



UC2B Policy Board

From Teri Legner, Economic Development Manager, City of Champaign

Date: July 26, 2011

Subject: Proposed Letter of Understanding among the parties of the UC2B Consortium

The purpose of this report is to inform the Policy Board of the status of negotiations on the non-binding Letter of Understanding (LOU) between the City of Champaign, City of Urbana, and the University of Illinois. This report also seeks Policy Committee input on key policy issues under consideration by these member agencies.

**A. Status:**

On March 3, 2011, representatives of the member agencies met to discuss the primary issues of concern in establishing the Lead Agency for Operations and the responsibilities going forward of the members during the start-up phase of operations. Those issues were reduced to writing on June 21 and submitted to the University for review. The University provided comments back to the Cities on July 18. Since that time, the parties have been exchanging comments/revisions in an effort to get it into final form for approval and ideally in advance of execution of the subawards for construction. The subawards are tentatively scheduled for Council consideration in Urbana and Champaign on August 1 and 2 respectively. The parties agree that it is important to demonstrate to the Federal inspectors at their visit on August 10 and 11 that we are committed to undertaking the project, so we are all working toward formal considerations of both the subawards and the LOU's prior to that time.

**B. Primary Issues Under Consideration:** Staff is seeking Policy Board input on the following key issues:

1. The term of the agreement at this time is through June 30, 2013 to accommodate the parties' fiscal years and ensure that grant reporting is complete.
2. University is the Lead Agency for Construction as the prime recipient of the federal and state grant funds. It also has the responsibility for grant administration and the associated financial reporting and auditing.
3. Champaign is Lead Agency for Operations and with the following responsibilities:
  - a. Provide staff support to the Policy Board
  - b. Coordinate all UC2B activities as directed by the Policy Board
  - c. Market UC2B services in key census areas, among anchor institutions and more broadly in the community
  - d. Manage operations planning during construction
  - e. Manage operations during and after construction

4. The LOU identifies a very **preliminary budget** for start-up operations through 6/30/13 (draft attached)
  - a. The preliminary budget does not include operational costs or revenues that may be incurred as a result of business operations. The parties will amend the start-up budget as needed once an evaluation of the operational model and business plan are developed in consultation with a management consultant selected among the parties and by the Policy Board.
  - b. The funding for start-up operations is acknowledged to be made up of member contributions for activities not otherwise funded by the grants. Although, it is also stated that all eligible expenses will be submitted for reimbursement by the University via grant funding prior to seeking member reimbursement.
  - c. The LOU acknowledges that operations may run at a deficit and that the parties are committed to keeping it operational during this period.
  - d. There is agreement that the members will contribute to the operations on a pre-determined formulaic basis – 42% Champaign, 33% University, and 25% Urbana.
  - e. UC2B will reimburse the parties for any unrecovered costs to the extent possible from unspent grant funds.
  - f. The University's financial commitment to the start-up services will cease on June 30, 2013 and it will cease to be a member of UC2B.
5. Certain University personnel will be assigned to the City of Champaign part-time with respect to the Lead Agency of Operations and in support of the Policy Board.
6. University will maintain core networking equipment and electronics for two years starting with the commencement of UC2B retail services.
7. University will provide funds to purchase up to 1 Gbps of internet connectivity in Chicago for 5 years starting with the commencement of UC2B retail services.
8. University will provide up to 1 Gbps of data transport between Chicago and UIUC for 5 years starting with the commencement of UC2B retail services.
9. Prior to the end of the start-up period, the University will transfer the infrastructure assets over to UC2B.
10. UC2B will lease space for UC2B core network equipment from the University of Illinois in Telecommunications Nodes 8 and 9 (Enterprise Works and the Siebel Center) at a rate of \$1,000 per month per Node and pay the power bill for each. UC2B personnel will have access to the UC2B spaces in Nodes 8 and 9 twenty-four hours-a-day, every day of the year.
11. UC2B will enter into Indefeasible Rights of Use agreements (IRUs) with the City of Champaign, the City of Urbana and the University of Illinois for their private use of specified strands of dark fiber on the seven UC2B rings for 20 years. UC2B will also enter into renewable 5 year fiber maintenance agreements with Champaign, Urbana and the University for such regular maintenance expenses as utility locating and fiber repair.

12. The University will maintain core network equipment and electronics and maintain fiber to the curb for 2 years starting from the beginning of retail operations. The core network electronics consist of all UC2B electronics located in University nodes 8 and 9, as well as the electronics located in the 12 neighborhood cabinets. The electronics located at customer sites are specifically not supported by the University, but by mutual agreement, UC2B may contract with the University for support of the core network electronics following the start-up period.
13. The LOU is not a binding document. To the extent that binding agreements are necessary to implement any actions described in the LOU, the actions will be implemented through other legal means such as sub-grants, amendments to the Intergovernmental Agreement creating UC2B, and Intergovernmental Personnel Assignments (IPAs).

**C. Summary:** Additional Policy Board comments or recommendations are welcome at this time so that they may be considered by the member agencies.

Prepared by:

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Attachment: Preliminary LOU budget

UC2B  
Proposed Budget

<u>Description</u>	<u>Total Costs</u>
Salaries & Fringes	\$268,261.91
Professional Fees	\$275,966.50
Operating Expenses	\$40,000.00
Admin fee	\$55,818.59
Other **	\$80,000.00
Total	<u>\$720,047.00</u>

<u>Salary details</u>	<u>Assume</u>	<u>Range</u>	<u>Salary</u>	<u>Fringe %</u>	<u>FTE</u>	<u>Total FY11/12</u>	<u>Total FY12/13</u>	<u>Grand Total</u>
Coordinator	G-32	\$70,647-\$90,109	\$85,000.00	30.00%	0.90	\$99,450.00	\$101,439.00	\$200,889.00
Secretary 1	G-18	\$35,261-\$45,483	\$40,372.00	37.69%	0.60	\$33,352.92	\$34,019.98	\$67,372.91
Law Clerk	G-Temp	12.82	\$26,665.60	7.65%	1.00	\$28,705.52	\$29,279.63	\$57,985.15
Total Salaries			<u>\$125,372.00</u>			<u>\$132,802.92</u>	<u>\$135,458.98</u>	<u>\$268,261.91</u>

<u>Professional Fees</u>	<u>Total FY11/12</u>	<u>Total FY12/13</u>	<u>Grand Total</u>
Audit	\$5,000.00	\$5,000.00	\$10,000.00
Legal services	\$112,365.00	\$112,365.00	\$224,730.00
Legal expenses (5% of services)	\$5,618.25	\$5,618.25	\$11,236.50
Broadband operations consulting	\$40,000.00	\$0.00	\$40,000.00
Total Professional Fees	<u>\$157,983.25</u>	<u>\$117,983.25</u>	<u>\$275,966.50</u>

<u>Operating Expenses</u>	<u>Total FY11/12</u>	<u>Total FY12/13</u>	<u>Grand Total</u>
Dues and subscriptions	\$1,500.00	\$1,500.00	\$3,000.00
Postage and shipping	\$6,500.00	\$6,500.00	\$13,000.00
Printing/copying	\$3,000.00	\$3,000.00	\$6,000.00
Registration/education	\$3,000.00	\$3,000.00	\$6,000.00
Supplies	\$2,000.00	\$2,000.00	\$4,000.00
Other	\$4,000.00	\$4,000.00	\$8,000.00
Total Operating Expenses	<u>\$20,000.00</u>	<u>\$20,000.00</u>	<u>\$40,000.00</u>

	<u>Total Costs excluding Admin &amp; Other</u>	<u>Total FY11/12</u>	<u>Total FY12/13</u>	<u>Grand Total</u>
NOTE: Percent of Admin fee as compared to Total Costs	\$584,228.41 7.75%	\$27,223.46	\$28,584.63	\$55,808.09

GRAND TOTAL	<u>\$338,009.63</u>	<u>\$302,026.87</u>	<u>\$640,036.50</u>
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<u>Other Grant funded activities **</u>			
Marketing and outreach	\$50,000.00	\$30,000.00	\$80,000.00

GRAND TOTAL including Other **	<u>\$388,009.63</u>	<u>\$332,026.87</u>	<u>\$720,036.50</u>
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