

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

May 21, 2009

To ensure the most efficient use of State resources, the May 21, 2009, ITTC meeting was held via a video conference pursuant to Iowa Code section 21.8. A video conference call also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Betsy Brandsgard, Chairperson
Robert R. Hardman, Member
Timothy L. Lapointe, Member
Pamela A. Duffy, Member (Arrived at 10:20 A.M.)
Michael W. Mahaffey, Member

Commissioners Absent

David A. Vaudt, Ex-Officio Member

Iowa Communications Network Staff Present

Joseph Cassis, Deputy Director
Dave Lingren, Service Delivery Administrator
David Marley, Operations Administrator
Kevin Heinzeroth, Finance Director
Vicki Wallis, Engineering Administrator
Gail McMahan, Public Relations Manager
Tami Fujinaka, Government Relations Manager
Lori Larsen, Administrative Assistant (Recorder)

Guests

Adam Humes, Attorney General's Office

Call to Order

Commissioner Brandsgard called the meeting to order at 9:06 A.M. It was noted that a quorum of members were present for the meeting.

Approval of 3/26/09 and 4/15/09 Meeting Minutes

Commissioner Lapointe moved for approval of the March 26, 2009, and April 15, 2009, meeting minutes; Commissioner Hardman seconded the motion. An oral vote was taken; all members concurred.

Old Business

Federal Economic Stimulus Bill Update – Joseph Cassis/Tami Fujinaka

There has been a lot of discussion concerning the Federal Economic Stimulus package. Guidelines have not been presented; predicting published guidelines by June 30, 2009. The NTIA (National Telecommunications and Information Administration) and the RUS (Rural Utilities Services) are diligently working through 1,600 comments that have been submitted. Some comments are very detailed about programs and recommendations. One of the highlights is that emphasis has been placed on having the public sector involved in the guidelines. In Iowa, there is collaboration (example: IJOBS bonding bill

(SF376) that was signed). Joseph Cassis referenced bill SF376. The ITTC is one of the major entities involved in the deployment of the grant, the other two entities are IUB (Iowa Utilities Board) and IDED (Iowa Department of Economic Development). The three agencies are a great combination to promote the broadband development. From the law, the representation is diversified; it is looking at the rural and urban sections of the state. There is also representation from cities, counties, wireless, and wire line participants. The Legislative representatives will not have voting rights. The Legislature is there for guidance and understanding. There are administrative details; the three entities are responsible for the cost involved in the administration of the effort, and IDED is responsible for the development of administrative rules.

Commissioner Hardman asked are other states organizing similar efforts.

Joseph Cassis added the contiguous states around Iowa are ahead. They have in place several teams, project leads, written grant drafts, so the states can take advantage of what is going to be proposed. An example is what the Regents have done, different from the stimulus package, but they are identifying and being aggressive in pursuing different angles and populating the queue for this money. Minnesota and Illinois have been aggressive; the governors put together a consortium action to pursue the rural Telecom (Tele Health) before the stimulus package was implemented. Broadband is now in the forefront from President Obama's administration leadership. People are becoming better educated and more aware of the needs and benefits from Broadband. The ICN staff created 15 FAQs and a dozen white papers that helped the Legislature understand the dynamics behind broadband and what it can mean to education.

Commissioner Mahaffey asked how do you see this playing out?

Joseph Cassis said the balancing is critical. The ICN has in place huge projects that will take 110 percent of our staff to deploy. The actual planning is a slow process; there are a number of players involved. It requires a strong vision that all people can align to. What does Iowa need to have in place to attract and improve the quality of life?

Commissioner Hardman asked does the Commission need to nominate a representative.

Joseph Cassis said part of this governance effort is that the ITTC needs to identify a representative for the Broadband Grant Joint Governance Board.

Commissioner Brandsgard added Director Gillispie would be the obvious choice, but can the ICN get two individuals involved in the process. Joseph Cassis recommended that choice be left to Director Gillispie since the involvement may shift depending upon the expertise required at that time. The Chair agreed.

Additional discussion about the Broadband Grant Joint Governance Board will occur later in the ITTC meeting.

New Business

Update FY 2010 Budget Projections – Kevin Heinzeroth

No action is needed on the budget; this is just an update on the budget that was approved last September by the Commission. The ICN looked at last year's activity and made some adjustments to the budget for FY 2010. The overall effect was a \$133,000 difference. Some of the larger changes were reduction in installation charges with other agencies (cutback). Overall the ICN had a \$336,000 reduction in installation revenue. The ICN reduced revenues by the submitted approved budget by \$778,000, but the ICN decreased direct expenses to those revenues by \$626,000.

Kevin Heinzeroth also stated how the governor and the unions agreed that there would be no increase in wages this coming fiscal year. That is not entirely true. What they agreed upon is that there will be no wage increase for one of the two classifications. They eliminated the two percent increase if an employee has topped out in a pay grade; they did not eliminate the four percent automatic pay increase for an employee that has not topped out of the classification.

Commissioner Brandsgard asked do you know ICN's percentage of employee base that qualifies for the four percent increase.

Kevin Heinzeroth said, about two-thirds of contracted employees would get the four percent increase.

Overall, the final 2010 budget has decreased by \$133,000. There were changes in classifications, and there are areas in the budget that will continue to outperform. The ICN hopes some of the agencies will turn to the ICN for additional services.

IOWA COMMUNICATIONS NETWORK FISCAL YEAR ENDING JUNE 30, 2010 OPERATING BUDGET PROPOSAL			
	FY 2009 Actual (Projected to 12 mo.)	Proposed Budget for FY 2010 October 2008	Proposed Budget for FY 2010 June 2009
REVENUES			
Voice Revenues	\$ 9,335,261	\$ 9,065,004	\$ 9,100,004
Data Revenues	18,069,319	18,551,420	18,439,546
Video Revenues	3,482,306	3,677,931	3,430,230
Installation Charges	902,604	1,202,250	835,660
Equipment Appropriation Request	2,190,123	2,211,000	2,211,863
Other Revenues	505,663	602,872	515,124
Gross Revenues	\$ 34,485,276	\$ 35,310,477	\$ 34,532,427
DIRECT EXPENSES			
Toll	439,312	263,751	359,535
Switched Access	1,367,031	1,351,915	1,351,915
Other Voice Direct Expenses	1,745,034	2,022,270	1,767,295
Data Circuit Expenses	6,978,393	7,129,002	6,835,233
Video Direct Expenses/Other expenses	465,558	495,068	467,552
Installation Expenses	631,936	703,750	557,750
Total Direct Expenses	\$ 11,627,264	\$ 11,965,756	\$ 11,339,280
Gross Margin	\$ 22,858,012	\$ 23,344,721	\$ 23,193,147
OPERATING EXPENSES			
System Maintenance and Technical Support	6,670,404	7,853,233	7,607,624
Outside Plant Expenses	1,161,002	1,231,930	1,358,347
Other Operating Expenses	798,684	1,026,279	983,982
Total Operating Expenses	\$ 8,630,090	\$ 10,111,442	\$ 9,949,953
Net Margin	\$ 14,227,922	\$ 13,233,279	\$ 13,243,194
GENERAL, SALES, AND ADMINISTRATIVE			
Personnel Services	8,424,024	9,348,958	8,563,985
Travel	94,103	172,250	200,750
Data Processing, ITE	114,633	96,529	96,529
Other Administrative Expenses	283,758	390,036	1,139,536
Professional Fees	251,807	290,940	440,940
Total G, S, and A Expenses	\$ 9,168,325	\$ 10,298,713	\$ 10,441,740
Net Cash (Deficit) from Operations	\$ 5,059,597	\$ 2,934,566	\$ 2,801,454
EQUIPMENT PURCHASES			
Network (net)	5,059,597	2,934,566	2,801,454
Net Equipment Purchases	\$ 5,059,597	\$ 2,934,566	\$ 2,801,454
Net Cash (Deficit)	\$ -	\$ -	\$ -

Review FY 09 ICN Budget to Actual Financials – Kevin Heinzeroth

For the year compared to last year, the ICN had \$175,000 cash from Operations. For the month of April, net cash from operations (removing equipment) was \$233,568 for the year. The ICN continues to perform in the areas that are expected.

VIDEO SERVICES Billings for video services for April 2009 are below billings for April 2008 by \$275,465 and are 10.87% below the April budgeted amount. The ICN has produced 188,492 hours through April 2009, down from the 189,450 hours produced through April 2008. Higher education and K-12 comprised the majority of the usage.

This report includes video production charts for gross video hour production and an analysis of average video rate per hour per site.

