

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

**FINAL**

**November 23, 2009**

*To ensure the most efficient use of State resources, the November 23, 2009, ITTC meeting was held via conference call pursuant to Iowa Code section 21.8. A 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 (via Video Session)  
Pamela A. Duffy, Member (via Video Session)  
Robert R. Hardman, Member (via Video Session)  
Timothy L. Lapointe, Member (via Video Session)

**Commissioners Absent**

Michael W. Mahaffey, Member  
David A. Vautd, 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  
Vicki Wallis, Engineering Administrator  
Tami Fujinaka, Government Relations Manager  
Lori Larsen, Administrative Assistant (Recorder)

**Guests**

Joseph Brandstatter, LSA  
Kyle Holmgren, Qwest  
Julie Thomas, Marshalltown Community College (via Video Session)  
Joe Coon, AEA 9 IT Tech (via Video Session)  
Kathy Goebel, Iowa Central Community College (via Video Session)  
Greg Davis, Education Telecommunications Council (ETC)

**Call to Order**

Commissioner Brandsgard called the meeting to order at 9:03 A.M. It was noted that a quorum of members was present for the meeting.

Commissioner Brandsgard invited public comments.

**Approval of 9/24/09 and 10/21/09 Meeting Minutes**

Commissioner Lapointe moved for approval of the September 24, 2009, and October 21, 2009, meeting minutes; Commissioner Hardman seconded the motion. A roll call vote was taken, unanimously approving the minutes.

Commissioner Duffy – yes  
Commissioner Hardman – yes  
Commissioner Lapointe – yes  
Commissioner Brandsgard – yes

## Old Business

### **Federal Economic Stimulus Bill Update** - John Gillispie

The NTIA (National Telecommunications Information Administration) and RUS (Rural Utilities Service) will not be making announcements on broadband grants until mid to late December. NTIA has announced that they intend to only hold two funding rounds. NTIA is currently requesting public comments. At this point, there is no further information available.

The NTIA has awarded 15 mapping grants; at least 35 states and territories have not received the funding. Without mapping data, applicants are unable to make good choices regarding broadband funding for round two. States that have not received their mapping awards are mostly states that hired third parties to perform the mapping on their behalf.

When Iowa submitted its mapping grant, it designated the entity Connected Iowa, which is part of Connected Nation, based in Washington DC and Kentucky. Iowa completed an RFP (Request for Proposal) process to select Connected Iowa. There were two bids, IUB (Iowa Utility Board) recommended Connected Iowa be given the designated authority. Current broadband mapping data comes from IUB, which conducts a broadband survey every two years, latest data is from 2007. The 2007 data measures broadband availability by zip code. Iowa has no reliable statistics other than IUB's standards. Mapping for Iowa would be more detailed with Connected Iowa, and would give Iowa advertised speed availability by address and provider information. Until that mapping is completed, it is difficult for the BDGB (Broadband Deployment Governance Board) to know which projects should be performed.

### **State Broadband Deployment Governance Board (BDGB) Project** - John Gillispie

The BDGB canceled their second November meeting. The decision was based upon no approved federal applications. The current intent for the board is to meet the first week of December. Agenda items are:

- Complete application process for applicants to pursue state funding for the 20 percent match. (79 individual projects have indicated a potential interest in state dollars, \$10.6 million dollars requested [based upon unapproved federal projects].)
- Review submitted legislative suggestions for confidentiality in the application process. The BDGB did receive approval from the Governor's office to proceed to submit a change, which would protect certain types of information associated with the broadband grant application.

## New Business

### **Review FY 10 ICN Budget to Actual Financials** - Kevin Heinzeroth

For the month of October, revenue before equipment was \$494,000. ICN had purchased almost \$17,000 of equipment not funded by appropriations for a net of \$477,000 cash from operations. For the month, video revenues are ahead of last year's revenues by \$20,000, and nine percent above the budgeted amount. For voice services, the ICN was behind by \$119,000, but is ahead of what was budgeted. ICN continues to see voice traffic from the Regents. For data services, the ICN is almost \$300,000 above last year at this date. Installation revenues are behind \$160,000 from last year, and 15 percent ahead of the projected budget. ICN's YTD revenues in total are about even from a year ago. ICN did well with regards to operations, by decreasing direct expenses for services, YTD \$273,000 below last year. Operational/maintenance expenses were \$187,000 below a year ago. Other operating expenses are \$54,000 below a year ago. The large decrease is fewer lineside repairs and installations. Personnel services are about \$68,000 behind from last year. ICN is seeing customer's disconnects come through on the phone side. ICN staff will be preparing a bi-weekly report for Executive Director, John Gillispie to monitor the overall situation.

Joseph Cassis commented regarding ICN's video services relating to the IPTV's (Iowa Public Television's) K-12 Connections. The K-12 Connections had a record response so far, exceeding last year's YTD numbers with 3,082 hours. Compared to last year, K-12 Connections had 2,580 hours.

**VIDEO SERVICES** - Billings for video services through October 2009 are ahead of billings through October 2008 by \$19,633 and are 8.95% above the October year-to-date budgeted amount. The ICN produced 59,550 hours through October 2009, down from the 72,532 hours produced through October 2008. Higher education and K-12 comprised the majority of the usage.

**VOICE SERVICES** - FY 2009 year-to-date Voice Service revenues through October 2009 are behind October 2008 year-to-date revenues by \$119,334 and are 4.29% ahead of the 2009 year-to-date budget figures. The largest sources of revenue are toll free usage, local access, and inmate calling.

**DATA SERVICES** - Gross revenues from data services through October 2009 are ahead of October 2008 year-to-date revenues by \$294,679 and are in behind 2009 year-to-date budgeted figures by 0.97%.

**INSTALLATION REVENUES** - Year-to-date Installation revenues through October 2009 are behind October 2008 year-to-date by \$161,577 and are ahead of the October year-to-date budget by 14.84%. 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** - Year-to-date Indirect expenses for October 2009 are below budget projections for October 2009 year-to-date by 15.40% and are \$235,998 behind October 2008 year-to-date expenditures. Year-to-date General and Administrative expenses for October 2009 are below October 2008 year-to-date by \$78,713 and 15.73% below October year-to-date budget projections.

**EQUIPMENT and EQUIPMENT APPROPRIATION** - For October the ICN paid \$229,964 for equipment on approved project expenditures of which \$223,032 was funded by equipment appropriations. Hubill at \$223,032 was the major vendor. In addition \$10,549 was paid to various vendors for approved minor equipment purchases.

#### **Action on Maintenance Contract Review** - Kevin Heinzeroth

Pursuant to the Code of Iowa, Chapter 8D.3(3)(g), the Iowa Telecommunications and Technology Commission (ITTC) is required to review existing maintenance contracts and past contracts to determine vendor capability to perform the obligations under such contracts and to report recommendations to the General Assembly concerning continued funding for such contracts.

In accordance with the above requirement, the ITTC reports the following:

**Parts I and II Maintenance Contract:** The Iowa Communications Network (ICN) is under contract with McLeodUSA Telecommunications Services, Inc. (d/b/a PAETEC Business Services) for maintenance and operational support for the state-owned portion of the Network. This contract was negotiated under the General Contract for Parts I and II of the Network. The Network has changed both in the nature of its services and configuration since the contract was initiated.

The contract provides that the Scope of Services may be revised, replaced, amended or deleted at any time during the term of the contract to reflect changes in service or performance standards. The ICN and PAETEC have both continued to improve standard operating procedures during this calendar year for the Network.

Contract amendments require continued cooperation between the ICN and PAETEC. Demonstrated maintenance support by the vendor under the contract is satisfactory. During this past year, the ICN staff and the vendor

cooperated to enhance Network Service Center capabilities by improving client services for trouble management.

**Part III Service Contracts:** Starting in FY 1996 the ICN began monitoring the delivery of 428 video sites from vendors awarded contracts by competitive bid. These seven-year contracts began to expire in FY 2003. ICN continues to competitively bid for service as the contracts expire.

**Other Maintenance Contracts:** The ICN reviewed the remaining maintenance contracts and found the performance of contracted maintenance service vendors to be satisfactorily and fulfilling ICN requirements.

**Recommendation:** Finding that our contracted maintenance service vendors are capable of performing their contracted obligations, the Commission recommends continued funding support for all contracts.

Commissioner Hardman moved approval of the recommendations to the General Assembly, Commissioner Duffy seconded the motion.

Discussion:

Q – What benchmarks does the ICN use to determine if the maintenance support has been satisfactory?

Executive Director, John Gillispie said the ICN has eight metrics monitored monthly related to PAETEC's performance, and three metrics that are monitored annually. Established five years ago, the metrics vary from: responsiveness to a fiber cut (six hour window), the average repair time for the percentage of major/minor incidents, etc. PAETEC has consistently over performed. ICN believes that the metrics do represent best practices from an industry perspective in terms of measurement and performance.

Dave Marley added the ICN has both monthly and annually measurements. The monthly measurements look at troubles, responses, and repairs to the Network. Annual measurements relate to functionality of the NOC (Network Operations Center) and customer service/focus.

Q – What can the ICN do in-house?

Executive Director, John Gillispie said the current PAETEC contract expires at the end of this calendar year. ICN has notified PAETEC that it intends to renew for one year, starting January 1, 2010. The ICN has examined the cost to bring services in-house. Thus far ICN has not seen that as a positive for the Network due to capital investments. Today the Network operates by contracted staff 24x7. There may be some cost savings, but there are some complexities.

Commissioner Hardman added that it would be helpful to remind individuals how the maintenance is handled regarding video classrooms around the state.

Executive Director, John Gillispie said the video classrooms are property of the users, not the Network. The way maintenance is handled is the RTC (Regional Telecommunications Council) provides first level of support (minor debugging and minor support). If that technician is unable to repair the problem, the ticket is then escalated to an ICN video technician. If the ICN video technician is unable to repair the problem with parts that are on hand, the entity owning the classroom will need to procure parts for the repair. Labor is provided by the ICN at no cost.

Commissioners' Vote: A roll call vote was taken; there was unanimous acceptance.

Commissioner Duffy – yes  
Commissioner Hardman – yes  
Commissioner Lapointe – yes

Commissioner Brandsgard – yes

**Action on General Fund Payback Report - Kevin Heinzeroth**

**Background:** The Iowa General Assembly created the Network Operations Fund in the Office of the Treasurer and under the control of the ITTC to operate the Iowa Communications Network (ICN) during the 1995 legislative session. The General Assembly appropriated \$1 million into a network operations revolving account established in the fund during FY1995-1996. The purpose of the appropriation was to provide a cash reserve should ICN revenues generated from fees charged for services not be sufficient to pay operational expenses. Several times since then, the ICN has come close to, but never had to utilize this reserve. Having this financial reserve would allow the ICN to continue to make payments for vendor services should there be an unexpected interruption in collection of user fees. To date, the ITTC has paid back \$500,000 of the \$1 million startup fund appropriation.

**Statutory Requirement:** As required under Code section 8D.14, subsection 2, this report includes a review of the Network Operations Fund and its current status, including an identification of the current needs for cash flow support, and a recommended repayment plan associated with the remaining \$500,000 of startup funding. The repayment plan, as directed by the statute, is recommended in a manner that will not adversely affect network operations.

**Fund Status:** The ICN has been able to make these payments without adversely impacting the fund. The ICN, through sound fiscal management, has been able to strengthen the fund and currently has the ability to meet operational expenditures should there be a temporary interruption of the collection of fees. The fund currently contains receipts from customers that are reinvested through the purchase of replacement equipment as well as used for providing services to ICN customers. Current identified needs for cash flow funding include:

- ICN has determined that a reserve of approximately 60 days of operational funding is a sound business practice and would require an operational reserve of \$5 million to \$6 million.
- ICN has applied for federal ARRA Broadband grant monies to update the network backbone. The federal grant program requires 20% matching funds which equate to approximately \$6 million.
- To support our customers during the current state budget crisis, the Commission has taken steps to reduce ICN rates for some services which will result in an estimated \$900,000 reduction in revenue realized.

**Repayment Plan:** The ICN startup fund, while currently stable, faces many uncertainties, as does all of state government. Because the ICN continually utilizes sound business practices, including competitive bidding for services and equipment while implementing a fee structure that is competitive, it is in a position of repaying the remaining \$500,000 of the original cash flow support funding appropriation. However, due to the uncertainty of the economy and the need for the ICN to be sensitive to ICN customers' financial challenges, the Commission recommends the repayment be made in two annual \$250,000 installments at the end of fiscal years 2011 and 2012.

Commissioner Lapointe moved approval of Repayment of ICN Startup Funding proposal, Commissioner Duffy seconded the motion.

Discussion:

Q - Has there ever been a time that repayment amounts have been budgeted?

Kevin Heinzeroth said repayment of the fund was not included in the budgeted amount.

Q – Was spreading out the remaining \$500,000 repayment amount over more years than the two years considered?

Kevin Heinzeroth said the first \$500,000 repayment timeline was required to be paid back with two \$250,000 installments. With the current budget situation the ICN felt proposing those same terms would be more receptive. ICN did ask for the pay back to be held off one additional year.

Executive Director, John Gillispie said right now there is a need for cash. The Iowa General Assembly may accelerate the repayment plan no matter what the ICN proposes.

Q – When will the ICN know about the ARRA (American Recovery and Reinvestment Act) funding?

Executive Director, John Gillispie said if ICN receives ARRA funding in the first round, the ICN will get notification of that grant funding in mid to late December.

Commissioners' Vote: A roll call vote was taken; there was unanimous acceptance.

Commissioner Duffy – yes  
Commissioner Hardman – yes  
Commissioner Lapointe – yes  
Commissioner Brandsgard – yes

### **Impact of Furlough Requirements on the ICN - John Gillispie**

There are three moving parts to these furloughs.

There is a mandated seven-day furlough for all non-contract employees that are members of the ICN (approximately 30 employees). Those furloughs are required to start November 27, and must be completed by the end of the fiscal year. ICN's projection of savings is \$50,349 for the non-contract employees' furlough days.

Contract covered union employees are currently voting for a five-day furlough. ICN will not know the outcome of that vote until Wednesday, November 25. That vote determines five furlough days and an elimination of the deferred comp match (two for one match of up to \$75/pay-period). Deferred comp match would be suspended until the end of the fiscal year. If the five-day furloughs take place, ICN's projection of savings is \$97,278. The savings for the deferred comp match, which applies for both contracted and non-contracted employees, is \$28,900.

Executive Director, John Gillispie took a 10 percent salary reduction of \$11,497.

Total estimated ICN savings for the furloughs and wage reductions are \$188,024, if all takes place as planned. The only definite reductions are Executive Director, John Gillispie's salary reduction and the non-contract employees' furlough days.

### **Legislative Update - John Gillispie**

There is only one planned legislative request this year, a Part III language change. ICN received approval from the Governor's office to pursue that legislative change which would allow the Commission to make technology choices.

ICN is aware that counties and cities are suggesting that the Network be open for their use.

### **Video Classroom Policy, Room Fees and Branding - Joseph Cassis**

Joseph Cassis, Deputy Director, presented a preliminary marketing proposal to the Commission regarding ICN's video classrooms. Joseph Cassis wanted to make sure that ICN's Corporate Marketing and Communication Team is on the right track regarding the marketing plan, and would like a directive from the Commission. The video classroom marketing campaign addressed: rebranding the video classrooms, room usage policies, and room rate changes (which requires an administrative rule change). In addition to the marketing plan, is an

afterhours contact document for users and staff to utilize if a lock-out occurs (Kathy Goebel has been leading that effort). ICN would also like to offer remote trainings (utilizing webinars) to show schedulers the capabilities of the software.

Commissioners responded positively by saying that a policy document like this is desperately needed, and consistent signage is needed outside the buildings and video classrooms.

Commissioner Duffy moved approval to charge ICN staff to fully develop a marketing plan including rate structure/maintenance services and contracting issues. Commissioner Hardman seconded the motion. A roll call vote was taken; there was unanimous acceptance.

Commissioner Duffy – yes  
Commissioner Hardman – yes  
Commissioner Lapointe – yes  
Commissioner Brandsgard – yes

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

There are two phases of the construction. The first phase is the fiber build out. IRHTP currently has nine locations where fiber is being built, and anticipates 37 sites by the end of next year's construction season.

The second phase of the construction is the network electronics. There are two aspects to the electronics. Core electronics provide connectivity between ICN's backbone infrastructure and the fiber that is going to the healthcare providers. ICN has the core electronics ordered, shipped, received, and identified. The edge electronics (located at the healthcare provider's location) have also been ordered (two–three weeks ago), and are in the process of being shipped and received. Edge electronics must be installed after the infrastructure electronics are completed

### **Action on Certified User Waiver Requests/Decertification - Dave Lingren**

The below waiver requests were received from the following authorized users:

#### **Internet Waivers:**

1. Morningside College – requesting waiver for ICN Internet service.
2. Northwestern College – requesting waiver for ICN Internet service.
3. William Penn University – requesting waiver for ICN Internet service.

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

Commissioner Lapointe moved approval of waiver requests as submitted. Commissioner Duffy seconded the motion. A roll call vote was taken, unanimously approving the waiver requests.

Commissioner Duffy – yes  
Commissioner Hardman – yes  
Commissioner Lapointe – yes  
Commissioner Brandsgard – yes

### **Other Business**

Commissioner Hardman was contacted by the Continuing Education Division at the University of Northern Iowa expressing concerns about the condition of many of the classrooms that they use for continuing education.

Dave Lingren said that Executive Director, John Gillispie and he completed an extensive tour around the state. University of Northern Iowa's concerns are shared by many. ICN proposes to partner with the facilities to help develop grant applications to replace their equipment.

Commissioner Brandsgard asked management to let the staff know how much confidence the Commission has in their abilities and leadership.

### Adjournment

There being no further business, Commissioners Duffy and Hardman moved to adjourn the meeting at 10:34 A.M.

ATTESTED TO:



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Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission