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City of Lakeland Broadband Business Plan - DRAFT  
by Magellan Advisors

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# City of Lakeland Broadband Business Plan

## Presentation to City Commission

### August 19, 2019



# Recap from August 5<sup>th</sup> Meeting

- Review and presentation of draft business plan
- Review of cost estimates for network deployment
- Analysis of the three deployment options
- Direction from City Commission:
  - Finalize business plan based on Citywide deployment
  - Review plan and financials with City staff
  - Present this option at August 19<sup>th</sup> meeting

# Deployment Assumptions

- Deployment of fiber to the home to 100% of homes and businesses
- About 44,000 total premises
- City will offer Internet, television and telephone services
- City will offer bundles of most popular options
- Effective take rates: 38% residential, 41% commercial
- Year 1: Engineering, funding, organizational structure, key hires
- Year 2: Construction, building operations, main hiring
- End of Year 2: First services available
- Years 3 – Beyond: Additional construction phases, operational scaling
- Pricing levels based on creating the most competitive packages at the lowest rates
- O&M costs estimated with annual escalators
- Staffing costs using industry standard rates, plus a 35% overhead (Lakeland's rate)
- Renewal and replacement – 5, 10 and 20 year cycles based on asset lifetime
- Financing matches term of each asset class
- Operating reserves set as a percent of revenue, per year
- Capital reserves set as a percent of total capital, per year

# Operational Assumptions

Operations	Insource	Outsource
General Management	✓	
Engineering		✓
		✓
Call Center	✓	
Customer Service	✓	
Billing	✓	
	✓	
Sales & Marketing	✓	✓
Plant & Equipment Maintenance		✓
Warehousing & Inventory Management		✓
Customer Installations		✓

# Residential Services & Pricing

Services	Packages	Description	Monthly Rate
Internet	Extreme	1 Gigabit Internet	\$99.99
	Power	400 Megabit	\$59.99
	Value	200 Megabit	\$49.99
	Starter	25 Megabit	\$19.99
Double-Play	Premium	1 Gigabit Internet + Premium Television	\$164.99
	Preferred	400 Megabit Internet + Expanded Digital Television	\$134.99
	Value	200 Megabit Internet + Basic Television	\$74.99
Triple Play	Premium	1 Gigabit Internet + Premium Television + Home Phone	\$199.99
	Preferred	400 Megabit Internet + Expanded Digital Television + Home Phone	\$174.99
	Value	200 Megabit Internet + Basic Television + Home Phone	\$119.99

All Internet Services Are  
100% Fiber & Symmetrical  
(Same upload & download)

*Actual pricing may vary depending on market conditions at the time of launch. Prices are exclusive of taxes and fees Taxes. Current providers charge same taxes and fees.*

# Business Services & Pricing

Services	Packages	Description	Monthly Rate
Internet	Business Gig	1000 Megabit down / 1000 Megabit up	\$499.99
	Business 500	500 Megabit down / 500 Megabit up	\$349.99
	Business 250	250 Megabit down / 250 Megabit up	\$229.99
	Business 100	100 Megabit down / 100 Megabit up	\$139.99
	Business 50	50 Megabit down / 50 megabit up	\$59.99
Television	Prices are customized based on each programming package and type of business		
Telephone	20 Business Lines	20 Business lines, unlimited local, custom long distance, advanced calling features	\$679.99
	10 Business Lines	10 Business lines, unlimited local, custom long distance, advanced calling features	\$359.99
	Single Business Line	Unlimited local, custom long distance, advanced calling features	\$39.99

*Actual pricing may vary depending on market conditions at the time of launch. Prices are exclusive of taxes and fees Taxes and fees are levied on all existing providers.*

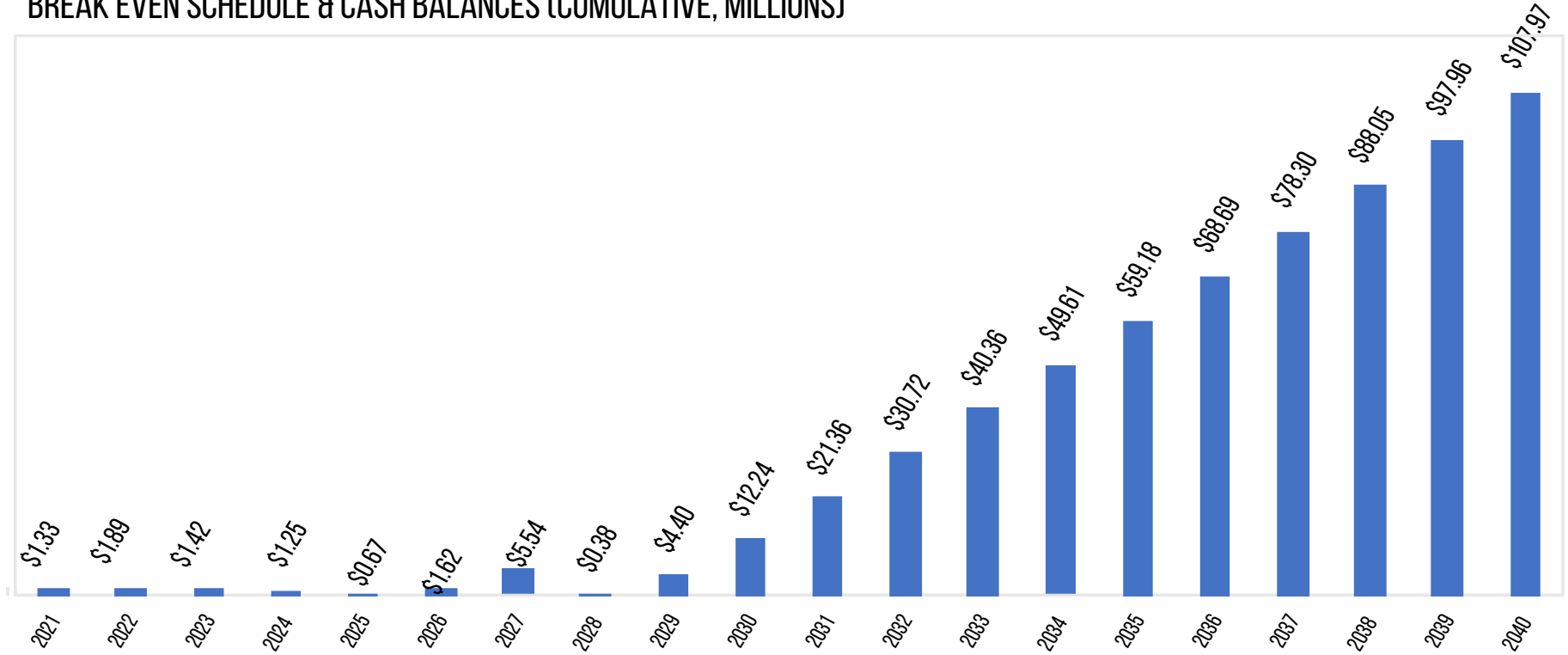
# Funding Requirements (Effective Take Rate: 38% Residential, 41% Commercial)

Funding Category	Total Costs
Service Area	44,000 Homes & Businesses
Fiber Feeder/Distribution	\$53,308,812
Fiber Service Drops	\$15,713,504
Equipment & Implementation	\$10,686,640
Building Improvements	\$800,000
Total Capital Costs	\$79,593,698
Working Capital	\$17,000,000
Total Investment Required	\$97,508,956



# Financial Results (Effective Take Rate: 38% Residential, 41% Commercial)

BREAK EVEN SCHEDULE & CASH BALANCES (CUMULATIVE, MILLIONS)

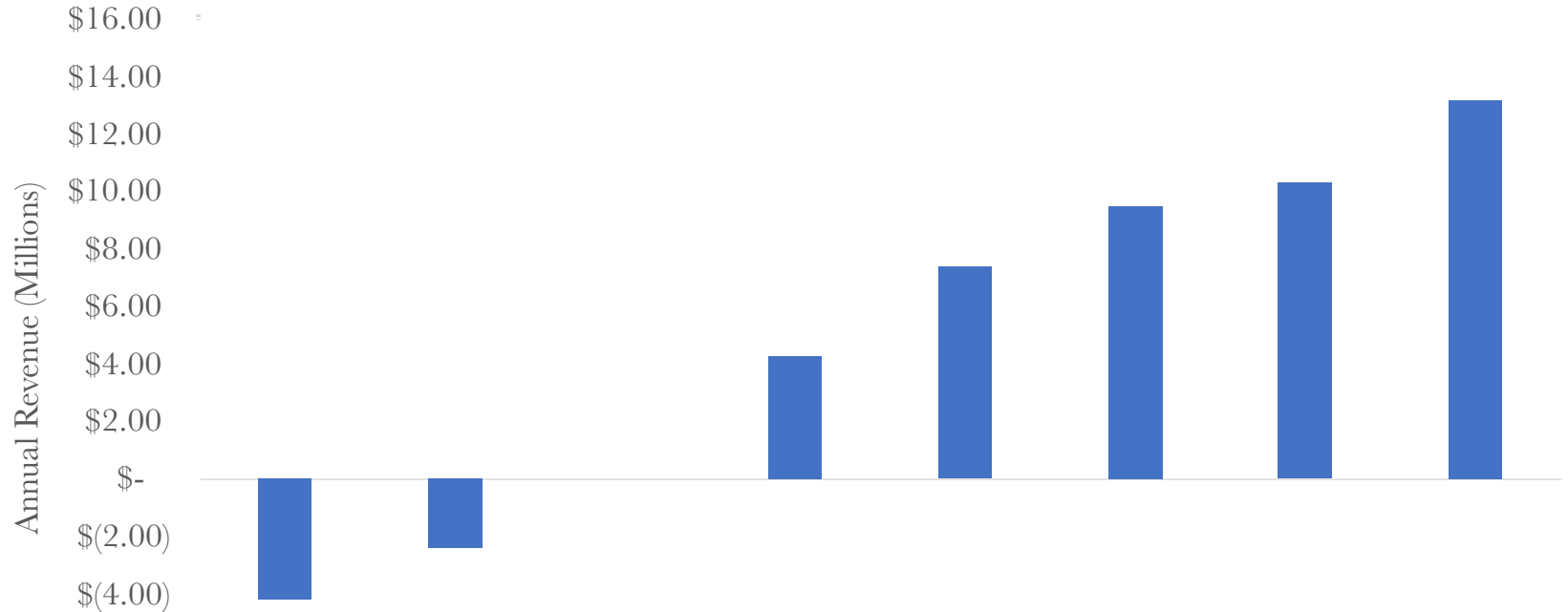


# Business Risk Analysis

Impact	Risk	Description
High	Organizational	Hampering the broadband business' ability to function in the competitive environment
	Sales & Marketing	Executing the sales and marketing strategy to maximize customer uptake
	Political Will	Political will resulting in a change in direction "midstream", not based on the needs of the business
Medium-Low	Time to Market	Sales & marketing getting ahead of operations, not meeting customer expectations
	Technology Change	Adapting to the changing technology environment, falling behind the curve
	Operational	Integration of operational departments and processes to win customers and keep them happy

# Business Risk Analysis

Annual Revenue at Varied Take Rates



Effective Take Rate

Annual Revenue (Millions)

20%

25%

Break Even

27.5%

30%

35%

Expected

38%

40%

45%

\$(4.20)

\$(2.40)

0

\$4.27

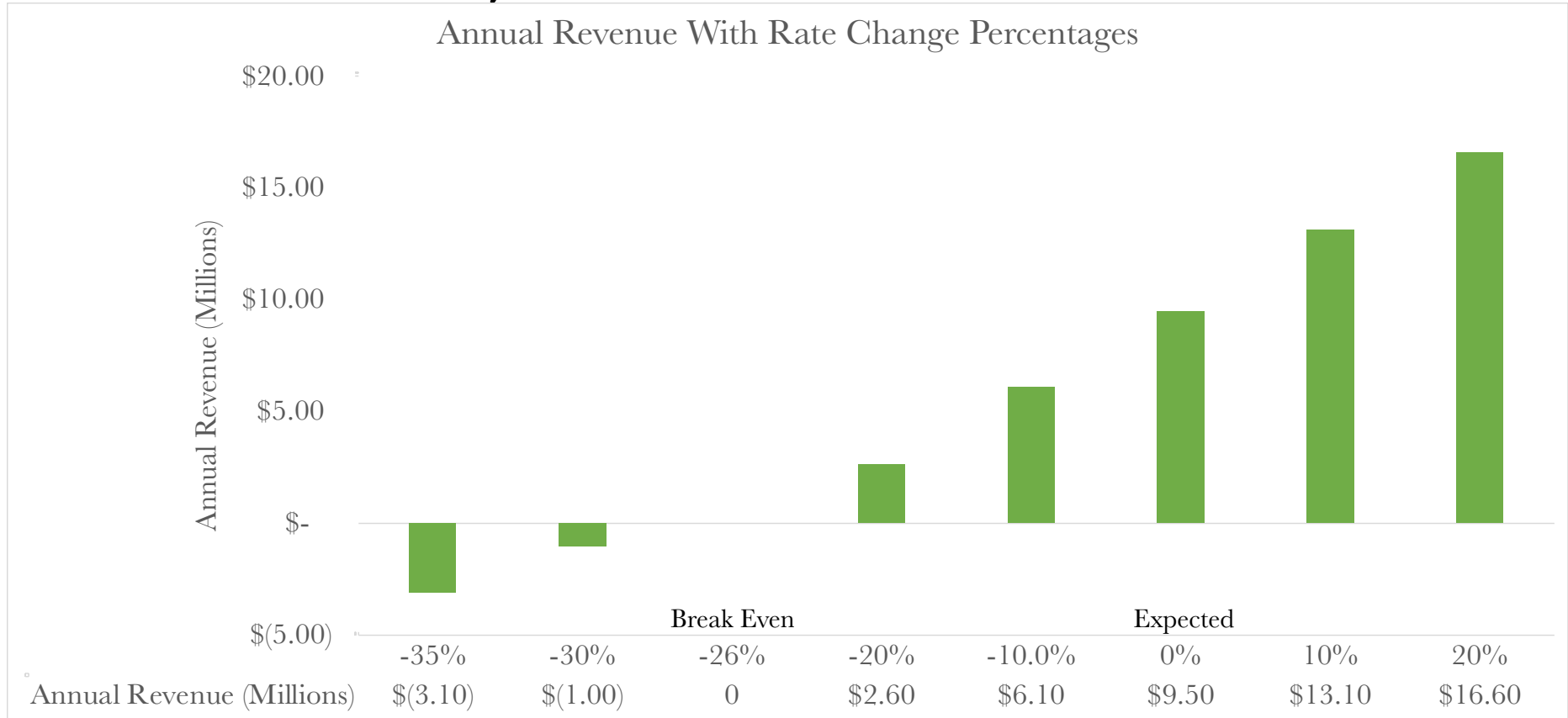
\$7.39

\$9.50

\$10.30

\$13.2

# Business Risk Analysis



# Business Risk Analysis

Annual Revenue Under Different Cost Scenarios

