

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

**FINAL**

**September 24, 2009**

*To ensure the most efficient use of State resources, the September 24, 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  
Michael W. Mahaffey, Member

**Commissioners Absent**

David A. Vaudt, Ex-Officio Member

**Iowa Communications Network Staff Present**

John Gillispie, Executive Director  
Joseph Cassis, Deputy Director  
Dave Lingren, Service Delivery Administrator  
David Marley, Operations Administrator  
Kevin Heinzeroth, Finance Director  
Mike Cruise, Accounting Manager  
Patricia Townsend, Accountant  
Lori Larsen, Administrative Assistant (Recorder)

**Guests**

Kyle Holmgren, Qwest

**Call to Order**

Commissioner Brandsgard called the meeting to order at 10:06 A.M. It was noted that a quorum of members was present for the meeting.

**Approval of 7/16/09 and 8/19/09 Meeting Minutes**

Commissioner Hardman moved for approval of the July 16, 2009, and August 19, 2009, meeting minutes; Commissioner Duffy seconded the motion. An oral vote was taken, unanimously approving the minutes.

**Old Business**

**Federal Economic Stimulus Bill Update – John Gillispie**

The first round of reporting is due from the federal government on October 10. The Recovery Board intends to publish the data no later than October 31. The country will get its first look at job creation/job retention information associated with the stimulus bill.

As far as the part of the stimulus bill that is a direct interest to the ICN, the BTOP (Broadband Technology Opportunities Program) and BIP (Broadband Initiatives Program) programs received \$56 billion worth of applications. The BTOP and BIP programs have only \$7.4 billion available. There is a demand for broadband,

and there are people willing to invest substantial amounts of money given the 20% match required with an application.

The NTIA has the first round of applications out for review. ICN has one reviewer. The Governor's Office has been informed that they will receive their state's information in the next two weeks. Iowa has around 149 applications; 34 companies within the state. There are a number of companies that wish to deploy satellites or build fiber to the home that are not Iowa based companies. The Governor's Office has decided that the review process will be an internal process within their office.

Q – Will they establish a review team in the Governor's Office for the independent review?

The Governor's Office plans to have someone from IUB (Iowa Utilities Board), IDED (Iowa Department of Economic Development) and an independent member on the committee. It is not known if the Governor's Office plans to establish priorities or if they will just comment on the applications.

The NTIA/Department of Agriculture is debating on reducing the three funding rounds to two funding rounds. Individuals are requesting NTIA to reconsider their process. The first indication that NTIA will change the process will be in a notice of rulemaking. Everyone suspects to see something in the November timeframe.

In November the ICN will know if any of the projects submitted will be selected for further review.

#### **State Broadband Deployment Governance Project – John Gillispie**

The Iowa Broadband Deployment Governance Board passed its first set of rules and sent them to IDED, who is the implementer of the rules. The rules were filed as double barreled (emergency rules and normal process to allow for public comment). The Board is generating an application to allow interested parties to indicate that they intent to apply for the state matching money. The Board will be notifying Iowa's federal applicants of the state application process. The Board will meet October 2, where the Board will hear the first reports regarding the Iowa mapping.

Q – Was it determined if a single applicant can receive the total amount of money?

The Board made the decision to leave the rule silent, which will give them the opportunity to review all applications and make a decision at that time. The concern was if an applicant had a great statewide project that would provide Broadband to all of Iowa and the Board had a cap on funding, then the project would more than likely be shut down. John Gillispie suspects that the Board will spread the money across numerous applications, but that will be the Board's decision.

Joseph Cassis added additional information regarding the federal programs can be found at [www.broadbandusa.gov](http://www.broadbandusa.gov). The State program has established a website at [broadband.iowa.gov](http://broadband.iowa.gov).

Q – Can the applicants reside anywhere, not just within Iowa?

When the ICN first searched the federal applications for Iowa based companies, a relative small number of applicants was found, as the ICN learned later there were numerous applications that were covering multiple states. (i.e. AlphaStar America [based in Connecticut – proposed project area includes Iowa] and Mediacom [based in New York]).

#### **New Business**

#### **Review FY 09 ICN Budget to Actual Financials – Kevin Heinzeroth**

- At the end of August, not including equipment, ICN showed cash from operations of \$228,000 dollars. ICN had equipment purchases of \$237,000, of that \$96,000 was paid for by appropriations.
- For August, ICN had positive cash from operations of \$85,000, for the year without the effect of appropriations; ICN had \$21,000 cash from operations before equipment.
- ICN had non-appropriation equipment purchases for the first two months of \$233,000, which gave the ICN a negative cashflow of \$212,000 from operations and equipment, compared to prior year at this time (a negative of \$562,000).
- ICN is above operations this year compared to last year. A good portion of that is continuing to receiving more revenues from the data area, and depending less on the yearly video revenues.
- Video revenues for the year are slightly above where the ICN was at last year, however total revenues are down for the year, due to the increased hours of higher rate users.
- A couple of items that made August better than July, ICN had one time expenditures for maintenance in July, and voice conferencing had made the ICN billing one month in arrears.
- Data services continue to be strong with Ethernet and Internet leading the way. Internet is \$89,000 above a year ago. Frame Relay and DS3 revenues have decreased.

