



UC2B Policy Board Agenda

Regular Meeting

Wednesday, July 11, 2012

12 p.m. – 1:30 p.m.

Council Chambers, 102 N. Neil Street, Champaign, Illinois

- I. Call to Order
- II. Roll Call (By Roster) – Determine Quorum
- III. Approve Agenda
- IV. Approval of Minutes from the June 11, 2012 and June 20, 2012 Policy Board Meetings
- V. Correspondence
- VI. *Action/Discussion Items: (In this section, items will be presented to the Board and opened for technical questions. Then we will go to the audience for comments—audience comments are limited to five minutes per person—then we will return to the Board for general discussion and questions.)
 - a) *Resolution 2012-18 A Resolution Establishing a Policy Regarding Indefeasible Rights of Use Agreements—REVISED (12:05)
 - b) *Resolution 2012-19 A Resolution Establishing a Policy Regarding Short-Term Dark Fiber Leases (12:30)
 - c) *Resolution 2012-20 A Resolution Establishing Wholesale Transport Services and Rates and Core Connection Charges (1:00)
 - d) Canvassing and Outreach Update (1:15)
 - e) Update from Special Joint City Council Study Session (1:30)
- VII. Items for future meeting agendas
 - a) Field Orders – Interim J.U.L.I.E. Locating Services and Fiber Restoration (Vandeventer, Shonkwiler)
 - b) UC2B Core Values Discussion
 - c) Policy Statement Regarding Use of Public Resources by Private Entities Furthering an Articulated Public Purpose (Schnuer)
- VIII. Public Participation

UC2B is an inter-governmental body. The City of Champaign serves as its administrative agent. The City of Champaign strives to ensure that its programs, services, and activities are accessible to individuals with disabilities. If you are an individual with a disability and require assistance to observe or participate, please contact the City of Champaign at 217-403-8710 at least 72 hours prior to the scheduled meeting date.



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IX. Board Member Comments

X. Adjournment

XI. Next Meeting:

Wednesday, July 18, 2012 at 12:00pm (**Special Meeting**)
Council Chambers
102 N. Neil Street, Champaign

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UC2B Policy Board Minutes

Special Regular Meeting

June 11, 2012

Location:
Council Chambers
102 N. Neil Street

Board Members Present: Jon Gant for Abdul Alkalimat, Zernial Bogan (by Skype), Brandon Bowersox-Johnson, Mike DeLorenzo, Deborah Frank Feinen, Pete Resnick, Richard Schnuer (by Skype), Bill DeJarnette for Tracy Smith

Others Present: Fred Stavins, Diane Kruse (by phone), Teri Legner

Board Members Absent: Abdul Alkalimat, Minor Jackson, Tracy Smith

Action Items:

- I. The meeting was called to order at 12:07pm by Chair Feinen.
- II. Roll Call – Determine Quorum
- III. Approve Agenda: DeJarnette moved, Resnick seconded the motion to approve the agenda. The motion passed by voice vote.
- IV. *Action/Discussion Items:
 - a) **Policy Board Officer Appointments:** Schnuer nominated Brandon Bowersox-Johnson as Chair, Gant seconded. The motion passed by voice vote. DeLorenzo nominated Deb Feinen as Vice Chair, Gant seconded. The motion passed by voice vote. This will appear as a Resolution on next week's agenda.
 - b) **Resolution 2012-15 A Resolution Revising the 2012 Policy Board Meeting Schedule:** Chair Feinen explained that this proposed moving the Policy Board meetings back to the second and fourth Wednesdays at 12:00 p.m.

Bogan asserted that there was not enough advertisement about the Thursday evening meetings and did not feel that moving the second meeting of the month back to a daytime schedule was good for the public.

Legner shared that the information has been shared by the canvassing team via



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electronic newsletters. Bogan replied that that is not sufficient and does not make sense when the people whom UC2B will serve do not have the internet service yet. Chair Feinen asked Legner whether the information was shared in the local churches. Legner mentioned that perhaps Rev. Barnes, who was present at the meeting, could speak to that. She continued that the electronic notification was sent to all of those people who have previously expressed interest in UC2B service. Gant said that 1,270 people on the list expressed interest and most of them had email addresses. Additionally, the canvassing team participated in public events (e.g., Garden Hills area), expos, and spread the word that the schedule had changed to incorporate an evening meeting once a month.

Bogan answered that Garden Hills is only one of eleven targeted areas. For example, people near Provena Covenant do not have the meeting information and have been coming to him and asking him about it. Gant responded that the canvassing team has blanketed all target areas at least eleven times. They are explaining the service and letting them know how they can participate, i.e., by coming to the meetings. The message has been consistently relayed.

Resnick asked whether Committee members were having scheduling issues, as well. Chair Feinen said that regular Board appointees are struggling to attend the evening meetings. Fred Stavins, the City Attorney, cannot attend on Thursday nights, which leaves the Board without legal counsel. Items have been deferred due to his absence. Policy Board meetings are broadcast live and replayed online on demand, so there are multiple opportunities for people to watch the discussions taking place. She also stressed that between now and January 2013, there are a tremendous amount of things that have to get done and people must be present at meetings to vote on them. After that, the schedule can be up for discussion again, if Bowersox-Johnson decided to do so.

Bogan insisted that the change was uncalled for and asked for a weekly public newsletter to go out to the neighborhoods, even *Thrifty Nickel*, if need be, to reach those who are not electronically connected. Gant acknowledged Bogan's point and said he and the canvassing team can continue to look at ways of distributing the information. They are always looking to improve outreach.

Audience comments: Rev. Barnes: I listen for things in the community, and I do not hear a lively enough discussion regarding UC2B in the churches. There is a magazine called *Unity in Action* that can be utilized as a tool for distributing information. Pastors are still unaware. I agree with Rev. Bogan that the task before this Board is significant. We just want to impact the community in the best way possible.



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Resnick motioned, DeLorenzo seconded to approve the Resolution as written. The motion passed by voice vote. Chair Feinen also added that the Policy Board would be meeting every Wednesday in June with the full schedule of items to approve. Starting in July, the regular schedule of Policy Board meetings taking place on the second and fourth Wednesdays at 12:00 noon would commence.

Bogan asked whether meetings would only take place once a month after the operations units have started up; Chair Feinen answered that that is a possibility, but that realistically, the Board was years out from that happening.

- c) **Resolution 2012-013 A Resolution Accepting the UC2B Business and Strategic Plan and Forwarding It On to the Member Agencies For Consideration:** Resnick motioned for an alternate Resolution, as he felt there should be more discussion on the 501(c)3 option of the business plan. Specifically, he posed to the Board whether some restraints should be put in place on the 501(c) 3. He asked for the Board to create a set of recommendations. DeJarnette seconded.

DeLorenzo did not feel comfortable sending anything to the Chancellor that wasn't fully recommended by the Policy Board. He was okay with sending the business plan as-is to the member agencies.

One of Resnick's main concerns with proposed recommendations was the limit on openness so that private discussions can take place. He was strongly against this notion. Schnuer agreed and asked how quickly the Board needed to approve the business plan. Legner said that though there seemed to be issues on some of the pricing with regard to wholesale services, IRU's and dark fiber leases, the Board still has the authority to establish this pricing. Those decisions will ultimately be incorporated into the Plan as it is finalized. However, the questions of organizational structure, governance, and expansion are issues that the City Councils and the UI will determine, although the Board needs to weigh in and provide a recommendation. That's why the Resolution is written this way. She reminded the Board that when the change order was made with NEO Fiber earlier this spring, a thorough business structure evaluation was taken out of their scope of services. They were asked to give us options with advantages and disadvantages and some preliminary recommendations. Outside legal counsel will ultimately assist UC2B with its structuring. Approval of the Plan needs to happen soon so that further evaluation regarding expansion and structure in particular can begin.

Regarding private conversations, Resnick did not feel that anyone should need to have them with the Policy Board. He opined that conversations can



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continue to be held with staff and individuals from the Board before going to a public meeting.

Bowersox-Johnson arrived at 12:35 p.m.

Schnuer said the Champaign City Council will provide direction to staff and bring back the final document. He also expressed concern over the Policy Board having private conversations, even with the motivation to make decisions more quickly. He emphasized keeping the principles regarding public input and transparency. Further, he thought the plan seemed to slant towards having a profit motive (“profit on wholesale to support the retail”).

Bogan seconded Schnuer’s opinion and did not feel it was appropriate to allow confidential meetings with individuals/companies.

Kruse reminded the Policy Board that it was not within NEO Fiber’s scope of work to make a recommendation on the details of UC2B’s organizational structure. What they were asked to include is a narrative of what options are available and what the pros and cons are. How UC2B governs itself is something the Policy Board must decide upon.

Chair Feinen added that that meant they could decide upon by-laws requiring open meetings for the not-for-profit arm or closed sessions to discuss contract negotiations. Bowersox-Johnson agreed with Chair Feinen, adding that to him, it made sense to send the plan to the agencies and it is up to them and their legal counsel who will work with them.

(Due to some technical difficulties from the weather – Bogan and Schnuer were dropped from Skype - the audience was given a chance to comment.)

Audience comments:

Mark Scifres of Pavlov: We are interested in providing services that are not capable over an IP network, which is why we are requesting dark fiber and IRUs, etc. That is our main interest. Unfortunately, some of the information we need to share could cause pricing issues in other markets. Our request is to communicate with specific guidelines on aspects of the business and how to interact more clearly. I’m failing miserably on how to communicate with this panel, especially effectively.

Gant asked if Scifres has sensitive information (e.g. intellectual property) that he wants to discuss privately. Scifres said that not specifically but if they were to announce ahead of time what they plan on doing and then don’t follow through with that plan, a business can run into problems. If we announce we



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do certain things, we might end up in conflict or might decide not to do it and then we create conflicts for no reason with our primary businesses in other markets. We are not opposed to openness in this process, we just don't know the best way to do so. We want to make Champaign a mecca of technology.

Peter Folk, Volo, Urbana: We've also had a bit of a challenge communicating on a customer level with UC2B. If you boil down what Mark is asking, he is trying to buy services and does not want those to be public. Regardless of your structure, you want your customers to have some privacy and we want to know who to talk to in that regard.

Board comments:

Bogan said that a unique factor of UC2B is that there are open access venues where people can participate. It would not good to be non-transparent in any public dealings.

Resnick had no issue with coming up with a recommendation for a 501(c)3; his problem was the Resolution says "Please adopt this as it is stated in the report."

Legner added that the intent of the Resolution was to say, as you're considering this model, please keep in mind the original mission of UC2B. The intent is to maintain the open access network, which we have to anyway. Bogan is right on that point but our structure can be changed by our member entities.

Resnick answered that insofar as that is the intent, yes. The last "whereas" clause talks about open access but does not, as far as he could tell, talk about the transparency issue, which is what he really wanted to discuss in detail.

Chair Feinen asked if the Board could take the last "whereas" and add, "in a transparent and open manner?"

Resnick said his concern with the motion is that the Board is to forward the plan for adoption. He heard that we want them to start working on the business plan and structure but not necessarily take the recommendations in here as stated.

Gant said he was hearing separate issues. The Resolution says the Policy Board will continue to consider different aspects of the business plan and do further research and investigation. The second thing was doing this in an open and transparent manner. Lastly, he asked if the "final structure of UC2B without any further consideration" was an issue. Resnick said the second two



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things are one item to him. The openness issue is about the structure of the organization. What is in the stated plan are a 501(c)3 and for-profit arm and not an assumption of a level of openness, which would mean negotiations in private.

(More technical difficulties led to Bogan not being present at the meeting.) Resnick said his Resolution was on the floor as stated. It changes the idea of having member agencies to adopt, but to consider. It also says that we will, in the future, make recommendations as to structure.

DeLorenzo expressed concern over presenting a “fluid document” to the agencies – what exactly are they approving? They are looking to us to make more final decisions.

Schnuer stated that UC2B has good staff and consultants and the Board should trust them to revise the Resolutions and come back for approval; there was no need to wordsmith. Gant said that the document before the Board demonstrates pros and cons with a whole section of guiding principles. He conceded that the guiding principles may not have been placed as well as they could have been (not at the front of the document) but the pros and cons are covered.

Schnuer said when he looks at the guiding principles, he does not see public input or transparency. He did not see it as a pro that UC2B would be guaranteed to have a level of transparency.

Kruse said it would not take long to get these issues resolved. She asked Schnuer to email his suggestions to Legner so she could incorporate them. Schnuer said he would be happy to but would not want to make changes without having the Board’s majority of support.

Bowersox-Johnson said the wordsmithing needed to stop at this point. He suggested having Kruse and staff change the public/transparency piece and have a clean vote at the next meeting. DeLorenzo agreed. Resnick said he was happy to withdraw his Resolution with the hopes that there are changes to the reports and an appropriately amended Resolution.

Schnuer said he would also like to see added to the mission a promotion of low to no income households under the network. He stressed having a level playing field. Chair Feinen responded that she was concerned with having a bare bones business plan. Schnuer said he simply wanted a section added re: “low to moderate household uptake.”

Resnick agreed that there should be no grand rewrites but a shuffling of the



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smaller details. Chair Feinen said she would not allow more than a ten minute discussion at the following meeting of the business plan; this was on this week's agenda with the intent to vote on it and it was being deferred once again.

Kruse said she would follow up with Legner on the wording and get it out to the Policy Board. She left the call at 1:26 p.m.

- d) **Phase III Opportunities for Expansion:** Smeltzer explained that Gigabit Squared, in working with Gig.U, has recently released an RFP offering Gig.U members, including UC2B, to partner with them and build out gigabit fiber networks. He reviewed his report briefly noting that we have an opportunity to apply for a "grant" with Gigabit Squared that could lead to a complete buildout of the network in front of every home and business in C-U. Gigabit Squared would finance the expansion; there would not need to be a public subsidy to assist with it. He also noted that, as demonstrated here today by both Mark and Peter, it is sometimes difficult for private entities to communicate effectively or do business with a public body. *Some* new structure needs to be figured out, even if it is just organizationally, but with the same board members. This is feedback he has received from Gigabit Squared who has indicated that the current structure is a concern if UC2B were to win in this competition for buildout.

Technical questions: Resnick said he did not understand the relationship between Gigabit Squared and Gig.U. Smeltzer explained that Gig.U is an organization made up of thirty-seven research universities as members and their surrounding "communities" dedicated to building out gigabit fiber optic networks. Effectively, Gig.U is trying to function as a "dating service" for introducing private companies to public entities and their networks. Gigabit Squared is a private company with several partners issuing a challenge to Gig.U members to demonstrate their interest in buildout. They have committed \$200M for 6 communities that can bring the most "match" to the table. He noted that C-U is probably unique in this process since we already have a newly constructed fiber backbone throughout the communities. This is valuable to them.

If successful in our response, Champaign-Urbana could be their largest single investment in terms of doing a community wall-to-wall (Champaign, Urbana, and Savoy.) We want to ensure that all of our community has access to the infrastructure.

Resnick asked where the \$72M figure in his report came from. Smeltzer said he estimated the residences at \$1,250 per home, business at \$1,500, and \$1,500 for the electronics.



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Schnuer said he was trying to understand the issue of ownership of physical assets and the rights of others to use that. Smeltzer explained that that the UC2B policy that was recently adopted was applicable for businesses, not residentially. The Board would have to decide whether that merits further discussion and application to expansion to residences. As to the service, Gigabit Squared is interested in an open access platform, just like UC2B. Essentially, they would operate a central repository for services. If someone does not like them, they can go with another provider. There is no guarantee there will be others on the first day of business, but as soon as UC2B has 5,000 customers that aren't part of the grant-funded areas, that will merit national attention and probably begin to attract other providers.

Audience comments: Jon Rector, Pavlov Media: my recommendation on competing with the entity who owns the infrastructure is to be careful.

Peter Folk, Volo, Urbana: You can't always get everything you want but when the critical mission of UC2B is to be a public network, it seems the critical component of your RFP needs to be that those resources stay publicly owned. That's the critical thing that AT&T never had. I'd hate to go back to a situation where we independent providers are beholden to a for-profit entity. It doesn't create a level playing field.

Rev. Eugene Barnes: the idea of Gigabit Squared sounds palatable. I'm interested in hearing more about it. I had proposed something called the Community Benefit Coalition. The idea that Mike is presenting has merit and it speaks of community control. I would hate to see private businesses come in and then the exploitation that eventually ensues would affect what we're trying to do.

Ray Mitchell, S. Neil Street: if you decide to change your principles based on money, that is not good. It seems shady for them to have a different opportunity than another provider because they have lots of money.

(Bogan rejoins the meeting.)

Board comments: DeJarnette asked whether this precludes others from using the infrastructure for their projects. Smeltzer responded that no, it does not. In MA, they've hired a private provider to operate their network for them. Because we own the backbone here, we will have the ability to control, if you will, what happens on the other end of the backbone.

Bowersox-Johnson asked what our community would want from Gigabit Squared. It should be operated as an open access network. I think another one



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of these criteria would be the idea that ownership reverts to us after twenty years. We should develop our list of must-haves and throw ourselves into this competition. And the principles are the principles that guide us. We need to build into this escrow fund. If we're not selected at all by Gigabit Squared or if we can't come to terms when we see the details, we need to leave ourselves enough of a time window where we can seek other private partners or expand to the community. I'm incredibly excited about this and think we just need to be clear about spelling out our priorities and moving quickly.

Resnick agreed generally with Bowersox-Johnson, saying so far this is a "pig in a poke." We don't know what the motivations here are or what the models are like. He vehemently disagreed with the "so long as it's being run in an open access way, it's not a big deal" theory. It's *the* biggest deal, in his opinion. He did not think we should jump on this just because it has a big shiny number on it.

Chair Feinen said this reminded her of the original grant request. The Board always has the opportunity to turn it down if we were selected. She recommended going forth and applying and if we end up not liking the terms, say no thank you.

(Due to technical difficulties, Bogan's response could not be heard.)

DeLorenzo said he looked at this like a railroad or highway coming into town. We don't want to be sitting on our hands if and when someone else gets this. Resnick answered that Comcast came in with their infrastructure, as well as AT&T. The result is bad. There is no competition and the result is much higher prices and lesser bandwidth.

DeLorenzo motioned to move forward and work with member agencies and figure out what the community wants; Gant seconded. The motion passed by voice vote.

- e) **Resolution 2012-12 A Resolution Approving Wholesale and Dark Fiber Services and Rates – deferred**
- f) **Presentation by Ben Galewsky and Peter Folk from Volo on a second opportunity for expansion in a co-op model: (Note: the PowerPoint presentation is located in the agenda packet for this meeting, page 174.)** Immediate needs are to connect the backbone to the internet, contract with retail subscribers, provision subscriber households, support subscribers, etc. Longer term, the goal is to expand into non-designated neighborhoods. The proposal is to create a subscriber-owned broadband utility cooperative (co-op).



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Benefits of a co-op: it's run as a business, governed as a democracy of subscribers for accountability, the money stays rooted in the community, there is not a taxing authority, and profits are used to expand the network.

The Board has to own a lot of the business plan. The co-op operates the network, first as Volo, then independently.

On July 1, 2012, Volo needs to provide a letter of intent to be acquired by a co-op. The initial co-op Board of Directors will be appointed. The Cities provide letters of support for the co-op. Then, Volo, the co-op Board, and UC2B apply for Gigabit Squared funds to subsidize the membership fee for low-income residents. The benefits are no ramp-up time and better operational efficiencies.

Technical questions: Resnick asked what the structure of a co-op is – non-profit?

(DeLorenzo left the meeting at 2:15 p.m.)

The co-op would operate as a for-profit entity. It would be designed not to create a profit but if we do, it goes back to the households.

Schnuer said the Board would not commit anything formally at this time. The RFP for operations has yet to go out. The co-op can compete with others who want to provide services. He felt it was better to take proposals instead of just one.

(Schnuer left the meeting at 2:20 p.m.)

Audience comments: Peter Folk, Volo, Urbana: on the topic of co-op, to me it's an "AND." The co-op I've seen as away to keep ownership local and democratically controlled, while giving some of the nimbleness that accompanies a for-profit.

Mark Scifres, Pavlov: This is why I keep talking about dark fiber rates and IRUs. None of these preclude each other. You would simplify your proposals. Your asset is the fiber and there is nothing stopping from having multiple companies use it for service.

Board comments: Resnick said this is why he asked the question about how the operational staff becomes acquired. He saw the co-op be another provider on the network but the other being the governance model. The operations of



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the fiber plant would be governed by a co-op and he thought that was a plausible model. He wanted to pursue this and learn more.

Peter Folk, Volo: On ownership of assets, one of the things that made this model come to mind is that as a business operating on the network, I have no interest in owning the assets. What I care about is investing time and energy into providing services on a three-year contract. That is not very satisfying for me from a business model standpoint. That's where the co-op is a long-term partner, in my view the public entity, the IGA, would own 100% of the assets, including to the home. As far as we can tell the RFPs would preclude this kind of response. I know the timing exactly and you have a month. In order to get this done in that time, it will be hard to do this via RFP. (Bowersox-Johnson asked Folk to elaborate.) There are two RFPs that are set to go out – one for customer service and one for maintenance, none for operation. I'd like to see it all as one. There are operational efficiencies where we could operate the network for substantially less than UC2B can do it. There are two jobs being paid for but there are other costs in the model not being covered.

Resnick motioned for staff to work with the co-op folks from Volo and make a presentation as to the viability of this. DeJarnette seconded.

Legner said that if the response time is four weeks, staff will not have time. Resnick said that if the timeline did not permit, he would still like to ask staff to put this on their to-do list. Gant questioned the deadlines listed in the presentation. Volo answered that this was just presenting a "coherent picture." The timeline was driven by the idea of being operational within a certain timeframe.

Chair Feinen said that if we go forward with RFPs, then really what we are discussing is a buildout model and not an operations model.

Resnick asked if we were precluding from any discussion the idea that entities would consider a co-op model as against a 501(c)3 or any other governing structure. Right now we're asking staff to investigate. Chair Feinen responded that we have a proposal from an entity to do buildout and possibly operations, though we're saying "bid" on the RFP. For them to create a co-op and to do their thing, that is separate from what our operational model will be. If we want to recommend to the Cities that the operational model be a co-op then we have to re-open our business plan discussion that we agreed we're not re-opening. What's before us is a potential on how to build out the network.

Resnick reiterated that he would like staff to flesh out the options. Gant added that he felt this is a broad proposal with a lot of ambiguity. He asked for the Board to vote on the motion.



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Chair Feinen suggested that Resnick withdraw his motion, as staff and the co-op have heard everything. Legner asked if the timeframe is still four weeks—there was no time to do anything in the next four weeks.

Folk said they did have a July 1 deadline. Gigabit Challenge and Gigabit Squared are different opportunities and Volo has been pursuing the former for a long time. It's a grant, not a loan, and we are hoping to ask for a million dollars to support memberships in the co-op. That would go a long ways towards getting a substantial portion of the co-op. Gigabit Challenge is the only thing driving that short-term timeline other than UC2B's time challenges. To move forward, we would want UC2B to say we'd like to be part of your Challenge application and work out with staff what that means.

DeJarnette asked if Volo is looking for the Board to say we allow this to exist on the network? Folk answered, "More or less. That hasn't always been clear."

Chair Feinen said that staff understands and that the motion is withdrawn. The IRU discussion is deferred until the next meeting.

- V. **Items for Future Meeting Agendas:** Resolution 2012-12 A Resolution Approving Wholesale and Dark Fiber Services and Rates. Legner reminded the Board that part of that Resolution speaks to the question that Folk just raised and that is access to dark fiber. That is also a time sensitive discussion.
- VI. Public Participation: None
- VII. Adjournment: Resnick motioned to adjourn, Gant seconded. Chair Feinen adjourned the meeting at 2:45 p.m.
- VIII. Next Meeting: Wednesday, June 20, 2012 – 12:00 noon **Special Meeting** Council Chambers, 102 N. Neil Street, Champaign, Illinois

RESOLUTION NO. 2012-15

A RESOLUTION

REVISING THE 2012 ANNUAL MEETING SCHEDULE FOR THE UC2B POLICY BOARD

WHEREAS, the UC2B Policy Board meets at Noon on the second Wednesday of each month and at 6:00 p.m. the fourth Thursday of each month; and

WHEREAS, this meeting schedule is not convenient for all of the current members of the Policy Board; and

WHEREAS, Policy Board meetings are televised live and re-played regularly on CGTV Cable Channel 5 and are also available on demand from the City's website and UC2B.net.

NOW, THEREFORE, BE IT RESOLVED BY THE UC2B POLICY BOARD, as follows:

Section 1. The Policy Board revises its 2012 meeting schedule effective immediately to the second and fourth Wednesdays of each month at 12:00 p.m. in the City of Champaign Council Chambers, 102 N. Neil Street, Champaign, IL 61820.

RESOLUTION NO. 2012-15
PASSED:

APPROVED: 
Policy Board Chair



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Regular Meeting

June 20, 2012

Location:

Council Chambers
102 N. Neil Street
Champaign, Illinois

Board Members Present: Jon Gant for Abdul Alkalimat, Rev. Zernial Bogan, Brandon Bowersox-Johnson, Mike DeLorenzo, Deborah Frank Feinen, Bill Gray for Pete Resnick, Richard Schnuer

Others Present: Diane Kruse by phone, Teri Legner, Mike Smeltzer, Fred Stavins, Fred Halenar

Board Members Absent: Abdul Alkalimat, Minor Jackson, Tracy Smith

Action Items:

- I. The meeting was called to order at 12:05pm by Chair Feinen.
- II. Roll Call
- III. Approve Agenda: Bowersox-Johnson moved, DeLorenzo seconded to approve the agenda. Bowersox-Johnson mentioned Pavlov Media's letter in the agenda packet (it did not carry an action item number). He suggested Legner be the point person to talk to them. The motion passed by voice vote.
- IV. Approval of Minutes from the May 24, 2012 and June 6, 2012 Policy Board meetings: Bowersox-Johnson moved, DeLorenzo seconded the motion to approve the minutes as written. The motion passed by voice vote.
- V. *Action/Discussion Items:
 - a) **NTIA and Grant Report:** Legner explained that there were two of these reports in the packet: one at the beginning providing current information and one at the end that had been carried over from a previous packet that provides information relative to the agenda items on wholesale pricing. Smeltzer said they had their regularly scheduled call with NTIA this morning. It was a basic "checking in" meeting with no to-do items.



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Technical questions: Bowersox-Johnson asked if there were “extra” grant funds, will we be allowed to have more connections either in the FTTP areas or with more anchors? Smeltzer replied yes, and that we will know better how we are tracking budget-wise in a month or so. He noted that a discussion at this level will have to take place then to prioritize additional connections.

Audience comments: none.

Bowersox-Johnson motioned to accept this report and place it on file, DeLorenzo seconded. The motion passed by voice vote.

b) Resolution 2012-16 A Resolution Approving Policy Board Officer Appointments:

Audience comments: none.

Board comments: none.

Schnuer motioned, DeLorenzo seconded to approve the Resolution as written. The motion passed by voice vote.

c) Resolution 2012-13 A Resolution Accepting the UC2B Business and Strategic Plan and Forwarding It On to the Member Agencies for Consideration:

DeLorenzo moved, Bowersox-Johnson seconded to approve the Resolution as written.

Technical questions: Kruse explained the changes made to the Plan since it was last discussed by the Policy Board. There was a big discussion at our last meeting on making certain changes relative to openness, transparency, open access and level playing fields. Schnuer had also made some comments regarding references to government accounting and those were corrected. It was also noted that there will be additional changes to the Plan once the wholesale prices are determined, hopefully later on in this meeting.

Audience comments: Peter Folk, S. Maple Street, Urbana: I just wanted to weigh in in favor of adding the small amount of detail that Richard Schnuer would be requesting from the floor. Those changes would make me comfortable with this as a set of guiding principles.

Board comments: Bowersox-Johnson shared some feedback from Urbana. He had a meeting with Mayor Prussing, Pete Resnick, and Mike Monson. From their point of view, the consortium should keep control of the fiber. They also want the ability for the structure to have excess future revenues flow back to the entities. If the operation generates positive cash flow, it needs to go back to the Cities to recoup their investment into the start up of the operations.



UC2B Policy Board Minutes

Schnuer informed the Board that he had an extensive discussion with Diane Kruse the day before. It was noted that everything he added from the floor at the last meeting was incorporated into the Guiding Principles section as requested. At this time, he passed out additional revisions that he would like to see made to the Plan. In deference to Diane's expertise on technical matters, he stressed that transparency is of utmost importance to him and, he believes, to a majority of the Policy Board. For example, her language on that topic in the Plan is, "We'll be transparent when appropriate." He thought that the implication of this was that otherwise, we won't. His addendum is written that, "We will be transparent *unless...*" He thinks UC2B should be public unless there is a good reason not to be and that it makes a stronger statement. Further, if the pricing structure is such that other businesses are saying they are better off building their own network, is UC2B really serving the community? Local ISPs are serving people and businesses now. What to do with revenues is another major decision before the Board.

Schnuer's proposal to the Board is to amend the Business Plan relative to transparency, the issue of profit motive, market segments, and an open network. See Schnuer's proposal attached.

Kruse gave her feedback on Schnuer's amendment. Under section 1a, she had no issue with Public Participation. Item b she felt limited UC2B unnecessarily. She agreed with Schnuer on market segments. On Item C regarding open network, she felt that it was redundant and that the Board could make a decision later on the second bullet point. She had no issues with Item 2.

Technical questions: Bogan asked why Kruse did not want to include the section on revenues. She answered that she felt it would limit UC2B and it did not need to be included at this stage. Schnuer said that profit is not normally used with a government entity. He thought that there should be specific purposes for the fund balances. Bogan agreed.

Smeltzer asked how depreciation is being accounted for, as equipment will have to be replaced regularly. Schnuer said the City has a policy of putting money aside to buy future capital and that is an appropriate expenditure to which revenue should be directed.

Bogan added that the community demands transparency and to take it away would be unwise. Bowersox-Johnson asked about rates for customers and businesses. Schnuer answered that he feels all external parties on the network should be paying the same; it would be monopolistic, in his opinion, to subsidize the City's internal operation with the federal grant money and make it non-competitive for the private parties to use our services.



UC2B Policy Board Minutes

Audience comments: Mark Scifres, Pavlov Media: I want to thank Richard Schnuer for putting forth this document. We are one of the ISPs who have services in over one hundred buildings in Champaign. It does come down to pricing and openness. It's very hard to do. Thank you for getting this written and not letting it roll into "maybe in the future." Stuff like this can very much create guidance on how this works.

David Young, W. Oregon, Urbana: I think these changes are good for UC2B, the community, and internet subscribers. It will help make sure there is genuine competition. There are things in this document concerning such minutiae as IP pricing and the prices of fiber leases. I think this is a good fit for this document, given that there are such technical details in here. I think guiding principles should be front and center in this document, however. My take on the strategic and business plan is that it really has a lot of detail/minutiae and some of the things that are "policy" are not well distinguished from the current plans.

Peter Folk, Volo, Urbana: I am responding to Diane Kruse's comments. Richard's amendments are limiting. That is good. These are *guiding* principles. Every one of these is a critical component of that guidance. You will be non-profit except for policy-based purposes. That is not doing what people expect from a government entity. This language is how you make it clear that it's not your goal to go into competition with private entities. Without this language, that's unclear. Charging the same fees to your internal as to your external customers is the definition of open access. Moreover, there must be a separation of the books between retail service and wholesale service. It's not saying you can't subsidize one or the other, but anybody who's buying a retail service has to be paying the same, and everybody who is buying wholesale pays the same. Just to be clear, open access precludes you from having a retail service and a wholesale service in one entity. By doing this, you are stepping on shaky ground in terms of it being possible to do open access. I continue to support UC2B having a retail service. The terms that are in this language are exactly what is vital to making it work and not screwing up the competition.

David Glynn, Pavlov Media, Urbana: A lot of points in here are structurally fundamental. It comes down to transparency. I find this proposed amendment to be structural and it goes along with the guidelines for UC2B.

Ray Mitchell, S. Neil: a real quick example: this sign for UC2B (from the Canvassing and Marketing team) is in the right of way. Is UC2B paying to put these signs in the right of way?

Board comments: Schnuer moved to approve his amendment to the Business Plan. Bowersox-Johnson asked if the Board could vote on each item separately. Chair Feinen consented.

Schnuer moved to adopt each of the items on the page with the Board considering them one at a time. Bowersox seconded.



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Item 1a, dot one: Bowersox-Johnson moved to approve the whole section. The motion passed by voice vote.

Item 1b, dot one: Bowersox-Johnson did not want to include this in the amendments. Chair Feinen asked Schnuer if this particular point was meant to preclude the Cities from recuperating costs when UC2B starts to be profitable. Schnuer said in his mind, no. It is very broad language except to finance specific purposes set by the Board.

DeLorenzo agreed with Bowersox-Johnson. The fact that we are having this discussion implies that it is too limiting. Chair Feinen said that she saw the second dot point as the details of what we do; naturally, the Board would be reviewing the financials and would make decisions as fees are set. She did not disagree with the ideas behind the point but felt that it's really the next step of the process.

Kruse clarified that points B and C really say the same thing. Schnuer said he would be okay striking B-2 and keeping C. Chair Feinen confirmed that point B is removed.

Section C, dot one passed by voice vote.

Section C, dot two: Bowersox-Johnson asked whether the language can be changed to "third party providers" on the network. The Board voted and passed this point.

The Board voted to pass item 2.

The motion to approve the Business Plan as amended passed by voice vote.

- d) **Resolution 2012-12 A Resolution Approving Wholesale and Dark Fiber Services and Rates:** due to the time constraints, only an introductory conversation was held on this matter.

Smeltzer gave a brief overview of the Resolution. UC2B appears to be okay on budget right now. So it's really a timing issue. We don't want to get \$500k now and get \$500k less from the government if we don't spend this money on grant-eligible things. Long-term, I believe our interests are best served by leases as opposed to IRUs, but that's a cash flow thing. You might end up with a policy that says you will consider doing IRUs in the future. If we signed a five-year lease, we couldn't sell it until August or September. Four of those six months, NTIA can tell us what to do with the money. We'd have more control over a five-year lease than a twenty-year IRU. They consider any income we bring in as program income and it either has to be spent on operations or grant-eligible expenses. If we can hold off until February, we can do some of those things.



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Audience comments: David Glynn, Pavlov Media: the agenda packet from May 18 lists the prices as \$760 dollars per strand mile. Wholesale as listed in the NTIA grant report says \$1500 per strand mile. I'm seeking a resolution between these two prices. It doesn't add up.

Peter Folk, Volo, Urbana: I've had extensive discussions with Pete Resnick on this topic and it's unfortunate that he is not here to talk about it himself. In our discussion, while we started out on opposite sides, we ended up on the same side with one caveat. He believes IRUs are not good for public infrastructure. The sale of IRUs crosses the boundary. I feel that there are lots of lanes in the street and you can afford to sell a few lanes in the street if you want. The fundamental issue is at what price can I get dark fiber? The point of an IRU is to allow you to fund a large infrastructure. So long as the leases are at a price that is low enough, I do not need to justify it to my bank that I'm spending this large amount. I can get a lease at a low cost. With you taking things in this order, the prices on the table are too high to justify them. I could build an entire network equivalent to UC2B for the cost of eight strands.

Mark Scifres, Pavlov Media: We believe that we're going to need access to the fiber at a cost effective rate, because the goal is to provide service to residents. We submitted a request for a proposal to Teri Legner – what is the price so we can do our calculations so we can provide video in Champaign? Anything that we put on this is going to affect the cost to residents. IRUs protect against that and make a more level playing field when you're going toe-to-toe cash flow wise with Comcast. Volo is right, too. The lease prices are cheap enough, that's an option. The issue today is the current pricing structure.

Here, Kruse clarified a couple of points. Maybe what would be helpful is to show how we came up with the pricing and to show what other markets are charging for dark fiber. We want to make it affordable and fair. What would help is demonstrating how we got there. We put a 400% markup in the report. That is not correct. The foundation for starting your lease pricing is your IRU pricing and currently it is at \$1500 per strand mile. That is what was given to the investors. The range that I suggested for IRU pricing is \$1500 up to \$3500 per strand mile. What we came to is that if you decide to go forward, charge \$2000 per strand mile; it's a principle based decision for you.

Because this is a twenty- year lease, we would then take into consideration the time value of money. It's a capital expense. Pavlov is right – it's on their books as an asset, so there's an advantage there. Money doubles every X number of years. It's marking it up twice, so that's wrong. So that's how we arrived at the pricing. Then we did a sanity check and looked at other market pricing. We're in the ballpark.

Board comments: Chair Feinen asked the Policy Board to think about whether UC2B wants to sell fiber and at what price? She then reminded everyone that the next



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meeting would be on Wednesday, June 27 and that the regularly scheduled meeting on June 28 would be cancelled.

Smeltzer added a last note that in terms of a level playing field, we have committed to selling at \$1500 per strand mile. That's our floor. We won't go lower than that. Other than that, the pricing is for this committee to set.

Further audience comments: David Young: I told you at the last meeting I had some concerns about competitiveness. I just wanted to tell you a highlight of one of my suggested alternatives and that is to let your customers use a burst of speed up to the full gigabit. This is a real efficient use of the infrastructure and it makes using the internet more enjoyable. I'll send an email. If there are any technical questions about it, send them to the Technical Committee. If there are concerns about the feasibility, let me help you.

David Glynn, Pavlov Media: Smeltzer mentioned you had a floor of \$1500 dollars for IRUs. There are a lot of different prices. I'm seeking clarification.

Smeltzer replied that it was done consistently for everyone. Each entity was given two additional strands for maintenance; if you purchased two you got two, if you bought four, you get two, you bought eight you get two, etc. Glynn said he needed further clarification.

Peter Folk: You have a construction update sometimes. We're doing a ton of stuff out in the community and I wanted to start by introducing someone (Eric) who has done a lot in the community. Eric: I love what I'm doing. I'm learning a lot. There are all sizes of fiber that we deal with. People come out of their houses and talk to us about it. Their eyes light up. It's not an easy job but it's something that somebody young that can learn from...I love it. I love working for Peter, he's a cool guy.

Further Board comments: Bogan said that advertising that promotes UC2B is important. I want to give the Marketing Committee an accolade because even just those little door tags and whatnot, those are exactly what we need for better visibility. That's what helps us become sustainable. Kudos to you guys.

Schnuer shared that as of July 1, he will be stepping down. He's really enjoyed this service but needs to devote some time to his day job and that decision is made easier because Fred Halenar is stepping down as IT director will take his place on the Board. He appreciated the Board members and the way everyone has learned to deal with some very difficult issues. And it's been a difficult but rewarding experience.

- e) **Resolution 2012-17 A Resolution Recommending Terms of an Agreement (Gigabit neighborhood Gateway Proposal):** With only a little time left in the meeting, Chair Feinen asked if this item could be discussed prior to action item (d).



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The Board agreed to discuss this Resolution first.

Bowersox-Johnson said he and Resnick talked about this item and they have a couple of concepts they'd like to discuss. Legner said that regarding retaining ownership of the network is a core principle; this discussion was deferred until a later meeting date.

Technical questions: Schnuer asked if the Resolution says that UC2B will maintain ownership of the fiber. Smeltzer said this is a subject of vigorous negotiation if it gets that far. I think they would want to own at least the fiber to the home infrastructure for some period of time. Commercial infrastructure we have a policy on, and that says UC2B owns wherever there are multiple strands of fiber. We will have open access when it comes to dark fiber. But for homes, we're just putting a single strand into a home, and that can be shared by multiple providers.

Audience comments: none.

DeLorenzo moved, Gant seconded to approve Resolution 2012-17 as written. The motion passed by voice vote.

- f) The Marketing Committee gave an update on their outreach efforts. Safiya Noble thanked Reverend Bogan for his acknowledgement. A mass mailing of postcards has been sent to all households in the target zones. We have service agreements ready for both residential and commercial subscribers. She's even signed people up while running errands. She mentioned that Deb Feinen, LaEisha Meaderds, and Chris Hamb were on Champaign Connection. Radio spots are being worked on right now; you will hear those on WBCP and other relevant targeted radio stations. MTD bus ads are in the works. UC2B also has a new website, which Chris Hamb designed.

Chris Hamb informed the Board that the site was launched around 8:00 a.m. that morning. The emphasis has moved towards getting people to sign up. A meeting is scheduled with Salesforce.com to make sure the subscriptions get integrated.

LaEisha Meaderds reported that people have already signed up online since that morning. They made phone calls to everyone on their list, went door to door, and have followed up with emails. They've received lots of positive feedback. A press release went out that morning. People can call 366-UC2B. Email is connectme@uc2b.net. On Monday, they were in Garden Hills, where twelve of twenty people signed up.

Bogan mentioned that Salem Baptist Church is the first faith-based institution to be signed up and they are excited. DeLorenzo congratulated the marketing team on their efforts.

VI. Tasks to complete for next meeting: none



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VII. Public Participation: none

VIII. Adjournment: In Chair Feinen's absence, Chair Bowersox-Johnson adjourned the meeting at 1:45pm.

RESOLUTION NO. 2012-16

A RESOLUTION

APPOINTING OFFICERS FOR THE UC2B POLICY COMMITTEE

WHEREAS, the UC2B Policy Committee officers are elected for a two-year term; and

WHEREAS, the inaugural terms expire June 30, 2012.

NOW, THEREFORE, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. The Policy Committee hereby appoints Brandon Bowersox-Johnson, representing the City of Urbana, as the Chair and Deb Frank Feinen, representing the City of Champaign, as the Vice Chair effective July 1, 2012.

RESOLUTION NO. 2012-16

PASSED:

APPROVED:


Policy Committee Chair

RESOLUTION NO. 2012-13

A RESOLUTION

ACCEPTING THE UC2B BUSINESS AND STRATEGIC PLAN AND FORWARDING IT ON TO THE MEMBER AGENCIES FOR CONSIDERATION

WHEREAS, the UC2B Policy Committee recommended and the City of Champaign approved a contract for services with NEO Fiber, LLC to assist with the development of a business plan and financial models; and

WHEREAS, the UC2B Policy Committee has considered and approved pricing models and service tiers for the residential and business customers in the grant-funded areas and for the community anchor institutions located throughout the community; and

WHEREAS, the UC2B Policy Committee has considered and approved pricing models related to certain wholesale services; and

WHEREAS, the UC2B Policy Committee will consider pricing models for wholesale and ISP service offerings and core connection charges in the near future and those approved fees and charges will be incorporated into the UC2B Business and Strategic Plan (“Plan”); and

WHEREAS, all of the approved prices, charges and fees have been or will be incorporated into the financial models of the Plan and provide the basis for many of the recommendations contained in the Plan; and

WHEREAS, the Plan recommends that the current organizational structure of UC2B as an intergovernmental agency created under an Agreement among the City of Champaign, City of Urbana and the University of Illinois be restructured into a hybrid non-profit 501(c)3 organization with a for-profit C-corporation subsidiary; and

NOW, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. That the UC2B Business and Strategic Plan (“Plan”), along with its associated financial models, is hereby accepted.

Section 2. That the UC2B member agencies are encouraged to consider and adopt the aforementioned Plan in substantially the same form.

Section 3. That the UC2B Policy Committee recommends that the Cities and the University fully consider and analyze the recommendations contained in the Plan consistent with the original goal of providing an open access fiber optic network for the community anchor institutions and the underserved areas of the Champaign-Urbana community and balance that with the need to provide a sustainable business model that can provide services to the broader community.

RESOLUTION NO. 2012-13
PASSED:

APPROVED: W. Debrah S. M. J. J.
Policy Committee Chair

MEMORANDUM

TO: UC2B Policy Board

FROM: Richard Schnuer

DATE: June 20, 2012

SUBJECT: Proposed Amendment to Resolution Adopting the Business Plan

1. Revise the guiding principle named “social mission” as follows:
 - a. Add a new sub-section named “Public Participation.” Within that, create the following two dot-points:
 - Actively solicit and consider public input
 - Provide transparency in operations, decisions, and documents to the full extent possible within sound business practices
 - b. Under “No Profit Motive,” add the following dot points:
 - UC2B’s overall revenues should not exceed overall expenditures except to finance specific purposes consistent with policies set by the governing board
 - In setting its fees, UC2B will review whether one market segment generates excess funds that support another market segment, and will consider whether that is in the community’s best interests
 - c. Under “Open Network,” make the following changes:
 - Add the following dot point: “Transparency in maintaining an open and neutral exchange requires that UC2B assess the financial position of each of its major market segments, and to facilitate that assessment, prepare profit and loss statements for its major market segments.
 - After the dot point on “open and neutral exchanges,” add “UC2B will maintain a level playing field, and consistent with that, UC2B will charge the same fees to external users of the network that it charges to services that it provides, including retail FTTP services, unless it adopts a policy to do otherwise consistent with its guiding principles.
2. The list of features for the “best operational structure” should include:
 - represents the community
 - promotes public input
 - provides transparency except when required for sound business purposes

A RESOLUTION

RECOMMENDING TERMS OF AN AGREEMENT
(Gigabit Neighborhood Gateway Proposal)

WHEREAS, UC2B has an opportunity to respond to a Request for Proposals issued by Gigabit Squared for the Gigabit Neighborhood Gateway Program; and

WHEREAS, UC2B is an open access network and a level playing field among service providers is a

WHEREAS, proposals in response to this opportunity are due July 31, 2012.

NOW, THEREFORE, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. The Policy Committee recommends that the following terms and principles be included in and guide UC2B's response to the Gigabit Squared Request for Proposals:

1. The new fiber infrastructure should be operated as an open-access network.
 - A. Other service providers will be given fair opportunity and a level playing field to provide services over the shared fiber infrastructure from day one at competitive wholesale rates.
2. Gigabit Squared should agree to manage and support the existing UC2B fiber infrastructure and customers.
3. UC2B will maintain ownership of the fiber infrastructure that was installed with the NTIA and DCEO grant funds.
4. Regardless of what Internet bandwidth a customer may subscribe to, they will always have gigabit access to all local UC2B-GBPS² customers and to local community resources.
5. Gigabit Squared should enter into voluntary franchise agreements with the cities of Champaign and Urbana and the Village of Savoy.
 - A. As part of those franchise agreements, the cities and UC2B would agree to make some existing UC2B fiber infrastructure available to Gigabit Squared.
 - B. As part of those franchise agreements, the Cities and Village would agree to make their rights-of-way available to Gigabit Squared.
 - C. As part of those franchise agreements, Gigabit Squared would agree to build fiber infrastructure to the curb of every residence and business in Champaign, Urbana and Savoy within a four-year period.

- D. As part of those franchise agreements, Gigabit Squared would agree to pay an annual fee to the cities, which would be based on a percentage of its local total gross revenue from all services.
 - E. As part of those franchise agreements, Gigabit Squared would agree to pay into the UC2B Community Benefit Fund a percentage of its local total gross revenue from all services. That fund is administered by UC2B to provide training and other programs to reduce the digital divide and promote digital inclusion.
 - F. As part of those franchise agreements, Gigabit Squared would agree to maintain a local customer service presence.
6. Gigabit Squared is strongly encouraged to hire and train a local workforce, or contract with existing local providers, to manage, operate, and expand the network.

RESOLUTION NO. 2012-17

PASSED:

APPROVED: 
Policy Committee Chair



NTIA and Grant Update – 7/11/12

Our next call with NTIA will be the morning of your meeting, so I will need to give you a verbal update. Last week our BTOP program officer had some questions about our enforcement of Davis-Bacon (prevailing wage), which I believe David Shafer from Shive-Hattery answered to his satisfaction.

Old Business: I would like you to take one last look at our policy on reselling or sub-leasing IRU fiber strands. The Policy Committee elected to not impose an outright ban on reselling or sub-leasing, and I believe that works well for commercial concerns that are interested in purchasing a 20-year IRU.

I am going to suggest amendments to the approved Resolution 2012-18 that can be considered independently. The first would be to prohibit public entities that acquired fiber through the matching funds process from reselling or sub-leasing any of their fiber. Now that UC2B is selling IRUs, we do not want to compete with ourselves for IRU sales. The way our draft IRU agreement is worded, this amendment would not require a change to the language, unless we wanted to make it explicit in the IRU agreements of the public entities. The current IRU language says that reselling or sub-leasing is not permitted without written permission from UC2B.

Regardless of how you vote on the first amendment, the second amendment is a good idea from several viewpoints. It would require an IRU holder who resells or sub-leases any of its fiber to force the entity that it resells dark fiber strands to - to enter into a one dollar IRU agreement with UC2B for the remainder of the original IRU term (or for the length of the sublease.) That would give us the direct contractual relationship with the new user of the fiber, which is desirable for operational reasons.

Additionally, I would like to require the original holder of the IRU to force the entity that it resells or sub-leases fiber to - to enter into a standard fiber maintenance agreement with UC2B at our standard maintenance rates. That maintenance agreement not only provides additional recurring revenue for UC2B, but it also contractually binds the sub-lessor to pay its share of any forced moves. This would make subleasing UC2B fiber less attractive, but if we built that language into the core IRU agreement, entities purchasing IRUs from UC2B would know the rules up front.

Now that we have decided to sell additional IRUs, it is in UC2B's best interest to have entities deal directly with UC2B. These two amendments individually or together would help make that happen.

Short-Term Dark Fiber Leases: On the dark fiber lease rates, I believe that Richard and Diane have worked up new lease rates that are based on the \$1,500 per-strand-mile IRU rate; Richard's amortization formula; and only applying the fiber maintenance charge to the first strand leased on any given ring. Those rates are less than what was originally proposed, but more than what some local ISPs have said they would like to pay. The rates seem like a reasonable compromise to me, and I hope you will adopt them without using up too much of your time.

ISP Connections: The wholesale rates for ISPs are the final part of the package. There are 3 levels of proposed charges for a provider to connect to the UC2B network core, and a \$17.88 proposed charge for every customer site that the ISP wants to “own” by having that customer on the ISP’s VLAN and IP space.

If a provider is not interested in “owning” the customer, they would only need to pay the core connection charge, and they could piggyback their services on the customer’s IP provider. In either scenario, we have proposed a 12-month ramp-up of the core connection rates to allow an ISP to grow its customer base without having to pay the full connection charge in the first 12 months.

These proposed core and customer charges are less than what is available from AT&T or Windstream, and neither of those firms offers a ramp up of their core connection charges. These rates will allow ISP’s to provide fiber-based services throughout the community at lower rates than what is available to them today. They are not free, but free does not work very well for UC2B’s sustainability.

Sales Preview: I am sure that LaEisha and Jon will have an update on sales on Wednesday, but there is some early interesting news. This may be an anomaly of pent-up demand in early adopters, but in the first 181 customers who signed contracts, 24 (13.26%) opted for the \$29.99 - 30 Mbps service and another 24 (again 13.26%) opted for the \$39.99 - 40 Mbps service. There were a few businesses and Anchor Institutions in that mix, but we never anticipated that more than 26% of our customers would sign up for anything other than the least expensive service.

Once we get past the early adopters, those percentages may fall, but just those 48 customers are 1.7% of our projected 2,700 total. This could be significant for our cash flow. The last I heard the total customer count was over 300 and climbing, so I am looking forward to the sales update on Wednesday.

See you then,



Mike

A RESOLUTION

ESTABLISHING A POLICY REGARDING INDEFEASIBLE RIGHTS OF USE
AGREEMENTS
(IRU's)

WHEREAS, the UC2B Policy Board adopted Resolution 2012-11 on May 24, 2012 approving IRU and maintenance agreement templates for those entities that initially invested in UC2B and for the Illinois Department of Transportation (IDOT); and

WHEREAS, the UC2B Policy Board approved, in the form of a motion made by Smeltzer, seconded by Schnuer, the IRU rates from the NTIA Grant Application as contained in the Letters of Intent with the initial investors on May 24, 2012; and

WHEREAS, those IRU rates for the initial investors are as follows:

- \$1,500 per strand mile with a 20-year IRU;
- \$600 Annual flat rate per lateral connection for fiber maintenance (independent of strands used);
- \$300 Annual maintenance rate for ring fiber maintenance per route mile (independent of strands used).

NOW, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. That UC2B will offer dark fiber IRU's to additional entities beyond the initial investors and IDOT beginning February 1, 2013.

Section 2. That UC2B will allow single strands to be "purchased" on an entire ring. No strands will be available for portions of a ring.

Section 3. That IRU rates for purchasers beyond the initial investors are as follows:

- \$1,500 per strand mile with a 20-year IRU;
- \$600 Annual flat rate per lateral connection for fiber maintenance (independent of strands used);
- \$300 Annual maintenance rate for ring fiber maintenance per route mile (independent of strands used)

Section 4. That public entities holding IRUs are prohibited from subleasing or "selling" their interests to third party interests.

Section 5. That private entities holding IRUs are allowed to sublease or "resell" their interests to third parties ("sublessors") with the written approval of UC2B.

Section 6. That sublessors identified in Section 5 above must enter into an IRU agreement with UC2B for \$1 for the remainder of the term of the original IRU or the entire duration of the sublease if less than the term of the original IRU.

Section 7. That sublessors identified in Section 5 above must enter into a standard fiber maintenance agreement with UC2B at the rates identified in Section 3 above.

RESOLUTION NO. 2012-18

PASSED:

APPROVED: _____
Policy Committee Chair

RESOLUTION NO. 2012-19

A RESOLUTION

ESTABLISHING A POLICY REGARDING SHORT TERM DARK FIBER LEASES

WHEREAS, the UC2B Policy Board desires to offer short term dark fiber leases at rates consistent with those established in Resolution 2012-18 for new purchasers of IRU's, which states that:

- a. UC2B will offer dark fiber leases to new IRU purchasers on a per-strand cost for each entire ring rather than for part of a ring
- b. The IRU purchase price is \$1,500 per strand mile
- c. The IRU purchaser shall also pay an annual maintenance fee of \$300 per fiber ring mile regardless of the number of strands purchased on any ring, and

WHEREAS, UC2B believes the proper methodology to offer lease rates consistent with the IRU rates established in Resolution 2012-18 is to establish monthly payment amounts by amortizing the per-strand mile rate of \$1,500 over twenty years at a 5% interest rate.

NOW, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. That UC2B will offer dark fiber leases to additional entities beyond the initial investors at monthly rates comprised of the following two components:

- a. A maintenance charge of \$25 per mile for all miles in each pertinent ring, and
- b. A usage charge of \$9.90 per strand-mile as follows:

<u>Backbone Rings</u>	<u>Route Miles</u>	<u>\$9.90</u>
1	16.41	\$162
1A	7.08	\$70
2	16.82	\$167
3	19.97	\$198
3A	8.6	\$85
4	22.7	\$225
5	15.98	\$158
6	15.29	\$151
6A	15.98	\$158
7	11.57	\$115
7A	14.95	\$148
Total for All Rings	\$165.35	\$1,637

RESOLUTION NO. 2012-19
PASSED:

APPROVED: _____
Policy Committee Chair

RESOLUTION NO. 2012-20

A RESOLUTION

ESTABLISHING WHOLESALE TRANSPORT SERVICES AND RATES AND CORE CONNECTION CHARGES

NOW, BE IT RESOLVED BY THE UC2B POLICY COMMITTEE, as follows:

Section 1. That the Wholesale Transport Services for customer sites in the grant-funded areas at the prices identified in Attachment 1 hereto are hereby approved.

Section 2. That the wholesale core connection charges identified in Attachment 2 hereto are also approved.

RESOLUTION NO. 2012-20

PASSED:

APPROVED: _____
Policy Committee Chair



Proposed UC2B Wholesale & ISP Service Offerings

For customer sites in the grant-funded areas

ISP and Service Provider Layer Two Transport Service Offering				
Customer Connections	Locations Where Available	Symmetric Ethernet Port Speed (Mbps)	Monthly Pricing	Comments
Last Mile Internet Service Provider (ISP) Customer 1 Gbps Port	Any of 500 Points of Interconnection (POI) or customer locations on the UC2B network	1,000 Mbps (1 Gbps)	\$17.88 or 30-45% of customer rate - whichever is greater	ISP/Service Provider must connect to UC2B core in one of the three ways below
Core Backbone Connections				
Last Mile Internet Service Provider (ISP) Redundant Core Connections Dual 1 Gbps Ports	Any of 500 Points of Interconnection (POI) or customer locations on the UC2B network	1,000 x 2 (1 Gbps x 2)	\$1,200	No CIR/VLAN charge. (Includes any UC2B ring fiber needed to connect to ISP)
Last Mile Internet Service Provider (ISP) Redundant Core Connections Dual 2 Gbps Ports (2 bridged 1 Gbps Ports)	Any of 500 Points of Interconnection (POI) or customer locations on the UC2B network	2,000 x 2 (2 Gbps x 2)	\$1,600	No CIR/VLAN charge. (Includes any UC2B ring fiber needed to connect to ISP)
Last Mile Internet Service Provider (ISP) Redundant Core Connections Dual 10 Gbps Ports	Any of 500 Points of Interconnection (POI) or customer locations on the UC2B network	10,000 x 2 (10 Gbps x 2)	\$3,600	No CIR/VLAN charge. (Includes any UC2B ring fiber needed to connect to ISP)
Note # 1 - All core elements of the network are non-blocking and are interconnected at 10 Gbps.				
Note # 2 - All ring fiber necessary to connect Provider is included in the Backbone Connection rates.				
Note # 3 - Customer-end electronics are provided by UC2B.				

Note # 4 - There is an initial 12-month ramp up of the Core Connection Rates - described on additional pages.

Ramp Ups for Wholesale UC2B Core Connections

5/7/12

These charges are in addition to per end-user site charges of:

\$19.99 per month for a 100 Mbps connection

\$99.99 per month for a 1Gbps connection

Dual 1 Gbps Connections

To start, the Provider pays the lessor of the per customer rate or the tiered rate.

Full Monthly Rate	\$1,200
Per Customer Rate	\$10.00
Month 1	\$100
Month 2	\$200
Month 3	\$300
Month 4	\$400
Month 5	\$500
Month 6	\$600
Month 7	\$700
Month 8	\$800
Month 9	\$900
Month 10	\$1,000
Month 11	\$1,100
Month 12	\$1,200

After 12 months the monthly rate moves to the full rate, regardless of customer count.

Dual 2 Gbps Connections

To start, the Provider pays the lessor of the per customer rate or the tiered rate.

Full Monthly Rate	\$1,600
Per Customer Rate	\$13.33
Month 1	\$133
Month 2	\$266
Month 3	\$400
Month 4	\$533
Month 5	\$666
Month 6	\$800
Month 7	\$933
Month 8	\$1,066
Month 9	\$1,200
Month 10	\$1,333
Month 11	\$1,466
Month 12	\$1,600

After 12 months the monthly rate moves to the full rate, regardless of customer count.

Dual 10 Gbps Connections

To start, the Provider pays the lessor of the per customer rate or the tiered rate.

Full Monthly Rate	\$3,600
Per Customer Rate	\$30.00
Month 1	\$300
Month 2	\$600
Month 3	\$900
Month 4	\$1,200
Month 5	\$1,500
Month 6	\$1,800
Month 7	\$2,100
Month 8	\$2,400
Month 9	\$2,700
Month 10	\$3,000
Month 11	\$3,300
Month 12	\$3,600

After 12 months the monthly rate moves to the full rate, regardless of customer count.