

**CITY OF FORT BRAGG
RESOLUTION NO. XX-2025**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FORT BRAGG ADOPTING THE MUNICIPAL BROADBAND ENTERPRISE FUND FISCAL POLICY

WHEREAS, the City of Fort Bragg has established a municipal broadband utility operated through the Mendocino Coast Network (MCN) to provide affordable, high-speed internet access to residents and businesses; and

WHEREAS, the City Council is committed to ensuring the long-term financial sustainability of the municipal broadband utility while managing risk, meeting debt service obligations, maintaining competitiveness, and preserving service quality; and

WHEREAS, the City has issued a 20-year, \$7.5 million debt obligation to finance broadband infrastructure construction and operations; and

WHEREAS, consistent with the City's Fund Balance and Reserve Policies for other enterprise and internal service funds, the City desires to adopt tailored fiscal policies for the Broadband Enterprise Fund;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg hereby adopts the Municipal Broadband Fiscal Policy, as follows:

MCN MUNICIPAL BROADBAND FISCAL POLICY

1. Operating Reserve

The Broadband Fund shall maintain an Operating Reserve equal to 20% of the prior year's operating expenditures to ensure sufficient liquidity and operational continuity.

2. Capital Replacement Reserve

All unrestricted net position in excess of the Operating Reserve threshold shall be transferred annually to the Capital Replacement Reserve to fund infrastructure replacement and unplanned capital needs.

3. Debt Repayment Strategy

The Broadband Fund shall:

- Meet annual debt service requirements for the \$7.5 million broadband infrastructure note.
- Allocate at least 10% of annual net revenue to a Debt Acceleration Fund for early principal repayment.
- Consider additional discretionary prepayments when year-end net revenues exceed projections by 15% or more.

4. Broadband Recession Reserve

A Recession Reserve equal to 10% of the Broadband Fund's operating budget shall be maintained to stabilize operations during periods of revenue volatility or economic downturns.

5. Rate Policy & Competitive Positioning

Broadband rates shall be:

- Based on a cost-of-service model,
- Reviewed annually for competitiveness with major providers (e.g., Comcast, Starlink),
- Structured to recover operating, capital, and debt costs while supporting enterprise growth.

6. Technology Innovation & Service Expansion Reserve

Up to 5% of annual net revenue shall be allocated to a Technology & Innovation Reserve to support system upgrades, digital inclusion programs, and smart city infrastructure.

7. Use of One-Time Revenues

One-time revenues may only be used for capital investment, debt prepayment, or contributions to reserves. These revenues shall not be used to support ongoing operating expenses.

8. Performance Monitoring

The Finance Department shall provide quarterly financial performance reports and update the Broadband Fund's five-year pro forma annually, including reserve sufficiency and rate recommendations.

9. Grant & Subsidy Management

All broadband-related grants shall be tracked separately. Staff shall monitor future funding cliffs and adjust financial strategies to ensure the broadband enterprise remains self-sustaining.

10. Council Oversight

The City Council shall review this policy annually as part of the budget process and may update targets or strategies based on financial and market conditions.

BE IT FURTHER RESOLVED, that the above policy shall be incorporated into the FY 2025–26 Budget and remain in effect unless amended by the City Council.

PASSED AND ADOPTED this ____ day of _____, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN: