

**MINUTES OF REGULAR SESSION
TELECOMMUNICATIONS ADVISORY BOARD
MONDAY JULY 13, 2009**

The meeting was called to order by Chairman George Marron at 6:58 PM. Others in attendance were Vice-Chairman Jon Boulanger, Board member Bob Freeman, City Manager Mark Latham, Light & Power Director George Stram, Finance Director Sharon Rusteberg and City Attorney John Long. Also present were Scott Bowles of Spectrum Engineering and Joy Howard of WM Financial Strategies.

MINUTES

Vice-Chairman Boulanger made a motion to approve the minutes of the June 22, 2009 Telecomm Advisory Board meeting. The motion was seconded by Board Member Freeman. All voted aye. Motion carried.

NEW BUSINESS

Finance Director Rusteberg gave background and made an introduction of Joy Howard, who is with WM Financial Strategies. Ms. Howard's firm had previously assisted the City with the bond financing for the Korte Recreation Center.

Ms. Howard next gave a brief presentation regarding her preliminary findings in regards to a bond issue to pay for the Fiber-to-the Premises system. The fees for Ms. Howard's services will be \$10,000. She looked at whether the City can afford the bond issue and what terms the City could expect to receive for the bonds.

Ms. Howard's bottom line was that the City could afford to finance the necessary \$8 million dollars based solely upon existing electric department revenue. Her models did not include any revenue form the FTTP system itself. In order to cover all associated costs, the actual amount of bonds sold would be \$8,875,000 dollars.

Ms. Howard also touched on the desirability of obtaining bond insurance. Such insurance would most likely result in an AAA credit rating on the bonds. Although the cost of the insurance would be roughly \$105,000 dollars, interest rate savings would be in the neighborhood of \$600,000 dollars. Ms. Howard did have one caveat regarding bond insurance. Before the current economic crises there were seven bond insurers available. That number has been reduced to one, with one additional insurer in the process of being created. She still feels that the chances of obtaining bond insurance are excellent.

The next order of business was a short discussion by Scott Bowles about the City's efforts to obtain federal funding for a part of the FTTP system. Spectrum Engineering is in the process of applying for stimulus funds.

The first possible source of federal money discussed by Scott was for Smart Grid funds as administered by the Department of Energy's Office of Electricity. Such funds are disbursed in the form of matching grants, either 50/50 or 80/20. Scott informed us that are FTTP project would be classified as a small project, one being less than \$20 million dollars in cost. Because of the size of the project, Scott feels that we have a good chance of receiving grant money for this part of the FTTP. Smart Grid improvements would include smart metering, substation recloser replacement, relay upgrades and SCADA improvements. In response to a question from Bob Freeman, Scott told us that

while the grants are overseen by the Office of Electricity, the actual grant applications are reviewed by a third party sub-contractor.

Scott then briefly discussed one type of broadband grant administered by the Rural Utilities Service of the US Department of Agriculture. While matching 80/20 grants are available from the RUS, the City does not qualify for these grants. This is because of the presence of incumbent broadband providers in Highland. However, it is necessary to first apply for RUS grants in order to apply for NTIA grants.

Grants from the National Telecommunications and Information Administration *are available* to the City. While these grants are intended to expand broadband services to rural or underserved areas, they are also meant to improve broadband access to public safety agencies, schools, and other public agencies.

At the conclusion of Scott's discussion Jon Boulanger made a motion to recommend, to council, approval of the FTTP engineering contract with Spectrum Engineering. The motion was seconded by Bob Freeman. All voted aye. Motion carried.

Bob Freeman then made a motion to recommend, to council, approval of a service contract with Joy Howard. The motion was seconded by Jon Boulanger. All voted aye. Motion carried.

In response to a question from the board, Scott discussed the technical level of expertise that will be needed by the City in order to operate the FTTP system. Scott stressed the need for the FTTP department to be run totally unlike a typical municipal division. Decisions will have to be made in a much shorter time frame than is usual. Additionally, focus must be placed on levels of customer support.

The next item of discussion concerned the date of the next meeting of the Advisory Board. It was decided to next meet on August 10, 2009.

John Long then provided to the board examples of other municipalities that have established FTTP systems. After a brief discussion, Bob Freeman made a motion directing Mark Latham and George Stram to visit the community of Glasgow, Kentucky for the purpose of gathering information. The motion was seconded by Jon Boulanger. All vote aye. Motion carried.

The final item of discussion was courtesy of City Attorney John Long. John wanted to stress to the board one specific facet of the Cable Communications Policy Act. If municipalities are allowed to operate cable systems, then they are precluded from exercising editorial control of the cable system. Such control must be excursive by an entity separate from the cable franchise holder. John remarked that the Telecommunications Advisory Board would be the ideal entity to exercise editorial control. John wanted to be sure that the board would accept such a role. None of the three members objected.

Bob Freeman made a motion to adjourn; seconded by Jon Boulanger. All voted aye. Motion carried. Meeting was adjourned at 8:43 PM.