



MINUTES

Northwest Open Access Network
November 13, 2019

Sheraton Portland Airport Hotel
8235 Northeast Airport Way
Portland, OR 97220

The special meeting of the Board of Directors of Northwest Open Access Network ("NoaNet") commenced at 1:00 p.m. on November 13, 2019.

Present

The following Board members were in attendance:

Ron Gadeberg	(Okanogan PUD)
Chris Folta	(Benton PUD)
Roger Wright	(Franklin PUD)
Angela Bennink	(Kitsap PUD)
Colin Willenbrock	(Pend Oreille PUD)
Linda Gott	(Mason PUD No. 3)
Ken Collins	(Jefferson PUD)
Dean Kovacs	(Energy Northwest)
Jason Dunsmoor	(Pacific PUD)
Steve Schopfer	(Clallam PUD)

Also present were: Dale Knutson (Mason PUD No. 3); Annette Creekpaum (Mason PUD No. 3); Lynn Eaton (Mason PUD No. 3); Jim Civilla (Kitsap PUD); Bob Hunter (Kitsap PUD); Ben Hooper (Franklin PUD); Jeff Hall (Benton PUD); Scott Rhees (Franklin PUD); Will Purser (Energy Northwest); William Colyar (Okanogan PUD); Steve Taylor (Okanogan PUD); Tom Farmer (Mason PUD No. 3); Debbie Oakes (Pacific PUD); Dave Spencer (NoaNet); Paul Harding (NoaNet); Rob Kopp (NoaNet); Mike Henson (NoaNet); Chris Walker (NoaNet); Craig Nelsen (NoaNet); Phil Von Buchwaldt (Washington Trust Bank); Adam Wasserman (State of Washington E911 Program); Russ Elliott (State of Washington Broadband Office); Shelley Westall (Public Works Board Broadband Program); Jeff Takahashi (Public Works Board Broadband Program); Cindy Zehnder (NoaNet consultant); Don Cohen (Gordon Thomas Honeywell).

Some of those present attended by speaker phone.

Preliminary Remarks

President of the Board Linda Gott welcomed those present.



Approval of Minutes

The minutes of the Board of Directors meeting of October 9, 2019 were presented for approval. There was discussion concerning the summary of comments on wage increases in the proposed 2020 Budget in the draft minutes.

Motion: With one revision to the draft minutes regarding wage increases, Roger Wright moved, and Chris Folta seconded, approval of the minutes of October 9, 2019. The motion passed.

Approval of Payments for September 2019

NoaNet CFO Paul Harding commented on several items in the September 2019 payment approval form. Discussion followed.

Motion: Angela Bennink moved, and Roger Wright seconded, approval of the expenses in the Payment Certification form for September 2019, dated September 30, 2019. The motion passed.

Approval of Interest Rate on 2019 Member Line of Credit

CEO Dave Spencer stated that the interest rate in the Member Payment Agreement was based on bank line of credit wording and is very complicated and difficult to apply. As a result, NoaNet staff and Members that are parties to the Agreement have expressed support for simplifying the interest rate. Mr. Spencer suggested a 5% interest rate. He continued that, if the Board approves the revision, Nancy Neraas would prepare an amendment to the Payment Agreement that Mr. Spencer would be authorized to execute on behalf of NoaNet, subject to approval by the eight Remitting Members. Discussion followed, focusing on the approval process and the interest rate.

Motion: Jason Dunsmoor moved, and Ken Collins seconded, approval of an Amendment to the Northwest Open Access Network Payment Agreement as discussed with the Board, revising the second paragraph of Section 2 of the Payment Agreement to read as follows: *“Each payment, whether previously or subsequently made, shall bear interest at 5% per annum from the date it is paid to NoaNet.”* The Chief Executive Officer is authorized and directed to prepare, with assistance of legal counsel, the form of such Amendment and to execute same, subject to approval of all Remitting Members.

The motion passed.

Financial Report, 2020 Wage Approval, and 2020 Budget Approval

Dave Spencer provided an update on NoaNet’s financial performance. He stated that NoaNet is ahead of its projected sales, with pension funding on track and reserves



being accumulated. As to financing sales-driven capital, NoaNet's relationship with Washington Trust Bank is improving, with the expectation being that an amendment to the bank resolution, with a satisfactory revision to the debt service coverage ratio, would be forthcoming.

Mr. Spencer then stated that the financial reports show cash, accounts receivable, and revenues higher than last year. Expenses are 5% under budget. Revenue per employee is up 35% and anticipated to increase to 50% by year-end. Mr. Spencer stated that NoaNet is closing out 2019 strong and there is business for 2020 ready to be implemented. Discussion followed. Mr. Spencer also noted that the State Auditor issued another clean opinion for NoaNet. An audit exit conference will be held in the near future.

Mr. Spencer commented that cash, plus the \$665,000 from Washington Trust Bank and the remaining amount on the Member Payment Agreement, are expected to be sufficient to cover anticipated capital needs. Discussion followed concerning NoaNet's projected capital needs over the next several years, including maintenance capital and sales-driven capital, and the revenue and other financial resources anticipated to meet those needs, as well as accumulation of reserves. It was noted that the projections meet Washington Trust Bank debt service covenants

Dave Spencer commented on the proposed motion approving staff wage increases in the 2020 Budget, a motion the State Auditor has stated should be passed separately by the Board in addition to the Budget motion itself. Mr. Spencer explained that the proposed 5% aggregate wage and salary increase reflects cost-of-living adjustments, job promotions, and an increase of one FTE position. Mr. Spencer noted that anticipated promotions include filling the Chief Operating Officer position that has been vacant since Greg Marney's retirement, as well as providing for promotions to facilitate future senior leadership transitions.

Discussion followed. This included suggestions to break out the components of the wage increases in the future for better understanding—e.g., new hires, promotions, step increases, and cost-of-living adjustments keyed to the Consumer Price Index. Dave Spencer noted that after the Board acts on the wage motion, it would consider Resolution No. 0185, approving the overall 2020 Budget.

Motion: Linda Gott moved, and Roger Wright seconded, approval of wages and salaries as part of the 2020 Budget in the aggregate amount of 5% – \$324,000 – as discussed with the Board, comprised of cost-of-living increases, job promotions, and one new FTE. The motion passed.

Resolution No. 0185—A Resolution Adopting The Budget For The Calendar Year 2020 For Northwest Open Access Network.



Motion: Steve Schopfer moved, and Ron Gadeberg seconded, approval of Resolution No. 0185, calling for expenses of \$37,850,500 during calendar year 2020. The motion passed.

Operations and Marketing Report

Craig Nelsen commented on NoaNet's very strong sales and monthly recurring revenue increases. He summarized NoaNet's successful awards in the K-20 Program, which had a very high number of responding providers. Discussion followed regarding service level credit risks and NoaNet's efforts to mitigate those risks. Dave Spencer responded that mitigation strategies include redundant circuits, service credit limits, and potential insurance coverage. He mentioned a pending insurance claim for service level credits paid to a customer. Mr. Nelsen then described other business NoaNet has secured and opportunities it is pursuing. Mike Henson commented on delays being experienced in the State of Washington's completion of carrier transitions for the NG-911 Project.

Craig Nelsen concluded by stating that, when he talks to other communications carriers, they recognize that NoaNet's strength is in its Members and the respect they have in the state. He continued that NoaNet's strong performance is the result of the efforts of everyone, including NoaNet's Members. He expressed appreciation for the Members' support and efforts.

Member Report

Jason Dunsmoor reported on Pacific PUD's telecommunications activities. There was discussion throughout.

NG-911 Implementation Update

Dave Spencer introduced Adan Wasserman, E-911 Coordinator for the State of Washington. Mr. Wasserman stated that NoaNet has been a very helpful participant in the State's NG-911 transition. He noted the year delay in the transition from CenturyLink to Comtech, including cut-overs of carriers. Mr. Wasserman continued that all carriers except 3 or 4 are anticipated to be cut-over by December 31, 2019, when the State's contract with CenturyLink expires. He complimented Mike Henson and the "whole NoaNet family" in these efforts, including NoaNet's high level of responsiveness. Mr. Wasserman also commented on potential public safety uses of the NG-911 network, in addition to standard 911 communications, and how NoaNet would contribute to those in the future.

There was discussion throughout. This included comments on the adverse financial impacts NoaNet has experienced because of delays caused by CenturyLink and some other carriers. It was noted that the NoaNet NG-911 contract is a 5-year contract, with potential extensions leading to a total of 15 years.

State Broadband Office and Public Works Board Broadband Program Review



Dave Spencer introduced Russ Elliott (State Broadband Office Director), Shelley Westall (Public Works Board Broadband Program Director), and Jeff Takahashi (Public Works Board Broadband Program Manager). Mr. Elliott commented on his work with the new State Broadband Office since his recent hiring. He noted the similarities between the State of Washington and the State of Wyoming, for which he previously worked in a similar capacity. Mr. Elliott emphasized his support of NoaNet’s work and stated that he would have more details on the activities of the Broadband office as its work develops. There were introductions around the room, which Mr. Elliott appreciated.

Like Mr. Elliott, Shelley Westall and Jeff Takahashi only began working in their present positions in October. Their current focus is on rule-making for Public Works Board broadband grant and loan funding. Ms. Westall solicited input from the NoaNet Members and expressed PWB’s desire to visit them in person. She described the challenges in using the funds provided to the PWB to bring high speed communications to unserved and underserved areas of the state. She expressed the hope that the PWB and NoaNet’s Members could be resources for each other in this effort.

A discussion of “public-private” relationships followed. There were comments that NoaNet is already “public-private” because it is a wholesale provider on an open access basis.

There was discussion throughout. This included the definition of public-private relationships, the definition of unserved and underserved areas, open access, types of projects preferred for funding, and other funding sources.

2020 Board Meeting Calendar

Dave Spencer commented that the calendar for 2020 Board meetings had been distributed.

Adjournment

There being no further business, the meeting of the Board of Directors adjourned at 4:55 p.m.

Respectfully submitted,

David H. Spencer
Chief Executive Officer

Attest:

Linda Gott
President of the Board