

MARIN EMERGENCY RADIO AUTHORITY

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F.C. 12/4/13 Agenda Item B

MERA Finance Committee Minutes of October 28, 2013 Meeting

Draft: 11/21/13

A. Call to Order

The meeting was called to order by Chair Hymel at 4:03 p.m. on October 28, 2013 in Conference Room 315 at the Marin Civic Center. Hymel reordered the presentation of Item H to be addressed first. The meeting minutes will be presented in the order listed on the agenda.

Committee Members Present:

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

Committee Members Absent:

Marin Transit	David Rzepinski
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Staff Present:

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

B. Revised Minutes from July 17, 2013, Finance Committee Meeting

M/S/P Berg/Gaffney to approve the minutes from May 15, 2013, Finance Committee Meeting with a revision to Page 2, Item E, Line 4, based on Berg's request for clarification, to read including "consideration of a bond reserve fund, capitalized interest and issuance costs."

AYES: ALL
NAYS: NONE
Motion carried.

C. Overview of Outreach Presentations – Jeffries

C-1 Round One Presentations
C-2 Round Two Presentations

Jeffries recapped the 22 Round One presentations updated from the POC meeting, noting questions that have come up consistently and some that are too premature to address at this point. He

particularly noted Funding Issues No. 31 regarding a County funded system. The unaddressed questions will be answered in Round Two. He will provide Gaffney a copy of the Presenters' Manual Q & A for input.

Jeffries summarized his report on Round Two and posed three questions to the Committee from the Project Oversight Committee. The Finance Committee confirmed the Parcel Tax Study details as discussed by them on July 24, which includes the number of parcels of each type, the proposed tax mechanism and consideration of an exemption for income qualifying senior homeowners. Hymel confirmed with Cassingham that MERA's General Counsel would include the possible exemption in legal counsel review of the mechanism. He also suggested the possibility of charging seniors the same tax as other parcels and providing a rebate.

Jeffries requested Committee confirmation of the bond timeline including when bonds would be sold and when proceeds would be available. Gaffney said a post-election validation of the successful measure would take about three months followed by system design. He said bonds could be sold as early as March 2015. The extent of bonds sold could be based on project cash flow. Gaffney confirmed this does not go into the ballot language. The first property tax collections would be December 2015 and April 2016. Berg said bond sale could be postponed with cash flow from the reimbursement of Replacement Fund expenditures and monies from the parcel tax. Taxes could be collected and used for project costs, postponing the number of bond issued and interest paid.

Gaffney recommended competitive sale of the bonds based on the County's strong credit rating. Hymel reiterated that the bonds could be sold in segments. Gaffney said we could also consider a \$10M line of credit at 20 basis points and we would only pay the 20 basis points. He agreed to review Jeffries' updated slide presentation regarding the financing timeline.

Jeffries requested Committee input on revisiting MERA operating and maintenance costs distribution. Hymel said our first priority is a successful ballot measure for capital costs to substantially reduce the member cost burden. If successful, MERA should seek new members to expand membership base or identify other resources to help shoulder member operating costs. Gaffney suggested adding sanitary and water districts, like the North County Water District which might be like current members such as MMWD. Hymel said if the measure is not successful, we may have to revisit the Lando Formula.

D. Update on Grant Writing Services – Tackabery

Tackabery said DPW continues to monitor the T-band auction proceeds opportunities as a substantial source of external funding for the Next Gen Project. There is no progress at this time at the FCC. They have reviewed all other sources including AFG, COPS and Interoperability Communications grants. Nelson has contacted many agencies for grant writing sources and one vendor has been successful in getting \$7M for Santa Clara in COPS grants and other small grants in the \$300K to \$500K range. Berg said this research will document MERA's efforts in seeking external funding but there are no grants to fund the whole system. Tackabery said a grant writing services proposal is under development for writing two grants, at a cost of \$35,000. He noted NFPD Director Kaselionis, through President Pearce, has urged the use of grants to fund the Next

Gen Project. To assist with a grants initiative, Tackabery recommended forming a Police, Fire and Public Works Grants Committee along with submitting this proposal for grant writing services to the Executive Board on November 13. Undersheriff Ridgeway is working to identify the next COPS grant cycle.

E. Update on AECOM System Design Report – Tackabery

Tackabery reported that the Executive Board Subcommittee of Pearce, Berg and him recommended against spending \$92,000 on updating the AECOM Report. He noted that the Next Gen Project budget has been updated and increased based on information received from the EOF Project microwave bids and East Bay Project construction bids. Contingency has been reduced from 25% to 15.3%. He will provide Gaffney and Jeffries a copy of the latest detailed project cost roll-up.

F. County Counsel Opinion – NBS Parcel Tax Mechanism – Hymel

Hymel summarized the earlier meeting today between County Counsel, MERA General Counsel, NBS Gaffney, staff and himself on tax uniformity issues around the proposed parcel tax. County Counsel reviewed Government Code Sections regarding parcel tax support for police and fire services that allows for differentiation of parcels. A validation process was discussed with Bond Counsel as standard procedure before issuance of bonds. Gaffney explained a validation, noting that the financing process timeline will include any Counsel recommended steps. Hymel added that Counsels will clarify issuing parties, non-police/fire project use and other financing options and report back. Hymel said County would likely stay the issuer using the proposed mechanism with a validation.

G. Update on Next Generation System Budget and Operating Costs – Tackabery and Cassingham

The Committee members reviewed the draft spreadsheets for Next Gen O&M costs which were prepared by Tackabery and Cassingham. Cassingham provided totals and notes to explain her costs. System Upgrade Agreement costs, wherein the vendor periodically replaces equipment and software, are to be placed below the line from Operating Costs. System Analysis is a Replacement Fund cost. Tackabery included a 2-year current and new system overlap. Berg inquired about why O&M costs don't drop thereafter. Gaffney requested adding bond and project note costs below the line along with totals. Hymel suggested simplifying the presentations and showing the use of the bond reserve for the final bond payment which affects the two-year overlap of O&M. Gaffney suggested rounding all the numbers for easier review, using estimated vs proposed column headers and putting all the information with sub-totals and totals all on one page for re-presentation to the Committee.

For example sake, Cassingham presented draft O&M costs for Novato. Hymel noted O&M will be higher with 4 additional sites plus the EOF. Tackabery confirmed the EOF is built into the capital costs. Berg asked if an SUA reduced DPW maintenance costs. Hymel said the SUA is like a replacement fund and should not be placed in Operating.

H. FY12-13 Draft Audited Financial Statements and Auditor's Report – Maher Accountancy

Maher stated the Audit Opinion was presented without exception. He touched on Page 3 Financial Highlights and depreciation and debt service which is mostly debt principle as noted on Page 4. Budget to Actual details are broken out later in the Draft. He noted capital assets depreciation resulted in a net reduction of capital assets. Maher said investment income was stable. He reviewed Page 7 Statement of Net Position as of 6-30-13, where there are no surprises. Page 8 Operating Statement reflects an accrual basis. MERA has been treated as a proprietary fund since inception. Cash flows on Page 9 reflect that debt doesn't flow through MERA but through the Fiscal Agent. Notes to the Statements are standard.

Maher cited Page 15 as an overview of equipment changes where little was added. Pages 16 and 17 show changes in debt for bonds and the Note Payable through maturity and there will be a note explaining this. Page 21 compares fund by fund budgets to actuals. He noted changes to capital budgets should be done officially before the changes versus retroactively. Finally, he identified two issues for Committee direction. One is minor and involves early compliance with GASB Accounting Standard 65 associated with the cost of issuing current debt to be addressed as a prior period adjustment now versus next year. This would be a book entry, not cash, and reflected on Page 7. The figure of \$328,747 would be removed from the Balance Sheet. Hymel and Committee members agreed this is the right thing to do now.

M/S/P Gaffney/Pearce to make the GASB Accounting Standard 65 adjustment one year early in the FY12-13 Audit.

AYES: All
NAYS: None
Motion carried.

Maher presented the second issue which is review of assets that are impaired. This addresses whether the existing system is unable to serve in its original capacity, and if so, how much longer it can do it, and whether depreciation should be accelerated. He said depreciation started in 2005. Gaffney said we should still depreciate towers since we will continue to use them with the Next Gen System, with maybe a life of 40-50 years. He further noted that without the existing towers, the replacement system might cost \$50M-\$60M vs. \$40M. Maher said extending the tower life could be done earlier versus later, noting his summary information does not call up the cost of the towers per se. He would want to reschedule assets from net on a class-by-class basis and it would be better to do this now.

Hymel said it was worth looking at changing the tower value prospectively. Maher said if the towers were structurally able to stay in service, we should focus on them. Tackabery offered to assist with MERA tower information and industry standards. Hymel said there is value to showing extended useful tower life given the planning for the replacement system. Maher said towers should be identified to see how long their life should be extended, which is an engineering question. Pearce agreed with pursuing this. Gaffney said this will underscore the useful life of towers as 40 years which we will be using with the new system. The Committee, by consensus,

directed depreciation of the towers as discussed with information from DPW to determine whether life can be extended in the Draft Audit.

I. Report on Proposed Investment of 2010 Refunding Bonds Reserve – Cassingham

Cassingham summarized her staff report and her follow-up information on the upcoming reinvestment of the Bond Reserve and possible options identified by BONY's Capital Markets Group. The Committee recommended authorizing Gaffney and Cassingham to select the best yielding investment that complies with MERA's Investment Policy from the options presented when the current investment nears maturity.

J. Other Information Items

Tackabery said he and MCOE Assistant Superintendent McCann were meeting this Wednesday to identify school radio communications options with MERA. Jeffries inquired if he needed to attend and was advised DPW will handle. Gaffney confirmed an option was to have the Schools become a MERA member. Tackabery said DPW maintains MCOE's current communications network which is aging and obsolete and its replacement may be another option.

K. Open Time for Items Not on Agenda

None.

L. Adjournment

The meeting was adjourned at 5:54 p.m.

Submitted By:

Maureen Cassingham
Executive Officer