

C.O.C. 4/21/21 Agenda Item A
MARIN EMERGENCY RADIO AUTHORITY

c/o Town of Corte Madera
300 Tamalpais Drive, Corte Madera, CA 94925
PHONE: (415) 927-5050
WWW.MERAONLINE.ORG

Measure A Citizens Oversight Committee
Minutes of December 16, 2020 Regular Meeting

DRAFT: 4/14/21

Call to Order

The meeting was called to order by Chair Herrerias at 4:00 p.m. on December 16, 2020, via Videoconference.

Committee Members Present:

District #1	Elizabeth Greenberg
District #2	Bill Levinson
District #3	Chuck Reite
District #4	Larry Luckham
District #5	Paul Herrerias

Staff Present:

MERA Executive Officer	Maureen Cassingham
MERA Deputy Executive Officer – Next Gen Project	Dave Jeffries
Recording Secretary	Lorena Barrera

Levinson said that he had previously asked to agendize a discussion with Jeffries about any technology changes pending for the Project. He said that it appeared there are probably a few years to go before completion which is now a seven-year timeframe. Cassingham said these questions can be addressed under Jeffries' report; however, she can also identify the matter separately on the next agenda. Levinson said he is comfortable agendizing it because it is a conversation that should be had.

- A. Minutes of September 16, 2020 Citizens Oversight Committee Regular Meeting – (Committee Action)
Herrerias noted on Page 7 that the vote should have been recorded as 4-1 versus 4-0.

M/S/P Greenberg/Levinson to approve the minutes as amended. Roll call followed.

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

B. Update on Status of Next Gen System Project and Budget – (Jeffries – Discussion)

- Next Gen Project Organization Chart
- Customer Design Review
- Construction Schedule, Cost Estimates, and Bid Packages
- Project Budget

Jeffries provided a PowerPoint presentation on the Next Gen System Project and Budget. He reviewed Contract Change Orders, Next Gen Project Organization Chart, Customer Design Review Assessment, Training Committee Formation, Site Overview, Key Project Summary Details, Project Summary Table, Budget Update, and Project Schedule, as detailed in the staff report.

Luckham asked if the Tomales AT&T power trench would be used for other facilities. Jeffries explained that the shared trench will be from the PG&E box up to the AT&T and MERA sites. He said initially AT&T was moving quickly but stopped and had to reapply to the County for the site permits. He noted MERA advised them that further delay is not an option for MERA's Next Gen Project because any savings from a shared trench could be reduced by schedule delays.

Luckham said he never likes seeing a budget that is adjusted over the course of a Project without any change in scope. He said one of the things a budget is useful for beyond the current project is the after-action report and the learning that comes from it. He pointed out that the more a budget is modified, the less useful the original budget document becomes.

Jeffries said the increase in the construction cost estimate is due to the recommendation by new Project leadership and AECOM in July. He said original estimates came from the County, which was responsible for the Project at that time. He said Governing Board Members periodically asked the County if their construction estimates were accurate. The County confirmed there was enough budgeted plus contingency. In response to AECOM's higher construction estimates, the County's explanation was, as more information became available, they would adjust their estimates. He said when MERA staff assumed the Project and brought AECOM in, staff felt it was time to take a fresh look at site construction costs and adequacy of contingencies. Jeffries stated he has been impressed by the detail of AECOM's work and the Governing Board has accepted and adjusted the Budget Construction line item accordingly. The Governing Board also directed the Finance Committee to review Project cash flow.

Luckham said he is concerned with the County's performance and their entering into a contract they did not have the capacity to perform start to finish. He said perhaps future contracts will be with entities experienced and staffed sufficiently to deliver a Project of this magnitude.

Levinson asked if there is an updated budget summary. Jeffries said the latest is the one presented to the Governing Board on December 9, 2020 and there has not been time to revise it consistent with the Board's approvals at that time.

