



AGENCY: City Council
MEETING DATE: November 25, 2024
DEPARTMENT: City Manager / Economic Development
PRESENTED BY: Isaac Whippy, Sarah McCormick
Mitch Drake, Eric Scriven

AGENDA ITEM SUMMARY

TITLE:

Receive Report on City of Fort Bragg Municipal Broadband Utility Project and Provide Direction on: 1) Authorizing City Manager to Finalize Terms for the Acquisition of MCN; and 2) Financing Strategy to Address the Funding Gap.

BACKGROUND:

Aligned with the City Council Goals and the [Strategic Plan 2024–2028+](#), broadband deployment is a cornerstone initiative aimed at invigorating economic opportunity, fostering community vibrancy, and bridging the digital divide in Fort Bragg. The plan prioritizes the development of affordable, reliable high-speed fiber-optic infrastructure to attract diverse businesses, support online education, enable remote work, and connect Fort Bragg globally. This vision includes managing a municipal broadband utility with industry-leading speeds, offering secondary communication during emergencies, supporting businesses, and providing public Wi-Fi in City locations to boost visitation and economic activity.

The project directly supports the City's strategic goals:

- **Promoting equity:** Ensuring affordable broadband access for all community members.
- **Enhancing economic resilience:** Providing the digital infrastructure necessary for businesses to thrive in a competitive, connected economy.
- **Sustaining critical services:** Supporting public safety, education, telehealth, and other essential services with reliable high-speed connectivity.

In 2020, Mayor Norvell established the Broadband Ad Hoc Committee to explore connectivity solutions. Access to reliable, affordable internet is vital for equity, education, and quality of life, especially in rural areas like Fort Bragg. Recognizing this, the City Council adopted the **Fort Bragg Feasibility Study** in 2021 (Attachment 1) and directed staff to secure grants and financing for a City-owned broadband utility.

The COVID-19 pandemic underscored the urgency of addressing the digital divide, leading to significant Federal and State investments. Fort Bragg allocated its entire \$1.7 million ARPA funding to this initiative, supplemented by \$479,000 from the California Public Utilities Commission (CPUC) for construction-level design. These efforts culminated in a \$10.3 million CPUC award to implement the broadband utility, setting the stage for transformative connectivity and economic growth in the community.

ANALYSIS:

Overview

The City's Municipal Broadband Utility will provide transformative digital infrastructure to support the community's economic growth, equity, and resilience. This robust underground fiber distribution system will deliver 1-10 Gbps Internet connectivity to all homes, businesses, public safety locations, and anchor institutions within city limits. The last-mile network will connect to the California Middle Mile, enhancing reliability and redundancy while ensuring access to high-speed broadband service for all residents and businesses.

The City's network includes a centralized data center at C.V. Starr equipped with core-routing, firewall, maintenance switches, and Optical Line Terminal (OLT) equipment. This data hub connects to fifteen (15) Distribution Areas (DAs), which aggregate fiber locations and distribute connectivity via underground conduit and fiber. From each DA, fiber cable extends to local service terminals (flowerpots), with final underground drops installed upon service requests, ensuring flexibility and responsiveness to user needs.

For detailed information on project assumptions, design, business model, and operations, refer to ***Attachment 1: Fort Bragg Digital Infrastructure Project.***

A. OPERATIONS AND SERVICE DELIVERY OPTIONS FOR MUNICIPAL BROADBAND

To ensure the success of Fort Bragg's municipal broadband utility, several options for Internet Service Provider (ISP) service delivery were carefully analyzed. These options were evaluated based on their operational feasibility, financial sustainability, alignment with strategic goals, and ability to meet the community's needs. A summary of these options is provided below, highlighting the key considerations and recommendations for effective service delivery.

1. Establishing a City-Operated Internet Service Provider (ISP)

The City would build from the ground up and operate its own ISP, independently managing all aspects of service delivery, including network maintenance, customer support, and billing.

Benefits:

- Provides full control over pricing, service offerings, and customer experience.
- Aligns with the City's goals for equity and public control of critical infrastructure.

Challenges:

- Requires significant investment in staffing, training, and operational infrastructure.
- High financial and operational risks, as the City lacks prior experience in ISP operations.

- The Long ramp-up time for establishing and scaling operations effectively, delaying benefits to residents and businesses.
- There are Customer Acquisition risks with competing against established providers with brand recognition and market presence could make it difficult to attract and retain customers.
- Regulatory Compliance: Navigating complex telecommunications regulations and licensing requirements may require additional expertise and resources.

2. Wholesale Broadband Services to a Third-Party ISP Providers (MCN, AT&T, Sonic, Comcast)

The City acts as a wholesale provider, selling access to its network to ISPs that deliver services to end users.

Benefits:

- Reduces the City's direct involvement in service delivery, lowering operational complexity.
- Encourages competition among ISPs, potentially benefiting consumers.

Challenges:

- Wholesale pricing may generate insufficient revenues to cover debt service and operational costs, especially given grant requirements--particularly under grant requirements that mandate affordable end-user pricing.
- Reliance on third party ISPs restricts the City's ability to directly influence service quality, pricing, and equitable access for underserved populations.
- Grant Compliance Issues: Wholesale-only models may not fully align with grant guidelines, potentially jeopardizing funding eligibility.
- Third-party ISPs may prioritize higher-margin markets, neglecting less profitable areas within the City, leaving gaps in service coverage.
- Limited Scalability: The wholesale model could restrict the City's ability to innovate or expand services in response to future market demands or technological advancements.
- Appropriate governmental approvals are required prior to acquisition which includes permission from LAFCO to provide extraterritorial services outside of city boundaries.

3. The City acquires local ISP Provider Mendocino Coast Network (MCN) assets and network to run the City's Broadband Utility

The recommended approach for operations and service delivery is to acquire MCN as the most viable option. This conclusion was based on several factors, including the substantial risks and challenges associated with the City setting up its own ISP. MCN's extensive operational experience of over 25 years, strong brand recognition, and superior local and regional customer service positioned it as the ideal partner.

Currently, MCN serves approximately 1,200 Fusion customers (800+ within City limits) and 350 Open Air customers (300+ within City limits), in addition to registering and hosting over 1,000 domains and 4,000+ email accounts.

A detailed financial and strategic analysis confirmed that acquiring MCN's assets and network would enable the City to leverage its established expertise, infrastructure, and customer base, ensuring a smooth transition and long-term success for the municipal broadband utility.

Benefits include:

- **Staff Expertise:** The acquisition eliminates the challenges of recruiting and training new, knowledgeable staff, which has proven difficult in previous recruitment efforts. By retaining MCN's experienced employees, the City ensures a team with immediate operational expertise, facilitating a smoother and faster deployment of the City's fiber-to-the-premises (FTTP) network.
- **Operational Continuity:** MCN employees bring decades of ISP operational experience, ensuring a smoother and faster launch of the City's FTTP network.
- **Customer Retention and Service Relationships:** Preserves long-standing service relationships with existing MCN customers, 70% of whom reside within City limits. Strengthens community trust by maintaining high-quality, locally rooted service.
- **Financial Advantages:** The acquisition of MCN brings significant financial advantages to the City's broadband enterprise. It integrates MCN's established revenue and expense streams, ensuring immediate cash flow on day 1 to support operations and debt obligations.
 - Additionally, the acquisition includes valuable assets such as a block of 4,096 IPv4 addresses, which are critical for broadband operations and would otherwise require substantial investment to procure. Purchases of IPs range from \$36-\$60 per address, valued between \$200,000 and \$280,000,
 - Furthermore, retaining MCN's existing office and equipment, valued at approximately \$150,000, helps minimize additional startup costs, providing a strong operational foundation for the City's broadband initiative.
 - MCN provides a long-term strategic advantage in debt financing. By incorporating MCN's 25-year+ operational history and existing revenue streams, the City enhances a new broadband utility's financial profile, improving its ability to secure and manage financing for the broadband project. This approach also mitigates the risk of MCN's potential collapse, which could result in service disruptions and loss of critical local expertise.

Row Labels	Sum of Monthly Net Revenue	Sum of Annual Net Revenue
⊕ Connectivity	\$ 68,068.05	\$ 816,816.60
⊕ Hosted	\$ 26,285.10	\$ 315,421.20
Grand Total	\$ 94,353.15	\$ 1,132,237.80

- Brand Equity:
 - Builds upon MCN's 25+ years of operational experience, brand recognition, and customer trust within the community, enhancing the City's reputation as a reliable broadband provider.
- Community Benefits:
 - Retains local jobs and expertise, contributing to economic stability. Aligns with the City's Strategic Plan goals of fostering equity, promoting local economic development, and ensuring sustainable infrastructure.

Challenges Include:

- Acquisition requires upfront investment and a comprehensive due diligence process (6-month timeline).
- MCN currently serves customers outside of City limits, requiring approval from the Local Agency Formation Commission (LAFCO) and the City Council to ensure compliance with jurisdictional boundaries and municipal policies. Appropriate governmental approvals must be secured before acquisition to authorize the provision of extraterritorial services beyond the city boundaries.
- Policy Alignment: The City Council may need to address potential concerns regarding serving areas beyond Fort Bragg's boundaries, balancing the expansion of services with the City's core objectives and financial sustainability.
- Staff Retention and integration of MCN's employees into the City's operations requires careful planning to ensure continuity of service and alignment with municipal employment policies will add to the City's support departments (HR, Finance, IT).
- Financial Uncertainty: Unforeseen costs during the due diligence or transition phases could impact the City's financial forecasts and strain available resources.

The City's acquisition of MCN would enable the integration of valuable assets and operational capabilities that are vital to launching and sustaining the City's new fiber-to-the-premises (FTTP) broadband utility. Key benefits include:

B. MENDOCINO COMMUNITY NETWORK OPERATIONS AND FINANCIALS

The Mendocino Community Network (MCN) has a long-standing relationship with the City of Fort Bragg and the surrounding areas. Owned and operated by the Mendocino Unified School District, MCN's mission is to provide high-quality internet services to the school district, its customers, and the communities it serves. For over 25 years, MCN has been a trusted provider of internet services, starting with dial-up connections that served over 8,000 customers in Mendocino County and beyond.

Today, MCN offers DSL internet and POTS (plain old telephone service) to over 1,100 customers in Fort Bragg, along with Fixed Wireless and VOIP telephone services. Additionally, MCN supports the community with domain registration and hosting services for over 1,000 domains and websites, as well as managing more than 4,000 email accounts. MCN is staffed by a dedicated team of eight full-time and one part-time employee. Initially created by the school district to meet the internet needs of students,

MCN has grown significantly, expanding its service locations and offerings to include affordable, tiered options for internet and voice services. Its longstanding presence and commitment to providing accessible connectivity have made it an integral part of the community's digital infrastructure.

City Acquire MCN Assets and Resources

Acquiring MCN presents the City with a strategic opportunity to secure existing assets and a customer base for \$500,000. The acquisition plan includes relocating MCN's operations to a suitable facility in Fort Bragg, where a retail office will be established to serve customers directly. During the transition period, the current office space in Mendocino will be retained temporarily to ensure uninterrupted operations and customer support. This phased relocation aligns with the proximity of the majority of MCN's customer base within the City and accommodates the gradual launch of the new City of Fort Bragg (CFB) broadband network.

The project is anticipated to serve approximately 4,017 homes and businesses within City limits, comprising 3,496 residences and 521 businesses. With a projected take rate of 63%, the network is expected to attract 2,877 customers, ensuring a strong foundation for the City's broadband enterprise.

	\$/Mo.	Accts	%
Low Income 500 Mbps	\$ 39.99	353	12%
1Gbps Offering	\$ 50.00	1,213	42%
2Gbps Offering	\$ 70.00	720	25%
5 Gbps Offering	\$ 90.00	301	10%
10 Gbps Offering	\$ 110.00	24	1%
Voice Services (w/911)	\$ 14.40	266	9%
Total Customers		2,877	100%

	Transition Period				Normalize
	2025	2026	2027	2028	2029
MCN Fusion Customer Count (FYE)	858	632	482	371	-
MCN Open Air Customer Count (FYE)	417	322	250	178	-
MCN Total	1,275	954	732	549	
FB-BB Customer Count (FYE)	484	1,532	2,540	2,877	2,877

The table below outlines the financial projections for the transition period from 2025 (Year 1) through 2029 (Year 5), as current MCN customers (Fusion and Open Air) within City limits migrate to the enhanced broadband service. By Fiscal Year 2029, the broadband enterprise is projected to generate approximately \$2.3 million in annual revenues, with operating expenditures estimated at \$1.3 million and annual debt service payments of \$360,000. This results in a projected net revenue of over \$500,000 annually, demonstrating the financial sustainability and profitability of the enterprise post-transition.

	Transition Period				Normalize 2029	2030	2031	2032	2033	2034
	2025	2026	2027	2028						
Revenues										
FB-BB: 1-10 Gbps Service Offering	\$ 186,683	\$ 788,058	\$ 1,431,447	\$ 1,737,328	\$ 1,737,228	\$ 1,737,228	\$ 1,737,228	\$ 1,737,228	\$ 1,737,228	\$ 1,737,228
FB-BB: Voice Services (w/911)	\$ 3,732	\$ 15,319	\$ 27,138	\$ 38,452	\$ 41,368	\$ 41,368	\$ 41,368	\$ 41,368	\$ 41,368	\$ 41,368
FB-BB: Low Income Service Offering 500 Mbps	\$ 22,458	\$ 93,433	\$ 148,043	\$ 151,162	\$ 151,162	\$ 151,162	\$ 151,162	\$ 151,162	\$ 151,162	\$ 151,162
Email Hosting	\$ 148,374	\$ 204,660	\$ 212,916	\$ 219,756	\$ 221,496	\$ 221,496	\$ 221,496	\$ 221,496	\$ 221,496	\$ 221,496
WebHost Domain	\$ 111,426	\$ 149,880	\$ 151,800	\$ 153,720	\$ 153,720	\$ 153,720	\$ 153,720	\$ 153,720	\$ 153,720	\$ 153,720
MCN Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Fusion (Blended view of Res and Bus)	\$ 635,447	\$ 640,346	\$ 478,605	\$ 196,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Fusion Equipment	\$ 22,680	\$ 28,296	\$ 27,192	\$ 13,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Open Air	\$ 185,378	\$ 194,781	\$ 147,758	\$ 56,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Digital Voice	\$ 195,066	\$ 276,468	\$ 295,188	\$ 154,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	1,511,244	2,391,241	2,920,087	2,721,828	2,304,975	2,304,975	2,304,975	2,304,975	2,304,975	2,304,975
Expenditures										
Telecom and IT Services	550,914	627,435	515,902	275,210	94,896	94,896	94,896	94,896	94,896	94,896
Operations and Maintenance	80,436	120,912	149,500	166,372	177,346	167,891	167,928	167,967	168,007	168,048
Personnel and Benefits	610,997	736,259	754,666	773,532	792,871	809,204	825,231	841,287	857,745	874,614
General and Administrative	352,345	317,531	287,810	253,707	235,979	203,748	203,748	203,748	203,748	203,748
MCN Acquisition Payment	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total expenditures	1,644,693	1,852,137	1,757,878	1,518,821	1,351,091	1,325,738	1,341,802	1,357,898	1,374,396	1,391,306
Revenues over (under) expenditures	(133,448)	539,103	1,162,209	1,203,007	953,883	979,236	963,172	947,077	930,579	913,668
Estimated debt service payment	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
Revenues over (under) expenditures less DS	(493,448)	179,103	802,209	843,007	593,883	619,236	603,172	587,077	570,579	553,668
Coverage	(0.37)	1.50	3.23	3.34	2.65	2.72	2.68	2.63	2.58	2.54

The City plans to continue offering email and web hosting services, which generate substantial revenues for the broadband enterprise. Looking beyond 2029, the enterprise's network is purposely designed for scalability, enabling potential expansion beyond City limits or accommodating population growth within City boundaries. This future-ready design allows for cost-effective service expansion to areas adjacent to the network ("edge-out opportunities") without the need for significant investment in additional core electronics or fiber infrastructure connecting back to the data hub. This strategic flexibility positions the enterprise for sustainable growth and increased revenue opportunities over time.

TENTATIVE PROPOSAL FOR MCN ACQUISITION

The City Manager and staff have engaged in negotiations with the Mendocino Unified School District Ad-Hoc Committee and District staff, resulting in the following tentative acquisition terms:

- 1. Purchase Price and Payment Terms:** The proposed purchase price is \$500,000, payable over ten years in annual installments of \$50,000 based on the City's valuation of the last audited financial statements. These payments are contingent upon due diligence and will be funded through the cash flow of the City's broadband enterprise, as outlined in the project's financial pro forma.
- 2. Employment Continuity:** The City will hire all current eight MCN staff with six-month probation, maintaining existing compensation and benefits to ensure operational continuity and retain experienced personnel.
- 3. Service Continuity extends outside City limits:** The City will continue to serve all existing MCN customers, including those located outside City limits, ensuring uninterrupted service as long as it is financially viable. *Provisions of extraterritorial services outside of City limits is subject to prior approval from LAFCO.*

4. **Service Levels:** All current service levels, such as email hosting, listserv management, and other customer support functions, will be maintained under City ownership such as Domain Registration, Domain service, email accounts, Open Air, Fusion web hosting, secure certificate .etc.

5. **Grandfathering Current Services for the School District**

- Digital Voice Telephone Service: Existing digital voice services to the Mendocino Unified School District will continue at the current rate until all payments from the City of Fort Bragg have been completed.
- Staff Email Accounts: Email accounts for MUSD staff will be provided at no charge until all payments from the City have been completed.

Ultimately, the recommendation for the City to acquire MCN assets is both strategic and essential. This decision is grounded not only in financial analysis but also in the critical need to preserve service continuity, capitalize on MCN's established brand and expertise, and secure the long-term sustainability of a reliable, high-quality broadband utility for the Fort Bragg community. This acquisition positions the City to meet current and future connectivity demands while fostering economic growth and equity.

C. BROADBAND ENTERPRISE RISKS AND MITIGATION STRATEGIES

The following summarizes key risks to the City of Fort Bragg Broadband (CFB-BB) project and the mitigation strategies in place to address them:

1. **Take Rate Risk:**

- **Risk:** Insufficient customer adoption could threaten revenue projections.
- **Mitigation:** A robust initial marketing and sales plan will drive awareness, including pre-sales campaigns using traditional media, door hangers, public presentations, and community engagement. The fiber-based network's superior speed and competitive pricing provide a distinct advantage over competitors.

2. **Underestimated Construction Costs:**

- **Risk:** Actual construction costs may exceed estimates due to underestimated footages, material, or labor costs.
- **Mitigation:** Material and labor costs have been increased by 10%, and a 10% contingency has been added to the overall project budget. Recent quotes indicate material costs have decreased, providing further cost stability.

3. **Underestimated Drop Placement Costs:**

- **Risk:** Longer-than-expected cable drops or challenges in restoring property after installation could increase costs.
- **Mitigation:** Additional contract labor has been factored into the budget to augment MCN staff, and drop cable material costs are minimal, reducing overall financial impact.

4. **Timing Risk:**

- **Risk:** Delays in construction or grant reimbursements could jeopardize project schedules.

- **Mitigation:** A Construction Manager and Inspectors will oversee the project to ensure contractors adhere to deadlines. The construction agreement is unit-based, with contingencies to bring in additional contractors if timelines fall behind.
- 5. Operational Risk:**
- **Risk:** Challenges in service management, including labor shortages, training gaps, or equipment failures, could disrupt operations.
 - **Mitigation:** Acquiring MCN and its experienced staff of nine employees provides immediate operational expertise. Additional mitigation includes using state-of-the-art electronics and operating systems, as well as ensuring quality construction with thorough testing of each fiber component.
- 6. Infrastructure Damage Risk:**
- **Risk:** Infrastructure damage, though unlikely with underground placement, could occur from unauthorized digging.
 - **Mitigation:** Damage prevention measures include budgeting for cable locate services and having equipment and technicians ready for repairs. In cases of third-party damage without a proper "Call Before You Dig" ticket, repair costs will be charged to the responsible party. The agreement with MMBI ensures maintenance and is located along the Hwy 1 route, with annual maintenance costs budgeted.

These mitigation strategies ensure the CFB-BB project is positioned to navigate potential challenges effectively, securing long-term operational and financial stability.

D. FINANCING STRATEGY TO ADDRESS THE \$3.4 MILLION FUNDING GAP

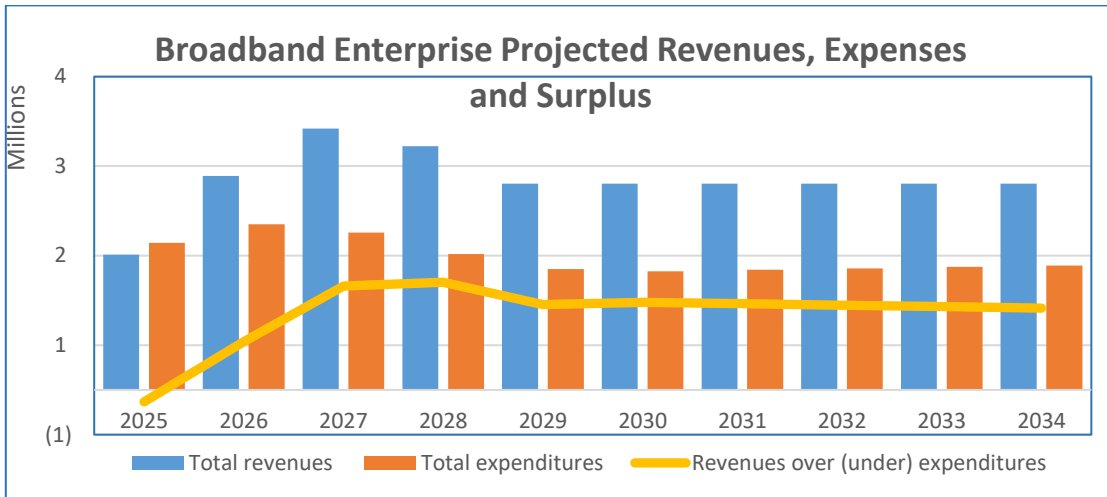
The estimated total capital funding required for the City's Municipal Broadband Project is \$14.7 million. To date, the City has secured \$10.3 million from the CPUC's Federal Funding Account (FFA) Program, and U.S. Congressman Jared Huffman has selected the project for \$1 million in Community Project Funding. While the \$1 million has been approved for the program, it will not be finalized until the federal appropriations process concludes in December or January 2025. This leaves an unidentified funding gap of \$3.4 million, with an immediate need of \$4.4 million to move forward, as the congressional funding will likely not be available in time.

Although several grant opportunities may become available in the coming months, the project's tight timeline necessitates near-term debt financing. The City's Municipal Advisor, NHA Advisors, has worked with staff to evaluate the project's business plan, financial projections, and current City resources. NHA and staff have prepared a comprehensive presentation for the City Council to outline financing strategies.

Broadband Enterprise Fund

Staff recommends establishing a *Broadband Enterprise Account* to manage the financial activities of the MCN broadband utility. This fund would function similarly to the City's three existing Enterprise Funds (Water, Wastewater and C.V. Starr Enterprise) or a private business, relying primarily on user fees and charges for sustainability rather than the General Fund or tax revenues subject to annual audits and budget approval by the City

Council. Preliminary projections suggest the enterprise will generate an annual surplus exceeding \$500,000 after its initial years of operation.



General Fund as Credit Enhancement

Given the start-up nature of the broadband enterprise, the City’s General Fund will likely need to act as a credit enhancement (or co-signer) for external or internal funding mechanisms. While it is not anticipated that the General Fund would directly pay for debt service, this backstop would improve borrowing terms and reduce costs.

Debt Financing Options:

Funding the gap through a loan or other debt mechanism is recommended. Without immediate access to the congressional funding, the estimated financing need is \$4.8 million. A loan of \$5 million (to include financing costs) at a 5% interest rate over 20 years would result in an annual debt service of approximately \$420,000. Once the \$1 million congressional funding is received, it would be used to prepay a portion of the debt, reducing the annual debt service to approximately \$340,000.

Some of the financial health considerations include:

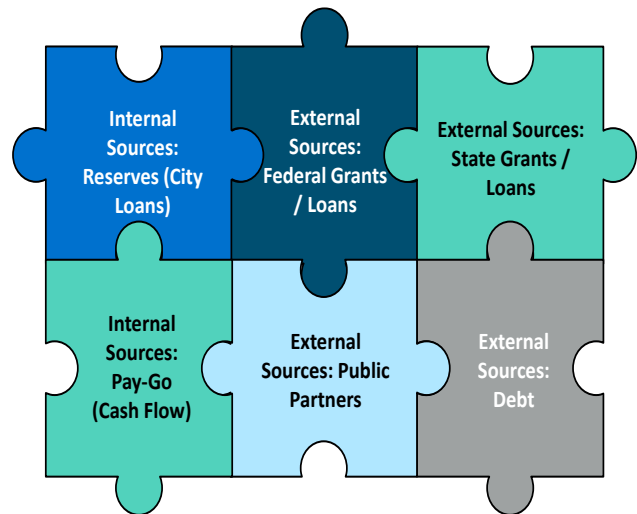
- Utilizing General Fund reserves to cover the gap would significantly deplete fund balances, reducing budgetary flexibility, potentially lowering the City’s bond credit rating, and affecting the ability to fund other priorities.
- Debt financing allows smaller annual payments spread over time, which can be supported by projected broadband enterprise revenues without reliance on General Fund contributions.
- An assessment of the General Fund is crucial as it will likely need to act as the credit enhancement (co-signer) on any type of external or internal funding mechanism given the start-up nature of the Broadband enterprise.

The City’s team is evaluating the following options to complete the financing plan:

1. Loan from a Private Bank: Likely the most suitable due to the smaller loan size, expedited timeline, and lower transaction costs. Bank loans typically offer more flexible repayment options, allowing early payoff without penalties if one-time funds, such as congressional funding, become available.

2. Bond Financing: Publicly issued bonds may be a viable option but involve higher transaction costs and longer processing times.

3. Internal Loan: Borrowing from City reserves (e.g., General Fund, Water/Wastewater Fund) is less favorable as it could strain resources needed for other priorities.



Staff recommends further exploring Option 1 (Private Bank Loan) and Option 2 (Bond Financing) and moving forward with the option that best meets the project’s financial and timing needs. Direction is sought from the Council to allow staff and the City’s Municipal Advisor to evaluate these options further and return with a specific funding strategy and associated financing documents for formal approval by January 2025.

While the City’s General Fund is currently considered strong, even with the potential approval of new tax measures (Measure U and Measure T), the projected annual surplus is expected to decline compared to recent levels. As a result, depleting reserve levels at this time is not recommended, as it would reduce the City’s financial flexibility and potentially compromise its ability to address other priorities. Instead, funding the gap through a loan offers a more sustainable solution, allowing for smaller, manageable annual payments spread over an estimated 20-year term. These payments are projected to be fully supported by the annual revenue generated by the Broadband enterprise, minimizing reliance on the General Fund.

PROPOSED ACTION:

Provide direction to staff regarding the following:

- 1) **Authorize the City Manager to Proceed to Finalize Terms for the Acquisition of MCN Assets:**
 - Approve the proposed recommendation to acquire MCN assets.
 - Provide input on the draft purchasing terms, authorize the City Manager to:
 - Proceed with due diligence matters, including asset valuation and operational assessment.
 - Secure necessary LAFCO approval for service continuity outside the City Limits.
 - Finalize terms with the MUSD related to the acquisition and bring back for City Council approval.

2) **Gap Financing Strategies & Working Capital:**

Evaluate and provide direction on the preferred financing strategy to address the project’s funding gap:

- a) Debt financing through a private bank;
- b) Debt financing through municipal bonds;
- c) Internal loan from General Fund, Water or Wastewater.

Note: All gap-financing strategies will include continued efforts to pursue additional grant funding to expedite loan repayment and reduce long-term debt obligations.

3) **Request for more information and reject staff recommendation.**

FISCAL IMPACT:

Capital Funding Sources					
	Source	FY 2024-25	FY 2025-26	Unidentified	Secured
✓	Federal Funding Account (FFA) Grant Program	\$ 5,000,000	\$ 5,300,000	-----	\$ 10,300,000
✓	Congressional Directed Spending FY 2025		\$ 1,000,000,	-----	\$ 1,000,000
?	General Fund			\$ 3,800,000	
?	Redwood Region RISE Grant Funding				
?	Debt Financing				
	Total Cost: \$14,800,000			\$3,800,000	\$ 11,300,000

GREENHOUSE GAS EMISSIONS IMPACT:

Greenhouse gas emissions are associated with the manufacturing of materials, and mobilizing of construction crews are temporary in nature.

ENVIRONMENTAL ANALYSIS

The actions taken under this agenda is not subject to CEQA because approval of the acquisition of MCN does not constitute a “project” subject to CEQA. The action is exempt from CEQA pursuant to State CEQA Guidelines 15061(b)(3) Common Sense exemption because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Moreover it does not constitute a “project” pursuant to State CEQA guidelines section 15378(a). The acquisition has no potential to result in a direct or reasonably foreseeable indirect physical change in the environment because the acquisition will result only in a change of property ownership, with no reasonably foreseeable changes to the Property or the environment in the foreseeable future for the following reasons. The City is not considering use of acquired property other than its current use in support of broadband infrastructure.

CONSISTENCY:

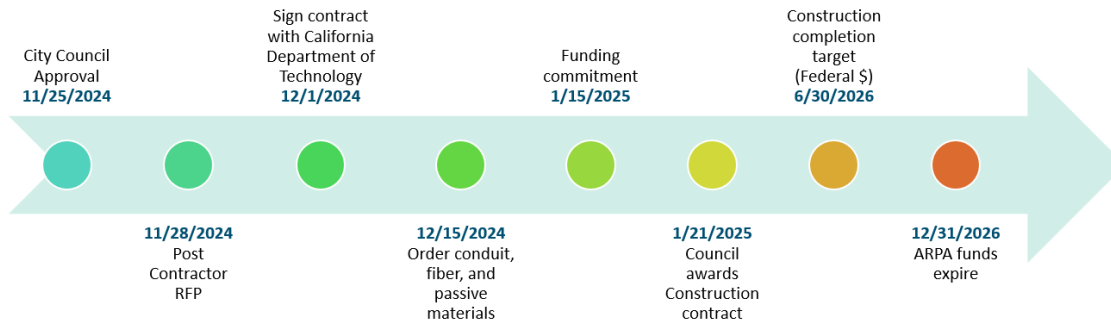
Broadband deployment aligns with City Council Goals & Strategic Planning 2024-2028+

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

IMPLEMENTATION/TIMEFRAMES:



1. Construction

The buildout schedule is dependent on a few factors including material availability, construction crew availability, and weather. Construction will follow an “inside-out” strategy, working from the data center hut toward outlying areas. Drops will be an ongoing process until the targeted premises are connected. Currently, the overall deployment schedule for this project has a start date of February 2025, with a completion date of July 2026.

2. MCN Transition to City

Further negotiations to finalize Terms, due diligence, and approval from the City Council and Mendocino Unified School District will occur in January 2025, with contract signing and initial payment within two weeks of approval. The transfer of Assets and Transition Period will take place over a few months, with the start date of March-April 2025. Customer-facing office space to be identified in January/February 2025.

3. Financing

NHA Advisors will develop an investor grade financing package if direction is given to do so this evening.

ATTACHMENTS:

1. Fort Bragg Digital Infrastructure Project

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