

## Community-Wide Fiber – May 18, 2018

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### Decision-Making Process for Fiber

City Council has asked about staff's decision-making process that helped determine the recommendation for a publicly owned and operated high-speed internet network with speeds of 1 Gigabit per second and beyond.

### The Goal

To provide all residents and businesses with access to a municipal fiber network with speeds of at least 1 Gigabit per Second.

### Approaches to Development

To provide network access to every home and business in Hudson, there are three approaches developing and operating the network. These are:

1. **Public development / ownership.** The City would build on the Velocity Broadband network currently in place and assume responsibility for the construction and operations of providing gigabit speed internet service to all premises in Hudson and would manage the administrative and retail operations and service as network administrator and internet service provider. With the City as developer and owner/operator, it would reduce costs for citizens and would ensure that everyone in Hudson has access to the gigabit-speed internet network in a short amount of time.
2. **Private development / ownership.** The City would assume no responsibility for deployment of the gigabit network but would rely on the private sector electing to provide that service to all premises. The timeframe for development, speeds offered, pricing and access to the network would be solely in the hands of the private sector company.
3. **Public / private partnership development / ownership.** The City and a private sector partner would share the costs and financial and operations risks associated with construction and operation of the network. The City has not located a private sector company that is willing to partner with us until the City secured the funding first. However, to secure the funding, the City would need to have a partner secured, and it would only be viable with certain types of funding.

Based on the goal of ensuring access to all premises in Hudson at an affordable price and reduced risk, the recommendation was made to take a public development / ownership approach where the City would extend its current Velocity Broadband network to all homes and businesses in Hudson.

### Public Development / Ownership Funding Options

To fund a public development / ownership approach, the City looked at several options, including general obligation bonds, revenue bonds, pay as you go, and special assessments.

- **General Obligation Bonds.** General obligation bonds, voted on by electors, would be used to pay for the build out. The City would not need to subsidize the buildout. This represents the lowest risk to the City, while ensuring everyone has access to the gigabit internet service.
- **Revenue Bonds.** Revenue bonds would be issued by the City to cover buildout costs. This approach represents the highest risk to the City, and the highest cost to citizens. To make this model work, the City would need to financially subsidize the project.

- **Pay as You Go.** The City could build the network by putting money in the annual budget and build out the network as it does its roads and the Connectivity Plan. It would cost more to build as you go, and would take many years to build the network. There would be no guarantee that we would reach everyone in the City.
- **Special Assessments.** The City would install fiber in neighborhoods through a petition process, where if a percentage of people want the service, we would build it and assess their property taxes. This would be costly to build and would be costly to homeowners. In addition, only those neighborhoods with petitions would have access to the fiber gigabit-speed network.

| <u>GENERAL OBLIGATION<br/>NON-TAXABLE BONDS</u>   | <u>REVENUE BONDS</u>   | <u>PAY AS YOU GO</u>  | <u>SPECIAL ASSESSMENTS</u>  |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>• Lowest risk</li> <li>• Lower cost</li> <li>• 100% of homes covered</li> <li>• City would be actively involved in owning and operating</li> </ul> | <ul style="list-style-type: none"> <li>• Highest risk</li> <li>• Highest cost</li> <li>• City would have to subsidize</li> <li>• Not 100% of homes covered</li> <li>• Highest cost to consumer</li> <li>• Demand-based, not enough revenue to support demand at a reasonable cost</li> </ul> | <ul style="list-style-type: none"> <li>• High cost (limited economies of scale)</li> <li>• Limited funds annually</li> <li>• Long buildout time</li> <li>• Not 100% of homes covered</li> </ul> | <ul style="list-style-type: none"> <li>• High cost to homeowners</li> <li>• High risk</li> <li>• Long buildout time</li> <li>• Only some areas will have access based on demand</li> <li>• Limited histories with fiber technology for assessments</li> </ul> |

Based on the analysis of each option, staff has recommended the City explore issuing non-taxable general obligation bonds.