

Illinois Century Network

Policy Committee Meeting Agenda

January 17, 2012
1:00 p.m.



**ILLINOIS CENTURY NETWORK
POLICY COMMITTEE
MEETING AGENDA
January 17, 2012
1:00 p.m.**

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Next Meeting

April 16, 2012
Community College Board, Springfield
James R. Thompson Center, Chicago

ILLINOIS CENTURY NETWORK

October 17, 2011 POLICY COMMITTEE MINUTES

Submitted for: Action

Summary: Distribution of the October 17, 2011 minutes for review by the Policy Committee.

Action Requested: Adoption of the October 17, 2011 minutes.

Recommended Motion: The ICN Policy Committee adopts the October 17, 2011 minutes with any edits as noted.

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
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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.

ILLINOIS CENTURY NETWORK

ILLINOIS BROADBAND OPPORTUNITY PARTNERSHIP UPDATE

Submitted for: Information

Summary: Provides an update on the Illinois Broadband Opportunity Partnership.

Action Requested: None

Recommended Motion: None

ILLINOIS CENTURY NETWORK

ILLINOIS BROADBAND OPPORTUNITY PARTNERSHIP UPDATE

In December the project reached the halfway mark (month 18 of 36 months). The project has entered the construction phase with work starting on the first segment in November. Staff are working to collect quotes and select vendors for the remaining routes by the end of February. Staff continue to work on finalizing rates and revising service agreement forms and implement contracts to provide ongoing maintenance for the new fiber infrastructure.

Construction

Construction started in November on a 91 mile path from Kankakee to Champaign. Work is expected to be complete in May 2012. Construction will begin shortly on the Kankakee to 95th Street 55 mile path and will take six months to complete. Following is an update on the remaining construction activity:

Path	Fiber Miles	Quote Received	Vendor Selected	Construction Started	Estimated Construction Completion Date
(1) Kankakee to 95 th Street	55	Yes	Yes	No	June 2012
(2) Kankakee to Champaign	91	Yes	Yes	Yes	May 2012
(3) Champaign to Bloomington	109	Yes	Yes	No	August 2012
(12) Bloomington/Normal surrounding communities (ISU)	28	Yes	Yes	No	TBD
(13) Northern Laterals	15	Yes	Yes	No	Est. 6 month timeline
(4) Bloomington to Normal (ISU)	60	No	No	No	TBD
(6) Paris to Olney	93	Yes	No	No	Est. 6 month timeline
(7) Effingham to East St. Louis	102	Due 1/13/12	No	No	Est. 6 month timeline
(8) Champaign to Springfield	103	Due 1/25/12	No	No	Est. 6 month timeline
(9) Springfield to Barry	79	No	No	No	TBD
(10) Barry to Macomb	133	No	No	No	TBD

Rates

Staff are working to finalize the rates based on the latest estimated operational costs. During the application process CMS went through a similar exercise in order to complete an eight year sustainability analysis. The cost estimates and revenues forecasts need to be updated as the project has matured and more accurate forecasts are available. Staff recognize that constituents are anxious to have pricing information so they can plan accordingly for future years.

Project Spend

As of December 2011, project expenditures total \$11,441,431 of \$96M project budget. CMS has received \$6,351,268 of \$64M in federal funds and \$6M of \$26M in Illinois capital funds. Staff expects the project spend to increase significantly as construction activities roll out.

ILLINOIS CENTURY NETWORK

**COOK COUNTY/SOUTH SUBURBAN MAYORS AND MANAGERS ASSOCIATION
BROADBAND PROJECT UPDATE**

Submitted for: Information

Summary: Provides an update on the Cook County/SSMMA Broadband Project.

Action Requested: None

Recommended Motion: None

ILLINOIS CENTURY NETWORK

**COOK COUNTY/SOUTH SUBURBAN MAYORS AND MANAGERS ASSOCIATION
BROADBAND PROJECT UPDATE**

In October 2011, Governor Quinn announced a \$6.1M broadband grant to Cook County and the South Suburban Mayors and Managers Association to build a 70 mile fiber network in southern Cook County to improve broadband services to schools, libraries, hospitals higher education entities, and communities.

This item will provide an overview of the project.

ILLINOIS CENTURY NETWORK

STATE FUNDING ALLOCATION MODEL

- Submitted for:** Action
- Summary:** Provides an opportunity for open discussion for ICN State Funding Allocation Model
- Action Requested:** Adoption of the State Funding Allocation Model
- Recommended Motion:** *The ICN Policy Committee adopts the State Funding Allocation Model as a replacement to the Cost Recover Model effective with the implementation of the IBOC-EC fiber network.*

ILLINOIS CENTURY NETWORK

STATE FUNDING ALLOCATION MODEL

Over this past year, working closely with the ICN Advanced Engineering Task Force (AET), CMS staff has been developing a State Funding Allocation Model based on dollar credits which will replace the current Cost Recovery Model and which would be implemented at the time the IBOP-EC fiber project is completed – August 2013. The Funding Allocation Model, as is the case with the Cost Recovery model, is intended to provide a way to equitably allocate the General Revolving Fund (GRF) appropriation to CMS to fund broadband services for our primary constituents of museums, libraries and both private and public educational institutions from K-12 to community colleges to universities. The GRF appropriation for fiscal year 2012 is \$13 million.

