



January 18, 2022

Finance Committee Communication

**TO: MERA Finance Committee**

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

**SUBJECT: NEXT GEN SYSTEM PROJECT BUDGET, CASH FLOW, RESERVES, AND FUNDING OPTIONS**

Recommended Action

Review and discuss information on Next Gen Project budget, cash flow, reserves/reserves policy, and funding options. Provide feedback to staff as desired by the Finance Committee.

Background

At the Executive Board Meeting on November 10, 2021, staff presented the attached report on continued evaluation of a proposed new replacement fund. After discussion and Executive Board feedback, staff has collected additional information for review and discussion with the Finance Committee on project budget, existing reserves, potential secondary financing, impact to member agency contributions of reserve funding, and reserve policy update. Please note that the current project schedule is being reassessed which may impact project budget and cash flow; therefore, this discussion is intended to evaluate potential options for planning purposes with further discussion once the project schedule is updated.

Project Budget and Cash Flow

The overall Next Gen Project budget is currently \$73,564,635 which includes a construction contingency for each site totaling approximately \$1.9M with unappropriated reserve of \$728,062 after recent allocations of the original \$1.128M. Several line item budget amounts need to be updated and others may also following the schedule update.

	Line Item Descriptions of Items Funded Under Measure A Funds	Project Budget 1/14/2022	Paid & Payables thru 6/30/2021	% of Funds Expended
<b>1</b>	<b>Active Line Items (2021-2024)</b>			
1-A	Vendor Contract - System	\$18,308,978	\$3,430,724	19%
1-B	Vendor Change Orders - System	\$3,225,495	\$564,648	18%
1-C	Vendor Contract - Public Safety Radi	\$5,698,226	\$4,360,144	77%
1-D	Vendor Change Orders - PS Radios	\$3,162,340	\$0	0%
1-E	Construction (NEW - eff 07/01/20)	\$10,874,431	\$197,951	2%
1-F	FE Project Management - Phase II	\$2,134,730	\$1,600,330	75%
1-G	AECOM Consulting Task 2 (Const.)	\$2,430,000	\$1,239,287	51%
1-H	RGS MERA Staffing	\$1,005,000	\$995,543	99%
1-I	Marin County Real Estate Services	\$50,000	\$57,217	114%
1-J	MERA Legal	\$400,000	\$257,219	64%
1-K	Admin Fees	\$3,200,000	\$1,035,789	32%
1-L	Financing Bond Interest	\$10,366,480	\$3,791,868	37%
	<b>Sub Total</b>	<b>\$60,855,679</b>	<b>\$17,530,721</b>	<b>29%</b>

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	Line Item Descriptions of Items Funded Under Measure A Funds	Project Budget 1/14/2022	Paid & Payables thru 6/30/2021	% of Funds Expended
<b>2</b>	<b>Closed Costs (Pre 2021)</b>			
2-A	CEQA	\$905,799	\$905,799	100%
2-B	AECOM CDR Consulting Services	\$201,853	\$201,853	100%
2-C	Public Outreach and Awareness	\$398,999	\$398,999	100%
2-D	Other Capital Costs	\$28,966	\$28,966	100%
2-E	DPW Project Implementation	\$918,930	\$918,930	100%
2-F	Marin DPW	\$11,640	\$11,640	100%
2-G	FE Consultants - Phase I	\$305,456	\$305,456	100%
	<b>Sub Total</b>	<b>\$2,771,643</b>	<b>\$2,771,643</b>	<b>100.00%</b>
<b>3</b>	<b>Future Costs (Post 2025)</b>			
3-A	System Upgrade Agreement (SUA)	\$8,301,299	\$0	0%
3-B	SUA from Contract Change Orders	\$1,636,014	\$0	0%
	<b>Sub Total</b>	<b>\$9,937,313</b>	<b>\$0</b>	<b>0%</b>
	<b>Total Project Budget:</b>	<b>\$73,564,635</b>	<b>\$20,302,364</b>	<b>28%</b>
<b>4</b>	<b>Contingencies and Reserves</b>			
4-A	Budgeted Project Contingency	\$0	% of Project Total	0%
4-B	Unappropriated Project Reserve	\$728,062	% of Project Total	1%
	<b>Project Total:</b>	<b>\$74,292,697</b>		

Under the current schedule, as I understand was previously anticipated, a secondary financing would appear to be necessary unless project components were reassessed to weather construction costs that will be paid by the parcel tax. In evaluating this potential financing, staff requested preliminary information from Sperry Capital which is included as an attachment (market conditions, costs of issuance, timing, etc.). *Refer to Attachments C-2 and C-3*

#### Reserves and Reserves Policy

During discussion of the Reserves and Reserves Policy, the Executive Board asked that the Finance Committee review for potential update which is provided for discussion. The current policy lists the Replacement Fund and Emergency Fund with minimum balances of \$500,000 to be maintained. Staff recommends evaluating those amounts and incorporating language on the Operating Fund minimum/target balance as it is common and recommended practice to establish an operating reserve percentage or number of months of annual budget.

#### Funding Options

Depending upon the impact of the project schedule update, there are several options for funding increased costs and/or increasing or establishing reserves:

1. Transfer of remaining \$279k from 70032 – New Project Financing to other fund(s).
2. Evaluate need/cost for non-public safety radios (est \$4M) and/or determine funding for (reserves, grant(s), etc.). *Note: grants generally have a match, would need to designate.*
3. Member contributions through the budget process with notice on dollar impact/allocation.

Attachments: C-1: 11/10/21 EB Staff Report – Next Gen Budget/Cash Flow/Replacement Fund  
 C-2: Project Cash Flow – *Draft*  
 C-3: Secondary Financing Information  
 C-4: Reserve Funds Policy