

City Council Minutes – April 16, 2018

At 6:00 p.m. Mayor Laurie Gere called to order the regular Anacortes City Council meeting of April 16, 2018. Councilmembers Eric Johnson, Ryan Walters, Brad Adams, Liz Lovelett and Bruce McDougall were present. Councilmembers Anthony Young and Matt Miller were absent. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Arbor Day Proclamation: Mayor Gere read a statement proclaiming April 23 as the 2018 celebration of Arbor Day in Anacortes and encouraging citizens to plant trees to leave a legacy for present and future generations.

Port/City Liaison Committee: Mr. Johnson reported from the committee meeting the prior Tuesday. He described discussion topics including the Anacortes Railway, the Olson Building, the Guemes Channel Trail, the DNR lease at the wastewater treatment plant outfall, and the Port's event center planning update.

Public Safety Committee: Ms. Lovelett reported that the normally scheduled committee meeting had been rescheduled to April 23.

Finance Committee: Mr. Walters had no report from the committee meeting the prior Wednesday.

Public Works Committee: Mr. Walters reported from the committee meeting earlier in the evening. He described topics discussed including feasibility investigations for a combined sewer overflow in line storage project, exploration of the potential for Anacortes to take over the south Fidalgo water system from Skagit PUD, the raw water intake project at the water treatment plant, the tube sheet and crossover duct project at the wastewater treatment plant, the Commercial Avenue corridor project between 11th and 13th Streets, potential intersection improvements at 32nd Street and M Avenue or Ship Harbor/Edwards Way, solid waste division staffing, and investigation of changing to biweekly trash pickup to avoid a rate increase. Mr. Johnson added that the city's recycling contractor, Waste Management, still had markets for its materials.

Ms. Lovelett reminded the audience about the free FutureFest event at the Port of Anacortes Transit Shed over the coming weekend sponsored by Transition Fidalgo and Friends.

Public Comment

No one present wished to address Council on any topic not already on the agenda.

Consent Agenda

Ms. Lovelett removed Item 5f from the Consent Agenda. Mr. Walters removed Item 5c from the Consent Agenda. Mr. Adams moved, seconded by Mr. Johnson, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

- a. Minutes of April 9, 2018
- b. Approval of Claims in the amount of: \$279,821.46
- d. Contract Modification: Phase B Telemetry 14-009-IDS-004
- e. Contract Modification: WTP Chlorine Conversion Project 18-036-WTR-001

The following vouchers/checks were approved for payment:
EFT numbers: 88815 through 88856, total \$100,739.04
Check numbers: 88857 through 88900, total \$175,754.25
Wire transfer numbers: 230091 through 231062, total \$6,607.73

c. Resolution 2010: Adopting 2017 Skagit County Comprehensive Solid Waste Management Plan

Mr. Walters urged the city to develop its own more aggressive goal for higher composting and recycling rates. Mr. Walters moved, seconded by Mr. Johnson, to approve Agenda Item 5c. The motion carried unanimously by voice vote.

f. Interlocal Agreement with the Port of Skagit for Construction of Fiber Optic Infrastructure

Ms. Lovelett note this contract amount was over \$200K and asked Public Works Director Fred Buckenmeyer to elaborate on paragraph 2.H of the agreement. City Attorney Darcy Swetnam summarized the history of the evolving agreement since the initial grant award from Skagit County and reported that the Port of Skagit Commissioners had approved the agreement on March 26, 2018. Mr. Buckenmeyer added most of the projects contemplated for the grant funds had already been completed in the interim, that the proposed interlocal with Port of Skagit as the grant administrator now superseded the original grant application, and that the funds could be applied to any portion of the city's broadband network. Ms. Lovelett moved, seconded by Mr. McDougall, to approve the interlocal cooperative agreement for construction of fiber optic infrastructure between the Port of Skagit County and City of Anacortes. The motion carried unanimously by voice vote.

OTHER BUSINESS

Municipal Fiber RFQ Finalist Presentation 1

Administrative Services Director Emily Schuh shared a brief slide presentation introducing the three finalist respondents to the city's Request for Qualifications for Internet Service Providers. Her slides were added to the packet materials for the meeting. Ms. Schuh summarized the RFQ process and next steps and outlined the roles and responsibilities envisioned for the city and an ISP provider working in partnership. She reported that five respondents were interviewed by a committee composed of Mayor Gere, Councilmembers McDougall, Walters and Miller, Ms. Schuh and Mr. Buckenmeyer. She said proposals were evaluated on customer service, expertise, experience and range of services. Three finalist were then invited to present their proposals to City Council and respond to councilmember questions. Ms. Schuh advised the final selection would be made by the committee following City Council input and that negotiations would then begin regarding pricing. She said that the three presenters drew lots at the beginning of the meeting to determine the order of the presentations. Ms. Lovelett inquired when the public would have an opportunity to comment on the topic. Ms. Schuh indicated that upcoming City Council agendas would reflect public comment opportunities.

Ms. Schuh introduced the first presentation by NoaNet and iFiber.

Chris Walker, Telecommunications Director for NoaNet, thanked Council for the opportunity to work with the city for the past year on the fiber telemetry project that also provided an opportunity for a municipal broadband network. Mr. Walker referred councilmembers to the economic development article included in NoaNet's packet materials for the meeting which he said reflected the bright future of municipal broadband networks to address inequities in broadband access. Mr. Walker introduced Kelly Ryan, CEO of iFiber Communications. Mr. Walker and Mr. Ryan both introduced other members of their teams who were in attendance. Mr. Ryan summarized his firm's 20 years of experience of working with PUDs throughout Washington State to provide internet access using publicly owned fiber networks in partnership with NoaNet. Mr. Walker then summarized the history and service model of non-profit NoaNet which currently administers fifteen municipal and publicly owned broadband networks serving unserved and underserved communities in Washington. He described the shared vision of the city, NoaNet and iFiber to improve broadband availability in the community and promote economic development, economic growth and quality of life. Mr. Walker reviewed in detail the slide summarizing the roles and responsibilities of the City of Anacortes, NoaNet and iFiber in the partnership

proposed. Mr. Ryan then described the content services provided by iFiber and emphasized its focus on exceptional customer service, anticipating a local call center in Anacortes. He said iFiber is the third fastest ISP in the country. Mr. Walker summarized his group's proposed "Dream Team" collaborative effort between the City of Anacortes as network owner, NoaNet as network operator, and iFiber as retail service provider to achieve affordable high capacity broadband in Anacortes. The presenters invited councilmember questions.

Mr. McDougall questioned the presenters about the proposed roles and responsibilities, contrasting the model presented with existing PUD models and with a model in which the city would serve as its own ISP. He noted that customers could choose a different service provider across the connectivity operated by NoaNet and serviced by iFiber. Ms. Lovelett questioned the presenters on how they would keep subscription and particularly hook up costs low. Mr. Ryan described the Local Utility District model, similar to an LID, to spread the cost of building connectivity to a neighborhood over a five year payback period. He explained that iFiber's customers own their own routers and iFiber helps set those up. He said typically the only device iFiber owns is the set top box for the television but noted the proliferation of new devices which will end up being owned by consumers in the future as options continue to expand.

Contract Award: 2018 Asphalt Overlay 18-001-TRN-003

Mr. Buckenmeyer requested Council approval to award a contract in the amount of \$657,917.20 to Lakeside Industries, Inc. to perform the 2018 Asphalt Overlay Project 18-001-TRN-003. He reported that only one bid had been received which was somewhat higher than the Engineer's estimate of \$584K. He explained that the bid results reflected the very active construction market including many high profile local paving projects. Mr. Buckenmeyer recommended awarding the contract to Lakeside Industries. Councilmembers questioned Mr. Buckenmeyer as to why the project would stop at 8th Street and not continue on to 6th Street. Mr. Buckenmeyer explained that the sidewalk budget for 2018 did not have sufficient funds to perform the accessibility retrofits required by federal law to accompany paving projects. Mr. Walters and Ms. Lovelett suggested dedicating additional sidewalk funding to achieve a more efficient overlay project. Ms. Lovelett asked to table the contract for one week pending information on ramp replacement costs between 6th and 8th Streets. Mr. Buckenmeyer recommended against postponing award as that could result in the project not completing in the current construction season.

Mr. Walters moved, seconded by Mr. Adams, to approve the contract award for the 2018 asphalt overlay project. Mr. Johnson and Mr. Walters raised the ongoing issue of large trucks traveling on M Avenue instead of on the designated truck route and urged more intervention. Vote: Ayes – Johnson, Walters, Adams and McDougall. Nays – Lovelett. Motion carried.

Municipal Fiber RFQ Finalist Presentation 2: Wave

Amy Thompson, Director of Residential Product Management for WAVE, presented her company's proposal for an FTTH partnership with the City of Anacortes, referring to her slide presentation which was added to the packet materials for the meeting. She introduced other members of her team who were in attendance. Ms. Thompson discussed the demand for ever increasing internet speed and contrasted current and evolving technologies for delivering internet connectivity including DSL/VDSL, cable and fiber. She explained the cost and investment challenges of constructing fiber networks and applauded the city for making fiber internet a strategic priority for its residents using the existing fiber infrastructure. Ms. Thompson explained Wave's interest in partnering with Anacortes, noting its strong local presence and resources and adjacent service footprint. She listed the services Wave would provide including marketing and sales, network uplinks and aggregation equipment, customer installation and provisioning, billing services if the city wished to outsource that, 24/7 customer support, a network operations center (NOC) and network maintenance and monitoring. She described elements of WaveG services including high speed internet, phone, TV, routers, and business services, then said that Wave could also offer a similar product suite under a specific Anacortes brand instead of or in addition to WaveG service. She displayed the proposed routing for two redundant 10 gigabit DIA circuits and described Wave's regional and national backbone for diverse fiber routes to ensure uptime and resiliency. Ms.

Thompson emphasized Wave's customer service focus and high customer satisfaction, citing statistics from its tech support and customer service centers. She reported that Wave already employees 63 county residents and participates as an active member of the community. She concluded by summarizing Wave's local presence, ability to scale the project and respond flexibly to the city's needs. Ms. Thompson invited councilmember questions.

Ms. Lovelett again asked about high hook up costs and asked how Wave would make new service accessible affordably. Chris Fitzgerald, Wave regional sales manager, explained how five or ten year contracts can spread the investment cost over time. Mr. Buckenmeyer clarified that staff's intention is that Anacortes would build the connectivity to each home and business (to the ONT, or Optical Network Terminal) and that the ISP would provide service from the ONT into the structure so from the ISP perspective there was no capital cost. Mr. McDougall noted that Wave typically owns its own fiber and asked if it operates anywhere else as a virtual service provider. Ms. Thompson said Wave has discussed similar proposals with other areas but none were currently active. Mr. Johnson requested customer satisfaction ratings from Wave and from the other two presenters.

Contract Award: Slurry Seal 2018 18-033-TRN-001

Mr. Buckenmeyer requested Council approval to award a contract in the amount of \$148,841.00 to Intermountain Slurry Seal, Inc. to perform the Slurry Seal 2018 Project. He reported that three bids were received with the low bid from Intermountain somewhat below the Engineer's estimate of \$244K. He recommended awarding the contract to Intermountain Slurry Seal. Mr. Buckenmeyer responded to councilmember questions regarding offsite parking arrangements for residents during construction, noting the high level of public information involved with such projects and the successful completion of a similar project the prior year. Mr. Adams moved, seconded by Mr. Johnson, to approve the Slurry Seal 2018 contract. Vote: Ayes – Walters, Adams, Lovelett, McDougall and Johnson. Motion carried.

Municipal Fiber RFO Finalist Presentation 3: Rock Island

Gerry Lawlor, Executive Vice President of Rock Island Communications, presented his company's proposal for the Anacortes Municipal Broadband Project, referring to his slide presentation which was added to the packet materials for the meeting. He introduced other members of his team who were in attendance. Mr. Lawlor summarized the history of Rock Island since it formed as the first independent ISP in the San Juan Islands in 1994. He described its partnership with Orcas Power & Light Cooperative (OPALCO) to provide ISP solutions using OPALCO's fiber, similar to the how Anacortes envisions using excess capacity on its telemetry fiber, then described the joint venture with T-Mobile that began in 2015 which added capital funding and LTE (Long Term Evolution) fixed wireless to the enterprise. Mr. Lawlor said Rock Island was very familiar with the challenges of funding a public broadband network as Rock Island is a wholly-owned subsidiary of OPALCO. He shared statistics of fiber installed, LTE sites, number of locations served, and dollars invested by each partner and by individuals. Mr. Lawlor discussed the investment strategy at some length, noting that the challenge was to make such a project financially viable fast enough to generate cash flow to meet debt service requirements and distribute the financial exposure among multiple parties. Mr. Lawlor shared Rock Island's initial analysis of the 1300 residential and commercial structures located within 100 feet of the existing fiber backbone in Anacortes to identify the first likely customers. He described the LTE network Rock Island has built with T-Mobile on the San Juan Islands and the application of new 5G technology and said Anacortes had approximately 1500 additional potential customers using that technology. He emphasized the need to generate and maintain public interest in the Anacortes brand and in a locally owned municipal network. Mr. Lawlor then described in more detail Rock Island's successful partnership with T-Mobile to mitigate risk and expand leading edge technology and management expertise. He described the range of products offered by the San Juan network including LTE fixed wireless, mobile device coverage, Layer3 TV and the ever expanding internet of things. Mr. Lawlor then elaborated on Rock Island's Go To Market strategy, capitalizing on existing fiber complimented by LTE and maintaining community interest and support with local branding, local investment and local talent. He encouraged requiring some amount of end user investment in fiber to the premise in addition to ISP and city

investment in what would likely be a \$20M project. Mr. Lawlor discussed Rock Island's modeling tools to identify demand and then optimize expansion of fiber. He recommended using LTE technology, which is superior or comparable to current DSL and cable options, to quickly reach more customers and build cash flow to support the ongoing fiber build. Mr. Lawlor invited councilmember questions.

Ms. Lovelett asked how much oversight T-Mobile had on San Juan Island network. Mr. Lawlor said that T-Mobile was a partner that provided products and services but had no oversight. Mr. McDougall asked how the products were branded. Mr. Lawlor said the cell phone service was T-Mobile branded but the internet was Rock Island branded. He said that the LTE model was growing throughout the nation, making the most of existing resources and excess capacity on fiber and LTE systems owned by different entities. Mr. McDougall observed that half of Anacortes could use the LTE as a bridge technology until the fiber network could be extended city wide. He asked Mr. Lawlor how fast the city would need to move to make fiber available to all 6000 structures in town. Mr. Lawlor said that could happen in four years and noted that the key was to meet the demand up front. Ms. Lovelett asked what challenges Rock Island faced in keeping up with customer demand. Mr. Lawlor explained that in their rocky island topography, as on Fidalgo Island, trenching for fiber takes time. Ms. Lovelett noted that some Anacortes community members can afford to invest in fiber but asked how Rock Island would address those who can't. Mr. Lawlor said that was another benefit of LTE wireless, which can provide service with no up front cost beyond a small connection fee. He said some neighborhoods can and will afford \$500-\$1000 to hook up each home, and that is where fiber generally expands first to balance cash flow. Mr. Walters asked why hard-to-access neighborhoods aren't already served by LTE. Mr. Lawlor said LTE depends on getting fiber close enough to homes to serve them. Mr. Walters felt that service was already available in Anacortes from existing providers. Mr. Lawlor said that "big four" cell phone carriers have different signal strengths in different locations and are not traditionally in the in home broadband business through their LTE networks, noting that cell phone hot spots were not sufficient for full in home broadband. Mayor Gere asked where Rock Island got its \$17M investment in the partnership. Mr. Lawlor said it had a bank loan for its share, which funded its start up operations as well as the fiber "to the home" portion of the build out beyond OPALCO's fiber. He said the city would need to determine how it would fund that portion in Anacortes. Mayor Gere emphasized the need for a solid business plan. Mr. Johnson asked what Rock Island, as a cooperative, would bring to Anacortes that other businesses could not. Mr. Lawlor said Rock Island cares about and works directly with the community. He said the sense of local ownership had been a key to its success on the San Juan Islands and that they would love to replicate that with Anacortes.

Mayor Gere inquired if councilmembers wished to discuss the evening's presentations or resume that discussion at a future meeting. Mr. Walters requested some basic discussion about what problem the city was trying to solve and the principles that should inform the selection of a provider. Mayor Gere observed that the topic was on the agenda for the April 23, 2018 regular City Council meeting. Mayor Gere thanked all the respondents for their presentations and invited councilmembers to submit any follow on questions to Ms. Schuh.

There being no further business, at approximately 8:30 p.m. the Anacortes City Council meeting of April 16, 2018 was adjourned.