

ILLINOIS CENTURY NETWORK

MARCH 24, 2004 POLICY COMMITTEE MINUTES

Submitted for: Action

Summary: Distribution of the March 24, 2004 minutes for review by the Policy Committee.

Action Requested: Adoption of the March 24, 2004 minutes.

Recommended Motion: *That the ICN Policy Committee adopts the March 24, 2004 minutes with any edits as noted.*

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MARCH 24, 2004 POLICY COMMITTEE MINUTES

In the absence of a chair, Lori Sorenson opened the meeting.

Members present: Geoffrey Obrzut, Illinois Community College Board; Virginia McMillan, Illinois Community College Board; Lugene Finley, Illinois State Board of Education; Bruce McMillan, Illinois State Museum; Dan Layzell, Illinois Board of Higher Education; Jay Carlson, Central Management Services; Anne Craig, Illinois State Library; Alan Burgard, (audio); Brian Foster, Illinois Hospital Association (audio); Roderick Frazier (audio); and Marianne Stanke (audio).

ICN staff and invited guests in attendance: William Feurer, ICN legal counsel; Lori Sorenson, Jessica Just, Ralph Lucia, Karlin Sink, Kirk Mulvany, all from the ICN.

Lori began by reminding the Policy Committee members that Mary Reynolds had resigned as chair effective February 1, 2004 and the Governor had yet to appoint her successor.

Jay suggested that in order to conduct today's meeting; the Policy Committee members should elect a chairperson, pro tem to lead the group through the agenda. Jay asked if Lori would follow up with the Policy Committee members to create a short list of potential nominees for the chair which would be submitted to the Governor for his consideration. Subsequent meetings would be conducted by the appointed chair. Bill Feurer, ICN legal counsel, agreed that the Policy Committee could proceed as suggested by Jay.

Jay opened the floor for nominations for a chair pro tem to conduct today's meeting.

Motion: Brian Foster moved; Marianne Stanke seconded.

Brian Foster moved that Jay Carlson be named chair pro tem.

Motion carried.

Jay thanked the group and indicated that he would be asking Lori to help guide them through the agenda as this would be his only meeting as chair pro tem.

1. Policy Committee Minutes

Staff requests adoption of the November 19, 2003 minutes.

Motion: Lugene Finley moved; Dan Layzell seconded.

Lugene moved that the ICN Policy Committee adopt the November 19, 2003 minutes with any edits as noted. (No edits were noted.)

Motion carried.

2. Announcements

Jay indicated that he would like to take the opportunity to make a few comments. First and foremost he wanted to share his opinion of how well the relationship between CMS and the ICN was progressing – especially in the area of staff. He indicated that he is of the opinion that CMS is living up to its commitment to support the ICN in a proactive manner and not be a barrier to the original mission of the ICN. Jay hoped that if you were to ask ICN staff, they would respond in kind. Jay restated how pleased he was with the progress and thanked the Policy Committee members for letting CMS participate in the ICN and trusting them to continue to work collaboratively with the ICN staff. Jay asked if any of the other Policy Committee members had remarks to make at this time.

3. Remarks

Lori informed the group that the ICN had switched distribution of the ICN newsletter, *The Century Line*, to an online format instead of print. The response from constituents was very positive. On the day it was sent out, hits to the ICN website doubled and constituents began calling for additional information on articles that appeared in the newsletter. Doing the distribution online saves the ICN roughly \$2,500 each time it's published.

At the end of the month, staff will be sending out an online survey to constituents to solicit feedback on future needs for bandwidth and network services. The top five most requested services are listed on the survey to help determine how widespread the need really is. The survey also asks constituents to identify pricing thresholds in order to assist staff in negotiations with vendors and to price services in concert with market pricing. The Advanced Engineering Taskforce will also be using the survey results to help shape its recommendations for network growth and enhancement. The results of the survey will be shared at the June 2004 Policy Committee meeting.

Lori distributed copies of an article that appeared in the Champaign News-Gazette, highlighting the successful utilization of distance learning to enable a student with a rare form of muscular dystrophy to “attend” high school with his peers. Working collaboratively with SBC, the ICN was able to provide connectivity to the student’s home for the transmission of interactive high school courses.

Lori provided an update on three pieces of current legislation that have the potential to impact the ICN. Senate Bill 3156 deals with the role of the Policy Committee and the ability of ICN constituents to work with certain business. This bill is back in rules. Senate Bill 3178 would require the ICN to provide connectivity and services to certain businesses certified by the Department of Commerce and Economic Opportunity. Due to the vagueness in language, identification of specific technology, and the costs to the ICN to implement that legislation, both the ICN and CMS entered opposition to the bill. This bill is also still in the rules committee. House Bill 4933 allows ICN staff to participate in the State Universities Retirement System upon transition to CMS. All pension related legislation is being held until the end of the session and will be sent forth with the budget implementation plan. Lori indicated that she would keep the Policy Committee up-to-date on the legislation.

Jay asked if there were any questions regarding the pending legislation.

Hearing none, Jay stated that he also understood SB 3156 to be in rules, but he would double check to see if it was part of the budget implementation plan. The particular language of this bill will address the evolving role of the Policy Committee because the success of the ICN is to be predicated on having the constituents represented on the Policy Committee. The bill also will allow ICN the ability to offer new services to constituents and to certain business segments that are involved with the constituents.

Jay also commented on the CMS opposition to Senate Bill 3178, stating that CMS felt the proposed legislation would create a major distraction from the primary focus of the ICN. CMS also felt that the costs were significantly understated as related to the capital requirements and personnel resources.

4. Review of Executive Session Procedures

Lori introduced Bill Feurer, ICN legal counsel, to present items #4 and #5 to discuss the requirements and impact of new legislation on ICN procedures and staff.

Bill provided an update on the provisions of the Open Meetings Act with an emphasis on the requirements for recording and taking minutes during an executive session; how those minutes would be made available if they were requested; the review of executive session minutes; and how long the tapes or minutes needed to be stored. Additional items covered included the posting of meeting notices and the introduction and action on new business.

In order to be in compliance with the provisions of the Open Meetings Act, Bill said the ICN must provide written notice of any meetings. Items of business can not be acted upon unless they are listed on the meeting notice. Bill said that items can be brought up for discussion at one meeting, even if they aren't on the agenda, however the Policy Committee can not take action on those items until the next meeting. With regard to the provisions for executive session, minutes must be taken and recorded of any executive

session. The minutes may be taken in summary form and every six months the Policy Committee has to review the summaries to determine if the minutes still need to be kept confidential. The recorded version of the minutes has to be kept for 18 months and every six months, the Policy Committee has to decide if the recording still needs to be kept confidential, along with the written summary of the minutes. If no one requests the minutes after 18 months, the recording can be destroyed, but the written summary needs to be kept none the less.

Jay asked those attending via audio if there were any questions. Hearing none, Jay indicated that he would entertain a motion to adopt the procedures outlined in the revision to the Open Meetings Act as described by Bill.

Motion: Dan Layzell moved; Lugene Finley seconded.

Dan moved that the Policy Committee approve the adoption of the procedures outlined in response to the revisions of the Open Meetings Act with the caveat that closed meeting minutes do not have to be transcribed, unless it becomes necessary to do so, and that someone present during Executive Session would take minutes and write up a summary.

Motion carried.

Bill added that the Attorney General's office is revising the booklet explaining the Open Meetings Act and when it's complete, staff will make sure that there is a copy given to every member of the Policy Committee.

5. State Officials and Employees Ethics Act

Bill began by reminding the Policy Committee of the new employee and ethics act that was adopted by the General Assembly earlier this year. This act covers state employees and board members. The statute requires the adoption of a personnel policy by every state entity covering everything from travel regulations to fringe benefits and all other personnel matters. As most of these items have been adopted by the Board of Higher Education, the ICN fiscal agent, what is really called for is a re-adoption of the policies already in existence.

The only new addition to the personnel policies, as a result of the ethics legislation, is that state employees are now required to keep time records to the nearest quarter hour. Bill indicated that this time keeping requirement would also apply to members of boards, even if they are unpaid, and in this case, the ICN Policy Committee Members. Bill suggested that the Policy Committee members keep their time in the same manner that the Board of Higher Education adopted. At each Policy Committee meeting, the members will be given a time sheet upon which to record the hours spent dealing with ICN matters. The ICN Human Resources Officer will hold the records. ICN staff will keep their time records according to the process outlined by the Board of Higher Education.

Another provision of the legislation is the requirement that all state employees complete ethics training. Bill indicated that agencies that report directly to the Governor have started to go through this training and that the ICN will be notified when staff are to be trained. The statute has another provision that basically says if anyone covered under the ethics legislation is involved in a decision to award contracts with an accumulative value over \$25,000, that person is prohibited from going to work for the entity that received the contract for one year after leaving state service. Bill went on to provide some scenarios that might fall under this provision and encouraged Policy Committee members who felt that they might have a conflict of interest under this provision to abstain from voting on contracts that might be questionable.

Jay asked Lori what has been the previous involvement of the Policy Committee members to participate in particular decisions involving contracts.

Lori responded that typically the Policy Committee has not played a direct role in any of the evaluations or awarding of contracts. The ICN is mandated to provide basic services and when new services are being investigated, the concept comes to the Policy Committee and then the staff goes about developing and issuing a request for proposal and then puts in place an evaluation team to make final decisions on awards. CMS is involved in the process. In the past, the Policy Committee delegated authority to enter into contracts to the ICN director.

Jay suggested that under that scenario it didn't appear likely that there would be potential conflicts for the Policy Committee members.

Lori agreed and felt that it would more likely impact staff, including CMS, as the transition progresses.

Jay asked if the pending action regarding the timekeeping was speaking more to the employees of the ICN or to the Policy Committee.

Lori responded that she felt the action covered the Policy Committee members, as well as the ICN staff. The Policy Committee needs to adopt the policy with regard to the time-keeping requirement for both staff and Committee members to be in compliance with the statute.

Jay asked Bill for his direction on rewording the suggested motion.

Motion: Jay Carlson moved; Lugene Finley seconded.

Jay moved that the Policy Committee approve the time keeping procedures and personnel policies outlined by the Board of Higher Education in accordance with the State Officials and Employees Ethics Act.

Motion carried.

6. Budget / E-rate Update

Lori informed the Policy Committee that Cindi Hitchcock, ICN fiscal officer, was on vacation and that she would be providing the update. The e-rate funds are starting to flow and to date the ICN has received just 1.7 million dollars in checks and credits. Staff is confident that the number will increase to 4.5 million by the end of this fiscal year. Lori went on to explain the ICN practice of delaying routine network upgrades until the end of the fiscal year because of the unreliability of the receipt of e-rate funds. The e-rate funds currently being received will be earmarked for needed network equipment upgrades and some financial support for the dark fiber initiative.

ICN staff has received a draft copy of the compliance audit that took place at the beginning of this fiscal year. The ICN did receive one audit finding for undeployed equipment currently located in a leased storage facility. Lori explained that the equipment referenced in the audit included Cisco routers that were originally purchased as part of early connectivity initiative during which ICN provided constituents with the router needed to connect to the network. When the Policy Committee passed the cost recovery policy in November 2003 a policy was also adopted requiring constituent to purchase their own hardware. Since that time, staff has continued to make the current equipment available to primary constituents. However, state property control policies did not allow ICN to transfer ownership of the equipment to the constituent; rather ICN provided it on a long-term loan arrangement. As a result, constituents needing to upgrade the equipment were unable to purchase additional cards for the ICN loaned equipment since they did not retain ownership of the equipment. For this reason, many constituents were unable to take advantage of the loan arrangement.

Lori explained staff's unsuccessful efforts to request permission from the state's property control division. Coincidentally, a few weeks prior to the release of the ICN audit, Director Rumman approved the ICN's request to transfer ownership and several pieces of equipment were already in route to several K-12 schools and higher education institutions in southern Illinois.

As a result of the approval to transfer ownership and through a policy to use the remaining equipment as spares in lieu of continuing maintenance payments for deployed equipment, staff projects that the inventory will be down to zero by the end of fiscal year 2005.

Lugene asked if the audit finding was material or immaterial.

Lori replied that ICN had only seen a draft copy of the audit and it was unknown at this time.

Jay asked if anyone had more questions of Lori.

Alan Burgard said he was pleased to hear that the e-rate reimbursements were being received. He asked Lori why the personnel and contractual line in the projected budget reflected an increase of over 1.4 million dollars.

Lori explained that the increase in the personnel line was not due to salary increases, but was due to ICN payroll being paid through a non-GRF fund. As a result, ICN must pay the full cost of the retirement and insurance contributions in the personnel line. When payroll is paid from a GRF fund, a CMS fund covers the retirement and insurance contributions. Alan requested that staff provide breakdown of the additional costs at the next Policy Committee meeting.

7. School-to-Home Initiative Update

Lori asked Ralph Lucia to provide the update. Ralph began by reminding the Policy Committee that in the February 2003 state of the state address Governor Blagojevich called on all Illinois schools to adopt the national PTA standards for parental involvement. In support of this initiative the ICN funded the Center for the Study of Education Policy at Illinois State University to survey schools across Illinois to determine the extent of technology's use in communicating with parents. The recommendations from the survey indicated that improved school to home communication would benefit students and their families and that multiple methods and formats are needed to accomplish this. As a consequence of the survey results, the ICN is working with the Center for the Application of Information Technologies (C.A.I.T) at Western Illinois University to develop a web-based communication application that would be made available to all K-12 schools in Illinois at no cost to the school. At this time the application is in its final stages of development and beta testing will begin within the next few weeks. Current plans call for a limited roll out of the application for the fall 2004 academic year. Since the program is being developed specifically for Illinois, there will be no site license fee. The only ongoing costs will be for hardware to operate the system, staff resources, and software updates to accommodate operating system upgrades and modifications to meet the needs of the users.

Ralph went on to emphasize that this application is not intended to replace any existing school administrative packages that are in place, it is merely to level the playing field so that those schools that don't have the fiscal resources to implement this kind of communication tool can have access to this resource.

Jay asked if the ICN staff had looked at providing a forecast of what the ongoing operating cost and scalability of the project are going to be.

Lori replied that staff has been looking into this, much of it based on the level of interest expressed by the schools. As the issues of interoperability with existing systems are addressed, it may be that more schools will want to participate. The technical staff is look at the training, support, and hardware requirements to help determine fixed and recurring costs.

Jay asked if would be possible to have a better understanding of the costs by the next meeting. Ralph indicated that by the next meeting, the staff would have a better understanding of cost projections.

Jay suggested that at the next meeting the Policy Committee look at the success of the beta test, do a live demo of the project, depending on meeting facilities, and then examine the cost to make sure that any shortfall that might have occurred is identified and communicated.

8a. Network Utilization – E-rate

Lori reminded the Policy Committee that they had requested specific information on several network topics at the last meeting. Items 8a through 8d are designed to provide that detailed information. With regard to E-rate, Lori indicated that staff had spoken with surrounding states to compare their experience with that of the ICN. Of the Midwest states, Missouri is the most like the ICN in regards to its network and e-rate application. Just like the ICN, Missouri is experiencing similar delays for e-rate reimbursements. From application to funding commitment Missouri has experienced delays of 10 to 14 months, not unlike the ICN. Karlin Sink and Lynn Murphy participated in the annual StateNets meeting in early February and a representative from the E-rate administrative agency was on hand to address the concerns of the state networks. Fully aware of the delays experienced by the larger, more complex networks, the E-rate administrative agency is making adjustments to their priorities for processing. The details of this process will be revealed as soon as they are finalized.

Lori referenced the chart included with the item to discuss exactly where the ICN was with regard to filing and receipt of E-rate funds. As Lori explained, the time between application submission and receipt of funds is decreasing which is a significant improvement over the previous delays of up to 48 months. However, as a continued precaution, the ICN doesn't rely on these funds as part of the operating budget until they are received.

8b. Network Utilization – Services / Return on Investment

Lori introduced Kirk Mulvany to provide the update on services and return on investment.

Kirk provided an overview of the return on investment for filtering and IP video. Based on the number of constituents who are participating in filtering and cautious projections of additional participants, Kirk pointed out that revenue for filtering has shown steady increases and conservative estimates indicate that the ICN filtering service will reach break even in May 2004. Any revenue exceeding expenses starting in November of 2004 will be used to replace existing hardware and prepare for future growth. The existing hardware in place has a useable life of three years from the original purchase date.

Jay asked Kirk for clarification on what was included in the expense line. After Kirk explained the specific limits of the figures he had presented, Jay asked if the Policy Committee could see a statement at the next meeting including a recapitalization schedule over a six year view.

Moving on to IP video, Kirk mentioned that this service was just coming up on its first anniversary. Currently there are 83 video end points registered for the service, with more expected as constituents migrate from H.320 to H.323. Initially the return on investment was figured to be three to five years, but Kirk reminded the group that this did not include state agencies and the expectation is that the number will grow as the ICN and CMS begin to work more closely on IP video implementation.

8c. Network Utilization – Telecommunications Cost Savings

Karlin Sink began his presentation by indicating that both the ICN and the ICN constituents have realized significant costs savings on hardware and access circuits over the past few years. ICN negotiations for egress and backbone circuits save the state about 2.4 million a year. The Cisco contract saves our constituents approximately \$800,000 a year.

Jay asked if the Cisco savings was based on actual purchases by constituents. Lori responded that the numbers were based on actual purchases comparing a discount rate of 37 percent (level available prior to the most recent contract) with 42.5 percent, the current contract discount level. The figures presented are the delta between the previous discount rate and the new discount rate.

Jay indicated that he thought those savings were substantial and that the information should be captured and shared with the fiscal officer in CMS. Jay then asked Karlin to take a moment and discuss the savings associated with the network costs.

Karlin responded that as more traffic gets on the backbone, such as the addition of state agency traffic, the ICN would be looking at larger circuits which will drive down the per megabit cost. The effect is the same for egress providers, as you buy more bandwidth in “bulk”, the cost per unit goes down.

Jay asked if it might be of interest for the Policy Committee to see the evolution of the purchasing options going from point-to-point circuits to waves to dark fiber being energized and to communicate these savings as we go forward. Jay specifically asked what percentage of the network is still in point-to-point circuits versus waves, versus actually lighting up our own segments.

Karlin indicated that it would be possible to provide this information.

8d. Network Utilization – Baseline Utilization

Jay asked if this item was in response to the general discussion at the last Policy Committee meeting where questions were raised about the adequacy and utilization of constituents' baseline bandwidth.

Lori indicated it was the intent of the item to respond to those issues and that Ralph Lucia was going to present the material.

Ralph began by stating that in order to get the educational utilization of bandwidth only K-12 schools were included, recognizing that the K-12 category includes many other types of K-12 offices. The same is true for universities, i.e. only campus utilization was included and not other higher education facilities, like extension centers. Every site in the study was examined to determine how much ICN bandwidth they currently receive, compared to the amount that they are eligible to receive under the baseline bandwidth and the cost recovery system. Ralph went into a rather detailed discussion of the charts that had been distributed with the agenda.

As a result of the analysis, staff identified areas of concern specifically a significant percentage of constituents not accessing baseline bandwidth despite experiencing congestion. The staff does recommend the need for further study, and while it would be desirable to increase baseline, staff wants to be prudent and make sure the resources are available to fulfill the obligations promised to ICN constituents.

Lugene asked if the K-12 schools with contention problems were rural districts where circuit costs can be expensive as opposed to the suburban and urban districts that have access to lower cost circuits. Ralph responded that the problem did occur more in rural areas where the schools may have to go through several telecommunications providers to get to the ICN, making the circuit prohibitively expensive.

Jay asked if any of the rural connections that are expensive could be accommodated with a V-SAT connection.

Lori indicated that she thought it might be a viable solution for data. Ralph added that staff had been investigating alternative methods of connectivity; specifically working through cable companies.

Jay recommended that this data be shared with a group within CMS who is developing an RFP for V-SAT that would serve the needs of some state agencies. Adding the potential group of educational institutions who might benefit could strengthen the RFP and help obtain better responses from vendors. All of this information can be used to help in discussions of rates going forward for the constituents and to help bring the best value to the state and extended constituents.

Jay asked if there were any questions from the members of the Policy Committee. Hearing none, it was then decided that there was no need to go into Executive Session.

Jay thanked the representative from SBC for their assistance with the connection to the home of the student with muscular dystrophy near Danville. Jay also took the opportunity to indicate that the Policy Committee really appreciates the spirit of cooperation that is being shown by SBC.

Jay complimented the staff on the series of reports presented under network utilization.

Motion: Dan Layzell moved; Lugene Finley seconded.

Dan moved for adjournment.

Motion carried.