

**TOWN COUNCIL MINUTES
WORKSHOP
APRIL 1, 2003**

PRESENT: Chairman M. DiBitto, D. Pichette-Volk, P. Rueppel, P. Loiselle, R. Dion, M. Jolin, G. Longfellow, M. Farrell – Town Administrator. Excused: R. Holley and M. Ruel.

Chairman DiBitto called the meeting to order at 6:38pm.

Chairman DiBitto introduced Archie Typadis and Terrence P. McGarty of the Merton Group. They would like to present an idea on developing a cable-wire network for various types of communications within the Town.

The Merton Group, Terrence McGarty Managing Partner, stated that he would like to work with the Town to develop and prepare a feasibility study of a municipal broadband network (MBN). Merton Group would prepare a feasibility study at no cost or obligation. The study will include financing, development, deployment, operation and management of MBN and then the Town would sign a contract with the Merton Group.

Merton is a financial operations management company focusing on development of enhanced municipality broadband networks and service infrastructures. T. McGarty has an extensive background in wireless communications, was a professor at MIT, worked with Time Warner for five years and ran the NYNEX Mobile until 1992.

The Merton Group is targeting Towns that are not very large in population such as Boston, MA or Nashua, NH as there is too much red tape required. He is also not looking at too small a town, with only a few hundred in population, as they need a certain minimum amount of households/businesses to support this venture. Fiber would be brought to every subscriber and allows for direct TV, video, broadband, Internet and telephony. An individual can switch to fiber communication at no cost. Capital cost estimates bottom line for a town the size of Hooksett would be \$3,000 per subscriber and could be as low as \$1,300-1,400 per subscriber. Hanover, Keene, Milford and Amherst are stand-alone subscribers however cluster, groups of towns, could see even lower rates. It can pay for itself and be a revenue source. Hooksett has 7,000 Internet users, using one or two dominant Internet Service Providers (ISP's); of the 5,000 ISP subscribers 3,000 have two phone lines. Their target market are those who have a second phone line and are ISP subscribers. They currently pay \$25 for the ISP and \$25 for the second phone line with 56-kilobit dial up. For same amount of money on the Town's network you could have 100 megabit per second. Once that is done, for the same amount you get out of the second phone line you could generate \$900,000 per year. Revenue is figured by taking the \$900,000 per year at a \$9 million capital with a ten-year payback or a bond coverage ratio of 160%. This means the Town would get to pay back the bond and 60% is overage. He would need to take revenue commitments up front prior to any bonding. Commitments for revenue must be more than adequate for bond payback. They strive for 150% bond coverage by crafting deals with the dominant ISP's such as AOL, MSN, or ValleyNet. At least for a short period of time they minimize the risk of the bond payment. A risk would be if one of the ISP's goes out of business. Merton Group would do a market research analysis, network design and combine them with a financial model detailing revenue generation to see if bonding would be feasible then they would present their findings to the Town. They will do the project management by preparing requests for proposals, evaluation and selection of vendors, offer maintenance, operations, sales and customer support. They would meet with Council every two to three weeks.

P. Loiselle asked would the price be better than what currently exists.

T. McGarty stated price would be better and the package would offer two phone lines at the cost of one line.

R. Dion asked if this would include television, phone and computer what would his options be.

T. McGarty stated the options would be telephone, option of multiple video carriers, Internet connection. They are trying to create volume in terms of buying power and pass the lower cost directly on to the Town by eliminating the middleman.

P. Rueppel asked what is their procedure for a feasibility study.

T. McGarty stated they would send a questionnaire to the citizens of the Town, review the responses and compare it to what the market is doing. They would take pictures of telephone poles, look at lot frontage, setbacks for how much to bring to the home. They will look into commitments they can get from the ISP's, then compute the numbers and come with a preliminary report and meet with the Town every other week.

P. Rueppel asked what has been your experience in the percentage of returns on your questionnaires and how many properties do you look at.

