

**Iowa Telecommunications & Technology Commission  
Meeting  
Grimes State Office Building, 1st Floor  
Des Moines**

**Final**

**July 17, 2008**

**Commissioners Present**

Betsy Brandsgard, Chairperson (by video)  
Robert R. Hardman, Member (by video)  
Timothy L. Lapointe, Member (by video)  
Pamela A. Duffy, Member  
Michael W. Mahaffey, Member (by video)  
David A. Vaudt, Ex-Officio Member

**Commissioners Absent**

None

**Iowa Communications Network Staff Present**

John Gillispie, Executive Director  
Joseph Cassis, Deputy Director  
Dave Marley, Operations Administrator  
Dave Lingren, Service and Delivery Administrator (by phone)  
Mike Cruise, Accounting Manager  
Vicki Wallis, Engineering Administrator  
Tami Fujinaka, Government Relations Manager  
Diane Van Zante, Secretary (Recorder)

**Guests**

Terry Rinehart, IPTV  
Kay Runge, ETC  
Lynce Casper, AEA 11

**Call to Order**

Ms. Brandsgard called the meeting to order at 9:04 a.m.

**Approval of March, April, May and June Meeting Minutes**

Commissioner Duffy moved approval of the March 20, April 16, May 15, and June 18, 2008 meeting minutes; Commissioner Lapointe seconded the motion. A roll call vote was taken, approving the minutes as written.

Commissioner Duffy - Yes  
Commissioner Hardman - Yes  
Commissioner Lapointe - Yes  
Commissioner Mahaffey - Yes

Commissioner Brandsgard – Yes

### **Old Business**

#### **Flood Aftermath Update - Dave Marley.**

Recovery activities have decreased and things are returning to normal, although renovations are ongoing and a few staff are still being housed in temporary quarters. The ICN's preliminary estimate for equipment loss is in the \$115,000 range. That figure is primarily comprised of damage from the Parkersburg tornado and flood damage to the Iowa City National Guard facility, the federal courthouse, and community school district in Cedar Rapids. Labor estimates for the ICN exceeded 1,753 hours as well as 2784 hours logged by PaeTec/McLeod employees. Meetings were conducted with FEMA and the Iowa Homeland Security office in regard to potential reimbursement for extra labor and loss of ICN equipment. For labor, only overtime hours are reimbursable and then additional rules dictate what is eligible. For example, overtime necessary for fiscal year-end projects necessitated by diverting the work force to the flood is not eligible. For equipment, one of the basic stipulations is that the loss must be insured. Since the State is self-insured, the impact is not clear. Much of the long-term effect remains to be seen.

What lessons were learned? How could the ICN be more helpful?

The ICN was called on multiple times to support city and county offices. Per the State Code of Iowa, that is not permitted, even in an emergency situation. Code changes are necessary to address special circumstances. Inside the ICN, a list of action items was developed soon afterward. One of those items is to map the elevation of every ICN facility so that if the water level rises, we know what areas are in danger. The full list of action items is available to Commissioners, as desired.

#### **Rural Healthcare Initiative Update – Joseph Cassis.**

The project has been moving along pretty steadily. USAC (the Universal Service Administrative Company) believes the RFP will be approved. Staff is reviewing information for the bidders' conference. While we were hoping to hold the bidders' conference this week, the delay in FCC approval means we will not be able to do so. The ICN is also in the process of updating the business model for each participating hospital.

### **New Business**

#### **Report from ETC (Education Telecommunications Council) – Kay Runge.**

Ms. Runge just completed her term as Chair of the ETC. The ETC made remarks in three areas:

1. Keep video rates at existing levels.
2. Keep funding the same for the RTC.
3. The function/mission of the ETC has not been reviewed in the past 15 years. A committee has been established to revisit the structure of the ETC/RTC and look at performance matrices, etc. Joseph Cassis and Terry Rinehart will be serving on the committee.

Dean Cook is the new Chair of the ETC.

#### **Discuss Video Rate Setting Process for FY 09 – Dave Lingren.**

There are currently several video rate categories. The ICN has been exploring opportunities to reduce the number of rate categories. One option is consolidation. There is a steady decline in usage and revenue in the video area, despite the fact that rates have been held steady. From a marketing perspective, that is indicative of movement to an alternate technology. ICN financials already show a \$2.5 million loss for video in FY 08 and the financial reports are not complete yet. If the ICN prices its other products to offset that loss, rates for the other products are no longer competitive.

Some rate categories come and go, such as telemedicine. There may be value in consolidating categories. For example, the higher education and community college categories could be consolidated if they utilize the same rate. What level of detail does the Commission want to see in the way of reports? The Chair asked the ICN to put forth a recommendation.

The inflationary trend over a ten-year period (1998-2007) is 28.46% compounded. Video services generated about the same amount of revenue in FY 99 as they did in FY 08, however the latter reflects a much devalued dollar. In the beginning, federal dollars helped supplement the rates. USAC (Universal Service Administrative Company) money became available in FY 03/04. Video services do not currently generate sufficient income to offset the expense of providing the service.

Utilizing one category for education users (K-12, Higher Ed, Community Colleges, CollegeK-12) and another for non-education users (administrative, other training, Fed usage), the ICN has projected rate increases of 5%, 10%, and 15% for education users and rate increases of 30%, 50%, and 70% for non-education users.

Video has consistently not contributed its fair share and has been losing money since FY 03. There are alternatives that many customers prefer. Internet use is much more convenient. Customers are leaving products that are being cross-subsidized because they can get similar services at a lower rate. Users are not going to be willing to spend more money because the value equation doesn't exist. The average video rate would need to be about \$30 per hour to cover costs. The legislature has given no indication that it is willing to subsidize the Network. Video equipment is also aging. Replacement is an issue in the next five years. The rate subcommittee (Commissioners Duffy and Hardman) needs to study the issue and come back with a recommendation in September. This dilemma is much larger than the rate subcommittee; the user community should be engaged as well. The ICN wants to incentivize customer behavior. If the outcome involves a rate increase, the ICN needs to have data available to substantiate its actions and respond to any criticism.

#### **Action on Certified User Requests – Dave Lingren.**

Waiver requests have been received from the following authorized users:

1. Iowa Wesleyan College, Mount Pleasant– request for waiver of ICN Internet services. The College is able to secure a lower rate from another provider.
2. Maharishi University of Management, Fairfield– request for waiver of Internet services and phone calling card services. A local provider offers less expensive Internet rates. The ICN's card fee results in overall higher rates for calling card services when compared to the University's current provider.
3. AEA 267, Cedar Falls– request for waiver for a redundant connection through Cedar Falls Utilities. AEA 267 does utilize the ICN for its primary service.

Commissioner Mahaffey moved collective approval of the waiver requests; Commissioner Duffy seconded the motion. A roll call vote was taken, unanimously approving the three waivers.

Commissioner Duffy - Yes  
Commissioner Hardman - Yes  
Commissioner Lapointe - Yes  
Commissioner Mahaffey - Yes  
Commissioner Brandsgard – Yes

**Discuss FY08 K-12 Video Usage** – Terry Rinehart, IPTV.

IPTV and the ICN have been working collaboratively to promote and market services for K-12 students and school personnel. This was a record year; a total of 9,264 video hours were produced. In comparison, last year we produced 6,000 hours. New programs have been identified and pursued with vigor. We are seeing growth in professional development and training. Another area of success to report is the receipt of an estimated \$47,000 in grant revenue.

**Review May 2008 ICN Budget to Actual Financials** – Mike Cruise.

There are no real surprises. The ICN is where it expected to be. Video services are behind last year by \$650,000, which is 5.5% below budgeted figures. Voice services are about 9% ahead of FY08 budget figures. Data services are 3% ahead of budget. Installation revenues are behind May of FY 07 by \$450,000, but we anticipate a turnaround in June. The biggest change from FY 07 to FY 08 is in general and administrative expense; payroll and personnel are \$600,000 above May of FY 07. Overall, the ICN is \$500,000 ahead of last year's net cash total.

**Budget Process for the Next Fiscal Year** – Mike Cruise.

We have started the FY10 budget process and will forward that information to the Commission for review. There were no significant changes to the FY 09 budget except for a reduction in voice revenues (from the projections originally submitted). FY 10 will be pretty much the same as FY 09.

**Administrative Rules for Notice** – Tami Fujinaka.

We are seeking the Commission's approval to pursue a notice of intended action to adopt rules to give the Iowa Hospital Association access to the network. The administrative rules would mirror what is now in the Code.

Commissioner Hardman moved approval of the notice of intended action; Commissioner Mahaffey seconded the motion. A roll call vote was taken, as follows:

Commissioner Duffy - Abstain  
Commissioner Hardman - Yes  
Commissioner Lapointe - Yes  
Commissioner Mahaffey - Yes  
Commissioner Brandsgard – Yes

The motion carried.

**Proposed ITTC Regulatory Plan – Tami Fujinaka.**

The ITTC is required by Executive Order #9 to prepare an annual regulatory plan listing each regulatory action or potential rule currently under active consideration or development with the ITTC that the ITTC reasonably expects to issue in proposed or final form. The only item that was included was the telehealth language that the Commission just approved for notice.

Commissioner Lapointe moved approval of the plan; Commissioner Mahaffey seconded the motion. A roll call vote was taken, as follows:

Commissioner Duffy - Abstain  
Commissioner Hardman - Yes  
Commissioner Lapointe - Yes  
Commissioner Mahaffey - Yes  
Commissioner Brandsgard – Yes

The motion carried.

**Other Business**

**Planning –**

Identify issues for the next telephonic meeting:

- Please e-mail ideas for agenda items to Tami Fujinaka and/or John Gillispie
- Ask the ETC to have someone join us to respond to some of the issues that were discussed today. The Commission needs feedback. Kay Runge will try to attend and will try to bring Dean Cook along.

The Commission would like to hold a face-to-face meeting in September that would set aside more time for in-depth, long-range planning in order to revisit the strategic goals, contemplate the dilemma with video rates, discuss how the ICN might be more of a resource to cities and counties, and identify new opportunities.

**Adjournment**

There being no further business, Commissioner Mahaffey motioned to adjourn the meeting; Commissioner Duffy seconded. An oral vote was taken, bringing the meeting to a close at 10:29 a.m.