

CHARLEMONT FINANCE COMMITTEE MEETING - CHARLEMONT TOWN HALL

(Joint Meeting with the Charlemont Board of Selectmen)

January 15, 2016

Members Present: Amy Wales (Chair), Richard Filoramo, Tom Campbell, Ron Smith; guests from Broadband/Wired West Committees - Trevor Mackie and Bob Handsaker.

1. The meeting was called to order at 8:31 a.m., along with the Board of Selectmen.
2. A presentation was made to the combined Boards by Wired West/Broadband representatives Bob Handsaker and Trevor Mackie. It was noted that MBI extended the deadline for towns to sign the Broadband agreement to January 29, 2016. MBI felt that the towns should be the owners of any assets.

Rich Filoramo also expressed his opinion that he felt it was important for the towns to own the capital assets, and he worries about what Wired West may look like in say, twenty years.

Amy Wales read excerpts from a letter that was sent to MBI.

Toby Gould stated that he does not like the idea of Wired West being an LLC, would prefer a Co-op model.

MBI is worried about the operation of the network under Wired West. The towns would be forced to put up more money if the network was "floundering".

A joint meeting of MBI and Wired West will be scheduled sometime in February to discuss the issues.

Amy asked if anyone had talked to any bonding agencies to see what they think of the various options.

Toby said any plan needs to be "flexible".

Rich proposed the idea of "user fees", that would guarantee to the user towns that there is adequate money. It could be used for depreciation and replacement costs, and for any unexpected costs. Someone asked who would actually get the user fees – Wired West or the towns directly? Some towns might like the idea of getting a quick start on getting paid back by Wired West.

Beth Bandy asked if the money is really there for Broadband? Bob Handsaker said he will try to find out.

3. Toby Gould had submitted his resignation from the Finance Committee, because of his election to the SelectBoard. Tom Campbell moved to accept his resignation. Motion was seconded and passed unanimously.
4. Capital Plan update: we need figures before we can discuss. Rich will work with Peg to clear up spread sheet.
5. FY 2017: Amy wants letters sent to department heads, asking them to submit budget requests, be cautious, and we'll use last year's figures if not received back by the deadline. Rich and Ron will work with Peg to get the budget together.
6. School budgets: Mohawk Regional School is proposing a 3.6% budget increase. Amy proposed that a letter be sent to the School Committee saying that 3.6% is too high. Tom Campbell moved that Amy draft and sign the letter on behalf of the Finance Committee. Motion was seconded. Motion passed.

7. Toby's replacement: names were proposed to replace Toby on the Finance Committee. Suggested names will be contacted.
8. Bids are going out for the proposed pellet boilers at Hawlemont School. They are planning on asking for a third boiler, and may be seeking additional funds.
9. Members were asked to read and sign the letter from the Broadband Committee to the MBI.
10. The following meeting dates for the Finance Committee were proposed:
 - a. February 26 – 8:30 a.m. (since changed to 1:00 p.m.)
 - b. March 4
 - c. March 18
11. The meeting was adjourned at 10:25 a.m.

Respectfully submitted,

Ronald Smith

Attch: December 31, 2015 letter from Broadband Committee to MBI

This document is a draft until approved and signed by the Finance Committee

Attachment to Finance Committee Minutes of January 15, 2016

December 31, 2015

Mr. Eric Nakajima

Director

Massachusetts Broadband Institute

75 North Drive

Westborough, MA 01581

Dear Mr. Nakajima,

The Charlemont Broadband Committee, with input from our select board and members of our finance committee, reviewed the draft RFP excerpts circulated for comment. We applaud your efforts to work closely with the towns in this critical infrastructure project. We agree that this level of cooperation is both appropriate and necessary since the towns are providing the majority of the funding.

While we are eager to get going on building a fiber network in our town, we believe that issuance of this RFP at this time is premature given the degree of uncertainty and disagreement that exists around many high-level aspects of the last-mile program, including regionalization and ownership of network assets. To be clear: We are not advocating delay. We encourage you to work rapidly with the towns and other stakeholders, including WiredWest, to clarify the big picture as a foundation for issuing the RFP. Reducing ambiguity will result in lower bids for the services under the RFP.

The only apparent way for Charlemont to have a financially sustainable network is to join with other towns in a cooperative arrangement that will pool risk and share costs and revenue. In mid-October, we discussed this with you and with WiredWest at a meeting in Charlemont and you expressed agreement with our town's intent to move forward with WiredWest as our solution. Subsequently MBI's position changed, but to date there has been no proposed alternative for a cooperative model that will achieve a financial sustainability network for our town.

One of the great challenges of rural broadband is to overcome "cherry-picking", where more profitable areas receive service but less profitable areas are left behind. We encourage MBI to adopt policies that will *counter balance* the natural economic tendency towards cherry-picking, not exacerbate it.

Our committee was disappointed to not have the ability to review the entire text of the RFP. Without the full text, we deemed it unproductive to make detailed point-by-point comments. Thus, we confine our response to high level themes we believe need to be corrected in the full RFP before issuance:

1. Timelines

- a. The timelines do not seem realistic. The RFP describes a large number of unknowns, which seem unrealistic to resolve in the 90 days allocated for Phase 1.
- b. The Phase 1 timelines, which we believe are aggressive, do not mesh with other timelines provided by MBI. The deadline for applying for the last-mile program is June 30, 2016, but even if the RFP is issued in February, it is unclear whether the towns will have adequate time to review and act on the Phase 1 designs by this date. In addition, if a vote (or re-vote) is required at annual town meeting to move forward, which seems likely, this timeline is further constrained.
- c. We also note that your expected timeline for reviewing the excerpted RFP was not realistic for small towns like ours. Our select board normally meets bi-weekly.

2. Town oversight and control

The last-mile program is based on the premise that two-thirds of the required funding will be provided by the towns. In light of this, the towns need much more control and oversight over both the design and construction process. Some minimum requirements are:

- a. Town approval over the final design must be required before the construction can be put out to bid.

- b. Towns must be able to reject construction bids or bidders based on cost or the town's assessment of the bidder's qualifications.
- c. Towns must have the authority to approve or deny any change orders during construction.
- d. Towns need access to the real-time data to allow them to exercise appropriate oversight. Towns are listed as stakeholders in the RFP, but the term "stakeholders" should be used in most instances where MTC is used in the RFP.
- e. All reports from the design/engineering firm or construction firms to MTC should be simultaneously copied to the stakeholder towns.

3. Financial sustainability

The operational costs of the network will fall completely on the towns. These operational costs will be affected by the design and construction choices made under this RFP.

- a. The RFP needs to be amended to acknowledge the importance of operational efficiency and financial sustainability.
- b. The RFP needs to be expanded to make financially sustainable operation (from the town's perspective) one of the main considerations in the evaluation of potential network design options.

4. Design presumptions in the RFP

The design, engineering and construction of the network must be done in a way that creates the most viable solution for each town. Any presumptions in the RFP that may limit consideration of the best potential options need to be removed. Two specific examples are listed below:

- a. Asset ownership. While we agree that towns should have the right to own and/or control the network assets constructed under this RFP, a more flexible policy is required to allow each town to select the best operational model for the network, which may include shared ownership or transfer of ownership to another entity (such as an MLP Cooperative).
- b. Backhaul options. The RFP and the MBI last-mile policy appear to constrain the design of the network to require backhaul through the MB123 middle-mile network. While this may be a financially advantageous choice for some towns, for other towns this may raise the cost for network subscribers as much as \$5 per subscriber per month. This is a significant consideration with respect to the financial viability of the network and so should not be a prescriptive constraint in the design of the network.

We appreciate the ability to be able to review and comment on this RFP before issuance. We are eager to work side-by-side with you to build a financially viable fiber network in Charlemont.

Respectfully submitted on behalf of the Charlemont Broadband Committee,

Bob Handsaker, Chair

Committee Members

The Charlemont Broadband Committee is an official town committee, created by the select board in 2011 to provide policy recommendations to the select board with the goal of increasing the availability of high-speed internet and related services in Charlemont.