HERMISTON CITY COUNCIL

Work Session October 25, 2021

Mayor Drotzmann called the work session meeting to order at 6:00pm. Present were Councilors Hardin, Peterson, Barron, Primmer, Spicerkuhn, and Duron. Councilors Davis and Myers were excused. Staff members in attendance were City Manager Byron Smith, Assistant City Manager Mark Morgan, City Attorney Richard Tovey, Chief Edmiston, Finance Director Mark Krawczyk, Planning Director Clint Spencer, Hermiston Energy Services (HES) General Manager Nate Rivera, Parks and Recreation Interim Director Brandon Artz, and City Recorder Lilly Alarcon-Strong.

Broadband Discussion

HES General Manager Nate Rivera gave information (PowerPoint presentation attached) regarding Digital Infrastructure Economic Case Assessment, to include:

- Goal #6 from this year's Council Goal Setting Session
- Planning for the current and future needs of City facilities
- How and why the City's broadband infrastructure would provide new opportunity for work and economic growth
- Costs associated with broadband infrastructure
- Possible fiber routes
- Opportunities to support community investments
- Direction from Council on next steps moving forward

Public Comment

Mayor Drotzmann stated public comment is not typically taken during work sessions, but will allow it today.

Jackie Linton, 111 W Beebe Ave- asked that the Council consider hiring an internet business that is already established in the City to expand their services instead of the City doing it. This would free up money that could go elsewhere on other needed infrastructure in the City.

City Manager Smith stated yes, developing a partnership is an option that can be further discussed at the Councils Goal Setting Session in February.

After much discussion and answering questions from the Council, the Council directed Mr. Rivera to move forward, hopefully with community partners, to help the economic growth of the City.

Mr. Rivera stated he will continue this effort and report back to the Council at the Goal Setting Session in February.

Mayor Drotzmann adjourned the work session at 6:58pm and stated the City Council would take a short break and convene the regular City Council meeting at 7:01pm.

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DIGITAL INFRASTRUCTURE ECONOMIC CASE ASSESSMENT

Council Work Session – October 25, 2021







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Digital Infrastructure

- Council Goal 6
- Digital Needs & Readiness Assessment (DNRA)
- Economic Case Assessment
- Next Steps

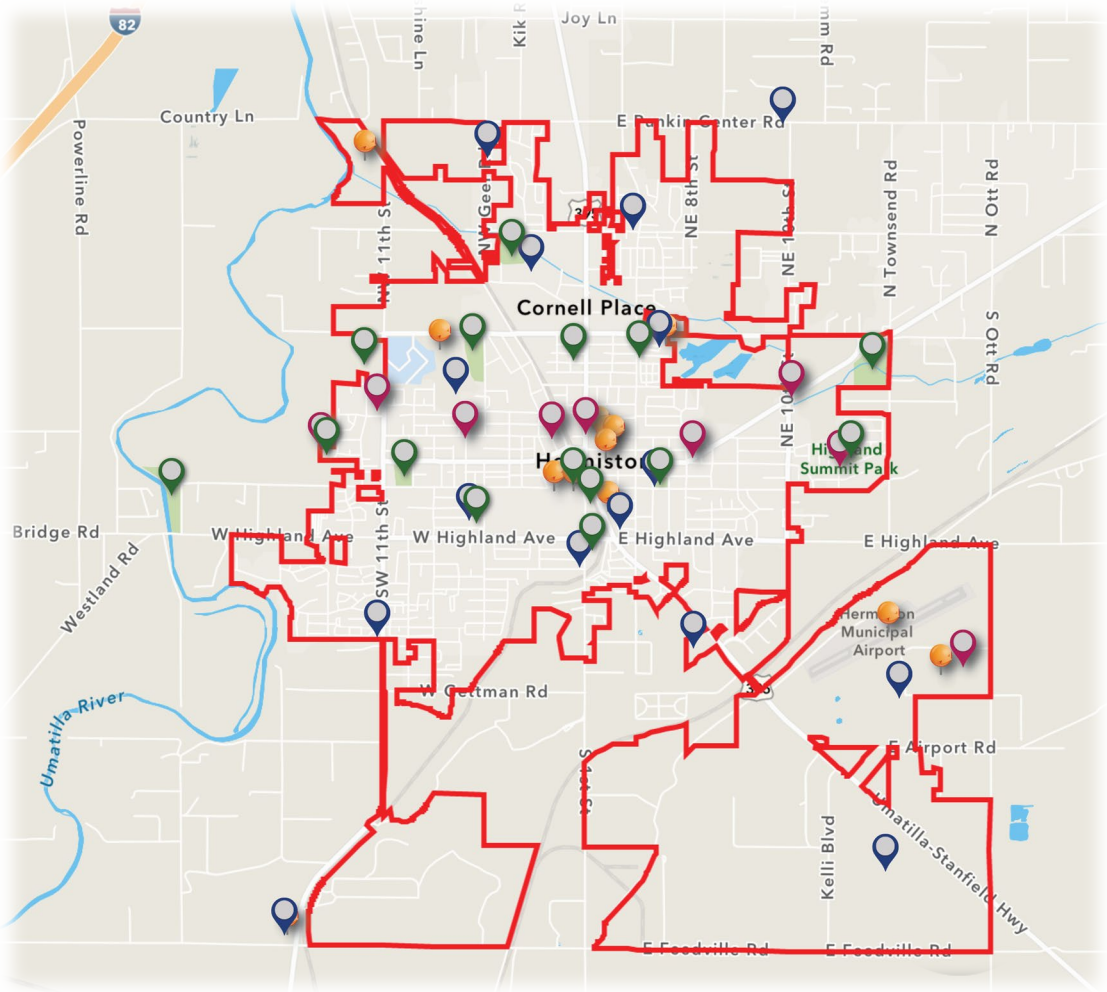


Council Goal 6

Plan for City Facilities That Meet Current & Future Needs.

- Over the Past Year, Staff Has Been Researching Fiber Broadband Infrastructure Options Due to Connectivity Issues Between City-Owned Facilities.

- Currently, Few City Facilities Are Served
  - Multiple Providers Over Various Infrastructure.



Council Goal 6

Plan for City Facilities That Meet Current & Future Needs.

- Even before the Pandemic, Broadband Issues With Availability, Speed, & Reliability Were Identified as Barriers to Staff and Departments Collaborating & Deploying New Technology Within the City.

- These Problems Have Been Exacerbated by the Pandemic and Stand to Deepen Issues Providing Services to the Citizens of Hermiston.

- This situation creates an opportunity for Hermiston to develop and deploy a more comprehensive, equitable solution for broadband access to the city and possibly the community.

Council Goal 6

Plan for City Facilities That Meet Current & Future Needs.

- The staff has been working with Strategic Networks Group (SNG) to assist in strategic planning as we investigate connecting City of Hermiston facilities.

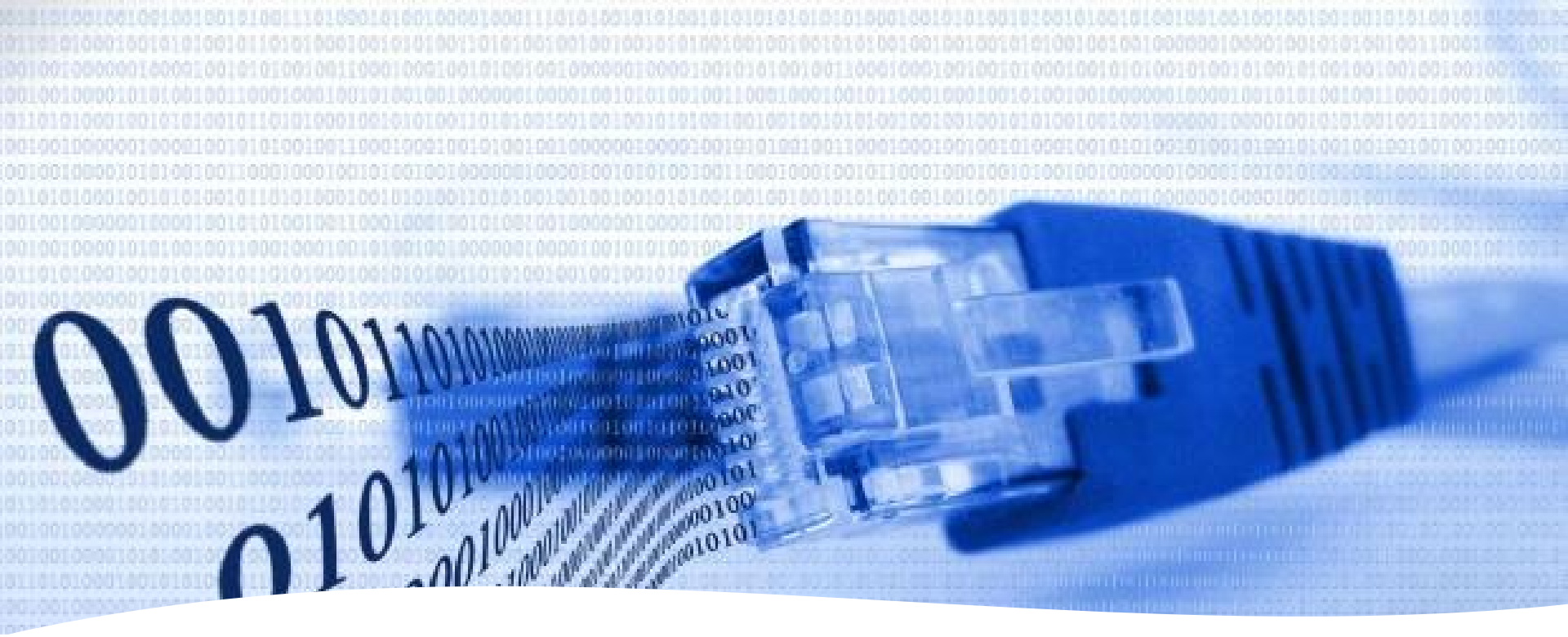
- This work will create a Digital Infrastructure Roadmap for the City of Hermiston to assist in long-term planning to maximize infrastructure investment(s) within the city.

- Tonight, We are Reviewing the Second Phase of This Process:
  - Outlining the Economic Case Assessment.
  - Phase I - Hermiston's current Digital Needs and Readiness
    - Presented to Council in August.

Digital Goals & Needs Recap

	Top Five Goals	Score	Convergence
1	New opportunities for work and economic growth	91.3%	71.0%
2	Access to robust and competitive broadband	88.4%	68.1%
3	Expanded online education and training opportunities	87.0%	67.2%
4	Remote and better integrated access to health services	79.7%	61.7%
5	Improved monitoring and management of clean water and sanitation	78.3%	56.2%

	Top Five Issues and Needs	Score	Convergence
1	Expanding local workforce skills	79.7%	50.5%
2	Retaining and attracting businesses and population	79.7%	47.7%
3	Increasing good-paying job opportunities	75.4%	57.1%
4	Stimulating local business growth and innovation	75.4%	42.9%
5	Improving emergency services response (health, fire, police)	60.9%	47.0%

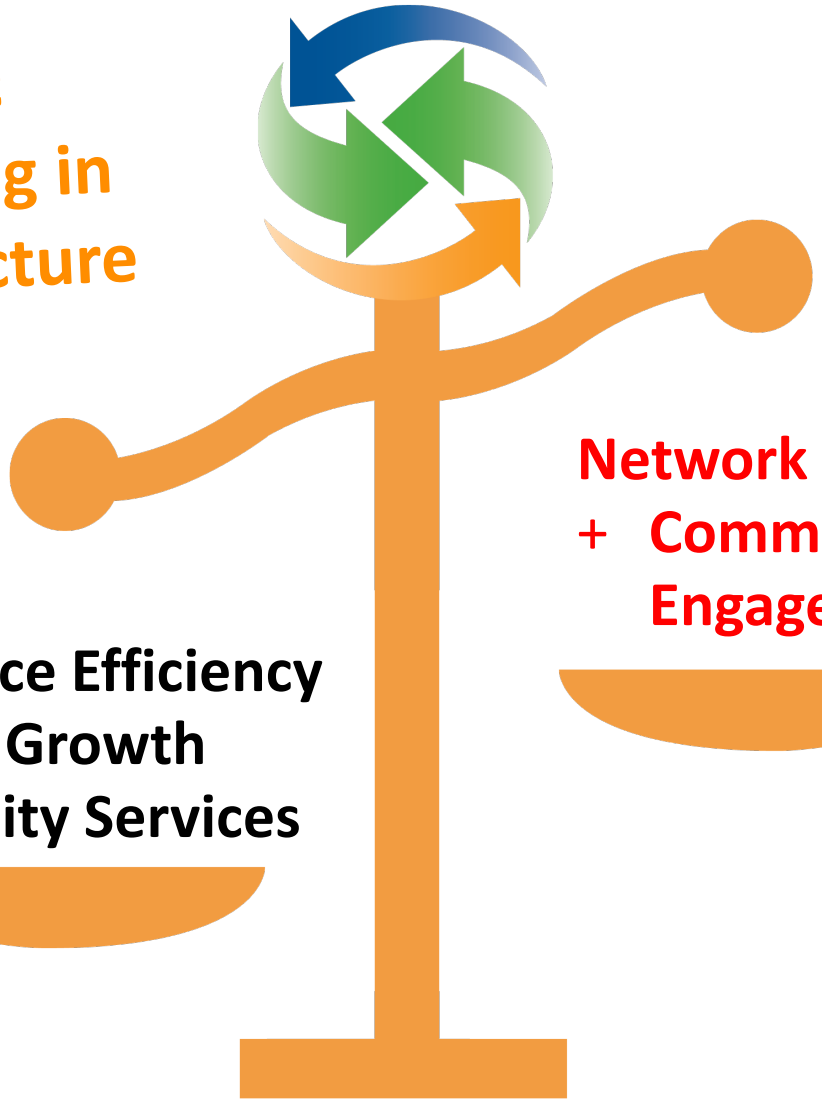


Essential Infrastructure – Relative Costs

- **Roads** were the infrastructure for the **Industrial Economy**
  - $2,000,000 to $10,000,000 build a mile of road
- **Broadband** is the infrastructure for the **Digital Economy**
  - $100,000 to build a mile of fiber

Economic Case Assessment

Assess Economic Case for Investing in Digital Infrastructure



Network Benefits
+ **Municipal Service Efficiency**
+ **Local Economic Growth**
+ **Smart Community Services**

Network Costs
+ **Community Engagement**

Economic Case Assessment

- Assesses Up-Front Whether Economic Returns & Community Benefits Outweigh the Costs of Investing in Digital Infrastructure
  - Conducted by SNG & City Staff – August-October 2021
  - Assessed Current and Future Municipal Digital Infrastructure & Telecom Spending.