CMS staff has periodically reported progress on this effort to the ICN Policy Committee, integrated recommendations and suggestions made by this Committee and the AET, and are prepared to finalize the model and share the model with our constituents once approved.

The allocation model is built on these principles:

- The model must ensure that all primary constituent organizations are provided a minimum level of service that allows them to access and utilize the on-line content, interactive programming, and applications important to their mission and that they realize a benefit from the new network.
- The model must be equitable so that this single model can be evenly applied state wide regardless of an organization's size, location, network design or population served.
- The model must be constructed in a way that can be easily explained, implemented and adjusted to accommodate any change in the GRF appropriation.

A study was conducted to identify the percentage of utilization of each of our primary constituent groups of education institutions, libraries and museums which will represent the percentage of GRF funds which will be allocated to each group.

Constituent Group	Network Utilization	GRF Funding (\$13M)
Education	84%	\$10,920,000.00
Libraries	15%	\$ 1,950,000.00
Museums	1%	\$ 130,000.00

Baseline bandwidth will be replaced with dollar credits which may be used to secure ICN services. Although we anticipate most organizations will use the credits for bandwidth, some organizations may want to use some credits for other service offered by the network in addition to or in place of bandwidth.

Credits will be provided to organizations connecting to the ICN rather than individual sites within an organization. For example, a school district of 10 schools would be provided a total credit to the district and not to the 10 individual schools. This allows the organization to determine how they use credits for their member sites knowing their own needs.

The model will be tied to the State GRF appropriation. Any changes in the appropriation may easily be reflected in changes to the credits provided to primary constituents. If the allocation is reduced, for example, the credit level provided to organizations may be adjusted accordingly.

For educational institutions, credit per organization is based on full time enrollment, for libraries credit is based on population served, for museums credit is equal per organization/campus (State Museum has three campuses so allocation is x times 3 provided to the State Musueum).

The model includes a "floor" to ensure that all organizations benefited from the new model by providing a base starting level of credits to all primary constituent organizations. This floor is accommodated by placing a cap at the very high end.

Recommended Action: The ICN Policy Committee adopts the State Funding Allocation Model as a replacement to the Cost Recover Model effective with the implementation of the IBOC-EC fiber network.

ILLINOIS CENTURY NETWORK

E-RATE UPDATE

Submitted for: Information

Summary: This item provides an update on ICN E-Rate funding request.

Action Requested: None

Recommended Motion: None

ILLINOIS CENTURY NETWORK

E-RATE UPDATE

A total of \$2,982,198.67 in 2010 E-rate funding reimbursements has been received. This total represents all funding approved for disbursement for the 2010 E-rate funding year.

The chart below summarizes E-rate funding activity and status for each funding year application.

E-rate Activity

Funding Year	Received	Approved – Not yet received	Applied for Not yet approved	Under Appeal
Year 3 (2000)	\$2,137,765	-0-	-0-	N/A
Year 4 (2001)	\$2,522,559	-0-	-0-	\$1,097,244 ¹
Year 5 (2002)	\$4,996,227	-0-	-0-	N/A
Year 6 (2003)	\$4,644,171	-0-	-0-	N/A
Year 7 (2004)	\$2,497,427	-0-	-0-	\$393,338 ²
Year 8 (2005)	\$2,424,567	-0-	-0-	N/A
Year 9 (2006)	\$982,392	-0-	-0-	N/A
Year 10 (2007)	\$953,998	-0-	-0-	N/A
Year 11 (2008)	\$799,251	-0-	-0-	N/A
Year 12 (2009)	\$1,339,032	-0-	-0-	N/A
Year 13 (2010)	\$2,982,199	-0-	-0-	N/A
Year 14 (2011)	N/A	N/A	\$3,353,278	N/A
Totals	\$26,279,588	-0-	\$3,353,278	\$1,490,582

The ICN E-rate application for the 2011 funding year remains at the “Initial Review” status with USAC. Due to some additional review work assigned to USAC by the FCC, the USAC review process for 2011 applications has been delayed. USAC states that review of these applications is back under way and should resume a normal schedule.

The 2012 funding year application window opened on January 9, 2012. Application forms can be submitted to USAC up until the final day of the application window which is March 20, 2012. ICN and CMS staff are currently in the process of preparing for this upcoming application filing.

¹ This amount remains from the appeal of the 2001 ISBE E-rate application. All other approved funds have been disbursed. However, due to a lack of supporting documentation, USAC denied the disbursement of this funding request.

² This remaining amount under appeal is related to the ICN Year 7 Library application. For unknown reasons, the FCC did not include this application in their decision to grant the ICN appeal of denied funding for the School application. Recovery of this funding will not be sought.