

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: DECEMBER 17, 2007 CMR: 446: 07

SUBJECT: STATUS REPORT ON THE ULTRA-HIGH-SPEED BROADBAND SYSTEM BUSINESS PLAN

This is an informational report and no Council action is required.

BACKGROUND

On July 9, 2007, the Council directed staff to proceed with the development of an Ultra-High-Speed Broadband System Business Plan with the 180 Connect Network Services, Inc. Consortium (180 Consortium). The purpose of this report is to provide the Council with information on the status of the Business Plan.

DISCUSSION

The first phase of the Business Plan involved the collection of data about the City. During this phase, staff gathered extensive information about City assets, infrastructure, and facilities. In addition, staff provided the 180 Consortium with existing business case studies, business plans and customer survey documentation. Staff also identified and started to estimate the value of City assets that could be contributed to the project. The data collection phase of the Business Plan, for which City staff is responsible, is complete.

The next phase involves market research and a constructability review to determine the most economical method of Broadband System construction. This phase was initiated in September 2007. Field surveys are underway, and site meetings will be held with Utilities and Public Works in the near future. A residential telephone survey will be conducted by the 180 Consortium in December 2007 to determine the level of interest in the Broadband System-based services.

The final phase of the Business Plan will focus on the economic feasibility of the project. Staff anticipates returning to Council during this phase to obtain direction on the level and type of contribution the City is willing to make to the project. It is expected that this phase will be initiated in early 2008.

The 180 Consortium originally anticipated it would take 6 months to complete the Business Plan. There have been several significant changes involving 180 Consortium members that have impacted progress on the Business Plan, as follows:

- 1) The original Consortium consisted of 180 Connect Network Services, Packet Front, and the Royal Bank of Canada (RBC). A new member, NorthStar Capital Partners (NorthStar), joined the Consortium as a representative of RBC, providing financial advisory services to the project. Jeffrey Mazer, a partner, represented NorthStar. In August 2007, Jeff Mazer was hired by Packet Front as its Head of Finance for the Americas. Mr. Mazer will continue his role of coordinating financing for the broadband project and NorthStar will no longer participate in the Consortium.
- 2) In August 2007, 180 Connect Network Services became a wholly-owned subsidiary of Ad. Venture Partners (AVP). AVP changed its name to 180 Connect Network Services. This merger provides the former 180 Connect Network Services with a cash infusion that gives it additional financial flexibility.
- 3) In July 2007, Packet Front acquired DynamicCity, the only other firm that had responded to the City's Broadband Project Request for Proposals (RFP).

RESOURCE IMPACT

This report is for informational purposes and does not have a resource impact.

POLICY IMPLICATIONS

The Business Plan effort is consistent with Council direction.

TIMELINE

Staff plans to return to Council during the final phase of the Business Plan to obtain direction regarding the City's contribution to the Broadband Project. Staff expects this to occur during the second quarter of fiscal year 2007-08. It is anticipated that the first draft of the Business Plan will be finalized in late 2007-08.

PREPARED BY: _____

JOE SACCIO

Deputy Director, Administrative Services

APPROVED BY: _____

CARL YEATS

Director, Administrative Services

CITY MANAGER APPROVAL: _____

EMILY HARRISON

Assistant City Manager