

**F.C. 10/31/16 Agenda Item A**

**MARIN EMERGENCY RADIO AUTHORITY**

c/o Novato Fire Protection District  
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**DRAFT: 5/24/16**

**MERA Finance Committee**  
**Minutes of February 22, 2016 Meeting**

Call to Order

The meeting was called to order by Chair Hymel at 2:03 p.m. on February 22, 2016 in the Marin Civic Center, Room 315, San Rafael, CA.

Committee Members Present:

County of Marin	Matthew Hymel
Marin County Sheriff	Robert Doyle
Town of Ross	Tom Gaffney
Tiburon Fire Protection District	Richard Pearce

Committee Members Absent:

City of Novato	Jim Berg
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Staff Present:

MERA Executive Officer	Maureen Cassingham
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Guests Present:

Sperry Capital, Inc.	Jim Gibbs and Martha Vujovich
Motorola Solutions	Rodney Hughes

A. Minutes of November 4, 2015 Finance Committee Meeting

*M/S/P Gaffney/Pearce to approve the minutes from November 4, 2015 Finance Committee Meeting as presented.*

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

B. Proposed Preliminary FY16-17 Operating, New Project Financing and Revenue Bonds Budgets (Cassingham)

Cassingham presented the Preliminary Budgets for FY16-17, the preparation of which has been accelerated for use by MERA members in their next fiscal year's budgets. She noted the Operating Budget has increased 4.2% over prior year, the New Project Fund Budget which is unchanged and Debt Service Budget for which there is no discretion.

Cassingham noted the Operating Budget line item variances and the slight increases in the Contract Services, County System Maintenance and Legal Services line items. The Site Rentals Leases line item increase is primarily due to the new Bay Hill Site Lease. She added Contract Services includes her CPI adjustment, additional website maintenance due to added Quick Links and Grand Jury transparency recommendations and NFPD contract due to additional MERA meetings and related support. The County contracts reflect annual CPI adjustments. In response to Gaffney, she clarified that the Bay Hill Site is shown on Exhibit 2 as Bodega Bay/Incline Partners adding that, in addition to the lease increase, was an annual 5% adjustment.

Cassingham said the \$1-per-year rent at Forbes Reservoir would be revisited with MMWD prior to its expiration in March 2017. Pearce confirmed the next step before providing this Preliminary Budget information to the members was Executive Board approval on March 9.

*M/S/P Pearce/Doyle to recommend the Proposed Preliminary MERA FY16-17 Budgets to the Executive Board for Operating, New Project Financing and Refunding Revenue Bonds.*

AYES: ALL

NAYS: NONE

ABSTENTIONS: NONE

Motion carried.

C. Financial Advisor's Summary of Financing Alternatives – Next Gen Project

Cassingham noted Sperry Capital's letter providing analyses and conclusions which is attached to her staff report. She cited the tireless work of Gibbs, Vujovich, Gaffney and Hymel in reviewing the various iterations and providing input. She added that Sperry, in addition to presenting the financing alternatives, will distribute a draft financing schedule.

Gibbs first addressed the timing of borrowing given historically low interest rates. Traditionally, financial advisors advise not to borrow until you need the money. Given closer scrutiny, they have concluded to take advantage of the low interest rates now. The protracted schedule to receive Project bids supports this approach.

Sperry looked at three different cases in approaching financing. Case A is to sell sufficient bonds now, together with the collection of parcel taxes to date through construction, to

fund the \$40M estimated Project cost. Case B, which is the middle ground, would sell now sufficient bonds, combined with parcel taxes collected to date through construction, plus a \$15M construction line with a bank for the \$40M Project. Bonds would be sold on October 1, 2018, to pay off the construction line. Case C, which is the extreme, would be to enter into a construction line now together with parcel taxes collected to date through construction for the \$40M Project, followed by issuance of bonds on 10/1/18 to pay off the construction line.

Gibbs referenced the second Table on Page 2 of his letter which shows Project financing is cheaper using a construction line and to issue bonds in 2018 rather than 2016. This is only true if current interest rates are the same in 2018. Case A has a total debt service of \$40,500,000. Parcel tax revenue will be \$70M leaving \$22M in the Parcel Tax Fund. He reviewed Case B and C bonds, debt service and tax remainders, noting all 3 cases assume interest rates do not budge through October 2018. All agreed that the likelihood of interest rates remaining the same is nil.

Gaffney said up to now, he had favored Case C, but it is not worth the gamble versus the possible \$1.6M advantage of Case A. He concurred with bond financing now since we do not know where interest rates will go in the future. Gibbs provided a graph of G.O. bond interest rates depicting how they have moved from January 1, 2015 through February 19, 2016. The bottom is 2.22% and top is 3.12%.

Hymel said, this being such a favorable interest rate period and being risk averse, he favors getting the proceeds in the bank as soon as possible. Paying a little debt service as opposed to interest rate volatility when you can lose a lot of net proceeds is better. Doyle agreed going forward now is better than taking the risk. Gaffney favored proceeding now given the 3 to 4 months it takes to go to market. Hymel supported giving a range of authority to the Executive Officer to work with the F.A. to pull the trigger. Gibbs referenced the first Table on page 2 of Sperry's letter noting discount rates relative to debt capacity assuming Project cost is \$40M.

Hymel noted his recent experience redoing debt in January and issuing in late April which reduced the amount of proceeds due to the interest uptick. Interest rate of 2% to 2.5% is important to take advantage of. Pearce confirmed the general amount of bonds to be issued is \$30M with the rest of the \$40M Project cost provided by parcel taxes collected since December 2015 through construction. He asked about investing proceeds in a Guarantee Investment Contract. Gibbs said MERA would get about 1% interest. Gaffney said based on this discussion, the Committee should recommend to the Governing Board to proceed with the sale of bonds and direct the development of bond documents.

Gibbs referenced the draft schedule and presentation of documents to the Governing Board on March 23. Hymel said the Executive Officer, working with Gaffney, should be authorized to work with the F.A. to sell within approved ranges established by resolution. The Executive Officer would report back thereafter to the Governing Board. Gibbs said a 30-day schedule is aggressive but this is a simple bond issue based on a parcel tax, which is

easy to describe. Gaffney added that we will have collected the first year of the Parcel Tax and Validated Measure A, which also helps.

*M/S/P Gaffney/Doyle to recommend proceeding with bond issuance per Case A in the Sperry letter, sufficient to fund the \$40M Next Gen Project cost, to the Governing Board and seek direction to proceed with development of bond documents for presentation at the March 23 Governing Board meeting.*

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

Gaffney asked to discuss the draft financing schedule noting sale would be April 19. Cassingham clarified the Governing Board can only take action on indebtedness at a Regular Meeting. Gibbs added, with the Executive Officer being given the authority to sell on March 23, this timeline is workable. In response to Gaffney, Gibbs said discussion of which rating agencies to include is pending. He added that the terms of the GIC will be included in the bond indenture as a permitted investment.

D. Other Information Items

None.

E. Open Time for Items Not on Agenda

None.

F. Adjournment

The meeting was adjourned at 2:33 p.m.

Respectfully submitted by,

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Maureen Cassingham  
MERA Executive Officer  
and Secretary