VOICE SERVICES FY 2009 year-to-date Voice Service revenues for April 2009 are below April 2008 revenues by \$389,356 and are 3.29% ahead of 2009 budget figures. Largest sources of revenue continue to be toll free usage, local access, and inmate calling.

This report includes several voice production charts to monitor minute production for the last three fiscal years for: 1) Total toll minutes, 2) Regent minute production, 3) Other PBX toll minute production, 4) Feature Group B/D toll minute production and 5) Toll-Free minute production.

DATA SERVICES Gross revenues from data services for April 2009 are ahead of April 2008 year-to-date revenues by \$786,919 and are ahead of the current fiscal year budgeted figures by 0.54%.

Commissioner Lapointe asked, what accounts for that?

Kevin Heinzeroth said the switch to Ethernet is part of it. The ICN has some new contracts in place that have lowered the costs.

Joseph Cassis mentioned that the three year contract may also have some effect. Dave Lingren added, on the data side, the three year contract, approved by the Commission, had increased the bandwidth about 45 percent in a short period of time. That is at a lower rate due to a contracted rate, but it did have an increase in impact. On the voice side, a lot of negative is when budget cuts were made; agencies identified phone services that they weren't using.

Kevin Heinzeroth said the big difference is the lost of customers.

INSTALLATION REVENUES Installation revenues for April 2009 are ahead of April 2008 by \$176,685 and are below the April budget by 2.82%. Installation revenues fluctuate greatly depending upon current spending abilities of our customers. Budgeting is based upon prior year activity and can vary widely from actual.

INDIRECT and G & A EXPENSES Indirect expenses for April 2009 are below budget projections for April 2009 5.99% and are \$242,341 above April 2008 expenditures. Increased indirect expenses are due to increased fiber relocate costs. General and Administrative expenses for April 2009 are above April 2008 by \$147,297 and 14.41% below April budget projections.

EQUIPMENT and EQUIPMENT APPROPRIATION For April the ICN paid \$19,811 for equipment on approved appropriation project expenditures. Hubill at \$5,546, Walker Group at \$4,507 and Graybar Electric at \$4,125 were the major vendor. In addition \$6,140 was paid to various vendors for approved minor equipment purchases.

Joseph Cassis wanted to acknowledge Kevin Heinzeroth and his team for putting together the budget and keeping the ICN on track and in line with expenditures.

Legislative Update/Appropriations – Joseph Cassis

Approximately \$7.2 million has been appropriated for various ICN projects. This is significant increase over amounts in the past that have been appropriated the Legislature. There are several reasons for this appropriation: 1) Educating the Legislature – spending the time for them to understand the dynamics behind what the Network can do. Representative Mary Mascher emphasized to the lobbyists to talk with the ICN and work the items out. That kind of pressure and understanding really means a lot. Representative Mascher wanted to see progress.

Commissioner Mahaffey said with the lobbyists getting together, what were some of the positive aspects.

Joseph Cassis said there was less effort to derail situations. They toned down a number of efforts that needed to be addressed at the table. People are becoming more aware of broadband, which is becoming more apparent on how these services are increasing more vital for communities to ensure their quality of life is maintained and even enhanced. In other efforts, the RTC appropriations were reduced, but not significantly, some of the money wasn't going to the Network operations.

Commissioner Mahaffey asked the seven plus million, what does that do for the ICN...Does that get the ICN in the game, make us even, or put us ahead?

Joseph Cassis said that part of it is to sustain the Network. Example is the generators. The ICN has been running with generators that are 15 years old, and some are not commercial grade. That is going to help establish a better response level to customers and ensure the Network is available during critical times, like the blizzards, floods or other types of disasters.

Kevin Heinzeroth added that two of the projects are continuation products of what the ICN already had (voice upgrade equipment and redundancy of the capitol complex). The generator appropriation really helps the ICN out. By having some disasters in Iowa, the ICN was able to show that the generators work, but improvements could be made.

Dave Marley stated that the ICN had 22 generators running throughout the state at one time during a disaster.

Joseph Cassis said that the appropriations help the state bring in money from the Federal government. The \$25 million can also be used for matching funds for Federal stimulus money.

Commissioner Lapointe asked of the four bills that were passed, are the last two bills that were passed by the House and Senate, signed by the governor?

Tami Fujinaka stated that both are appropriation bills, and the governor has not signed all of the appropriation bills. No potential problems are expected.

Kevin Heinzeroth added that the money for the ICN's appropriations was included in the governor's budget that was submitted to the Legislature.

Bonding Bill/ITTC Representative – Chairperson (Reordered agenda item until the end of the meeting)

Commissioner Brandsgard said the Commission needs to discuss the appointment that the ITTC needs to complete for the new governing body that will be constituted to deal with the \$25 million for broadband

deployment. There is a combination between IDED and IUB. Commissioner Brandsgard asked does the Commission want to take action on this today.

Joseph Cassis said that the recommendation is that the ICN wants to be able to respond quickly with the formulation of this governance board. This is a great forum for the Commissioners to converse and identify what the appropriate strategy should be.

Commissioner Brandsgard said a number of the Commissioners talked about Director Gillispie being the face of the ICN. With Director Gillispie's availability, proximity, technical background and knowledge in the industry, Commissioners believe he is the obvious selection.

Commissioner Hardman moved to designate Director Gillispie for appointment as the ITTC Commission's representative; Commissioner Mahaffey seconded the motion. A roll call vote was taken, unanimously approving the designation of Director Gillispie for appointment as the ITTC Commission's representative [for the Broadband Grant Joint Governance Board (SF376)].

Commissioner Lapointe also added that perhaps the ICN could exercise the ability to take an additional person to the broadband grant joint governance board meeting(s).

Customer Survey Update – Joseph Cassis/Tami Fujinaka

As part of the strategic effort and development of plans and AGA performance report, a customer survey was incorporated. The survey was released April 29, and it closed on May 13. The ICN sent out 1700 invites to participants. The ICN used the survey tool SurveyMonkey, versus going to a third party organization. The ICN had 1055 successfully received survey invites, 413 participants started the survey, and 353 participants completed the surveys (24%).

Joseph Cassis stated that many comments have been very positive, and there are some observations that the ICN has not heard of in the past which need to be addressed. Tami Fujinaka is formulating a detailed analysis, which will be coming before the end of the month of May.

Employee survey was released on May 7, and closes on May 21. Currently there are 59 surveys started and 57 completed. The employee survey is part of the ICN strategy to gain input from all aspects from the employees' perspective.

OSS Update –Vicki Wallis

Joseph Cassis said the teams involved have been awesome. It takes a lot of commitment. It has taken almost a year of time to create the requirements, scoring, and administration of the team.

Vicki Wallis said the Operations Support System (OSS) RFP is due Friday, May 29. The ICN demo day, to show the ICN's current systems, processes, and data was held on May 1, 2009. The scoring team is completed, and the last items, 80 percent completed, are getting confirmed for the vendor demos that will occur in July 2009. Instructions for evaluators and vendors are also under review. The ICN has received 10 notifications of intent to bid to date, this does not commit them to bid, but vendors must be present for a bid to be accepted.

Rural Health Initiative Update – Dave Lingren

The Iowa Hospital Association (IHA) is leading the project. The ICN has 83 solid commitments to the project. Due to contract issues, the ICN doesn't know if any work will be completed this season. The IHA is working with the equipment vendor, Alcatel-Lucent, to provide switching equipment that will be required. Those contracts have not been executed at this point of time. The ICN is also delayed with contract negotiations with the four vendors that were selected for the actual fiber installation. The ICN is supporting the IHA, to help the negotiations continue.

The last hurdle that the ICN has is with the Federal Communication Commission (FCC). The FCC utilizes Universal Service Administrative Company (USAC) which administrates the FCC's rules (example: educational reimbursement program). Part of this grant requires that there be a separate rate for rural Iowa and urban areas. Since the ICN is precluded by law (Code 8D) from having a separate rate for rural areas, the ICN has a common rate throughout the state. The ICN has tried to creatively address the issue, so that the rural hospitals would be eligible for some USAC funding. The ICN ran into an obstacle with USAC, they said the ICN created the single rate, and USAC is not sure that they will approve the rate for the sustainability plan. ICN responded back to USAC saying that the rate is a wholesale rate, and the ICN would be willing to offer that same rate to any customer (educational/state agencies), which meets the Code 8D requirements. The ICN is hopeful that USAC will approve this rate/explanation.

Joseph Cassis said this process is involved. Dave Lingren and his team have done a good job in managing the project. There are a number of players in the project (Federal government, 83 hospitals, and the ICN).

Commissioner Brandsgard asked with IHA leading this project, where does Iowa Health fit in it?

