

**City Council of Peachtree City
Workshop Minutes
September 8, 2015**

The Mayor and Council of Peachtree City met in workshop session on Tuesday, September 8, 2015. Mayor Fleisch opened the workshop at 6:30 p.m. Council Members attending: Terry Ernst, Eric Imker, Mike King, and Kim Learnard.

The purpose of the workshop was to review the use of broadband services as a community economic development tool and to review the municipal broadband services business plan.

Interim City Manager Jon Rorie said it was all about money. He noted that 1957 plan for the City included a population of 85,000 with 27,000 dwelling units. The plan had obviously changed, and today the City had a population of 35,000, with 14,000 dwelling units. Rorie looked at the key trends in the City, which included an aging population, residential buildout/aging housing stock, and recent annexations and expansion of the City limits. He clarified he was not suggesting the City annex or expand its borders for economic development, but they were tools that could be used to grow the City's economic base.

Rorie noted the fluctuation in the City's tax digest from 2009 – 2015, dropping from more than \$1,875,000,000 in 2009 to just under \$1,700,000,000 in 2012 and 2013. The property values began to increase in 2014, and the 2015 digest was valued at just over \$1,900,000,000. The City's sources of revenue included ad valorem taxes (37.6%), Local Option Sales Tax (LOST) (19.9%), other taxes (14.2%), other revenues (11.3%), fund balance (2.3%), fines and forfeitures (3.4%), and licenses and permits (3.3%). He continued that 60% of the revenues came from ad valorem taxes and LOST. A home with a property valued at \$239,000 paid approximately \$60 per month in property taxes for all City services. All decisions should be considered for the impact on the community and how it broke down. A dollar could only be spent one time.

Rorie continued that services were linked to quality of life, which had long been an explicit or implicit goal. Adequate definitions and measures for "quality of life" had been elusive, according to Rorie. Standard indicators included wealth and employment, built environment, physical and mental health, education, recreation and leisure time, and social belonging. Support of quality of life required a robust economy. Job centers pulled economies together. An hour's drive was an extreme reach.

Rorie continued that the goal was to introduce new money into the economy, and there were two ways to do it – industries and tourism. A local economy was a geographic area where the vast majority of people lived and worked. The geographic area was largely determined by the commuting patterns of people in the area. When people from other communities came to the City, they contributed to its economy.

The flow of money was also important when considering economic development, Rorie said. All of Fayette County should be considered. Everyone was connected, and Fayette was connected to the economies of its surrounding counties.

Planning and Development Director Mike Warrix and Robin Cailloux, planner, discussed how economic development was connected to the Comprehensive Plan and the Land Use Plan.

Warrix said the City had strong history of comprehensive planning, noting the Land Use Plan was developed in 1985 and the Comprehensive Plan in 1992, with updates to the Comprehensive Plan in 2008 and upcoming in 2016. Economic development included elements of the

Comprehensive Plan, such as land use, community services, and recreation. It reduced the burden on the residential base.

Cailloux discussed how much a residential acre cost the City. Economic development objectives and policies were in place to encourage job creation and retain existing businesses, provide incentives and amenities for quality of life, and to provide infrastructure, adequate and modern. Economic development helped to reduce the burden on the residential tax base. Currently, 80% of the City's revenue came from residential uses. Residential uses had negative net revenue, while commercial and industrial uses had positive net revenue.

Cailloux said that for every \$2,500 of residential zoning revenue, the City had approximately \$3,000 in expenses, costing the City more than it received. For every \$17,500 in commercially-zoned revenue, the City spent approximately \$6,800. The City expense for office properties was approximately \$3,000 for just over every \$4,000 in revenue. For Industrial properties, the City spent approximately \$500 for every \$1,000 collected. The City spent approximately \$500 for Open Space property, and \$3,000 for property designated as Services. Cailloux explained that Open Space and Services were generally tax-exempt and included schools, churches, and recreational areas.

Imker asked if Peachtree City's breakdown was comparable to similar cities. Cailloux said the same was true on a national scale.

The objective was to provide a balance of land uses. Cailloux said. Currently, 50% of the land use in the City was residential, and Open Space was 25%. Commercial land use was 4%, and Industrial use was 15%. The City's options included annexation, converting residential property to other uses, or increasing taxes. She pointed out that industries that made widgets required 1,000 square feet per employee compared to high tech industries that required 300 square feet per employee.

The addition of broadband to the community would ensure adequate levels of service for fire, emergency medical services, and police due to the interconnection of stations for faster communications. It promoted a full range of health facilities because of faster uploads to nationwide health centers, and it would provide a full range of educational opportunities through online classes, content, videos, and educational applications that were widely used for all levels of education.

Emily Poole, business retention and expansion manager for the Fayette County Development Authority (FCDA), discussed economic development and municipal fiber, and noted economic development was the creation of wealth and the creation of jobs. The most visible way to achieve that wealth and job creation was to recruit new companies, which Poole said could take many years. Supporting the retention and expansion of existing companies was another way, and Poole noted that studies showed 80 – 85% of new jobs came from existing industries. They needed to ensure that existing companies had what they needed to expand and stay in the community.

Industries looked at infrastructure, location, workforce, the education system, and quality of life when deciding on relocation. Poole noted OSMOSE, an industry that moved from Fayetteville to Peachtree City, was constructing two new facilities on SR 74. The capital investment was upwards of \$7 million, with more than 300 jobs retained and created. Project Commodore was a redevelopment of one of the Photocircuits sites, with an \$8 million investment and 260 jobs created/retained.

Panasonic employed several hundred software engineers, and they were very excited about municipal fiber. They communicated with seven other facilities around the world every day. They needed access to high-speed data.

Poole said municipal fiber would help City businesses compete on a global scale. The City had a competitive advantage with its proximity to Hartsfield-Jackson airport and the Atlanta region. The workforce was one of the most educated and affluent in the state. A municipal fiber project would attract more of those types of workers. The education system was an advantage, and high speed fiber would make the education system more robust. Firms were looking at high speed fiber as a more critical factor in staying in the City or relocating.

There was a shortage of industrial property in the City, Poole said. A company visited a few weeks ago, and 40 – 50 acres was needed. The City did not have it, Poole said. High speed fiber was becoming increasingly important as infrastructure.

Poole briefly discussed municipal fiber in Chattanooga, TN, which she said was the gold standard when discussing economic development. It was the first gigabit city in the U.S. The network helped bring Amazon to Chattanooga. LaGrange was another success story, and municipal fiber helped bring Kia and its support companies to that city. LaGrange's tax base had increased dramatically, and its municipal fiber paid for itself.

Salvatore introduced Philip Abbott of Cpak, the City's systems administrator who also managed the broadband network for LaGrange, Allen Davis of Community Broadband, and Todd Barnes, the City's bond underwriter.

Salvatore continued that broadband described the speed of data transmittal. Speed was relative, and he noted that speeds of 25 to 50 Mbps were considered high speed compared to what used to be considered high speed (4 Mbps). Broadband used either copper cable or fiber-optic cable. Fiber-optic cable was a relatively new form of infrastructure and was also known as FTP or fiber-to-the-premises. It primarily delivered high speed internet and cable television services, and fiber optic had speeds of 1,000 Mbps or 1 Gbps and faster.

Broadband was important, and cities across the country were scrambling to bring high-speed fiber to their communities. It was considered an essential economic development utility that would assist in both the retention and recruitment of businesses. Since areas where broadband was available were highly desirable place to locate, it also helped to support property values in those areas, according to Salvatore.

Control and support of the infrastructure and the ability to decide what was best for the local community instead of a private company deciding what was best for profits were among the reasons for municipal broadband. Salvatore continued that control of future technology infrastructure tied in with fiber network, such as cell service micro-sites. The City owned the rights-of-way for fiber installation. Current legislation and FCC rulings supported it. He noted that the City was not profit-motivated in providing services. The City currently paid a private provider for service to City-owned facilities.

Salvatore gave a brief background history on the City and fiber, pointing out that the City had applied for Google fiber in 2010, and the application had been turned down. In 2014, the City contacted AT&T about FTP service, and no response had been received. With the recent changes in legislation and FCC rulings, there was no need to rely upon private companies to provide the fiber infrastructure. The City could control its own destiny, or have it controlled.

Allen Davis, Community Broadband, LLC, told Council he had more than 24 years of experience in fiber-based deployments, and more than 34 years of industry experience. His company had supported more than 140 entities, including municipalities and municipal electric service providers, electric membership cooperatives, investor-owned electric utilities, local exchange carriers, competitive local exchange carriers, government agencies, and private equity. They worked with broadband system ownership and management. They offered project development support in many areas, including business plan development, investment banking and project capitalization, network development management, staffing, and sustainability strategic planning.

Davis continued that the proposed network development plan for the City was all fiber, all data, and all commercial. There would be enough capacity to meet market demand, and the plan was supported by progressive local leadership. Broadband was critical infrastructure to the government, education, convention, and utility sectors.

The near term benefits of a fiber optic project included speed (fiber optic internet connection ran at the speed of light, which was the fastest transport medium available) and high bandwidth capacity. The networks provided virtually unlimited bandwidth capacity with the same upload and download speed (when the system was launched, all sites connected to the network could receive up to 100 gigabits of capacity). Fiber optic lines were made out of glass and were the most secure network options available. Fiber optic cable was less susceptible to breakage than other types of cable and could carry a strong signal over a wide distance, resulting in a better quality transmission of data and images.

As for the long-term benefits, Davis said it would be a valuable local and regional asset, provide unlimited capacity to meet current and future demands, and was a critical infrastructure to support the local service area (economic development, employment opportunities and job creation, education, medical support resource, enhancement of capabilities for all sectors, public safety, and improved overall quality of life for citizens).

The process included the business plan development, internal review and approval of business plan, project capitalization, outside plant vendor selection, approval of outside plant vendors and contractors, engineering and design, regulatory and permitting, network construction, finalization of service offerings and rates, enterprise service agreements, network activation, site activation, and operation and maintenance. Davis said the business plan included a service area evaluation, incumbent service provider assessment, market analysis, system infrastructure technical analysis, service offerings, infrastructure deployment, projection capitalization, and a capital and operating budget.

Davis said the Phase 1 basic assumptions included the sites served – Fire Stations 81, 82, 83, and 84, Police Station, City Hall, Library, Glenloch Recreation Center, Amphitheater, Public Works, Kedron Fieldhouse, all Fayette County schools located inside the City limits, and the Industrial Park. The total network plant would have 22.54 miles, everything would be completely underground, and the services would include data/broadband. Per the financial projections for project capitalization for Phase 1, \$3.23 million in municipal bonds would be required.

Davis continued that 25 potential enterprise customers in the Industrial Park had been contacted, and 12 had responded. All 12 responding companies were interested in using the system. They had requested 19 gigabits per second (Gbps) total capacity, with an average capacity of 1.58 Gbps per site. The business plan assumption was that 11 enterprises would be served with an average capacity of 1.35 Gbps per site.

Learnard asked why residential was not included in the business plan. Davis said it was not feasible. Comcast, AT&T, and satellite companies were competing in the City, and wireless was available from them all. He noted the cost of video content was going through the roof. Customers were using broadband to access video and were going around the video providers. The municipal system would be a commercial-grade, enterprise-based fiber network. It was not designed to offer residential services of any kind.

King said the biggest push he had heard was from the residents, and it would be a hard sale for \$3 million. Learnard said it would not, because Davis was making the business case. King said he wanted to hear something about going to residential in the future. Davis said that was a bad idea.

Abbott added that he had talked to NuLink about using the City's fiber backbone to get into residential neighborhoods for a fee. He said LaGrange did not service residents either, but LaGrange helped facilitate it so the other carriers could get to the residential areas for a fee. Residential carriers needed the City's backbone. He said the City could get the private carriers to use the municipal backbone and offer competitive pricing for residents.

Davis said the backbone also offered other opportunities such as microsites for phone companies. He continued that traditional cable television was going away, and more would be available on the broadband side. Having the backbone infrastructure in place would help residential service by the private companies.

Davis gave a brief overview of the financials from year one to year five. Net income was expected to be earned in Year 2. Interest only would be paid on the bond for 24 months, and it would be a 10-year bond. Construction of Phase 1 of the network was expected to be in the second quarter of 2016, with the system launch and site activation by the third quarter of 2016, assuming the City moved forward in a timely fashion.

The steps for implementation included Council's review of the business plan, Council's approval of the business plan, finalizing the project capitalization, initiating the vendor selection process, closing of the project capitalization, developing the project, and launching the system.

Learnard asked about operation and maintenance of the system. Davis said the network itself was relatively simple, and the only maintenance the fiber network would require would be repairs in event of a fiber cut, which was a straightforward repair process. The equipment itself would be onsite and could be managed from a remote location.

Fleisch asked Allen if surveys were always done and whether the 48% return on the surveys was typical of other municipalities. Davis said the City had more high capacity users in a smaller area than any place he had been to, and the users were normally much more spread out. There was usually a good response from commercial areas in places that were underserved, and that was the case in the City. The City was very similar as far as underserved demand.

Fleisch noted Google was in College Park, and asked whether it would be a competitor. Davis said Google had a residential focus, offering video, data, and voice, but the company was not trying to make a return on investment. It was important for the City to do this project properly. It was unlikely Google would show up in the City, and the City needed to take this step to remain competitive in attracting new industries.

Imker asked Todd Barnes, the City's bond underwriter, which way he recommended going with the bonds. Barnes said the business plan had taken a 3.5% interest rate with 10-year financing; however, the rate would be closer to 2%. Imker asked for two 10-year amortization tables, showing principal and interest; and a 20-year chart of expenses and income projections. He wanted all three on the same chart, so he could judge the risk and whether it would be safe for the citizens. Imker said he would work with Salvatore to massage the charts for the best way to present it to the citizens. He wanted to ensure the risk was captured.

Davis said he always used conservative interest rate numbers, and he always hoped someone like Barnes would say the numbers would be better, which meant the plan was more feasible than projected.

Fleisch asked how much the City paid NuLink. Abbot said the City's fee would go up from \$50,000 to \$70,000 in FY 2016. Fleisch asked how many structures that amount covered. Abbott said he would have to count them, but the backbone would connect more facilities than were connected now. One fire station was connected to Comcast. No more facilities would be added for the increase, but the bandwidth would be upgraded.

Imker said he always had a problem when government ran things. Private industry usually did it best. He asked why the private sector could not offer fiber optic so the City could become a customer like the other commercial entities. Davis said the City was the equivalent of an apartment complex to AT&T and Comcast, and it was not a big enough deal for them. Imker asked what the break-even point was after paying off the bond. Davis said the project would be sustainable after the first year. He added the scale/footprint was not in the City for a private investor or company to build a network.

Imker said he had concerns about privacy and access with a government agency running the operation, especially public perception, and how to address it with citizens. Davis said there were strict rules and regulations prohibiting government access to private information. Imker said the federal government decided which rules it would enforce. Davis said the carriers and wireless were doing the same things.

Imker asked if the Peachtree City Facilities Authority, which was the entity that would probably borrow the money, had to be non-profit since the City was. Barnes said there were a few issues. As a municipality, the City could operate a utility and generate a profit, and there were no issues with that. The issues were more with the tax-exempt status of the bond. Bond counsel was reviewing long-term contracts and the tax status of the bonds. The utility itself generating a profit was not an issue. Learnard noted the LaGrange did not have property taxes. Barnes said many municipalities funded city operations off the funds generated by their utilities. Imker said the project was very enticing, but he still wanted something in writing that said the City could do this.

Fleisch said her concern was business retention, asking what the timing would be to recruit a replacement if one of the larger industry users were to leave the City. Poole said having fiber optic in place could be the critical factor to tip the decision towards the City. Municipal fiber would make the City more attractive for high tech, cleaner industries.

Fleisch said she recalled it could take eight years to replace a company that left due to the competitive nature of economic development. Poole said the turnaround was a bit faster now, noting Panasonic had been a manufacturing facility that was now an advanced research and development-type facility.

Rorie said government was not in the business of providing business, but it was in the business of providing services. Council had to make a big decision. The question was whether the City became a monopoly and leased out the infrastructure or if Council would allow a private monopoly to come in and offer the service. He asked if Council wanted to put the business plan on the September 17 agenda for discussion. The business plan was over 130 pages, and Council had seen six pages during the workshop.

Imker said he would like to go with discussion on September 17, with a vote on October 1. Nine days was not enough time to digest the material. He also wanted to hear citizen comment. Rorie said it was incumbent to get the information placed on the website so citizens would have access.

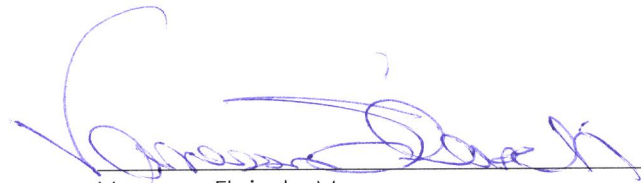
Salvatore said he could put together a "do nothing" model, and how that would affect the City's destiny. There would also be lost revenue opportunity from companies leasing off the backbone. The City was going to lose the cable franchise fees as the companies expanded their fiber networks. Rorie said those items should be discussed on September 17.

Imker said they wanted to have all the facts. Council knew what staff recommended. He asked staff to just present the data, without forcing a decision. Salvatore said one of the reasons these types of ventures failed was due to partnering with the wrong people. He was confident knowing the City had Cpak with its experience in LaGrange.

Eric Snell said industry and tourism were driving the economic engine in Peachtree City, as well as the people that drove on SR 74. The City could assess property taxes on the network, and there were carriers that paid property taxes. It was shown that there had been a 4% increase in gross domestic product (GDP) in communities with broadband. There were successful municipalities, but the cities in Georgia that had been successful had already implemented services for electricity, and technician infrastructure was in place. The City outsourced power. Comcast and AT&T had fiber optics in the City. This would be a 24/7/ 365 operation. The cost to build it was \$20,000 – \$30,000 per mile. Many cities immediately approved a conduit ordinance, so conduit was deeded to the City when it was put in. Once the conduit was in the ground, it would be cheaper to put in fiber optics. Fiber life was estimated at 40 – 50 years, but it was still an unknown. The business environment was competitive. The demand from customers would continue to increase, and prices would continue to decrease. Three-year contracts were standard, so the businesses might have to wait before using municipal fiber. The private companies could offer better deals. The state had a plan for the schools. A conduit ordinance needed to be in place now so the City could reap the benefits, even if it took 10 years.

The workshop concluded at 9:10 p.m.


Pamela Dufresne, Deputy City Clerk


Vanessa Fleisch, Mayor