Levinson said he looks at a budget as a planning document and asked how adjustments will be made to other program expenditures and contingencies going forward given the Project Budget increased construction costs from \$4.5M to \$10M.

Jeffries said the Governing Board recommendation was to reallocate some of the monies from vendor radios to construction along with an allocation from contingency and unallocated reserve. Cassingham said Next Gen Non-safety Radios will be a MERA expense and the impact on that MERA Reserve will need to be evaluated.

Herrerias asked Jeffries how the Project will be brought in on budget and asked if MERA would need another bond issue. Cassingham said the need for and timing of additional financing will be informed by a draw down schedule and cash flow analysis. She said a Finance Committee meeting will be scheduled in mid-January to better advise the Governing Board on this at their January 27 meeting.

Levinson asked if MERA can borrow money from the County, as the School District does. Cassingham said this would be an option of last resort given County interest rates.

Herrerias asked how the Project scope can be cut back to come in under or at budget. Cassingham said Project design is locked in by operational requirements and environmental certification. For example, sites cannot be eliminated to reduce costs. Herrerias said the Budget has not been locked in if costs can go up. Jeffries said the biggest discrepancy between AECOM and the County construction line item is Coyote Peak Road. Greenberg asked about the budget for the road. Jeffries said it was \$1M. Herrerias asked if Jeffries could find someone else to pay for that road. Jeffries said the road will be designed to support MERA's site construction and maintenance needs. Cassingham said MCOE, the property owner, will also use the road for access to their water pump, which road use is intended to be a rent offset, along with shared road maintenance costs.

Herrerias asked who is responsible for the Project coming in on budget. Cassingham said it is the responsibility of the MERA Governing Board and contract staff. Herrerias said MERA should be looking at ways to save money. Jeffries said one area of cost savings is PG&E power trenching at the Muir Beach site. When MERA first talked to PG&E, their estimated construction of a 700-foot power trench would cost MERA \$160,000. PG&E reevaluated the situation and decided they could fund the trench from one of their replacement accounts.

Herrerias said that as the Citizens Oversight Committee, the Committee is supposed to look at the Project from the perspective of the taxpayers. Cassingham agreed but clarified

the Committee's charge is to review and verify expenditures of Measure A revenues for the Next Gen Project.

Jeffries and Cassingham said that as a practical matter, they do not see MERA going back to the voters for another tax measure. Jeffries said at this point Measure A Funds are sufficient to complete the Project. Cassingham said any supplemental borrowing needed for short-term cash flow would be the responsibility of MERA.

Greenberg said the Budget update now shows where the gap is. She said it reflects the difference in County estimates versus AECOM's regarding construction costs as well as the passage of time. She supported getting the right parties involved who may be more independent and have monitored the budget more closely from the beginning. She suggested this discussion be postponed until the Committee reviews the updated Budget from December? She added as more is clarified, there may not be a \$6M gap if offset by contingencies and reserve, which is different than being over Budget.

Jeffries said Bid Package #1 is being released soon and when those three sites are completed, MERA can compare the engineering estimates, bid award and actual final costs to better refine each successive bid package. Cassingham added any additional Project Funds or cash flow needs that may require separate financing would be MERA's responsibility.

Herrerias said comparison of the updated Project Budget to the original Project Budget used as a basis for Measure A will be helpful to the Committee. Cassingham said there was no budget included in the Tax Ordinance presented to the citizens of Marin. The amount of the parcel tax was based on the County's estimate for Project implementation at that time and what was polled the citizens of Marin as the amount voters would approve.

Levinson asked about bidding construction of all of the sites together instead of piecemeal. He asked if cost savings could have been achieved by bidding all sites together resulting in lower construction costs based on economy of scale. Jeffries said the recommendation was not to bid 18 separate projects but to group them in packages based on similarity of work and completed site leases. By issuing Bid Package #1, that work can start while other Bid Packages are under development. He noted they are looking at a total of seven or eight packages.

Cassingham further explained that bid packaging sequencing was based on beginning with easier sites, allowing more time for design and engineering work on the more complex sites prior to bidding them. Jeffries said sequencing is necessary because as sites are completed, Motorola can proceed to install Next Gen equipment thereafter. He added that bidders on the early bid packages may be incentivized to keep costs under budget in the early part of the Project to better inform their possible bids on later packages. He noted no one company may be positioned to bid all the sites. Greenberg confirmed with Jeffries that the bidders are aware there are a number of bid packages with will be noticed

and understand there may be more work ahead. Luckham said that with more than 40 years in the construction business, he has dealt with developers that try to low bid first phases in hopes of future favorable bidding consideration. Greenberg pointed out that specialized engineering communications systems projects are particularly challenging, especially if all sites are not available at the start. Greenberg said a bidder would want to know sequencing of mobilizations. Luckham said they just finished building three public safety buildings in San Rafael, utilizing the same general contractor. Scheduling of the projects was such that as each of the subcontractors was finishing, the next project was ready to go so they were able to keep a workforce together.

Cassingham said these sites are very different from one another with some in very remote locations, some upgrading existing sites, and some new to the MERA system that require more engineering, design and construction effort. Luckham said given this, you can end up with different contractors as a result.

Herrerias said there has been considerable discussion about how to control costs and the budget and that no one is happy using the entire contingency or unappropriated Project reserve for the Construction Budget. Jeffries said the contingencies are still there but are now incorporated in the construction line items. In response to Herrerias, Greenberg said the Committee will continue to ask a lot of hard questions about Project costs. Jeffries said they have been as transparent as possible in updating vendor radios and construction line items. Cassingham hoped the Committee understood why the Governing Board engaged AECOM, a worldwide engineering firm, to assist in completing the Project as the new partner, replacing the County.

Herrerias asked the Committee how they would like to proceed. Levinson said he would like to request the Finance Committee to provide a revised budget reflecting all the decisions and recommendations to date. He said although other construction management should have been hired from the beginning, that issue is in the past. He said what does matter now is that, as representatives of the taxpayers, the Committee needs to stay on top of expenditures going forward.

Cassingham assured the Committee that MERA will work within voter approved funding. If it appears additional funds are needed for cash flow, the MERA Governing Board will take the steps necessary if short term financing is warranted.

Greenberg and Reite agreed that it is premature to voice Project Budget concerns as we are working through this transitional period from the County to AECOM and looking at it with a new lens. Reite said before formal concerns are voiced, he would like to see a Budget update. Jeffries said there will be a report presented at the January 27 Governing Board meeting building on the Finance Committee's work to date on an updated Summary. Levinson agreed he would not want to send that message to the Governing Board until this Committee actually has a chance to see what the Finance Committee recommends.

Levinson asked when the COC’s input would be most useful. Cassingham said the MERA Governing Board expects the Finance Committee to first report on revisions to the Budget, including taking a look at which line items are not an impact right now in terms of cash flow plus looking at the construction line item to determine when drawdowns will occur. This also affects the investment of Bond proceeds with BLB in a guaranteed investment contract, which is sunsetting on March 31, 2021. The current interest rate will likely decrease given today’s interest rates.

M/S/P Levinson/Reite to review the Finance Committee’s Next Gen Project Budget recommendations before commenting on it to the Governing Board. Roll call followed.

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

Herrerias added he doesn’t want to procrastinate or wait too long to acknowledge the Committee’s concerns with the Project Budget. Jeffries said the Finance Committee meeting has not yet been scheduled but once it is, their Agenda will be posted in advance and the Committee can review background material provided for their review and recommendation to the Governing Board.

Jeffries briefly recapped the last few slides of his PowerPoint presentation.

C. Review of Funds 70038 and 70039 – Next Gen Project Revenues and Expenditures
FY19-20 September 15, 2020 as of December 14, 2020; FY20-21 July 1, 2020
through December 14, 2020

Cassingham reviewed the Balance Sheets and P&L Summaries for both Funds, noting that they had hoped to be able to reconcile the two Funds. However, due to the transition of the Project from the County to MERA, there have been challenges with the invoicing from the County related to the Project for prior year. She said MERA has again engaged retired Finance Director Hom from the Novato Fire Protection District, to assist with year-end closing and preparation of the financials for the Auditors. She said it is still their hope to complete MERA’s audit in February and will forward the updated financials to the COC when they are submitted to auditors for a clearer review of the detail included in the Committee’s packet. She said they are continuing to review P&L questions with the Town of Corte Madera as they make their adjustments.

Cassingham said, in part due to COVID and staffing, they have had challenges in closing the books due to County invoicing and MERA payment processing. For example, a \$600,000 NGP cost reimbursement check was issued to the County of Marin by way of US Bank from the Trustee of the Measure A Funds, and it was lost. A second check had

to be issued and, as of yesterday, they still have not found it and therefore it cannot be reconciled.

Herrerias noted that the interest income from the Bond Funds is \$686,000 and the interest expense accrued in the Bond Funds was \$775,000. Cassingham said she would review this and report back. She added current GIC investment income will come to an end March 31. She said she is working with the Finance Committee Vice Chair and MERA's Financial Advisors to identify another investment strategy for the remaining Bond proceeds. Staff is also working on the draw schedule to identify cash flow to inform reinvestment. She said the current 3.04% interest rate will dramatically decrease, more like 1% if that can be achieved. In response to Herrerias, Cassingham said the MERA Governing Board makes decisions on investments upon the recommendation of the Finance Committee, Financial Advisors and staff.

Herrerias asked if the \$1.3M figure under capital outlay is correct. Cassingham said it is as of June 30, 2020. She said staff is still awaiting outstanding FY19-20 invoicing from various vendors and processing them thereafter, which will affect fund balances. Luckham and Greenberg said they need to wait for final adjustments before getting into the details.

Herrerias said Account 7020, Bond principal is booked at \$1.66M, which is the same amount booked for all of last year. Cassingham will check on it and report back.

Herrerias asked if it would make sense to schedule a meeting in February to review financial statement adjustments. Cassingham said she will work with Mr. Hom and the Auditors on final reconciliations and financial statements and will report back to the Committee regarding timing of review.

Herrerias asked when the Finance Committee would next meet. Jeffries said the intent is to have the Finance Committee present a report to the Governing Board at their January 27 meeting. Luckham suggested scheduling a March meeting of the Committee to discuss the documents coming out in January and February. Cassingham agreed.

Herrerias asked if the COC members were comfortable waiting until after the Governing Board's January 27 meeting before commenting. Greenberg said they should wait until their regular March meeting because by then they will have the revised NGP Budget and Compliance Audit.

Levinson said Cassingham and Jeffries should advise the Finance Committee that the COC has concerns with the Project Budget. Jeffries said the Finance Committee will be informed about today's discussion.

D. Other Information Items

Cassingham announced a Special Meeting of the COC may be called upon completion of the Annual Audit to review:

- Draft Measure A Special Parcel Tax FY 2019/20 Independent Compliance Audit
- MERA Measure A Special Parcel Tax Fiscal Year 2020/21 Annual Report – NBS (includes Local Agency Special Tax Accountability for 2019-20)

Meeting schedule will be based on the availability of these items.

E. Open Time for Item Not on the Agenda (limited to two minutes per speaker)

Levinson asked if there are any cities that an member of MERA that do not send representatives to Governing Board meetings. He said it appears that Larkspur consistently has no one in attendance. Jeffries said all agencies are encouraged to send representatives and many have alternates. Cassingham said Chief Shurtz had been representing the City of Larkspur until he became Chief of the Central Marin Fire Authority. He has subsequently retired. Larkspur has not sent a representative since that time.

F. Adjournment

The meeting adjourned at 5:46 p.m.

Maureen Cassingham
MERA Executive Officer
and Secretary