



Port of Skagit



November 18, 2020 3:00 PM

Zoom

Mission Statement ~ Good Jobs for Our Community

Agenda	Joint Commission Meeting of the Port of Skagit and Skagit PUD
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CALL TO ORDER – Port of Skagit & Skagit PUD

PLEDGE OF ALLEGIANCE

INTRODUCTIONS

CONFIRM OR AMEND AGENDA

OPEN FORUM

NEW BUSINESS – Port of Skagit

BROAD: SkagitNet Plan of Operations (2020-2021) - Adopt Plan of Operations

BROAD: SkagitNet Capital and Operating Budget - Adopt Budget

Update on Ziplly Partnership

Recent Grant/Loan Funding

Project Update (segment 4)

COMMISSION DISCUSSION

GOOD OF THE ORDER

ADJOURNMENT – Port of Skagit & Skagit PUD

**SKAGITNET LLC
PLAN OF OPERATIONS
FOR 2021**

**Port of Skagit
15400 Airport Drive
Burlington, Washington 98233**

**Public Utility District No. 1 of Skagit County
1415 Freeway Dr,
Mount Vernon, WA 98273**

November 2020

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BACKGROUND AND GOALS

SkagitNet LLC is a joint operating entity of the Port of Skagit County (the “Port”), as Manager (“Manager”), and Skagit County Public Utility District No. 1 (the “PUD”). SkagitNet was formed for the purpose of providing wholesale telecommunication service in the form of a county-wide fiber optic backbone with the collective goals of:

- Providing rural and urban state-of-the-art digital communication services;
- Creating economic opportunities, including sustainable community wage jobs;
- Providing increased capacity to augment existing systems;
- Consolidating administration;
- Reducing administrative layering; and
- Reducing administrative costs.

OPERATING FRAMEWORK

SkagitNet will be operated as a dark fiber, open access network model. The model is a public-private partnership where a publicly owned fiber optic backbone is constructed and leased on a wholesale basis to telecommunication system carriers and service providers to deliver service to end-users. Customers of the network will include telecommunication providers licensed by the Utilities and Transportation Commission (UTC), including competitive local exchange carriers (CLECs), community internet service providers (ISPs), and wireless service providers. Customers will lease dark fiber for transport and backhaul capacity.

The network will also include provision of one primary and several ancillary carrier-neutral colocation facilities where providers can house electronics to serve the network. In addition to dark fiber leasing, SkagitNet will also offer rack space, climate control, and standby power in the colocation facilities for a monthly fee.

LEGISLATIVE AUTHORITY

Legislative authority for operation of SkagitNet can be found in the following statutes.

Port Authority: Chapter 53.08 RCW

PUD Authority Chapter 54.04 RCW

Public Works Chapter 39.04 RCW

OPERATIONAL OBJECTIVES

Objective	Action
<p>Build and manage SkagitNet as a carrier grade system, with a high degree of reliability and responsiveness.</p>	<ul style="list-style-type: none"> • Optical fiber within the network will meet industry standard performance and loss characteristics per OTDR (optical time-domain reflectometer) testing. • Network will be served by a NOC (Network Operating Center) with 24/7 monitoring services and call-out response. • Network routes will be designed to provide redundancy. • Network will be served by on-call service contracts to provide 24/7 system maintenance, troubleshooting, and repair. • Network will be managed with an adequate call-out list to provide after hours and emergency response in accordance with the service level standards specified in the Master Services Agreement.
<p>Operate in a business-like fashion to be responsive to industry needs in a collaborative effort with both public and private partners.</p>	<ul style="list-style-type: none"> • Provide timely responses to new service requests • Outside Plant Design services will be provided by qualified in-house staff or contract with one or more qualified outside plant design firms. • Service extensions will be constructed through public works contracting. • Service installations and terminations will be completed by trained in-house staff or contracted service providers. • Provide support services on a contract basis to other public entities for the development of regional cooperation.
<p>Manage SkagitNet as an open access, carrier neutral network.</p>	<ul style="list-style-type: none"> • SkagitNet will lease fiber optic strands on a wholesale basis to licensed Washington Utilities and Transportation Commission internet providers and public entities authorized to provide telecommunication services.

- SkagitNet will not discriminate between providers seeking to lease capacity on the network.

CONTRACTING AND PROCUREMENT

SkagitNet intends to complete construction of the countywide fiber optic backbone along with elements of distribution systems in La Conner, Sedro-Woolley, and Concrete. In addition to these planned capital projects, SkagitNet will also need to be responsive to provider requests for new connections to end user premises. These anticipated connections and system expansion needs are provided for as a line item in the capital budget. Some portion of these expenses will be recovered in the form of non-reoccurring charges (NRC) to the provider. As the network matures, it is anticipated that the majority of end user connection expenses can be directly returned to the network through NRC's.

DELEGATION OF AUTHORITY

Delegation of duties and authority levels will be as follows:

ACTION	AUTHORIZED SIGNATORY	EXPENDITURE LEVEL
Small Works Contracts	SkagitNet Manager	\$50,000
	Port Executive Director and PUD General Manager	\$300,000 if budgeted
	Joint Port and PUD Commission	\$300,000 if unbudgeted
Public Works Contract	Port Executive Director and PUD General Manager	>\$300,000 if budgeted
	Joint Port and PUD Commission	>\$300,000 if unbudgeted
Purchased Service Contracts (Services, Supplies, Utilities, Equipment)	SkagitNet Manager	Amount budgeted \$20,000 if unbudgeted
Professional Services including A&E	SkagitNet Manager	Amount budgeted \$20,000 if unbudgeted
	Port Executive Director and PUD General Manager	\$200,000 if budgeted
	Joint Port and PUD Commission	>\$200,000 if budgeted \$200,000 if unbudgeted
Contract Change Orders	Port Executive Director and PUD General Manager	Up to 20% of the contract amount per change order, to a maximum cumulative amount not to exceed \$50,000 per contract.
	Joint Port and PUD Commission	Greater than 20% of the contract amount per change order or greater than \$50,000 per contract.

Expenditures will include the need for unplanned system expansions including new construction on fiber optic backbone and/or distribution system elements in response to connection requests from telecom providers. The capital budget includes a provision for these costs in the "User Connection and System Expansion" line item. This line item assumes that SkagitNet may reinvest up to 80 percent of its net revenue in system expansion in the first five years and these costs will include reimbursable and non-reimbursable elements.

These assumptions will be reviewed annually based on actual system performance.

Unbudgeted expenditures may occur where the demand for system expansion outpaces the projections included in the 2021 capital budget. If this occurs, it will be based on service requests from telecom providers and will be supported by a business case and opportunity for cost recovery through non-recurring charges.

A limited authority (\$20,000 limit) is granted to the SkagitNet Manager to enter into unbudgeted contracts for professional and purchased services to allow the Manager to be as responsive as possible to network needs.

OPERATIONAL ACTIVITIES

The network will require the following services and functional roles when operational:

Role	Resource Plan
Business Development and Network Planning	Port and PUD management staff
Outside Plant Design	Port of Skagit
Network Construction	Public works bidding process
Installation/termination of fiber at premises	Trained staff technician and/or qualified contractor
Non-recurring charge estimates	Port of Skagit
Maintenance and Repair	Trained staff technician and/or one or more on-call contracts with qualified contractor
Emergency Restoration Services	Port of Skagit
Locates	Provided under contract with USISC. Executed on 11/16
Network Operating Center	Contract under review with NoaNet.
Network mapping and splice cut sheet management	Provided under contract with Port of Whitman
Customer Billing and Accounts Receivable	SkagitNet, administered by the Port of Skagit.
Accounts Payable/Treasurer	Port to provide
Auditor	PUD to provide

A management support contract is executed with Petrichor, LLC to provide key network services during the first five years of network operation. Petrichor brings more than 17 years of successful experience operating a fiber optic system in eastern Washington and can lend the network expertise and resource efficiencies in the early start-up phase. This contract may be phased out or replaced with staff hired directly by the Port or PUD overtime as the network matures and revenues can support a larger operating budget.

**SKAGITNET LLC
BUDGET FOR 2021**

**Port of Skagit
15400 Airport Drive
Burlington, Washington 98233**

**Public Utility District No. 1 of Skagit County
1415 Freeway Dr,
Mount Vernon, WA 98273**

November 2020

OPERATING BUDGET

FIBER	
Operating Revenue	
User Charges	\$116,340
Total Operating Revenue	\$116,340
Operating Expenses	
Salaries & Benefits	\$86,914
Operating Supplies	\$25,000
Outside Services	\$65,000
Communications	\$487
Travel	\$3,000
Insurance	\$10,000
Utility Expense	\$270
Licenses	\$8,200
Memberships	\$3,500
Community Outreach	\$40
Legal	\$22,000
Total Operating Expenses	\$224,411

CAPITAL BUDGET

FIBER	Budget	Grants	Source	Port of Skagit Operations/ cash reserves
City of Sedro-Woolley Distribution	\$500,000	\$500,000	Skagit County .09 Funds (2018)	
East County Distribution – Potential Ziplly IRU	\$1,126,800	\$1,000,000	\$500k CERB grant/\$500k CERB loan	\$126,800
Sauk-Suiattle Tribe	\$4,738,250	\$4,375,000	.09 \$1M /PWB \$3.375M/Port Match	\$363,250
User Connection and System Expansion	\$250,000			\$250,000
Farm to Market (N of Bayview)	\$100,000			\$100,000
TOTAL FIBER	\$6,715,050	\$5,875,000		\$ 840,050