



September 8, 2021

Executive Board Communication

Agenda Item B-3

**TO: MERA Executive Board**

**FROM: Mary Morris-Mayorga, Interim Executive Officer**

**SUBJECT: REVIEW MERA'S RESERVE FUNDS POLICY FOLLOWING GOVERNING BOARD'S APRIL 28<sup>TH</sup> DISCUSSION OF NEW REPLACEMENT FUND**

Recommended Action

Continue discussion on proposed new replacement fund and review existing Reserve Funds Policy to provide staff direction on recommended path or other further action as determined by the Executive Board.

Background

A proposed new replacement fund has been in discussion since 2019 and was most recently discussed at the Governing Board Meeting on April 28, 2021 (attached). With a debt service retirement, it seemed to be an opportune time to discuss establishing such a fund; however, after discussion at that meeting, no decision was made. Instead, it was determined this would be a future topic at the Executive Board with updates to the Governing Board as appropriate.

While as the Interim Executive Officer I have not had the opportunity to be part of that discussion thus far, I have a recommended path that the Executive Board could choose to follow (along with any variation thereof). Given the current financial situation many agencies face as well as scrutiny in spending levels, it would make sense to compile all key information to member agencies for discussions with their agencies and also for the Governing Board in determining whether to consider establishing this fund. A broad overview of the path would be:

- Establish and/or Refine Capital/Replacement Costs (non-safety radios, Next Gen, Gen 3)
- Complete Cash Flow Forecast
  - » In progress, but is dependent upon the updated construction schedule which is anticipated in the coming weeks
  - » Incorporate Capital/Replacement Cost Changes (if identified)
- Evaluate Projected Reserve Fund Balances for Funding Gaps
- Determine Funding Requirements, Impacts to Member Contributions, and Alternatives
- Assess Current Reserve Fund Policy for Possible Amendment(s)
- Executive Board Discussion
- Members Discuss with Agencies (as individually determined)
- Executive Board Discussion on Member Agency Feedback
- Governing Board Discussion

Staff is prepared to continue efforts on this item following feedback and direction of the Executive Board.

Attachments: Reserve Funds Policy  
April 28<sup>th</sup> Staff Report on Proposed New System Replacement Fund