



**Regional Wireless Cooperative
Board of Directors
MINUTES
March 24, 2016**

City of Phoenix
200 W. Washington Street, 12th Floor
Phoenix, Arizona 85003

Board Members Present			Board Members Absent
Kevin Artz	Mike Frazier		Brent Ackzen
Chris Briggs [^]	James Hughes [*]		Bob Hansen
Brenda Buren	John Imig		Brad Hartig
Wayne Clement	Danny Johnson		Lonnie Inskeep
Mike Cole	Paul Luizzi		Troy Maloney
Bob Costello	Terry McDonald		Rick St. John
Ron Deadman [*]	Brad Miller		Mike Thompson
Milton Dohoney, Jr.	Shannon Tolle [*]		Tim Van Scoter
[*] Board Alternate	^{**} Telephone Participant	[^] Non-Voting Alternate	

Staff and Public Present

Mindy Briggs	Domela Finessey	Ronald Stearns	
Steve Campbell	Dave Heck	Kelly Stewart	
Jeff Case	Shawn Kreuzwiesner	Rob Sweeney	
David Clarke	Chris Nadeau	Randy Thompson	
Jesse Cooper	Cy Otsuka		
Patrick Cutts	Brian Potter		
Alex Deshuk	Tonia Rogers		
Kim Engle	Dale Shaw		
David Felix	Nick Spino		
^{**} Telephone Participant			

1. Call to Order, Roll Call and Opening Comments

Vice Chair Johnson called the meeting to order at 10:02 AM.

2. Call to the Public – None

3. Approval of RWC Board Meeting Minutes from January 28, 2016.

A **MOTION** was made by Paul Luizzi and **SECONDED** by Mike Frazier to approve the RWC Board meeting minutes from January 28, 2016. **MOTION CARRIED UNANIMOUSLY (14-0)**. Board member Dohoney arrived after this vote.

4. RWC Annual Audit

Executive Director David Felix noted that CliftonLarsonAllen, LLC (CLA) issued an unmodified clean opinion at a meeting on January 26, 2016 with the RWC Executive Committee and the RWC Audit Committee. The audit findings were reviewed by the two committees and they have recommended approval of the Audit Report. The significance of the clean audit is that all financial responsibilities were properly managed and accounted for by the RWC staff on behalf of the RWC. There were no additional administrative recommendations for this audit period.

Mr. Felix introduced Mr. Ron Stearns from CLA to present the results of the RWC 2015 Audit. Mr. Stearns thanked the Board for allowing him to be there to present the findings of the audit.

Mr. Stearns stated that an unmodified clean opinion on the RWC financial statements has been issued. No fraudulent transactions or irregular payments were found. Governmental Accounting Standards Board number 68 and 71 regarding accounting for pensions, contributed to the delay in completing this audit as some additional disclosures in the financial statements and changes in wording throughout the financial statements were needed. The audit was conducted in accordance with the Generally Accepted Auditing Standards.

The cash and investments are over \$15M and the capital assets of the organization are over \$83M for about \$98M in total assets. Liabilities are about \$2.5M so the net position or the equity of the organization is about \$95.8M. The revenues exceeded the expenses by approximately \$8M.

A Comprehensive Annual Financial Report (CAFR) was provided to each Board Member. Copies can also be found at rwcaz.org.

Mr. Ronald Stearns complimented RWC Accountant Kelly Stewart for her great work on this audit.

Executive Director David Felix thanked the Audit Committee for their work on approving the Audit. He also noted that the RWC is in the process of selecting an auditing firm for the next year as this was the last year of the current contract. Mr. Felix voiced his appreciation to RWC Accountant Kelly Stewart for her work on the audit.

A **MOTION** was made by Kevin Artz to approve the RWC 2015 Annual Audit and it was **SECONDED** by John Imig. **MOTION CARRIED UNANIMOUSLY (15-0).**

5. Approval to Set 2016/2017 Subscriber Unit Rate

Executive Director David Felix provided the Board with a recap from the November 19, 2015 RWC Board meeting. The subscriber rate is determined by dividing the Staffing and O&M budget by the estimated number of subscribers on the network in 2016/17. The rate for 2016/17 if approved will be \$32.03 per radio per month which represents a \$4.12 decrease from the current rate of \$36.15. The lowered rate is partially due to the decrease in the estimated special contractual services by approximately \$770,000 which includes a reduction in the Motorola Services contract as well as a reduction in the Phoenix ITS charges. The annual staffing and O&M is \$7,003,247 and the number of subscriber units is 18,218.

A summary of the budget breakdown by Member was provided.

There was a request from a Board Member to try to get subscriber rate information out earlier in the year. Executive Director David Felix stated that the RWC staff can look into this.

Vice Chair Johnson asked for a motion for the Board to approve the 2016/2017 subscriber unit rate and for RWC staff to assess the Members.

A **MOTION** was made by Shannon Tolle to approve the 2016/2017 Subscriber Unit Rate and it was **SECONDED** by Paul Luizzi. **MOTION CARRIED UNANIMOUSLY (15-0).**

6. Phase I and II Infrastructure and TDMA Update and Allocation of Reserve Funds

Executive Director David Felix provided an overview of Phase I of the 700 MHz Hardware project as it stands today, narrowbanding expenses and revenues and distribution options for remaining balances prior to Phase II implementation. Phase I (infrastructure replacement) is being finalized and Phase II is what will enable the system to narrowband. An update was given on meetings with Motorola regarding discussion, plans, schedule and first budgetary estimates for Phase II A-D to transition the RWC network to TDMA or narrowbanding.

Executive Director Felix revisited the discussion and decision of the September 25, 2014 RWC Board meeting where the Board was given four options for action on the anticipated cost savings for this project. Option 4 was selected to defer action to give Board Members time to discuss this issue with their Finance Departments to determine if the City of Phoenix can hold these funds on their behalf.

The second and final distribution from Sprint/Nextel was received on December 22, 2015 in the amount of \$5,444,210. This amount was deposited in the account specifically established for these funds. Total reserve funds set aside for Phase II is \$14,343,185.09.

A table was shown that depicts the allocation by Member for TDMA Phase II A-D. The RWC, Phoenix ITS, and RWC Member technical personnel met with Motorola management and engineering staff to discuss alternatives associated with Phase II of the TDMA projects. Attendees engaged in a detailed discussion to review Phase I progress and the pros and cons of Phase II A-D. The Phase II plan involved an incremental approach beginning in FY 2017-18 to prepare the network for narrowbanding. Phase II A preparation involves licensing the network, upgrading channels at the Sky Harbor site and upgrading channels at Simulcast G. The budgetary estimate for Phase II-A is \$1,583,000. All Phase II costs still have to be refined with Motorola. This budgetary estimate is provided to assist Board Members with evaluating how much, if any, of their Phase II Capital Improvement Project (CIP) reserve funds should be held by the City of Phoenix for Phase II A-D. A more detailed project plan will be developed for follow on years for review and discussion at a future board meeting. The total Phase II A-D costs are estimated at \$10,297,000. These costs are estimates and detailed negotiation with Motorola still needs to take place.

Each Member needs to notify the RWC by July 1, 2016 via email, if they wish to retain their portion of the reserve funds in the CIP account or receive a portion or all of their share by credit or refund.

A **MOTION** was made by Milton Dohoney, Jr. and **SECONDED** by Brenda Buren to approve Members to individually choose whether to retain their share of the reserve in the CIP account or receive a portion or all of their share by credit or refund. **MOTION CARRIED UNANIMOUSLY (15-0)**.

7. **Executive Director's Report**

A. Subscriber Equipment Inventory

Discussions are taking place about a possible policy decision regarding whether the RWC should proactively engage in an inventory of subscriber equipment on the system and under what timeframes, rather than allowing the members to do it.

B. Phase I Change Order

As Phase I progressed it was determined that there is some equipment that was not needed that had been budgeted for as part of the contract with Motorola. The cost for that equipment is approximately \$1.2M. Discussions are in process with Motorola about what to do with the funds which might be a straight credit back to the members, or to purchase equipment identified by technical staff not included in Phase I, that would be beneficial to maintain the system, upgrade it, or make the system more robust. A recommendation

on what to do with the \$1.2M will be brought back to the Board at a future board meeting.

8. Announcements and Future Agenda Items

Vice Chair Johnson announced that the next RWC Board of Directors meeting is scheduled on May 26, 2016 from 10:00 a.m. to 11:30 a.m.

9. Adjournment

Vice Chair Johnson adjourned the meeting at 10:45 a.m.

Respectfully submitted,

Kim Engle, Management Assistant I