Order

The meeting was called to order by Chair Hymel at 3:35 p.m. on November 6, 2014 in the Marin Civic Center, Room 315, San Rafael, CA.

Committee Members Present:

County of Marin	Matthew Hymel
Marin County Sheriff	Robert Doyle
Town of Ross	Tom Gaffney
City of Novato	Jim Berg
Tiburon Fire Protection District	Richard Pearce

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Operations Officer	Craig Tackabery
Special Project Manager	Dave Jeffries

Guests Present:

Maher Accountancy	John Maher
Marin County Public Works Director	Raul Rojas

A. Minutes of September 10, 2014 Finance Committee Meeting

M/S/P Pearce/Gaffney to approve the minutes from September 10, 2014 Finance Committee Meeting as presented.

AYES: ALL
NAYS: NONE
Motion carried.

B. FY13-14 Draft Audited Financials Statements and Auditors' Report – Maher Accountancy

Maher presented highlights from the submittals noting Management's responsibility for the preparation of MERA's Financial Statements and that there were only a few adjustments this year. Page 3 cites MERA's net position decreasing by \$1,744,000 during the year due

to faster depreciation of capital assets based on changed assumptions of useful life until 2018. Gaffney said the System's Towers have the longest useful life, but recognized they do not represent much money over 20 years. Pearce acknowledged that we knew expediting System depreciation would affect us negatively. Maher said, in essence, assets are depreciating faster than debt is being paid down.

Maher said budgetary comparisons on Page 3 denote positive fund variances. Page 24 provides additional detail on Replacement Fund activity where we budgeted to spend more but didn't. He called attention to the increase in expenses associated with public education and outreach, cited on Page 5. After some discussion of Page 6, "The Future of the Authority," it was agreed to add "If the measure is not successful, an alternative funding plan will be developed".

Maher reviewed Page 7 noting the \$14M in remaining Authority debt and \$11.5 in assets. Page 8 is the Operating Recap. He also recommended removal of an obsolete accounting standard reference from the Summary of Significant Accounting Policies that he had identified.

M/S/P Gaffney/Berg to recommend Executive Board recommendation of Governing Board acceptance of the FY13-14 Draft Audited Financial Statements and Auditors' Report with the addition of the sentence to "Future of the Authority" and deletion of the obsolete accounting reference in "Summary of Significant Accounting Policies".

AYES: ALL

NAYS: NONE

ABSTENTIONS: NONE

Motion carried.

C. Discussion of Recommendations to Executive and Governing Boards –
Next Gen System Implementation

- 1) Initial Project Implementation Schedule, Cash Flow, Bond Financing Plan and Member Apportionment Formula
 - a) Implementation Schedule
 - b) FY2014/15 Next Generation System Project Cash Flow Needs Forecast (Tackabery)
 - c) Bond Financing Plan
 - d) Member Apportionment Formula
- 2) Policy for Gen III Replacement Reserve

- 3) System Upgrade Agreement (SUA) for Gen II System
- 4) Appointment of New Standing Committee for Project Oversight
- 5) Review of MERA Contract Staffing for Next Gen Project by Executive Officer Work Plan Committee
- 6) Contract and Budget for RFP Development and Other Initial Next Gen Project Services
- 7) Development of Policy Regarding New Members and Non-Member and Mutual-Aid MERA System Users

Committee Members briefly discussed the status of the vote count for Measure A. It was agreed MERA had done its best to inform the public about what we do and the need for the Next Gen System.

Hymel began the discussion of the Plan B Financing for Next Gen System implementation using member agency contributions. Since we are in the middle of the fiscal year, how do we keep the Project going without disrupting member budgets? Project cash flow needs for the rest of FY14-15 must be addressed. Gaffney said a combination of pay as you go and some debt may be needed. He recommended as little borrowing as possible plus refunding the 2007 New Project Note by wrapping it around existing bonds. Pay as you go would be ideal. Cassingham summarized estimated Reserves Balances as of 6-30-15: Fund 32 is \$163,000, Fund 36 is \$460,000 and Fund 70037 is \$505,000 for a total of \$1.1M. She said Tackabery estimated \$300,000 is needed in this fiscal year to mobilize the Project. In response to Berg, Tackabery said this would cover frequency coordination, environmental compliance, legal, planning, permitting, staffing and contingency. Gaffney asked how much it would cost to get us to vendor selection. Tackabery said this amount has not been estimated. Rojas said the plan is to issue an RFP to identify a consultant by December or January to work with the vendor RFP. The RFP is under development. Hymel, in response to Berg, said staff has been asked by the Governing Board to be prepared to proceed with the Project after the election. Tackabery said we have an RFP for the Project to work from 4 years ago that can be updated. Gaffney said we need to fund Phase I of the Project in this fiscal year and fund Phase II the following year at an unknown cost.

Pearce said we need to follow the proper steps in all we do and learn from Gen I experiences. Hymel said whether the Measure passes or not, we need to follow the same steps such as funding the startup costs and next phases. Gaffney said with the parcel tax, ideally we would not need to sell bonds until the second year.

Hymel clarified without the tax, we would need \$3.6M from members starting FY15-16 for 20 years. He added that we had discussed Plan B which would fund initial costs with Reserves through June 30, finance with interest only initially to lessen members burden and finance with principle and interest thereafter. This would still represent an 80% increase in

member costs in FY15-16. The Committee needs to present a fiscal plan to the Governing Board in December for the rest of this fiscal year and to help them begin planning for their costs starting in FY15-16.

Jeffries said based on the Consultant RFP timeline, it sounds like the development of the vendor RFP will be pushed out beyond March which was our initial timeline for it. Gaffney said, beyond reserves, we could do a 5-year bank loan to produce cash flow for the next phases. Hymel responded that Members need to be brought into the financing in FY15-16 given current favorable interest rates, to generate an additional \$3.6M annually for the Project. Pearce said we might consider restructuring Project costs to pay for the radios later or have each agency be responsible for their own radios and have MERA finance the backbone. Berg and Gaffney said what was appealing to the Members about the Project is that it would include their radio costs. Jeffries added that MERA issuing radios moves away from the potential of sharing radios which could lead to over-usage. Pearce said the AECOM timeline should be updated and followed since we have been citing it.

Rojas said the vendor selection timeline would only have been achievable by starting the vendor RFP sooner. Jeffries noted, Bill Romsburg wrote the original system RFP to guide us through the vendor selection process. Rojas said bringing aboard a vendor RFP consultant during the Holidays in hopes of issuing a vendor RFP in March is an unlikely expectation which he wanted to clarify. Hymel said DPW should clarify Project milestones for the Executive and Governing Boards by updating the AECOM implementation schedule. He added that Tackabery and Gaffney needed to confirm cash flow through this fiscal year. Pearce said this needs to be accurate. Rojas asked for a clear schedule to issue the RFP. Hymel clarified that Governing Board action on December 10 would set the schedule going forward.

Berg confirmed the Committee agreed we need a consultant's expertise to draft the vendor RFP. Jeffries said Romsburg is working with the County now on the CAD project and he knows us, as does AECOM. Tackabery also suggested Federal Engineering that developed the last vendor RFP. Rojas said while it was good to consider past resources, it was good to consider others.

Hymel summarized the Committee's goals to use Reserves to fund Project cash flow in this fiscal year, the start date based on Governing Board approval, and that Plan B would be implemented in FY15-16, preceded by sharing each Member's costs ahead of the fiscal year. He asked if the Committee would consider Project funding modifications like excluding radios which would allow Members to plan ahead to fund their own radios. Berg said Members would need to know their agency costs. This would allow them to seek funding for radios through local measures while keeping them on the System. Gaffney said this is not how we envisioned the Project with varying ways of dealing with its costs. Jeffries said this may open discussion of the Lando Formula which was a compromise years ago. Cassingham added, per the JPA Agreement, this Formula applies to the original backbone and operating costs and would need to be clarified by Governing Board action

that it would apply to Next Gen System cost apportionment. Hymel said focusing on Plan B should be the focus and adding discussion of the Formula would add huge complexity. Gaffney said we need to be clear when we need to sign a contract with a vendor because we will need a bond issue in place to pay for it. Hymel said it is clear we would not award the vendor contract in this fiscal year. If this occurs in Fall 2015, we must have Member support to finance bonds. Cassingham said the Governing Board would have to authorize proceeding with developing the Plan B Financing Plan in December. Jeffries said the Governing Board would also have to authorize the Executive Board to proceed with the Consulting Services RFP for vendor RFP development.

Cassingham said a change in Bylaws is proposed to provide for regular monthly Governing Board meetings to advance Next Gen System implementation as approvals are needed. Hymel clarified that the Governing Board in December would be presented with Plan B absent the Parcel Tax, asked to approve an RFP for consultant services to develop a vendor RFP funded by Reserves, request Members to consult with their respective Boards about approving public financing pledge resolutions by May 2015 to pay for Next Gen Project funding beginning in FY15-16 and awarding a vendor contract by end of Summer 2015. Jeffries said all 25 pledge resolutions to cover debt service for the next 20 years would be needed before vendor selection. Rojas said the consultant would be an industry expert familiar with the vendors and able to fine tune the current Project cost estimate.

Gaffney said we will need Bond Counsel to advise us on the Member agency documentation to commit to their share of the public financing. Cassingham said this would include acceptance of the property tax intercept included with the original bonds. Hymel said we will need to represent the estimated individual Member agencies' share of the \$3.6M annual cost. Pearce, in response to Jeffries, said the additional sites must remain part of the Project as represented to the members over the last two years. He recognized that the 4 recommended sites will cost \$2M-\$4M per site but were critical to improved system coverage.

Gaffney clarified that bonds are typically sold on the day the vendor contract is awarded. He supported building in refunding of current Debt Service and Note. Hymel clarified with Gaffney his volunteer Financial Advisor status and his past assistance facilitating underwriter selection. Berg said we may need to revisit the Project budget as a way of reducing costs. Pearce said we should revisit radio costs before additional sites due to longstanding coverage issues. Gaffney responded that if we cut the Project budget due to Plan B, this could stop Member support of the Project. We should stick with the scope as approved. Tackabery added that any re-scoping could delay the Project by at least a year. He also said Nancy Whelan at Marin County Transit should be updated on all this as she is new to the Project.

It was agreed that a Gen III Replacement Reserve without a parcel tax not be considered, that the current Project Oversight Committee be continued with a revised scope to oversee Next Gen System implementation, that the SUA be included as an option in the vendor

RFP and the need for additional contract MERA staffing for Next Gen and development of related costs.

Rojas asked for clarification about additional MERA staffing since the consultant would serve as the Project's subject-matter expert through the selection, initial design and implementation phases. He said DPW staff would provide the interface between MERA Staff and the Consultant. Cassingham said she would develop scopes of work and costs for MERA staff interface with the Project.

Pearce suggested adding younger members to the new POC. Hymel added that current members be contacted about their interest in continuing. Those with technical expertise should be considered. Cassingham suggested the Governing Board be asked to appoint. Hymel suggested the policy on new members, nonmember users and mutual-aid users be postponed.

Hymel summarized that, absent the parcel tax, Plan B which was presented to the members along with the Project scope and cost, should now be presented to the Governing Board in December for approval along with the other agenda items as discussed.

D. Other Information Items

None.

E. Open Time for Items Not on Agenda

None.

F. Adjournment

The meeting was adjourned at 4:53 p.m.

Respectfully submitted by,

Maureen Cassingham
MERA Executive Officer and Secretary