Dave Lingren said Iowa Health's (IHS) model is a little different. Iowa Health does not have the same issue, because they would not charge a "usage" fee, it is a "membership" fee. The ICN is partnered with one location in the IHS Network (Green County Hospital).

Commissioner Lapointe asked a question concerning USAC funding. Are you saying that if the ICN gives the health care providers a lower rate, USAC funding will be prohibited since the rate is not universal?

Dave Lingren said USAC is familiar with working with the typical common carrier. The common carrier organization already has tariff rates in place that substantiate the difference between a rural customer and an urban area customer. USAC is used to seeing an established rate (rural rate and metropolitan rate). State Code 8D does not allow the ICN to have multiple rates.

Commissioner Lapointe asked have similar rates with K-12 and higher education been made.

Dave Lingren said K-12 and higher education are in the same category/class.

The USAC is an American nonprofit corporation designated as the administrator of the Federal Universal Service Fund (USF) by the FCC. The USAC administers USF programs by providing subsidies for high cost telephone companies serving rural areas, low-income consumers, rural health care providers, and schools and libraries. USAC collects contributions from telecommunications providers.

Commission meeting took a break at 10:13 AM for 10 minutes.

Action on Certified User Waiver Requests – Dave Lingren

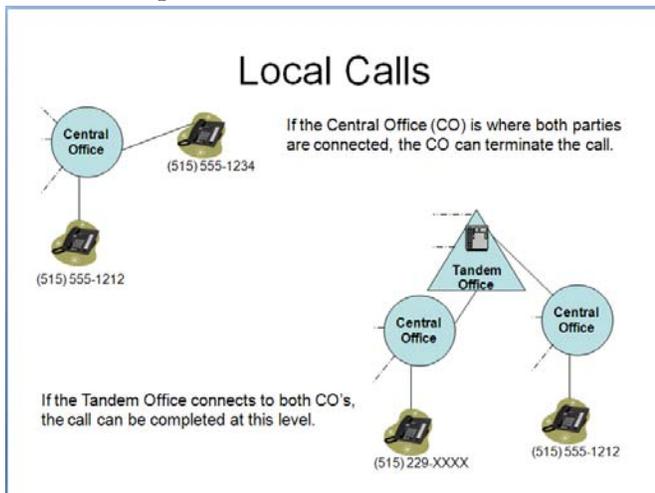
The ICN recommends approval of the one-year waiver request:

1) Mount Mercy College – Waiver request for ICN long distance and phone service (Rates are lower than ICNs).

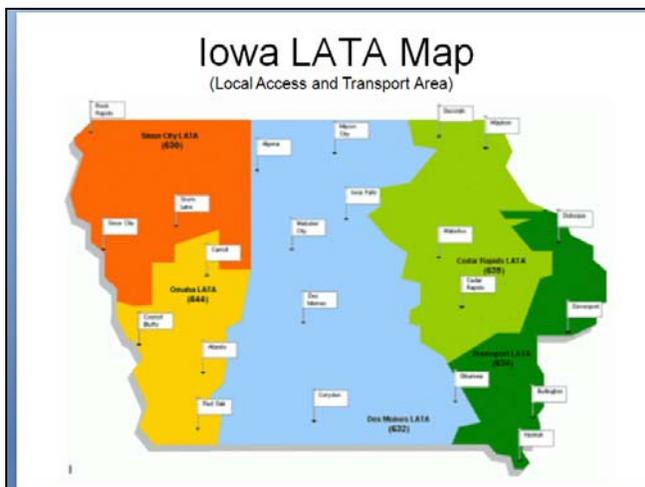
Commissioner Mahaffey moved approval of the waiver requests; Commissioner Hardman seconded the motion. An oral vote was taken; unanimously approving the one-year waiver request.

Long Distance Services Background – Vicki Wallis/Dave Lingren

On the request of Executive Director Gillispie, the following presentation was made to explain how local calls and long distance calls are made. The presentation will include an explanation of SS7, IVR, and ACD calls. In July, a presentation will explain how the ICN completes basic services. In September, the ICN will have some options and recommendations on how the services can be delivered more efficiently.



