

F.C. 12/02/19 Agenda Item A
MARIN EMERGENCY RADIO AUTHORITY

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FINANCE COMMITTEE MEETING

MINUTES OF SEPTEMBER 11, 2019

DRAFT: 9/23/19

Call to Order

The meeting was called to order by Chair Hymel at 2:02 p.m. on September 11, 2019 at the Marin Civic Center, CAO Room 315. Item D was taken out of order. The minutes will reflect the posted Agenda.

Committee Members Present:

County of Marin	Matthew Hymel
Marin County Sheriff	Robert Doyle
Town of Ross	Tom Gaffney
Central Marin Police Authority	Michael Norton

Committee Members Absent:

Town of Tiburon

Staff Present:

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

A. Minutes of July 10, 2019 Finance Committee Meeting

M/S/P Gaffney/Norton to approve the minutes from July 10, 2019, Meeting of Finance Committee as presented.

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

B. Report on Next Gen Project Committee Recommendation of Motorola Change Order #8 Multi-Protocol Label Switching (MPLS) for the Microwave Network – (Jeffries)

Jeffries reported that C.O. #8 MPLS has been worked on over time. The Next Gen Project Oversight Committee (NGPOC), at its last meeting, reviewed alternatives for C.O.#8 for Governing Board consideration. The Committee recommended either Options 1 or 4A and to acquire MPLS. Essentially, they are the same Options differing only on the system upgrade. These Options are now being presented to the Finance Committee due to significant differences in cost. Option 1 includes a \$1.1M Service Upgrade Agreement (SUA) payable in annual installments beginning in Year 4 through 15.

Jeffries said this Committee is asked to weigh in on the budget impacts of the more expensive Option 1 for Governing Board action at its next meeting. Clearly Option 4A at \$89,000, is very doable. Gaffney asked if we had experience with or checked references on Motorola's SUAs. Klock said the current System is serviced by Motorola on a 24-hour hotline basis, which is similar to the support to be provided to Next Gen.

In response to Gaffney about quality of Motorola support service experienced by other agencies, Klock said Motorola is the only service option. Hymel said the SUA includes both service as well as extension of useful system life with upgrades. He said the question is whether to fund the MPLS SUA now or go without one. Option 1 makes sense to him versus adding it later and possibly spending more. Gaffney said we have \$4M in Contingency and \$2.25M in Reserve so we have the funds. He added he is not a good judge of the SUA value.

Jeffries said there are cost unknowns with the construction contracts. Cassingham added the unknown cost of potential EIR litigation. Gaffney noted there is \$5.3M in the Construction line item. Klock clarified this includes a \$1M+ Contingency. Doyle said this SUA is for our significant investment in the Project, which is important to protect. Hymel asked Jeffries about the status of the radio survey, especially as it pertains to the non-public safety count. Jeffries said the survey is still underway. Hymel said another funding source for the SUA could be the unused portion of the MERA \$2M Reserve set-aside for non-public safety radios.

Jeffries mentioned the County's application for fire grant funds. Some monies would be used for the third band, which MERA was not going to purchase. Some Next Gen costs might be deferred but the grant has not yet been received. Gaffney noted the \$9M SUA for the \$35M base Project. Option 1 SUA is a \$1M SUA for a \$600,000 MPLS base. Jeffries clarified that there is funding for two Layer 2 refreshes in the base SUA. There is \$413K savings in reducing the Layer 2 refreshes to one. Klock said he looked at outside vendor pricing for the same SUA services and it is significantly greater, almost double. Gaffney supported the additional expenditures for the Option 1 SUA for the better system. Klock said the costs in Motorola's expired C.O. #8 Option 1 quote will be honored by Motorola as a maximum.

M/S/P Norton/Doyle to confirm to the Governing Board there is sufficient funding in the Next Gen Project Budget for Options 1 and 4A.

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

C. Update on Next Gen System Project Budget - (Jeffries)

Jeffries reported that expenditures are through 6-30-19. The approved Budget has remained the same since 12-12-18. When action on C.O. #8 is taken, it will be reflected in the Budget. There is \$6.25M in Contingency and Reserve. Bond interest income has been included as a funding source, which is \$1.072M through 3-11-19. Motorola Milestone #2, which is 10% of the Contract, has been pushed out to Q1 2020. Motorola is pushing for Milestone #3, shipment of Fixed Network Equipment, which is a 45% payment.

Hymel confirmed GIC interest, which is not a projection but actual received through 3-11-19. He asked how much interest has been earned to date. Cassingham will confirm. Hymel is interested in whether this additional amount could be factored into Governing Board consideration of C.O. #8 funding sources.

D. Report on Future Member Funding Options for Gen 3 and Increased Next Gen Operating Costs – (Hymel, Gaffney and Klock)

Hymel presented the discussion item noting it had previously been discussed by the Executive Board. Given the upcoming drop in Debt Service, which would decrease total budgets by \$2M or 50%, the idea is to consider continuing this revenue for a replacement system.

Three scenarios are proposed. One keeps a flat total budget for the next 10 years, which would generate a replacement fund of nearly \$20M. The second splits debt service savings with 50% going to members and 50% going to replacement. The Hymel/Gaffney Subcommittee favors this scenario as it generates a \$10M replacement fund over 10 years along with member savings.

Hymel reviewed the third scenario, which creates a \$5M replacement fund over 8 years and reduces the total budgets by \$1.5M. In response to Norton, Hymel said replacement funding would be used for Gen 3 or extending the useful life of Next Gen. Gaffney supported a replacement fund to do the initial planning and engineering for Gen 3. Hymel noted the scenarios also address operating cost increases with Next Gen. This allows members to understand and plan for operating costs for the next 10 years.

Hymel said a Scenario D would return all debt service savings to the member agencies resulting in likely budget increases of 3% per year. Cassingham noted parallel current and Next Gen operating costs for a period of time and the increased operating costs for Next

Gen thereafter primarily due to additional sites. Gaffney said the amount of time for Next Generation system planning and implementation was at least 10 years.

In response to Jeffries, Hymel said extending the Scenario B timeline out another 10 years would add another \$10M to the replacement fund, plus interest. Hymel said to Norton what the Finance Committee would be recommending is a long-term funding policy to the Executive and Governing Boards. Norton said the member managers need to weigh in on how these funds could be used in a catastrophic recession if needed. Hymel said he could bring these scenarios to the Marin Managers at their monthly meeting for feedback.

Jeffries added that the Governing Board could change replacement funds usage if circumstances warranted. Cassingham said this could be done by super majority vote and asked if this would be a restricted fund like MERA's Emergency Fund. She felt this would increase the likelihood of Governing Board support.

Hymel said the \$4M in excess Parcel Taxes is definitely legally restricted in use for Next Gen. The Scenarios creating this type of a Gen 3 replacement fund would only be restricted by Governing Board policy. Gaffney reiterated this fund could be used in catastrophic circumstances. Hymel said these monies would be accounted for in a segregated way.

Hymel summarized the Scenarios, including D, which ceases Member Debt Service payments and has those funds go back to member agencies on a one-time basis with no replacement fund or coverage of annual budget increases of 3%. In response to the recommendation of Hymel and Gaffney, the Committee supported presentation of Scenario B to the Executive and Governing Boards. Norton added that City Managers support prior to that presentation should be first step. Hymel will get this matter agendaized with the Managers Association at their monthly meeting.

Gaffney said there are an infinite number of options that could also be explored in creating a replacement fund but felt it was better to limit the number of scenarios to assist with decision making. Doyle concurred.

- E. Other Information Items.
None.
- F. Open Time for Items Not on Agenda
None.
- G. Adjournment
The meeting was adjourned at 2:36 p.m.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary