



CITYNET STUDY SESSION



SAN BRUNO
CityNet Services

NOVEMBER 2022



CityNet Study Session

Agenda

- Current situation
- Proposed Next Steps



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CURRENT SITUATION



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Loan to CityNet from City's General Fund

- Loan Advances - (\$14,091,008)
- Total Fund Balance - (\$17,878,960)



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CABLE INDUSTRY STATUS

Customer Base – 2018 to 2022



66.4 M ('18)

82 M ('22)

Cable Internet



51.9 M

43 M

Television



31.4 M

25 M

Phone

How We Stack Up

■ National

■ San Bruno CityNet

53% • **44%** ('18)

67% • **44%** ('22)

Broadband

41% • **38%**

35% • **26%**

Cable TV

25% • **6%**

20% • **7%**

Phone



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Subscription Data – 2019 - 2022



Year	Service Homes	Internet Subscribers	TV Subscribers
2018-19	7,642	6,746	4,937
2019-20	7,309	6,478	4,679
2020-21	6,942	6,796	4,320
2021-22	6,676	6,504	4,056
September 2022	6,660	6,498	3,879



46% of San Bruno Households



CityNet Expenditures & Revenues: 2019-23



Year	Expenditure	Revenue	Deficit	%
2018-19	\$12,158,037	\$9,739,497	(\$2,418,540)	(25%)
2019-20	\$11,027,817	\$9,303,574	(\$1,724,243)	(19%)
2020-21	\$9,921,671	\$9,017,047	(\$904,624)	(10%)
2021-22	\$9,588,400	\$8,566,131	(\$1,022,269)	(11%)
2022-23 (Budget)	\$8,712,432	\$8,937,164	\$224,732	2.5%





Summary

2019-23	Expenditure	Revenue	Difference	%
Reduction from 2019 to 2023	\$3,445,605	\$802,333	\$2,643,272	77% <i>Margin improvement</i>



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San Bruno CityNet's Infrastructure Investments



PROJECT	COST	YEAR	COMMENTS
270 Mhz System and 46.7 miles of cable	\$565,000	1971	12 channel system launched
Additional 13 miles of cable	\$86,000	1975	Expanded to 24 channels, with Set Top Boxes
450 Mhz System Upgrade	\$2,200,000	1985	60 channels fully addressable
750 Mhz System Upgrade	\$7,100,000	1999	117 channels; high speed data
ISP business launch	\$300,000	2002	Launch of broadband internet
Cable VOD launch	\$425,000	2004	Enhanced system functionality
Router Upgrade; 10k CMTS	\$1,700,000	2007	Internet and phone capacity increase
System upgraded to 100% digital	\$230,000	2008	Increased channel capacity
Upgrade to Arris E6000	\$450,000	2012	Enabled enhanced monetization of capacity
Router Upgrade with 10 Gigahertz Cards	\$894,800	2014	Increased internet capacity
Upgraded VOD Storage	\$200,000	2015	Greater Cable VOD capacity
CAP 1000 Equipment Upgrade	\$115,000	2017	Increase HD channel capacity
MDU Fiber Projects (Shelter Creek, Peninsula Place & Crystal Springs)	\$2,200,000	2016-18	Fiber into select MDUs
Portland Loop Project	\$1,600,000	2018	Increased internet capacity
TOTAL	\$18,065,000	51 Years	



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Performance (Continued)



Infrastructure Spend

\$300B

20 years

\$18.1M

50 years

Revenue

\$1.8T

20 years

\$185M

20 years

Revenue per
\$1 Spend

\$6.00

\$10.22



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National



San Bruno Cable

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What San Bruno CityNet is Doing Right Now



NEW STREAMING TV PACKAGES & RATE CARD

App based platform due for commercial launch
January – March 2023



ALL HD TV PLATFORM

Part of Streaming TV launch on Roku, iOS,
Android & Amazon platforms



TEST FIBER ROLLOUT TO SAN BRUNO NEIGHBORHOOD

Completed in the Marisol and Skyline
neighborhoods. Others in planning/execution
modes



PERFORMANCE IMPROVEMENTS

Increased internet capacity, speeds and
reliability.



NEW INTERNET MARKETING

Modest efforts in targeted Internet
marketing has led to some replacement of
lost bundle subscribers. More campaigns
underway.



CONTINUING COST CONTROLS

Continuous engagement on new service
deals with vendors to enable cost savings
and margin improvements



CHANNEL 1

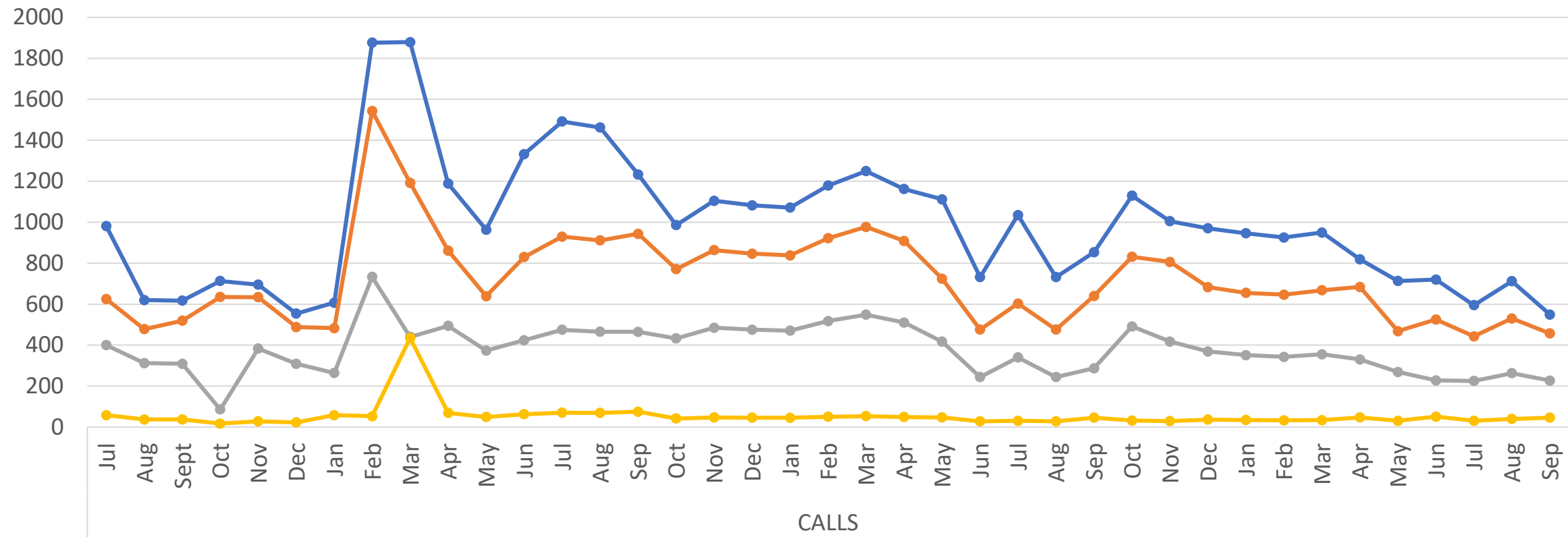
Upgrade to HD, new platform and hybrid
telecast mostly complete



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Customer Calls: July 2019 – September 2022



—●— Calls Received —●— Calls Answered —●— Cable Customer Calls —●— Fiber Customer Calls



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THE PATH FORWARD

Fiber Buildout Rationale



Consumers



More apps =
more internet
bandwidth & speeds



More bandwidth
& faster speeds =
fiber



Connected
appliances



Internet
video



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SAN BRUNO CITYNET'S SITUATION

San Bruno CityNet's Crossroads



51

Enterprise has provided competitive service to San Bruno for 51 years

Internet usage on San Bruno Cable has exploded—11 Gig to 23 Gig growth from 2018-22. System needs to provide operational continuity and exponentially better internet connectivity to cater to its customers



Limited recent investment in installing fiber in one neighborhood and select apartment complexes, with good results **(67% aggregate broadband penetration)**



System needs to offer higher internet speeds and better streaming TV options to serve customers



Smart Home/Business Crossroads

Continue with replacements for operational continuity and a neighborhood fiber upgrade to serve the SB community at a higher level of effectiveness?



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THE PATH FORWARD

Fiber Buildout Rationale



SAN BRUNO'S SMARTCITY POTENTIAL

San Bruno City Specifics



180

Lane miles with 300 RO Street Lights to be served through Fiber (+ Traffic Lights!)



Fiber connectivity for Parking Meters in Downtown San Bruno

Potential for cost savings through CityNet Fiber and IoT connectivity (already provided to the City organization, pump stations, SBPSD, PD Wireless, Fire Cameras, Senior Center and new SBRAC)



15,000 Digital Water Meters connectable with Fiber

Smart City Crossroads



Continue with replacements for operational continuity and a neighborhood fiber upgrade to serve the public needs of the San Bruno community at a higher level of effectiveness?



