TO: City Council Members

SUBJECT: UTILITIES ADVISORY COMMISSION RECOMMENDATION
RE: FIBER TO THE HOME (FTTH) BUSINESS PLAN PHASE 2,
FINAL REPORT

Attached is an amended Page 1 of CMR 215:04.
Inadvertently, the UAC’s recommendation was not accurately expressed, per meeting minutes. This mistake was corrected and the recommendation is accurate in this amended version.
We apologize for this error.

JOHN ULRICH
Director of City of Palo Alto Utilities

EMILY HARRISON
Assistant City Manager
TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: APRIL 19, 2004
DEPARTMENT: UTILITIES
CMR:215:04

SUBJECT: UTILITIES ADVISORY COMMISSION RECOMMENDATION RE: FIBER TO THE HOME (FTTH) BUSINESS PLAN PHASE 2, FINAL REPORT

RECOMMENDATION
At its March 18, 2004 meeting, the Utilities Advisory Commission (UAC) on a vote of 3 to 2, “recommends that the City Council authorize the formation and construction of the fiber to the home project pursuant to the Fiber to the Home (FTTH) Business Plan Phase I, dated May 7, 2003 and Phase II dated March 17, 2004, subject to an advisory vote to be placed on the November 2004 ballot. The UAC recommends no additional funding for the project until the project is approved by the City Council. Upon approval by the Council, the UAC recommends that an expenditure of up to $120,000 be authorized for public relations and legal analysis but not engineering design.”

DISCUSSION
The FTTH Business Plan, Phase 2 Final Report and staff recommendations were presented and discussed at the March 17 and 18, 2004 special UAC meetings. The UAC staff report (attached) summarizes the project and initial staff recommendations.

Since discussion with the UAC in March 2004, staff has consulted with additional legal and financial experts. Staff has concluded, based on legal constraints and the need to issue debt that is highly creditworthy (and therefore affordable), a two-thirds voter approval for additional funding is required. There are a variety of financing vehicles that can be used to fund FTTH, but many of the options require a special tax or surcharge during periods in which program revenues are inadequate to meet financial obligations. Other financing options, one of which would not require two-thirds approval, require additional research and will be preliminarily discussed during the Study Session with Council on April 19.
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Given the new information and an anticipated lengthy public hearing on April 19, a second Council meeting to discuss the FTTH proposal has been scheduled for May 24. This will allow the UAC an opportunity to discuss the new information at its regular meeting on May 5. On May 24, the UAC recommendations will be presented and the Council discussion will occur. This will allow staff to make additional recommendations or provide alternatives.

Staff continues to recommend that, should the Council determine that pursuit of a fiber utility be of sufficient importance to the City so as to take precedence over other priorities of the General Fund departments involved – City Manager’s Office, City Attorney’s Office, City Clerk’s Office and Administrative Services Department – that Council make this project a Top 5 priority for 2004.

ATTACHMENTS

A. Minutes from Utility Advisory Commission meetings of March 17-18, 2004
B. UAC Report: Fiber to the Home (FTTH) Business Plan Phase 2, Final Report
C. Staff Summary Regarding FTTH
D. Final Phase 2, Uptown Services Report
E. Summary Report of Risk Assessment of FTTH
F. Financial Pro Formas

PREPARED BY:  

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Director of Utilities

CITY MANAGER APPROVAL:  

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Assistant City Manager