

DRAFT: 2/2/17
(corrected – 3/15/17)

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

Measure A Citizens Oversight Committee

Minutes of December 9, 2016 Regular Meeting

Call to Order

The meeting was called to order by Chair Herrerias at 4:02 p.m. on December 9, 2016 at the Marin Civic Center CAO Conference Room 315, San Rafael, California, 94903. The Chair reordered Agenda action Item D to be presented by Auditor Maher before the rest of the action items. The minutes, however, are presented in the order of the Noticed Agenda.

Committee Members Present:

District #2	Bill Levinson
District #3	Chuck Reite
District #5	Paul Herrerias

Committee Members Absent:

District #1	Elizabeth Greenberg
District #4	Larry Luckham ** (corrected 3/15/17)

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Deputy Executive Officer - Next Gen Project	Dave Jeffries

A. Minutes from August 17, 2016 Citizens Oversight Committee Regular Meeting

M/S/P Levinson/Reite to approve the Minutes as presented.

AYES: ALL
NAYS: NONE
ABSTENTIONS: NONE
Motion carried.

Cassingham noted there were several questions raised by the Committee at the August 17 meeting which she will address under Item F.

B. Update on Status of Next Gen System Project – (Jeffries)

Jeffries said negotiations with Motorola are continuing and summarized the timeline to date. We are close to a final proposal with the exception of Fire Station Alerting (FSA). Reference checks of 2 vendors are underway. This matter will not affect the contract schedule.

Jeffries explained this is a system that goes through the computer-aided dispatch system that sets off station response with data on what they are responding to and where. The goal is to shorten response time. Resolving which vendor is the best for Marin may take more time, but this can be inserted in the contract as a pre-planned change order with cost estimates, which will not hold up the Project because it will be implemented later in the schedule. Tower land use and environmental issues may, however, affect the Project timeline.

Jeffries said a revised Motorola proposal was received on November 23, which generated more questions and comments from MERA the week of November 28. On December 14, the Finance Committee will be asked to appoint a 2-member Ad Hoc Advisory Board to work with the Negotiating Team on pricing, Project budget for long-term Project needs and contract provisions. The contract itself has immediate and long-term cost components and cash flow considerations.

Jeffries said site construction will be separately bid per California contract law. Motorola has provided construction cost estimates as part of their proposal. MERA and County Counsels will begin their review of the contract terms and conditions. A draft contract was included in the RFP and Motorola's comments on it will also be reviewed. It is hoped a final proposal and contract can be acted on by the Governing Board in January or February. While this has taken longer than expected, coverage issues, volunteer paging and many other important matters are being addressed. The paging solution will not require any infrastructure additions, or additional costs to make it work. Only receiving

stations will be needed. This solution particularly impacts West County Fire volunteers who cannot depend on cell phones.

In response to Reite, Jeffries said this latest Motorola proposal is its first major revision since its original submittal in August. We now have a clean copy for financial and legal review. Both from financial and warranty fine-tuning sides, the System cost estimate has been considerably reduced. Reite asked about the warranty which Jeffries said is primarily for the backbone and mountain-top equipment. The System Upgrade Agreement (SUA) extends useful life beyond the warranty for years 4 through 15. Every 2 years Motorola will update System software and equipment. This could better assure extension of System life to 20 years. Portable and mobile radios and useful lives are a separate issue.

Jeffries said, based on current negotiations, we should be well within the updated Project estimate. Between the 2016 Bond proceeds and parcel tax revenues, another issuance may not be needed. Herrerias suggested consideration of negotiating a lower price for the SUA by paying for it upfront. Jeffries will pass this on to the Finance Committee. Jeffries said Motorola financing has also been proposed and will be reviewed.

C. Review of MERA Measure A Special Parcel Tax
Fiscal Year 2015/16 Annual Report – NBS

Cassingham said the Annual Report is a requirement of the Measure A Tax Ordinance to be submitted to the County's Chief Fiscal Officer for presentation to the Board of Supervisors by January 1 of each calendar year. The Report is presented to the Committee without the 2,000+ page Special Tax Roll for FY15-16. The Report presents Measure A tax collections and expenditures and is prepared by NBS. It also includes a status of the Project for FY15-16. The Committee's recommendation on this will be presented to the MERA Governing Board on December 14.

Reite asked if this Report included the 3 Assessment Codes noted by Maher. Cassingham said she will check with Maher on this since both total revenue collections were nearly the same. In response to Herrerias, Levinson said the difference may be attributable to the Codes for revenues to be checked by Maher with the Assessor's Office. He said Maher's total also included interest. Cassingham said the Report's expenditures come directly from Maher's Audited Financial Statements. Herrerias asked for an NBS letterhead and signature on the Annual Report. Cassingham said what is attached to her staff report is the financial excerpt from NBS's lengthier informational Annual Report submitted to MERA.

M/S/P Levinson/Reite to recommend Governing Board acceptance of the Measure A Special Parcel Tax Fiscal Year 2015/16 Annual Report and filing of same with the Marin County Board of Supervisors prior to January 1, 2017.

AYES: ALL
NAYS: NONE

ABSTENTIONS: NONE
Motion carried.

D. Review of Draft Measure A Special Parcel Tax FY 2015/16
Independent Compliance Audit – Maher Accountancy

Maier noted the brevity of the Report and highlighted the procedures used. There are a few highlights which include, deposits of the Measure A tax proceeds into a special fund to be solely used for the Next Gen Project and the requirement that they be assessed and spent in accordance with Measure A. He confirmed the Fund's establishment and deposit of Measure A proceeds. He noted NBS was hired by MERA to assist with implementation and he has reviewed what they have done with the tax rolls along with what the County has done.

Maier said he reviewed the County's general tax rolls using a random sample to check on billings. Using NBS's database, he recalculated the taxes for all the parcels. There were no issues with tax calculations. There were, however, several Use Codes that were reversed on floating and manufactured homes that were completed before year-ending.

Maier noted minor items on the revenue side he is still trying to tie down. There are a couple of classes of properties owned by utilities, one that the County Assessor assesses (Code 90) and one that the State assesses (Code 91). NBS had been given instructions that 91 was exempt, which he wants to verify. These are few in number representing small dollars, likely under \$10,000. Code 15, which is for common areas for homeowners' associations, don't have assessed values but should be subject to the parcel tax. This Code represents only \$452 in taxes. Given these amounts and their materiality, he would not present the Report as qualified, so we are good to go.

Maier said the expenditure side was categorized in 3 major line items, including radio system development, parcel tax administration and professional services. System development currently includes no real hard costs, other than engineering and Project management, to date. Costs reflect contract management staff and County DPW engineering staff. Engineering and Project management are hard costs for the physical Project. The note on Page 2 defines the Project in the context of the Ordinance. All the costs associated with implementation of the Next Gen Project can be paid for by the parcel tax.

Maier cited the breakdown of the preliminary Project costs on Page 2 that were incurred prior to the start of the physical project, which are all part of Project development in 2012-13, costs were incurred in planning for the Next Gen Project, educating the public, providing debt financing and more through FY15-16, which were advanced and reimbursed to MERA from the parcel tax. Maier said he and Cassingham reviewed and provided the detail for these expenditures. He has done random sampling of invoices, including recurring contract staff costs and attorney billings.

Levinson asked about the detail for the Radio Development line item of \$386,682 and whether Maher reviewed the actual invoices or work orders. Maher said for the DPW costs, there are invoices and itemization of staff hours. There are 4 invoices for Federal Engineering (FE) communications consulting services costs in the amount of four invoices for \$201,760. Levinson asked if these expenses were germane to the Next Gen Project. Maher said yes, but he does not look at every aspect of every invoice. He did review all 4 of these large FE invoices. Levinson asked what percentage of the invoices are actually reviewed by the Auditor as appropriate to the Project.

Maher tested tax expenditures at a high percentage, either by specifically looking at them or by enough repetition of the same expenditures. He sampled if the same people were working consistently on the same Project activities to have a comfort level that they were reasonable. He looked at all the large dollar amount invoices.

Levinson asked if the Audit should report the percentage of all expenditures actually reviewed. Maher said audits do not usually provide this; however, an agreed-upon procedures report could specify a number or percentage of coverage. This Audit is an opinion on examination based on professional standards in the accounting profession. Very few audits are 100% and they are very expensive. No one does this, however, he does much more review than many others in the profession do, but not 100%.

Maher said the definition of the Project is more important to have a comfort level with. The transactions themselves within the definition were very straightforward. It is unlikely of anything material getting through. Maher confirmed for Reite that more than 50% of expenditures were reviewed. Herrerias asked about his materiality factor. Maher said it was substantially under \$10,000 for this Audit.

Maher confirmed that about \$65,000 for parcel tax administration was for County collection services with the balance going to NBS for manual billings, senior exemption processing, taxpayer inquiries and more. He added that the County collection is via the Teeter Plan, which is a financing arrangement secured by tax liens. Cassingham noted that the Teeter Plan added more confidence in the bond sale, ergo a better interest rate.

Maher said legal expenses of nearly \$18,000 would likely decline going forward and financial advisory services at \$27,000 would decrease. Project hard costs will definitely increase as it is implemented. He also noted some expenses were shifted from one Fund to another with supporting documentation. Fund 70036 transactions were tested as eligible for replenishment from Fund 70038. In response to Herrerias' request for additional line item explanations, noting Fund 70036 or 70038, Maher noted the transactions in this Report are for this fiscal year and the reimbursements are for prior years.

In response to Levinson, Maher confirmed he found no exceptions or concerns on the expenditure side, but reiterated his earlier concerns on the revenue side. He said if the Committee is comfortable with recommending Governing Board acceptance of the Audit

with the immaterial revenue items previously mentioned, which may resolve with no impacts, the Report can go forward to the Board. Herrerias asked about the difference in tax income, by \$22,000, between the Audit and Annual Report. Maher said the difference is the County collections and utilities billed separately with adjustments for uncollectibles. He added that more detail can be found in the Supplemental Information in MERA's Audited Financial Statements. The slight differences are due to the modified accrual basis of accounting versus the cash basis for the Compliance Audit.

Regarding Herrerias' question on the \$288,000 capitalizable cost on the P&L's, Maher said this must be accounted for twice on the balance sheets. Herrerias asked for an income statement and balance sheet to help with understanding transfers. Maher said this can be provided next year, but is not in the scope of the cash basis reporting required by the Ordinance. This can also be done for each fund. He noted, however, there are no fixed assets in modified accrual accounting. Once expended, they are not owned by Fund 70038. The Measure A Ordinance has no control over the fixed asset once it is spent. The Ordinance only addresses parcel tax collections and expenditures.

M/S/P Levinson/Reite to recommend Governing Board acceptance of the Measure A Special Parcel Tax FY2015/16 Independent Compliance Audit as presented based on no material changes in the Final Auditor's Report.

AYES: ALL
NAYS: NONE
ABSTENTIONS: NONE
Motion carried.

Levinson noted that in his experience School District audits always included the percentage of invoices actually reviewed. Auditors not only cite the percentage, they also list which invoices. Herrerias said the materiality factor is also made known with respect to private corporation audit samplings.

E. Report on Citizens Oversight Committee Scope/Extent of Review and Liability

Cassingham said this report was responsive to Committee inquiries on scope and liability at the August 17 meeting. It reflects her input and General Counsel's analysis on the depth of the Committee's review of Measure A revenues and expenditures and extent of member liability. She said the Committee's role is advisory only to the Governing Board, which is ultimately responsible for the receipt and expenditure of the parcel tax.

MERA General Counsel confirmed that the Executive Officer has the discretion to determine the appropriate level of Committee review. Cassingham has determined, with Committee concurrence, that detailed P&L Reports on revenues and expenditures backed by presentation of hard copy invoices was sufficient. Levinson appreciated the Report. He would still like the percentage of items actually reviewed included in the Compliance

Audit. Herrerias added his thanks for this as the Committee continues to understand its role.

Reite concluded that the Report's operative language is that Committee members are immune from liability in the performance of their advisory roles. Jeffries added that it ultimately is the liability of the Authority.

F. Review of Fund 70038 FY15-16 and FY16-17 Next Gen Project
Revenues and Expenditures

Cassingham said this is a re-presentation of Fund 70038 revenue and expense detail with responses to questions on it from the August 17, 2016, meeting. Also, the P&L detail for the period July 1, 2016, through November 21, 2016, is included. On Page 5 of the August 17 meeting minutes, invoices were requested for Account #6000 expense of \$87,455.82 in FY15-16. This represents a transfer from Fund 70036 to Fund 70038 to replenish NBS, RGS, Marinfo and Sperry Capital expenses incurred for Next Gen Project planning and implementation before the availability of parcel taxes. She presented the hard copy invoices for review.

Levinson confirmed Cassingham authorizes payment of invoices which are submitted to the Fire District Finance Director and Accounting Specialist who account for and issue checks. Checks are signed by two District Chiefs. Levinson said it is important for the Committee to know how funds are managed and what controls are in place.

Cassingham referred to Page 7 of the August 17 minutes and Herrerias' question about 2 DPW invoices in FY13-14 for \$2,790.18 and \$2,687.08. She noted that the first was for DPW work performed on the Next Gen Feasibility Study and the second was requested to be reissued for DPW work on grants not related to the Next Gen Project. A third question related to Indie Politics FY13-14 invoices in the total amount of \$225,428.99 for public communications consulting services. She has the hard copies for review. Reite confirmed this was for public education on MERA and the Next Gen Project prior to placement of Measure A on the ballot.

Cassingham, in response to a question on the Surety on Page 8 of the August 17 minutes, said it is being amortized over the 20-year life of the Bonds. The \$28,000 surety was purchased in FY14-15. Another question was about MERA's Chart of Accounts, which is Novato Fire Protection District's Chart of Accounts. She is planning to create a customized one for MERA that will identify subaccounts appropriate for MERA within an account. She noted that the detailed P&L's cite each account name and number used by MERA.

Cassingham asked if there were other questions regarding the P&Ls in the agenda packet from July 1, 2015 through November 21, 2016. Levinson noted it is good to take time now to become familiar with Project expenses before the larger Project expenses are incurred. He said staff is doing a good job with this. Herrerias said the Committee could use the current Chart of Accounts, but if staff is going to customize it, that would be helpful.

G. Other Information Items

None.

H. Open Time for Items Not on Agenda.

None.

I. Adjournment

The meeting was adjourned at 5:29 p.m. Cassingham confirmed, based on likely future Committee business, another meeting should be scheduled at the end of the next quarter. Major contracts should be in place with required progress payments. After some discussion, Cassingham will coordinate the next meeting with Herrerias.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary