

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
February 7, 2012 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Fiber study report (Bob Campbell, Wendy Chretien of Elert & Associates and Dick Treich of Front Range Consulting) ----- 1

Action Requested of Council:

Review the report and provide direction to staff.

Background/Rationale:

On August 16, 2011, the Council awarded the Fiber Feasibility Study to Elert & Associates. Ms. Wendy Chretien and Mr. Dick Treich will be presenting their findings.

Staff Recommendation:

Based on the Council's decision, direct staff to prepare a proposal on selected option for Council consideration.

Budgetary Impact:

None at this time.

2. Federal lobbyist annual report (George Ramonas of the Advocacy Group)

Action Requested of Council:

Information only. Direction on renewal of the Federal Legislative Consulting Services Agreement will be presented for Council consideration at the February 21, 2012 Work Session.

3. San Juan Economic Development Service Update (Mayor)

Action Requested of Council:

Information only.

4. A resolution relating to the proposed City of Farmington Sales Tax Revenue Improvement and Refunding Bonds, Series 2012; authorizing and approving submission of a completed application for financial assistance and project approval to the New Mexico Finance Authority; and authorizing a notice of intention to adopt a bond ordinance (Jay Burnham) ----- 2

Action Requested of Council:

Adopt resolution.

Background/Rationale:

This resolution accomplishes two purposes: 1) the New Mexico Finance Authority ("NMFA") requires that the Council authorize staff by resolution to submit an application for financial assistance and project approval to the NMFA to keep the City's option open to sell the bonds the City is contemplating issuing to NMFA if that proves to be the option that produces the lowest interest rate; and 2) the resolution also authorizes publication of a notice of intent to consider adoption of the bond ordinance on February 28, 2012.

Staff Recommendation:

If the Council wishes to consider the adoption of the bond ordinance at its meeting on February 28, 2012, then this resolution needs to be adopted at this meeting.

Instructions Upon Approval:

Send application to the NMFA and publish notice of intent to consider bond ordinance.

COUNCIL AND OTHER BUSINESS

5. Appointment and Reappointments to the Library Board and San Juan Regional Medical Center Corporation Board (Mayor)

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.



City of Farmington, New Mexico

Fiber Feasibility Study Report

Final version - January 26, 2012

Prepared by:

Michael Bradley, Bradley & Guzzetta
Wendy Chretien, Elert & Associates
Felix Fayngersh, Elert & Associates
Milda Hedblom, Dain International
Dick Treich, Front Range Consulting



Elert & Associates
651-430-2772
www.elert.com

Table of Contents

1 EXECUTIVE SUMMARY.....	4
1.1 SUMMARY OF FINDINGS.....	4
1.2 SUMMARY OF ANALYSES.....	4
1.3 RECOMMENDATIONS.....	5
2 STUDY PROCESS.....	6
3 IDENTIFIED NEEDS.....	7
3.1 SITES REQUESTED TO BE ADDED TO FIBER SYSTEM.....	8
4 CURRENT SITUATION (FIBER).....	10
4.1 BACKGROUND/HISTORY.....	10
4.2 FIBER INSTALLATION.....	11
4.2.1 <i>Quality of Installation</i>	11
4.3 FIBER AVAILABILITY WITHIN FARMINGTON CITY LIMITS.....	11
4.4 FIBER AVAILABILITY OUTSIDE CITY OF FARMINGTON LIMITS.....	11
5 OTHER POTENTIAL RESOURCES.....	12
5.1 CITY-OWNED TOWERS.....	12
5.2 LEASED TOWERS.....	12
6 FEUS REQUIREMENTS.....	12
7 COMPETITIVE ENVIRONMENT.....	13
8 POTENTIAL OPTIONS SELECTED FOR ANALYSIS.....	14
8.1 OPTION II.B. AND II.D. - PUBLIC OPTIONS WITH THE OFFERING TO LEASE DARK FIBER TO PRIVATE COMPANIES.....	15
8.1.1 <i>Option Descriptions</i>	15
8.1.2 <i>Advantages of Option II</i>	16
8.1.3 <i>Disadvantages of Option II</i>	16
8.1.4 <i>Assumptions for Option II.b. and II.d.</i>	16
8.1.5 <i>Financial Analysis - Option II.b.</i>	17
8.1.6 <i>Financial Analysis - Option II.d.</i>	17
8.2 OPTION IV.D. - OFFERING OF INTERNET SERVICES TO RESIDENCES AND BUSINESSES COUNTY-WIDE.....	18
8.2.1 <i>Option Description</i>	18
8.2.2 <i>Advantages of Option IV</i>	18
8.2.3 <i>Disadvantages of Option IV</i>	19
8.2.4 <i>Assumptions for Option IV.d.</i>	19
8.2.5 <i>Financial Analysis - Option IV.d.</i>	20
9 REGULATORY ENVIRONMENT.....	21
9.1 LEGAL CONSIDERATIONS FOR OPTION I.....	21
9.1.1 <i>General Municipal Powers</i>	21
9.1.2 <i>Joint Powers Agreement</i>	22
9.1.3 <i>Private Telecommunications Systems</i>	23
9.2 LEGAL CONSIDERATIONS FOR OPTION II.....	24
9.2.1 <i>Leasing Dark Fiber to Private Companies</i>	24
9.3 LEGAL CONSIDERATIONS FOR OPTION III.....	24
9.4 LEGAL CONSIDERATIONS FOR OPTION IV.....	25
9.4.1 <i>Offering Internet Services to Residents and Businesses</i>	25

9.5 LEGAL CONSIDERATIONS FOR OPTION V26

 9.5.1. Offering Retail Telephone Service.....26

 9.5.2. Offering Retail Cable Service.....27

 9.5.3. Offering Retail Public Internet Service.....27

10 NEXT STEPS.....28

11 APPENDIX A – FINANCIAL MODEL FOR OPTION IV.D.....29

12 APPENDIX B – CITY ATTORNEY MEMO.....30

1 Executive Summary

The City of Farmington retained Elert & Associates, with its subcontractors, Bradley & Guzzetta, Dain International and Front Range Consulting (“Elert & Associates” or “Study Team”) to help the City identify and understand how best to utilize its fiber optic infrastructure to benefit the citizens of the community, improve business success, and fuel economic development.

The City’s leaders requested information to help them decide whether Farmington should engage and participate in commercial communication services, and if so to what extent. The study was also intended to identify feasible fiber optic infrastructure options for the City to consider adopting.

This document is the result of the Study Team’s findings and analysis efforts.

1.1 Summary of Findings

Several public entities within San Juan County have installed fiber optic cabling to connect public institution sites and/or utility infrastructure. Of these, FEUS is by far the largest owner of fiber optic infrastructure with over 90 miles of fiber in place. Throughout most of the FEUS system up to 24 fiber strands would be available for uses other than utility service. The City of Farmington IT Department also manages a smaller fiber network within the city’s borders. In general, the in-town fiber has more than 12 and less than 32 strands available, with one key link having only 4 unused strands.

The FEUS and City of Farmington fiber are in good condition, but documentation of the fiber systems is incomplete making it difficult to know when and where it is feasible to connect additional sites.

Many of the public entities, including the City of Farmington itself, would like to connect additional public locations via fiber. Fifty (50) public sites have been identified as desired connection points. Of those, approximately 20 are relatively close to existing fiber and could be connected at reasonable costs.

Several Internet Service Providers indicated interest in leasing unused (dark) fiber so they could offer services in more locations and/or at faster speeds. The price the City charges for such fiber would be a major factor in whether agreements could be reached.

1.2 Summary of Analyses

The Study Team examined twenty (20) options for alternative uses of the existing fiber systems. Of those, three were selected by City staff for further analysis.

Options II.b. and II.d. are similar and include connecting public entity sites as well as the option to lease dark fiber to private entities. Option IV.d. would extend