

ILLINOIS CENTURY NETWORK

AUGUST 12, 2013 POLICY COMMITTEE MINUTES

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

Members Present (Springfield):

Bonnie Styles, Illinois State Museum	Kathleen Bloomberg, Illinois State Library
Ravi Bathula, State Board of Education	Jeff Newell, Illinois Community College Board
Lori Sorenson, Central Management Services	Mike Dickson, Consultant

Members on audio bridge:

Chet Olson, Mayor of Rochelle	Alan Phillips, Board of Higher Education
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Members absent:

Greg Wass, Office of the Governor	Sean Vinck, Office of the Governor
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Staff and guests:

Leslie Sgro, Office of Management and Budget	Tom Oseland, Central Management Services
Chimaobi Enyia, Central Management Services	Robin Woodsome, Central Management Services
Deborah Kelley, Central Management Services	Carla Poani, AT & T
Frank Whitney, AT & T	

Minutes

Bonnie Styles introduced the first item on the agenda, approval of the minutes from the April 15, 2013 meeting. Kathleen Bloomberg found Anne Craig's name was misspelled in the AET membership section. A motion was made by Kathleen Bloomberg to accept the minutes with the noted correction. The motion was seconded by Michael Dickson. The motion carried.

IBOP Update

Lori Sorenson reported that the three year ARRA project was slated to end July 31st; however, CMS received an extension through September 30th. Ninety-nine percent (99%) of the network is complete and of that ninety-eight percent (98%) is operational. There are 21 of 1,100 new construction miles that are yet to be completed. Ten of the twenty-one miles are in downtown Chicago along the Dan Ryan to the Equinix facility. Construction has started but due to route changes, new permits were required. The original plan was to lease Chicago Transit Authority fiber, but construction activity required a route modification. Everyone is cooperating, but it will be hard to complete this segment by September 30th. CMS will seek another extension. NTIA has approved some project extensions through December.

There are four lateral builds that make up less than ten miles to McHenry, Triton and Morton community colleges. McHenry may not be completed due to road work on Route 16. There is also an unfinished lateral to Danville Community College which ties into approximately a dozen K12 schools.

The project includes 750 miles of leased fiber. There are two pending lease agreements with CTA and one with Kane County.

As of June 30th, \$77 of \$96 million has been spent.

Bonnie Styles asked if we were sure we would get an extension until December. Lori responded that NTIA wants to see the project completed so CMS believes it is likely that an extension will be granted. The Chicago route is critical to the project since it is home to one of the largest peering points in the nation. Rural or downstate service providers are very interested in this segment. Mike Dickson stated that NTIA almost always grants extensions.

There are 232 CAIs connected and capable of receiving service and 90 to 95% are lit. More than 100 are receiving service. Many times, the anchor institutions are in 3 to 5 year contracts with other service providers. This combined with the e-rate cycle for schools and libraries results in some sites waiting to turn up service.

Staff is projecting that the final project costs will be 5% under budget leaving a balance of approximately \$4 million. A request has been submitted to the NTIA to use the money to connect additional sites. CMS is also seeking approval to upgrade the optical equipment at Equinix to 100G as well as upgrade some of the distribution routers.

Essam El-Beik continues to pursue fiber sales to wholesale providers. To date CMS has executed seven agreements resulting in \$1.9 million in one-time-revenue and \$500 thousand in annual maintenance fees. The Sales and Marketing RFP was delayed. It should be published in 45 days with a 6 week response time.

Kathleen Bloomberg asked if we had heard anything from NTIA about the ConnectED project. Lori responded that NTIA has shared the press release on ConnectED; however, most discussions have centered on the Federal Commerce Commissions' Notice of Proposed Rulemaking for improving and streamlining the E-rate program. CMS will be submitting a response. Additionally, at the direction of the Governor's Office, CMS has convened a steering committee develop recommendations for delivering high speed broadband to all Illinois public K-12 schools.

Mike Dickson questioned if there would be additional funds. Additional information should be available this fall.

ICN Budget

Lori provided a budget update. At the last meeting, the ICN appropriation was still uncertain; however, CMS made the recommendation to establish the FY14 rates based on the FY13 appropriation of \$6 million. The actual FY14 appropriation was \$5 million. Additionally, CMS only received \$4 of the \$6 million FY13 appropriation.

Revenues for FY14 are projected at \$15 million. This projection includes the state appropriation, revenues from CAIs and state agencies as well as sales revenues from wholesale service providers as a result of the BTOP project. Expenses are estimated at \$14 million plus an additional \$5 million in depreciation.

Lori cautioned that revenues and expenses are tough to predict as a result of the new fiber network. CMS has no history for the costs of maintaining the fiber nor a foundation for estimating revenue from the new customer base.

Mike Dickson asked the percentage of ICN backbone will still be leased circuits. Lori responded that very little will be leased, only a few circuits out of Moline. There will still be customers connecting with T1s which means the network will need CT3s to accept the T1s. As customers upgrade to Ethernet connections, the number of CT3s will decrease.

Kathy Bloomberg asked if staff anticipate a rate increase this year or double next year as a result of \$3 million shortfall in state funding. Lori responded there are no intentions to increase rates this year. It's unlikely rates would double next year. If there is a change next year, it would probably be a reduction in the amount of state funding allocated to the schools and libraries and not a rate increase.

Kathy Bloomberg asked about the supplemental appropriation mentioned in the April meeting. Lori reported that the supplemental for FY13 will not happen and that she is not aware of any changes in FY14 funding.

New Policies and Services

Robin Woodsome provided the update. Staff and the Committee have been discussing new policies and services at the last few meetings. There have been no changes or deletions. Staff are seeking the Committee's approval for the new services and rates.

Kathleen Bloomberg made a motion to approve the new services and rates. Mike Dickson seconded the motion, the motion carried.

E-rate

Tom Oseland reported that shortly after the last meeting the 2011 E-rate application was approved for \$3.2 million. As of today, CMS has received about \$1 million. The remaining request was pulled for review.

The FY12 reimbursement request for around \$2 million can now be submitted.

Approximately 120 ICN customers selected ICN as their Internet service provider for FY14. So far 28 of those requests had been approved by USAC.

Kathleen Bloomberg questioned where the estimated \$2 million in e-rate reimbursements is included in the budget? Lori responded that for budgeting purposes it is not included in the FY14 forecast as the money is reimbursement for money already received. Kathleen stated she thought it was stated that ICN operates on a cash basis. Lori responded that the statement was made in reference to federal reporting.

Kathleen Bloomberg asked where the estimated \$2 million in E-rate reimbursement appears on the FY14 budget projections. Lori responded that it is not included. The E-rate money is reimbursement for expenses in past years; the FY14 budget projection presented today is intended to provide an analysis of potential revenues and expenses under the new fiber network.

Open Meetings Act

Lori Sorenson presented a proposed draft policy governing how public comments are to occur at ICN Policy Committee meetings. Chet Olson made a motion to accept the Open Meetings Act rule. Mike Dickson seconded the motion. The motion carried.

There were no other items for discussion. Kathleen Bloomberg made a motion to adjourn the meeting. Ravi Bathula seconded the motion. The motion carried. The meeting adjourned at 2:11 PM.