



Regional Wireless Cooperative
Board of Directors
MINUTES
November 17, 2011

Phoenix City Council Chambers
200 West Jefferson Street
Phoenix, Arizona 85003

Board Members Present

Wayne Clement	Mark Gaillard	John Imig*
Steven Conrad	Jim Haner	Charlie Meyer
Bob Costello	Bob Hansen	Marc Walker
David Fitzhugh	Brad Hartig	Paul Wilson
Mike Frazier	Lonnie Inskeep**	Ed Zuercher

Board Members Absent

Wade Brannon
Steven Campbell
Jim Heger
Danny Johnson
Susan Thorpe

*Board Alternate **Non-Voting Board Alternate

Staff and Public Present

Paul Adams	Jesse Cooper	Loretta Hadlock	Vicky Scott
Tahir Alhassan	Theresa Faull	Jen Hagen	Dale Shaw
Karen Allen	David Felix	Rick Kolker	Nick Spino
Brenda Buren	John Gardner	Chris Nadeau	Rob Sweeney
Dave Clarke	Joe Gibson	Bill Phillips	Shannon Tolle
Dave Collett	Mark Gorla	Wayne Smith	Tim Ulery
			David Watts

1. Call to Order

Chair Meyer called the meeting to order at 10:00 a.m.

The following substitutions were announced between Items 4 and 5.

- Board Alternate Mr. Imig for Vice-Chair Thorpe – City of Peoria
- Board Alternate (Non-voting) Mr. Inskeep for Mr. Brannon – City of Maricopa

2. Approval of the Meeting Minutes from September 22, 2011

A **MOTION** was made by Mr. Imig and **SECONDED** by Mr. Hartig to approve the minutes as presented. **MOTION CARRIED UNANIMOUSLY (14-0).**

3. RWC Annual Audit for Fiscal Year 2010/2011

Mr. Felix explained that the audit was 80% complete and a draft opinion letter from the audit firm of Clifton Gunderson, LLP indicated a clean audit with no issues and only two housekeeping items to be resolved. He stated that the auditor recommended that two or three Board Members be assigned as an Audit

Committee to meet with the auditor to review the audit opinion. Mr. Gaillard, Mr. Haner, and Mr. Walker volunteered to serve on the Audit Committee.

4. RWC 700 MHz Narrow-Banding, TDMA Conversion, and Lifecycle Upgrades

Mr. Phillips explained that this topic had been previously discussed; however, he would be presenting options for a funding schedule. He stated that the main driver was the Federal Communications Commission's (FCC) mandate to narrow-band all 700 MHz frequencies by January 2017. He reviewed the difference between a new protocol on the system, Time Division Multiple Access (TDMA), and Frequency Division Multiple Access (FDMA), which the RWC currently uses. He explained that although TDMA and FDMA may reside on the system at the same time, both may not be used simultaneously on the same talkgroup which eliminates the ability to do wide-area roaming. He added that in order to maintain wide-area roaming, all 800 MHz subsystems would also need to be converted to TDMA. He explained that over the next five years, the system will also experience software upgrades, as well as equipment replacements due to obsolescence that without which the system will not support TDMA. He expressed that Motorola provided a four-phased proposal to address all of these items. He stated that the cost for infrastructure was estimated at \$51M. He explained that Motorola's proposal was \$41M, although an estimated \$10M more would be needed for the purpose of adding equipment to maintain capacity if the TDMA deadline were to be extended. He reviewed the four phases of Motorola's proposal and each of the funding options. He stated that the Executive Committee recommended Funding Option D, as it was a "pay as you go" approach which mirrored Motorola milestones and enabled Members to retain control over their funding.

Mr. Phillips expressed that other areas were being looked at such as working with other agencies to extend the FCC deadline and a possible buyout from Nextel. He explained that Nextel was funding a project to have entities move their band plans for 800 MHz channels; however, if the RWC converts all of its 800 MHz channels to 700 MHz, Nextel may pay cash to the RWC to vacate the 800 MHz band. He stated that the money could be applied towards the 700 MHz narrow-banding project. He expressed that the buyout could be anywhere from \$3M to \$8M, but until negotiations take place the amount was uncertain.

In response to a question by Mr. Hartig, Mr. Phillips replied that obtaining the terms of others' negotiations with Nextel had been difficult; however, he was informed that it could be as little a 20% of what actual conversion costs would be.