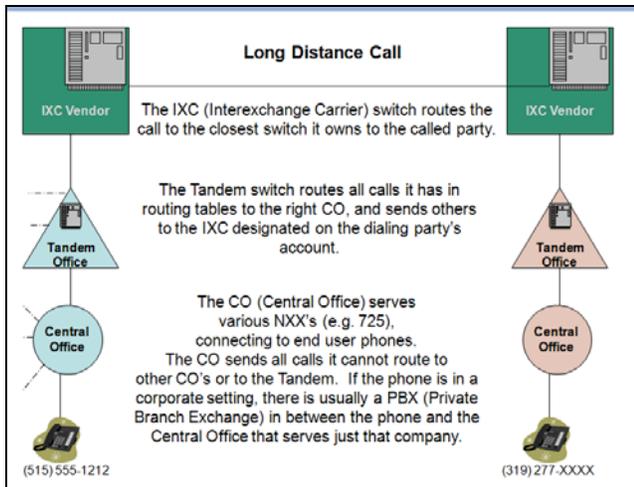
A Tandem office is a Central Office that contains a Tandem switch, providing much of the core routing in the telephone Network.



A call can go between Tandems in the same LATA, and be a “local long distance” call.

Calls that go between LATAs are always long distance, since an ILEC (incumbent Local Exchange Carrier) cannot cross LATA boundaries to terminate the call.

LATAs do not follow state boundaries, they go around population centers.



Central Offices, Tandem Offices, and IXC Vendor locations are typically in a ring/failover configuration with other sites to increase the level of redundancy and provide the ability to route calls even if a switch is down.

The Tandem switch references a database containing **PIC codes** (Primary Interchange Carrier code), which indicates which long-distance carrier you have chosen. Then it knows to which vendor trunks to route the call so it can be terminated.

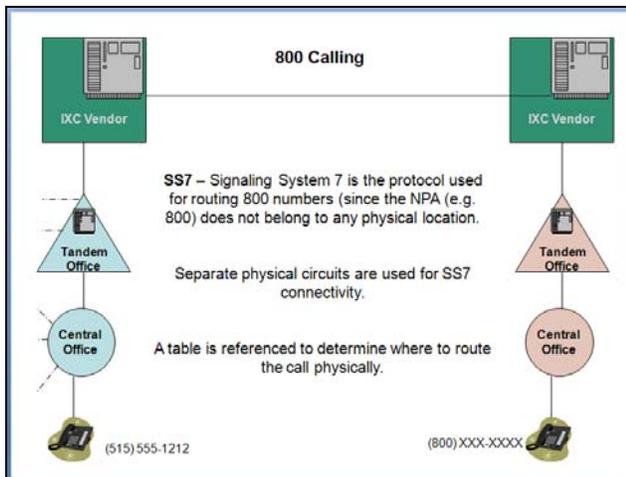
Technology has allowed this process to be much faster. Whereas a person had to physically connect the ports (think of the switchboard operator, connecting ports to connect a call). What took a minute or more then is done in the timeframe it takes for your phone to start ringing after it completed dialing – usually we don't even notice it takes any time at all.

Notice that there can be several vendors along the way, noted by the various colors.

Tying it all Together

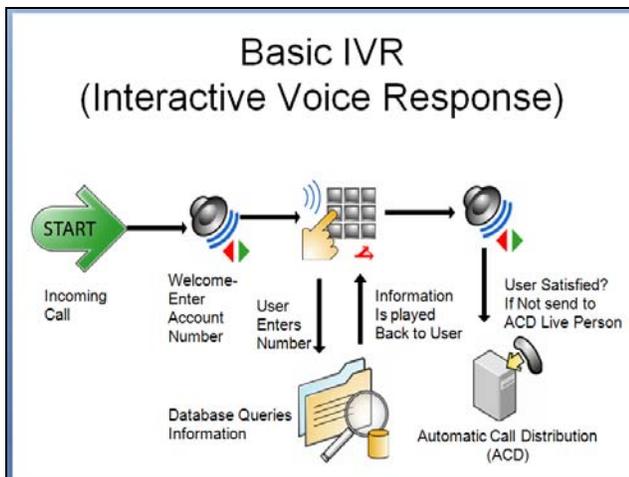
<http://communication.howstuffworks.com/telephone-image.htm>

This is a good example of the general network. Terminology may vary somewhat, though the principles are the same.

