



CITY COUNCIL STAFF REPORT

TO: City Council

DATE: May 12, 2025

PREPARED BY: Isaac Whippy, City Manager

PRESENTER: Isaac Whippy, City Manager

AGENDA TITLE: Consider Approval of the Purchase of Mendocino Community Network (MCN), Acceptance of the Due Diligence Report, and Authorization for the City Manager to Finalize and Execute the Purchase Agreement to Support the City's Broadband Utility

RECOMMENDATION

Adopt the attached Resolution approving the purchase of Mendocino Community Network (MCN) for \$300,000, accepting the due diligence report, and authorizing the City Manager to finalize and execute the Purchase Agreement and all necessary documents to transition MCN operations under the City's Broadband Utility.

BACKGROUND

The City of Fort Bragg is moving forward with the development and implementation of a City-owned broadband utility to provide affordable, reliable, and high-speed internet to residents and businesses. The City has already secured over \$10 million in grant funding through the California Public Utilities Commission to build the necessary fiber infrastructure.

As part of the City's broader broadband strategy, staff identified the Mendocino Community Network (MCN), currently operated by the Mendocino Unified School District (MUSD), as a valuable acquisition opportunity. MCN has provided internet services to coastal Mendocino County for over two decades and possesses a robust customer base, operational experience, and regional infrastructure that aligns with the City's vision for an integrated municipal broadband system.

In March 2025, City staff initiated formal due diligence, including a financial and operational review of MCN's assets, agreements, obligations, and customer base. The results of that due diligence are now complete and have informed the terms of the proposed acquisition.

AGENDA ITEM NO. 8D

PURCHASE TERMS

Under the negotiated agreement with MUSD, the City will acquire MCN for a total purchase price of \$300,000, payable under the following terms:

- \$100,000 due at the close of the transaction;
- \$50,000 due annually for the following four years.

Additional provisions include:

- Continuation of internet service by MCN to existing customers, including those outside City limits;
- Retention of key MCN staff to support the transition;
- Coordination between MUSD and the City during the operational handoff;
- Use of existing MCN infrastructure and customer billing systems to maintain service continuity.

DISCUSSION AND ANALYSIS

The acquisition of MCN will expedite the launch of the City's Broadband Utility by:

- Leveraging existing infrastructure and customer service operations;
- Reducing startup time and costs associated with building new systems from scratch;
- Immediately establishing a customer base and revenue stream to support the broadband enterprise;
- Enhancing local control and long-term sustainability of internet service in Fort Bragg.

The purchase aligns with the City's adopted Strategic Plan goals to expand digital infrastructure, foster economic development, and ensure equitable access to essential services for all residents.

FISCAL IMPACT/FUNDING SOURCE

The total purchase price for Mendocino Community Network (MCN) is \$300,000. The City will finance this acquisition through a structured debt arrangement, with annual payments of \$100,000 at closing and \$50,000 annually over the next four years.

The debt financing structure uses the General Fund as collateral to secure the financing. While this creates a short-term encumbrance on the General Fund, the obligation is expected to sunset within three years, contingent on the Broadband Utility achieving a sustainable Debt Service Coverage Ratio (DSCR). Once the broadband enterprise demonstrates adequate revenue generation and financial stability, the General Fund will be released from the collateral requirement.

The repayment schedule will be budgeted through the Broadband Utility Fund and is expected to be supported by future utility revenue and secured broadband grant funding. There is no immediate impact to General Fund reserves or operations.

This approach allows the City to move forward with the acquisition without drawing down reserves and with a pathway to shifting the financial liability fully to the Broadband Utility within a three-year horizon.

ENVIRONMENTAL ANALYSIS

The proposed action to purchase Mendocino Community Network (MCN) and transition operations under the City's Broadband Utility is not considered a project under the California Environmental Quality Act (CEQA), as defined in CEQA Guidelines Section 15378(b)(4). This action involves the funding and administrative acquisition of an existing business operation and does not have a potential for a significant effect on the environment.

Future broadband infrastructure projects involving physical construction or ground disturbance may be subject to CEQA review and will be evaluated for environmental compliance at the time those specific projects are brought forward.

STRATEGIC PLAN/COUNCIL PRIORITIES/GENERAL PLAN CONSISTENCY

Broadband deployment aligns with City Council Goals & Strategic Planning 2024-2028+:

Goal 1: INVIGORATE ECONOMIC OPPORTUNITY AND COMMUNITY VIBRANCY

1D. Develop and maintain affordable and reliable high-speed fiber-optics infrastructure to support and attract diverse businesses, online education, and remote employment that will connect Fort Bragg to the world.

- Construct, manage, and maintain a municipal broadband utility that provides citywide access to underground networks with industry-leading speeds to provide secondary communications during emergencies and support businesses.
- Consider establishing a broadband Joint Power Agreement with the County to expedite connectivity.
- Provide free Wi-Fi downtown to encourage visitation, support local businesses, and accommodate remote workers

ALTERNATIVES:

The City Council may choose to take one of the following alternative actions:

1. Decline to Approve the Purchase – The Council may choose not to approve the acquisition of MCN at this time. This would delay the City's broadband utility implementation and require development of new infrastructure, systems, and

customer base from the ground up, potentially increasing project costs and timelines.

2. Modify the Terms of the Agreement – The Council may direct staff to renegotiate specific terms of the purchase agreement, including payment structure, operational responsibilities, or service conditions. Any modification would require concurrence from the Mendocino Unified School District and could delay closing.
3. Request Additional Information – The Council may continue the item to a future meeting and request additional financial, operational, or legal analysis prior to making a final decision.

Staff does not recommend these alternative actions, as the proposed acquisition provides an immediate opportunity to accelerate implementation of the Broadband Utility in a cost-effective and community-serving manner that is concurrent with the construction timeline.

ATTACHMENTS:

Attachment 1: Resolution

Attachment 2: MCN Due Diligence Report

NOTIFICATION:

1. Mendocino Unified School District Superintendent and Board Members
2. Mendocino Community Network
3. “Notify Me” Subscriber List: Economic Development Planning; Finance & Budgeting; Fort Bragg Downtown Businesses