In response to a question by Mr. Hartig, Mr. Phillips replied that much of this project was worked through the Federal Transition Administrator and records might not be available for public record disclosure, but it would be worthwhile to try to obtain them.

Chair Meyer suggested to the Board that if a discussion regarding rebanding needed to occur that it be done at this time.

Mr. Conrad expressed that he saw two factors driving this issue: (1) a potential FCC waiver granting delay of the narrow-banding requirement, thus postponing the TDMA conversion and the larger cost of replacing subscriber units, and (2) possibly deferring the Motorola scheduled upgrades but still being able to operate in a safe manner. He added that entities were not able to bond projects and a lease/buy option was not feasible.

Chair Meyer echoed Mr. Conrad's comments and explained that capital projects were often funded through a secondary property tax levy and because some properties have lost close to 50% of their assessed values, deferring costs allowed time for assessed values to grow to pay for capital programs.

Mr. Phillips explained that once equipment becomes obsolete then parts are no longer available from Motorola. He expressed that even if the TDMA conversion were delayed there would still be a \$30M to \$40M cost to keep the hardware upgraded and the system operating safely.

Chair Meyer expressed that Motorola makes a corporate decision as to how long parts are manufactured for existing equipment.

Mr. Conrad requested whether an analysis could be performed of what needed to be replaced, because the appearance was that it was more about a revenue stream for Motorola than changes in technology.

Mr. Phillips replied that the normal upgrade timeline was about every 24 months for areas such as software and network upgrades. He expressed that these were more sustainable and included in the five year time frame; however, equipment obsolescence were big ticket items. He stated that it may be possible to stockpile base stations and perform an analysis to see how risky it would be to not replace them. He explained that with Glendale's transition there would be 20 surplus base stations that potentially could be used as spares.

In response to a question by Mr. Conrad, Mr. Phillips replied that more programming would be required to operate in both modes TDMA and FDMA and fingertip roaming would not be seamless. He added that it would make interoperability channels more difficult because rather than one deck (G deck) being assigned for all users, multiple decks would need to be assigned such as G1 for the West Valley and G2 for East Valley; therefore, users in the field would need to remember more.

In response to a question by Mr. Fitzhugh regarding what would happen to the system if we cannot afford to pay \$41M to \$51M over the next five years, Mr. Phillips replied that the system would be put in a risky position. He stated that

the system could be kept running but at some point in time it would be difficult to keep it running safely.

Chair Meyer questioned whether this situation was occurring all over the United States. He expressed that due to the recession some vendors have opened contracts mid term to renegotiate downward and waive increases. He inquired whether any leverage existed either in Arizona or through a consortium with other states for Motorola to maintain product support for a longer period of time.

Mr. Phillips replied that we needed to open that dialogue with Motorola. He explained that Motorola has acted like a partner with many items and one area in our favor was that the RWC was a Scorecard member which may carry some weight.

Chair Meyer commented that the problem was exacerbated in Arizona due to the way capital projects were funded and many of our cities may not be able to meet the commitment.

In response to a question by Mr. Zuercher whether other large consortiums had been contacted to obtain leverage, Mr. Felix replied that he would reach out to other regional systems.

Chair Meyer expressed that this situation may need to be elevated to a political level, as it was a serious issue.

Mr. Wilson inquired whether the spike in costs for Fiscal Year (FY) 14/15 on Option D was a true “pay as you go” amount. Mr. Phillips replied in the affirmative.

Mr. Wilson inquired that if the buyout was successful whether it would reduce costs at the final year, FY 2016/2017. Mr. Phillips replied that it would; however, it would depend on when the buyout occurs.

In response to a question by Mr. Wilson, Mr. Phillips replied that the bulk of the TRWC’s system was 800 MHz and he could not speak for the TRWC with regards to the TDMA conversion; however, we were partnering with them on our appeal to the FCC to get the deadline extended or waived.

Chair Meyer requested that Dale Shaw of the TRWC address this issue.

Mr. Shaw stated that the TRWC was facing the same technology changes, regulatory issues and fiscal planning as the RWC. He explained that the TRWC had programmed the costs into its forecast budget. He expressed that as a larger region we needed to be coordinated in this area and that the TRWC was prepared to move in unison with the RWC.

In response to a question by Chair Meyer as to why an additional \$10M would be needed in addition to Motorola's proposal, Mr. Phillips explained that more base stations would be needed to maintain capacity in FDMA, if the TDMA transition was delayed.

Mr. Imig stated that to give the Board sufficient time to vet these figures, he moved to table action on this item until the next meeting.

Chair Meyer inquired whether there were any ramifications to tabling the item. Mr. Felix replied that there were none.

Mr. Conrad requested that staff come back with information from Motorola so that cost-deferring options could be examined other than the options proposed.

In response to a question by Mr. Wilson, Mr. Phillips replied that subscriber units could be replaced at anytime; however, they must be replaced and programmed by the TDMA conversion.

A **MOTION** was made by Mr. Imig and **SECONDED** by Mr. Costello to table action on this item until the next Board meeting and to have staff return with cost-deferring options from Motorola. **MOTION CARRIED UNANIMOUSLY (14-0)**.

5. **Motorola SUA II Proposal**

Mr. Phillips stated that the RWC had support agreements with Motorola: a Software Subscription Agreement (SSA), a Radio System Agreement (RSA), and other agreements covering version upgrades which included software installation, any new hardware and hardware installation. He explained that Motorola was proposing a new support plan called the System Upgrade Assurance II (SUA II) which would combine the SSA and all version upgrades, including software and hardware, as well as hardware refreshes where a pc existed. He expressed that it was a long term approach and would level costs over multiple years rather than spiking every two years at the time of system upgrades. He stated that the SUA II was reviewed by the Operations Working Group and Executive Committee to ensure that there was no loss of service and that it was cost effective.

Mr. Phillips explained that the SUA II provided a \$4M cost savings over five years. He confirmed that it provided all the functions of the current SSA and upgrade program. He expressed that leveling the SUA II and upgrade costs would cause an increase in the radio rate. He emphasized that there was no cost increase; costs were being reallocated into the radio rate instead of by special assessment. He added that because the SUA II also included console support, Members would be able to terminate their console support contracts.

Mr. Fitzhugh requested confirmation that the overall cost was reduced over five years and that instead of special assessments the cost was included in the radio rate. Mr. Phillips replied in the affirmative.

A **MOTION** was made by Mr. Gaillard and **SECONDED** by Mr. Zuercher to approve the SUA II Proposal as presented. **MOTION CARRIED UNANIMOUSLY (14-0)**.

6. **RWC Financial Update for Fiscal Year (FY) 2010/2011**

Mr. Alhassan presented the financial update for FY 2010/2011. He explained that revenues exceeded expenses by approximately \$2M. He reviewed the reasons for the variance which included staff positions not filled, a reduction in shared site expenses, labor charges for wireless services, battery replacements not needed, city-wide allocation of microwave, and a slight increase in the number of radios.

Mr. Alhassan presented the settlement amounts for each Member and explained that the auditor analyzed and tested the information. He stated that the amounts would be credited towards each Member's next quarterly billing which should occur in January. He explained that the process would be the same as last year in which Members would be sent both an invoice and a credit memo and then pay the difference.

Chair Meyer inquired whether all of the \$2M was unexpended appropriations, other than the slight increase in radios. Mr. Alhassan replied in the affirmative.

A **MOTION** was made by Mr. Wilson and **SECONDED** by Mr. Conrad to approve applying each Member's FY 2010/2011 settlement towards their next quarterly billing for FY 2011/2012. **MOTION CARRIED UNANIMOUSLY (14-0)**.

7. **RWC Budget Overview for Fiscal Year 2012/2013**

Mr. Alhassan explained the categories and percentages that made up the FY 2012/2013 Budget: Motorola – 45%, Phoenix ITS – 41%, RWC staffing – 9%, and other items which include Scottsdale, Leases, Electricity, and White Tank relocation – 5%.

Mr. Phillips explained that a high site was in a White Tank site shared with the Department of Public Safety (DPS). He stated that DPS was expanding; therefore, we would need to vacate the site. He expressed that there were a few potential sites being looked at for relocation.

Mr. Alhassan reviewed the current billing methodology versus a proposed methodology in which special assessments for staff and upgrades were included in the subscriber rate.

Mr. Alhassan reviewed the Five Year Budget figures and explained that the figures for the 700 MHz, TDMA and Lifecycle Upgrades were based on Option D in Mr. Phillips' presentation.

Mr. Wilson, referencing slide 4, inquired what the radio rate would be if the SUA II was backed out of the figure. Mr. Alhassan responded that the rate would be around \$43.00.

Mr. Wilson expressed concern that entities may shop for the best rate between the two systems and jump to that system.

In response to a question by Chair Meyer, Mr. Alhassan replied that he was not sure a comparison could be made of the two systems.

Chair Meyer expressed that the topic of how to compare rates may be something that could be brought to the Joint Chair meeting.

In response to a question by Mr. Zuercher, Mr. Alhassan responded that it was due to the warranty coming off for Scottsdale and Chandler and the White Tank relocation.

Mr. Wilson commented that while he supported what staff was trying to achieve with an easier way to manage the budget, he expressed concern that Members did not have time to discuss with their financial staffs any impacts due to upgrades that were currently programmed into their capital budgets.

Chair Meyer, noting that the RWC budget conformed to the City of Phoenix budget process, inquired of that status of that budget process.

Mr. Zuercher suggested separating the item into two areas: the bottom line budget and the allocation method. He added that rather than delaying the entire process, it would give an opportunity for the bottom line budget to be fed into the Phoenix process which started in late December or early January.

Mr. Felix commented that he agreed with Mr. Zuercher's recommendation.

In response to a question by Chair Meyer, Mr. Alhassan replied that the rate would be set in March.

A **MOTION** was made by Mr. Zuercher and **SECONDED** by Mr. Wilson to approve the FY 2012/2013 budget of \$11,035,580 with the stipulation that the allocation method be decided upon at the next Board meeting. **MOTION CARRIED UNANIMOUSLY (14-0).**

8. RWC Conditional Participant Policy

Mr. Felix explained that the Intergovernmental Agreement had a Conditional Participant category and that this policy defined the rules associated with Conditional Participants.

A **MOTION** was made by Mr. Zuercher and **SECONDED** by Mr. Hartig to approve the Conditional Participant Policy. **MOTION CARRIED UNANIMOUSLY (14-0).**

9. RWC Good Neighbor Policy

Mr. Felix explained that if a non-Member experienced a radio system failure, this policy allows the Network Manager to activate talkgroups on the RWC network for the non-Member's temporary use. He added that if long term use was needed, the matter would come to the Board for action.

A **MOTION** was made by Mr. Zuercher and **SECONDED** by Mr. Conrad to approve the Good Neighbor Policy. **MOTION CARRIED UNANIMOUSLY (14-0).**

10. Executive Director's Report

a. Federal Communications Commission (FCC) Petition

Mr. Felix reported that in October he traveled to Washington DC to meet with representatives from the FCC. He was advised that two avenues existed to approach this issue: (1) post public comments to a Notice of Proposed Rulemaking that the FCC would be posting in January and (2) simultaneously file our petition and request a waiver for an expedited review by the Public Safety and Homeland Security (PSHS) Bureau. He explained that this approach could have a collateral effect; it may influence the FCC and require a course of action for the PSHS Bureau. He added that a decision could be expected in mid-summer or early fall.

Mr. Zuercher left the meeting at this time.

Mr. Felix expressed that he intended to contact other regional system administrators to see if he could amp up the pressure on the FCC.

Chair Meyer commented that he believed the dual track would be helpful.

b. RWC/TRWC Discussions

Mr. Felix reported that he and Mr. Shaw continue to work on the principles for a Network Partner. He expressed that since the Network Partner emanated out of the Joint Chair meetings it would be appropriate to first brief the Joint Chairs and then bring this item to the Board in January.

Mr. Zuercher rejoined the meeting at this time.

11. Call to the Public

None.

12. Announcements

Chair Meyer announced that Larry Rooney, who serves on the RWC Executive Committee, would become the new Fire Chief of Lodi, California. Mr. Felix added that Mr. Rooney's vacancy on the Executive Committee would need to be filled and he suggested the Fire Chief Members select a replacement to fill his seat.

Chair Meyer announced that starting in January a roll call would be taken at the Board meetings. He asked that Board representatives identify themselves when their respective city was called. He added that due to the number of substitutions, the roll call would assist with identifying those present.

13. Adjournment

Chair Meyer adjourned the meeting at 11:20 a.m.

Respectfully submitted,
Theresa Faull, Management Assistant I