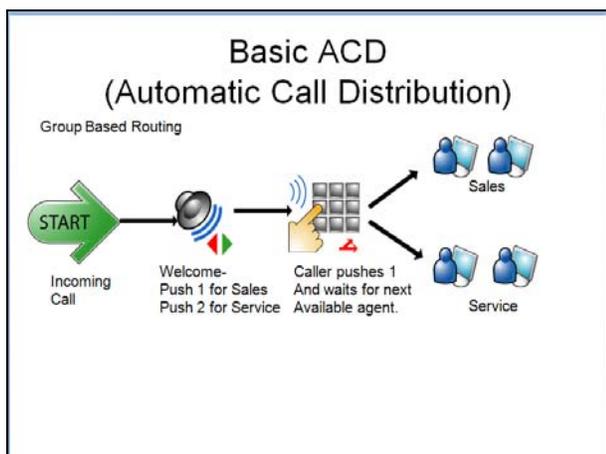


SS7 can also be used to carry calling party information, as well as to check the path for availability ahead of the phone call being connected, and can reroute a call if the path is not clear.

Since SS7 circuits are so critical to on-going operations today, vendors have multiple physically and electronically diverse SS7 circuits to each switch location to insure a high degree of reliability in the connecting of calls.

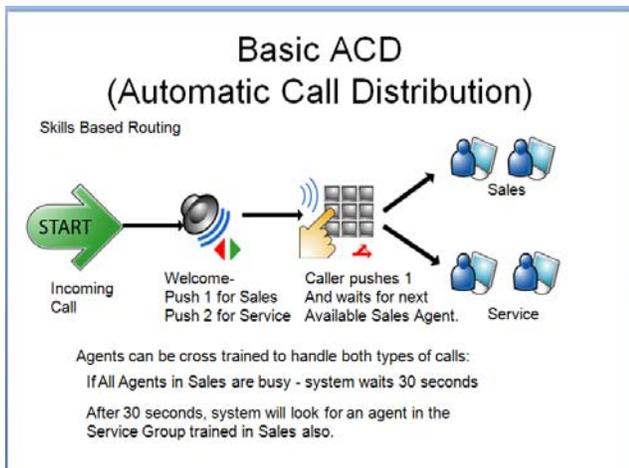


1. The constituent makes a call to a telephone number connected to the IVR.
2. The IVR plays a welcome message that identifies the state agency/service and then prompts the caller to enter personal information, i.e., Member ID, SSN, license number, etc, via the telephone dial pad. The system may request a PIN.
3. The IVR system identifies the caller and associated information via a database query. The system may offer the caller various options to retrieve this data, i.e., account balance, license status, scheduled dates, etc. In addition, the system may offer access to services such as frequently asked questions or requests for forms to be mailed.
4. The IVR system may prompt the caller to input additional information which the IVR will enter into the database, i.e., change of address, date of last payment, anticipated retirement date, etc.
5. The IVR system may, at any point during the transaction, offer the caller the option to transfer to a live agent to receive additional services. This action hands off the call from the IVR system to the ACD system.



The ACD system may offer the caller an option of which department they wish to be routed to, i.e., sales or service. If the caller chooses to transfer to a live agent, the caller will either be sent directly to an agent if one is available or, if all agents are busy, the caller will wait in queue where they will hear hold music and recorded announcements.

The ACD system may hold the caller in queue for one specific group of agents for the entire duration of the queue time. This is known as Group-Based routing.



Or, the ACD system may hold the caller in queue for one specific group of agents for a pre-determined period of time, then relax the call requirements in order to route the call to agents who belong to other groups. This is called Skills-Based Routing. Skills-Based Routing can reduce hold time, increase call center productivity and improve customer service levels.

Other Business

Commissioner Brandsgard added that she appreciated all of the feedback from the Commissioners for Director Gillispie's annual review with Ray Walton. The performance of the entire ICN team was commented positively.

Gail McMahon reminded the Commissioners about their video snippets for the Corporate Marketing and Communication team's effort to place their viewpoints on the ICN website. Gail McMahon also thanked the Commissioners for the generous donations made to the Food Bank.

Joseph Cassis added that last Thursday, May 14, and Friday, May 15, a major accomplishment was made by ICN; Ethernet switch upgrade (Foundry Big Iron) at the Lucas building. It demonstrated excellent collaboration between a number of ICN areas and vendors. There were over 30 individual participating in the event. The agencies that the ICN supports were very concerned due to the Network being down for six hours...especially when there was the possibility of a pandemic flu outbreak.

Adjournment

Commissioners Duffy and Lapointe made a motion to adjourn the meeting. There being no further business, the meeting adjourned at 11:06 AM.

ATTESTED TO:



Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission