

Municipal Fiber Network in a Minnesota Town

Notes from conversation with City Manager – February 27, 2018

City started working on their Municipal Fiber Network in 2005/2006. Incumbents were/are TDS (internet/phone) and Charter (triple-play).

2006 - City hired Doug Dawson (CCG Consulting) to perform a Feasibility Study and Network Plan. Municipal Fiber Network was put on ballot for vote of residence. TDS and Charter (primarily TDS fight against ballot initiative in a very big and deceptive way). Network vote passes with 73% of voters favoring the initiative.

City spends 6-8 months and \$800,000 for design, engineering and funding program for traditional GPON network... Price tag of network build estimated at \$26,000,000.

City raised \$26,000,000 to build network... managed by Oppenheimer Funds, raised through general obligation bond from the City.

As soon as City finishes raising \$26,000,000 TDS files law suit against City to stop network. Oppenheimer tells City they will hold funds for 12 months (with City agreeing to pay 8% interest on funds).

City fights TDS in multiple court battles finally getting to the MN Supreme Court to agree not to hear TDS' appeals case with 1 week left on their 12 months deadline from Oppenheimer.

As soon as City begins building the network, TDS decided to build out a Fiber network at the same time (even though they had refused to do so for years prior to the city's network initiative). So, two fiber networks are built throughout the City simultaneously in 2008-2009.

M&T builds the City's network 2008-2009... HBC (Hiawatha Broadband) managed the network for the City. December 2009 network become operational with 33% take-rate.

December 2009 when the City's network goes live, Charter announces a \$99.00 all in bundled triple-play service taking the wind out of the City's fiber offering.

The City was expecting 50%-60% take-rates (per the 2006 Feasibility Study from Doug Dawson). City hit a peak take-rate of 37% back in 2010-2011, but quote: "Now it has tanked"

Peak take-rate of 37% was not enough subscribers to make City network profitable. 2011 City defaults on \$26,000,000 revenue bond (City was not technically a guarantor on the funds). In 2012 City settles debt for \$8,000,000.

Case Study

How Not to Implement a Municipal Fiber Broadband Network



2012-2013 without much notice HBC cancels management contract with City. HBC leaves so fast the City does not have time to research management options and signs with Gigabit Squared (Mark Ansboury). “This was a bad decision” ... very poor service, quality, etc.

2016-2017 City went out to RFP for network management provider to replace Gigabit Squared. They hired Arvig (small teleco). Service has improved over the past year since Arvig took over management of the network.

TDS and Charter continue to do everything they can to kill the City’s network. TDS has fiber running alongside City’s fiber. Both companies have offered services at a loss to force City’s network into the red.

Current State: City’s network is operational but loses \$\$\$ ever year (supplemented by City owned Liquor store). Currently managed by Arvig and off the plate of City Leaders. Current residential rates listed on City’s fiber network website:

- Up to 50 Mb – \$35.95/mo + \$15.95/mo modem.
- Up to 100 Mb – \$45.95/mo + \$15.95/mo modem.
- Up to 500 Mb – \$79.95/mo + \$15.95/mo modem.
- Up to 1 Gig – \$114.95/mo + \$15.95/mo modem.

Business Service pricing is not listed on website.

Quote from the City Manager: “Most of the City Leaders have survived the 12-year ordeal, put it has been painful”.