

MARIN EMERGENCY RADIO AUTHORITY

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DATE: February 17, 2021
TO: MERA Finance Committee
FROM: Dave Jeffries, Deputy Executive Officer for the Next Gen Project
SUBJECT: AGENDA ITEM C: Review of Next Gen Project Cash Flow Needs for Motorola Milestones and Construction Draw Down Schedule.

Recommended Action: Review and recommend strategies for funding.

Introduction

One aspect of the MERA budget is the projected cash flow resulting from these cost centers:

1. Construction Costs related to the 18 radio sites.
2. Costs associated with the Motorola Contract for the Next Gen System.
3. Costs associated with the Contract Change Orders to the Motorola Contract.
4. Costs Associated with Project Administration.
5. Combined Cash Flow Projection.

Construction Project Projected Cash Flow

Based on the latest scheduling information and AECOM Construction estimate, a spreadsheet for all sites was constructed showing the months for payments for the various sites. Each site has an estimate for direct costs and overhead and we have a single contingency amount for construction. For purposes of this analysis, each site was allocated a weighted percentage of the contingency amount based on the site-by-site estimates. This includes recent changes to the project, such as the sharing of a Power Trench at Tomales and a reconsideration of costs by PG&E at Muir Beach, both of which resulted in savings to the project. The summary below accumulates the month to month estimates into quarterly estimates.

Construction Project Projected Cash Flow

| 2021 | | | | 2022 | | | |
|-------------|-----------|-------------|-------------|-------------|-------------|-----------|-----|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| \$42,877 | \$179,812 | \$1,040,855 | \$2,949,361 | \$3,443,090 | \$1,670,786 | \$803,970 | \$0 |
| \$4,212,905 | | | | \$5,917,846 | | | |

\$10,130,751

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Motorola Project Cash Flow – Base Contract

This cash flow estimate is based on the original contract with Motorola and reflects the six payment milestones as well as the post-project Service Upgrade Agreement (SUA) costs. Two milestones have already been paid. The SUA costs (Post 2024) are payable in annual installments from year 4-15 after the Next Gen System is in service.

Motorola Project Cash Flow - Main Project

| Thru | 2021 | | | | 2022 | | | |
|-------------|-------------|----|-------------|----|-------------|----|-------------|----|
| 2020 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| \$3,430,724 | | | \$5,764,757 | | | | \$4,288,406 | |
| \$3,430,724 | \$5,764,757 | | | | \$4,288,406 | | | |

| 2023 | | | | 2024 | | | | Post 2024 |
|-----------|----|----|----|-----------|----|----|----|-------------|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| \$857,681 | | | | \$857,681 | | | | \$9,632,481 |
| \$857,681 | | | | \$857,681 | | | | |

Motorola Project Cash Flow – Contract Change Orders

This cash flow estimate is based on the Contract Change Orders associated with the Motorola Contract and reflects the milestone payments and their estimated payment dates. Contract Change Orders #2, 3, 4 and 5 had no change order costs. The SUA costs (Post 2024) are payable in annual installments from year 4-15 after the Next Gen System is in service.

Contract Change Orders #10 and 11 are for field equipment and are billed upon delivery. Cash Flow for these two items is not included in the table below. Some of this equipment has already arrived, with another round of equipment associated with the Assistance to Firefighters Grant installation starting in March 2021 and the remainder likely being delivered in early 2023.

Motorola Project Cash Flow - Contract Change Orders

| Thru | 2021 | | | | 2022 | | | |
|-----------|-------------|----|-------------|----|-------------|----|-----------|----|
| 2020 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| \$263,773 | | | \$1,602,747 | | \$850,172 | | \$694,902 | |
| \$263,773 | \$1,602,747 | | | | \$1,545,074 | | | |

| 2023 | | | | 2024 | | | | Post 2024 |
|------|----|----|----|-----------|----|----|----|-------------|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| | | | | \$320,814 | | | | \$1,653,375 |
| \$0 | | | | \$320,814 | | | | |

MERA Administrative Costs – Cash Flow Projection

This cash flow estimate is based on the estimated monthly cost to fund the existing contracts with Federal Engineering and AECOM, as well as the Next Gen portions of the RGS contract, legal expenses for Richards Watson Gershon and Admin Fees for parcel tax processing.

Estimated Monthly Cash Flow for Administrative Costs

| | |
|-----------|-----------------------|
| \$33,000 | Federal Engineering |
| \$70,000 | AECOM |
| \$17,000 | RGS |
| \$5,000 | Legal |
| \$14,000 | Admin Fees (20 years) |
| \$139,000 | Total |

MERA Admin Cash Flow

| Thru | 2021 | | | | 2022 | | | |
|------|-------------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| 2020 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 |
| \$0 | \$2,224,000 | | | | \$2,224,000 | | | |

| 2023 | | | | 2024 | | | | Post 2024 |
|-------------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|-----------|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | \$556,000 | |
| \$2,224,000 | | | | \$2,224,000 | | | | |

Combined Cash Flow Projection

Based on the four Cash Flow estimates, above, the following table provides a combined look at the projections.

Combined Cash Flow Projection:

| Thru | 2021 | | | | 2022 | | | |
|-------------|--------------|-----------|-------------|-------------|--------------|-------------|-------------|-----------|
| 2020 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| \$3,703,497 | \$598,877 | \$735,812 | \$8,964,359 | \$3,505,361 | \$4,849,602 | \$2,226,786 | \$6,343,028 | \$556,000 |
| \$3,703,497 | \$13,804,409 | | | | \$13,975,416 | | | |

| 2023 | | | | 2024 | | | | Post 2024 |
|-------------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|--------------|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| \$1,413,681 | \$556,000 | \$556,000 | \$556,000 | \$1,734,495 | \$556,000 | \$556,000 | \$556,000 | \$11,285,856 |
| \$3,081,681 | | | | \$3,402,495 | | | | |

Discussion

The cash flow analysis of these cost centers were developed to assist the Finance Committee with assessing the current status of the MERA Budget and needs moving forward. Prospective dates are subject to change, with the order of some construction sites that might be re-ordered and the potential for minor changes that might move all of these payments based on the needs of the project but should suffice as the best information we currently have for this analysis.