

MARIN EMERGENCY RADIO AUTHORITY

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Draft: 11-17-11

MERA Finance Committee **Minutes of October 17, 2011 Meeting**

A. Call to Order

The meeting was called to order by Chair Hymel at 4:04 p.m. on October 17, 2011 in Conference Room 315 at the Marin Civic Center.

Committee Members Present:

City of Belvedere
County of Marin
Marin County Transit District
Town of Ross

George Rodericks
Matthew Hymel
David Rzepinski
Tom Gaffney

Staff Present:

MERA Executive Officer
MERA Operations Officer
Communications Engineer
Communications Services Manager

Maureen Cassingham
Craig Tackabery
Richard Chuck
Shelly Nelson

Guests:

Motorola Solutions, Inc.

Paul Punske

B. Minutes from May 25, 2011 Finance Committee Meeting

M/S/P Rodericks/Rzepinski to approve the minutes from May 25, 2011 Finance Committee as presented.

AYES: ALL
NAYS: NONE
Motion carried.

C. Draft FY10-11 Financial Statements and Auditors' Report

- MERA Reserve Funds (70032 and 70036) Summary of Expenditures – FY10-11

Cassingham noted several matters for the Committee's attention including paragraph four on page two of the Auditors' letter to the Board. The Auditor wants MERA to prepare budgets for the funds other than the Operating Fund. She noted she had prepared summary reports on MERA Reserve Funds expenditures for FY10-11 for New Project Financing (70032) and

Replacement (70036) in response to this comment and for future submission to the Auditor at year-ending. These funds had significant activity during the fiscal year, which generated this comment. She said the source of revenues for these funds are known, however it is difficult to anticipate the various types of project expenditures that may be charged to them. She said the Auditor has seen these reports and finds them acceptable if a Board resolution is in place to approve the use of approved allocations for projects as they come along.

The other matter she identified is on page ten of the Auditor under "Capital Assets," which notes that management determined it expects to depreciate the existing system by June 30, 2021, to coincide with the retirement of the Bonds. Cassingham asked for Committee input on this schedule. She said Mansourian had noted previously that certain equipment had begun to fail which suggested an earlier timeline for depreciation of certain categories of equipment. Hymel said depreciation should reflect the useful life of the System and term of the Bonds may not reflect that. He noted that some types of equipment may need to be replaced earlier. Gaffney said, for example, the towers may have a useful life well beyond the Bonds. He suggested assessing useful life based on categories of equipment like radios, towers, etc., not to exceed five or six categories. Nelson noted that 2009 is the life of the original MERA radios. Chuck said the System backbone equipment, which represents about \$11M of the System value, would be one category while towers, shelters, mobiles and portables would be other categories. Mobiles and portables have a 7-10 year life.

Hymel suggested creating these general categories for depreciation purposes and assigning them useful lives and values. Cassingham said she would need timely assistance from DPW to generate this information for the Auditor. Rzepinski said a breakdown of individual components or this level of detail is not needed for audit purposes and he asked Cassingham to check on this. Gaffney supported using useful life for depreciation. He asked if frequencies were depreciated which Cassingham verified they were. Nelson noted these are 10-year renewable licenses from the FCC. Cassingham and Gaffney confirmed that they are classified as assets by the Board policy and accounting procedures. Hymel said there needs to be a balance between simplicity and accuracy when dealing with depreciation and that useful life is more accurate. Using the life of the Bonds may suggest that the System will not be in use after that time. He said page 14 of the audit refers to Capital Assets and clarified that this is being done in this fiscal year according to the life of the Bonds. Gaffney supported returning to depreciation based on useful life. Cassingham confirmed for Rzepinski that the Auditor had not expressed concern over useful life as past practice but was looking for direction on depreciation at this point. Chuck noted that land values listed as Capital Assets are a small part of the total.

Cassingham said that the year-ending balance in the Operating Fund of \$210,000+ can be transferred to the Replacement Fund upon Board acceptance of the Audit in December. The Emergency Fund balance will continue at the Board-established minimum of \$500,000 plus interest earned. Gaffney reviewed with Cassingham the available fund balances, which total \$1.9M+ from the Replacement, New Project Financing and Emergency Funds. Hymel confirmed that, other than the two matters discussed, there were no other issues associated with the Audit.

M/S/P Gaffney/Rzepinski to recommend to the Executive Committee that the Board accept the FY10-11 Financial Statements and Auditors' Report as presented but using useful life for equipment depreciation purposes.

AYES: ALL
NAYS: NONE
Motion carried.

D. Update on Fee Schedule for Non-Member Uses of MERA System and Additional Radios Policy

Cassingham said this is an update of these items which came before the Committee at its last meeting. Based on the Committee's recommendation to the Executive Committee of a zero-based fee schedule for public users and further review of private non-member users, the Executive Committee appointed a Subcommittee to assist her with the review. Sheriff Doyle, Chief Pearce and City Manager Rock will meet with Cassingham on October 18 to develop recommendations for Executive Committee consideration on November 9. The Additional Radios Policy, which reflects the DPW team's input and was shared thereafter informationally with the Finance Committee, was referred without revisions by the Executive Committee on September 14 for Board approval on December 14.

E. Presentation of BayWEB Broadband Data Project – County DPW

Operations Officer Tackabery introduced BayWEB as a fast-moving new project which reflects the Federal Government's identification of broadband communications needs along with the opportunity of grant funding to address them. He asked Nelson to present a PowerPoint and video on the BayWEB Project. Nelson noted that this was a building-block presentation and provided hard copies of the presentation plus other materials entitled "BayWEB (Bay Area Wireless Enhanced Broadband) Creating Public Access, Connecting Public Safety". Project goals are to provide 100% interoperability with MERA and connectivity to all MERA consoles and/or radios. This also includes local and State VHF and UHF frequencies and robust overlays and low-band channels for emergency communications with all mutual aid agencies.

Nelson said MERA has joined the North Bay Regional Interoperability Communications System (BayRICS) through Marin County to ensure the UASI counties are all working together towards interoperability. BayRICS, a joint powers authority, will provide direct connectivity to MERA consoles and radios via interop channels. Earlier this year, MERA's Executive Committee approved the County's grant application to fund a 700 MHz conventional-only system. The project should be done by April 2012. The BayWEB Project is the broadband data interoperability component of BayRICS. There is \$72M NTIA Federal grant funding for it, including \$22M from Motorola for equipment and services. The project, which has been in the works for 12 months, will provide support for the deployment of broadband public safety and public access wireless broadband networks for a 700 MHz System for 10 counties in the Bay Area. Motorola is the selected provider with a three-year buildout via a BOOM (build, own, operate and maintain) Agreement with BayRICS. The BOOM Agreement covers public safety LTE and affordable, reliable public broadband access networks requiring 193 sites, all of which are existing and installation-ready for development of these two separate systems serving 12,000 users. 23 sites are required in Marin, of

which 16 have been identified and 10 belong to MERA (Big Rock Ridge, San Pedro Ridge, Mt. Tam, Mt. Burdell, Pt. Reyes, Stewart Point, Mt. Barnabe, Dollar Hill and Forbes Hill), and six others belong to fire agencies. Equipment required for the project includes monopoles, antennas and microwave dishes. MERA would need to negotiate leases at these sites to permit installation of this equipment. Any net revenue from these sites would go back to BayRICS during the grant period and it would make policy decisions on the use of these funds, including technical upgrades. The system could revert to BayRICS after 10 years. Participating entity benefits include a 700 MHz mobile data system dedicated to public safety, estimated cost reduction over current plans of \$1M/month for all 10 county users, coverage to less populated areas with 23 Marin sites and high-priority maintenance from Motorola.

Nelson said potential concerns about the project include the uncertainty of monthly costs, ownership/maintenance responsibility after 10 years, cost of technological upgrades, site costs, limited bandwidth and potentially less coverage than currently provided. She also cited costs to participants as site leases, electrical power, new vehicle modems and installation costs and application interface costs. MERA's policy issues include whether it should, on behalf of its members, join BayRICS at an estimated cost of \$25,000 and how it would collect member contributions for this expense.

Nelson summarized the project next steps including completion of review and conceptual design of the 16 proposed sites by Motorola, development of a phasing strategy for the 7 additional sites, completion of the site leasing requirements and by whom, completion of site improvements, environmental requirements, permitting and site development.

Rodericks asked about voice speakers over internet protocol and broadband. Nelson said this cannot be used with mission-critical communications at this point. Hymel confirmed that the County has joined BayRICS but not committed any sites. Nelson said Motorola needs to know which sites are in and which are not. Nelson said the County has been reaching out to Police and Fire through OES on this project to confirm support and participation. Hymel confirmed this project will not benefit MERA's next gen system cost-wise, as it is data only. Nelson said future technological changes may result in VOIP being the primary communications technology.

Rodericks said he is aware of public backbones with commercial sides to them and asked if this was something similar. If Motorola would hand-off the system after 10 years, in what condition would it be at that point? Nelson said Motorola would be required to provide system upgrades along the way so that it would be cutting-edge, if and when handed back. Rzepinski and Gaffney inquired as to what Motorola will get out of this. Gaffney also noted all the cost uncertainties to MERA at this time. Hymel requested clarification on what is being asked of MERA. Are MERA's sites being requested to install the BayWEB and are there reasons not to do this. He doesn't oppose a public partnership that provides access to MERA sites for public safety provided there are no costs.

Gaffney recalled that some of MERA's leases may not permit private use. Cassingham clarified this is the case plus some do not permit sub-leasing. Hymel clarified site viability as from a space standpoint, not from a leasing standpoint. Gaffney said the 10 leases only give MERA the right to lease and 23 sites are needed for the project. Nelson asked if MERA, for the public-safety good, would be willing to increase site lease costs to take this equipment on. Hymel confirmed that

BayRICS will not pay for additional site costs and are looking for government agencies to pay. Nelson said the equipment would be housed separately from MERA's on-site equipment. Gaffney asked who pays for this. Nelson said Motorola will pay for the equipment. Rzepinski said BayRICS may be assuming that public agencies own the sites needed for the project. However, MERA could incur the cost of having the equipment on the sites it leases if we are interested in participating in the project. Chuck said the BayWEB project would expect MERA to pick up any site lease increases if incurred due to adding project equipment. Cassingham said it is possible, in this economic climate, for lessors to significantly increase MERA's site rents if approached about more equipment on the sites. Hymel said he thought BayWEB was looking for MERA's assistance to help them find sites, not for us to pay for them. Chuck said the project needs installation-ready sites where equipment can be dropped in and they can walk away. Nelson said the BOOM agreement is causing the project to move very fast. Completion timeline is 3 years and we are 1.5 years into the project. Hymel asked if there is a staff recommendation. Tackabery said this opportunity has a very narrow window and that all the questions raised have merit. Rzepinski said Marin Transit has been able to migrate over to MDTs and they are using data a lot but not completely. He asked if there is a possibility of other MERA users minimizing their voice needs by migrating more over to the data side. Chuck said MERA members all have a data system now.

Nelson said BayRICS needs a use agreement by November 16 and asked if MERA is interested in this initiative or do you want someone else to do the leases. Gaffney asked what are we getting and how much will it cost. If 23 sites are needed and 16 have been identified, the project needs 7 more sites to operate. Nelson clarified that "identified" means that they be viable, both in size and availability. Rzepinski said that a portion would be satisfied with MERA's willingness to go along with its 10 sites. Cassingham said the lessors must be willing to renegotiate what are currently very favorable leases for MERA.

Hymel asked if BayRICS could negotiate with the leaseholders for separate leases. MERA has helped to identify some of its sites as viable, which is beneficial to BayRICS, and set the stage for them to secure their leases. We are a good public-safety partner in doing so without incurring costs. Rodericks said MERA is being asked to pay for site costs, plus if we joined BayRICS, we would have to pay for those costs as well. Hymel said the County has a seat at the BayRICS table and MERA is a good partner of the County. If this gets to be a viable project, MERA can join in. There is no reason to say no at this point since there could be benefits; however, there is not enough information to commit. Gaffney noted MERA currently has some longstanding, well-priced tower site lease arrangements which it should preserve given the possible need for more sites with the replacement system.

Hymel said given DPW staff's background and familiarity with BayWEB, he would like their recommendation. He does not want to stand in the way of a public benefit; however, he does not want to see MERA provide leases on behalf of BayRICS without more information. Nelson said BayRICS will likely come to the County for the sites since other counties own their sites and would not charge themselves rent. BayRICS does not want to sign site leases. Rodericks asked if MERA was taking a risk by re-opening its leases now when we might need sites for its own new system later. The public perception could be that MERA is sprawling. Rzepinski asked for clarification about the County and MERA's role in this to assure we are not operating at cross-purposes. Hymel asked if it was worth the \$25,000 membership to see if there is a benefit to MERA in all this,

especially with regard to eligibility for grant funding by being a part of BayRICS. Gaffney said a good argument for joining would be enhanced access to grant funds which he and Hymel noted could help generate support for public financing of the replacement system. Nelson said BayRICS is more than just the BayWEB project. It is also the Bay Loop microwave system. It also ties to the UASI grant funding for the 700 MHz conventional interoperability project MERA has supported through the County's application. UASI is the funding source and BayRICS is the governance and management. Rzepinski asked why we have MERA and why the County does not take it back. Gaffney said he has no problem with the County's taking the lead. He asked if DPW was asking MERA to join BayRICS. Nelson said they were suggesting this as an option. Hymel said, the question is, are there any benefits to MERA joining. Nelson said membership would give MERA members a focused way to get involved in this project instead of members getting individually involved. Chuck said the MERA JPA might need to be revised to permit this.

Hymel asked if this was an informational presentation. Nelson said there is a November 16 deadline for site use agreements. Tackabery asked if MERA would be willing to allow its sites to be used and, if so, would you be willing to make the monthly lease payments. Hymel clarified that we do not have enough information regarding related costs to make this commitment. Gaffney said we want to be cooperative but cannot decide on the financial commitment. Cassingham said each lease would have to be reviewed for sub-lease and commercial restrictions. Tackabery summarized the discussion so far, as MERA being willing to cooperate on leasing the sites, that some agency will have to take the lead in negotiating these leases, and who will pay the lease payments. Hymel said MERA is willing to cooperate but we have not identified funds to pay for BayWEB leases. If BayRICS can do this on their own, that is one solution. If not, MERA needs more information before taking action. Cassingham cautioned that approaching private lessors to renegotiate leases in these economic times could pose a downside for MERA. Hymel asked how MERA could negotiate leases on behalf of BayRICS. Nelson said MERA would be seeking to put BayRICS equipment on their sites and the JPA would own the equipment. Gaffney stated that he thought the steps would be to decide on BayRICS membership first, which could require a JPA change and thereafter decide on how to pay for BayWEB project costs. Chuck said the environmental impacts must be reviewed given there will be 7 or more antennas on each of these sites. Nelson noted we could convey MERA's cooperation, but no funding is identified for the sites. Cassingham said, regarding Rodericks' earlier comments, she did not know how this would affect replacement system negotiations for site leases and whether there would be sufficient space left after the BayWEB installations. Rzepinski confirmed with Chuck that there is the environmental component about which we have no information. Gaffney recalled MERA spending over \$300,000 for the original towers EIR. Hymel said we also need more information about the overall viability of this project.

Tackabery said this opportunity just presented itself and suggested that DPW will monitor it and report back on what the other prospective public partners are doing. Hymel clarified with Chuck that this project would not negatively affect MERA's next gen project.

Gaffney asked if the MERA system was operational in 2003/04 and it has only been in use for 6-7 years, why the need for replacement so soon? Chuck said the equipment was purchased in 1998 and was warehoused until it went live in 2003/04, which has affected some of its useful life.

F. Other Information Items

- Status of DPW 700 MHz System Feasibility Study

Tackabery reported that DPW staff are working on the study and are about 50% complete. They are currently working on the environmental section. He asked for volunteers from the Committee to review the initial draft. Gaffney and Hymel agreed to assist.

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

None.

H. Adjournment

The meeting was adjourned at 5:32 p.m.