

**Board of Directors  
MINUTES  
November 20, 2014**

Maricopa Association of Governments  
302 N. 1<sup>st</sup> Avenue  
Phoenix, Arizona 85003

<b>Board Members Present</b>			<b>Board Members Absent</b>
Kevin Artz	Chris DeChant	Danny Johnson	Brent Ackzen
Kevin Bailey	Milton Dohoney	Chris Nadeau*	Susan Daluddung
Brenda Buren	Mike Frazier	Mike Thompson	Paul Luizzi
Steven Campbell	Bob Hansen	Paul Wilson	Tim Van Scoter
Wayne Clement	Brad Hartig		
Mike Cole	John Imig*		
Bob Costello	Lonnie Inskeep		
*Board Alternate	** Telephone Participant		

**Staff and Public Present**

Debora Black	David Felix	Rob Sweeney	
Kelli Butz	John Gardner	Shannon Tolle	
Jim Case	Tom Grebner	Mike Worrell	
David Clarke	Doug Mummert		
Dave Collett	Ron Parks		
Jean Dietrich	Ron Stearns		
Kim Engle	Michael Sumnicht		
**Telephone Participant			

**1. Call to Order, Roll Call and Opening Comments, Staff Recognition**

Chair Campbell called the meeting to order at 10:00 AM.

**Staff Recognition**

Executive Director David Felix announced that RWC Accountant III, Kelli Butz has accepted a promotion within the City of Phoenix so she will be leaving the RWC on Friday, November 21. Mr. Felix congratulated Kelli on 26 years with the City of Phoenix and her promotion to Neighborhood Services. He thanked her for a tremendous job in supporting the RWC and her hard work on preparing the Comprehensive Financial Annual Report (CAFR).

Chief Campbell offered Kelli gratitude and thanks from the RWC Board of Directors.

Executive Director David Felix announced that City of Phoenix employee John Gardner is retiring. John Gardner and Bill Phillips (also retiring but not able to attend to receive his certificate) are the final remaining ground floor participants in the design and deployment of the Phoenix Regional Wireless Network (PRWN) which is now called the RWC. John and Bill oversaw the RFP bid specification, contract award, managed the construction and deployment of the network, and replaced all Phoenix subscriber equipment. They developed staff models, assembled the support team and have managed and maintained the RWC network for the past 18 years.

Executive Director David Felix thanked Mr. Gardner and Mr. Phillips (not able to attend) for his service.

Chief Campbell thanked Mr. Gardner and Mr. Phillips (not able to attend) on behalf of the RWC for their dedication to the RWC and congratulated them on their retirements from the City of Phoenix.

Executive Director David Felix read a message from Mr. Phillips thanking everyone for their support over the years and expressing that he was honored to have been able to work with everyone.

Chief Campbell asked for a round of applause for Mr. Phillips even though he was not present. He expressed gratitude to Mr. Gardner, Mr. Phillips and the entire ITS team.

**2. Call to the Public – None**

**3. Approval of RWC Board Meeting Minutes from September 25, 2014.**

A **MOTION** was made by Paul Wilson and **SECONDED** by John Imig to approve the RWC Board meeting minutes from September 25, 2014. **MOTION CARRIED UNANIMOUSLY (17-0).**

**4. RWC Annual Audit Update**

Chief Campbell thanked Fire Chief Paul Luizzi, Assistant Police Chief Brenda Buren, and Deputy Fire Chief Danny Johnson for their work with the auditors to complete the audit.

Executive Director David Felix reminded the Board that an independent audit is required yearly for the RWC and noted that this is the 3<sup>rd</sup> year that CliftonLarsonAllen has performed the RWC audit with assistance from the RWC

staff and the Audit Committee. He commented that each Board Member has been provided a copy of the Comprehensive Annual Financial Report (CAFR).

Mr. Ronald Stearns from CliftonLarsonAllen thanked the RWC Board for allowing him and Jean Dietrich to be at the meeting to present the audit results for the year ending June 30, 2014. He is pleased to report that they have issued an Unmodified Opinion on the financial statements which is commonly referred to as a clean opinion. No fraudulent transactions or irregular payments were identified.

Total Assets of the cooperative exceeded \$88,800,000 as of June 30, 2014 with \$83,280,000 of that being Capital Assets (equipment). The Net Position equals \$87,530,000 which represents the equity of the organization since inception. Mr. Stearns commented that it is a healthy financial statement.

The audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) and also believes that the financial statements were presented in accordance with the Generally Accepted Accounting Principles (GAAP) that is applicable to a governmental entity. A meeting was held with the RWC Audit Committee to review the draft reports. There was no material weakness or significant deficiencies in internal controls. The organization did not have any new accounting policies adopted and there were no changes to existing accounting policies. There were no adjusting entries or past adjusting entries, no disagreements with management on the application of accounting principles or on auditing standards, no opinion shopping by management on transactions and no difficulties with management in performing the audit. They received great support from the RWC staff.

Chair Campbell thanked Mr. Stearns and his associates at CliftonLarsonAllen for their work, and acknowledged Executive Director David Felix, Accountant, Kelli Butz, and the Audit Committee for the work they have done.

Executive Director David Felix noted that for the past three years the RWC has applied to the Government Finance Officers Association to be recognized through their Certificate of Achievement for Excellence in Financial Reporting and are hopeful that the RWC will continue with its success in receiving this recognition again this year.

The Audit Committee and Executive Committee recommend accepting the findings of this audit.

A **MOTION** was made by Brad Hartig to approve the RWC Annual Audit and it was **SECONDED** by Paul Wilson. **MOTION CARRIED UNANIMOUSLY (18-0)**.

\*Board member Hansen arrived at 10:20 a.m. making the amount of Board Members present 18.

**5. RWC Financial Update for Fiscal Year 2013/14**

Ms. Kelli Butz stated that this is the Fiscal Year 2014 year ending financial update of revenues and expenses. Total revenues billed to Members for Operating and Maintenance (O&M) was \$8.3M; total expenses were \$7.2M which includes interest; making the settlement credit \$1.1M. The variance between revenues and expenses is mainly due to Phoenix ITS unfilled vacancies.

Ms. Butz reminded the Board that at the March 27, 2014 Board of Directors meeting they approved to apply a portion of the settlement funds if sufficient, to achieve the 12.5% Required Minimum Balance (RMB). Based on the 2014/15 O&M budget of \$8.1M, an amount of about \$1M is needed to fully fund the RMB. The RMB as of the end of October 2014 is \$734,000 so there is a deficit of \$288,000.

Each member's portion of the fiscal year 2014 settlement credit will be adjusted to allow for their share of the \$288,000 needed to reach the 12.5% RMB.

A **MOTION** was made by John Imig and **SECONDED** by Milton Dohoney, Jr. to approve the RWC Financial Update for Fiscal Year 2013/14. **MOTION CARRIED UNANIMOUSLY (18-0)**.

**6. Approval to Adopt the RWC 2015/16 Budget**

Ms. Kelli Butz, RWC Accountant, stated this is an overview of the proposed 2015/2016 budget and the Five Year Plan. The staffing levels will remain the same which includes an Executive Director, Accountant III, Management Assistant I, Administrative Aide, and a Police Communications Specialist for Encryption Services.

The four main categories of the RWC budget is Motorola at 74% which includes service, software system upgrade agreements and the narrowbanding lifecycle upgrades, 19% for Phoenix ITS for wireless services, microwave network services, and shared sites, 3% for RWC staffing, and 4% for other miscellaneous items.

The estimated rate for 2015/2016 is \$36.40 which is \$1.89 lower than the current rate (includes O&M and staffing only). Subscriber count was based on the October 2014 active subscribers on the system. O&M is estimated at \$7.9M, SUAll at \$2.8M, the narrowbanding lifecycle upgrades at \$8.6M plus any new members coming on for a total of \$19.3M. Members were given a spreadsheet showing their portion of costs for all categories combined.

Charts were shown for the Five Year Plan budget amounts.

Executive Director David Felix noted that the TDMA narrowbanding cost of \$17.7M for FY2016/2017 was the estimate for the second phase of the project

which is the software application which enables the narrowbanding to provide more capacity in the future. The RWC believes that this number should be adjusted so Motorola has been asked for an updated estimate. The amount has not been reduced at this time in the budget until a discussion with technical staff about the timing of narrowbanding can take place and the updated report from Motorola has been received.

Updated subscriber numbers are needed by February 2015 so the rate can be set in March.

A **MOTION** was made by Mike Thompson and **SECONDED** by Brenda Buren to approve to Adopt the RWC 2015/16 Budget. **MOTION CARRIED UNANIMOUSLY (18-0).**

**7. Approval to Replace Executive Committee Member**

Executive Director David Felix announced that with the retirement of committee member Bill Phillips, there is a need to select a new Executive Committee Member. A recommendation was made by Assistant Chief Information Officer Rob Sweeney, from the City of Phoenix, and the RWC Executive Committee to appoint Tom Grebner from City of Phoenix ITS, to be the new interim member.

A **MOTION** was made by Milton Dohoney, Jr. and **SECONDED** by Chris DeChant to approve Tom Grebner as the interim Executive Committee member. **MOTION CARRIED UNANIMOUSLY (18-0).**

**8. 700 MHz Hardware Phase Cost Distribution and 800 MHz Cash-Out**

Executive Director David Felix reminded the Board about a request from the September 25, 2014 Board meeting for a simplified spreadsheet of the 700 MHz hardware phase amount collected, projected project cost and 800 MHz re-banding cash-out distribution by Member. Spreadsheets were presented and discussed.

Another question from September 25, 2014 Board meeting was asked about if there is any liability to the City of Phoenix (RWC) to retain the Member's revenue in a CIP reserve; and it was reported that there is no liability.

Members were asked to explore financial restrictions (if any) which may influence their decision to authorize the RWC to hold their portion in a CIP reserve.

A question was asked about if an agency was not able to have their portion held in a CIP account; how it would affect that agency in the future. Executive Director Felix replied that Members would then need to be assessed for future projects if the reserves were returned to Members now.

It was determined to table this decision so Members have an opportunity to address this topic with their agency officials.

A **MOTION** was made by Brenda Buren to table this item to future meetings and **SECONDED** by Chris DeChant. **MOTION CARRIED UNANIMOUSLY (18-0)**.

## 9. **Governance Working Group Update**

Executive Director David Felix presented an update on the Governance Working Group's progress since the joint RWC/TRWC September 25, 2014 Board meeting.

### Phoenix Risk Management

Staff met with representatives from the City of Phoenix Risk Management group. The City of Phoenix provides insurance coverage to the RWC via a self-insured insurance program and due to no claims being made the cost has remained low. The City of Phoenix can continue its coverage for the new Arizona Central Region Communications Authority (ACRCA) as long as it continues in its current Administrative Management role. Insurance as a total separate entity could be very expensive.

### Arizona Revised Statute 11-952.02

Determined as applicable to incorporation, Attorney Bill Anger provided Arizona Revised Statute 11-952.02, Joint Exercise of Powers, to the group. Per the statute, the ACRCA would not be required to seek legal authority or recognition as a sub governmental entity through legislation as it already exists under this statute and the authority can be formed under this statute.

### Outreach Plan

Discussions have been completed with the Executive Committees of the RWC and TRWC, Fire Chiefs and Labor organizations, and Police Chiefs and Labor organizations. Participation was good across the board and useful feedback was received. A general feeling was that the system is reliable and easy to operate. The groups were glad to have a voice and input.

Chair Campbell commented that the Police Labor organizations were very interested in the system being reliable and that the coverage would be expanded. The questions were good and support was good.

A meeting has been scheduled with the Joint Operations Working Group (JOWG) on December 16, 2014 to get their input.

City Managers are key to this process so the group intends to schedule a briefing at City Manager organization meetings if possible. The City of Phoenix also has a Criminal Justice/Public Safety Coordination Committee and a request has been made to be on the agenda for one of the upcoming committee meetings.

### Finance Committee

The finance committee will be losing two of its members as Bill Phillips has retired and Kelli Butz has accepted another position outside of the RWC. A request has been made to the City of Phoenix Audit Department to conduct a review of the IT/Radio Services for the City of Phoenix and the RWC. Motorola and IT services are two of the largest portions of the budget. After this audit is complete the committee plans to “map” the services and costs to the TRWC. A meeting has been scheduled with Motorola to discuss hardware/software services.

Chair Campbell commented that this analysis will be important to show the differences between the two systems and will be valuable to the Members with regard to the outcome for costs.

Chief Wilson asked if there is an opportunity to share costs with the TRWC and look at both systems.

Executive Director David Felix said the decision to take the initiative to start the audit with the RWC is due to it being the largest system. Mr. Bill Greene from the City of Phoenix Audit department stated that there may be some budget that can be used for this audit. If Mr. Greene’s department does have to consult an outside vendor and there is a cost for that, the TRWC would share in that cost.

Motorola has been asked for an updated cost proposal for hardware/software services for the SUAll when the two systems are combined. The updated proposal has been received and a follow-up meeting has been scheduled to discuss the costs and to determine where cost savings might be realized.

### Draft Governance Document

Edits were received from City of Phoenix Risk Management, and Chief Wilson, from Sun Lakes Fire District. Edits are pending from the Joint Operations Working group and once the edits are made to the document if there is anything substantive it will be brought to the Joint Board or Directors for review.

Executive Director David Felix asked Members to have subject matter experts, if they exist in their organizations, to review the document and get the edits back to the RWC.

Chair Campbell thanked the Members for their patience with the length of this process and emphasized the importance of solid communications across the Valley for police, fire, and government operations which ultimately ends up serving the public.

**10. Executive Director Report**

**FCC 700 MHz 2017 Narrowbanding Decision/Update**

Executive Director Felix reminded the Board that a petition was filed on behalf of the RWC and the state along with other petitions across the country, for the FCC to eliminate this mandate. Effective October 14 the mandate was eliminated.

He reiterated however, that the need for narrowbanding has not been eliminated as the RWC infrastructure will still need to be replaced at some point; but it is now in our control with no deadline at the end of 2016. At the end of the project the RWC will have all new infrastructures in place which will serve for many years to come. Any subscriber equipment (consoles, mobiles and portable radios) would have had to be changed to be narrowband capable with the mandate, but now the pressure has been relieved to not have to do this by the end of 2016. The RWC would like to get a better understanding of timing and need for narrowbanding for budgetary purposes and will bring that information back to the Board.

Vice Chair Hartig asked if a trending analysis could be done to get an idea when the narrowbanding changes need to be made.

**Gila River Indian Community Grant**

Executive Director David Felix notified the Board that the RWC has applied for a state shared revenue program grant from the Gila River Indian Community for the second year. On October 13, the City of Phoenix and RWC were notified that they would receive a grant in the amount of \$242,760 which will be dispersed over a two year period at \$121,380 each year. The funds will be used to directly fund the RWC.

**11. Announcements and Future Agenda Items**

Chair Campbell noted that the next RWC Board of Directors meeting is on January 22, 2015 from 10:00 a.m. to 11:30 a.m.

**12. Adjournment**

Chair Campbell adjourned the meeting at 11:18 a.m.

Respectfully submitted,

Kim Engle, Management Assistant I