

MARIN EMERGENCY RADIO AUTHORITY

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MEMORANDUM

DATE: November 12, 2009

TO: MERA Executive Committee

FROM: Maureen Cassingham, Executive Officer

SUBJECT: AGENDA ITEM D-1: REPORT AND RECOMMENDATIONS FROM FINANCE COMMITTEE ON REFUNDING 1999 BONDS AND RETIREMENT OF 2007 PROJECT NOTE, USE OF REFUNDING PROCEEDS AND ADDITIONAL BORROWING

Recommended Action: Upon the recommendation of the Finance Committee, recommend Board approval of refunding the 1999 MERA Bonds and retirement of 2007 Project Note, use of refunding proceeds to reduce member agency debt service and/or use for capital project costs and consider findings of MERA Subcommittee and recommendation(s) to Executive Committee on December 9, 2009 regarding additional borrowing for capital projects.

Background: In mid-2008, MERA Finance Committee member Tom Gaffney and I discussed the refunding of the 1999 Bonds in hopes of producing interest savings for our member agencies. From those conversations, Mr. Gaffney prepared a refunding analysis dated July 15, 2008, which was presented to the Executive Committee on October 2, 2008. The Committee concurred with the analysis and agreed to revisit the matter around the Bonds' first call on August 15, 2009. This project was cited in MERA's 2008 Annual Report as an important goal for 2009.

Mr. Gaffney and I have touched bases on this matter since mid-2009. On October 2, 2009, County Treasurer Smith contacted me about refunding MERA 1999 Bonds and I advised him that we had been monitoring the timing for same. He also suggested that MERA engage Wedbush to provide underwriting services for the refunding. On October 8 and October 12, with Mr. Gaffney's assistance, the RFP for underwriting services was publicly issued and distributed to the Finance Committee respectively as the first steps in proceeding with refunding the 1999 Bonds including an advance refunding of the Citizens Bank note (see attached). The timing of the RFP was intended to coincide with Executive Committee and Board consideration of refunding at their November and December 2009 meetings. The RFP was sent to three top-rated firms including Wedbush, Stone & Youngberg and Morgan Stanley. Two proposals were received on October 14 with Morgan Stanley declining to respond. Stone & Youngberg submitted the strongest proposal at lesser cost (see attached Summary of Proposals). The MERA Finance Committee was notified of the selection of Stone & Youngberg on October 19. Underwriting services, along with bond counsel and

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disclosure counsel, will be provided to MERA on a fully contingent basis with fees payable at closing.

Since the selection of Stone & Youngberg, Wedbush has communicated frustration and disappointment with MERA's use of a competitive process versus giving their firm the deal because their representative worked on the original bond sale. Wedbush called on October 19, 2009, with a revised bid, cutting their fees by \$20,000 to underbid Stone & Youngberg after the October 14 deadline for proposals. Wedbush was advised that the outcome of the competitive process would remain unchanged.

On November 2, I scheduled an organizational conference call between Mr. Gaffney, Jeff Stava as Bond Counsel, Sean Tierney as Disclosure Counsel and the Stone & Youngberg underwriting team headed by Scott Sollers. Several matters, including the estimated amount of refunding proceeds, status of advanced refunding of the 2007 Project Note, amount of possible additional borrowing, need for amending the MERA JPA and Operating Agreements to facilitate refunding, refunding timing, etc. were discussed. A second conference call was scheduled for November 6 to convey input from the MERA Finance Committee and review the legal analyses of Board actions on the refunding.

The MERA Finance Committee was briefed November 4 on the refunding process and the possibility of additional borrowing for MERA's participation in the proposed County Emergency Operations Facility, various coverage projects and major components or system replacement. The Committee was advised that under current market conditions refunding could generate \$1.3M in interest savings over the life of the bonds or \$150,000 per year.

They have recommended that the Executive Committee consider the following recommendations to the MERA Board on December 9:

- 1) Proceed with refunding the 1999 Bonds over the same term with same member debt service to achieve savings for member contribution reductions and/or capital projects.
- 2) Retire the 2007 Project Note with Citizens Business Bank from refunding proceeds if possible, thus creating one instrument of debt or negotiate with the Bank to see if they will allow the Note to be refunded prior to the first call date of August 15, 2011.

The Finance Committee also recommended that the Executive Committee appoint a MERA Subcommittee to meet with County Staff to develop detailed costs and options for MERA's participation in the proposed County Emergency Operations Facility which could result in additional borrowing. The Subcommittee would report back to the Executive Committee at a special meeting on December 9, 2009, preceding the regular Board meeting that same day, which would permit presentation of its recommendations to the Board.

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ATTACHMENTS: Request for Proposal for Underwriter Refunding Revenue Bonds and
2007 Project Note – Approximately \$22 Million –
Marin Emergency Radio Authority Public Safety and Emergency
Radio System – October 8, 2009
Marin Emergency Radio Authority Summary of Underwriter Proposals –
October 15, 2009
Summary of 1999 Bond Savings, Including 2007 Project Note