

**THE BOARD OF THE KENTUCKY  
COMMUNICATIONS NETWORK AUTHORITY**

**MINUTES OF THE SECOND MEETING  
OCTOBER 29, 2015**

**Call to Order and Roll Call**

The Board of the Kentucky Communications Network Authority (“Board” and KCNA”) meeting was held on Thursday, October 29, 2015 at 11:00 a.m. in Room 110 of the Capitol. Secretary Mary Lassiter, Chair, called the meeting to order, and the roll was called.

**Present were:**

**Members:** Mary Lassiter, Secretary of the Governor’s Executive Cabinet and Chair of the Board; Jane Driskell, State Budget Director; Jeff DeRouen, Executive Director, Kentucky Public Service Commission; Jim Fowler, Chief Information Officer for the Commonwealth; and Lonnie Lawson, President and CEO, The Center for Rural Development.

**Guests:** Steve Rucker, Executive Director, KCNA; Mike Hayden, Chief Operating Officer, KCNA; Pamela Trautner, Director of Communications, FAC; Debra Gabbard, Senate Leadership, LRC; Kevin Borland, Peritus; Dustin Miller, Government Strategies, LLC; Ryan Barrow, Director, OFM; Troy Robinson, Executive Director, Administrative Services; Nancy Haggerty, Budget, FAC; Tim Mulloy, Peritus; and Debbie Rodgers, FAC.

Secretary Lassiter verified that a quorum was present and that the press had been notified of the meeting. She welcomed all that were present. She asked if anyone had questions about the minutes of the last meeting. There being none, Ms. Driskell moved that the minutes be accepted and Mr. Fowler seconded the motion. The motion was approved unanimously.

**Update on Construction**

Mr. Rucker began by stating that there have been no press release events as of this date. Currently, inspections referred to as “thumping” are being done on existing poles to make sure they are safe to climb, accessible, and will handle the cables. There will likely be opportunities for KentuckyWired project press releases over the next two or three weeks.

Fiber materials costing \$5.5 million have been ordered and are being staged for deployment in Black & Veatch warehouses in Eastern Kentucky. We have initiated multiple permits and various agreements with the Transportation Cabinet for right-of-ways necessary to move forward with construction. Cincinnati Bell (CBTS), one of our key third party infrastructure providers in Northern Kentucky, has been sent a letter of intent, and we will begin working with them soon. Negotiations are ongoing with various third party infrastructure providers in Eastern and South Central Kentucky, and we hope to conclude soon.

The I-75 South and ring one phases of the project are to be completed by the spring of 2016. Much of the work will be done concurrently, with the goal to be completed statewide by October 2018.

#### **KIH 4 Request for Proposal (RFP)**

Secretary Lassiter stated that a solicitation is on the street and KCNA plans to respond to the RFP. Mr. Rucker explained that the FCC eRate Modernization Order was released in December 2014. This allows entities with eRate eligibility to have more control. The reason for this RFP is to allow the Commonwealth's eRate eligible entities the opportunity to evaluate the potential use of dark fiber and related services to provide Internet access. Responses to the solicitation released by the Finance Cabinet are due by November 16<sup>th</sup>. Mr. Rucker asked for approval by the Board for KCNA to respond to the RFP for the three entities that are eRate eligible, i.e., libraries, K-12 school districts, and rural non-profit healthcare organizations.

Mr. DeRouen asked if the RFP would be for actual building a network or to provide managed services for the project, Mr. Rucker responded that KCNA will respond in both categories. Traditionally, the Commonwealth (and KDE) has used a metered service arrangement from the incumbent carriers. The eRate Modernization Order now allows for construction or use of existing fiber infrastructure. Mr. Hayden added that both the operation and maintenance of running the network can be included.

Secretary Lassiter asked if the federal funding programs were different for eRate and the Healthcare program. Mr. Rucker stated that the programs provide subsidy at different levels. The Healthcare program provides a flat 65% subsidy for eligible telecommunications services. eRate subsidy depends on the level of poverty and the urban/rural status of the population served and range from 20% to 90% of the costs of eligible services. Kentucky's average subsidy has historically been around 80%. Libraries have always had the opportunity to participate in eRate, however, they have never been as organized throughout the state as we have been with the K-12 environment. Out of 119 libraries only about 70% of them exercised their eRate opportunities. Mr. Onkst and Secretary Zawacki have put in a great deal of time getting the libraries coordinated.

Mr. Fowler asked if the libraries have to apply for the right to use eRate. Mr. Rucker answered that they file a Form 470 via the Universal Services Administrative Company (USAC) to indicate they are issuing a competitive solicitation for these services. Once an award is made they file Form 471 to say who has been awarded the competitively bid contract. For healthcare, the form numbers are different but it is the same process. K-12 has been organized for decades, and now our libraries and healthcare entities are part of an eRate eligible consortium.

Mr. Lawson asked since the reduction of landlines how are fees generated. Mr. Fowler asked who is subsidizing the eRate. Mr. Hayden said that an effort by the FCC is being made to reform and rebalance the fees. They are assessing the current trends and have suggested such measures as expanding contributions to include intrastate telephone services (calls within single states), voice over IP (computer-to-computer calls), and information services such as broadband, and increasing contribution requirements from wireless communication providers.

Mr. Fowler asked if the RFP on the street is just for libraries or K-12. Mr. Rucker replied the RFP is potentially for use by not just K-12 and libraries but as in previous KIH solicitations, can be made for use by city/county, and other government entities. KCNA has made the appropriate filings as a private service provider and has obtained a Service Provider Identification Number (SPIN) from the USAC.

Mr. DeRouen asked if our mission will be affected if KCNA wins or loses the bid. Mr. Rucker said there would be a financial impact.

Mr. Lawson moved that the Board approve KCNA's request to answer the solicitation. Ms. Driskell seconded the motion. The motion was approved unanimously.

### **Budget Request**

Secretary Lassiter stated authorization must be given to move funds since KCNA is a new entity. The Board needs to review and approve the Budget Structure.

Ms. Nancy Haggerty gave an overview of the budget information. There is salary and fringe benefits projected out with a 5% increase through 2017 and 2018, health insurance with a 3% increase each year, and overhead percentage for retirement for a staff of twelve, which is a mixture of employees and contractors. Mr. Fowler stated that his office had been instructed to use 75% overhead for their budget planning. Ms. Haggerty indicated that 75% was a preliminary view and that for the final official budget submission they will be using the actual numbers.

In response to Mr. Fowler's question asking if all the employees would be state employees Mr. Rucker said we don't know yet. We are trying to recruit talent and some are state employees. We are still interviewing right now, but the combination is twelve employees.

Ms. Haggerty worked with Mr. Hayden on each object code, and they used their best estimates for what we think will be needed for the KCNA office operations budget.

Mr. Rucker stated that outside legal help and community outreach funds are not part of the twelve staff, and we still have CTC in a consulting engagement.

In response to Secretary Lassiter's inquiry if all the funds are restricted, Ms. Haggerty replied that they are all restricted funds.

In response to a question by Mr. Fowler about whether the budget will divert restricted funds from other agencies, Mr. Rucker said it is possible, but we don't know that yet. If that is done it will be for the period between now and in July. We don't know about the future. Secretary Lassiter replied that yes, during the current fiscal year and for the next two fiscal years, it is not anticipated to divert additional funds from other entities.

Mr. Fowler asked if there would be enough excess wholesale capacity revenue to support the budget. Mr. Rucker said that the rate structure will include the expenses of the KCNA office.

Mr. Fowler moved to accept the presented budget request. Mr. Lawson seconded the motion. All favored the motion, and it passed unanimously.

### **Strategic Plan**

Mr. Mike Hayden discussed the development of KCNA's strategic plan as directed by the Governor's Executive Order that created the KCNA. Mr. Hayden indicated that planning participation was set to include the key leadership team and stakeholders that have been at the planning table from the beginning. He explained that the staff looked at the leadership team and added individuals to have participation representing the makeup of the KCNA Board. To ensure the Advisory Group agencies stipulated in the Executive Order were also represented; individuals from LRC and AOC were added.

Professionals from Solarity were brought in to facilitate a brainstorming forum with the KCNA strategic planning team. Six steps were suggested to be completed by the end of the year and were the focus of the initial planning session. The six initial steps included developing: mission, vision, guiding principles, environmental scan, goals, and strategic initiatives. Individual interviews will be done by Solarity for individuals who will not be able to attend meetings.

The Core Team met again to refine key aspects of what had been discussed in the full planning team meeting. The three other key elements of the plan will be reviewed and completed next year. Those items are: setting strategic targets, establishing our action plan milestones, and planning implementation and measures of achievement. We will continue to use the large Leadership team along with Solarity to facilitate the process until we have a solid strategic plan to guide this organization for years to come.

Secretary Lassiter emphasized that the Leadership Team, the advisory group which is established by the executive order, must include all the major stakeholders.

Mr. Hayden said that LRC and AOC have been included and are at the table also. We expanded the scope of those stakeholders to represent what is stated in the executive order. Mr. Rucker agreed and said the best thing we have done is to get those agencies together to discuss what a statewide network would look like. It has gone very well. The initial meetings have been well attended, and the participants have been very engaged.

Mr. Fowler said that an environmental scan looks at conditions that are there today and will help advance the development of an effective roadmap. The process using Solarity was the same process used to develop the COT strategic plan.

## **Transition**

Secretary Lassiter said the Board is subject to changes after the election. It would be helpful if Steve would give us an update on the transition plan. It will be important for early and thorough briefings for the new administration on where this project is heading.

Mr. Rucker said the transition document is being pulled together. In keeping with the Executive Order, we have laid out categories that need our attention. Key areas of focus will be a marketing strategy, legislative issues, continuing budget development, execution of a wholesale agreement, and development and approval of service rates. We will deploy more fiber than we need for government use and will allow the excess fiber capacity to be used by the private sector to bring benefits to the communities of the Commonwealth. In order to do this, we need to create a rate structure. A cornerstone of what we are trying to accomplish is to raise adoption and improve affordability in the state because we rank 50<sup>th</sup> or 47<sup>th</sup> among the states in measures of broadband speeds and access. As we move forward, we will begin addressing those issues identified in the Executive Order.

## Marketing Strategy

Pamela Trautner reported that we have been working to get information to the public. An example is the brochure that has been developed that contains a great deal of information to help various audiences understand the KentuckyWired initiative. Pamela expressed concern that there is not a marketing budget at this time. We have worked with other agencies and developed things like the brochure that are free. We have web sites – KentuckyWired.ky.gov and Broadband.ky.gov. These sites have Frequently Asked Questions and information about the contract with Macquarie. There is information for communities to help them make their communities fiber ready, that is essential to this project. With the assistance of CTC, we have developed a series of community planning webinars -- three have been presented already. These can be accessed as they are going on or later. They will be available 24-7 via streaming media.

A new website that Black & Veatch and Leducor are developing is targeted to be made available by the end of November. It will be more project plan related and have information on the project related to schedules, when fiber will be coming to specific areas, milestones, etc. FAQs are being developed that target various audiences. Recently we convened a group including Jared Arnett with SOAR, Lonnie with CRD, Jim Host, Kerri Richardson from C2, and Congressman Roger's office to develop a simple and common communications message. This is to ensure everyone involved is informed and delivering consistent and correct information about the project. We will be working to make sure legislators, county judges, mayors and state media have this information.

As part of our community outreach strategy we will be working with selected communities as part of our pilot program. Mr. Rucker explained that the timeline to respond has been extended for communities to apply to become the first areas we fund. We expect twelve to 20 areas in Eastern Kentucky to apply.

There being no other business before the Board, Secretary Lassiter asked if there will be need for another meeting before December 8. Mr. Rucker stated that it will depend upon the KIH4 responses so he will be able to inform the Board about where we are in the process. Mr. Fowler noted the responses are due by November 16<sup>th</sup>.

Mr. DeRouen asked if the Executive Order set meeting dates for the Board. Secretary Lassiter said the Order calls for meetings twice a year unless more are needed for informational and/or business purposes.

Mr. DeRouen moved that the meeting be adjourned. Mr. Fowler seconded the motion and the meeting was adjourned unanimously.

Respectfully submitted,

A handwritten signature in blue ink that reads "Scott Brinkman". The signature is written in a cursive style with a large, stylized initial "S".

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Secretary Scott Brinkman, Chair  
Kentucky Communications Authority Network