T. McGarty stated that in Westwood, MA return on their mailing was 82%. They take the Town and break it down into sectors with similar populations. A sector has 1,000-1,500 households that yield an adequate similarity of each sector. Within that sector they look at 10 – 20 households that generally have an adequate sampling for frontage, setback, and telephone polls. The those statistics go into a database with 100 – 200 samples of the Town which gives about 10- 15% +/- accuracy on the capital budget for the build.

G. Longfellow asked why cities do not work, it seems you would be running a lot less footage and lines.

T. McGarty stated larger towns have too much red tape would take a long time to proceed. Smaller towns are easier to work with. Currently there are four hundred towns that have this broadband network. His company is focusing mainly on Massachusetts and New Hampshire..

D. Pichette-Volk asked how many times have you said that this will not work for a certain town.

T. McGarty stated that Boston, MA is too political therefore it would take a lot of work. Webster, MA is too up-scale yet not dense enough. Acton, MA politically would not get through the town. They rejected the entire state of Rhode Island.

DPV asked what amount of time would be spend announcing this concept to the community.

T. McGarty stated that in Westwood, MA they sent information out with the tax bills and on the Town's web site with a contact phone number. In another town they sent out information with their electric bills, however a lower response came in. Hanover's town web site was used and monthly town meetings were held for questions and answers. They are willing to do what ever the Council feels is creative. They do not have a set way in which the information gets to the community. They need 30% of the town or 1000 households for this to be successful.

M. Jolin asked are you planning on running lines to every house that you think you can get to or do you go where the houses are.

T. McGarty stated they would go where the houses are.

D. Pichette-Volk asked if they would use the long or short form for the full market study.

T. McGarty stated they would use the long form.

G. Longfellow asked what the timetable was for the first hookup.

T. McGarty stated that after receiving the Town's vote they would need about 90 days to secure the bonding plus 60 days to get contracts in order and 6-9 months to have the first operation going therefore taking about one year. The largest problem would most likely be the availability on poles and above ground vs. underground poles. Four hundred cities have this service in UT, PA VA MD GA, MA, three towns outside Chicago on the Fox River with 100,000 users, and Bayonne, NJ has 60,000 households. CA and other towns in NJ are looking into do this broadband network.

M. Farrell asked what if wireless makes it obsolete.

T. McGarty stated this is one of the unknowns; other items that could kill the business would be revenue disappearing via a competitor coming in and selling at half the price, or technology with higher wireless speed. A solution would be to figure out how to co-op such competitors.

P. Loiselle asked what would be the Town's responsibility.

T. McGarty stated the Town has no operational responsibilities. The Town out sources to a third party, in this case the Merton Group, collects it's monthly fee from the service providers and pays the third party their fee. Response to the Town is diminished, because the Town doesn't have to hire another person and doesn't have to buy trucks. The Town agrees to take responsibility for doing the financing, collecting fees and dispersing funds to cover the bond.

P. Loiselle asked how is the bond established.

T. McGarty stated they figure the capital that would be required to build out the system and add a certain amount more to establish the size of the bond. The bond is a 15-20 year bond. The Town will dictate the final terms.

Chairman DiBitetto stated that the ISP is a common carrier that could offer numerous providers; the cable TV service such as direct TV would have contact with one or more providers.

T. McGarty stated that's correct and then an ISP company would sell their service and the Merton Group would interconnect them.

P. Rueppel asked how much of Merton's subscribers are tied to recession.

T. McGarty stated that the first bill usually paid is the cable bill because the cable company would shut off service without current a payment as opposed to gas, oil, electricity where they do not shut off if payment is not up to date.

P. Loiselle asked if there is any shared costs between Merton Group and the Town.

T. McGarty stated Merton Group absorbs 90% of cost. The back end is structured so that they do all forward pricing by agreeing to a price level assuming a 50% – 60% penetration. They absorb all of the fixed costs associated with that forward pricing. They don't see any revenue until the Town sees revenue therefore the risk is shared.

G. Longfellow stated if it's a municipal bond then the town is expected to pay it back.

T. McGarty stated that's correct if it's a general obligation bond and right now the discussion is a general obligation bond however under NH law there are certain provisions for co-op structures. If Hooksett were to join in with two other towns to form a co-op then revenue bonds could be issued. Revenue bonds are guaranteed by the revenue via the contract agreed upon.

G. Longfellow asked if the revenue disappears what happens to the bond.

T. McGarty stated then the bond defaults.

Bob Sullivan, 8 Burbank Way, stated he came in late and asked what is the advantage as a consumer and why someone like Verizon who already has a system in Town would want to go ahead with a system like this and he is also curious about the technology research that would be done.

T. McGarty stated that at the beginning of the meeting he went over the Verizon issue at length and would be glad to discuss with him after the meeting. On the technical side, they go through some very technical material that they present on the feasibility study. They look at passive optical networking and gigabit ethernet approaches. They have evaluated 20-24 vendors in terms of electronics. They reviewed bit formatting and structure and sequencing through the routers. They have a technical presentation, vendor analysis that is done as part of the feasibility study and they meet with the Town on a bi-weekly basis.

D. Pichette-Volk left at 8:13pm.

David Paquette, 154 Merrimack St., asked if Merton Group's line is Internet and cable, so the customer can select a service therefore there is no longer an agreement with any specific cable company. Currently there are

two services with the Town one at Granite Hill, and one for the rest of the Town, and one may not pick any provider they want. Then that provider would go on the Town's line to go into a home, that service charges a franchise fee that goes to the Town and the Town would pay Merton a portion of that fee. Going with that, it is his understanding of the Telecommunications Act that Merton Group must provide for PEG access, how do you do that when you have several providers in the area, you can't have several PEG provider stations.

T. McGarty stated that neither the Town nor Merton Group is covered by the 1996 act. This is not governed by a Public Utility Commission, Public Service Commission, or FCC. It is totally separate. The cable companies, the purveyors of the cable or video service are covered by the act.

D. Paquette stated right, but cable companies negotiate with the Town and part of those negotiations would be PEG access. PEG access is for residents to look at low cost type media on events in Town such as sports events and Town meetings. With that said, he asked if there's a multiple supplier, how does one view their local town station, who will provide that.

T. McGarty stated that would be part of the Town's network service. The Town would have access to this for it's own municipal purposes.

D. Paquette state then providing PEG, which is part of the Telecommunications Act, is not on the onus of the provider it would be on the onus of the Town.

T. McGarty stated you are speaking of regulatory issues that relate to cable franchising. This has nothing to do with cable franchise because there is no cable franchise here.

D. Paquette stated that's right, you are cutting out cable franchising of the Town or any other municipality therefore there would be no more PEG because a subscriber would be able to choose any ISP they want. There would be too many providers out there to go to the Town.

Chairman DiBitetto stated that there would be parallel systems and a franchise fee could be renewed. It is conceivable that we could have a franchise provider with their own infrastructure and we would have a separate municipal provider.

D. Paquette stated that by having multiple providers you have no PEG access TV, as there is no one to pay for it.

Chairman DiBitetto stated yes that's right. What they are saying is that PEG would not apply to the municipal network.

D. Paquette stated but PEG should be available to the subscribers per the Telecommunications Act.

T. McGarty stated the Towns don't have an obligation.

D. Paquette that's right but the provider does have an obligation to provide PEG to the Town. Now that we are in agreement with that he asked how does the provider provide the Town with PEG access channels.

T. McGarty stated you would own the network therefore you can do anything you want.

D. Paquette stated that more paperwork should be produced because he's under the impression the Town would loose out on PEG access.

Chairman DiBitetto adjourned the meeting at 9:50 pm.

Respectfully submitted,

Tina M. Paquette
Administrative Assistant/Secretary Pro Tem

