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METRO AUTHORITY

2008 ANNUAL REPORT

Department of Energy, Labor & Economic Growth
METRO Authority
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EXECUTIVE SUMMARY

The METRO Authority was created in November of 2002 as a result of P.A. 48 of 2002 (METRO Act) with the express purpose of streamlining the right-of-way permitting processes between municipalities (cities, townships, or villages) and telecommunication providers (providers). The Act is a result of a collaborative agreement between municipalities and providers. Historically, providers who were expanding their services into or within the state's 1,778 municipalities approached each municipality individually and completed whatever process these municipalities required. Municipalities were not required to have a standard permitting process or fee structure.

The Authority is responsible for recovering the costs of public right-of-way use by the providers. This process starts each February by the Authority sending out notices to all telecom providers requiring them to submit information regarding their linear footages in public rights-of-way. The Authority then assesses maintenance fees owed by providers each April based on the figures they submitted and the formulas provided by the Act. With the money collected from the telecommunication providers, and any interested earned throughout the year, the Authority calculates payments due to eligible municipalities; and in early June, distributes these payments. Currently, 100% of fees assessed on providers are paid out to eligible municipalities. Seventy-five percent of available funds are distributed to eligible cities and villages based on the Michigan Department of Transportation fund distribution formula as found in Section 13 of PA 51 of 1951. Twenty-five percent of available funds are disbursed to eligible townships based on each township's proportionate share of the total linear feet of public rights-of-way in or on which providers' facilities are located within all townships located in metropolitan areas. Townships received \$5.46 million and cities/villages received \$16.38 million of the \$21.8 million dollars disbursed in 2008.

The Authority, throughout the year, also coordinates public right-of-way matters between telecom facilities and municipalities; files an annual report to the Governor; issues determinations; grants waivers for underserved areas; collects Annual Reports from municipalities with populations over 10,000; monitors repair and restoration regarding public right-of-way dispute resolutions; and provides information/technical assistance to both municipalities and providers.

The goals of the METRO Authority continue to be:

- Encourage competition in the availability, prices, terms, and other conditions of providing telecommunication services.
- Encourage the introduction of new services, the entry of new providers, the development of new technologies, and increased investment in the telecommunication infrastructure in Michigan.
- Improve the opportunities for economic development and the delivery of telecommunication services.
- Streamline the process for authorizing access to and use of public rights-of-way by telecommunication providers.

- Ensure the reasonable control and management of public rights-of-way by municipalities within Michigan.
- Provide for a common public rights-of-way maintenance fee applicable to telecommunication providers.
- Ensure effective review and disposition of disputes under the Act.
- Allow for a tax credit for providers to recover the costs under the Act (and ensure that providers do not pass costs onto end-users thru rates and charges for telecommunication services).

The METRO Authority has prepared this report in compliance with Section 3 of Michigan Public Act 48 of 2002, which requires the METRO Authority to file an annual report of its activities for the preceding year with the Governor and the members of the legislative committees dealing with energy, technology, and telecommunications issues.

The METRO Authority, per Executive Order 2008-20, is a division within the Michigan Department of Energy, Labor & Economic Growth. Contacts consist of:

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Year 2008 Summary

The annual report of the year 2008 activities of the METRO Authority is enclosed. The following provides a summary of some of the more informative aspects of the fifth year of operation:

A. Reporting of Footage and Access Lines

All providers that have telecommunication facilities in the State of Michigan are required to report to the METRO Authority the following information:

1. Linear footage for each city, village, or township defined as—occupied by the provider regardless of the quantity or type of the provider’s facilities utilizing the public right-of-way or whether the facilities are leased to another provider.
2. Total number of owned access lines, including wholesale and retail
3. Total number of linear feet by underground and above ground broken down by city, village and township boundary.
4. Competitive Local Exchange Carriers (CLECs) must report total linear feet in each of the Incumbent Local Exchange Carriers service areas (ILECs).
5. Cable providers may satisfy the fee requirement by certifying that their aggregate investment in Michigan, since January 1, 1996, in facilities capable of providing broadband internet transport access service exceeds the aggregate amount of the maintenance fees assessed.

Providers are required to report new and/or retired footages and access lines to the METRO Authority no later than March 18th of each year. They are invoiced based on the information available to the METRO Authority as of that date. In addition, cable companies report their total aggregate investments reported in Michigan.

B. 2008 Maintenance Fee Payments (Attachment B)

- ILECs Invoiced	\$20,428,834	Collected	\$20,428,834
- CLECs Invoiced	\$ 1,296,048	Collected	\$ 1,247,765
- Broadband Co.’s Invoiced	<u>\$ 8,943</u>	Collected	<u>\$ 8,943</u>
- Totals Invoiced	\$21,733,825	Collected	\$21,685,542

C. 2008 Payments to Municipalities

- Cities and Villages (Attachment C)	\$16,375,516.22
- Townships (Attachment D)	<u>\$ 5,458,505.45</u>
- Total Payments*	\$21,834,021.67

Note: 2008 payments include funds collected in 2007 after the June distribution, plus any accrued interest.

D. Municipalities Eligible to Receive 2008 METRO Act Funds

	Total	Eligible for 2008 Funds	Ineligible for 2008 Funds
Cities	271	270	1
Villages	264	248	16
Townships	<u>1,243</u>	<u>1,240</u>	<u>3</u>
Total	1,778	1,758	20

Attachment F illustrates the municipalities that are not currently eligible to receive METRO Act Funds.

E. Michigan Public Service Commission

(METRO Act, Section 8(14))

1. Tax Credits Granted to ILECs	\$20,419,012
2. Tax Credits Granted to CLECs	\$1,045,874
3. Tax Credits Granted to Broadband Companies	\$4,319
4. Right-of-Way Permits Received	84
- Unilateral	74
- Bilateral	10
- Unspecified Type	0
- Approved Permits	84
- Denied Permits	0
- Pending Permits	0
- New Permits	32
- Extensions to Existing Permits	52

See Attachments E and I.

F. State Legislation Impacting the METRO Act

During 2008, the following proposed/enacted legislation impacting the METRO Act was considered:

A. Proposed Legislation

- Senate Bill 108 was enacted and allowed 19 of the 39 currently ineligible municipalities to become eligible to receive year 2007 METRO Act funding. This legislation was not enacted, but was proposed again for 2008.
- Senate Bill 425, as proposed, would amend Section 11 of the METRO Act to provide administrative/operational funding for the METRO Authority by:
 - Changing the provider payments of their state maintenance fee from one annual payment to four annual quarterly payments of 25% of the amount owed.
 - Providing that up to 3% of the annual maintenance fees collected from telecommunication providers can be used to fund the operational expenses of the METRO Authority.
 - Providing that the Michigan Department of Treasury invest maintenance fee payments and that interest earned be used to fund operating expenses and administrative costs of the Authority.

Proposal referred to House Committee—Department will possibly pursue in 2009.

- House Bill 5047, as proposed, would amend Section 6(8)(a)&(b) , the Uniform Video Service Local Franchise Act (PA 480 of 2007) to clarify how a provider pays the local franchise fee.

The METRO Authority is reviewing the impact, if any, of this amendment as regards the requirements of the METRO Act.

- House Bill 5048, as proposed, will adopt MPSC resolution procedures for disputes arising under the Uniform Video Service Local Franchise Act (PA 480 of 2007).

As the MPSC, per Sections 7 and 17 of the METRO Act also processes disputes regarding METRO Act issues, the METRO Authority is continuing to review this matter to determine the impact, if any, on METRO Act dispute procedures.

B. Enacted Legislation

- House Bill 6456, the Uniform Video Services Local Franchise Act (PA 480 of 2006) became effective January 1, 2007 to provide for uniform video service local franchises; to promote competition in providing video services in this state; to ensure local control of rights-of-way; to provide for fees payable to local units of government; to provide for local programming; to prescribe the powers and duties of certain state and local agencies and officials; and to provide for penalties.

This Act references/impacts the METRO Act in several ways that may need clarification such as:

--Section 2(3)(e) of PA 480 states:

“An exact description of the video service area footprint to be served, as identified by a geographic information system digital boundary meeting or exceeding national map accuracy standards. For providers with 1,000,000 or more access lines in this state using telecommunication facilities to provide video services, the footprint shall be identified in terms of entire wire centers or exchanges. An incumbent video provider satisfies this requirement by allowing a franchising entity to seek right-of-way related information comparable to that required by a permit under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120, as set forth in its last cable franchise or consent agreement from the franchising entity entered before the effective date of this act.”

This reference is to the “route map” requirements of the METRO Act. This is an issue yet to be resolved between municipalities and providers as to the details to be included in “route maps”, and may be of some concern as to the “completeness” of a franchise agreement per Section 3(3) of PA 480.

--Section 6(11) of PA 480 reads:

“A video service provider is entitled to a credit applied toward the fees due under subsection (1) for all funds allocated to the franchising entity from annual maintenance fees paid by the provider for use of public rights-of-way, minus any property tax credit allowed under section 8 of the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3108. The credits shall be applied on a monthly pro rata basis beginning in the first month of each calendar year in which the franchising entity receives its allocation of funds. The credit allowed under this subsection shall be calculated by multiplying the number of linear feet occupied by the provider in the public rights-of-way of the franchising entity by the lesser of 5 cents or the amount assessed under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101

to 484.3120. A video service provider is not eligible for a credit under this subsection unless the provider has taken all property tax credits allowed under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120.

This section impacts the METRO Act as follows:

- METRO Authority, MPSC, and Treasury need to coordinate calculation/verification of the property tax credits granted to providers per Section 8(14) of the METRO Act and PA 50 of 2002.
- Need to address how 20 non-opted in municipalities are impacted under Section 6(11). As these 20 municipalities currently receive no METRO Act funds, can providers receive tax credits; or if they do, are such municipalities doubly impacted—receive no METRO Act funds and their franchise fee is reduced by the amount of funds they could have received.

--Section 8(3) of PA 480 reads:

“A franchising entity may impose on a video service provider a permit fee only to the extent it imposes such a fee on incumbent video providers, and any fee shall not exceed the actual, direct costs incurred by the franchising entity for issuing the relevant permit. A fee under this section shall not be levied if the video service provider already has paid a permit fee of any kind in connection with the same activity that would otherwise be covered by the permit fee under this section or is otherwise authorized by law or contract to place the facilities used by the video service provider in the public rights-of-way or for general revenue purposes.”

This section of PA 48 relates to the fact that providers that pay the METRO Act maintenance fee (Section 4(3)) do not pay local fees for access or use of municipality rights-of-way. However, this is not applicable to providers that do not pay the METRO Act maintenance fee.

2008

METRO

AUTHORITY

ACTIVITIES

2008 METRO Authority Activities

This report has been prepared pursuant to Section 3 of the METRO Act (PA 48 of 2002).

I. Invoice Calculations

The 2008 telecom provider assessments were for the period April 1, 2007 to March 31, 2008 with payment due by May 4, 2008 (Sec 8(2)).

Providers are invoiced each April based on the information available as of mid-March of each year. According to Section 8 of PA 48, providers shall pay a fee due to the METRO Authority as follows:

ILECs: the lesser of

- a. \$0.05/linear foot; or
- b. Number of access lines times the statewide per access line per year of the provider with the highest number of access lines in Michigan (AT&T).

In 2008, AT&T reported 2,969,219 access lines and 307,591,203 linear feet.

307,591,203 linear feet *times* \$0.05 = \$15,379,560.15
\$15,379,560.15 *divided* by 2,969,219 access lines = \$5.1796

Therefore, the 2008 access line rate for ILECs was \$5.1796

CLECs/Broadband Companies: rate is based on linear foot charge only for each ILEC it resides in:

Each ILEC per linear foot fee times CLECs/Broadband Companies linear feet in that ILECs territory

Cable Providers:

Cable providers are assessed, per Section 8(11) of the METRO Act, \$0.01 per linear foot. Cable providers report the amount of aggregate investments in Michigan since January 1, 1996, in facilities capable of providing broadband internet transport service. This assessment may be satisfied if the amount of investments certified by the cable provider exceeds the amount assessed.

Because reported investments exceeded assessments in all cases, no cable providers were invoiced in 2008. However, the METRO Authority is still required to collect linear footage in public rights-of-way information (See Attachment J).

II. Telecommunication Provider Assessments

Invoices are typically mailed out by April 1st of each year based on the information provided by each provider and based on AT&T's number of access lines.

The total amount received from providers is deposited into a State of Michigan account, which is used for compensatory payments to those municipalities that have opted in.

Three-Year Comparison of Assessments

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Incumbent Local Exchange Carriers (ILECs)</i>			
Total number reporting	39	40	40
Total linear feet reported	513,159,565	515,227,924	519,463,190
AT&T linear feet reported	302,133,167	303,643,833	307,591,203
Total access lines reported	4,521,688	4,228,490	3,948,403
AT&T access lines reported	3,380,269	3,185,010	2,969,219
Amount invoiced	\$20,205,434	\$20,136,766	\$20,428,834
<i>Competitive Local Exchange Carriers (CLECs)</i>			
Total number reporting	40	40	42
Total linear feet reported	26,091,201	27,215,538	28,125,366
Amount invoiced	\$1,211,439	\$1,261,389	\$1,296,048
<i>Broadband Companies</i>			
Total number reporting	N/A	3	3
Total linear feet reported	N/A	209,418	230,818
Amount invoiced	N/A	\$12,202	\$8,943
<i>Cable Companies</i>			
Total number reporting	15	15	15
Linear feet reported	200,173,718	202,900,387	204,459,977
Amount invoiced	\$0	\$0	\$0
<i>Total Amount Invoiced</i>	\$21,416,873	\$21,410,357	\$21,733,825

Summary of 2008 Assessments

	<u>Total Invoiced</u>	<u>Total Payments Received by 05/19/08</u>
<i>ILECs</i>	\$20,428,834	\$20,428,834
<i>CLECs</i>	\$1,296,048	\$1,192,535
<i>Broadband Co.'s</i>	<u>\$8,943</u>	<u>\$8,943</u>
<i>Total</i>	<u>\$21,733,825</u>	<u>\$21,630,312</u>

III. Municipality Payments

Section 11 of the METRO Act stipulates allocation of funds collected from telecommunication providers. 75% of the funds collected are disbursed to cities and villages based on the formula found in section 13 of 1950 PA 51 administered by the Michigan Department of Transportation. The remaining 25% is disbursed to townships based on their linear feet as a percentage of total linear feet reported for all townships. Normally, calculations are made for payments to each municipality in Michigan, then the amounts allocated to municipalities that are not opted in – 39 in all – are removed from the calculations and their money is re-distributed to the remaining municipalities.

In 2008, SB108 was enacted with the purpose of amending the METRO Act to allow those municipalities currently not opted in another opportunity to become eligible to receive METRO Act funding. In order to include as many of the non-opted in municipalities in the 2008 payment calculations as possible, the METRO Authority contacted each of the 39 municipalities and asked them to state their intentions of opting in, if the legislation was passed. Of these 39 municipalities, 19 responded that they did intend to opt in, if allowed. Funds held in escrow were released to the newly eligible municipalities.

Section 10(5) of PA 48 requires municipalities with populations of over 10,000 to file an annual report on the use and disposition of METRO funds. In 2008, payments were temporarily withheld from municipalities that failed to file annual reports. As of February 28, 2009, one township, with funds totaling \$15,911 has not filed their 2007 annual report.

Summary of Available Funds

	<u>Total</u>
2008 invoices paid by 5/19/08	\$21,630,312.03
2008 interest earned	\$8,616.76
2007 invoices paid in 2008	\$0.00
Prior year carry forward	\$413,007.98
Subtotal	\$22,051,936.77
<i>Less:</i>	
2007 municipal payments made in 2008 (prior to 5/19/08)	(\$216,678.11)
2007 payments pending (as of (5/19/08)	(\$1,227.83)
Total funds available for disbursements	<u>\$21,834,030.83</u>

Summary of Payments

	<u>Cities & Villages</u>	<u>Townships</u>	<u>Total</u>
2007 municipal payments made in 2008	\$181,390.40	\$10,666.26	\$192,056.66
2008 payments made to municipalities	\$16,375,516.22	\$5,428,954.86	\$21,804,471.08
Payments held pending receipt of annual report**	0.00	15,911.11	15,911.11
Payments held pending permit action***	<u>0.00</u>	<u>13,639.48</u>	<u>13,639.48</u>
Total	<u>\$16,375,516.22</u>	<u>\$5,458,505.45</u>	<u>\$21,834,021.67</u>

**Includes payments held because of late annual reports and for payments to municipalities newly eligible for maintenance fees under PA 130 of 2008.*

***To date, one municipality has failed to file their 2007 annual report. Payment is being held pending receipt of their annual report.*

****Five municipalities have failed to act on outstanding AT&T permit applications. Payments to these municipalities are being held pending action on their permit applications. (Attachment A-General Information.)*

IV. Approved Property Tax Credits

The METRO Act, Section 8(14) and PA 50 of 2002 allows for a property tax credit as the sole means by which providers can recover costs under this Act; and insures that the providers do not pass costs on to the end-users of this state through rates and charges for telecommunication services. These tax credits must be approved by the Michigan Public Service Commission (MPSC). Attachment E illustrates the property tax credits approved by the MPSC for 2008 totals \$20,419,012 for ILECs, \$1,045,874 for CLECs, and \$4,319 for broadband companies through July 29, 2008.

V. **Activities Resolved/Under Review**

A. **Route Map/Permit Requirements/Guidelines**

The METRO Authority issued Route Map Minimum Requirement Instruction/Guidelines June 12, 2008 as illustrated in Attachment K. These instructions/guidelines partially resolved longstanding issues regarding Section 6(3) of the METRO Act.

B. **Use of Maintenance Fee Payments Guidelines**

Municipalities with populations over 10,000 are required to report on the usage of the funds they receive under PA 48 of 2002 by April 30 annually. The Act states that municipalities may use funds received under the Act solely for rights-of-way related purposes. Attachment A includes the latest guidelines regarding the use of the METRO Act funds.

C. **Reduced Footages/Fee Collections**

Each year the METRO Authority requests each telecommunication provider in Michigan to “true up” (update) their linear footages. They report this information by city, village and township. At the end of April, the METRO Authority invoice the older providers (ILECs) based on their linear footages or number of access lines, whichever is less. Newer providers (CLECs) are invoiced on their linear footages. One hundred percent of the money received from the telecommunication providers is distributed to cities, villages, and townships. Seventy-five percent of the money is distributed to cities and villages based on a formula found in PA 51. Twenty-five percent of the money is distributed to townships and is based on each township’s linear footage as compared to the total linear footages for all townships.

While the METRO Authority has the statutory ability to audit provider reports/information, due to limited staff (2 ½) and no operational funding, the METRO Authority cannot perform this task at this time; and, thusly, may be not receiving sufficient footage information to collect as much maintenance fees as may be owed.

D. **Possible New Providers**

Section 8(2) of the METRO Act authorizes the METRO Authority to determine the amount of fees to be collected from telecommunication providers; and the information required to calculate those fees. Upon review of the municipality permits listed by the MPSC, and other sources, numerous providers have been identified as possibly coming under the jurisdiction of the METRO Act. As a result of our efforts, new CLECs were identified and invoiced in 2007. Most of the organizations contacted have claimed exemption from the act (i.e.,

“educational institution” or “no facilities”); some are still under review. Others have not responded to our communication efforts.

Further, due to the Uniform Video Service Local Franchise Act (PA 480 of 2006), several major providers formerly only providing telephone or cable services, are now providing “bundled service.” The METRO Authority is continuing to review whether some of these providers are now subject to the maintenance fee provisions of the METRO Act.

E. METRO Authority Data Base System

The Metro Authority database conversion project was finalized in the fall of 2008. This database streamlines many of our internal systems, including:

Ability to add/update/look up information on municipalities

- contact information
- historical payment information
- current linear footage information
- annual report information

Ability to add/update/look up information on telecom providers

- contact information
- historical invoicing and payment information
- historical information on linear footage, access lines, etc.

Ability to generate

- invoices
- invoice lists
- accounts payable reports
- municipality payment reports
- refund reports
- municipal payment held reports

The new database system was also designed for use by municipalities and telecom providers and can be accessed through our website – www.michigan.gov/metro.

Metro Authority Database System for Municipalities

Municipalities registered to use the database can view their current and historical information relative to their maintenance fee payments and view the footages reported by telecom providers. They may also edit their contact information, file their annual report, and export certain information to spreadsheets.

The system was initially rolled-out to those municipalities with populations of over 10,000 in October of 2008, as they will be able to file their annual reports electronically in 2009. However, any municipality wishing to register may do so by contacting the Metro Authority.

Metro Authority Database System for Telecom Providers

This system, to be rolled-out to all telecom providers in early 2009, offers registered providers the capability to:

- 1) View and edit their current contact information for true ups and invoicing
- 2) View their annual summary information for linear footages and access lines
- 3) View their annual summary information for invoices and payments
- 4) Electronically complete and submit their annual true ups

Providers will have the capability to e-file their true up their linear footages in March of 2009.

F. Provider Property Tax Credit Coordination

The METRO Authority's collaboration with the Michigan Public Service Commission and the Michigan Department of Treasury has resulted in a better, more efficient process of awarding property tax credits to providers who submit their applications in a timely manner.

G. Construction/Performance Bonding

A major telecom provider of cable service in over 850 municipalities in Michigan informed local cable franchises during 2007 that it is not renewing its construction or performance bonds. The reason cited for the providers "Termination Notice of Franchise-Related Bonds" is that under Section 5, paragraph (3) of the Uniform Video Services Local Franchise Act (PA 480 of 2006) it is stated: "...any provisions of an existing franchise that are inconsistent with or in addition to the provisions of a uniform video service local franchise agreement are unreasonable and unenforceable by the franchising entity."

The telecom provider alleges that since the Uniform Video Services Local Franchise Act is silent on the provision of construction or performance bonds, a franchise obligation to provide such bonds is deemed unreasonable and unenforceable.

The METRO Authority is continuing to review this matter as regards any effects regarding bond requirements under the METRO Act.

H. METRO Authority 2008 Policy/Issue Guidelines

The METRO Authority made/issued and/or reissued the following, but not limited to, guidances to clarify certain issues of interest to municipalities and providers: (Refer to METRO Authority's website: www.michigan.gov/metro).

- Provider Utility Box Installations
Municipalities continue to inquire whether, under the METRO Act, a municipality is restricted or prohibited from imposing certain regulations/guidelines on a provider installing utility boxes/cabinets in its public rights-of-way. Municipalities are advised that Sections 15(2) and 19(1) of the METRO Act do not “limit a municipality’s rights to review and approve a provider’s access to an ongoing use of a public-right-of-way to ensure and protect the health, safety, and welfare of the public.”

The METRO Authority also provided inquiring municipalities a copy of a Michigan municipalities general guidelines required by their engineering department regarding utility boxes in the municipality’s public right-of-way which provides that:

- If at all possible, avoid placing above ground utility boxes within the right-of-way of major thoroughfares since they pose both a potential visibility obstruction as well as a potential collision hazard.
- Above ground utility boxes should not be placed within the normal sidewalk or bike path area.
- Above ground utility boxes should be no wider (perpendicular to road) than four feet, no requirement regarding length.
- On curbed roadways, above ground utility boxes should be at least four feet back of curb; also, an off street parking area should be provided adjacent to the box for utility vehicle use.
- On roadways without curb, above ground utility boxes should be at least 15’ from the pavement edge and an OM-3R Object Marker shall be placed at the corner of the box closest to the road facing approaching traffic.
- Maximum height of above ground utility boxes should be 36” above lowest adjacent street elevation.
- Above ground utility boxes should be no closer than 50’ from intersecting streets and no closer than 25’ from driveways.

