ILLINOIS CENTURY NETWORK

NOVEMBER 19, 2003 POLICY COMMITTEE MINUTES

The meeting was called to order by Mary Reynolds.

Members present: Mary Reynolds; Anne Craig, Illinois State Library; Bruce McMillan, State Museum; Virginia McMillan, Illinois Community College Board; Dan LaVista, Illinois Board of Higher Education (via audio); Brian Foster, Illinois Hospital Association; Lugene Finley, Illinois State Board of Education; Alan Burgard, Department of Central Management Services; Jay Carlson, Department of Central Management Services; Scott Kennedy, Governor's Office; Roderick Frazier; and Marianne Stanke (via audio).

Other guests in attendance: Gary Wenger, College of DuPage; Lori Sorenson, Cindi Hitchcock, Kirk Mulvany, Karlin Sink, Lynn Murphy, Ralph Lucia, and Mike Bernico, all from the Illinois Century Network. Other members of the general public, ICN constituents, vendor representatives, and State agencies were present.

1. Policy Committee Minutes

Staff requests the adoption of the September 17, 2003 meeting minutes.

Motion: Virginia McMillan made the motion; Brian Foster seconded.

Virginia moved that the ICN Policy Committee adopt the September 17, 2003 minutes with any edits as noted. (No edits were noted.)

Motion carried.

Staff requests the adoption of the October 31, 2003 special meeting minutes.

Motion: Bruce McMillan made the motion; Dan LaVista seconded.

Bruce moved that the ICN Policy Committee adopt the October 31, 2003 minutes with any edits as noted. (No edits were noted.)

Motion carried.

2. Announcements

Mary indicated that she had no announcements.

3. Remarks

Lori Sorenson informed the Policy Committee that Neil Matkin had sent a letter to ICN constituents with a status of the transition, prior to his departure. Jay Carlson and Alan Burgard worked with Neil to ensure that the letter provided the constituents with the most up-to-date information available at the time. Neil shared with staff that he had received many notes from constituents expressing their appreciation for the update.

Lori reported that she has been working with CMS on the introduction of legislation that would allow ICN employees to retain their current benefit structure upon completion of the transition in July 2004. Further developments will be shared with the Policy Committee. Lori went on to tell the Policy Committee about the status of the School to Home communication system that was initiated by the Governor's office. The ICN has been working with Illinois State University and the Center for the Application of Information Technologies at Western Illinois University to develop a web-based tool that will facilitate communication between parents and the schools. A beta test will be implemented in January 2004 and the results of the test will be shared with the Policy Committee.

Lori informed the Policy Committee that Mike Bernico, senior network engineer with the ICN, had been invited to the meeting to receive recognition for his work as a technical reviewer for a book recently published by Cisco. The book, titled *Metro Ethernet*, is doing quite well and Mike's contribution is further testament to the technical expertise of the ICN staff. The Policy Committee members congratulated Mike and gave him a round of applause.

4. Budget

Lori asked Cindi Hitchcock, ICN fiscal officer to present the budget items. With regards to the fiscal year 2003 Budget, Cindi indicated that the ICN audit is still in process and the budget update is presented as pre-audit. Of particular significance is the removal of the e-rate projection due to the uncertainty of when the e-rate funds will be received. Rather than overstate the estimated income, the ICN has decided to take a more conservative approach and wait until receipt of the e-rate funds before actually including them in the budget. Cindi discussed a few more adjustments that had been made to the budget, particularly in the cost recovery line and in the telecommunications line item which had been reduced due to lower costs negotiated by staff.

Jay Carlson asked if there was some way to provide a statement of reliability of distribution of the e-rate funds from the federal government, stating that it was going to become more critical to have a handle on e-rate funding as it might impact available funds for special projects and other appropriations. Lori responded that the ICN had been

in consultation with other Midwestern states to present the unique characteristics of large consortia, such as the ICN, to the administrators of the e-rate fund, the Universal Service Administration Corporation. Jay thanked Lori for the information and stressed that it was important for the ICN to establish an audit trail and benchmark the trends related to e-rate funding.

Cindi went on to present the fiscal year 2004 budget. Budget projections have been adjusted to reflect the two percent reserve that has been requested of all state agencies. The increase for personnel cost represents the ICN's share of the State University Retirement funds and the group insurance cost which must be paid by the ICN now that payroll is paid from a non GRF account as a result of the Intergovernmental agreement between the ICN, CMS, and BHE. The line item reflects no additional staff or salary increases.

Jay asked if the increase in contractual costs was tracking with the expansion of services to constituents or is it because equipment is coming off warranty and starting to go into maintenance. Cindi indicated that the former was the cause for the increase. Jay then indicated that it should be easy for staff to plot the increase against the expansion of services associated with the network.

