

F.C. 3/11/20 Agenda Item A

MARIN EMERGENCY RADIO AUTHORITY

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FINANCE COMMITTEE MEETING

MINUTES OF DECEMBER 2, 2019

Draft: 3/4/20

Call to Order

The meeting was called to order by Chair Hymel at 2:02 p.m. on December 2, 2019 at the Marin Civic Center, CAO Room 315.

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
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Guests Present:

John Maher	Maher Accountancy
Michael Maher	Maher Accountancy

A. **Minutes of September 11, 2019 Finance Committee Meeting**

M/S/P Gaffney/Norton to approve the minutes from September 11, 2019 Meeting of the Finance Committee as revised with deletion of the word "excess" from Paragraph 3 on Page 4.

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

B. Review of Draft FY18-19 Audited Financial Statements

Maher introduced Mike Maher, his partner in Maher Accountancy, who has been with the firm for 10 years. State law was passed some years ago requiring partner rotation with clients which is being accomplished one year earlier than required with Mike Maher taking over. John Maher will remain of Counsel.

Maher noted the Audit is straightforward, noting one new accounting pronouncement relating to the capitalization of certain Next Gen Project costs along with an addition of an interest factor. He is recommending early adoption of the interest factor. This affects only 1 year of earned interest, amounting to about \$50,000. This is the only policy change for this Audit.

Maher cited Page 7 of the Audit, namely the Balance Sheet for Net Position and the accumulation of net funding contributing to the net positive. We are still incurring Depreciation expense. Old assets will be fully depreciated before Next Gen is fully in place. This results in stretching Depreciation another year. On Page 8, Depreciation noted will be much lower in a few years, which will bring net Operating to break-even.

Maher pointed to Budget and Actuals starting on Page 25 with Operating. An amendment at the end of the fiscal year resulted in a slight overage of Site Rentals and inclusion of Town of Corte Madera transition costs which reduced the \$40,000 Contingency. Operating excess of \$205,000 was transferred to the Replacement Fund at year end. Gaffney asked about budgeting interest in the Operating Fund, which is the only variance in revenue. Maher noted interest most recently has been nominal but going forward, it can be budgeted given the increase in earnings.

Maher said the Schedule on Page 26 regarding the 2007 Bank Note Fund and the 2010 Revenue Bonds on Page 27 represented what was expected. Page 28 for the Replacement Fund Schedule reports a year-end balance of \$3.8M. The Next Gen System Project Fund finds Parcel Taxes coming in very close to Budget. Maher calculates the County Tax Rolls to confirm and it is accurate within a few hundred dollars. Interest is greater than anticipated. He added that the County's accounting system does not give the granularity of all these line items. He cited Cassingham's meticulous review of the classifications.

Maher reviewed the Page 31 Schedule of the 2016 Bonds Fund, which is on target with the Fund Balance of \$31M+ which is not being expended as fast as projected. The rest of the Audit report is similar to prior years with Budgets, Designations and along with Reserves references, Net Position Restrictions and Debt Service Schedules. His findings are there is nothing unusual or problematic arising from the Audit.

Maher added the accounting transition went fairly smoothly with Town of Corte Madera with RGS Financial Advisor Dan Hom's assistance. There were some minor adjustments and reclassifications but Year Two should be smoother. Cassingham said Hom's help

was huge to the successful transition. Maher asked if Hom would be available to consult in the future. Cassingham said his role going forward was under discussion along with possible offsets on MERA's contract with TCM for support services.

Maher said there is one other letter under development to the Governing Board recapping adjustments which may include a reference that the Budget detail is not supported by the General Ledger system. This may require another system to supplement this or an accounting system change. While this is not a big issue, it will be mentioned but it is not a material weakness. In response to Hymel, Maher confirmed this is a clean opinion. Gaffney asked about Page 34 and the August 2020 retirement of the 2010 Bond. He confirmed Debt Service collections would cover early retirement with interest savings.

M/S/P Gaffney/Norton to recommend Governing Board acceptance of the FY18-19 Audited Financial Statements with certain typographical corrections.

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

C. Update on Next Gen System Project Budget and Recommendation to Governing Board on Budget Update – (Jeffries)

Cassingham presented the Report noting the attached current NGP Budget, which is unchanged. Expenditures have been updated through July 31, 2019. The report recognizes C.O. #8 Multi-Protocol Label Switching (MPLS) for Microwave approval by the Governing Board. A Budget adjustment is necessary to cover related increases to Line Item #1. Vendor Contract in the amount of \$676,162.86 for equipment and taxes and Line Item #3 SUA in the amount of \$691,677. The Committee is asked to recommend funds for these expenditures from the Project Contingency or Unappropriated Project Reserve. She noted the Unappropriated Reserve accumulates over time.

Gaffney and Hymel concurred to retain the \$4M Contingency as is and expend from the Unappropriated Project Reserve. Cassingham noted a future expenditure adjustment to Line Item 5, FE Construction and Project Management, increasing it to cover FE Phase I costs. Heretofore, this expenditure was not recognized in NGP expenditures to date due to a fund transfer. She noted Line Item 5 was increased from \$1.2M to \$1.8M due to Project delays. Expenditures of \$931K through 8-31-19 will be increased to \$1.2M to recognize FE Phase I costs. No further FE line item expenditures will be charged to Line Item 5 after July 31, 2019, as the DPW Project Implementation Line Item 4 will be charged for those expenditures.

It was the consensus of the Committee to recommend use of the Unappropriated Project Reserve to fund Change Order #8 MPLS.

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

Hymel distributed a draft recommending Scenario B with \$1M Member savings. This was reviewed by the Committee on September 11, 2019. Scenario B provides for a stable budget for member agencies and partial funding for System replacement. Hymel said this matter would be introduced to the MMA members at their annual retreat on December 6, followed by more formal consideration at their MMA January monthly meeting. This would provide for a \$1M annual savings to the members and a \$1M annual set-aside for a Gen 3 Replacement Fund, for a total of \$10M over the next 10 years. The proposed NGP Operating Budget is projected as flat over the next decade.

Gaffney noted that a Gen 3 set-aside should be based on estimated \$10M pre-Project planning and engineering costs plus fund estimated NGP Operating costs. He said in discussion with Cassingham, increased future Operating costs based on a 3% projection may be too optimistic. He suggested an annual increase to 5%, which would result in a reduced Gen 3 set-aside. Hymel said he would recalculate the set-aside based on a 5% operating cost increase, likely reducing the Gen 3 set-aside to between \$7M-\$10M. Cassingham supported the increased operating cost adjustment due to additional NGP Sites and initial parallel System Operating expense.

E. Proposed Six-Month Notice: Non-Member System User Fees

Cassingham said due to the cancellation of the November Executive Board meeting, the Committee is asked to weigh in on a recommendation to the Governing Board to continue the longstanding Zero-Rate Fee Schedule for Non-Member System Users. This is an annual consideration triggered by the 6-month Notice provision prior to July 1 of each year included in Non-Member System User Letters of Agreement if fee increases are proposed. She is recommending continuation of the Zero Rate.

M/S/P Gaffney/Doyle to continue the Zero-Rate Fee Schedule for Non-Member MERA System Users for FY20-21.

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

Hymel requested provision of the list of Non-Member System Users to the Governing Board at their December 11, 2019 meeting when they consider this recommendation.

E. Other Information Items.

None.

F. Open Time for Items Not on Agenda

None.

G. Adjournment

The meeting was adjourned at 2:31 p.m.

Respectfully submitted by:

Maureen Cassingham
MERA Executive Officer
and Secretary