

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

**MINUTES OF THE TENTH MEETING**

**September 20, 2018**

**Call to Order and Roll Call**

A meeting of the Board of the Kentucky Communications Network Authority (“Board” and “KCNA”) was held on Thursday, September 20, 2018, at 1:03 p.m. EDT in Room 110 of the Capitol. Secretary Scott Brinkman, Chair, called the meeting to order and the roll was called.

Present were:

Members: Scott Brinkman, Secretary of the Governor’s Executive Cabinet and Chair of the Board; Sandy Dunahoo, Commissioner of the Department of Local Government; John Chilton, State Budget Director; John Tilley, Secretary of the Justice and Public Safety Cabinet; Katie Smith, Economic Development Cabinet (designee); Lonnie Lawson, President and CEO, The Center for Rural Development; and Greg Thomas, Secretary of the Kentucky Transportation Cabinet.

Guests:

Stewart Hendrix, KCNA; Hollie Spade, AT&T; Kevin Nuss, Oldham County Fiscal Court; Randy Lutke, KCNA; Brenda Brown, KCNA; Ryan Barrow, Finance Cabinet; Steve Starkweather, Finance Cabinet Office of Financial Management; Cory Camic, Solarity; Dana Case, KCNA; Bethany Thompson, KCNA; Phillip Brown, KCNA; Debbie Rodgers, KCNA.

Secretary Brinkman verified that a quorum was present and that the press had been notified of the meeting. Minutes of the previous meeting held on March 15, 2018 were distributed to the board members. Lonnie Lawson made a motion to approve the minutes. Secretary Tilley seconded the motion. The minutes were approved by unanimous vote.

**Consideration of Resolution Concerning Reimbursement of Temporary Advances Made for Capital Expenditures**

Secretary Brinkman said that the 2018 General Assembly authorized KCNA to borrow up to \$110,000,000 primarily to pay the direct loss claims asserted by the contractor of the KentuckyWired project. He invited Doug Hendrix, KCNA General Counsel, and Ryan Barrow from the Office of Financial Management, to explain the resolution.

Mr. Hendrix said that this resolution is a part of general tax law, and the first step of a process to allow KCNA to be reimbursed for certain capital expenditures from the proceeds of a future tax-exempt bond issue.

Mr. Barrow stated that he recommends, from the Finance and Administration Cabinet's perspective, that this resolution be adopted. If the Commonwealth wants to borrow on a tax-exempt basis, it allows KCNA to go back in time to be reimbursed from the proceeds of the bond issue for certain capital expenditures. He explained that this is routine for all state debt issuance.

Secretary Brinkman said this resolution does not commit KCNA to any particular borrowing. However, the resolution provides KCNA flexibility if there is a future tax-exempt bond issue to fund the \$110,000,000. There is no downside to adopting the resolution. If KCNA never borrows money on a tax-exempt basis, the resolution will have no impact.

Secretary Tilley moved that the resolution be approved. Commissioner Dunahoo seconded the motion. Secretary Brinkman asked if there were any questions and Budget Director Chilton asked if the funds were borrowed would money be reimbursed to the General Fund. Mr. Barrow answered that the resolution will be used for the \$110,000,000 approved by the General Assembly for settlement costs. The resolution is only to save money in borrowing costs.

Mr. Lawson asked if the bonding process would initiate from the KCNA office. Mr. Barrow said yes, and it would be done through his office.

Secretary Brinkman asked if there were other questions. There being none, he called for the vote. The motion passed unanimously.

### **Status Update of Kentucky Communications Network Authority**

Phillip Brown, Executive Director of KCNA, updated the Board about staff changes. He said there have been two staff departures and one hire since the last Board meeting: KCNA's project contract manager and program director both left state employment, and KCNA hired a paralegal. KCNA is in the early stages of looking for replacements for both vacant positions.

Mr. Brown informed the board that KCNA will need several new employees to engage in project management and oversight, including direct project management with the project's contractor, with tasks of the project larger than originally envisioned for KCNA. He stated that it is important for KCNA to have sufficient staff for oversight of the construction until the project is finished.

Mr. Brown next updated the Board regarding construction progress. He explained a series of slides detailing construction progress for engineering, strand, and fiber installation since April 2017. He stated that since April 2017, KCNA would characterize the progress as relatively flat, with total strand installation of 248 miles, 87 miles of underground conduit, and 133 linear miles of installed fiber by the contractor for the project. An additional 709 miles of fiber has been installed by third party partners, specifically BGN, EKN, and Cincinnati Bell, Brandenburg Telephone, and MuniNet.

Secretary Brinkman stated that the contractor assures KCNA that it can complete construction within a 2020 schedule.

Secretary Tilley asked if it is safe to say adding additional staff will facilitate and expedite the building of the project. Mr. Brown stated that the ability to hold them accountable and stay on top of the construction will depend on KCNA staffing, with a need for five or six more technical people. Any place the Commonwealth can step in and remove a roadblock, and stay on top of things even on a daily basis, can speed the process up, and there is a need to increase KCNA's staff to provide appropriate oversight of the project.

Secretary Tilley also asked if it would be a fairly sizable return on Kentucky's investment to add five or six to the staff to facilitate greater speed of completion. Mr. Brown said he would characterize it as a mitigation of a risk KCNA sees today: that there are simply not enough people, and KCNA needs to make sure it has the staff available to respond to each crisis on a "that day" basis.

Mr. Chilton asked if the contractor has sufficient capacity to complete the project. Mr. Brown said that they tell KCNA they do, and that KCNA has asked detailed questions about labor availability and asked for assurances that there are as many subcontractor crews as needed to complete the project on schedule.

Commissioner Dunahoo asked a question regarding typical challenges to construction. Mr. Brown provided examples of delays that could be considered typical of telecom construction. Secretary Thomas asked if there were any particular utility impacting the construction schedule. Mr. Brown replied that it has been provided a list by the contractor and stated that KCNA has been asked to focus on those specific challenges. He added that KCNA is requesting from the contractor the details necessary for KCNA to intervene when appropriate in order to facilitate the completion of construction of the project.

**Legislative Session:** Mr. Brown explained that during this interim session, the Program Review and Investigations Committee has opened an examination of the project. KCNA has been the focus of two of the committee's interim committee meetings. The committee is looking into all aspects of the project.

Similarly, there is an on-going examination of the project by the Auditor of Public Accounts, which has been working on its examination for several months. Mr. Brown stated that the Auditor was close to being finished. Mr. Brown stated that KCNA has participated fully in both examinations and provided as much information as it can, so that those reports can be as complete as possible.

### **KentuckyWired Supervening Event Negotiations**

Mr. Brown said that KCNA has been negotiating amendments to the project agreements in accordance with a global settlement agreed upon in January, 2018. Those contract negotiations

continue. Brown stressed that the parties are working as quickly as possible, but there are several contracts to be amended, and the Commonwealth would continue negotiations as long as necessary to ensure that the project and taxpayers benefitted as much as possible from the settlement's final terms and conditions.

#### **New Business**

Secretary Brinkman explained that the Board is required to meet twice a year. Due to the fact that the KCNA board had held its statutorily required meetings, as Chairman he intended to cancel the December 2018 meeting. For 2019 he proposed the Board meet January 17<sup>th</sup> and June 20<sup>th</sup> while reserving the ability to call special meetings as necessary for finalizing the settlement agreement and to consider other pressing business

There being no other business, Secretary Brinkman asked if there were a motion to adjourn. Commissioner Dunahoo moved to adjourn the meeting and Secretary Tilley seconded the motion. The motion passed unanimously and the meeting adjourned at 1:31 p.m. EDT.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott Brinkman". The signature is written in black ink and is positioned above a horizontal line.

Secretary Scott Brinkman, Chair  
Kentucky Communications Network Authority