



# WORK SESSION AGENDA ITEM SUMMARY

City Council

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## STAFF

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## SUBJECT FOR DISCUSSION

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### Fort Collins Connexion Update

## EXECUTIVE SUMMARY

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The purpose of this item is to provide Council and the public a general update on the Connexion broadband service and rollout.

## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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1. What questions does Council have for the Connexion team?

## BACKGROUND / DISCUSSION

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The City of Fort Collins municipal broadband service, Connexion, has been providing service for over 3 years. In 2023, service will be available citywide which brings exciting opportunities for marketing and product maturity. In the last year Connexion has added key staff and been able to stabilize and provide a more consistent customer lifecycle model. As Connexion moves from startup phase into a growth phase there are many opportunities both locally and regionally to benefit residents and add resiliency regionally. These efforts come with challenges and will also be exciting as solutions come together.

### Build and Take Rate

As mentioned above, the main build out for Connexion is almost complete. The complexities of an underground build, permitting, and navigating staffing shortages have all contributed to a slight delay. Interest in service remains high, although staff is excited to re-energize marketing efforts throughout the community targeting both residential and business customers.

To date, Connexion is seeing a consistent 32% single family residential take rate (measured in neighborhoods with service available for at least 90-days). Staff has also been able to secure right-of entry agreements and contracts with multiple dwelling units (MDU) and commercial properties. With the addition of key staff and the capabilities of the billing system, process improvements have streamlined workflows to allow for greater efficiencies and a smoother customer experience for these types of properties.

## Video Price Increase and TV Service Selection Tool

As we enter year three of our video content contracting, there is a rising cost to Connexion. This cost increase will need to be passed on to TV customers resulting in increased TV package pricing from \$5 to \$20 per month, depending on the package. This TV package pricing increase will begin February 1, 2023, and notification has already been sent to existing TV customers.

Connexion continues to provide the fastest, most reliable internet service available in the industry and we believe in helping our customers find the best TV product, whether it's Connexion or something else. For this reason, Connexion has launched a TV service selection tool called My Bundle TV. This tool allows customers to pick the best TV option based on the customer providing information such as the desire to watch live TV, watch sports, or just certain channels. Using this information, the best TV option will be reflected for each customer with comparisons in available desired channels and pricing.

## Capital Project and Funding Update

The bulk of Connexion funding has been made available through a voter approved bonding process. In September 2021, Council appropriated \$8.2 million of contingency funds to assist with construction. In April 2022, Council appropriated up to \$20 million in Light and Power (L&P) reserves for Connexion understanding that monies would be used as needed (not taken in a lump sum) and returned with interest. The current balance of this reserve utilization is \$10 million as of November 30, 2022.

The table below highlights the original Business Plan assumptions, approved spending updates, project spending to date, and the current project estimate.

Description	Business Plan and Approved Updates	11/30/2022 LTD Spent	Current Project Estimate thru Dec 2024
Network (Primarily AEG)	\$84M	\$105M	\$110M
Installation (On Trac, boring)	\$13M	\$17M	\$36M
Equipment & All Other	<u>\$12M</u>	<u>\$11M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
Total Capital Budget/Estimate	\$142M	\$133M	\$158M

Total capital spending on the project through November 30, 2022 is \$133 million. Connexion currently has approximately \$9 million remaining from its' approved funding of \$142 million. Primarily due to some industry trends and challenges, the current capital project estimate stands at approximately \$158 million through the end of 2024, representing an additional \$16 million over the current available budget.

Connexion does currently have in excess of \$20 million remaining capacity under the original bonding approved by residents in 2017. The most likely path forward will be to access this remaining bonding capacity in a joint bond offering with L&P sometime in late 2023. The timing and magnitude of this potential offering will be driven primarily by L&P's needs and operational requirements. Connexion financial modeling continues to maintain payback of bonding commitments and L&P reserve usage through projected customer revenues and resulting positive operating margins.

## **Digital Equity and Inclusion**

Connexion is committed to providing the best internet experience for ALL residents in Fort Collins. As a municipal provider, 6% of all Connexion revenue is paid to the General Fund as a Payment in Lieu of Taxes (PILOT) and is dedicated to meeting digital equity goals of reducing the digital divide and increasing digital fluency of all residents.

In 2022, as Connexion service and PILOT revenue grew, the City of Fort Collins invested in a diverse range of Digital Inclusion programming, services, and community collaboration. This investment includes a discounted internet price of \$19.95 (including WiFi) for 1 Gig internet speeds for income qualified residents, partnerships with Poudre School District (PSD) Family Liaisons, funding for Larimer County Digital Roots program, Medical and Mental Health Care Access, and Resources for Entrepreneurs.

This programming and partnerships will continue to grow along with Connexion.

## **Federal Funding and Regional Partnerships**

In 2021, the Federal Infrastructure Investment and Jobs Act included \$65B for Broadband, of which \$42.5B is allocated for the Broadband Equity Access and Deployment (BEAD) program. BEAD funding will be available in areas with internet speeds under 100 Mbps download and 20 Mbps upload speeds. As a comparison, Connexion has symmetrical 1,000 Mbps download and 1,000 Mbps upload speeds. These speed requirements make it difficult for urbanized areas to apply for grant funding.

While Connexion will not qualify for BEAD funding in the city limits due to high upload and download speeds, we are working closely with Larimer County to consider opportunities available outside of city limits.

In addition, Connexion network operations supports both Loveland's Pulse and Estes Park's Trailblazer, and we continue to also include Longmont's Nextlight in conversations of network redundancy, lessons learned, and solutions to work together as a region moving forward. With four municipal internet service providers in this region as a broadband foundation, we have the potential to be one of the most innovative regions in the nation.

In addition to great relationships with Larimer County and regional municipal broadband providers, we have also established strong relationships with Poudre School District (PSD) to help us identify their needs and where we can work together to provide high speed internet and education to all PSD families.

## **ATTACHMENTS**

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1. Presentation