Jay further refined his question by asking if the staff was monitoring the potential budgetary impact as equipment ages and comes off warranty and maintenance. Lori replied that staff has been tracking the equipment, using the resources of property control in conjunction with network services. The ICN monitors end-of-life information and makes decisions about replacement and upgrades. This allows the technical staff to drop contractual maintenance and use parts replacement to keep older equipment in operation until it is replaced or no longer utilized. An internal ad hoc committee is looking at this issue as the cost of contractual maintenance continues to increase.

Marianne Stanke interjected that she was glad to hear that staff was monitoring the maintenance contracts and was prepared for unexpected increases, should they occur. Lori said that the fiscal staff had taken this into account and that the budget projections for this item were very conservative.

Virginia McMillan asked for further explanation of the e-rate funds, noting that the ICN had requested $5.3 million in reimbursement, but that only $3 million had been approved. Lori explained that the unapproved portion had to do with the way the ICN was contracting for the backbone circuits. The first six months of the year, the circuits were covered by the CMS master contract. The contract was scheduled to expire mid-year and negotiations for a new contract were underway. The e-rate administrators were consulted on the best approach to filing the application given the contract uncertainty. Therefore, an appeal has been filed but it will be several months before any decisions are made.

Cindi went on to present the fiscal year 2005 budget, which is based on level funding through the state appropriation and provides for a two percent reserve, as in fiscal year 2004. Cost recovery is expected to increase as additional services, including specific

requests for technical training, are added. The personnel line has SURS payments and group insurance added, until the time when personnel issues are resolved through the transition. Mary asked if the projected headcount included additional personnel. Lori indicated that CMS had asked the ICN management to identify critical positions that needed to be included in the headcount. Although nine positions were identified as critical, the total headcount represents an overall decrease of six positions.

Dan LaVista asked for clarification on the cost recovery line – did the increase represent an increase in fees or was the increase predicated on more users? Cindi replied that the increase was predicted in bandwidth usage and in the number of services being provided by the ICN. Dan asked if the constituents had been notified of the fees for fiscal year 2005. Lori said that the constituents had not been officially notified pending the approval of the fiscal year 2005 cost recovery that was anticipated at this meeting, but that they had been told that the staff was going to make the recommendation that cost recovery remain level for fiscal year 2005.

On behalf of the K-12 sector, Lugene Finley asked what the expectations were that a portion of the additional cost recovery line would come from the K-12 community. Lori explained that the staff did not expect any of the cost recovery funds to come from the purchase of additional bandwidth by K-12 constituents. More likely, cost recovery funds would come from the purchase of services, such as filtering. Lugene expressed his concern that the fees for services would rise, and Lori said that the staff projected that fees may even be reduced as the volume of constituents purchasing the service increased.

Lugene felt that it was time to revisit the enrollments as they related to baseline bandwidth allocation for the K-12 sector. Lori indicated that staff would look at utilization and bring the information back to the Policy Committee for an update.

Citing the trend in the increase in the cost recovery line, Scott Kennedy asked if there was an expectation that new services would be available or that there would be an increase in demand for existing services. Cindi responded by saying that the increase is based on trends analysis and the rollout of new services, especially the in-house training where the ICN could re-coup about 100% of the cost.

Jay asked if it might be possible to show the return on investment for the services that are being rolled out in order to anticipate when the savings would impact the budget. Lori indicated that staff would prepare this information for a future Policy Committee meeting. Mary reminded the group that the introduction of services was done at the request of constituents.

Mary asked for a motion on the pre-audit for fiscal year 2003 and proposed budget for fiscal year 2005.

Lugene felt that he wanted to have a better picture of the K-12 utilization and their bandwidth allocation related to enrollment prior to making a decision about the budgets. Mary responded that given the process required to develop the budget for fiscal year

2005, the Policy Committee needed to move forward with the understanding that adjustments may need to be made as additional information is uncovered, just as was done with the fiscal year 2004 budget.

Lori reiterated that the primary purpose to present the fiscal year 2005 recommended budget at this time is to inform the fiscal agent what the budget looks like as they move into negotiations. Once the appropriation is determined, another budget will be presented and that becomes the working budget, as the amount will reflect actual dollars. Mary went on to say that the budget is based on minimal operation and doesn't reflect new development or expansion of the network as has been done in the past.

Jay took the opportunity to respond to Mary's comment, wanting to make sure that the Policy Committee understands that CMS has always and will continue to show a willingness to make budgetary adjustments based on sound business cases. CMS has no intention to stand in the way of enhancing the network or introducing new services. Mary assured the group that her remarks were meant to convey the Policy Committee's concern about being responsive to the economic condition of the state.

Scott asked Lori when the analysis of bandwidth utilization, services and costs would be available for the Policy Committee to review. Lori said that staff could complete the analysis in time for the next Policy Committee meeting in February 2004.

Motion: Virginia McMillan made the motion; Alan Burgard seconded.

Virginia moved that the ICN Policy Committee approve the pre-audit budget for fiscal year 2003.

Motion carried.

Motion: Brian Foster made the motion; Scott Kennedy seconded.

Brian moved that the ICN Policy Committee approve the proposed budget for fiscal year 2005.

Motion carried.

5. Cost Recovery –Fiscal Year 2005 Recommendation

Lori introduced Ralph Lucia to provide the fiscal year 2005 cost recovery recommendation. As there are many new Policy Committee members, Ralph provided a history of the implementation of cost recovery. Specifically he reminded the group that the Policy Committee had charged the ICN staff to develop a cost recovery plan that would provide on-going funding for the network beyond what was available through the generous, but level funding provided by the state. The goal was to ensure the continued growth of the network, avoiding the possibility that constituents would be turned away because of lack of capacity, or that the network become so congested that it became

ineffective to use. After reviewing current utilization, bandwidth allocations based on enrollment, and anticipated operational expenses; the staff recommended that the cost recovery fees remain level for fiscal year 2005. Ralph opened the floor to questions.

Jay asked if cost recovery was targeted towards the costs of last mile connectivity or the actual network cloud. Ralph indicated that it was the network cloud.

Jay went on to express his concern about the increase in bandwidth, primarily on college campuses with residence halls, being driven by peer-to-peer applications and other applications associated with large file sharing. As the staff looks at utilization, Jay suggests that it be broken down by residential higher education and commuter higher education, i.e. community colleges. Jay feels that if this is not monitored, K-12 may find their bandwidth costs going up because of a disproportionate use of bandwidth headroom being built to accommodate very large filing sharing applications. His primary concern is that state and federal dollars may possibly be supporting copyright infringement with regards to legitimate vs. questionable file sharing. Jay indicated that the State Universities Telecommunications Association (SUTA) feels that they have control of this issue on their campuses, but he wanted to express his concerns to the Policy Committee so that they are aware of the issue as well.

Ralph assured Jay that the cost recovery policy was intended to provide bandwidth allocations to accommodate educational applications and that institutions going over their allocation would be paying for excess bandwidth, i.e. bandwidth to student residence halls.

Jay stated that in his opinion the ICN staff is on top of this issue and have been very creative in discussing how to address this issue. However, Jay feels that the pressure to get control and determine responsibility for file sharing that infringes upon copyright is going to get more intense and that the ICN should be diligent in monitoring utilization to determine trends that may indicate the presence of this type of activity.

Mary responded by saying that although suspect file sharing may be going on, it is her hope that many educational or telemedicine applications are also occurring, which may involve enormous amounts of bandwidth. It has been the policy not to get directly involved in constituents' use of the bandwidth and Mary cautioned the group not to prematurely assume that all large bandwidth is for "arts and entertainment", however she admitted that the staff has been cognizant of this issue and has put in safeguards where possible to make sure that the network is used for the purposes for which it was designed.

Jay restated that he felt the pressure would come from media content producers and the potential exists that certain regulations may be imposed on those benefiting from a subsidized network.

Lugene asked if approval for cost recovery should be moved to the February 2004 meeting in light of the discussion that had just occurred.

Ralph reminded the group that ICN constituents are building their budgets now, and need the information for planning. Jay agreed and said he hadn't intended to stifle the process; he just wanted to get it on the table and raise the level of awareness.

Discussion followed on the likelihood that delaying the approval would not change the rate structure, especially as the recommendation called for costs to remain level at the current rate.

Lynn Murphy suggested that the Policy Committee might want to consider moving this item to the September meeting in the future, as an information item, with approval in November, allowing for time to answer questions and clarify issues.

Brian added that the ability to benchmark and monitor network utilization is going to increase in importance for a number of reasons. Specifically, there are a number of growing legitimate uses of bandwidth and it is important that the right profiles are set for those with legitimate uses as opposed to other uses. This will be an important issue for health care applications.

Lori replied that current practice has the network engineers working directly with institutions when they spot abnormalities in bandwidth utilization.

Agreeing with Brian, Lugene added that while it is important to monitor the present, it is also important to try and anticipate future applications and the bandwidth requirements that will be required.

Lori indicated that Lugene's request matched the charge given to the Advanced Engineering Taskforce: to monitor current trends, anticipate future applications, and identify advances in technology that will improve the network.

Motion: Brian Foster made the motion; Bruce McMillan seconded.

Brian moved that the ICN Policy Committee approve the fiscal year 2005 cost recovery recommendation as presented by the staff.

Motion carried.

6. Advanced Engineering Taskforce – Chair Approval / Membership

A revised item #6 was distributed to the Policy Committee members. Lori explained that from the time of the posting of the agenda and the meeting, she had received two additional nominations to the Advanced Engineering Taskforce (AET), which were now included in the revised item. Lori gave a brief overview of the role of the AET and reminded the group that George Badger, who had served as chair of the AET since its inception, had resigned. Recommendations for a replacement from the Policy Committee members and the members of the AET concluded that Gary Wenger, Chief Information

10

Officer, College of DuPage, be named to the chair position. The chair serves a two-year appointment.

New members being recommended at this time include: Tony Daniels, Central Management Services; Charlie Campbell, Southern Illinois University; Todd Cooper, Illinois Critical Access Hosptial Network; and Richard Powell, Chief Financial Officer, John H. Stroger Jr. Hospital of Cook County.

On another matter related to the AET, Lori reported that the stipends previously associated with serving on the AET, are being recommended for elimination due to the financial concerns faced by all agencies. Travel expenses to meetings will continue to be reimbursed.

Dan asked if elimination of the stipends would impact membership.

Lori said that she had discussed the matter with Gary and other members of the AET and while they were appreciative of the stipend, they indicated their willingness to serve without the stipend.

Mary reminded the group of the history of the AET indicating that they had evolved from the technical taskforce that had come together years ago when the plans for the ICN were just being formalized. She expressed her appreciation for the commitment and work of the group, recognizing that their participation helped make the ICN the best network it could become. Lori echoed the staff's appreciation for the work of the AET, acknowledging the importance of their connection with constituents who interact with the ICN on a daily basis.

Virginia added her commendation to the AET for their service and contributions to the Policy Committee.

Motion: Virginia moved; Alan seconded.

Virginia moved that the Policy Committee approve the new member appointments; the appointment of Gary Wenger to the chair position; and the removal of the stipend, as presented by staff.

Motion carried.

Mary thanked Gary for his willingness to assume this leadership role.

7. Calendar of Meetings

The 2004 calendar of meetings was presented for approval. Policy Committee meetings will be held at 2:00 p.m. on the following Wednesdays: February 18, June 16, September 15, and November 17, 2004.

Motion: Scott Kennedy moved; Brian seconded.

Scott moved that the Policy Committee adopt the calendar of meetings as presented. Motion carried.

8. Network and Services Update

Karlin Sink was asked to provide the network and services update. Karlin reported that through the work of Dirk French, Senior Telecommunications Analyst, the clear channel tariffs for T1s have or soon will be eliminated by SBC, Verizon, and Citizens. This action represents significant savings for ICN constituents who were required to pay this cost as part of their access circuit to the ICN. Lori indicated that Dirk works diligently and proactively with the telecommunications carriers on behalf of the ICN and its constituents to ensure that tariffs are applied in an equitable and fair manner.

Mary commented that while this wasn't directly related to cost recovery, it does save money and is an incredible service to constituents provided by ICN staff.

Jay asked if was possible for the staff to put together a metric dashboard that shows cost savings because of activities such as this. It would be helpful to illustrate where the cost would be if certain cost containment initiatives didn't occur. Lori replied that staff would put the information in a format that can be shared and built upon.

Karlin then went on to describe the network backbone upgrades planned for this year. Currently two requests for proposal are out – one for an increase in capacity between DeKalb and Chicago and the other for an increase between Bloomington and Champaign. A circuit upgrade between Quincy and Springfield is due to be delivered in May. Karlin mentioned this circuit to illustrate the length of time often required in certain parts of the state to upgrade to OC12 capacity. The ICN staff is also looking into favorable pricing available through QUILT, a consortium of research entities and universities that takes advantage of volume purchasing and lower pricing.

Mary thanked Karlin for the update and the on-going efforts of staff to look for ways to further reduce costs.

9. Executive Session

Motion: Alan Burgard made the motion; Virginia seconded.

Jean moved that the Policy Committee go into closed Executive Session at 3:32 p.m., Wednesday, November 19, 2003 for the purpose of discussing Illinois Century Network personnel issues pursuant to Section 2(B)(1) of the Open Meetings Act.

Motion carried.

Motion: Scott Kennedy made the motion, Brian seconded.

Scott moved that the Policy move out of executive session and adjourn.

Motion carried.