

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

**MINUTES OF THE INAUGURAL MEETING
SEPTEMBER 4, 2015**

Call to Order and Roll Call

The Board of the Kentucky Communications Network Authority (“Board” and “KCNA”) meeting was held on Friday, September 4, 2015 at 11:00 a.m. ET 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; and Jim Fowler, Chief Information Officer for the Commonwealth. Member of the Board Lonnie Lawson, President and CEO, The Center for Rural Development, attended via conference call.

Guests: Robin Kinney, Deputy Secretary, FAC; Ryan Barrow, Executive Director, OFM, FAC; Geri Grigsby, General Counsel, FAC; Casey Clements, Managing Director, CNX; John Hicks, Deputy State Budget Director; Doug Hendrix, Deputy General Counsel, FAC; Jeb Pinney, Div. of General Counsel, Kentucky Public Service Commission; Joe Barrows, Executive Director, CMRS Board, office of Homeland Security; Hollie Spade, AT&T Kentucky; Janet Lile, Special Assistant, Office of the Secretary, FAC; Mike Hayden, Communications Division Director, COT, FAC; Lori Flanery, Secretary, FAC; Steve Rucker, Deputy Secretary, FAC; Brian Kiser, Executive Director, Office Broadband Outreach and Development, COT, FAC; Troy Robinson, Executive Director of Administrative Services, OAS, FAC; Pamela Trautner, Director of Communications, FAC; Tammy McCall, OFM, 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 and explained this was mainly an organizational meeting for the Board.

KentuckyWired Overview

Secretary Lassiter introduced Janet Lile and Mike Hayden who gave a presentation entitled “Project Overview for the Kentucky Communications Network Authority Board”.

Ms. Lile began by discussing the comparison of broadband speed of the U.S. with other countries, Kentucky’s current state of broadband, and the core leadership team. She reviewed how the project began by obtaining partners, a project consultant, initial funding and the timeline for solicitations. Broadband service and networks were researched from neighboring states. She explained the Middle Mile concept as a physical system of fiber optic cable that will allow broadband service to be brought closer to communities. The KentuckyWired project was likened to an interstate highway

system, connecting the worldwide Internet to “exit ramps” closer to a community. Ms. Lile stated the shared vision and goals of the KentuckyWired project: to promote economic development; enhance education and research capabilities; improve government service delivery; enhance public safety; improve health care; enhance connectivity for libraries and communities; and create scalable network for future growth.

Mr. Hayden explained that a Public-Private Partnership (“P3”) structure was being used to finance the project. A P3 structure enabled the Commonwealth to do the following: use existing resources – Availability Payments – since budget constraints make state funding unlikely; utilize private sector expertise; leverage outside funding; deliver high priority project without deferring other projects; assign construction, schedule, and performance risks to private partner; and pursue potential revenue generation/sharing. The private partners involved in the project have a strong commitment to utilize local labor. Macquarie is the project lead. The project is expected to provide for approximately 690 jobs during the peak of the construction phase. It is also expected to provide for approximately 20 jobs that would remain in Kentucky throughout the 30-year operational period. Other partners mentioned were First Solutions, Ledcor Group, Fujitsu, Black & Veatch and Bowlin Group of Companies. He reviewed the organization structure and roles. The total cost and financing for the project was \$324,400,000: state funding of \$30,000,000 (9%); federal funding of \$23,500,000 (7%); and private/public partnership funding of \$270,900,000 (84%). Mr. Hayden presented the project time line and schedule, and stated completion would occur in the fall of 2018. Upon request by Mr. Steve Rucker, Mr. Hayden explained the difference between site completion versus ring completion. In addition, upon request by Mr. John Hicks, Mr. Hayden described the purposes of the blue and red lines on the project schedule map he referenced during his presentation. Mr. Jeff DeRouen asked if the Financial Close on the project time line included the \$270,900,000 funding amount. Mr. Hayden affirmed and stated the closing happened the day before this meeting, on September 3, 2015 at 12:05 p.m. The closing included all parties and involved the transfer of funds.

Secretary Lassiter commented that on Monday, August 31, 2015, the project was publicly announced and launched in Hazard, Kentucky. A piece of cable that contained some spliced fiber was presented to Governor Beshear and Congressman Rogers by some of the private partners to commemorate the occasion and both used them in their speeches.

Executive Order Review

Secretary Lassiter asked Ms. Geri Grigsby to review the key points in the Executive Order and the roles and responsibilities of the organization. Ms. Grigsby stated that the Governor signed the Executive Order 2015-574 on August 17, 2015. The Order established and created both the Kentucky Communications Network Authority and the Board of the Kentucky Communications Network Authority. Ms. Grigsby summarized the duties of KCNA as follows: oversee and maintain the network; manage the Master Agreement with the public-private partnership; provide network connectivity to public agencies statewide; offer access to those eligible to utilize excess capacity on the network; govern the KCNA program through the executive director, board of directors and stakeholder advisory groups; promulgate administrative regulations; enter into contracts; provide program management services; pursue available funding; and create an advisory

group. She summarized the duties of the KCNA Board as follows: develop a strategic plan for, and provide policy direction to, the KCNA; review performance reports from the public-private partnership partner regarding deployment, operations, and administration of the KentuckyWired network to meet service level agreements, with the Commonwealth and to refresh the technology appropriately; monitor efforts of the public-private partnership's wholesale organization to drive new revenues and expand the network through marketing and awareness programs; approve fiscal planning for the KCNA including budget development, state appropriations management, grant administration, cost recovery schedules, and billing services; and establish rates for services offered through the KentuckyWired network and establish methods for customer account management and billing.

Agency Staff and Organizational Items

Secretary Lassiter asked Mr. Troy Robinson to discuss the staffing for KCNA, discuss the differences and similarities from other state agencies, and discuss what actions were necessary to organize the agency. Mr. Robinson stated that KCNA was created and established in the General Government Cabinet of the Executive Branch. The employees within KCNA are not subject to the provisions of KRS Chapter 18A. A Memorandum of Understanding ("MOU") between the Commonwealth of Kentucky Personnel Cabinet and KCNA was created in order to allow some of the coverages of KRS Chapter 18A to the employees. The MOU listed the regulations the employees would be subjected to such as leave accruals, leave sharing, workers compensation, health and life insurance. Mr. Robinson recommended that the Board Members review the MOU and consider its adoption. Mr. Robinson stated that a request had been made to the Kentucky Retirement System that all KCNA employees be eligible to participate in the Kentucky Retirement System. On September 10, 2015, the Kentucky Retirement System Board will meet and consider that request. Mr. Fowler asked Mr. Robinson to confirm that the employees would not be considered merit employees. Mr. Robinson confirmed that KCNA employees would not be merit employees, which is different from being non-merit employees. Mr. DeRouen asked if there were any concerns about adopting the MOU before the decision from KRS to accept the employees under the Kentucky Retirement System. Secretary Lassiter stated she would propose a motion for authorization to enter into the MOU after September 10, 2015, if KRS accepted KCNA's request.

Secretary Lassiter called for a motion for the Kentucky Communications Network Authority to enter into the Memorandum of Understanding between KCNA and the Personnel Cabinet after September 10, 2015, if the Kentucky Retirement System approved the request to accept retirement system eligibility of KCNA employees. Mr. Jim Fowler made the motion, it was seconded by Ms. Jane Driskell. The **Motion CARRIED** unanimously, with Mr. Lawson not voting due to his attendance via conference call.

Ms. Jane Driskell made a motion for the Board go into closed session to discuss personnel issues, pursuant to KRS 61.810(f). Mr. Jim Fowler seconded the motion and the **Motion CARRIED** unanimously, with Mr. Lawson not voting due to his attendance via conference call. The Board went into closed session at 11:45 a.m. and all guests vacated the room.

At 11:52 a.m. all guests were called back into the room. Ms. Jane Driskell made a motion to go back into open session. Mr. Jim Fowler seconded the motion, and the **Motion CARRIED** unanimously, with Mr. Lawson not voting due to his attendance via conference call.

Secretary Lassiter made a motion, based upon discussion during closed session, to appoint Mr. Steve Rucker as Executive Director of KCNA effective September 16, 2015, with a salary of \$137,000.00. Mr. Fowler seconded the motion. Secretary Lassiter asked if there was any discussion. Secretary Lassiter added that Mr. Rucker has served the Commonwealth tremendously throughout his career in state government. He has a passion for technology and progress, he is an innovator and collaborator, and he has overseen the development of this project since its inception. She added that it was critical to have someone with Mr. Rucker's knowledge and background to oversee the implementation of the project into the future. With no further discussion, the **Motion CARRIED** unanimously, with Mr. Lawson not voting due to his attendance via conference call. Mr. Lawson, via conference call, stated he echoed Secretary Lassiter's comments and added that he did not know of anyone who worked harder in making this project a reality than Mr. Rucker. Mr. Lawson also recognized Mike Hayden as well, who put in long days to get the project where it currently was.

Mr. Steve Rucker accepted and recognized other people in the room whom he stated brought their knowledge to the project such as John Hicks, Ryan Barrow, Geri Grigsby, Doug Hendrix, Secretary Flanery and Robin Kinney.

Board Discussion

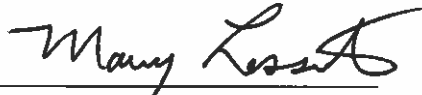
Secretary Lassiter asked the new Executive Director Steve Rucker to give an overview of expectations for the Board, budgeting, staffing needs, and other actions needed. Mr. Rucker stated that KCNA would be coming to the Board with recommendations on how to organize, a strategic plan for the project, ideas to promote the project, and proposed budgets and rate schedules. He stated that he expected to meet with the Board on a bi-monthly basis to begin with. Regarding wholesale opportunities, each deal would come before the Board for approval to make sure everything was done appropriately. Mr. Rucker thought that the next meeting of the Board would be in early October.

Adjournment

Secretary Lassiter expressed her appreciation and the Governor's, for all the hard work given by everyone associated with the project. She stated she believed that the project would be one of the most transformative things that government will have done in many years and will create many opportunities for the future.

With no further business, Secretary Lassiter called for a motion to adjourn. A motion was made by Mr. Jim Fowler, and seconded by Mr. Jeff DeRouen. The meeting adjourned at 12:03 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mary Lassiter". The signature is written in a cursive style with a horizontal line underneath the name.

Secretary Mary Lassiter, Chair
Kentucky Communications Authority Network