

NEO Fiber

October 29, 2014

**Colorado Region 10
Considerations for Ownership,
Organizational Structure, Collaboration
and Public-Private Partnerships**

Organizational Structure Considerations

- Regulatory Limitations
- Grant and Funding Opportunities
- Balancing and Consideration for:
 - Control: Who owns the network and how is it operated?
 - Risk: Balancing financial and political risks with community reward
 - Reward: Financial, economic development, affordability, redundancy, abundant broadband
- Who are the Likely Targets for Collaboration, Partnership?

Regulatory Considerations

Senate Bill 152:

- ❖ Allows local governments to build to other government agencies and quasi-government agencies
 - Schools, libraries, universities, hospitals, clinics, fire, ambulance, E-911, county government, city governments, etc.

- ❖ Allows local governments to build and provide services to the private sector providers as long as public infrastructure is insubstantial compared to government use, and available on an open-access basis.

- ❖ Opt Out
- ❖ See what happens – State and federal-level discussions
- ❖ Do something and then Opt Out, or Do something and See what happens!

Grants

	State-Level	Federal Level				
Grants	DOLA	Rural Broadband Experiments, Connect America	Community Connect Grants	Distance Learning and Telemedicine Grant Program	Health Connect, Rural Healthcare Program	E-rate
Eligibility						
Regional Council of Governments	Yes	-	-	-	-	-
Local Government, Tribes	Yes	Yes	Yes	Yes	-	-
Non-profit	-	Yes	Yes	Yes	-	-
Corporations	-	Yes	Yes	Yes	-	-
Cooperatives	-	Yes	Yes	Yes	-	-
Education	-	-	-	Yes	-	Yes
Medical Providers	-	-	-	Yes	Yes	-
Eligible Telecommunications Carrier	-	Required	-	-	-	-
Timing	Ongoing	November 7, 2014; Phase II in 2015	2014 closed, Funds will be available in 2015. Announcements in January 2015			
How much?		\$100M total, grant amounts dependent upon technology/bandwidth		Grants available for Equipment, inside wiring and "other facilities"		

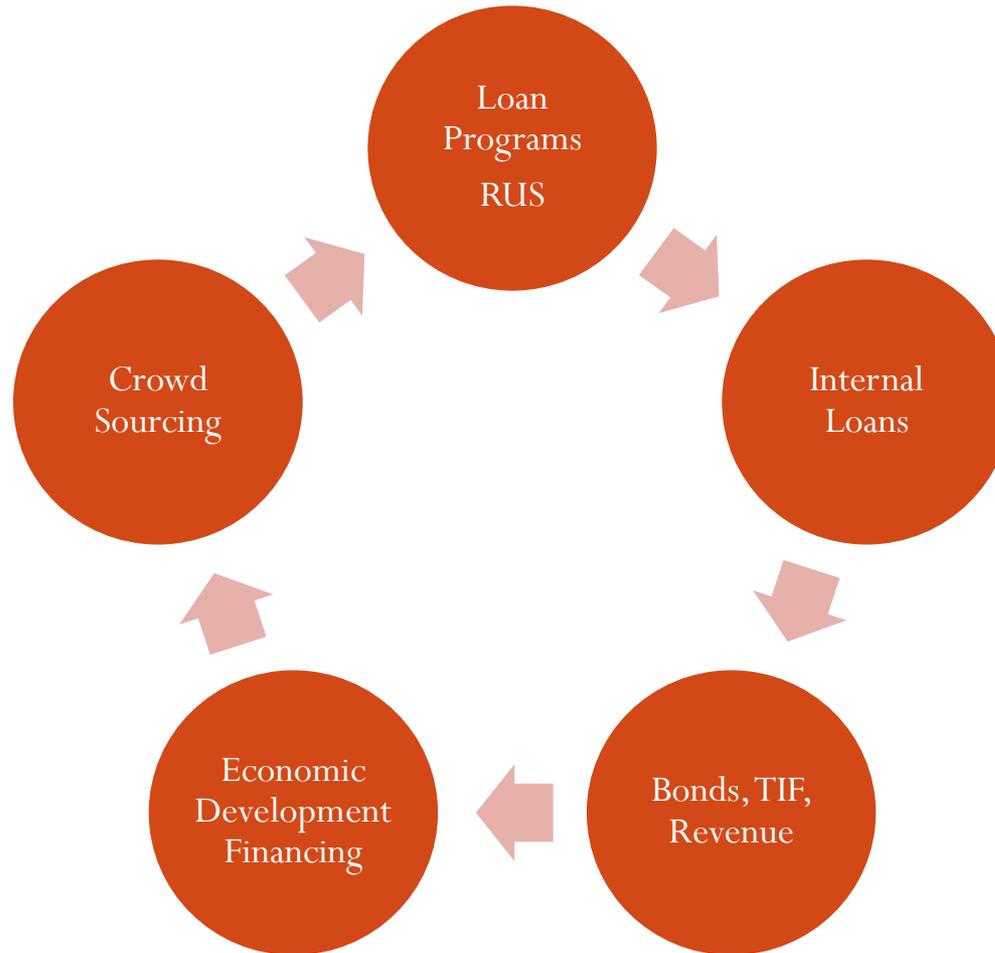
More on Grants

- **DOLA** (Eligibility: Regional Councils of Governments) <http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheadername1=Content-Disposition&blobheadername2=Content-Type&blobheadervalue1=inline%3B+filename%3D%22Broadband+Initiative+2014.pdf%22&blobheadervalue2=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251996138285&ssbinary=true>
- **Rural Broadband Experiments, Connect America Phase I and II** (Eligibility: local government, Coops, however; must also obtain Eligible Telecommunications Carrier status; i.e. register with the State of Colorado PUC and be able to offer telephone service and broadband service) http://transition.fcc.gov/wcb/FAQs_Rural_Broadband_Experiments.pdf

Annual Funding Available:

 - Delta County: \$12,178
 - Gunnison County: \$1,029,710
 - Hinsdale County: \$334,176
 - Montrose County: \$189,462
 - Ouray County: \$16,776
 - San Miguel County: \$637,174
- **Community Connect Grants** (USDA) (State, local govt. Coops, Not-for-profit, Incorporated, etc.) This year's program has been funded and application cycle is closed. Will have funds available in 2015, stay tuned http://www.rurdev.usda.gov/utp_commconnect.html
- **Economic Development Grants** (USDA) http://www.rurdev.usda.gov/Community_Development.html
- **Telecommunications Infrastructure Loan Program** (Must be incorporated or a limited liability company.)
- **Farm Bill, Rural Broadband Loan Program** – With the recent enactment of the *Agricultural Act of 2014* (Farm Bill), changes to the Rural Broadband Access Loans and Loan Guarantees Program (Broadband Program) will have to be implemented and 7 CFR Part 1738 that governs the program will have to be modified. Until a new regulation is published in the Federal Register detailing the new requirements that must be followed, the Rural Utilities Service is not accepting loan applications for federal assistance under the Broadband Program. loan program for rural areas.(Eligibility: Corporations, Not-for-profit, local government, cooperative, tribes http://www.rurdev.usda.gov/supportdocuments/BBLoanProgramBrochure_8-11.pdf

Financing, Funding, Cost Sharing



Other Structure Considerations

Control

- Network Ownership
- Maintenance of the Network
- Types and Level of Services Offered

Risks

- Financial Risks, Capital Costs, Sustainability
- Political Risks
- Operational Risks

Rewards

- Financial
- Goals and Objectives Met

What are Typical Org. Structures of
Community-based broadband or
fiber networks?

What are the Pros and Cons?

Examples?

Public Utility

- * High level of **local control** over network funding and priorities.
- * **Public good** often overrides profit motives.
- * Already have **experience** in managing infrastructure.
- * Public utilities often own repair trucks and employ field engineers who can perform installation and provide maintenance
- * Have customer service experience, managing individual accounts, staffing call centers, established billing practices, etc..
- * Community model creates **loyalty**.
- * Incorporate SCADA management systems into the fiber design; power company becomes a key anchor tenant.
- * Established structure to provide **local oversight**.
- * Have board of directors to guide their activities and oversight by a city council or other governing body

- * Usually a **new line of business**
- * Organization must build or acquire operational experience in broadband.
- * Public utility must develop and manage marketing, sales, and compete with other community network providers.
- * **Transparency** requirements in business practices can cause competitive conflict.

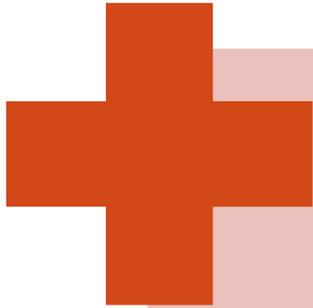
Public Utility Examples

RETAIL MODEL

- Chattanooga, TN EPB
- Kit Carson Electric Coop.
- United Electric
- Opelika Light and Power, AL
- Clarksville Department of Electricity
- St. Louis Park, MN
- Bristol, VA
- Bristol, TN
- Chaska, MN
- Cloud, FL
- Benton Public Utility District –
Kennewick, WA
- Longmont, CO

WHOLESALE MODEL (OPEN ACCESS MODEL)

- Danville, VA
- Leverett, MA
- Chelan PUD, WA
- Sho-Me Technologies
- Grant County PUD



City Department



- * High level of **local control** over network funding and priorities.
 - * **Public good** often overrides profit motives.
 - * Can encourage build out of “middle mile” across a region, collaborate with local service providers to increase competition.
 - * Sometimes easier for government to leverage assets, participate in collaborative ventures, and partner with non-profits
 - * **“Dig once” policies** leverage other infrastructure projects
 - * Can build incrementally and organically to reduce capital risk
 - * Community model creates **loyalty**.
 - * Can leverage bonds to fund infrastructure projects.
 - * Have a vested interest in the community’s success; i.e. economic development prospects.
 - * Established structure to provide **local oversight**.
 - * Have city councils to guide their activities and oversight by a city council or other governing body
- * Usually a **new line of business**
 - * Organization must build or acquire operational experience in broadband.
 - * Municipality must develop and manage marketing, sales, and compete with other community network providers.
 - * **Transparency** requirements in business practices can cause competitive conflict.
 - * Turnover of city council members may be an issue

City Department Examples

- Santa Monica, CA
- Farmington, NM
- Windom, MN
- Corpus Christi, TX
- Provo, UT
- Seattle, WA
- Centennial, CO



Consortium

Buying Power

Aggregate Demand, Share in Costs

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- * Usually a **new line of business**
- * Organization must build or acquire operational experience in broadband.
- * Must develop and manage marketing, sales, and compete with other community network providers.
- * Varied interests and needs
- * Decision making process can be blurred.

Consortia Examples

- Ohio Middle Mile Consortium (OMMC)
- Wireless Silicon Valley
- Colorado Region 9
- Colorado Region 10!
- Utopia, UT
- Florida Rural Broadband Alliance
- Numerous BTOP Projects, Middle Mile

Non-Profit, 501(c)3, 501(c)12

*Non-profit mission is directed by the selected governance model and mandates

* Can have a social mandate that focuses on community needs and **operates independently from other city business.**

High level of **local control** over network funding and priorities.

* **Public good** often overrides profit motives.

* Can encourage build out of “middle mile” across a region, collaborate with local service providers to increase competition.

* More funding sources? Can leverage charitable contributions

* Can enable charitable giving and provides shelter for assets.

* Can lesson the burden of government while addressing the social and community needs.

* Can build incrementally and organically to reduce capital risk

* Community model creates **loyalty.**

* * Have a vested interest in the community’s success; i.e. economic development prospects.

* Established structure to provide **local oversight.**

* Usually a **new line of business**

* Organization must build or acquire operational experience in broadband.

* Must develop and manage marketing, sales, and compete with other community network providers.

* Start-up structure and funding may be complex or difficult.

Non-Profit Examples

- UC2B, Urbana Champaign, IL
- One Community, Ohio
- Cape Cod
- Rhode Island

A few notes

- Consortium can be a non-profit or a consortium of regional governments
- All organizational structures can have a Public/Private Partnership approach

Considerations for:

- Who owns the network?
 - Region 9 provides for each local entity to own its portion of the network based upon each member's jurisdiction.
 - Each local entity provided the 25% match requirement for the network build-out
- How are decisions made regarding what will be built, how the network is maintained?
- What should be done?
- Managing the balance between risk and reward
- Clarity on goals, objectives, oversight

Public-Private Partnerships

- Contractual relationships – does not necessarily mean “network ownership.”
- Which areas does it make sense to partner with the private sector?
- What mutual benefits of each entity can be gained?
- What resources can be leveraged from various parties?

We are still in the process of figuring these things out....A few areas of exploration are shown on the following pages....

What is the Biggest Barrier to Affordable, Redundant and Abundant Broadband?

1. Backhaul or Internet Access Charges (Grand Junction, Albuquerque, Salt Lake, Denver) – Cost for leased facilities are mileage based
2. Middle Mile Connectivity
3. Demand Aggregation does Matter
4. Once Fiber is within a Community, it can be extended

Who are the Likely Targets for Collaboration?

- Service Providers
 - Balance with Priorities, Vendor Neutral, Level Playing Field
 - FastTrack verbally agreed to matching funds. Can this be levered with the other service providers? Do we want to include the service providers in a grant application (i.e. ownership of a network) or do we want to do this contractually via an open access network approach?
 - They win with Carrier Neutral Locations (carrier-grade), Regional Network, Internet Access Fees are reduced, Capital costs to build networks
- Tri-State, DMEA, San Miguel Electric, Gunnison Electric
 - What could this potentially look like?
- Anchor Institutions
 - Facilitate grant application process; anchors become customers
- Other Regions

Tri-State Generation Discussion:

FastTrack is a company formed by Empire Electric and La Plata Electric. Other partners on the Grand Junction to Albuquerque fiber are DMEA and San Miguel Power. This is the original PathNet fiber network. When PathNet filed bankruptcy, 9 fibers were split between Empire Electric, La Plata (now FastTrack), DMEA and San Miguel Power. The members do not pay annual maintenance fees on this route, but rather maintenance costs are passed through to the members. Tri-State provides IRUs on this route plus annual maintenance charges to non-member customers.

Could this route be an in-kind contribution? A swap for perfecting easements on other routes? Upgrade of facilities? Regeneration site expenses?



Thank you!

Diane Kruse

NEO Fiber

970-309-3500

dkruse@NEOfiber.net

www.NEOfiber.net