



## CITY COUNCIL STAFF REPORT

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**TO:** City Council

**DATE:** June 9, 2025

**DEPARTMENT:** Administration & Finance Department

**PREPARED BY:** Isaac Whippy, City Manager

**PRESENTER:** Isaac Whippy, City Manager

**AGENDA TITLE:** Conduct Public Hearing to consider the Adoption of Municipal Broadband/MCN Fees for MCN and Related Fiber Optic services

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### RECOMMENDATION

Conduct a public hearing to consider the adoption of Municipal Broadband/MCN Fees and make updates to the City of Fort Bragg Fee Schedule

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### BACKGROUND

The City recently acquired Mendocino Community Network (MCN) as part of its broader municipal broadband initiative to provide reliable, high-speed internet access to residents and businesses in Fort Bragg. This item establishes the fees that will govern MCN services and broadband going forward.

Importantly, no existing MCN fees are being increased at this time. The proposed fee schedule mirrors MCN's current rates, as provided in Exhibit B of the acquisition packet. The only new fees to the customer are for the City's fiber-optic broadband services, developed to comply with funding conditions tied to the California Public Utilities Commission's Federal Funding Account (FFA) grant.

These fiber service fees were incorporated into the broadband financial pro forma and are projected to generate sufficient revenue to cover the utility's operating costs and annual debt service obligations associated with the broadband infrastructure investment.

### DISCUSSION AND ANALYSIS

The City's broadband fee strategy is based on a cost recovery model that ensures long-term fiscal sustainability and avoids any reliance on the General Fund. The strategy includes:

- No change to existing MCN dial-up and DSL service rates

**AGENDA ITEM NO. 7D**

- New fiber-optic broadband service fees, aligned with infrastructure costs, staffing, and ongoing operations
- A combination of fixed rates and deposit-based (time and materials) fees, depending on the service provided

This approach is consistent with best practices in utility rate-setting and complies with state laws governing municipal service fees.

#### Fiber Plans:

The following rate structure outlines the fiber-optic residential service tiers the City will offer through MCN, using a modern, marketable naming system to support user engagement and outreach:

<b>MCN FIBER PLANS</b>			
<b>PLAN NAME</b>	<b>MONTHLY RATE</b>	<b>SPEED</b>	<b>IDEAL FOR</b>
<b>Fiber Breeze</b> (Low-Income qualify)	\$40	<b>500 Mbps</b>	Everyday browsing, Zoom calls, HD Streaming
<b>FiberCore</b>	\$50	<b>1 Gig</b>	Multi-device homes, 4K streaming, remote work
<b>FiberBlaze</b>	\$70	<b>2 Gig</b>	Multi-device homes, 4K streaming, remote work. Power users, online gaming, smart homes
<b>FiberEdge</b>	\$90	<b>5 Gig</b>	Creators, professionals, heavy upload/download households. Advance tech use. Constant, high-volume data flow
<b>FiberUltra</b>	\$110	<b>10 Gig</b>	Maximum performance for businesses & future-ready homes

### Installation costs:

Standard Installation includes up to 150 feet of fiber drop from the City right-of-way to the customer's premises, along with basic restoration of any areas disturbed during the installation process.

If the required fiber drop exceeds 150 feet or involves complex conditions, such as boring under driveways, sidewalks, or other hardscapes, additional fees may apply based on hourly labor rates and material costs. A cost estimate will be provided in advance for any non-standard installations.

### MCN Current Rates

The City's broadband pricing model was developed to ensure both sustainability and market competitiveness:

- Fusion service rates are based on a markup of Sonic's rates.
- The Open Air package was priced to match Fusion (with digital voice), offering a cost-effective option for customers not needing phone service.
- By removing Sonic as a middleman, Open Air provides a higher profit margin, with even better returns when bundled with City-provided VOIP phone service.
- Rates were compared to Comcast and Further Reach offerings and set below both to enhance affordability and drive subscriber growth.

### Financial Projections:

Together with MCN's legacy service fees, these plans are projected to generate approximately \$2,305,505 in annual revenue, based on projected subscriber uptake as outlined in the City's broadband business plan.

This anticipated revenue will support:

- Ongoing operations and maintenance of the City's fiber-optic network;
- Customer service, billing, and technical support infrastructure;
- Annual debt service payments tied to the City's \$7.4 million investment in broadband infrastructure.

This rate structure ensures that the MCN broadband utility is financially self-sustaining, fulfills the terms of the CPUC grant, and maintains quality service delivery without the use of General Fund dollars. The City will continue to monitor cost recovery, system performance, and market competitiveness annually and make adjustments as necessary.

No additional fee increases are proposed at this time.

## **LEGAL FRAMEWORK**

The proposed fees comply with all applicable state requirements, including Government Code Section 66018, which governs the process for adopting service-related fees. This statute requires:

- Advance public notice and publication of the proposed fees;
- A public hearing to receive input from the community;
- A minimum 60-day waiting period before newly adopted fees take effect.

The City has fully satisfied all procedural and public notice obligations.

The MCN enterprise is scheduled to be officially operated by the City of Fort Bragg effective July 1, 2025. As part of the transition, existing MCN service rates (such as dial-up and DSL) will remain in place without modification. Because these fees are already established and in use, the City will not impose a 60-day waiting period on their continued collection. This ensures a seamless transition for existing customers and uninterrupted service delivery during the operational handoff.

Only the newly introduced fiber-optic service fees will become effective 60 days after adoption, as required under state law. The fees proposed here are fees for the use of City property. Regardless, the fees have been determined to not exceed the cost of providing the service for which the fees are charged.

## **FISCAL IMPACT**

The proposed fees are essential to the financial health and long-term sustainability of the City's municipal broadband utility. Based on the broadband financial pro forma and projected subscriber levels, the combination of existing MCN service fees and newly adopted fiber-optic broadband fees is estimated to generate approximately \$2,305,505 in annual revenue.

This revenue will support the following key components:

- Operations and maintenance of both fiber-optic and legacy broadband infrastructure;
- Customer service, billing, network management, and administrative support;
- Annual debt service payments tied to the City's \$17.4 million broadband infrastructure investment, including the \$10.4 million Federal Funding Account (FFA) grant administered by the California Public Utilities Commission.

To ensure financial transparency and accountability, the Broadband Utility will be structured as a separate Enterprise Fund, distinct from the City's General Fund. This separation guarantees that broadband-related revenues and expenditures are independently tracked and used solely for broadband operations, infrastructure, and related obligations.

The fee structure is rooted in a cost recovery model, which aligns with Government Code requirements and best practices in municipal utility management. Rates have been set at levels that are competitive, affordable, and sufficient to meet all operating and capital obligations without the need for General Fund support. . All fees proposed for adoption do not exceed the cost of the service and supporting infrastructure for which they are imposed. A key fiscal goal of the Broadband Utility is to ensure that revenues remain sustainable and proportionate to long-term operational and infrastructure costs. The City will regularly monitor system performance, subscriber trends, and financial results to adjust rates as needed and maintain service reliability and fiscal discipline.

This approach reflects a forward-thinking, fiscally responsible investment in local infrastructure, digital equity, and community resilience.

## **STRATEGIC GOALS CONSISTENCY**

The adoption of the broadband fee schedule directly supports multiple goals outlined in the City of Fort Bragg’s 2024–2028 Strategic Plan, specifically:

- **Goal 1 – Invigorate Economic Opportunity and Community Vibrancy**  
The City’s investment in a municipally operated fiber-optic broadband network expands access to high-speed internet, supporting local businesses, remote workers, students, and entrepreneurs. Affordable broadband services enhance digital inclusion, attract modern industries, and improve quality of life.
- **Goal 2 – Implement Resilient Infrastructure and Encourage Environmental Stewardship**  
Establishing a financially sustainable broadband utility aligns with the City’s infrastructure modernization objectives. A robust, locally controlled network improves resilience, supports smart city capabilities, and complements other forward-thinking infrastructure investments such as solar energy and water system upgrades.
- **Goal 5 – Fund Our Future with Financial and Fiscal Responsibility**  
The broadband fee structure is grounded in a cost recovery model that ensures the utility is self-sustaining, without reliance on the General Fund. It enables the City to meet ongoing operational needs and service debt associated with its \$7.4 million broadband infrastructure investment, while maintaining affordability for users.
- **Goal 6 – Champion a Sustainable Municipal Organization**  
By acquiring and operating MCN, the City is demonstrating innovation, self-reliance, and long-term thinking in the delivery of essential services. This initiative positions the City as a forward-looking organization capable of managing complex public utilities while centering

## **ATTACHMENTS**

- Exhibit A – Resolution Adopting MCN & Broadband Fees
- Exhibit B+C- Broadband Fee Schedule (MCN+ Fiber Optic Services)
- Exhibit D - Public hearing Notice (Published)