

City of Bloomington: Bloomington Digital Underground Advisory Committee

Date of Record: April 22, 2004

Summary:

Bloomington Digital Underground Advisory Committee meeting held on Thursday, April 22, 2004 at 4:00 pm in the McCloskey Conference Room of City Hall at Showers, 401 N. Morton St., Bloomington, Indiana.

Roll Call

Committee Members Present:

Rick Dietz, Indiana University
Mark McMath, Bloomington Hospital
Bruce Myers, Kiva
Charlie Webb, CallNet
Linda Williamson, Bloomington Economic Development Corporation

Committee Members Absent:

Dennis Morrison, Center for Behavioral Health
Brian Voss, Indiana University

Guests Present:

Brett Skilbred, InfoComm Systems, Inc.
Michael Pauly, Fastwire
Bob Phelps, John Conley, Smithville Digital

Staff Present:

Ron Walker, Mayor's Office, City of Bloomington
Gregory Volan, CIO, City of Bloomington
Rick Routon, User Support and Network Operations Manager, ITS, City of Bloomington
Heather Collins, Intern, ITS, City of Bloomington

Meeting was called to order by Greg Volan at 4:10 pm

I. Administrative Business

- a. Minutes from the April 8, 2004 meeting were reviewed and approved.

II. Presentation by Michael Pauly, Fastwire

- a. While waiting for Michael Pauly's arrival, the group discussed problems that might arise as they try to arrive at a market price for the dark fiber/conduit. There are case studies that could be used as a guide if this were for lit fiber, but there are no obvious guides for pricing dark fiber.
- b. Charlie Webb asked whether it would make sense to use the BDU's construction costs to the City as a base.
 - i. Greg Volan replied that the City's costs varied greatly depending on whether or not the City had to dig up streets/sidewalks.
- c. Michael Pauly presented Fastwire's position in the market and their potential plans:
 - i. Fastwire's original intent for approaching the City re: fiber ring was to find a way to connect his current properties (located in the SW part of town) with downtown and the north-side of Bloomington.

1. A connection to downtown would allow Michael Pauly's tenants to reach IU's network; and, he sees offering network services to north-side firms as potentially lucrative business opportunity for Fastwire.
- ii. Fastwire ideally wanted to purchase dark fiber from the City, and with that the right to use the conduit with reasonable restrictions (i.e. they would be willing to share fiber with the City or with other involved parties).
- iii. Michael Pauly anticipates that with new housing developments being built, his number of users—currently at 1,000—will double next year.

III. Discussion

- i. Greg Volan said that in the City's original agreement with ION, initial costs were documented at about \$5/foot. So, with the BDU at about 8 miles, a potential selling price for the entire ring would run about \$200,000.
 1. This price was not agreeable to Fastwire, particularly since he would incur additional costs to install fiber in the conduit.
- ii. Michael Pauly said that since initially approaching the City on this issue, he has actually found another way to meet his immediate needs. However, he is quite interested in the potential business opportunity that purchasing the City's conduit would provide. Fastwire could then become a highly competitive ISP in Bloomington.
- iii. Michael and Greg shared with the group a potential arrangement they had recently discussed:
 1. The City would permit interested parties (e.g. Fastwire, Smithville Digital) use of the City's conduit at no charge;
 2. Those parties would then be responsible for installing the actual fiber and managing it;
 3. A certain percentage of realized profits would go to the City. However, if after a certain period of time this venture proves unsuccessful for the parties, "ownership" of the conduit would revert back to the City.
- iv. Mark McMath asked whether we could allow multiple parties to participate in this arrangement. How would we handle this?
- v. Greg Volan said that the City would start by issuing an RFP.
- vi. Michael Pauly commented that the ISP market in Bloomington is small; he can't see more than three parties being interested in participating.
- vii. The group discussed the benefits of this option. Everyone agreed that this looks like a win-win situation for both the City and the potential providers.
 1. It involves very little risk on the City's part.
 2. A partnership model seems agreeable to both Fastwire and Smithville Digital.
- viii. Charlie Webb raised the point that the City would need to be fully aware *how* each provider plans to use the conduit, so that everyone can work together.
- ix. The group also noted that the City would need to structure the agreement so that they are not giving up the entire asset to a third party.
 1. Currently, the City uses one of the conduits; five remain empty.
 2. Of the six conduits, three of them have portions that are jointly owned by the City and Ion. Further, the City has contractual restrictions on the use of its wholly-owned conduits until some of the jointly-owned conduits are sold.

- x. Greg Volan also noted that once the fiber is “lit,” it will be difficult to include additional “owners” of the conduit. In this case, the original “owner” may then lease their lit fiber to another ISP.
- xi. Bruce Myers said that the agreement should require an initial deposit from interested parties to ensure their commitment to the project.
 - 1. The group agreed, and proposed a figure of \$20-30,000 as a deposit.
- xii. Charlie Webb asked whether Fastwire and Smithville Digital would want to purchase the entire loop or just pieces of the loop.
 - 1. Michael Pauly said Fastwire would want the entire loop.
 - 2. Smithville would probably just want pieces of the loop.
- xiii. As an aside, Michael Pauly said that the City should really require private developers (who build about 80% of the City’s roads) to install conduit as they build new roads.

IV. Further Questions and Next Steps

- a. Michael Pauly and Smithville Digital raised the issue that segmenting the loop—that is, selling pieces of it—might make it less attractive to potential “buyers.”
- b. Greg Volan asked how best to calculate the City’s percentage of revenue from this venture.
- c. Bruce Myers asked Brett Skilbred whether other cities have worked with this kind of framework. Are there other options we should consider as well?
 - i. Brett suggested that the City issue an RFI (Request for Information) at this point. He will also offer the group some other pricing and business models next time.
- d. Linda Williamson said that it would make sense to consider other options, particularly through a “Telecom Town Hall,” before proposing something to the City Council.
- e. The next meeting will be held on Thursday, May 6th, 2004.

The meeting was adjourned at 5:35 pm

Minutes submitted by Heather Collins, April 28, 2004