

2000 Board of Directors Meetings Minutes

Click on a date below to see the minutes. To see the entire year's minutes, click on the first date. Once open, search within the document for a particular word or phrase, using the 'Find' feature or Ctrl+f.

Meeting Dates

January 25, 2000	2
March 23, 2000	11
April 18, 2000	15
May 5, 2000	23
July 18, 2000	25
October 24, 2000	36
December 20, 2000.....	48

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

January 25, 2000

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, January 25, 2000. Ms. Lisa Rosenblum, Chair of the Board, called the meeting to order at 9:01 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Eleven of the nineteen members were present, representing a quorum:	
Bryant, Anne - <i>by telephone</i>	Eichler, Ed - <i>by telephone</i>
Gumper, Frank	Hess, Kevin
Jackson, Jimmy	Ouye, Kathleen
Parrino, Cheryl	Rehberger, Wayne - <i>by telephone</i>
Rosenblum, Lisa	Sanders, Dr. Jay
Talbot, Brian	
Three members joined the meeting in progress:	
Abramson, David	Gold, Heather
Marockie, Dr. Hank	
Five members were absent:	
Butler, Tony	Hogerty, Martha
Lineberry, Isiah	Thoms, Allan
Wheeler, Tom	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Barash, Scott	USAC
Barrett, Andrew C.	The Barrett Group, Inc.
Bellucci, Vicky - <i>by telephone</i>	MCIWorldCom

Blackwell, Mel	USAC
Flannery, Irene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Moore, Kate	USAC
Ricker, John	NECA
Snegireff, Petre	PricewaterhouseCoopers

ACTION ITEMS:

a1. Approval of the Minutes. On a motion duly made and seconded, the Board approved the minutes, as distributed, of the quarterly meeting of Tuesday, October 26, 1999.

On a motion duly made and seconded, the Board unanimously agreed at 9:03 a.m. Eastern Time to go into *Executive Session* for the purpose of discussing USAC financial and corporate issues, and to discuss current procurement issues. On a motion duly made and seconded, the Board unanimously agreed at 9:32 a.m. Eastern Time to adjourn from *Executive Session* and reconvene in Open Session to report out the discussion and the action of the Board.

Executive Session

i13. Corporate and Financial Issues. USAC has been notified informally by FCC staff that the FCC is considering categorizing the Universal Service Fund as "federal funds" for accounting and financial reporting purposes. The FCC and USAC staff are working together to determine the ramifications of such a change. USAC has communicated its need to the FCC for formal written direction from the FCC prior to making significant operational changes. Ms. Parrino will keep the Board members informed as developments warrant.

Contract and Request for Proposals (RFP) Review. Mr. Barash reported that the RFP process for programmatic support services for the Schools and Libraries and the Rural Health Care Programs is on schedule and going well. USAC anticipates receiving bids from several firms and has established an internal evaluation team to consider the proposals.

Action Items (Continued)

a2. Annual Election of Officers, Officers' Terms, Election of Committee Chairs and Vice-Chairs, and Restructuring of the Executive Committee. Ms. Parrino summarized the resolutions as recommended by the Nominating Committee.

On a motion duly made and seconded, the Board unanimously (*except as noted*) adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice- chairs shall also be elected annually; (2) the first election for Committee chairs and vice-chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee to elect Mr. Frank Gumper as Chair of the Board of Directors; Dr. Henry Marockie as Vice-chair, Mr. Ed Eichler as Secretary, and Mr. Wayne Rehberger as Treasurer for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors elects Ms. Cheryl L. Parrino as CEO of the Universal Service Administrative Company for the term of one year that shall begin at the conclusion of January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting (*Ms. Parrino abstained.*); and,

RESOLVED FURTHER, That the USAC Board of Directors elects Mr. D. Scott Barash as Assistant Secretary and Mr. Robert Haga as Assistant Treasurer of USAC for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee to restructure the Executive Committee, and that, effective at the conclusion of the January 2000 Board meeting, the Executive Committee of the USAC Board of Directors shall consist of the following nine members: the Chair of the High Cost and Low Income Committee, the Chair of the Rural Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC; and,

RESOLVED FURTHER, That the USAC Board of Directors appoints to the Executive Committee, effective at the conclusion of the January 2000 Board meeting, the following members of the USAC Board of Directors: the Chair of the High Cost and Low Income Committee, the Chair of the Rural Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC.

The Board expressed concern that nine members on the Executive Committee is more than is customary for such a committee and DIRECTED the members to monitor the meetings throughout the upcoming year for any problems due to such a large group and to recommend any changes in membership to the Board if the Committee feels such an action is warranted.

Ms. Parrino clarified for the Board that Committee Chairs and Vice-Chairs are elected by the full Board but at the recommendation of each respective Committee. In the past, the Board has not rejected any recommendations from the Committees for Committee Chairs and Vice-Chairs.

On behalf of the whole Board, Mr. Gumper thanked Ms. Rosenblum for her service as Chair on the Board. He announced that since he will be taking over the Chair of the Board position, he intends to step down as a member of the Schools and Libraries Committee. Ms. Rosenblum stated that the appointment of a new member to the Schools and Libraries Committee to replace Mr. Gumper would take place under the Miscellaneous Action Item of the meeting. Ms. Parrino informed the Board that Mr. Gumper represented service providers on the Schools and Libraries Committee.

- a3. Approval of an Uncollectible Write-off Policy.** Ms. Parrino reported that the Executive Committee is recommending to the Board to adopt a policy establishing how to handle uncollectible contributions. USAC staff cannot and does not recommend writing off uncollectible amounts; only the FCC has the authority to waive or otherwise modify a carrier's contribution requirement.

On a motion duly made and seconded, the Board unanimously adopted the following resolution: **RESOLVED**, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to establish an accounting reserve against uncollectible accounts receivable in conformity with generally accepted accounting principles and to direct staff to continue the current practice of stating accounts receivable balances from all companies regardless of collectibility in the accounts receivable aging analysis.

- a4. Approval of Reporting Requirements for Companies Involved in the Transfer and/or Sale of Assets.** Mr. Haga explained that USAC has followed the policies set forth in the issue paper; staff is now requesting formal Board approval of the procedures. The Board **DIRECTED** staff to clearly state in the procedures that parties to a sale of assets may negotiate arrangements to handle the reporting of revenue with respect to those assets and that USAC would honor specific obligations when provided with documentation which obligates one party to report the revenues associated with the assets for Universal Service purposes.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to implement the foregoing Procedures for the Required Filing and Follow-up of Contribution Reports for Companies involved in the Transfer and/or Sale of Assets as presented, *and* directs staff to apply the stated procedures and provide follow-up on reporting companies as noted.

- a5. Modification of USAC Investment Strategy.** Ms. Parrino informed the Board that the FCC has requested USAC to move its investments into federal government-issued securities. Board members questioned the authority of the FCC to make such a request in light of the fact that such a change could potentially decrease the returns on the investments. The following resolution was duly made and seconded, but no action was taken on the motion: **Resolved**, that the USAC Board of Directors accepts the recommendation of the Executive Committee to retain the existing USAC investment guidelines and adopt the investment strategy presented by the staff herein until such time as circumstances require or allow a change in this investment approach.

The Board discussed the actions staff had taken, consistent with current investment guidelines, and determined additional information should be provided to the Board and that the Executive Committee should take action soon to adopt or reject the revised investment strategy. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors directs staff to retain the USAC investment guidelines that have been in place since January 3, 2000, until such time as the CEO is able to clarify with the FCC which entity has the proper authority to make changes to USAC's investment strategy, and directs the CEO to report the findings to the Executive Committee for further review.

The Board DIRECTED staff to produce a document detailing the pros and cons of the current strategy versus the strategy proposed by the FCC and to send a copy to each member.

- a6. Approval of a Statement of Ethical Conduct for Members of the USAC Board of Directors.** Mr. Barash explained to the Board that the Executive Committee, upon review of the Statement as presented to them by the Nominating Committee at its recent quarterly meeting, noted that the document did not indicate to whom a Board member should report to if a conflict should occur or for advice on whether a known upcoming situation may constitute an ethical conflict. Therefore, the Executive Committee passed a resolution adding this information to the document. Mr. Barash distributed a copy of the revised document to the Board and indicated that the General Counsel of USAC was added as the contact person.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation made by the Nominating Committee and the Executive Committee to approve the proposed revised *Statement of Ethical Conduct for Members of the USAC Board of Directors*.

- a7. Approval of Annual 2000 and 2nd Quarter 2000 USAC Common and Consolidated Budget.** Ms. Parrino noted a change to Attachment C with respect to one of the explanations provided. Ms. Parrino also pointed out that two contingencies have been factored into the budget. First, \$900,000 has been added to cover the estimated cost of re-coding the data of the High Cost forward-looking model-if USAC is indeed asked to do so by the FCC. Second, \$3.8 million has been added for transition costs in the event that USAC selects a vendor other than the current vendor for the programmatic support services for the Schools and Libraries Program. No contingency has been factored in for possible transition costs if a new vendor is chosen for the programmatic support services for the Rural Health Care Program because staff believes that the expected cost savings in combining the administration of the two Programs will offset any transition costs. With the contingencies, the budget is 10.6 percent lower than the pre-merger budget; without the contingencies, it would be 21 percent below the pre-merger budget. Overall, the budget has decreased in comparison to budgeted 1999 expenses.

Ms. Parrino further explained that the increase in "Salaries and Benefits" is driven by three factors: (1) For the year 2000, the cost of USAC's benefits increased 23 percent due to an increase in rates by USAC's benefits administrator. Staff has been directed to review other providers in an effort to determine if reasonable benefits can be offered to

the employees at a lower cost; (2) Additional positions in the USAC organization are necessary in order to provide quality service to the stakeholders and to run the new High Cost Model. Bringing more work in-house then reduces the costs of outside contracts; and (3) USAC is requesting an increase of up to 4.5 percent in salaries for all USAC employees with the company on or before October 1, 1999, in an effort to keep the wages inline with the local labor workforce. The 4.5 percent figure is based on comparing USAC salaries to other current salary surveys for the local labor workforce and the federal government's increase of 4.9 percent in salaries for the year 2000.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2nd Quarter 2000 USAC common budget of \$834,900; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2nd Quarter 2000 USAC consolidated budget of \$9,835,600; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2000 annual USAC common budget of \$2,913,900; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2000 annual USAC consolidated budget of \$41,221,700.

a8. Approval of 2nd Quarter 2000 Revenue Projections and Resolutions for the February 2000 FCC Filing. Mr. Haga reported that the revenue base has increased as expected.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, that the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1999, authorizes staff to proceed with the required February 2, 2000, filing to the FCC on behalf of USAC. If the revenue estimate in the filing varies from the revenue estimate included in Board materials by an amount greater than \$2.5 billion, the staff will seek the approval of the Board to file the revised revenue estimate.

a9. Approval of the Outline for the Annual Report to the FCC and Congress.

Mr. Blackwell informed the Board that the outline for the Annual Report has not changed since the last time it was presented to the Board at the quarterly October 1999 Board meeting. Staff has met with the FCC on several occasions to verify the information that the FCC expects to find in the final report and staff continues to do so in an effort to conform to FCC directives. He reminded the Board members that a draft version of the report has been sent to each member via email and welcomes their comments. He noted that in order to stay on schedule and have the report ready by March 31, he requests the comments by February 14. Board members suggested adding pictures of Universal Service in action, but only if the cost is not prohibitive.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, That the USAC Board of Directors approves the Outline for the Annual Report as reviewed; and

RESOLVED FURTHER, That the USAC Board of Directors delegates the final review and approval of the Annual Report to the Executive Committee and directs staff to provide each Board member with a copy of the final Annual Report.

On a motion duly made and seconded, the Board unanimously agreed to recess at 10:30 a.m., subject to the call of the Chair.

At 10:53 a.m., the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll for Mr. Robert Haga, Acting Secretary.

Thirteen of the nineteen elected members were present, representing a quorum:	
Bryant, Anne - <i>by telephone</i>	Eichler, Ed - <i>by telephone</i>
Gold, Heather	Gumper, Frank
Hess, Kevin	Jackson, Jimmy
Marockie, Dr. Hank	Ouye, Kathleen
Parrino, Cheryl	Rehberger, Wayne - <i>by telephone</i>
Rosenblum, Lisa	Sanders, Dr. Jay
Talbott, Brian	

a10. Miscellaneous.

- Election of a Board Member to the USAC Schools and Libraries Committee Due to the Resignation of Committee Member Mr. Frank Gumper. Ms. Ouye reported to the Board that during the aforementioned recess, the members of the Schools and Libraries Committee met to determine nominations for the position vacated by Mr. Gumper on that Committee. The Committee submitted to the Board the nomination of Ms. Lisa Rosenblum, who represents service providers.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors elects Ms. Lisa Rosenblum to the USAC Schools and Libraries Committee.

Information Items

- i1. Report of Legislative and Media Activity.** For information only. No discussion held.
- i2. Treasurer's Report.** For information only. No discussion held.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable and Collection Efforts.** For information only. No discussion held.
- i5. Status of Form 457 Audit.** For information only. No discussion held.
- i6. Bankruptcy Report.** For information only. No discussion held.
- i7. Status of Financial and Operational Audits of USAC.** For information only. No discussion held.
- i8. Status of the Consolidation of Data Collection.** For information only. No discussion held.
- i9. Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i10. USAC Timeline and Key Dates.** For information only. No discussion held.
- i11. Report of USAC Program Enforcement Issues.** For information only. No discussion held.
- i12. Status Report on the Readiness of USAC Operations for the Year 2000.** For information only. No discussion held.
- i13. Contract and RFP Review.** See Executive Session
Corporate and Financial Issues. See Executive Session
- i14. Miscellaneous.** None.

Rural Health Care Program

- i15. Rural Health Care Program Status Report. For information only.** No discussion held.
- i16. Status of the Implementation of Program Changes. For information only.** No discussion held.
- i17. Review of Annual 2000 and 2nd Quarter 2000 Rural Health Care Programmatic Budget. For information only.** No discussion held.
- i18. Review of 2nd Quarter 2000 Rural Health Care Projections and Resolution on the February 2000 FCC Filing.** For information only. No discussion held.
- i19. Miscellaneous.** None.

Schools & Libraries Program

- i20. Schools and Libraries Program Update. For information only.** No discussion held.
- i21. Review of Annual 2000 and 2nd Quarter 2000 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i22. Review of 2nd Quarter 2000 Schools and Libraries Projections and Resolution on the February 2000 FCC Filing.** For information only. No discussion held.
- i23. Miscellaneous.** None.

High Cost and Low Income Programs

- i24. High Cost Program Status Report.** For information only. No discussion held.
- i25. Low Income Program Status Report.** For information only. No discussion held.

i26. Report on the Implementation of the New High Cost Program for Non-Rural Companies. For information only. No discussion held.

i27. Review of Annual 2000 and 2nd Quarter 2000 High Cost and Low Income Programmatic Budget. For information only. No discussion held.

i28. Review of 2nd Quarter 2000 High Cost and Low Income Projections and Resolution on the February 2000 FCC Filing. For information only. No discussion held.

i29. Miscellaneous. None.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:56 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

March 23, 2000

MINUTES

A joint meeting of the Board of Directors of the Universal Service Administrative Company (USAC) and its Rural Health Care and Schools & Libraries Committees was held via conference call on Thursday, March 23, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 12:08 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Nine of the nineteen members of the Board of Directors were present. (There is one vacancy on the Board)	
Abramson, David	Eichler, Ed
Gumper, Frank	Hess, Kevin
Jackson, Jimmy	Parrino, Cheryl
Rosenblum, Lisa	Talbot, Dr. Brian
Thoms, Allan	
Three members joined the meeting in progress:	
Bryant, Anne	Hogerty, Martha
Marockie, Dr. Henry	
Six members were absent:	
Butler, Tony	Gold, Heather
Lineberry, Isiah	Ouye, Kathleen G.
Sanders, Dr. Jay	Wheeler, Tom
Officers of the Corporation present:	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Howard, Cathy	USAC
McDonald, George	USAC
Moore, Kate	USAC

Walsh, Dan	USAC
------------	------

ACTION ITEMS:

The Board of Directors and Committees immediately voted to go into **Executive Session** for purposes of discussing matters concerning the USAC Request For Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Programs and a USAC financial reporting issue.

Executive Session

1. **Recommendation and Approval of the Next Step in the RFP Process of Selecting a Vendor for Programmatic Support Services for the Schools and Libraries and the Rural Health Care Programs.** USAC staff reviewed for the Board of Directors and the Committee members the proposed next step in the RFP process of selecting a vendor.

On a motion duly made and seconded, after an affirmative vote by the Rural Health Care Committee and the Schools & Libraries Committee, respectively, to approve the recommendation proposed by the staff, the Board of Directors as a body unanimously approved the following resolution. (Eleven members voted, representing a quorum; Ms. Bryant joined the meeting after the vote was taken.)

RESOLVED, That the USAC Board of Directors accepts the recommendations made by the Rural Health Care Committee and the Schools and Libraries Committee and hereby approves the course of action proposed by USAC management regarding the proposals received in response to the Request for Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

The Rural Health Care Committee and the Schools & Libraries Committee voted to adjourn after each Committee's vote on the resolution, respectively.

2. **Update on Financial Reporting Issues.** See item #3 below.

On a motion duly made and seconded, the Board of Directors unanimously voted to adjourn the **Executive Session** at 12:53 p.m. Eastern Time and go into Open Session for purposes of reporting actions taken and discussions held in **Executive Session** as well as to address other issues.

On a motion duly made and seconded, the Board of Directors unanimously agreed to recess at 12:54 p.m., subject to the call of the Chair.

At 1:02 p.m. Eastern Time, the Board of Directors reconvened. Mr. Gumper called the meeting to order and asked that the roll be taken. Ms. Howard called the roll.

Nine members were present:	
Abramson, David	Bryant, Anne
Eichler, Edwin	Gumper, Frank
Hess, Kevin	Jackson, Jimmy
Parrino, Cheryl	Rosenblum, Lisa
Talbot, Dr. Brian	
Two members joined the meeting in progress:	
Marockie, Dr. Henry	Thoms, Allan
Seven members were absent:	
Butler, Tony	Gold, Heather
Hogerty, Martha	Lineberry, Isiah
Ouye, Kathleen G.	Sanders, Dr. Jay
Wheeler, Tom	
Officers of the Corporation present:	
Name	Company
Blackwell, Mel	USAC
Howard, Cathy	USAC
Moore, Kate	USAC

Open Session

- 3. Report on the Update of Financial Reporting Issues.** Mr. Barash reported that in **Executive Session** USAC staff informed the Board of Directors that USAC staff continues to work with the FCC and FCC auditors on the report that is being prepared at the direction of the Inspector General regarding FCC's consideration of the question whether the Universal Service Fund should be categorized as "federal funds" for accounting and financial reporting purposes. If it is determined that the Universal Service Fund should be categorized as "federal funds," the Board of Directors agreed that USAC requires formal written direction from the FCC before proceeding with such an action. USAC will have an opportunity to and will respond to any final report by the FCC.

The Board of Directors **DIRECTED** USAC staff to keep them informed of any developments.

- 4. Appoint a Nominating Committee to Bring Recommendations to the Board of Directors for a USAC Treasurer to Replace Mr. Wayne Rehberger.** Ms. Parrino informed the Board of Directors that Mr. Rehberger resigned from his position at MCIWorldCom effective March 10, 2000, and therefore, subsequently resigned from the USAC Board of Directors. Mr. Rehberger was USAC's Corporate Treasurer. A Nominating Committee needs to be appointed to bring recommendations to the Board of Directors for a new Treasurer.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, That the USAC Board of Directors hereby appoints Mr. Thomas Wheeler as Chair of the Nominating Committee and Mr. Kevin Hess, Ms. Martha Hogerty, and Mr. Isiah Lineberry as members and requests that the Committee bring nominations for the position of Treasurer to the April 18, 2000, Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Chair of the Board to appoint a Nominating Committee on an as-needed basis.

5. **Approval of USAC Annual Report to the FCC.** Mr. Blackwell explained to the Board of Directors that each Board member should have received a copy of the Annual Report by FedEx as of this date. The FCC and Congress will also receive a copy on March 31 in the same format. The report will then be printed formally and distributed to other interested parties.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors authorizes staff to submit the USAC Annual Report to the FCC and Congress and to have formal copies printed and distributed to interested parties.

6. **Miscellaneous.**

Appointment of a Board Member to the High Cost and Low Income Committee. Ms. Parrino explained that Mr. Rehberger's resignation from the USAC Board of Directors leaves a vacancy on the High Cost and Low Income Committee. This vacancy must be filled by a Board member who represents the interexchange carriers (IXCs). Mr. Jackson represents IXCs and is not a member of the High Cost and Low Income Committee.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED that the USAC Board of Directors hereby appoints Mr. James Jackson of the USAC Board of Directors to represent interexchange carriers on the High Cost and Low Income Committee.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 1:13 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

April 18, 2000

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, April 18, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:00 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Twelve of the eighteen members (there is one vacancy) were present representing a quorum:	
Bryant, Anne	Lineberry, Isiah - <i>by telephone</i>
Eichler, Ed	Marockie, Hank
Gold, Heather	Ouye, Kathleen
Gumper, Frank	Parrino, Cheryl
Hess, Kevin	Rosenblum, Lisa
Hogerty, Martha	Sanders, Dr. Jay
Six members were absent:	
Abramson, David	Talbott, Brian
Butler, Tony	Thoms, Allan
Jackson, Jimmy	Wheeler, Tom
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Flannery, Irene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Levy, Ken	NECA
Moore, Kate	USAC

Ricker, John	NECA
Scher, Bill	FCC

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the USAC Board of Directors' meetings of Tuesday, January 25, 2000, and Thursday, March 23, 2000.
- a2. Reports from the Committee Chairs.** Each of the Committee Chairs reported the activity from the April quarterly Committee meetings: Ms. Gold - High Cost & Low Income Committee; Ms. Ouye - Schools & Libraries Committee; Dr. Sanders - Rural Health Care Committee; and Mr. Gumper - Executive Committee.
- a3. Election of a USAC Treasurer, Executive Committee Chair, and Executive Committee Vice Chair.** Mr. Gumper reported that the Nominating Committee met on April 6, 2000, to recommend a candidate for the position of USAC Treasurer. Ms. Anne Bryant indicated an interest in the position, and the Nominating Committee nominated her. The Committee submitted the nomination to the Executive Committee and the Executive Committee approved the recommendation at its quarterly April 13, 2000, meeting.

Mr. Gumper also noted that at its January 2000 quarterly meeting, the Board of Directors neglected to elect a new Chair and Vice Chair for the Executive Committee, leaving in place the previous Chair and Vice Chair. The Executive Committee met on February 29, 2000, and passed a resolution recommending that the Board elect Mr. Frank Gumper as Chair and Dr. Henry Marockie as Vice Chair of the USAC Executive Committee.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and Executive Committee to elect Ms. Anne Bryant as Treasurer of USAC; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Executive Committee to elect Mr. Frank Gumper as Chair and Dr. Henry Marockie as Vice Chair of the USAC Executive Committee.

- a4. Resolution Honoring Mr. Wayne Rehberger.** Mr. Gumper explained that this resolution would officially thank Mr. Rehberger, ex-Board member, for his productive, albeit short time, in service to the USAC Board of Directors.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors hereby expresses its profound appreciation for the service Mr. Wayne Rehberger has provided to the Universal Service Administrative Company and wishes him the best in his future endeavors; and

FURTHER RESOLVED, That the USAC Board of Directors directs staff to send a letter signed by the Board Chair and the CEO stating such sentiments to Mr. Rehberger.

- a5. Approval of Notification to the FCC of USAC Board of Directors' Terms that Expire on December 31, 2000.** Mr. Gumper explained that the purpose of this action

would be to notify the FCC and the relevant stakeholders now of the six Board member terms that expire on December 31, 2000, in order to allow sufficient time to either find new candidates or re-nominate the current directors.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to notify the FCC of the Board members' terms that expire on December 31, 2000; and

FURTHER RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to notify the relevant stakeholder groups of the Board members' terms that expire on December 31, 2000.

The Committee further raised the issue of what to do if replacements for the terminating Board members are not found by December 31, 2000. Because USAC's By-laws provides for no term limits for Board members, and because the Board of Directors has the ability to amend the By-laws, the Board **INSTRUCTED** the USAC Executive Committee to develop an amendment to the By-laws that would allow Board members to continue to serve on the Board until the election of a replacement by the Board. The Board further **DIRECTED** the Executive Committee to bring a proposed resolution for this change to the USAC By-laws to the Board of Directors at their July 2000 quarterly meeting.

a6. Approval of 3rd Quarter 2000 USAC Common and Consolidated Budgets.

Ms. Parrino explained that there are several issues pending that could have an impact on the budget:

- *The signing of a contract with a vendor for the programmatic work associated with the Rural Health Care and the Schools & Libraries Programs* - Negotiations are still in progress, so concrete numbers are not available at this time.
- *A proposal submitted by the members of the Coalition for Affordable Local and Long Distance Services (CALLS), which would reform access charges and universal service* - Because the CALLS proposal recommends a July 1, 2000, implementation date, USAC staff believes that USAC should plan for the possibility of implementation of universal service access charge reform. Therefore, staff proposes to include a contingency of \$75,000 in the 3rd quarter 2000 to cover the additional costs associated with such action. Based on current information, USAC staff believes that the CALLS proposal will be managed by the High Cost and Low Income Division and overseen by the High Cost and Low Income Committee.
- *Proposed changes to Section 54.307(b), which would allow competitive eligible telecommunications carriers to receive support in the quarter following the date of their latest data submission rather than on an annual basis* - These changes were made per an FCC Order issued April 7, 2000; however, staff determined that due to the small number of CLECs that are affected by these changes in 2000 and the time remaining in the year for such submissions, the budgetary impact would be insignificant in 2000. Staff did note, however, that estimating payments may be more difficult due to the data being submitted quarterly rather than annually, and that additional amounts will need to be budgeted beginning in 2001 due to the change.
- *High Cost Forward-Looking Model* - USAC staff has communicated the Board's concerns about the re-coding of the model input data and implementation of

the high cost forward-looking model to the FCC informally; a formal letter will be sent when and if USAC is ordered to do the re-coding. A contingency for this possible action was included and approved in the 2000 budget at the January quarterly meeting.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to include a contingency of \$75,000 in the 3rd Quarter 2000 consolidated budget for implementation of an access reform proposal; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 3rd Quarter 2000 USAC consolidated budget of \$9,930,800; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 3rd Quarter 2000 USAC common budget of \$673,000.

- a7. Approval of 3rd Quarter 2000 Revenue Projections and Resolutions on the May 2000 FCC Filing.** Mr. Haga reported that the numbers as listed for 3rd quarter 2000 in Attachment A were estimates and new numbers are still being received. The 3rd Quarter 2000 filing will reflect the most current numbers available at the time of final preparation of the filing. Staff has included an estimate for those carriers that have not yet filed forms and believes that the total amount will be close to the amounts provided as well as within the approved variance level.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for July through December 1999, authorizes staff to proceed with the required May 2, 2000, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

- a8. Approval of April 2001 - January 2002 Board of Directors Quarterly Meeting Schedule.** On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC CEO recommends the following board meeting dates for April 2001 - January 2002:

- April 23 & 24, 2001
- July 23 & 24, 2001
- October 22 & 23, 2001
- January 23 & 24, 2002

- a9. Update and Possible Action on USAC's Financial Reporting Issue.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.
- a10. Update and Approval of Ongoing Contract Negotiations.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.

a11. Miscellaneous. None.

Mr. Gumper noted that Information Item #i7 would be taken up at this time, as action is now required by the Board.

- i7. Status of the USAC Financial and Agreed Upon Procedures Audits for 1999.** Ms. Bryant reported that USAC has been given a clean opinion by its auditors on the USAC 1999 financial and agreed upon procedures audit. USAC is coming in within budget on the audit. This is the second year that USAC has gone through this process and staff is finding that the due date of March 1 each year for the filing of the audit plan with the FCC is very difficult to make. USAC closes its books in early February. USAC's parent company, the National Exchange Carriers' Association, Inc. (NECA) does not close its books until mid-February. This short time period makes it difficult for the auditors to review materials and submit a draft of the audit to the FCC's auditors by March 1.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors directs staff to seek a waiver from or change to Section 54.717(f), which provides that "within sixty (60) calendar days after the end of the audit period, but prior to discussing the audit findings with the Administrator, the independent auditor shall be instructed by the Administrator to submit a draft of the audit report to the Common Carrier Bureau Audit Staff," to provide additional time for USAC to file the draft of the audit report.

Information Items

- i1. Report of Legislative and Media Activity.** For information only. No discussion held.
- i2. Assistant Treasurer's Report.** Mr. Haga distributed Attachment B1, a summary of quarterly fund activity for 1999 and 2000.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable and Collection Efforts.** For information only. No discussion held.
- i5. Status of Form 457 Audit.** For information only. No discussion held.
- i6. Bankruptcy Report.** For information only. No discussion held.
- i7. Status of the USAC Financial and Agree Upon Procedures Audits for 1999.** Action required - see the last item under "Action Items" for further information.
- i8. Status of the Consolidation of Data Collection.** Mr. Haga provided an update to the issue paper. USAC staff continues to discuss with NECA the on-going data collection work. USAC has a particular interest in the revenue data collection feature as the accurate, timely, and complete collection of revenue data is necessary to make sure the \$4.5 billion collected by the fund are fairly apportioned. NECA has an interest in the revenue data collection due to their experience and administration of the TRS fund and their NBANC subsidiary. NECA proposed to extend the current contract with USAC through 2002 for only the revenue data collection work. Under the proposal, USAC would assume the responsibility for the functions, but NECA would perform the work. This will allow the current appointments for TRS, NBANC, and Local Number Portability to maintain cost certainty prior to their renewal periods beginning in 2003. Staff is proposing to extend NECA's contract through the end of 2002. In the meantime, staff will issue a Request for Proposal as soon as feasible for the remainder of the billing, collection, and distribution functions. This will resolve this matter in a reasonable manner. The FCC has directed the administrators affected by the revenue data

collection to resolve this issue and file the resolution with the FCC by May 15.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors authorizes staff to extend the current agreement with NECA to perform the revenue data collection functions through 2002, and to continue current direction to put the remainder of the billing, collection, and disbursement functions out for bid.

- i9. Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i10. Report on USAC Program Enforcement Issues.** Mr. Barash noted that staff continues to work on refining the draft *USAC Enforcement Compliance Plan* and hopes to submit a final document to the FCC in the near future. Staff welcomes Board input. USAC has a responsibility for Program integrity and for reporting noncompliance of the Program rules to the FCC and continues to review additional steps it may take to fulfill those responsibilities.
- i11. Comparison of the 1999 USAC Budget to Preliminary Actuals.** Ms. Parrino reported that on a consolidated basis, USAC was \$1.5 million below budget (0.3 percent) for 1999. For the Rural Health Care Program, USAC came within \$2,000 of the predicted Program budget as outlined in the Rural Health Care Report to the FCC dated March 5, 2000.
- i12. Report on AT&T's Proposed Revenue Base Change.** For information only. No discussion held.
- i13. USAC Timeline and Key Dates.** For information only. No discussion held.
- i14. Miscellaneous.**

- **FCC Press Release Dated April 17, 2000, Regarding Expansion of the Low Income Program's Lifeline Component to Native American Reservations.** Mr. Gumper referenced copies of an FCC press release distributed to the Board at the beginning of the meeting that explains the FCC's plan to provide basic local phone service for as low as \$1 a month for members of federally-recognized Native American tribes through the Lifeline Program, which is funded through the Universal Service Fund.
- **USAC Annual Report to the FCC.** Mr. Blackwell distributed the final printed version of USAC's 1999 Annual Report to the FCC. Board members may notify him of persons to whom they wish a copy of the report sent.

Rural Health Care Program:

- i15. Rural Health Care Program Status Report.** A correction was made to the last word in the issue paper: change "iRHC01" to "iBOD16." No other discussion was held.
- i16. Status of the Implementation of Program Changes.** For information only. No discussion held.
- i17. Review of 3rd Quarter 2000 Rural Health Care Programmatic Budget.** For information only. No discussion held.
- i18. Review of 3rd Quarter 2000 Rural Health Care Projections and Resolution on the May 2000 FCC Filing.** For information only. No discussion held.
- i19. Miscellaneous.** None.

Schools & Libraries Program:

- i20. Schools and Libraries Program Update.** For information only. No discussion held.
- i21. Review of 3rd Quarter 2000 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i22. Review of 3rd Quarter 2000 Schools and Libraries Projections and Resolution on the May 2000 FCC Filing.** For information only. No discussion held.
- i23. Miscellaneous.** None.

High Cost & Low Income Programs:

- i24. High Cost Program Status Report.** For information only. No discussion held.
- i25. Low Income Program Status Report.** For information only. No discussion held.
- i26. Report of Clarifications on High Cost Model Implementation Issues.** For information only. No discussion held.
- i27. Review of 3rd Quarter 2000 High Cost and Low Income Programmatic Budget.** For information only. No discussion held.
- i28. Review of 3rd Quarter 2000 High Cost and Low Income Projections and Resolution on the May 2000 FCC Filing.** For information only. No discussion held.
- i29. Disaggregation of Federal High Cost Support in Washington State and Other State Activity.** For information only. No discussion held.
- i30. Miscellaneous.** None.

On a motion duly made and seconded, the Board voted to go into **Executive Session** at 10:12 a.m. Eastern Time for purposes of discussing a USAC financial reporting issue, and to discuss matters concerning contract negotiations for the USAC Request for Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Programs. On a motion duly made and seconded, the Board voted to adjourn from **Executive Session** and reconvene in Open Session at 10:50 a.m. Eastern Time to report out the discussion and the action of the Board during **Executive Session**.

Executive Session

- a9. Update and Possible Action on USAC's Financial Reporting Issue.** Mr. Haga reported that the FCC has not yet determined whether the Universal Service Fund should be categorized as "federal funds" for accounting and financial reporting purposes. USAC staff continues to work with FCC staff per prior Board direction to address potential legal and operational ramifications of USAC transferring the funds if ordered to do so by the FCC.
- a10. Update and Approval of Ongoing Contract Negotiations.** Mr. Barash informed the Board that the negotiations between USAC and the vendors being considered to provide programmatic support services for the Schools and Libraries and the Rural Health Care Programs continue on a day-to-day basis and excellent progress is being made; however, a contract is not yet ready for approval by the Board as had been previously hoped. Outside counsel has been engaged to help with the effort. Staff hopes to have a contract recommendation to the Board during the first week of May.

The Board determined that members of the Board should review the recommendation in a working session before the Rural Health Care and the Schools & Libraries Committees and the Board of Directors address the recommendation, and **directed** staff to schedule such a meeting prior to when the Board and Committees meet to

approve a contract

There being no further business to attend to, Mr. Gumper adjourned the meeting at 10:51 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

May 5, 2000

MINUTES

A joint meeting of the Board of Directors of the Universal Service Administrative Company (USAC) and its Rural Health Care and Schools & Libraries Committees was held on Friday, May 5, 2000, at USAC, 2120 L Street, N.W., Suite 600, Washington, DC 20037. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 12:38 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary. (There is one vacancy on the Board.)

Twelve of the eighteen members of the Board of Directors were present:	
Eichler, Ed	Marockie, Dr. Hank
Gold, Heather	Ouye, Kathleen G.
Gumper, Frank	Parrino, Cheryl
Hess, Kevin	Rosenblum, Lisa
Hogerty, Martha	Talbott, Dr. Brian
Lineberry, Isiah	Wheeler, Tom
One member joined the meeting in progress:	
Bryant, Anne	
Five members were absent:	
Abramson, David	Sanders, Dr. Jay
Butler, Tony	Thoms, Allan
Jackson, Jimmy	
Officers of the Corporation present:	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Howard, Cathy	USAC
Moore, Kate	USAC
Walsh, Dan	USAC

ACTION ITEMS:

The Board of Directors and the Committees immediately voted to go into **Executive Session** for purposes of discussing the contract award for Program Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

Executive Session

a1. Contract Award for Program Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms. Mr. Gumper noted that members of the Board met with USAC staff on May 1 to review and discuss in detail the vendor proposals. Based on the vendor proposals, staff is recommending that the Board of Directors award the contract to the National Exchange Carrier Association, Inc. (NECA).

On a motion duly made and seconded, after an affirmative vote by the Rural Health Care Committee and the Schools & Libraries Committee, respectively, to approve the recommendation proposed by the staff, Mr. Gumper called for a voice vote of the thirteen members present of the Board of Directors to approve the following resolution. All thirteen votes were affirmative.

RESOLVED, That the USAC Board of Directors accepts the recommendations made by the Rural Health Care Committee and the Schools and Libraries Committee and hereby approves the proposed contract with the National Exchange Carrier Association, Inc., to provide programmatic support services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms.

The Rural Health Care Committee and the Schools & Libraries Committee voted to adjourn after each Committee's vote on the resolution, respectively.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 12:52 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

July 18, 2000

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, July 18, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:01 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Twelve of the eighteen members (there is one vacancy) were present representing a quorum:	
Bryant, Anne	Marockie, Hank
Eichler, Edwin H.	Ouye, Kathleen G.
Gumper, Frank	Parrino, Cheryl
Hess, Kevin	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Brian
Jackson, Jimmy - <i>by telephone</i>	Thoms, Allan
Three members joined the meeting in progress:	
Abramson, David	Lineberry, Isiah
Gold, Heather	
Three members were absent:	
Butler, John (Tony)	Wheeler, Tom
Rosenblum, Lisa	
Officers of the Corporation present:	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Claremont, Susan	Arthur Andersen LLP
Eagan, Mark	Arthur Andersen LLP
Garman, Matt	Arthur Andersen LLP
Howard, Cathy	USAC
Moore, Kate	USAC
Nadel, Mark	FCC

Rich, Rhyner	NECA
Rodda, Jim	USAC

ACTION ITEMS:

Open Session:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the USAC Board of Directors' meetings of Tuesday, [April 18, 2000](#), and Friday, [May 5, 2000](#).
- a2. Reports from the Committee Chairs.** Each of the Committee Chairs reported the activity from the July quarterly Committee meetings: Dr. Sanders - Rural Health Care Committee; Ms. Ouye - Schools & Libraries Committee; Ms. Gold - High Cost & Low Income Committee; and Mr. Gumper - Executive Committee.
- a3. Approval of Amendment to the USAC By-Laws to Enable Board of Directors Members Whose Tenure Has Expired to Continue to Serve Until a Replacement Has Been Selected.** Mr. Barash discussed the possibility that the FCC Chairman may not select new Board members in time to fill the vacancies of Board members whose terms expire. Should this occur, the Board's ability to maintain a quorum to conduct business could be jeopardized. As discussed at the last Board meeting, in order to address this issue, the USAC By-laws should be revised to allow a Board member to continue to serve on the Board after his or her term has expired until the FCC appoints a replacement or re-appoints the incumbent. Terms begin on January 1 or later if appointed at a later date.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation made by the Executive Committee to approve the amendment to [USAC's corporate By-laws](#) to enable Board Members whose tenure has expired to continue to serve until a replacement has been selected, as set forth in this action item.

The Board members **DETERMINED** to hold a special meeting of the Board of Directors once appointments have been made by the FCC in order to elect the appointees to the USAC Board of Directors, as set forth in the USAC By-laws.

- a4. Approval of Amendment to the USAC By-Laws to Revise the Responsibilities of the High Cost & Low Income Committee.** Mr. Barash explained that this resolution is a technical matter necessary to amend the USAC By-laws to confer the authority to the High Cost & Low Income Committee to administer the new Interstate Access universal service support mechanism as directed by the FCC. The High Cost & Low Income Committee amended the original resolution to include generic language covering the possibility of future mechanisms.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the High Cost & Low Income Committee and hereby approves the amendments to [USAC's corporate By-laws](#) to confer the authority to the High Cost & Low Income Committee necessary to administer the Interstate Access universal service support mechanism enacted by the FCC on May 31, 2000, and to perform any other duties assigned to the

Committee by the Federal Communications Commission.

- a5. Approval of Clarification of Revenue Base for Calculation of Penalty for Late Filing Fees.** Ms. Bryant informed the Board that staff is seeking formal approval to calculate late filing fees based on the same revenues used for determination of the contribution base. Mr. Haga added that staff used the waiver discretion granted in the original resolution to waive any portion of the assessment of the fee for the April 2000 FCC filing that was calculated on total revenues. He noted that he had reviewed this approach with Mr. Gumper, the USAC Board Chair, and Ms. Bryant, the USAC Treasurer, before taking such action and is now requesting a change to the policy and affirmation from the Board that the correct revenue base was indeed used.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors, upon the recommendation of the USAC Executive Committee, hereby directs staff to calculate late filing penalty amounts based on the same carrier reported revenue as used to determine the universal service contribution base; and

RESOLVED FURTHER, That the USAC Board of Directors, upon the recommendation of the USAC Executive Committee, hereby affirms and ratifies the USAC staff determination that the late filing penalty amounts applied to the April 1 revenue data collection were properly calculated on the same carrier reported revenue as is used to determine the universal service contribution base.

- a6. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** A revised issue paper was distributed at the meeting. With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.
- a7. Authorization to File Draft USAC 2000 Financial and Operational Audit Plan with the FCC.** Ms. Parrino reported that the draft 2000 audit plan is very similar to the 1999 audit plan with the exception of incorporating the new universal service support mechanism (Interstate Access), the new High Cost Model, the Tribal Lands initiative, and a few specific items requested by the FCC. Ms. Parrino indicated that USAC would be seeking an extension of the annual due date for filing USAC's annual audit as soon as USAC receives supporting documentation from Arthur Andersen. Through informal discussions, FCC staff is aware of the issue and has not indicated any opposition to granting the waiver once it is filed.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the Executive Committee and the programmatic committees to authorize USAC to file with the FCC audit staff the proposed draft USAC 2000 Financial and Operational Audit Plan.

- a8. Status of the Form 457 Audit and Plan for Continuing Form 499 Audits for 2000 and Future Years.** Ms. Parrino reminded the Board that in 1998 the FCC encouraged USAC to audit a number of carriers to determine the reliability of the revenue data that constitutes the contribution base. Arthur Andersen LLP was engaged to perform the audit. There is still one carrier that needs to submit

information to the auditor and they have committed to submit the information by July 19, 2000. USAC's internal auditor will continue the Form 499 audits on an on-going basis.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors authorizes staff to conduct ongoing audit reviews of carrier revenues reported on Form 499 based on the selection criteria presented to the Board and appropriate revisions to the 1999 Form 457 audit plan; and

RESOLVED FURTHER, that the USAC Board of Directors directs staff to report the results of the review to the Board and the FCC audit staff each year.

a9. Approval of 4th Quarter 2000 USAC Common and Consolidated Budgets.

Ms. Parrino reviewed the common and consolidated budgets. She reported that the annual budget is \$804,000-or 1.8 percent-greater than last year due to several factors as outlined in the issue paper. The annual budget is also \$2,524,000-or 6 percent-greater than the original budget estimate for 2000. The current estimate of the ratio of administrative costs to the overall size of the Universal Service Fund for 2000 is .88 percent, as compared to 1.0 percent for 1999.

Ms. Parrino also stated that the FCC would continue to include the Universal Service Fund in its financial statements. Because USAC's fiscal year is the calendar year and the FCC's fiscal year ends on September 30, an additional audit of the fund may be needed. Board members questioned the reasonableness of this audit given the number of audits that USAC has faced. The Board **DIRECTED** USAC staff to further investigate this matter.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to increase the 2000 annual Consolidated and 4th Quarter 2000 USAC Common budgets by \$50,000 for the additional USAC audit required by the FCC; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a revised 2000 annual common budget of \$2,930,300 and a 4th Quarter 2000 USAC Common budget of \$689,200; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a revised 2000 annual Consolidated budget of \$43,746,000 and a 4th Quarter 2000 USAC Consolidated budget of \$12,112,800.

a10. Approval of 4th Quarter 2000 Revenue Projections and Resolution on the August 2000 FCC Filing.

Mr. Haga reported that USAC estimated the revenues for 877 carriers that have not yet returned the Form 499A. Of these carriers, 48 are estimated to not be *de minimis*; their estimated revenues were less than 0.4 percent of the contribution base. USAC expects to receive some additional forms before the August 2000 quarterly filing is due, and will adjust the estimated revenues to account

for any such submissions.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for July through December 1999, authorizes staff to proceed with the required August 2, 2000, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

- a11. Update and Possible Action on USAC's Financial Reporting Issue.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See *Executive Session*.
- a12. Authorization to Renew the Request with the FCC to Permit Mandatory Netting in the High Cost and Low Income Universal Service Support Mechanisms.** A revised issue paper was distributed at the meeting. Mr. Haga reviewed the history of this request, indicating that it has been two years since the original request was filed with the FCC asking for mandatory netting for all the universal service support mechanisms. The FCC approved mandatory netting for the Schools and Libraries and the Rural Health Care programs, but was silent on the High Cost and Low Income programs. USAC staff would like to reissue the request in an effort to resolve the issue.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors accepts the recommendation of the High Cost & Low Income and the Executive Committees and hereby authorizes staff to renew the request with the FCC to permit mandatory netting in all the Universal Service Support Mechanisms, as necessary, to offset program disbursements to delinquent carriers against the delinquent carriers contribution obligation.

- a13. Approval of Draft Criteria and Process for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanisms.** Mr. Barash explained that the issue paper sets out criteria USAC would use when it would need to submit issues to the FCC for enforcement action. This is a work in progress and staff is seeking affirmation from the Board to continue refining the criteria as well as continuing to work with the FCC on enforcement matters.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the finding of the Schools & Libraries Committee that the proposed draft criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms comport with the sense of the Schools & Libraries Committee, and hereby agrees that proposed criteria comport with the sense of the Board of Directors as well, and agrees that USAC staff should continue to refine the criteria and process set forth in this issue paper.

a14. Approval of Revised Contracting and Bidding Timetable. With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.

a15. Miscellaneous.

- **Approval of CEO Compensation for 2000 to Conform with Calendar Year requirements of the Federal Executive Level I Salary Cap.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See **Executive Session**.

Information Items:

i1. Contract Award for Program Report of Legislative and Media Activity. For information only. No discussion held.

i2. Assistant Treasurer's Report. For information only. No discussion held.

i3. Regulatory Report. For information only. No discussion held.

i4. Report on Accounts Receivable and Collection Efforts - Action required. Mr. Haga reported that USAC's collection efforts continue to improve. Of the \$50 million that is outstanding, almost \$20 million is with companies that have filed for bankruptcy protection. Staff will be bringing a proposal to the Board in the future on how to write-off such money and remove it from the books. The FCC has the ultimate decision-making power on this issue, and such action would likely be part of a rulemaking proceeding. The newly constituted Enforcement Bureau of the FCC is very interested in USAC's efforts to collect funds, and has sent out letters under its signature to many carriers that have not paid. Nearly \$1 million was collected by USAC within weeks of the letters being issued. Staff recommends that USAC send a letter to the Enforcement Bureau thanking them for their efforts and informing them of the positive outcomes of their efforts.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors directs staff to send a letter to the FCC Enforcement Bureau thanking them for their enforcement efforts on behalf of USAC and informing them of the positive outcomes of the Bureau's efforts.

i5. Bankruptcy Report. For information only. No discussion held.

i6. Status of the Consolidation of Data Collection. For information only. No discussion held.

i7. Status of USAC Clarification Requests at the FCC. For information only. No discussion held.

i8. Report on USAC Program Enforcement Issues. For information only. No discussion held.

- i9. Comparison of the 1999 USAC Budget to Preliminary Actual.** For information only. No discussion held.
- i10. Report on AT&T's Proposed Revenue Base Change.** For information only. No discussion held.
- i11. USAC Timeline and Key Dates.** For information only. No discussion held.
- i12. Miscellaneous.**
 - **New USAC Logo.** Ms. Parrino distributed samples of USAC's new logo.

Rural Health Care Program:

- i13. Rural Health Care Program Status Report.** For information only. No discussion held.
- i14. Review of 4th Quarter 2000 Rural Health Care Programmatic Budget.** For information only. No discussion held.
- i15. Review of 4th Quarter 2000 Rural Health Care Projections and Resolution on the August 2000 FCC Filing.** For information only. No discussion held.
- i16. Miscellaneous.** None.

Schools and Libraries Program:

- i17. Schools and Libraries Program Update.** For information only. No discussion held.
- i18. Review of 4th Quarter 2000 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i19. Review of 4th Quarter 2000 Schools and Libraries Projections and Resolution on the August 2000 FCC Filing.** For information only. No discussion held.
- i20. Miscellaneous.**
 - **Reception with the FCC to Celebrate Success of the Schools and Libraries Program.** Ms. Ouye reported that members of the Schools & Libraries Committee and staff of the Schools & Libraries Division joined FCC Chairman Kennard and Secretary of Education Riley along with previous FCC and Congressional staff who helped initiate the Schools and Libraries program at a reception at the FCC the afternoon of Monday, July 17, 2000, to celebrate the great success of the Schools and Libraries program. Many positive comments were given to the USAC staff and Board of Directors for all their hard work in helping to make the Program a success.

High Cost and Low Income Programs:

- i21. Report on the Implementation of the Coalition for Affordable Local and Long Distance Services ("CALLS") Interstate Access Support Mechanism.** For information only. No discussion held.
- i22. Report on the Implementation of Tribal Lands Telecommunications Access Support Mechanism.** For information only. No discussion held.
- i23. Review of 4th Quarter 2000 High Cost and Low Income Programmatic Budget and Review of Revised Budget for 2000.** For information only. No discussion held.
- i24. Review of 4th Quarter 2000 High Cost and Low Income Projections and Resolution on the August 2000 FCC Filing, and Quarterly Status Report on the High Cost and Low Income Program Operations.** For information only. No discussion held.
- i25. Miscellaneous.** None.

At 10:08 a.m., on a motion duly made and seconded, the Board voted to go into **Executive Session** for purposes of discussing USAC's audits, a USAC financial reporting issue, vendor contracting and bidding strategies, and employment matters. Subsequently, at 10:08 a.m., on a motion duly made and seconded, the Board voted to recess subject to the call of the Chair.

At the call of the Chair, the Board reconvened in **Executive Session** at 10:20 a.m. Mr. Gumper called the meeting to order and asked that the roll be taken. Ms. Howard called the roll.

Twelve of the nineteen elected members were present, representing a quorum.	
Bryant, Anne	Lineberry, Isiah
Eichler, Edwin H.	Ouye, Kathleen G.
Gumper, Frank	Parrino, Cheryl
Hess, Kevin	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Brian
Jackson, Jimmy - <i>by telephone</i>	Thoms, Allan
Three members joined the meeting in progress:	
Abramson, David	Marockie, Hank
Gold, Heather	

Executive Session:

- a6. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** Ms. Bryant introduced the auditors from Arthur Andersen LLP who were attending the meeting to give a

presentation of their review of the USAC audits. Each Board member and staff introduced themselves to the auditors.

At this point, the Board questioned the need to conduct this portion of the meeting in **Executive Session**. Mr. Gumper explained that part of the review included information about internal controls and procedures that USAC performs and that such information could be used to abuse the system if it was divulged to the public. Several members felt, however, that most, if not all, of the audit information was not confidential and should be presented in **Open Session**, as well as information and action on item #a11, "Update and Possible Action on USAC's Financial Reporting Issue."

At 10:34 a.m., on a motion duly made and seconded, the Board voted to return to **Open Session**.

Open Session:

- a6. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** The auditors from Arthur Andersen distributed presentation materials concerning its 1999 audits and agreed upon procedure reviews of USAC and reviewed the document with the Board.
- a11. Update and Possible Action on USAC's Financial Reporting Issue.** Mr. Haga reminded the Board that the United States Office of Management and Budget has determined that moving the Universal Service Fund (USF) into the federal Treasury is not necessary. USAC staff continues to research this issue extensively along with FCC staff to ensure that USAC is complying with federal rules for management of the USF. At this point, USAC appears to be in full compliance with applicable law. Because the USF is appropriately maintained outside of the Treasury, it is no longer necessary to keep the 30-day limitation on the timeframe for investments.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors authorizes staff to utilize investment time frames adopted in the Temporary Investment Guidelines to manage the funds of the Corporation.

At 11:07 a.m., on a motion duly made and seconded, the Board voted to go into **Executive Session** for purposes of discussing USAC's audits, a USAC financial reporting issue, vendor contracting and bidding strategies, and employment matters. Mr. Thoms opposed the vote and Dr. Sanders abstained from the vote.

Executive Session:

- a6. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** Mr. Gumper led a question and answer session amongst the Board members and staff about USAC's internal controls and the recommendations made by Arthur Andersen.

At this point, there was further discussion concerning the need to discuss this matter in **Executive Session**. The Chair determined to table this item until **Open Session** and to address the other remaining issues at that time.

a11. Update and Possible Action on USAC's Financial Reporting Issue. Mr. Gumper referenced the attachments to this issue paper and stated that the information contained therein had not been released to the public; therefore, the attachments were being referenced in *Executive Session* at this time for Board member comments or questions. There was no discussion.

a14. Approval of Revised Contracting and Bidding Timetable. Mr. Barash explained to the Board that the extensive staff resource commitments and the uncertainties in the billing and collection aspect of the programs as a result of the FCC financial reporting issues and the addition of the new interstate access universal service support mechanism, it was not feasible or advisable to subject the contracts for billing, collection, and disbursement and the administration of the High Cost and Low Income programs to a competitive bidding process in 2000. Staff also proposes to stagger more fully the expiration of the contracts in the future so that USAC will not be in the position of having to conduct several procurement efforts simultaneously.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation made by the Executive Committee and hereby approves the revised contracting and bidding timeframe set forth herein.

The Chair asked Ms. Parrino to remove herself from the following discussion to avoid any conflict of interest it may cause her, and requested all other non-Board members to exit the room with the exception of Ms. Howard, the minute-taker.

a15. Miscellaneous.

- **Approval of CEO Compensation for 2000 to Conform with Calendar Year Requirements of the Federal Executive Level I Salary Cap.** Mr. Gumper explained that the CEO's employment contract runs from June to May of each year. However, for purposes of determining federal Executive Level I salary caps, the calendar year is used. As a result, due to the issuance of the 1998 bonus to the CEO in 1999 (per the 1998-1999 CEO employment contract) coupled with the increase in salary per the revised second year CEO employment contract, the CEO's compensation for 2000 would exceed the allowable cap. Adjustments to the CEO's compensation must be made to prevent an excess in the federal cap from occurring.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the USAC Board of Directors directs the USAC Executive Committee to take the necessary steps to revise the CEO's compensation and scheduled payments for 2000 consistent with the federal Executive Level I salary cap.

At 11:47 a.m., on a motion made and seconded, the Board agreed to go into **Open Session**.

Open Session:

a6. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews. On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve the 1999 financial audits of the Universal Service Company and the Universal Service Fund; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive and the High Cost and Low Income Committees to approve the USAC agreed upon procedures reports as they relate to the High Cost and Low Income Program; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive and the Rural Health Care Committees to approve the Rural Health Care Program agreed upon procedures reports; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive and the Schools & Libraries Committees to approve the Schools and Libraries Program agreed upon procedures reports; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to authorize the CEO to send a management response to Arthur Andersen accepting the financial audits and agreed upon procedures reports and committing to take corrective action to address the technical and process issues that were identified in the agreed upon procedures audits.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 11:52 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

October 24, 2000

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, October 24, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:06 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Thirteen of the nineteen members (there is one vacancy) were present representing a quorum:	
Abramson, David	Jackson, Jimmy
Bryant, Anne	Ouye, Kathleen G.
Eichler, Edwin H.	Parrino, Cheryl
Gold, Heather	Rosenblum, Lisa
Gumper, Frank	Sanders, Dr. Jay
Hess, Kevin	Wheeler, Tom
Hogerty, Martha	
Two members joined the meeting in progress:	
Butler, Tony - <i>by telephone</i>	Lineberry, Isiah - <i>by telephone</i>
Three members were absent:	
Marockie, Hank	Thoms, Allan
Talbott, Brian	
Officers of the Corporation present:	
Barash, D. Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
Others present for the meeting:	
Name	Company
Beaver, Tracy	USAC
Blackwell, Mel	USAC
Carroll, Kristy	USAC
Flannery, Irene	USAC
Howard, Cathy	USAC
Moore, Kate	USAC
Ricker, John	NECA

ACTION ITEMS:**Open Session**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the USAC Board of Directors' meeting of Tuesday, July 18, 2000.
- a2. Reports from the Committee Chairs.** Each of the Committee Chairs briefly reported on the activity from the October quarterly Committee meetings: Ms. Gold - High Cost & Low Income Committee; Dr. Sanders - Rural Health Care Committee; Ms. Ouye - Schools & Libraries Committee; and Mr. Gumper - Executive Committee.
- a3. Revision of the Guidelines for Temporary Investments of USAC Funds to Update the Membership, Voting, and Name of the Temporary Investments Committee.** Mr. Haga explained that staff is proposing changes to USAC's *Guidelines for Temporary Investments of USAC Funds* to clearly establish membership and voting privileges of the Committee. There has also been some confusion about the nature of the Committee due to the word "temporary" in the name of the Committee; therefore, staff has proposed changing the name of the Committee to the USAC Investments Committee. The Executive Committee approved the resolution at its October 19, 2000, meeting.

Mr. Haga noted two corrections to the suggested changes to the *Guidelines* before the Committee: (1) page 5 of 7, under "Bank Securities," second bullet, the word "deposit" in the phrase "Any certificate of deposit." should **not** be a strikeout; and (2) page 6 of 7, eighth bullet, the acronym "TIC" should read "the Investments Committee." The Board made one more revision to the *Guidelines* before voting on the resolution by striking the words "any combination of" from page 3 of 7, second line.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to adopt the revised *Guidelines for Temporary Investments of USAC Funds* and further directs the Treasurer and Assistant Treasurer to use the revised *Guidelines* in managing the funds of the Corporation.

- a4. Biennial Review and Approval of Employee Ethical Standards.** Ms. Parrino stated that since the inception of USAC, the Board expected high ethical standards from USAC employees and adopted formal ethical standards at the October 1998 quarterly meeting. The Board also recommended a biennial review of the standards to determine their adequacy, evaluate compliance, and revise them as needed. Ms. Parrino reported that employees have complied with the standards and that the standards have been used in determining financial interest conflicts for employees.

Through that experience, staff determined that the threshold established for triggering a report of a possible financial conflict may be too low an amount in relation to the total worth of any particular company; therefore, staff is recommending increasing the dollar threshold and including a percentage interest in a company as another threshold.

Ms. Parrino also pointed out that a revised issue paper was distributed to the Board reflecting new language in the second resolution per the direction of the Executive Committee. At its quarterly meeting on October 19, 2000, the Executive Committee supported both resolutions, but expressed concern about the vague definition of what constitutes an "entity" in the second resolution and directed staff to revise the resolution to reflect that an entity cannot be an individual company or stakeholder and to bring the revised resolution before the Board at this meeting. The Executive Committee approved the first resolution at its October 19, 2000, meeting.

Before voting on either resolution, the Board revised the first resolution to change the wording from ".1 percent of a company's total net worth." to ".1 percent of a company's total *equity*."

On a motion duly made and seconded, the Board adopted the following revised resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the Executive Committee to modify the "Statement of Ethical Conduct for Employees" to define a financial interest in securities valued at less than \$15,000 or 1 percent of a company's total equity as presumed not to present a conflict or the appearance of a conflict and that the criteria for evaluating whether a financial interest creates a conflict as approved by the Board at its October 21, 1999, Board meeting be applied to investments above those limits.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of management to modify the "Statement of Ethical Conduct for Employees" to allow associations, organizations, or other entities which represent a broad range or group of stakeholders to reimburse USAC employees for travel related expenses with prior senior management approval if the following conditions are met: the employee is speaking before the group; the speech is related to USAC business; speaking at the event advances an objective of the Corporation; and reimbursement would not create an impression of conflict.

- a5. Approval of Criteria and Procedure for USAC Board and Committee Executive Sessions.** Mr. Gumper explained that he requested staff to develop these criteria and procedures as a result of the confusion the Committees and Board have experienced in the past in determining when it is appropriate to use Executive Session. Mr. Barash noted that the criteria and procedures are modeled after federal open meeting requirements and tailored to meet the corporate mission of USAC. The Executive Committee approved the resolution at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Executive Committee to adopt the criteria and procedures for conducting USAC business in Executive Session set forth in this issue paper and that the foregoing criteria and procedures for conducting USAC business in Executive Session shall be posted to the USAC web site.

Ms. Hogerty opposed the resolution.

- a6. Update and Possible Actions on USAC's Financial Reporting Issue.** Mr. Haga explained that this issue paper addresses the different fiscal years under which USAC and the FCC operates: December 31 for USAC and September 30 for the FCC. Staff proposes to gather additional information before making a recommendation to the Board of Directors concerning a change in USAC's fiscal year to match the FCC's fiscal year. Given the importance of the issue and the potential ramifications to the company, staff seeks approval from the Board to continue its investigation into the matter. The Executive Committee approved the resolution at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee and directs staff to assess the pros and cons of changing the fiscal period for USAC and provide a report on the issue to the Board of Directors.

- a7. Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines.**

Ms. Parrino distributed a revised issue paper reflecting a revision to the first resolution made at the programmatic committees in their quarterly meetings on October 23, 2000. In addition, before voting on any of the resolutions, the Board revised the first resolution by inserting the word "program" before the word "year."

On a motion duly made and seconded, the Board adopted the following revised resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the Rural Health Care and Schools & Libraries Committees to establish a deadline of March 31 of the calendar year following the program year in which the costs were incurred for the disbursement of Rural Health Care and Schools & Libraries Program funds.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the Programmatic Committees and determines that it is appropriate for USAC to establish absolute and interim deadlines in consultation with the FCC; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the Programmatic Committees to adopt the criteria proposed in this issue paper for setting aside administrative deadlines.

- a8. Approval of Deadline for Revising Revenue Filings.** Mr. Haga reviewed the history of action taken by the Board that enables carriers to submit revised revenue data up to 12 months past the original submission date. Mr. Haga also described the process USAC uses in truing up the numbers based on those revenue revisions. In the past, the numbers were trued up as soon as the revisions were received but the contribution factor generally remained the same due to the offset of some carriers under-reporting while others over-reported. However, recent revisions by a few carriers had a significant effect on the contribution base by decreasing it enough to potentially create a shortfall and possibly require a supplemental filing to the FCC. In an effort to avoid such situations in the future, staff suggests that revenue revisions submitted by carriers be trued up in the quarter following the quarter in which the revision was submitted so that the current quarter contribution base is not affected. This action will have no effect on a carrier's ability to make revisions; it simply defers slightly the time in which such revisions will be recognized. The Executive Committee approved the resolution at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to authorize staff to proceed immediately with the stated procedure providing for the processing of carrier revisions (on FCC Form 499) to previously reported revenues in the quarter subsequent to the quarter included in the current FCC quarterly filing.

- a9. Appointment of a Board Member to the Schools & Libraries Committee.** Ms. Parrino reported that she sent an e-mail message to qualifying Board members to solicit each member's interest in serving on the Schools & Libraries Committee. Two members responded. Ms. Ouye, Chair of the Schools & Libraries Committee, then spoke with each one to further determine the interest in order to recommend a member for nomination. All agreed that Mr. Hess would be nominated. The Schools & Libraries Committee subsequently moved Mr. Hess for nomination at its October 23, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED that the USAC Board of Directors accepts the recommendation of the Schools & Libraries Committee to elect **Mr. Kevin Hess** of the USAC Board of Directors to represent service providers on the Schools & Libraries Committee.

- a10. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Committee Vice-Chairs.** Ms. Parrino noted that there are six Board member terms expiring at the end of the year, not five as listed in the issue paper: Mr. Abramson's term also expires at the end of the year. The Board members that were proposed for the Nominating Committee have all

agreed to serve if elected. Mr. Gumper informed the Board that the FCC has not issued a Public Notice for the current positions that are expiring on the Board. Ms. Parrino reported that USAC staff has taken some steps to inform the stakeholders of the vacancy and the expiring terms and a few names have been suggested. Assuming the FCC provides a list of appointments before the end of the year, Mr. Gumper said that he intended to call a special meeting of the Board in order to elect the new members. He reminded the Board that the USAC By-laws allow Board members whose terms are expiring to continue to serve on the Board until a replacement is found or the Board member is re-appointed. The Executive Committee approved the resolutions at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to establish a Nominating Committee for the purpose of recommending to the USAC Board of Directors at its January 2001 meeting a slate of candidates for the officer positions and to bring to the USAC Board of Directors at the anticipated December 2000 special Board meeting recommendations for Committee appointments for new Board members; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to direct each Committee of the Board to bring to the Board of Directors at its January 2001 meeting recommendations for a Chair and Vice-Chair of each respective Committee; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to appoint **Mr. Tom Wheeler** as Nominating Committee Chair and **Ms. Martha Hogerty** and **Mr. Isiah Lineberry** as members of the Nominating Committee.

On a related matter, Ms. Parrino announced that USAC has an orientation book for new Board members. It will be issued to each new incoming Board member. Current Board members may request a copy as well. Mr. Gumper expressed a preference that for the sake of continuity, the Committees should try to avoid nominating Chairs and Vice Chairs, both of whose Board member terms expire at the end of said year.

- a11. Approval of 1st Quarter 2001 USAC Consolidated and Common Budget and Information on Estimated 2001 Budget.** Ms. Parrino reviewed the potential issues in several of the programs that result in a number of uncertainties in the budget for 2001. The consolidated budget has been reduced. Audit costs are increasing, but the increase is unavoidable. USAC recognizes that audits are an extremely important USAC responsibility, and is looking into ways to avoid duplication of audits. In addition, USAC's compensation and benefits costs are increasing as more work is brought in-house as staff determines when doing so would be more efficient and more economical than contracting out the work. Before voting on the resolutions, the Board noted an error in the resolutions and corrected the year "2000" to "2001." The Executive Committee approved the resolutions at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 1st Quarter 2001 USAC common budget of \$817,800; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 1st Quarter 2001 USAC consolidated budget of \$11,825,100.

- a12. Approval of 1st Quarter 2001 Revenue Projections and Resolution on the November 2000 FCC Filing.** Mr. Haga distributed a revised Attachment C. He noted that projected revenues for the 4th Quarter decreased 3.55 percent from the projected revenues approved by the Board at its July 2000 quarterly meeting. The Executive Committee approved the resolution at its October 19, 2000, meeting.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 2000, accepts the recommendation of the Executive Committee to authorize staff to proceed with the required November 2, 2000, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

- a13. Approval of Criteria and Procedure for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanisms.** Mr. Barash reported that the Executive Committee and each of the programmatic Committees adopted, at the October 2000 quarterly committee meetings, the resolution before the Board.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Executive Committee and the programmatic Committees to adopt the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms.

- a14. Delegation of Authority to the Executive Committee in the Matter of FCC Proposed Revenue Base Change.** Mr. Barash explained that AT&T has proposed a modification of the prior-year assessment method for calculating Universal Service Fund contributions. The FCC specifically requested that USAC submit comments on this issue and staff is requesting that the Board delegate authority to the Executive Committee to approve the submission of comments to the FCC on this issue. Board members will be provided with an opportunity to review the comments before they are filed with the FCC. The Board **DIRECTED** staff to make it clear that the comments are limited to administrative and operational issues and that USAC is not taking a policy position.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors delegates to the Executive Committee the authority to approve comments and reply comments in the FNPRM regarding the assessment methodology and to authorize USAC to file those comments with the FCC.

- a15. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement - Confidential & Proprietary.** On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of the request to USAC by National Exchange Carrier Association, Inc. to assign the Rural Health Care and Schools and Libraries Program Services Agreement to NECA Services, Inc., shall be conducted in Executive Session.

See Executive Session.

- a16. Miscellaneous.**

- **Status of Beneficiaries Audit - Confidential & Proprietary.** On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of the specific findings of the Schools and Libraries Program beneficiary audits should be conducted in Executive Session.

See Executive Session.

Information Items

- i1. Report of Legislative and Media Activity.** Mr. Blackwell distributed Attachment A to the Board. He reviewed four pieces of pending legislation that affect the universal service programs: (1) repeal of federal excise tax; (2) Internet filtering; (3) truth-in-billing; and (4) relieving regulatory burdens on two percent incumbent local exchange carriers.
- i2. Assistant Treasurer's Report.** Mr. Haga reported that the Universal Service Fund balance is at the level anticipated by staff for the third quarter. The USF continues to earn more interest than projected because outlays have been delayed in the High Cost and Schools and Libraries support mechanisms.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable and Collection Efforts.** For information only. No

discussion held.

- i5. **Bankruptcy Report.** For information only. No discussion held.
- i6. **Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i7. **Update on a Schools and Libraries Program Subcontractor Claim - Confidential & Proprietary.** Mr. Barash reported that there are no significant developments to report concerning this matter, however, if a Board member has questions on this item, they can be addressed in **Executive Session**. On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of the specific claims for additional 1999 funds by National Computer Systems, Inc. be conducted in Executive Session.

See Executive Session.

- i8. **Growth of Voice over Internet Protocol Services and USTA Petition Regarding Cable Operators that Provide Telecommunications Services.** Mr. Gumper stated that it will be important to pay attention to this issue as more telecommunications services become available over the Internet. The revenue generated from those calls will not necessarily be reported and could result in decreased contributions to the USF. Ms. Parrino stated that USAC's interest is in complying with the FCC rules and that USAC will be very careful not to weigh in on the policy issue. USAC might need to seek clarification from the FCC on what constitutes "telecommunications services" for purposes of service providers reporting to the USF.
- i9. **USAC Timeline and Key Dates.** For information only. No discussion held.
- i10. **Miscellaneous.** None.

High Cost & Low Income Committee

- i11. **High Cost and Low Income Programs Status Report.** For information only. No discussion held.
- i12. **Review of 1st Quarter 2001 High Cost and Low Income Programmatic Budget and Information on Estimated 2001 Budget.** For information only. No discussion held.

i13. Review of 1st Quarter 2001 High Cost and Low Income Projections and Resolution on the November 2000 FCC Filing. For information only. No discussion held.

Rural Health Care Program

i14. Rural Health Care Program Status Report. For information only. No discussion held.

i15. Review of 4th Quarter 2000 Rural Health Care Programmatic Budget. For information only. No discussion held.

i16. Review of 1st Quarter 2001 Rural Health Care Projections and Resolution on the November 2000 FCC Filing. For information only. No discussion held.

Schools AND Libraries Program

i17. Schools and Libraries Program Status Report. For information only. No discussion held.

i18. Review of 1st Quarter 2001 Schools and Libraries Programmatic Budget and Information on Estimated 2001 Budget. For information only. No discussion held.

i19. Review of 1st Quarter 2001 Schools and Libraries Projections and Resolution on the November 2000 FCC Filing. For information only. No discussion held.

On a motion duly made and seconded, the Board voted at 11:08 a.m. to go into Executive Session for purposes of discussing a vendor contract, a subcontractor's claim, and the status of the Schools and Libraries Program beneficiary audit. Before going into Executive Session, the Chair called a recess.

At the call of the Chair, the Board reconvened in Executive Session at 11:18 a.m. Mr. Gumper called the meeting to order and asked that the roll be taken. Ms. Howard called the roll.

Ten of the nineteen members (there is one vacancy) were present, representing a quorum:	
Bryant, Anne	Hess, Kevin
Butler, Tony - <i>by telephone</i>	Jackson, Jimmy
Eichler, Edwin H.	Ouye, Kathleen G.
Gold, Heather	Parrino, Cheryl
Gumper, Frank	Wheeler, Tom

Four members joined the meeting in progress:	
Abramson, David	Rosenblum, Lisa
Hogerty, Martha	Sanders, Dr. Jay
Four members were absent:	
Isiah, Lineberry	Marockie, Hank
Talbott, Brian	Thoms, Allan
Others present during <i>Executive Session</i>:	
Name	Company
Beaver, Tracy	USAC
Blackwell, Mel	USAC
Carroll, Kristy	USAC
Flannery, Irene	USAC
Howard, Cathy	USAC
Moore, Kate	USAC

At 11:56 a.m., on a motion duly made and seconded, the Board agreed to go into **Open Session** to report on business addressed in Executive Session.

Executive Session

i7. Update on a Schools and Libraries Program Subcontractor Claim - Confidential & Proprietary. No discussion was held.

a16. Miscellaneous.

- **Status of Beneficiaries Audit - Confidential & Proprietary.** Ms. Moore gave the Board an update on preliminary findings concerning a specific applicant that is the subject of the Schools and Libraries Program audit of beneficiaries. The Board took no action on this item.

Mr. Hess recused himself from the **Executive Session** prior to discussion of item #a15.

Ms. Bryant left the meeting during the **Executive Session** discussion of item #a15 due to a prior engagement.

a15. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement - Confidential & Proprietary. The Board discussed the pros and cons, including legal issues identified by USAC's General Counsel, of the request by the National Exchange Carrier Association, Inc. (NECA) to assign the Rural Health Care and Schools and Libraries Program Services Agreement to a newly-

formed, for profit company, NECA Services, Inc. Mr. Barash noted that both the Rural Health Care and the Schools & Libraries Committees adopted resolutions at their quarterly meetings on October 23, 2000, opposing the assignment.

On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors does not authorize the USAC CEO to assign the Rural Health Care and Schools and Libraries Program Services Agreement to NECA Services, Inc.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 11:58 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

December 20, 2000

MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held on Wednesday, December 20, 2000, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 4:30 p.m. Eastern Time. Mr. Scott Barash, Assistant Secretary, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Ten of eighteen members (there is one vacancy) were present, representing a quorum:	
Anne, Bryant - <i>by telephone</i>	Ouye, Kathleen - <i>by telephone</i>
Gumper, Frank	Parrino, Cheryl
Hess, Kevin - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
Hogerty, Martha - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Jackson, Jimmy - <i>by telephone</i>	Wheeler, Tom - <i>by telephone</i>

Eight members were absent:	
Abramson, David	Marockie, Dr. Hank
Butler, Tony	Lineberry, Isiah
Eichler, Edwin	Rosenblum, Lisa
Gold, Heather	Talbott, Brian

Officers of the Corporation present:
Barash, Scott - Assistant Secretary
Haga, Robert - Assistant Treasurer

ACTION ITEMS:**Open Session**

- a1. Election of Directors to the USAC Board of Directors for Three Year Terms Beginning on January 1, 2001, and Election of Directors to Committees of the Board.** At the request of the Chair of the Board, the Chair of the Nominating Committee, Mr. Wheeler, reported that the Chair of the Federal Communications Commission had approved the proposed candidates for positions on the USAC Board of Directors in a letter to Mr. Gumper dated December 8, 2000. The Nominating Committee recommends that the Board elect the candidates set forth in the proposed

resolution. Mr. Wheeler also reported that the Nominating Committee recommends that the Board approve the Committee assignments for Board members as set forth in the proposed resolution.

On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Nominating Committee, and in accordance with USAC's corporate By-laws, hereby elects Father William Davis, Mr. Kevin Hess, Mr. Joel Lubin, Mr. Robert Rivera, Dr. Jay Sanders, and Chairman Allan Thoms to the USAC Board of Directors to three year terms beginning on January 1, 2001; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the Nominating Committee and hereby appoints Father William Davis to the Schools & Libraries Committee as the school representative; Mr. Kevin Hess to the Rural Health Care Committee as the service provider representative and to the Schools & Libraries Committee as the service provider representative; Mr. Joel Lubin to the High Cost & Low Income Committee as the interexchange carrier representative; Mr. Robert Rivera to the Schools & Libraries Committee as the at-large representative; Dr. Jay Sanders to the Rural Health Care Committee as the rural health care representative; and Chairman Allan Thoms to the High Cost & Low Income Committee as the state regulator representative and to the Rural Health Care Committee as the state regulator representative.

Mr. Gumper recognized and thanked Mr. David Abramson and Dr. Hank Marockie for their service on the Board of Directors of USAC and the Schools and Libraries Corporation, and Ms. Parrino indicated that Mr. Abramson and Dr. Marockie would receive plaques commemorating their service.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 4:43 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary