

MARIN EMERGENCY RADIO AUTHORITY

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Draft: 3/30/12

MERA Finance Committee **Minutes of March 1, 2012 Meeting**

A. Call to Order

The meeting was called to order by Chair Hymel at 3:35 p.m. on March 1, 2012, in Conference Room 315 at the Marin Civic Center.

Committee Members Present:

County of Marin	Matthew Hymel
Town of Ross	Tom Gaffney
City of Novato	Joe Kreins
City of Belvedere	George Rodericks
Marin County Transit District	David Rzepinski

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Operations Officer	Craig Tackabery
MERA General Counsel	Jim Karpiak
DPW Communications Manager	Shelly Nelson

B. Minutes from October 17, 2011, Finance Committee Meeting

M/S/P Rzepinski/Rodericks to approve the minutes from October 17, 2011, Finance Committee as presented.

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

C. Proposed Technical Services Agreement Between MERA and County of Marin

Cassingham summarized the current 3-year Technical Services Agreement between MERA and the County which is ending June 30, 2012. Types of Services provided are training, technical and administrative along with a breakdown of the positions providing them, estimated hours per week, hourly rates and resulting annual total costs. A new 3-year agreement is presented for Committee recommendation to the Executive Committee on March 14.

It adds "Oversight of Technical Services" to Technical Services and another category of service "System Analysis" as part of this operating agreement. Cassingham noted the proposed breakdown of positions, estimated hours, hourly rates and new annual totals.

Cassingham compared the DPW Administration Services budgets for prior years to the proposed budgets for the next 3 fiscal years. She noted that current annual administrative costs of \$88,920 are charged to MERA's Operating Budget plus up to \$59,280 in administrative services for capital projects which are charged to other funds. The new agreement increases general annual administrative costs to \$150,042 plus \$50,000 for capital projects administration or "System Analysis." This is a considerable increase in general administrative costs over the current year.

Cassingham has proposed four changes to the new agreement which she reviewed with Tackabery prior to this meeting. They have agreed that the cost of oversight of Technical Consultants should continue to be part of general administrative services and that the Technical Services line item should only reflect consultant costs. She also recommended that Administrative Services costs be charged on a "not to exceed" basis like the other categories of services. She and Tackabery discussed periodic audits of staff time expended in this category, the same as have been used to estimate the hours in the agreement. It was agreed that this change also be made to the proposed agreement. Cassingham also requested that notice of any CPI adjustments be in February versus May to incorporate these adjustments early-on in the preliminary proposed annual Operating Budget. Tackabery receives an annual update in October on CPI/Living Wage adjustments which could be provided to MERA in February, effective July 1. She is relying on Tackabery to provide language for this revision based on his background with this. She has also recommended that the System Analysis service for capital projects administration be covered in a separate agreement which will make it easier to track and account for these costs and address the Auditors' recommendations. The form attached to the draft Technical Services, which authorizes DPW to provide these capital projects services based on MERA Executive Committee/Board action, would be attached to the Systems Analysis Agreement.

Cassingham noted that the proposed contract costs of \$150,042 have been incorporated in the Preliminary FY12-13 Operating Budget and directly affect the proposed 6.7% over prior year. This matter is next on the agenda.

Hymel asked Tackabery if he had anything to add. He said no and that they are trying to make a complex document as transparent and simple as possible.

Kreins confirmed that the preliminary operating budget for FY12-13 is increasing by about \$100,000 over FY11-12. He asked where the increase came from. Cassingham said from Technical Services, Site Rentals and Leases, Site Utilities and General Contingencies. He asked if the increase would come from reserves. She said this would be paid by the member agencies and represents a 6.7% increase over prior year. The \$50,000 for DPW capital projects administration would come from the New Project Financing or Replacement Funds. Hymel and Kreins discussed the differences between the Approved Budget for FY11-12 and Preliminary Budget for FY12-13.

Gaffney asked if MERA took 9 hours per week or nearly 20% of the Public Works Director's time. It is noted that these were the hours under the current contract and the proposed contract estimates

6 hours per week of the Operations Officer's time which is either the Public Works Director or designee. Kreins confirmed the hourly rates include benefits.

Hymel clarified with Cassingham that the difference between budget actuals and approved reflect unexpended funds. She said, for example, last year under Technical Services only \$30,000 was expended versus the \$100,000 budgeted. Kreins asked, assuming adoption of the preliminary budget, how this would affect individual members' contributions. Cassingham said the dollar amount contributions schedules would be sent to members, upon Executive Committee approval of the preliminary budgets, based on their percentage shares. This will permit them to budget accordingly. Rzepinski asked how member costs were adjusted previously due to CPI changes. Cassingham said there have been no CPIs. Nelson said there was one CPI adjustment in the past, notice was given and it gets added to the billings. Cassingham noted that CPI adjustments apply to the second and third years of the contract.

Hymel asked for clarification of the \$60,000 difference in the Technical Services line item in the approved and preliminary budgets, and if it would be changed if we took out \$50,000. Cassingham said the \$150,042 was in the Technical Services line item in the FY12-13 Operating Budget and the \$50,000 capital projects administrative services agreement costs would be charged to other funds. She clarified what was in the preliminary FY12-13 Technical Services line item which is \$30,000 for Training, \$100,000 for Technical Services and \$150,042 for Administrative, totaling a rounded \$281,000. The FY11-12 Technical Services operating line item of a rounded \$219,000 included \$30,000 for Training, \$100,000 for Technical and \$148,200 for Administrative totaling \$278,200. Kreins noted that this amount, less \$59,280 for capital projects administration, equals a rounded \$219,000 in the current budget.

Gaffney suggested adding to Page 2 of the Technical Services Staff Report a column for FY11-12 Technical Services Costs for comparison purposes next to the FY12-13 column. Hymel clarified with Tackabery that the \$59,280 this year for DPW capital projects administration is similar to the \$50,000 being proposed for FY12-13 capital projects oversight to be covered in a separate agreement. Cassingham said DPW technical general administrative costs have increased from \$88,920 per year to \$150,042. She noted that capital projects administrative services would decrease from the current \$59,280 to the proposed \$50,000 in the separate agreement she is recommending. Tackabery said the increase reflects fully loaded billing rates and new estimated hours. Hymel asked about the biggest reason for this increase. Tackabery said it is the billing rates which are recouping the County's costs as best they can while being sensitive to MERA's needs. Rzepinski said the numbers of hours proposed to be expended are going down while the rates are up reflecting real-world. Hymel clarified that current total annual hours of 1,157 expended include capital projects administrative services. Gaffney noted that the 2011-12 Approved Budget of \$219,000 for Technical Services is \$278,200 which includes \$59,280 for capital projects administration. Kreins said that compares more favorably with the \$281,000 Preliminary Budget for 2012-13. Gaffney said the Administrative component of the proposed Technical Services Agreement is up by some \$61,000 over this year. Hymel asked Tackabery if he needs the additional \$50,000 for capital. Tackabery said that represents services for projects. Hymel clarified that there are more hours added in administration for operating than there was last year and that billing rates are a part of the increase. He further clarified that DPW needs another \$50,000 for capital. The 1,157 total hours this year include capital and the 917 total proposed hours are only for operating.

Tackabery said they are starting to spend more time on the system which is reflected in their estimate. The system is aging and has more users.

Rzepinski clarified that there is another set of hours on the capital side for up to \$50,000. Kreins asked for delineation of the need for more hours on the operating side. Tackabery said he would work with Cassingham to clarify this. Gaffney asked Cassingham to add a FY11-12 column on Page 2 of the staff report next to the proposed costs for FY12-13, 13-14, and 14-15. Rzepinski said this covers more operating hours and there is up to \$50,000 for projects if needed. Hymel said the increased costs for administration should be explained as due to the system aging which is requiring more staff time. Gaffney said fewer hours are being proposed which is confusing. Hymel said the reduced hours reflects the elimination of capital hours in the proposed operating hours total.

Hymel asked about the timing on this matter. Cassingham said the Finance Committee's input on this agreement will be presented to the Executive Committee on March 14, along with its fiscal impact on the Preliminary Operating Budget for next year. Hymel said the Technical Services line item represents \$60,000 of the variance between this year's budget and the preliminary along with Site Rentals, Site Utilities and Contingencies. Cassingham noted the historical adjustments to the latter due to the leases and utility rate adjustments. Hymel asked for explanation of these variances to be provided to the Executive Committee. Kreins asked that the detail of the 6.7% adjustment be provided to the individual agencies in terms of the dollar amounts of their contributions. Rzepinski noted it has been some time since there has been an increase to the Members. Cassingham noted an anomaly year two years ago of a 9% decrease plus several years of nearly flat budgets. He said this will confuse things even more for members. Cassingham will include in the Preliminary Budget Staff Report a recent history of operating budget totals and percentage variances from year to year.

Hymel suggested to break out operating and capital in the Technical Services staff report, explain the operating increase and make sure there is no confusion with the capital projects charges. Cassingham said she would work with Tackabery accordingly and would also explain the technical services and other budget variances from the prior year.

M/S/P Kreins/Gaffney to proceed with presentation of the Proposed Technical Services Agreement between MERA and County of Marin, to the Executive Committee on March 14, with these instructions.

AYES: ALL
NAYS: NONE
Motion carried.

D. Preliminary FY12-13 Operating, 2010 Refunding Revenue Bonds and
New Project Financing Budgets

Hymel said, as previously discussed, Cassingham will provide a variance column for the 2012-13 Preliminary Operating Budget from prior year with dollar amounts, percentages and explanations.

M/S/P Kreins/Gaffney to present the Preliminary FY2012-13 Operating, Refunding Revenue Bonds and New Project Financing Budgets to the Executive Committee with variance information between the current and Proposed Preliminary Operating budget line items.

AYES: ALL
NAYS: NONE
Motion carried.

E. Other Information Items

Hymel said the Committee has been discussing the cash flow requirements for funding the next generation system and financing of same. He said the Finance Committee needs to spend quality time on this and go into detail. He suggests that Gaffney and Tackabery meet on this, along with identifying of sources of funding and revised project estimates. At a subsequent Committee meeting, we need to further consider this information along with our preferred financing method of a low, broad-base public safety parcel tax with the idea that it be around \$30 which most people would feel comfortable with. Another issue associated with the Feasibility Study would be analyzing the next generation system with a projected useful life of 15 years and how that affects our parcel tax funding of a 25 or 30 year bond issuance. He believes the Committee needs more details from Gaffney and Tackabery, so at the next meeting, we can better discuss our financing options.

Kreins asked for clarification of a parcel tax needing two-thirds approval versus 50%. Gaffney said that a 50% vote is required after a report before full public hearing and mailed notice. If 50% protest the amount of the charge, you cannot proceed. Kreins clarified that the extent of the protest is determined prior to the end of the public hearing. Gaffney said a ballot is not sent, so recipients have to get back. This is the initial process, that if approved, an election can be called based on one vote per parcel. Hymel said legal counsel needs to be a part of this discussion on whether 50% or two-thirds will determine a parcel tax. Karpiak said this is very complicated and would suggest legal advice. He and qualified members of his firm could look at this. Rzepinski added that this review needs to take into account the useful life of the new system and the timeline for specifying, bidding and installing the replacement system. Gaffney suggested developing a weighted average of the system components for useful life. Hymel said, based on what has been said, once you get above \$30 per parcel voter, public support becomes a bigger challenge. Gaffney said you do not want to go over \$50. Mullen said it depends on polling results which would show where the resistance is which may vary on a county-wide basis. Rodericks asked if there was a way to front-load a parcel tax or structure it in a way that the rate is adjusted over time.

Hymel asked for Gaffney and Tackabery to begin working on this and let Cassingham know when they are ready to work with the full Committee; hopefully in the next 3-4 weeks. Tackabery shared the draft 700 MHz System Cash Flow spreadsheet with the Committee.

F. Open Time for Items Not On Agenda (*limited to two minutes per speaker*)

None.

G. Adjournment

The meeting was adjourned at 4:15 p.m.