

MARIN EMERGENCY RADIO AUTHORITY

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DRAFT: 3/23/17

MERA Finance Committee **Minutes of February 22, 2017 Meeting**

Call to Order

The meeting was called to order by Vice Chair Gaffney at 2:13 p.m. on February 22, 2017 in the Cavallero Room, Novato Fire Protection District Administration Office, 95 Rowland Way, Novato, California.

Committee Members Present:

Town of Ross	Tom Gaffney
Town of Corte Madera	Todd Cusimano
Tiburon Fire Protection District	Richard Pearce

Committee Members Absent:

County of Marin
Marin County Sheriff

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Deputy Executive Officer - Next Gen Project	Dave Jeffries
MERA Operations Officer	Pat Echols
County Communications Engineer	Richard Chuck

Guests Present:

Federal Engineering	Rajit Jhaver
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A. Minutes of December 14, 2016 Finance Committee Meeting

M/S/P Cusimano/Pearce to approve the minutes from December 14, 2016 Finance Committee Meeting as presented.

AYES: All
NAYS: None
ABSTENTIONS: None
Motion carried.

B. Proposed Preliminary FY17-18 Operating, New Project Financing and 2010 Refunding Revenue Bonds Budgets – (Cassingham)

Cassingham presented the three budgets, noting a \$5,430 adjustment to the Operating Budget line item for County Communication Engineer Services. This increase represents a 3.6% cost of living for Chuck's services. The total Operating Budget is now \$1,973,710, which is a 4.5% increase over prior year. The revised Preliminary Operating Budget, along with the two other budgets, will be presented to the Executive Board on March 8, followed by distribution of member contribution schedules to Member Agencies by March 17 to facilitate their budget preparations.

Gaffney noted that the Project Fund 2007 Note payment has always been levied at \$225,000, even though the actual payment is \$208,000. The additional \$17,000 collected goes back into the Fund for current system projects. He added that there is no discretion in the 2010 Refunding Revenue Bond payments. He said the only Budget to be reviewed is the Operating Budget. Those line items primarily reflect contract services, site leases and site utilities.

Cassingham said 6 months of lease payments and utilities for the Tomales site are new to the Operating Budget. The lease has been budgeted at \$850 per month for six months. Utilities have been estimated at \$4,000 over the same period.

M/S/P Pearce/Cusimano to recommend approval of the Proposed Preliminary FY17-18 Operating, New Project Financing and 2010 Refunding Revenue Bonds Budgets to the Executive Board with the noted 3.6% CPI in the County Communications Engineering Services line item in the Operating Budget.

AYES: All
NAYS: None
ABSTENTIONS: None
Motion carried

C. Update on Next Gen System Project – (Jeffries/Echols)

Jeffries updated his report noting the Motorola Contract will be presented to the Governing Board this afternoon. The Finance Committee Ad Hoc Advisory Board provided input on Motorola pricing. DPW and MERA staff, along with MERA and County Counsels, spent enumerable hours on the Motorola Contract and negotiation of the final proposal. The Contract reflects the County's standard contract, Motorola's Communications System and Software licensing Agreements and the Puget Sound Agreement with Motorola.

Jeffries noted there are two features still under review, which include fire station alerting and GPS capability for radios. Neither will have an effect on the Project Schedule. Gaffney asked about Contract price. Jeffries said the total Contract cost is \$34M, which includes the base System cost of \$24M and \$10M for System Upgrade Agreement (SUA) extended warranty. He added that there is a \$1M placeholder for station alerting. GPS is estimated at \$450K. Jeffries

said meetings with both Fire and Police Chiefs' Associations were scheduled in March to get their input on the GPS feature. It was agreed that this discussion be continued with the next agenda item on the comprehensive Next Gen Project Budget.

D. Draft Comprehensive Long-Term Next Gen Project Budget

Gaffney said he had calculated the currently available capital for the Next Gen Project at roughly \$34M. Jeffries noted the Line 2 item in the Budget of \$10M+ for year 4-15 SUA II costs is not payable now. Gaffney asked why we are signing a contract with this in it now. Jeffries said this item is discounted because we are agreeing to it now. In response to Gaffney, Jhaver said the Project capital costs are \$24M with the SUA line item prorated beginning in Year 4 of the Contract.

After some discussion regarding funds available for payment of the Contract, Jeffries clarified that the County would, on MERA's behalf, be entering into the Contract with Motorola. Echols added that the County has accounted for the Project costs and will make the progress payments and bill MERA thereafter. Jeffries noted the Contract has built-in discounts associated with deliverables.

Jeffries said the draft comprehensive Budget attempts to frame Project costs beyond the Motorola Contract. Some of the Budget line items are fixed, reflecting actual contracts and prior Project planning expenditures. Some are estimates, like fire station alerting, site acquisition and site construction. SUA II costs will be paid out beginning in Year 4. Future longevity costs include future optional features, possible additional sites and more. Pearce asked about Logging Recorder expenses. Jeffries said this System includes the recording of radio traffic while the agencies will record their own telephone traffic. Agencies will be able to download their radio traffic from the System server.

Jeffries said at some point, some Next Gen costs will become regular Operating costs. For example, RGS contract staff costs that are currently focused on Next Gen will change as the Project is completed. Likewise, legal costs will decrease once the Project is over. The Contingency line item is 15% of items 1-14. Gaffney agreed with the increase to 15%. Jeffries suggested revisiting the comprehensive Next Gen Project Budget periodically with the Committee as estimates are refined and costs are known.

Pearce inquired about the \$2M Marin DPW Implementation Agreement and the \$1.3M FE costs. He would like these costs reviewed to assure there is no duplication of effort Echols said there were specific mentions in prior meeting minutes that DPW costs would not be duplicative of FE's services. Gaffney asked if DPW service costs were still \$2M. Echols said this was the budget. Echols said the first years into the Project, DPW staff time has been fairly low and primarily focused on the RFP for wireless communications consulting services. DPW costs will ramp up with site development, environmental work, equipment testing and programming.

Echols noted that the cutover period will be labor intensive for DPW. Learning about the new System, including its maintenance going forward, will also be a big part of the work. Once the

level of effort is better known, DPW costs may be less than the \$2M budgeted. Pearce said former Operations Officer Tackaberry said Nelson and Chuck would be drafting the RFP. Echols said this was later amended per meeting minutes. Gaffney asked if using FE services should reduce DPW costs.

Gaffney asked if the line item for DPW costs could be reviewed given FE's continuing role. Echols said he would look at DPW service projections and levels of effort going forward. Gaffney recognized the level of Jeffries' effort that went into the development of the Draft Budget. Jeffries also acknowledged Cassingham's input. Gaffney suggested adding funding sources for the line items.

E. Update on Retirement of 2007 Project Note

Gaffney said the original plan for the note given its 4.43% interest was to pay it off if we had the cash. He feels we should keep our cash. He noted the Surety that was purchased to free up the 2010 Bond Reserve of about \$2M for Next Gen Project cashflow. MERA temporarily used some of the funds for Project planning and early implementation costs. Those funds were replenished upon receipt of Measure A Taxes. The issue now is whether to use those monies to pay off the Note or pay for non-police and fire radios which cannot be purchased with Parcel Taxes. He supports using these monies for non-police and fire radios and cashflow and consider refunding the Note as a separate transaction.

Cassingham summarized the steps required to move the freed-up funds from the Project Fund, upon filing a Notice of Project Completion, to the Revenue Fund for Debt Service. After payment of Debt Service, the Trustee will transfer any remaining funds to the Surplus Fund, which will then be remitted to MERA. She is suggesting, as we have been planning for some time now, to pay off the \$917,000 Note from these proceeds, which will result in \$125,000 interest savings. This would leave a balance of \$1,149,000 for other purposes.

Gaffney said we should obtain the \$2M proceeds from the Trustee now and decide whether to use it for our Project or pay off the Note. Member agencies would still pay \$2.1M in debt service to the Trustee.

Gaffney supported using the \$2M for cashflow and holding off on the Note. He supported working with the Trustee to access Surplus Fund proceeds and figure out later what we will do with those funds. Gaffney said paying off the Note would generate interest savings and we would continue to collect member Note payments, which raises monies over 5-6 years. If we don't pay off the Note, MERA would have all the Surplus Fund proceeds right now.

Jeffries clarified that we could still pay off the Note at a later date if the Governing Board decided to. Cassingham said payoff of the Note was part of the original Next Gen Financing Plan approved in December 2014. However, it was determined that including it in the 2016 Bond financing would be too problematic and possibly create a delay in financing, thereby jeopardizing the favorable interest rates we were seeking in early-2016.

Gaffney said he would like the Committee to recommend a plan to obtain 2010 Bond Surplus Funds from the Trustee and remittance to MERA. Thereafter, we could use those funds for non-police and fire radios. Cassingham said the revised cost estimate for the phones is now \$3.2M. The original estimate was \$2M. She also said this estimate could change if another type of radio was purchased with different features or a lower tier model.

Cusimano said Members, given the amount of their contribution to the \$225,000 annual Note payment, could decide to continue their payments after the Note is retired. This might be considered after this year's payment. Pearce added that this would require Governing Board action. Jeffries said we should probably retain the 2010 Bonds Surplus Fund proceeds for cashflow until our initial costs are known.

In response to Pearce, Jeffries said we may want to revisit the \$500,000 discount Motorola is offering if MERA takes delivery of the radios in late-2017, if in fact the radios will begin going online in Spring of 2018. He said once we get through detailed design review, we will have a better idea about Project timeline and when the radios will go online. Jhaver said this discount is included in the Motorola Contract. He added we could take the radios without the batteries so the batteries would not go bad.

Pearce asked if 2010 Bond proceeds could be used to benefit the current System. Chuck said the microwave links for the conventionals might be funded. Jeffries said some microwave links might be left at sites not used for Next Gen.

Gaffney said we have sufficient funds for Next Gen except for costs that cannot be funded by Measure A Parcel Taxes. He supports the filing of the Notice of Completion with the Trustee and the Trustee's transfer of 2010 Bonds Surplus Fund proceeds to MERA and recommending this plan for approval by the Governing Board. We can decide on the Note retirement later. Pearce and Cusimano concurred with these recommendations.

G. Open Time for Items Not on Agenda

None.

H. Adjournment

The meeting was adjourned at 3:01 p.m.

Respectfully submitted,

Maureen Cassingham
MERA Executive Officer and Secretary