- Waiver of Maintenance Fees
Pursuant to Section 8(21) of the METRO Act, the METRO Authority approved the waiver of maintenance fees for years 2007, 2008, and 2009 as requested by Allband Communications Cooperative servicing Mitchell Township, Caledonia Township, and the Village of Hillman. During the approval period, the METRO Authority has deducted the appropriate amount of waived maintenance fees from the disbursements allocated to the participating municipalities.

- Bundled Service Assessments
The METRO Authority is continuing to address the issue of whether and/or how to assess maintenance fees on telecommunication providers bundling telephone, cable TV and broadband internet services. Providers that are

licensed as CLECs, operate as CLECs, and charge their customers for telephone services are subject to the maintenance fee prescribed by Section 8 of the METRO Act.

I. Michigan Economic Recovery Planning

The METRO Authority has participated in several State workgroups structuring plans to receive and expend federal American Reinvestment and Recovery Act funds coming to Michigan. The Authority has provided valuable information regarding underserved and unserved areas of the state regarding broadband facilities to the Infrastructure and Information Technology/Broadband Workgroups consisting of:

- 1) 2008 Municipality Linear Footages Report (lists footages reported for each municipality/by municipality)
- 2) 2008 Telecom Provider Linear Footages Report (lists footages reported for each municipality by telecom provider)
- 3) Municipality Populations (lists municipalities from smallest population to largest)
- 4) Municipality contacts for each of the state's 1,778 municipalities

This information will be of great assistance in using the federal stimulus funds to expand and improve the state's broadband/internet infrastructure.

J. METRO Authority Administrative/Operational Needs

The METRO Authority staff still consists of only two full time staff (Director and a Secretary). Due to the numerous and complex duties and responsibilities to implement the METRO Act, as well as oversee the department's Freedom of Information Act responsibilities, there is critical need for additional staff; and a specific, detailed METRO Authority budget.

There continues to be urgent need to amend the METRO Act via the previously proposed legislation (SB 425) that would:

- Change the provider payment of their state maintenance fee from one annual payment to four quarterly annual payments of 25% of the amount owed.
- Provide that up to 3% of the annual maintenance fees collected from telecommunication providers can be used to fund the operational expenses of the METRO Authority.
- Provide that the Michigan Department of Treasury invest maintenance fee payments and that interest earned be used to fund operating expenses and administrative costs of the Authority.

Amendment of the METRO Act would have a very minor fiscal impact on the some 1,758 eligible municipalities currently sharing collected provider maintenance fees. The legislation would provide that no more than 3% of collected fees could be used for METRO Authority operating and administrative expenses. For FY08, this would have equated to about \$600,000 to operate a \$22-\$30 million dollar annual program. Further, passage of such an amendment would favorably impact the state as it would:

- Not cost the state any GF/GP funds
- Provide the opportunity for greater collection of maintenance fees to distribute to municipalities
- Provide the opportunity to greatly enhance the state telecommunication services infrastructure by increased investments
- Provide for greater opportunities for telecommunication providers to expand services throughout the state due to standardized policies/procedures
- Provide the opportunity for greater economic development activities, emerging technologies, job creation, etc.

The enactment of such legislation would provide funds for operating and administrative expenses needed to operate this program. As one of the nation's recognized leaders in the development and encouragement of telecommunications services, such proposed legislation has the support of most of Michigan's telecommunication providers and municipalities.

Continued failure to provide the METRO Authority adequate funds for its operating and administrative expenses has curtailed its ability to adequately implement the METRO Act; and be of assistance to telecommunication providers and municipalities in the maintenance and/or expansion of telecommunication services throughout the state.