**VIDEO SERVICES** Billings for video services for August 2009 are ahead of billings for August 2008 by \$15,349 and are 4.31% above the August budgeted amount. The ICN produced 18,604 hours for August 2009, down from the 23,265 hours produced for August 2008. Higher education and K-12 comprised the majority of the usage.

**VOICE SERVICES** FY 2009 year-to-date Voice Service revenues for August 2009 are behind August 2008 revenues by \$21,981 and are 2.93% behind the 2009 budget figures. Largest sources of revenue are toll free usage, local access, and inmate calling.

**DATA SERVICES** Gross revenues from data services for August 2009 are ahead of August 2008 year-to-date revenues by \$125,541 and are in behind 2009 budgeted figures by 0.93%.

**INSTALLATION REVENUES** Installation revenues for August 2009 are behind August 2008 by \$90,119 and are ahead of the August budget by 51.29%. 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 August 2009 are below budget projections for August 2009 17.91% and are \$239,258 behind August 2008 expenditures. General and Administrative expenses for August 2009 are below August 2008 by \$23,680 and 15.77% below August budget projections.

**EQUIPMENT and EQUIPMENT APPROPRIATION** For August the ICN paid \$218,405 for equipment on approved project expenditures of which \$94,252 was funded by equipment appropriations. Sigma Solutions at \$64,852, Nikkel & Associates at \$62,000, Alcatel-Lucent Technologies at \$43,265, QWEST at \$27,058 and Blackbox at \$15,215 were the major vendor. In addition \$18,838 was paid to various vendors for approved minor equipment purchases.

Commissioner Duffy commented this is better than what the ICN was expecting a year ago. Is there anything that the ICN can take from this and generalize?

Chief Financial Officer Heinzeroth said it does show ICN is evening out the yearly revenues and moving more towards a yearly revenues with less modulation. In the past ICN depended a lot on the video revenues and the USAC money that was received. Program initiatives by Dave Lingren's staff have evened out the revenues.

Executive Director Gillispie said ICN set out on a mission a few years ago to reduce the dependence on federal video revenues, which is now starting to show results. Ethernet and Internet are the ICN's core products and are

now showing results. Dave Lingren's team has done an outstanding job in obtaining three-year contracts. Executive Director Gillispie does not believe that this trend will continue. ICN is aware that there is a major voice customer that intends to leave the network in December. ICN will see most of the downturn as the REC (Revenue Estimating Council) meets in October. That would put the Governor in the position to issue across the board cuts, furloughs, a special session, etc., which will impact ICN's customers.

**Action on Proposed FY 2011 Budget – Kevin Heinzeroth**

Chief Financial Officer Heinzeroth and Commissioner Brandsgard and Commissioner Hardman recently took part in a discussion regarding the FY11 budget. This is a preliminary budget; there will be an opportunity to reforecast it in the spring.

Commissioners Hardman and Commissioner Duffy moved approval of the FY11 budget; opening the floor to further discussion of the matter.

Chief Financial Officer Heinzeroth explained that the 2011 proposed operating budget was prepared under the Governor's instruction that the 2011 budget be flat against the 2010 budget. Finance staff Mike Cruise and Patricia Townsend worked with management staff to generate a budget. The overall revenues and expenditures were adjusted based upon the same gross margins; therefore the ICN has the same gross margins as FY 2010. ICN had \$2,863,735 cash from operations. The state budget system requires that the budget be neutral and equals expenses, to that the ICN offset \$2,863,735 in equipment expenditures.

Personnel services – ICN looked at wages for 2011, and completed the personnel budget based upon 87 FTEs, ICN is currently at 83 FTEs. ICN has three confirmed retirements in FY 2010, and two possible additional retirements. Personnel services will be reviewed in the spring.

Q – What is the impact right now with staffing levels?

Executive Director Gillispie said at this time ICN has to seek authorization for hiring. ICN is seeking long-term contractors for Operations. Executive Director Gillispie intends to use more temporary workers. ICN cannot continue to do business in the long run like this; ICN needs to look at other models for executing the business.

Q – When the ICN needs to where can adjustments in the budget be made?

Chief Financial Officer Heinzeroth said there are areas in equipment expenditures, that is the number that gets affected first. Personnel services, on the expense side will probably be reduced in the spring. There is leeway in some of the areas in the budget.

Q – The Commission approved a waiver for the Board of Regents, how does that affect the budget?

Chief Financial Officer Heinzeroth said in our budget proposal the ICN has excluded the Board of Regents.

There has been a motion and second to approve the proposed budget. An oral vote was taken, unanimously approving the proposed FY 2011 budget.

**Action on Appropriation Requests – Kevin Heinzeroth**

Each year the ICN has to present to the Department of Management what it expects as appropriations for the coming session. This year the ICN has two appropriation requests.

**Equipment Appropriation Request** for \$2,244,956 to replace and upgrade equipment that is reaching its end of functional life. This request has been made previously. This ensures that the state to receive Universal Service

Fund (USF) reimbursements on behalf the ICN's K-12 school and library video users. This money is used as a match in the program.

**Capitol Complex Redundancy Appropriation Request** This is the third and final phase of the project. Provide fiber connectivity, electronics, and space along with power acquisition at a third party location to ensure continuity of operations for the Capitol Complex and connectivity to outstate offices. ICN is requesting \$675,000.

Commissioner Duffy moved to approve ICN's two appropriations requests, Commissioner Hardman seconded the motion.

Q – Has the equipment appropriation request been granted on an annual basis?

Chief Financial Officer Heinzeroth said each year the Legislature has approved the request.

An oral vote was taken, unanimously approving the two appropriation requests.

#### **Legislative Update – John Gillispie**

ICN has submitted one formal policy request regarding the Part III change to the Governor's Office for approval. The ICN is seeking change from a technology perspective; so the ICN is not required to purchase DS3 or dark fiber. The ICN wants to be able to purchase the services needed instead of mandated technology in the code. The ICN has not received a response regarding the request.

The sale of the ICN will probably surface due to times of fiscal pressure in state government. The facts are the Network saves more money than it spends. Even if State government bids out the ICN services offered today, it would cost more than what customers are charged today.

Deputy Director Cassis added that during the week of September 28 the ICN is implementing a new report that will facilitate calculating savings as a result of using ICN video services. . Instructions will come out Monday or Tuesday.

#### **Rural Health Initiative Update – Dave Lingren**

The first location on the network will be up and ready to run in a couple of weeks (Mercy Medical in Perry, Iowa). All funding letters have been received by the Rural Healthcare Vendor, with the exception of Quality Assurance. There was an RFP sent out recently, and approved by the steering committee. The next step is approval from the FCC (Federal Communication Commission) with a funding commitment letter. ICN is working on the finalization of the Operations IOU.

There are locations that are on our network today that will be moving from ICN's direct network to the rural healthcare network. Those moves will be fairly easy to do, not major build out to accomplish. There are around 15-20 customers that could be transitioned over to the rural healthcare network by the end for the calendar year.

#### **Action on FY 2011 Video Rates – Dave Lingren**

There was only one response regarding an opinion of the proposal to leave the video rates as they were in this current fiscal year.

ETC (Education Telecommunications Council) recommendation was not to change the video rates.

Staff has reviewed the ETC's recommendation and also the economic climate, and suggests the Commission to leave the video rates for FY 11 the same as FY 10.

Commissioner Hardman moved to keep the same video rates for FY 11 as FY 10. Commissioner Duffy seconded the motion. An oral vote was taken, unanimously approving keeping the same video rates.

**Action on Certified User Waiver Requests – Dave Lingren**

Waiver requests were received from the following authorized users:

**Voice Waivers:**

1. Maharishi University of Management - requesting one-year waiver for ICN Internet and Phone Calling Card services.
2. Waldorf College – requesting one-year waiver to use long distance from another provider.

ICN has reviewed these waiver requests and ICN staff recommends approval of these waivers.

Commissioner Lapointe moved approval of both waiver requests for one year. Commissioner Duffy seconded the motion. An oral vote was taken, unanimously approving the two waiver requests for one year.

**Data Waivers:**

1. Maharishi University of Management - requesting one-year waiver for ICN Internet;
2. Iowa Wesleyan College - requesting one-year waiver for ICN Internet services (Ethernet provided by ICN);
3. Central College – requesting one-year waiver for ICN Internet services;
4. Waldorf College – in the process of disconnecting service (*Waldorf College has been purchased and is no longer considered a certified authorized user.*)
5. Graceland University - requesting three-year waiver for ICN redundant Internet services;
6. Graceland University - requesting three-year waiver for ICN Internet services (*students are directly paying for Internet service - students are receiving a managed service from a third-party provider – students are not certified users of the ICN*);

ICN has reviewed these waiver requests and ICN staff recommends approval of these waivers.

Commissioner Mahaffey moves approval of the waiver requests for the designated timeframes, Commissioner Hardman seconded. An oral vote was taken, unanimously approving the waiver requests for the designated timeframes.

**Other Business**

Commissioner Duffy said that the Des Moines Register had an article about mass purchasing at the state in the contents of cost savings, the ICN was mentioned as not participating. Did staff respond? The Commission made a conscious decision regarding if ICN's needs would be met, and it was determined that the ICN has unique equipment and supply needs in the industry.

Chief Financial Officer Heinzeroth said the ICN didn't respond to it at all. The Code of Iowa does give the ICN contract authority in regards to Network operations. The ICN mentioned that it has its own separate authority. The ICN does participate in purchase contracts with DAS (Department of Administration Services). For example, ICN purchases all office supplies with DAS contracts.

Commissioner Duffy said the article did not mention ICN's unique needs; it did not mention the Iowa Code, it did not mention when the ICN does take advantage of bulk purchasing. It was silent on those aspects.

**Adjournment**

Commissioner Duffy and Commissioner Mahaffey made motions to adjourn the meeting. There being no further business, the meeting adjourned at 11:18 AM.

ATTESTED TO:



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Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission