

CITY COUNCIL COMMUNICATION



MEETING DATE: May 14, 2013 **ITEM NUMBER:** 4.A.
SECOND READING: N/A
TYPE OF ITEM: Study Session
PRESENTED BY: Tom Roiniotis, Director of LPC, 303-651-8385 and Vince Jordan,
Broadband Services Manager LPC, 303-651-8383

SUBJECT/AGENDA TITLE: Broadband Feasibility Study and Next Steps

EXECUTIVE SUMMARY:

In 1997, the City of Longmont was ahead of most communities in the United States in having the long term vision to build the foundation for a city-wide fiber optic network that could provide ultra-high-speed broadband to all businesses and residents. The City had completed an install of a high capacity fiber optic backbone loop and made it clear that its preference was to seek a private sector partner to build the network and provide services. In 1997 the City issued an RFP seeking partners. The initial proposals received did not meet the needs of the City and so a negotiating process was outlined to all respondents and other contacts. Finally in April 2000 an alliance agreement was signed with Adesta Communications, Inc. to build out a fiber optic network to residents and businesses and provide advanced broadband services. However, after some very initial work, Adesta filed for bankruptcy and terminated the partnership. Adesta was just one private telecommunications company, among many, that went out of business during this time period. In 2005 incumbent telecommunications companies lobbied the Colorado legislature to pass a state law (SB 05-152) prohibiting municipalities like Longmont from providing broadband services to their own communities without a vote of its citizens. In 2011, Longmont citizens went to the ballot box and re-established their City's right to provide this critical service; a service some view today as important to the economic viability of our community as having abundant, clean water and a reliable, low cost energy supply.

While roadblocks such as a failed private partner and SB 05-152 stalled the realization of Longmont's original long term vision over the last 16 years, more than 314 communities nationwide have started down the path of a municipally owned and operated fiber optic network. However, due to the diligence and direction of both past and current City Council members, this vision is moving forward again. Today, a limited number of businesses in Longmont can and are benefitting operationally and financially from our community owned fiber optic network. Staff's primary objective is to ensure that the entire Longmont community has access to highly valued broadband services at the lowest rates possible and that Longmont has another significant tool available to enhance economic development.

To better understand the complexities involved in moving forward with the full realization of Longmont's original vision, and to keep pace with other technologically advanced communities around the country, a feasibility study for the deployment and operation of a complete city-wide fiber optic network has been prepared. The study analyzes all aspects of designing, deploying, operating and funding a city-wide fiber optic network and broadband service in Longmont.



Attached to this communication are Power Point slides containing comprehensive information that will be explained in a presentation by our consultants, Uptown Services. This slide show represents data that is backed by large amounts of detailed analysis, market research, design specifications, and similar completed projects at other municipal utilities. Uptown Services will talk through whatever details are necessary to answer questions during and after the presentation.

COUNCIL OPTIONS:

- A. Direct LPC staff to continue pursuing the deployment of a city-wide fiber optic network and direct the City Finance Director to pursue favorable financing options
- B. Direct LPC staff to stop pursuing the deployment of a city-wide fiber optic network

RECOMMENDED OPTIONS:

- A. Direct LPC staff to continue pursuing the deployment of a city-wide fiber optic network and direct the City Finance Director to pursue favorable financing options

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

Debt service repayment will come from the broadband services revenues. Details on financing will be presented at a future council meeting.

BACKGROUND AND ISSUE ANALYSIS:

As with providing low-cost power, providing low-cost ultra-high-speed bandwidth will enhance Longmont's attractiveness to new and existing business development. Low-cost ultra-high-speed bandwidth is also critical in facilitating our school districts goal of providing bandwidth utilizing tools to every student. As more education based content becomes richer in the use of multimedia, bandwidth requirements continue to grow. Finally, low-cost ultra-high-speed bandwidth is important to the lifestyle of Longmont's increasingly tech savvy citizens.

On November 1, 2011, Longmont's citizens passed Ballot Question 2A by a 61% vote in favor of the issue. That vote lifted the State restrictions on the City's use of its fiber optic network, allowing it to offer services to residents and businesses either directly or through partners.

On November 13, 2012, Council approved an ordinance amending Title 14, Chapter 14.48 of the Longmont Municipal Code on Broadband Services. This enabled LPC to begin better leveraging existing infrastructure by offering broadband service to customers located adjacent to existing facilities requiring minimal up front capital expenditure.

Staff has prepared a feasibility study for a city-wide deployment of broadband services working with Uptown Services, a consultant that has successfully assisted numerous other municipalities in implementing similar broadband service capability in their communities. The consultant's expertise, in combination with staff and community input, has been used to establish initial and future broadband service options and rates.

Financing Options

Numerous funding options have been explored including grants, donors, several types of bonding, partnering, lease purchase instruments, and pay as you go (build at a slow incremental pace only with revenues earned). Discussions with the City's financial advisor and bond counsel have narrowed the alternatives to Sales Tax Revenue Bonds, Electric Revenue Bonds, and

Certificates of Participation (COP). **Revenues of the broadband utility would pay for whichever financing instrument is selected.**

Below are brief points for the three financing options:

Certificates of Participation (COP)

- Do not require an election/vote, funding available as early as 3rd Q 2013
- Generally favorable to investors, but may include a premium interest rate cost of 30 to 50 basis points above a bond issue, anticipate a lower rating than what the bonds would receive

A COP is a long-term lease agreement secured by City property. The City used a similar approach to fund the construction of the new Fire Station #1 in 2008 and plans to use it for the mall project in 2013. The lease payments are subject to annual appropriation by the City and are not a long-term obligation or debt of the City.

Sales Tax Revenue Bonds

- Require a vote in a regular election, next election November 2013, would provide funding in the February/March 2014 time frame
- Generally favorable to investors, anticipate a AA+ rating

Electric Revenue Bonds

- Require a vote, can be part of a regular or special election, next election November 2013, would provide funding in the February/March 2014 time frame; or as a special election April 2014, would provide funding in the July/August 2014 time frame
- Generally favorable to investors, a AA rating may be possible dependent on credit analysis

Staff will be looking for City Council direction on which financing method(s) they wish the City Finance Director to further pursue. Details will be brought back to City Council at a later date for consideration and final direction.

ATTACHMENTS:

1. Broadband Feasibility Study – Uptown Services, LLC