

**Lancaster City Council Committee Special Meetings,
February 28, 2016, 6:30 p.m.**

**COMMISSION ROOM, CITY HALL ANNEX
120 NORTH DUKE STREET**

CALLING ROLL OF MEMBERS

Present – Mr. Reichenbach, Mr. Roschel, Ms. Sorace, Mr. Soto, Ms. Wilson and President Graupera
– 6

Excused – Ms. Williams - 1

PERSONNEL COMMITTEE

1. Nomination of Amanda Ruiz to an alternate position on the Civil Service Board. Ms. Wilson made a motion to move Ms. Ruiz’s nomination to the full Council at the regular meeting later in the evening. Mr. Soto seconded the motion and it was approved by the committee.

Ms. Ruiz said that she is interested in serving on the Civil Service Board because she wants to serve the community and respects police officers, firefighters and others in uniform who serve the community and nation.

Mr. Soto and Ms. Wilson thanked Ms. Ruiz for her willingness to serve on the board.

Ms. Ruiz’s appointment is slated to begin immediately and continue through July 2021.

FINANCE COMMITTEE

1. Administration update on funding of LanCity Connect, the City broadband network. No Council action needed.

Administrative Services Director Patrick Hopkins said MAW Communications has to run fiber-optic cable to more than 1,000 utility poles across the City. In the downtown area, overhead wires are not allowed. MAW had done “micro-trenching” downtown, in which inch-wide cuts are made in the pavement and cable is inserted at a depth of a few inches. Remote switching stations have also been constructed to create the fiber backbone for the network.

Much of the fiber backbone for the system is already in place. Additional fiber will be installed in coming months. Simultaneously, MAW Communications will begin connecting the first regular residential users. That will be done in several phases.

The City government, as with businesses, has a need to move lots of data quickly. The fiber-optic system will be used for remote, automatic reading of water meters, connections between separate City government facilities, to connect traffic signals, and upgrade the connections of the Community Safety Coalition’s public camera system. Those uses alone will make the broadband network worthwhile. But, with that infrastructure in place, it makes sense to leverage it for public use.

Initial infrastructure financing for the project has come from City Water Fund capital. That source of funding was used because the fiber system is being used for remote water reading. About \$1.6 million has been spent of money received from the 2014 bond issue. That has comprised about 92 percent of the initial funding. The remaining \$127,877 came from other sources, such as the Liquid Fuel Fund, for the traffic signal integration, and the General Fund information technology budget, for costs related to connection of City government facilities.

Costs associated with operating capital for MAW Communications ramping up to begin providing LanCity Connect service and “last mile” costs associated with connecting the fiber into homes will come from two separate loans coming from the City.

The \$1.5 million capital operating loan will provide funds for hiring, purchasing equipment and labor costs. That will be repaid over 13 years at 7 percent annual interest. That translates into \$14,500 per month in principal and interest payments.

Those loan funds would come from the City General Fund Reserve, and be transferred to a LanCity Connect Special Revenue Fund. The loan to MAW Communications would be made from that newly created special revenue fund. Payments on the loan will initially be held in the special revenue fund. That money would be recycled back into the project to pay from connection costs to homes. After those initial residential connections are made – likely sometime in 2019 – then the loan repayment funds will begin returning to the City’s General Fund reserves.

A second \$1.5 million loan will come from the City Water Fund. That money is available due to savings from last year’s refinancing of Water Fund bond debt. That money will cover the anticipated \$1,000 per residence cost of connecting the homes to the system. There are 1,500 residences which have already applied for the service. After those homes are connected and new connections begin to slow, then revenue from existing customers will begin repaying that loan. When LanCity Connect begins seeing operating revenues, the City will receive 13 percent of that gross revenue as loan repayment. After that loan is repaid, the City will continue to receive that 13 percent as revenue to the City.

The inter-fund loan is needed to allow low connection fees. Higher fees will dissuade people from subscribing to the LanCity Connect service. The service is beneficial for economic development to attract new businesses and encourage existing businesses to grow. The service will provide lower costs for school district students. While LanCity Connect is not a content provider, it will allow users to subscribe to entertainment streaming services and for gaming.

Further, he noted that LanCity Connect will also provide job opportunities for City residents.

Actions needed from City Council are the passage of two supplemental appropriation bills. The bills will approve the transfer of \$1.5 million each from the General Fund and from the Water Fund to the LanCity Connect Special Revenue Fund. Also needed from Council is approval of a resolution that would approve the loan from the special revenue fund to MAW Communications. The bills will be presented at the March 6 committee meeting, and would have the first reading at the March 14 meeting. A second reading would be scheduled for the March 28 meeting. The resolution would also be voted on at that time.

Mr. Hopkins said he anticipates that additional \$1.5 million loans from the Water Fund could become annual requests.

Ms. Wilson asked what MAW Communication’s liability is in this investment. She noted that the City is investing the start-up capital. People could chose not to use the service or MAW could go out of business and the City faces a loss of those funds.

Mr. Hopkins responded that the delivery of City services – the automatic water meter reading, traffic signal integration and City government facility communication – justify the cost of the project.

Ms. Wilson countered that explained the investment in the initial infrastructure investment which has already been made, but not in these two loans.

Mr. Hopkins stated that failing to supply capital start-up costs would mean MAW would need to seek other funding sources. Loans on the commercial market would have a higher interest rate and require a faster pay-back time, forcing the connection and monthly service costs to be higher. That would make it less likely that City residents will connect to the service. Those that would subscribe to the service are those with higher incomes. That runs counter to the City’s intent to make LanCity Connect service broadly accessible to City residents.

Frank Wiczowski, MAW Communications president, responded to Ms. Wilson question by maintaining that MAW will share the risk burden by providing infrastructure funding and equipment for the venture.

The meeting was adjourned at 7:22 p.m.

John E. Graupera, President

Attest:

Bernard W. Harris Jr.
City Clerk