

ILLINOIS CENTURY NETWORK

MAY 12, 2004 POLICY COMMITTEE MINUTES

Submitted for: Action

Summary: Distribution of the May 12, 2004 minutes for review by the Policy Committee.

Action Requested: Adoption of the May 12, 2004 minutes.

Recommended Motion: *That the ICN Policy Committee adopts the May 12, 2004 minutes with any edits as noted.*

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MAY 12, 2004 POLICY COMMITTEE MINUTES

Members present via audio conference and confirmed via roll call: Virginia McMillan, Illinois Community College Board; Lugene Finley, Illinois State Board of Education; Bruce McMillan, Illinois State Museum; Dan LaVista, Illinois Board of Higher Education; Jay Carlson, Central Management Services; Anne Craig, Illinois State Library; Alan Burgard, Illinois State Police; Brian Foster, Illinois Hospital Association; Roderick Frazier; and Pete Ashi.

ICN staff in attendance: Lori Sorenson, ICN.

Jay opened the meeting and confirmed that a quorum was present. He then asked Lori to start the meeting by introducing Pete Ashi, newly appointed chair of the Policy Committee.

Lori thanked everyone for meeting on such short notice to discuss the transition plans which had been coming together rather quickly. She then welcomed Pete to the Policy Committee and asked him to provide a little background to the group.

Pete indicated that he comes from the private sector and is the Chief Operating Officer of an IT consulting firm that deals primarily in the healthcare and property and casualty space. His firm is headquartered in Columbia, South Carolina, a privately held organization. Pete said he is looking forward to participating on the Policy Committee and was honored when Director Rumman asked him to accept the appointment as chair.

Jay asked Pete if it would be appropriate to yield the proceedings to Lori and Jay, given that Pete was rather new to the group. Pete agreed thinking it was most appropriate to do so.

Jay began by taking a moment to bring the members of the Policy Committee up to date on the consolidation work. CMS has been looking for the most effective means to facilitate the consolidation of ICN staff and assets with other core infrastructure and assets, both physical and personnel, that are currently directed by Michael Rumman and CMS. Over the last 8 to 9 months a lot of effort has been put forward to make sure that when looking at consolidation opportunities whether its with the ICN or other consolidation efforts such as facility management that CMS is taking into consideration two things: first and foremost, the primary consideration is the service offering that is being provided to constituents whether those are other agencies or entities outside of state

government such as higher education, K-12 schools, hospital and such. Second to that, but just as important, is the treatment of management, staff and front line associates. There were several hurdles that had to be investigated and overcome to proceed with this particular consolidation.

Most of the issues are in the area of benefits and Jay indicated that he wanted to walk the Policy Committee through the high points of the document that would be sent to them for review. The majority of the document is for informational purposes, but also contains data associated with what CMS is calling for regarding the fair and equitable treatment of the associates in ICN to make sure that when they come over to CMS, they are kept financially whole, as best as is possible.

Before going into the review of the document, Jay thought it would be beneficial for the newer Policy Committee members to hear a brief chronological recap of the process and the issues. The ICN associates benefit from a pension program that is provided through the Board of Higher Education (IBHE). CMS is tied to a different program. Simply put, many of the ICN staff were very close to meeting the vesting period or have met the vesting period and would be put in harms way, both through the restrictions the IRS has placed on people covered under these types of programs and the potential implication it might have for social security benefits.

CMS decided to address this issue by introducing legislation that would specifically allow for those associates that are participating in the BHE pension program to continue to participate in that program after they become a CMS associate, basically grandfathering them to remain with the current pension program. As a backup, the language has been added to the budget implementation bill (BIMP) which is the legislative language which accompanies the state's budget. Jay indicated that is the hope and belief of CMS that there will be no opposition to the pension language as it is the right thing to do for the associates.

In addition to the pension issue, the vacation accrual tables, sick days, and holiday schedule had to be synchronized with CMS policies. Jay indicated that the document that will be sent to the Policy Committee for review will show a comprehensive analysis of where the gaps exist. At this point, CMS is proposing the approval of two requests. The first is that in accordance with an Administrative Order by the Governor, ICN staff associates are entitled to bring forward only five vacation days. As many of the associates have accrued many days in excess of that, CMS is proposing a one time payout to associates to bridge the gap. At most, the payout would be \$398,000, but may be reduced by staff taking vacation during the month of June, and payouts to staff that leave for other employment prior to the July 1 transfer. Jay reminded the Policy Committee that the accrued vacation represents a liability, so that even if the payout didn't go through, the liability would still be on the books.

The next issue involves making corrections for the lost value of vacation accrual rates going forward. Some ICN associates may have been earning three or four weeks of

vacation on an annual basis, and according to CMS polices, they will be accruing far less than that.

A presentation of these issues was made to Director Rumman who has agreed to support the payout of accrued vacation days and he has agreed in concept to the approval of compensation adjustments for associates losing substantial vacation accruals going forward. The maximum annual cost to compensate employees for lost accruals is \$122,000. CMS believes it is a nominal investment to show the associates that CMS recognizes their value and wants them to stay part of the organization. Jay went on to say that there would be a small percentage of associates that will fall outside the bands of their compensation grades and CMS will probably not be able to do much for those staff members, but again that's a relatively small percentage.

Jay indicated that these were the issues that would be submitted to the Policy Committee for approval so that when the transition occurs, the housekeeping details will be taken care of.

Jay went on to discuss another informational point that will be in the review packet. In looking at the delineation and definitions of work both in CMS and in ICN, Jay's team has proposed that the ICN staff will be transferred in on a non-code status. The non-code status gives management flexibility that doesn't currently exist under the rules of the current CMS personnel code; to hire the best candidates and more importantly to solicit and recruit the best candidates. Under this arrangement, for the most part, ICN staff will continue to be at-will associates and CMS will be able to maintain flexibility in soliciting and hiring the best candidates. In order to accomplish this, Jay said that CMS has spent a lot of time defining a band of classifications for this non-code status and wanted to implement the changes on this side of the consolidation.

Jay stressed that it is his hope to make sure that as the consolidation moves forward, the quality of service improves and cost efficiencies improve. The only way to achieve that is to put measures and practices in place that will secure those current guiding principals of the ICN. Jay told the Policy Committee that quite frankly the success of the ICN is largely due to the people they have and going forward it will be important that CMS has access to the same caliber of people.

Jay indicated that the goal was to get the packet of information out to the Policy Committee members within the next couple of days. It had been the hope that the packet would have been distributed today, but Director Rumman's schedule didn't allow for that. Basically this meeting is setting the stage and opening a dialogue with the Policy Committee members as they review the proposal.

Lugene Finley said that it appears that a great deal of thought had gone into the proposal and that it sounded quite fair to the ICN employees.

Jay said he appreciated the comment and went on to stress the importance of managing these adjustments on this side of the consolidation because as much as we would want to do the right thing after the fact, the rule of precedence might be an obstacle.

Brian Foster asked how many weeks of vacation do employees receive under CMS.

Jay responded that if the employee has been with the state 0-5 years, they earn 10 vacation days; 5-9 years, 15 days; and it continues to increase up to 25 days for 25 years. However, CMS grants substantially more holidays.

Lori responded that CMS provides 12 holidays plus 3 personal days and ICN has 8 holidays and 4 floating holidays. She went on to add that that staff who are required to work on state holidays in order to provide services to constituents who are open on those days will be given compensation time.

Dan LaVista asked Jay what was the status of associate and management staff's understanding of the recommendations that are being presented to the Policy Committee.

Jay replied that the consolidation team didn't want to approach the ICN associates with unsubstantiated information or without the authority. All of the details on the consolidation were being worked out before telling the staff. Jay asked Lori to speak on next steps over the next few days and subsequently next week after this is brought to a formal vote.

Lori responded she had been working closely with Jay and his staff to make sure all of the details of the personnel items come together. Lori feels that the recommendations are very fair to staff and that overall it will be well received by staff. All ICN staff will be briefed as to the status of the consolidation this afternoon in an all-staff conference call. Lori also indicated that while she knew she wouldn't be able to share the specifics at this point, it was important to keep staff up to date and reassure them that as of July 1 everyone has a job, with the same roles, same responsibilities, same reporting structure, and we will carry on with no interruptions in paychecks and health insurance. On Thursday morning Jay will address all staff to answer questions and concerns regarding the transition and to provide some insight into future goals.

Lori went on to say that once these recommendations have been approved by Director Rumman and the Policy Committee, each employee will receive an individualized letter indicating salary, title, vacation payouts, carry over vacation, and any adjustments in compensation that are applicable, and how they were determined. Upon receipt of the letter, the ICN Human Resources staff will be meeting one on one with each employee to review their letters and give them a chance to ask any specific questions they might have.

Jay thanked Lori and asked if there were any other questions on the consolidation plans and recommendations.

Pete asked how the information would be distributed to the Policy Committee members.

Lori responded that all Policy Committee members would receive an email with a follow up hard copy in the mail.

Hearing no more questions, Jay indicated that he had some good news to share with the Policy Committee since they were all assembled. Jay reminded the group that back in September a commitment was made to minimize any negative impact of the consolidation efforts especially with regards to potential cost escalation for ICN constituents. Jay went on to say that he absolutely feels right now that with some of the key projects that are on the horizon that we are going to be able to continue to increase the level of service and provide additional enhancements for constituents at large while maintaining the current cost structure. Jay cautioned the Policy Committee that it's not to say that down the road the dynamics won't change and there won't be any increases in the cost. CMS is going to be bringing a substantial amount of traffic to the ICN network which is going to cause CMS to invest a tremendous amount of money into the network.

Jay went on to say that there is a significant amount of capital in the budget to update the telecommunications components and capabilities of the network. As an example, Jay indicated that in June a request for proposal will be let for VSAT service – satellite delivered connectivity. It is the intention that VSAT services will be introduced to solve problems associated with lottery kiosk requirements. Other state agencies, such as Secretary of State, also have a need for this technology. The signal is sent to major downlink stations on the east coast and in Denver and returned back to the ICN network via fiber so that the state will be paying for huge capacity pipes from these downlink stations back to the ICN network. The use of this technology will provide schools and other ICN constituents with a cost effective, high capacity connection that will help alleviate expensive last mile connections.

Lugene added that this technology is going to be great especially for the rural schools down in the southern part of the state that some times have to go through a number of LATA's and incur additional costs trying to put in that last mile to their school house doors.

Jay stated that there are plans to bring Illinois Emergency Management Agency (IEMA) traffic to the table which is basically the state's disaster recovery group. This will provide additional federal dollars to support the network. CMS will be moving some of the state's voice traffic on to the network. These plans will have a trickle effect back to the constituents as well as the services at some point in time will be made available to the ICN constituents.

Jay asked Lori to poll the group to determine a time that would make sense for the next meeting to formally vote on the issues of vacation payout and the compensation adjustment.

After polling the group, a determination was made to meet again on Wednesday, May 19th between 2:30 and 3:00 p.m. via audio conference. Lori will send an email reminder with the call-in information.

Motion: Lugene Finley moved; Virginia McMillan seconded to adjourn the meeting.

Motion carried.