

MARIN EMERGENCY RADIO AUTHORITY

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DATE: February 22, 2017 (**rescheduled from February 15, 2017**)
TO: MERA Finance Committee
FROM: Maureen Cassingham, Executive Officer
SUBJECT: AGENDA ITEM **E**: Update on Retirement of 2007 Project Note

Recommended Action: Approve the Update on Retirement of the 2007 Project Note as presented, including the outlined retirement approach and schedule and recommend future collection/use options for Member Note payments to the Governing Board.

Background: On December 10, 2014, the MERA Governing Board approved 9 recommendations from the Finance Committee and Executive Board regarding Next Gen System Project Implementation, including “refunding of the 2007 New Project Note as part of the Next Gen System Financing Plan”. The \$2,250,000 Citizens Business Bank Note, which was issued to pay for capital improvements that are part of the current System, carries an interest rate of 4.43% with a term ending February 15, 2022.

As you know, implementation of the plan to use Measure A parcel taxes to pay for the police and fire service portion of the Next Gen System and MERA Reserves for non-police/fire Next Gen costs was set in motion beginning in 2015, culminating in the sale of \$33M in Special Tax Revenue Bonds in May 2016.

In late February, 2016, Sperry Capital advised that Note retirement would complicate the Parcel Tax Bond sale by including a separate small financing secured by Operating payments. Therefore, action on it was delayed due to the precedence and accelerated schedule of 2016 Bond issuance. Another delay in retiring the Note occurred with the Substitution of the Bond Trustee which was completed mid-November, 2016.

To permit cash flow to replenish and fund initial Project planning and implementation costs prior to the receipt of parcel taxes in FY15-16, MERA purchased a Surety policy in June 2015 to free-up the 2010 Bond Reserve Fund in the amount of approximately \$2M for this purpose. The approximately \$2M was transferred to the 2010 Bonds Project Fund. MERA temporarily funded its initial Project planning and implementation costs of \$954,640 (FY12-13, FY13-14 and FY14-15) before the Measure A tax passed and was collected. The freed-up Reserve proceeds were restored to the Project Fund using Measure A Parcel Taxes.

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Since MERA no longer has any projects for the current System to spend the money transferred to the 2010 Bonds Project Fund, MERA can file a Notice of Completion with the Trustee to close the 2010 Bonds Project Fund and transfer the approximately \$2,066,000 in this Fund to the 2010 Bonds Revenue Fund to pay debt service on the 2010 Bonds.

The 2010 Bonds Indenture allows the Trustee to transfer any unused funds in the 2010 Bonds Revenue Fund after payment of debt service to the Surplus Fund. The remaining balance in the Surplus Fund, after payment of Trustee costs, will be remitted to MERA after February 15, 2017, in an amount not to exceed the 2007 Note payoff payment, estimated at \$917,094. Transfer(s) from the remaining balance in the Revenue Fund after debt service and Trustee costs to the Surplus Fund can be requested by MERA.

Retirement of the Note will result in approximately \$125,040 in interest savings. A 15-day written notice to the Citizens Business Bank after February 22, 2017 of MERA's intent to pre-pay is required. It should be noted there is no pre-payment penalty and the 15-day notice may be waived by the lender.

Upon Note retirement, the Committee should review options associated with continuing the assessment of \$225,000 annual member contributions in whole or in part to be set aside for the acquisition of Next Gen non-police/fire radios estimated at \$3.215M (643 non-safety radios X \$5,000 per radio).