



County of Los Alamos

Council Meeting Staff Report

July 10, 2012

Agenda No.: B.

Indexes (Council Goals): FY12 Council Goal - Economic Vitality and Innovation --Diversify the Economy / Revitalize the White Rock and Los Alamos Downtowns

Presenters: Estevan Gonzales; Laura Gonzales

Legislative File: 4654-12

Title

Community Broadband Network (CBN) Business Plan Guidance.

Suggested Motion

I move that Council approve completion of a Community Broadband Network (CBN) market survey so that the business plan will include customer input regarding funding, pricing and debt option options. ..Administrator's

Recommendation

The County Administrator recommends that Council approve the motion as requested.

Body

The Community Broadband Project is near completion. The engineering design is 90% complete. The design review was completed by NI Solutions, and their conclusion was that the overall design for CBN is in accordance with the guidelines set forth by County Council. The final milestone left to complete is the business plan. Staff is seeking guidance from Council on business plan continuance specifically with respect to market research and asking customers about potential pricing, financing and debt options.

During the FY 2013 budget hearings, when the Council discussed the Capital Improvement Plan (CIP), the direction given was that the CIP should move ahead without new taxes and without new debt. The issue this raises for the CBN project is that there is not reasonably feasible path forward without some form of debt financing and some form of new revenue. Staff is asking Council to consider allowing the project study and business plan to be completed with the assumption that some form of new revenues and new debt might ultimately be acceptable. A key aspect of the completion of the business plan is an update of the market survey. Staff did not want to proceed asking the public questions regarding debt financing, which would contradict Council's current CIP guidance, without first getting Council concurrence that asking these survey questions was acceptable.

Research of federal grants and loans have not yet identified any specific programs that will finance network construction costs. In addition research has shown that most muni-fiber networks have residents assist in financing the project.

According to the 2011 Market Survey conducted by Research and Polling Inc., "One-fifth of residents say their opinion of the proposed network depends on how much it would cost." Based upon this feedback and the research showing that typical business models include financing by residents, it is recommended that research be conducted to consider if Los Alamos County residents favor assisting with financing CBN. This could be done during the update of the market survey. It would measure how much residents are willing to pay for services delivered by the CBN and what their preferred methods of financing would be given project costs.

Possible finance methods for the County to consider include general obligation bonds, revenue bonds, special assessment districts and broadband utility surcharges. According to the Public Technology Institute, "The most commonly used form of muni-fiber financing is a tax-deductible revenue bond...backed by revenue from the telecom operation or, for a community with an existing utility, the latter's total revenue."

Alternatives

Council could choose to discontinue work and not proceed with the project study nor the project.

Fiscal and Staff Impact/New Item

Completion of the business plan is within the current project budget.

Attachments

