

ILLINOIS CENTURY NETWORK

October 17, 2011 POLICY COMMITTEE MINUTES

Bonnie Styles called the meeting to order at 1:00 PM.

Members present:

Bonnie Styles, Illinois State Museum	Mike Dickson, Western Illinois University
Chet Olson, Mayor of Rochelle	Todd Jorns, IL Community College Board
Amy Edwards, Illinois Board of Higher Education	Scott Norton, Illinois State Board of Education
Kathleen Bloomberg, Illinois State Library	

Members absent:

Malcolm Weems, Central Management Services	Greg Wass, Cook County
--	------------------------

Staff and guests:

Lori Sorenson, Central Management Services	Robin Woodsome, Central Management Services
Tom Oseland, Central Management Services	Sarah Zerfas, Central Management Services
Deborah Kelley, Central Management Services	Frank Whitney, AT & T
Carla Poani, AT & T	

Minutes

Bonnie introduced the first item on the agenda, the approval of the minutes from July 18, 2011. There was one correction; Kathleen Bloomberg should have been listed as a guest instead of a member. The correction was noted and the motion carried.

Illinois Broadband Opportunity Partnership Update

Lori reported that originally, five fiber construction vendors were selected; however one was deemed unresponsive due to non disclosure of legal issues. Four vendors will be sufficient for the 1000 miles of new construction. J.R. Electric was selected for the first construction project - a total of 91 miles of new construction from Champaign to Kankakee. The bid actually came in under budget - \$3.7 million versus the planned \$5.4 million and includes both labor and materials. The vendors were asked to provide pricing for 3, 6 and 9 months since timing is not an issue on this route. Staff plan to request pricing for the same options on future bids until timing becomes an issue. A meeting is planned with the DOT District Office, the engineering firm and CMS staff. The intention is to have a ground breaking ceremony at Kankakee Community College.

The next route to begin construction will be Kankakee to 95th Street in Chicago, where the network will connect with the Illinois Toll Highway fiber. This package will be out for bid this week.

Lori reported that the Collinsville to Springfield path is lit and operational. It is an 80 mile route on I-55 owned by Level3. CMS had to do fiber splicing to extend the fiber into the network POP site and staff installed optical equipment. Backbone circuit disconnect orders have been placed. There is a bid out for a lateral in Litchfield

to connect the high school to the I55 fiber. Since the network has internet egress in Collinsville, CMS can now sell services to customers connecting on this segment. The Illinois Rural HealthNet will be building fiber from the high school to a local hospital.

Staff would like to have Springfield to Chicago lit by the end of the year. Given the activities scheduled between now and then, this is a little aggressive but staff will give it their best effort. Most of the physical path exists all the way to the Thompson Center. There is a two mile route that DOT installed during a road construction project. There are issues between the vendor and DOT, so CMS can't start using any of it until those issues are resolved. Staff has deployed the optical equipment so it is staged and ready to go. Once operational, CMS will be able to disconnect another backbone circuit.

The cumulative spend as of September 30th (quarter 5 of 36) is \$6.3 million. The cash match (CMS and ISU) is just over \$1 million and in-kind contributions are \$1.3 million. CMS is approximately \$1 million shy of its projection. The federal reimbursement wait time is less than a week. At this point, CMS can request to come off reimbursement status and be able to pull down money in advance but we would only have 30-days to spend the cash. Money not spent within 30-day must be returned with interest. At the end of the fiscal year, some payments were caught in the Comptroller's system and took longer to process. Since the release of vendor payments can be unpredictable CMS plans to continue to draw the federal funds only after the Comptroller has released the vendor payment. The total money received from the federal reimbursements is \$4.8 million. The majority of the state match funds will be spent on construction using \$26 million from bonds. There have been productive meetings between CMS and the Governor's Office of Management and Budget regarding the timing of the bond funds; the Budget Office is targeting October to issue bonds. We will be concerned if that money is not in our account by the end of the year as our spend rate will become higher than our revolving fund can carry.

Regarding pending procurements, both fiber and conduit are included in the construction contracts. When staff were in Cleveland for the conference last week, it appeared half of the grant recipients purchased materials separately. There is a national shortage of fiber optic cable due to the ARRA stimulus projects and the Japan nuclear catastrophe. Most projects are staying on track. Our engineering firm has been working with staff on various options to address the delays. For instance, if a fiber company is currently manufacturing a particular type of fiber, and we can use it instead of what we originally specified then we can adjust accordingly.

Underground location and maintenance services are not a grant covered expense; however, once new fiber is lit, we have to have those services in place. The construction vendor will provide these services for the first 6 months. CMS currently has a contract with a vendor to perform location services in Springfield only. Staff are in the process of issuing a solicitation to provide statewide coverage. Under a maintenance contract the vendor will be responsible for proactive monitoring of the fiber route to insure markers are visible and no unknown construction is taking place near the fiber. The maintenance vendor will also repair fiber cuts. The maintenance bid is likely to be released in the next 30-60 days.

In addition to the new construction fiber, CMS plans to lease 1,000 miles of fiber. The majority of the leased fiber is the I-55 fiber, Toll Highway Authority fiber, and Department of Transportation fiber. CMS also plans to lease fiber from the Chicago Transit Authority (CTA) although there is no contract in place. Staff have also

been meeting with vendors who have existing fiber and have run into problems where vendors are no longer selling fiber or the fiber is no longer available on a particular route, so CMS may have to do more build than originally anticipated.

CMS has eleven fiber packages/phases based on geographic regions. Two packages are being managed by Illinois State University. The estimated build is based on the number of miles and other issues such as bridges and rivers. Most of the interstate packages will go quickly. Permits from DOT and Rail Roads are also required for construction.

CMS committed to NTIA to have 412 anchor institutions directly connected by fiber. This does not mean individual fiber runs as there are locations with multiple tenants. Half will be the responsibility of CMS the other half belongs to Illinois State University. CMS met with the anchors to confirm their participation and collect letters of commitment.

Three institutions: a library, a southern Illinois hospital and a K-12 school, declined service even though they would only have to pay the real cost for maintenance. The same hospital also declined participation in the Rural HealthNet. All are working with for profit service providers. The library felt they didn't have the information needed to commit. The healthcare facility did come back and ask CMS to reconsider. If we come in under budget we can go back to NTIA and request additional builds.

CMS will also need to revise its customer forms (Participation Agreement, Service Agreement, Letter of Agency, Acceptable Use Policy, Management Release Policy and Service Level Agreement) to address the broader scope of services and customers.

Staff continues to meet with third party service providers interested in utilizing the new infrastructure. CMS already has an agreement with the Illinois Rural HealthNet.

Partnership for a Connected Illinois (PCI) was the not-for-profit that was awarded state grant dollars to do broadband mapping and planning. They also received federal funding through the BTOP grant. One of the things covered by their funding is research on the economic, educational and social impact of the broadband projects. PCI introduced staff to Christian Sandvig, associate professor at University of Illinois Champaign/Urbana, as a candidate to conduct research on the CMS project. Staff will be working with Christian and PCI to develop the research scope.

Lori mentioned that staff is considering the need for an outside vendor to market and broker fiber sales to wholesalers.

Erate

Tom Oseland reported that CMS's claim for reimbursement on the 2001 application was denied due to lack of documentation. This is the application that was originally denied by USAC and letter approved through the appeals process. Since more than 10 years has transpired, CMS no longer has copies of the original vendor invoices to support the reimbursement request. The Illinois State Board of Education is the official applicant for the request and they plan to appeal this decision.

To date, CMS has received just under \$2.4 million for the 2010 application. There is approximately \$550K still outstanding.

The 2011 application is in review. CMS has experienced delays by USAC in the reviewing process due to staffing issues within USAC.

Staff are working on the 2012 application. The request will be lower as the network transitions to the new fiber which is not eligible for reimbursement. Staff had mentioned at past meetings that once the fiber network is operational, CMS might become a service provider for schools and libraries. However, after analyzing this in more detail staff are concerned that this model could result in less overall federal erate dollars for the state as a whole. Since the state is funding most of the bandwidth costs for schools and libraries, there are only a small number of entities that purchase bandwidth. If CMS becomes a service provider, the state will not be able to seek reimbursement for the portion of bandwidth costs paid for by the state. Erate reimbursement would be limited to only those additional costs paid for by the schools and libraries. Staff will continue to analyze both options.

2012 Meeting Schedule

Bonnie presented the proposed calendar year 2012 meeting schedule: January 17, April 16, July 16, and October 15. All meetings will be held via video conference between Springfield and Chicago. Exact locations will be posted once confirmed. Todd Jorns made a motion to accept the meeting schedule; Mike Dickson seconded the motion, the motion carried.

Todd Jorns made a motion to adjourn the meeting; Anne Craig seconded the motion, the motion carried.