Economic Case Assessment

Telecom Expenditures

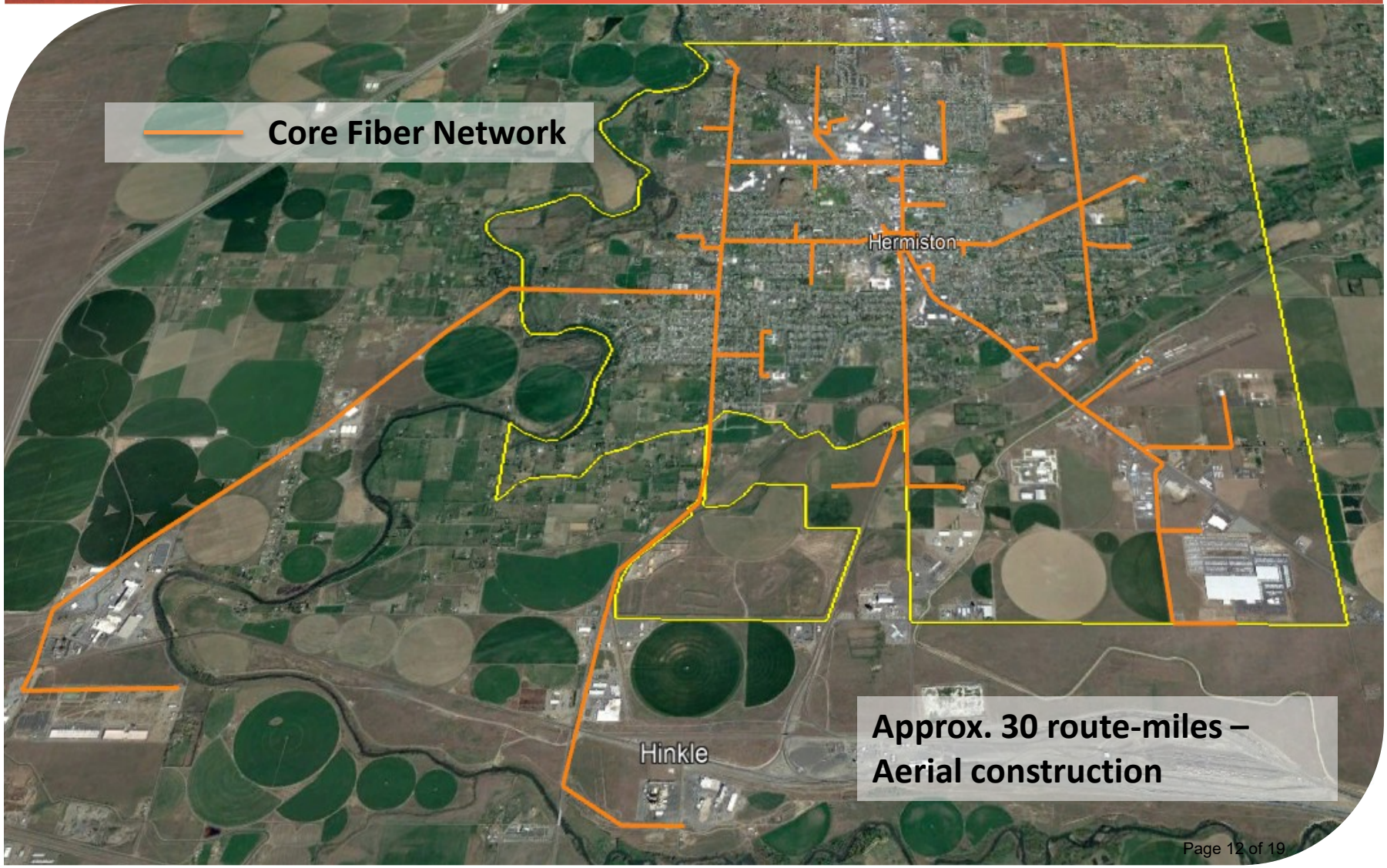
Existing Services	Monthly	Annual
Library	$650.00	$7,800
Airport	$495.89	$5,951
City Hall	$1,897.65	$22,772
Police Department	$275.25	$3,303
Parks & Recreation	$28.66	$344
Community Center	$457.55	$5,491
Public Works	$258.50	$3,102
Hermiston Family Aquatic Center	$493.01	$5,916
Eastern Oregon Trade & Event Center	$1,167.91	$14,015
Feedville Substation	$264.10	$3,169
Subtotal Existing	**$5,988**	**$71,862**

New Services	Monthly	Annual
Police Department	$549.50	$6,594
City Parks (14)	$6,902.14	$82,826
Water Facility (9)	$4,437.09	$53,245
Regional Water Facility (13)	$6,409.13	$76,910
Storm Water Facility (3)	$1,479.03	$17,748
Sewer Facility (10)	$4,930.10	$59,161
Subtotal New	**$24,707**	**$296,484**
Total Telecom Expense	**$30,695**	**$368,346**

Connecting Hermiston's Municipal Facilities:

- 1–7-year Department projected needs.
- Connecting facilities incrementally.

Preliminary Core Fiber Routes



Network Cost Estimate

Core Network Budgetary Cost Estimate [1]	288 CT Fiber
Engineering	$658,000
AERIAL - Existing Pole line	$1,792,000
AERIAL - New Pole line	$700,000
Splice/Test	$446,000
Install Equipment Building	$175,000
Install Equipment Headend	$219,000
TOTAL	**$3,990,000**

	Annual Costs
Network Financing Payments [2]	$278,380
Bandwidth Charges [3]	$15,000
Network Operating Cost [4]	$120,000
TOTAL	**$413,380**

(1) Subject to change based on detailed design and engineering
(2) $4M Financed at 3.5% over 20 years
(3) Assumes average data usage of 200 MB per-month per-location
(4) Outsourced operation and management agreement for network operations

- Connectivity to
  - Current and planned municipal locations
  - Approx. 30 route-miles
  - Aerial construction
  - Lit network
  - In-building equipment not included (routers, etc.)
- Capacity For Future City-Wide Expansion
  - 288-Count Fiber For Core Routes
  - Provides Backbone Capacity for 26,000 Premises

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Economic Case Assessment

Hypothetical Statement:

City Commits To Connecting Hermiston's Municipal Facilities:

City Hall, Municipal Buildings, Parks, Wells, Reservoirs,

Pump & Lift Stations, Recycled & Storm Water Infrastructure:

- Today's Allocated Cost for Digital Infrastructure: **$71,862**
- Future Needs + Current Allocated Costs for Third-Party Provider: **$368,346**
- Annual Cost to Build/Maintain/Operate City-Owned Digital Infrastructure: **$413,381**
- Annual Shortfall Between Third-Party Owned & City Owned: **-$45,035**
- Annual Shortfall Between Current Costs and City Owned: **-$341,518**

Opportunities to Support Investment

- Community Partners / Anchors Contribute To Investment?
  - Can We Leverage City Digital Infrastructure To Provide Reduced Costs & Enhancing Their Service?
- Community Provider(s) Shared Infrastructure Solution?
  - Talk to Providers About Public/Private Partnership.
- New Revenues / Taxes From Increased Economic Activity:
  - New Municipal Tax Revenues From the Increased Tax Base, etc.
  - Removal of Technology & Cost Constraints For Broadband Access
- Smart Community Services:
  - Digital Needs For Health, Education, Emergency Services, etc.
  - Long Term Cost Savings & Potential New Municipal Revenues

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Opportunities Based on DNRA Goals / Issues

Hermiston DNRA Goals / Issues	Opportunities
Goal #1 New Opportunities For Work & Economic Growth	Economic Growth Triad: Education, Entrepreneurship, Workforce Development
Issue #1 Expanding Local Workforce Skills	Upskill Local Workforce For Teleworking and Enabling More Residents and Those Underemployed to Work Remotely
Issue #2 Retaining & Attract Businesses and Population **Issue #3** Increase Good-Paying Job Opportunities	Marketing Hermiston as a Remote Working Community • Attract Higher-Salary Households • New Housing Starts and Demand for Higher Value Homes → Higher Property Taxes
Issue #4 Stimulating Local Business Growth & Innovation	Small Business Growth Program to Stimulate Local Economic Growth Through Broadband

Cost of Inaction

1. Limited Ability For City To:
   a) Improve Existing or Deliver New Digital Services.
   b) Address Digital Divides & Digital Equity In Hermiston.

2. Retention & Attraction Of Businesses & Residents:
   a) Higher Comparative Tax Rates From Higher Costs in the Delivery of Municipal Services
   b) Job Losses and Tax Base Reduction – Loss of Higher Income and Especially Younger Workers

What's the Value of Having Sovereignty Over Hermiston's Digital & Economic Future?

Next Steps

Direction From Council

Options:

- Continue to Investigate Connecting City Facilities With Digital Infrastructure.

- Do We Look To Expand The Scope Of This Effort?
  - Talk to Community Anchors?
  - Talk to Community Providers?
  - Conduct a Broadband Market Assessment:
    - Assess broadband gaps, barriers, and opportunities in Hermiston
    - Identify business case for digital inclusion of unserved and underserved areas of Hermiston
    - Starting point for economic development through broadband

OR

- Based on Tonight's Information Council Directs Staff to Conclude Investigating a Digital Infrastructure Strategic Plan & Roadmap.

Questions

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