



# Commission Memorandum

**REPORT TO:** Honorable Mayor and City Commission

**FROM:** Brit Fontenot, Economic Development Director  
David Fine, Economic Development Specialist

**SUBJECT:** **Resolution 4576** Adopting the [Bozeman Fiber Master Plan and Feasibility Study](#) and Provide Policy Direction to Staff on Incorporating Elements of the [Bozeman Fiber Master Plan and Feasibility Study](#) into the Downtown and North 7th Avenue Tax Increment Finance Districts' Urban Renewal Plans and the City's Growth Policy.

**MEETING DATE:** January 26, 2015

**AGENDA ITEM TYPE:** Action

## RECOMMENDATIONS:

1. Approve **Resolution 4576** adopting the [Bozeman Fiber Master Plan and Feasibility Study](#);
2. Direct Economic and Community Development staff to return to the Commission with proposed ordinances amending urban renewal plans of the Downtown and North 7<sup>th</sup> Tax Increment Finance Districts to facilitate fiber deployment within the TIF districts; and
3. Direct Economic and Community Development staff to return to the Commission with a proposed growth policy amendment incorporating elements of the [Bozeman Fiber Master Plan and Feasibility Study](#) into the City's Growth Policy.

## THREE SUGGESTED MOTIONS:

1. *Having considered all materials, written and spoken public comments, and recommendations of staff, I move to approve Resolution 4576 adopting the [Bozeman Fiber Master Plan and Feasibility Study](#) and direct staff to immediately proceed with implementation planning and engineering for Phase I with a goal of constructing Phase I in summer 2015 and direct staff to continue collaborating with the Bozeman Public Schools and private financing partners to fund the construction of Phase II.*

AND

2. *I move to direct Economic and Community Development staff to return to the Commission with proposed Ordinances amending the urban renewal plans of the Downtown, North 7<sup>th</sup> Tax Increment Finance Districts to facilitate fiber deployment within the TIF districts;*

AND

3. *I move to direct Economic and Community Development staff to return to the Commission with a proposed Growth Policy amendment incorporating elements of the Bozeman Fiber Master Plan into the City's Growth Policy.*

## **BACKGROUND:**

In May 2013, with the support of the Bozeman City Commission (Resolution 4434) the City established the Broadband Steering Committee (BSC). The BSC is composed of technology sector professionals, economic developers, telecommunications industry professionals, financial services professionals and local government officials. Since July 2014, members of the BSC have been working with Design Nine, a nationally recognized broadband planning firm to, in the words of Commission Resolution 4434, “bring fast, reliable, and affordable broadband service to Bozeman and the region in furtherance of the City’s economic development goals.”

The project team, convened by the City of Bozeman, the Broadband Steering Committee, and the Economic Development Council, was tasked to explore the feasibility of developing a community-owned, high-performance broadband network for Bozeman.

On [December 15, 2014](#), the City Commission received the *Bozeman Fiber Initiative Project Overview* report, which provided a summary of the project and its recommendation to create an open-access network managed and operated by a “locally controlled, independent, private sector entity”. The Commission voted 4-0 to “direct Community and Economic Development staff to return to the Commission with a proposed Bozeman Fiber Master Plan.”

## **SUMMARY OF RECOMMENDED ACTIONS:**

### **1. Adopt the [Bozeman Fiber Master Plan and Feasibility Study](#).**

The [Bozeman Fiber Master Plan and Feasibility Study](#) recommends building three phases of an open access community fiber optic network. With an open access network, the City will not be an internet services provider to businesses and residents; these services will be provided by the private sector. Revenue for the network will come from private service providers using the shared infrastructure created by the network to reach and compete for new customers. The cost of each phase is estimated as a standalone project, but significant savings may be realized by building phases together. Phase I and Phase II will, ideally, be constructed concurrently even though their engineering and funding may occur separately.

Phase I includes a fiber build in two tax increment finance (TIF) districts. The Montana Code Annotated (7-15-4288 MCA) specifically includes “telecommunications lines” as “public

improvements or infrastructure” that may be built with TIF money in an urban renewal area. Phase I was developed to utilize TIF funds to improve the infrastructure in the Downtown and North 7<sup>th</sup> Avenue TIF districts and enhance the desirability of those districts for redevelopment and renewal.

***Staff recommends that the City Commission direct staff to immediately proceed with implementation planning and engineering for Phase I with a goal of constructing Phase I in summer 2015. Building Phase I summer 2015 is essential to meeting the needs the schools will have in summer 2016.***

Phase II includes a fiber build to the Bozeman Public Schools. The schools are a large user of fiber services and since they are geographically dispersed they allow the network build to reach larger areas of the community and additional business districts. Staff expects that a combination of funding from Bozeman Public Schools and private financing will fund construction of this phase.

***Staff recommends that the City Commission direct staff to continue collaborating with the Bozeman Public Schools and private financing partners to fund the construction of Phase II. Coordinating to construct Phase I and Phase II concurrently may produce significant savings.***

Phase III includes closure of rings to reinforce the reliability of the network and includes expansion into additional business districts. Staff expects that a combination of private financing and revenue from network operations may finance construction of Phase III.

## **2. Direct Community Development and Economic Development staff to return to the Commission with proposed Ordinances amending the Urban Renewal Plans of the Downtown and North 7<sup>th</sup> Avenue Urban Tax Increment Finance Districts**

The Montana Code Annotated (MCA) allows tax increment to be used in an urban renewal area for activities listed in 7-15-4288 MCA “as identified in the urban renewal plan.” Staff believes that current urban renewal plans for Downtown and North 7<sup>th</sup> Avenue provide broad direction to promote commercial activities and make infrastructure improvements within the respective districts. Nevertheless, we recommend amending the urban renewal plans for these districts to promote transparency and public participation in government and to provide clear direction that this project contributes to the redevelopment and renewal goals of these districts.

## **3. Direct Community Development and Economic Development staff to return to the Commission with a proposed Growth Policy amendment incorporating elements of the Bozeman Fiber Master Plan and Feasibility Study into the City's Growth Policy.**

The ***Bozeman Fiber Master Plan*** is clearly supported by the goals and objectives enumerated by the Bozeman Community Plan.

- Goal ED – 1.1: Support business creation, retention, and expansion. Emphasize small businesses, ‘green’ businesses, and e-businesses.

- Goal ED – 1.2: Coordinate the provision of infrastructure necessary to support economic development.
- Goal ED – 1.6: Utilize the City’s economic development and urban renewal plans to stimulate investment and maintain a healthy and vibrant economy.

Long-term planning to support the continued development of next-generation fiber optic infrastructure would benefit from additional clarity of direction. Staff recommends amending the text of the Public Services section of Bozeman Community Plan to specifically address fiber optic infrastructure. Preliminary draft language for such a text amendment is provided in the appendix of the [Bozeman Fiber Master Plan and Feasibility Study](#).

**UNRESOLVED ISSUES:**

The structure of the partnership with the managing non-profit entity is still being developed. Staff plans to return with a suggested legal structure and agreement(s) for consideration by the Commission in the coming months. Also, staff is still planning a funding strategy for constructing Phases II and III of the *Bozeman Fiber Master Plan*.

**ALTERNATIVES:** As determined by the Commission.

**FISCAL EFFECTS:**

The following preliminary cost estimates project the cost of building each phase as a standalone project. For Phase I, \$325,000 of the \$1.44 million cost would be expended in FY 2015. The board of the Downtown TIF included \$100,000 for the fiber project in their FY 2015 workplan and budget and the North 7<sup>th</sup> Avenue Urban Renewal Board (NSURB) recently voted to amend their workplan and budget to include \$100,000 for engineering and project management for Phase I (A forthcoming budget amendment proposal to be presented to the City Commission for approval). These funding streams, together, would provide adequate funding in Fiscal Year 2015 for the “implementation planning phase” of the Phase I build. Phase I, additionally, utilizes a \$125,000 existing City project (budgeted for FY 15) to connect City Hall to the Water Shops and County Emergency Operations Center along Montana Street. Funds from the two TIF districts and the Montana Street Project would comprise the majority of the Phase I funding.

Phase	Cost Estimate	Fiber Construction
<b>Phase I – Fiber to the TIF Districts</b>	estimated \$1,440,466	7 miles
<b>Phase II – Fiber to the Schools</b>	estimated \$1,474,817	11.05 miles
<b>Phase III – Ring Closure and Network Expansion</b>	estimated \$1,233,368	10.31 miles
<b>All phases</b>	estimated \$4,380,152	29.14 miles

**Attachments:**

1. Resolution 4576;
2. [December 15, 2014 Packet Material](#) (hyperlinked here only);
3. [Bozeman Fiber Master Plan and Feasibility Study](#) (hyperlinked here only);
4. [Minutes of the December 15, 2014 City Commission meeting including public comment](#) (hyperlinked here only); and
5. [Letters of support](#) (hyperlinked here only).

*Report prepared on January 19, 2015*



**RESOLUTION NO. 4576**

**A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF BOZEMAN, MONTANA, ADOPTING THE BOZEMAN FIBER MASTER PLAN AND FEASIBILITY STUDY.**

**WHEREAS**, the **Bozeman City Commission** identified **economic development** as a high priority; and

**WHEREAS**, the **Bozeman City Commission** supports efforts to strengthen the economic vitality of Bozeman and the surrounding area; and

**WHEREAS**, the **Bozeman City Commission** acknowledges that the facilitation of job creation and industry diversification are critical to the long-term economic success of Bozeman; and

**WHEREAS**, the **Bozeman City Commission** wishes to stimulate, encourage and support the attraction, retention and growth of high-value industries and mid- to high paying jobs in a variety of sectors; and

**WHEREAS**, the City of Bozeman's **Economic Development Council** discussed and acknowledges the importance of fast, reliable, affordable and redundant broadband internet service to Bozeman is to accomplishing the aforementioned goals of the facilitation of job creation and industry diversification; and

**WHEREAS**, the **Bozeman City Commission** adopted **Resolution 4434** supporting the efforts by the **Broadband Steering Committee** to bring fast, reliable, affordable and redundant broadband internet service to Bozeman; and

**WHEREAS**, the **Broadband Steering Committee** determined that the lack of affordable, reliable, redundant and high-speed broadband internet service in the region is a limiting factor in Bozeman’s economic growth; and

**WHEREAS**, the **Bozeman Community Plan** promotes and encourages the continued development of Bozeman as a vital economic center; and

**WHEREAS**, the **Bozeman Community Plan** supports business creation, retention, and expansion with emphasis on small businesses, ‘green’ businesses, and e-businesses; and

**WHEREAS**, the **Bozeman Community Plan** supports coordination in the provision of infrastructure necessary to support economic development; and

**WHEREAS**, the **Bozeman Community Plan** supports utilizing the City’s economic development and urban renewal plans to stimulate investment and maintain a healthy and vibrant economy; and

**WHEREAS**, the **Bozeman Community Plan** supports balanced policies and programs to encourage a durable, vigorous and diverse economy; and

**WHEREAS**, the **Bozeman Community Plan** supports working with other service and utility providers to ensure the adequate and safe provision of services; and

**WHEREAS**, the **Bozeman Economic Development Plan** supports the expansion and retention of existing businesses and economic sectors that will continue to strengthen and diversify the economy and create higher paying jobs in Bozeman and the surrounding area; and

**WHEREAS**, the **Bozeman Economic Development Plan** supports maintaining and upgrading infrastructure to support current and future needs of business; and

**WHEREAS**, the **Bozeman Capital Improvement Plan** supports anticipating future service demands and resource deficiencies and be proactive in addressing them; and

**WHEREAS**, the **Bozeman Capital Improvement Plan** supports the provision of excellent and equitable public services which are responsive to the community within available resources; and

**WHEREAS**, the **Downtown Bozeman Improvement Plan** supports the coordination of infrastructure improvements critical for development and redevelopment in the downtown core; and

**WHEREAS**, the **North 7<sup>th</sup> Urban Renewal District Plan** supports the coordination public and private improvements; and

**WHEREAS**, an **open access model** for delivery of broadband services will increase competition among private internet service providers; and

**WHEREAS**, a **shared infrastructure model** for delivery of broadband services reduces costs and creates new business opportunities for private internet service providers; and

**WHEREAS**, improved policies for installation of broadband infrastructure facilitates the organic growth of an open-access fiber network; and



**WHEREAS**, Bozeman has a critical mass of local government agencies, K12 schools, colleges, health care institutions, and large and small businesses to support a financially sustainable, open access community fiber network.

**NOW, THEREFORE, BE IT RESOLVED** by the City Commission of the City of Bozeman, Montana, that:

**Section 1**

The **Bozeman Fiber Master Plan and Feasibility Study**, hyperlinked here as [Exhibit A](#) and on file in the City Clerk’s office, is hereby adopted.

**PASSED AND APPROVED** by the City Commission of the City of Bozeman, Montana at a regular session thereof on the 26<sup>th</sup> day of January, 2015.

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**JEFFREY K. KRAUSS**  
**Mayor**

ATTEST:

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**STACY ULMEN, CMC**  
City Clerk

APPROVED AS TO FORM:

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**GREG SULLIVAN**  
City Attorney