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Positive ROI from Fiber Investment in San Bruno



18.3% of San Bruno homes have San Bruno Cable's fiber

Most fibered homes are in **MDUs (96%)**

Cost of fiber install: **\$2,300,000**

Subscribers generate **\$2,201,789** in annual subscription revenue with **\$990,805 (45%)** in post fiber revenue growth

PROPERTY	ACCESS RIGHTS	UNITS	SERVICABLE HOMES	SUBSCRIBERS (% SERVICE PENETRATION)
Peninsula Place MDU	Non-exclusive	860	819 (95%)	524 (64%)
Crystal Springs MDU	Non-exclusive	437	415 (95%)	216 (52%)
Shelter Creek MDU	Exclusive at start	1,296	1,241 (96%)	936 (75%)
Marisol Single Family (July 2022)	Non-exclusive	100	100 (100%)	42 (42%)
Total		2,693 (18.3%)	2,575 (96%)	1,718 (67%)



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Customer Testimonials – Marisol Fiber Upgrade

- *Our home had San Bruno CityNet's fiber internet service installed 3 months ago. The installation process was professional and we have had no trouble at all with the service. (CityNet Customer on Adriatic Way, San Bruno)*
- *We have 1 Gig internet and phone as well as international Tagalog language TV and the Preferred TV package from San Bruno CityNet Services. The technicians who installed our services were knowledgeable and courteous. We have had no trouble in the 3 weeks since we got installed and look forward to trouble free services in the future. (CityNet Customer on Miraluna Drive, San Bruno)*



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Customer Testimonials – Marisol Fiber Upgrade



- *We had our internet service installed 4 weeks ago. Our internet service delivered on fiber has worked great for us. (CityNet Customer on Miraluna Drive, San Bruno)*



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PROPOSED NEXT STEPS



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City's Options - Recommendations

- **Hybrid solution proposed**
 - Maintain Operational Status
 - Continue Fiber Upgrade
- **Keep system operational by eliminating dependance on recognized point of failure for HFC cable - active tap management server (aka City Manager!)**
 - 500 taps (19%) already replaced
 - 1,040 taps on order
 - Outsource tap replacement to part time employee teams in SB backyards
- **Continue with Fiber Upgrade, with limited neighborhood rollouts**
 - 2,400 homes and 50 lane miles in 3 years @\$1,250 per home (\$3 million upfront investment in 2023; additional \$1 million/year investment requested for 2 years from 2023-25, self sustaining from fiscal 2025)
 - 57% system penetration by 2030 (mirrors national fiber penetration projections)

Note: Fiber upgraded areas do not have taps and no need for tap replacement

- **Business plan changes to continue per plan**
- **100% fiber rollout in all new business park and residential developments (Miraluna, Skyline Ridge, Bay Hill, Tanforan & others to come)**



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Proposed Operational Continuity & Neighborhood Fiber Upgrade Costs (Fiscal 2023 – 2025)



\$650,000

Tap Replacements
(Operational
Continuity)

\$4,250,000

Fiber Equipment &
Limited Additional
Labor



5,000,000 + \$750,000 =

Working Capital

Contingency (15%)

\$5,750,000

Total



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Market Appropriate through 2022 and going forward

ISP Strategy



3 Services Strategy

TV

Internet Access

Phone



“Thick Pipe, Thin Pipe” Strategy

100% Last Mile Subscriber Relationship

Shared Subscriber Relationship



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System Strategies – Market Appropriate through 2022 and going forward

PRODUCT STRATEGY

PRIMARY EMPHASIS ON
INTERNET

PRICING STRATEGY

NO CONTRACTS; 30% LOWER
VS. COMPETITION RACK RATES

CONTENT ACQUISITION STRATEGY

DATA BASED CURATION

ENTERPRISE BUSINESS STRATEGY

ISP FOCUS, TV ADD ON, PHONE ADD ON

MARKETING STRATEGY

GRASSROOTS FOCUS;
LIMITED PROMOTIONS

TECH STRATEGY

ASSET LIGHT; BYOD TV

OPERATIONAL STRATEGY

REDUCE FAULTS, CALLS & TRUCK ROLLS
RIGHTSIZE HEADCOUNT



CONTINUING BUSINESS MODEL CHANGES

CURRENT AND PROPOSED PRODUCT RATES



PRODUCT	EXISTING RATE CARD (PRIOR TO UNBUNDLING)	NEW RATE CARD	BENEFIT
FIBER INTERNET + LOCAL TV	COMBO - \$85/MO.	SEPARATE: INTERNET - \$80/MO. BASIC TV - \$35/MO.	100% CUSTOMER CHOICE; IMPROVED ENTERPRISE MARGIN
CABLE INTERNET + LOCAL TV	COMBO - \$40/MO. - \$75/MO.	SEPARATE: INTERNET - \$40/MO. - \$70/MO. BASIC TV - \$35/MO.	100% CUSTOMER CHOICE; IMPROVED ENTERPRISE MARGIN
EXPANDED CABLE TV	\$103.55/MO. (MOVIE CHANNELS EXTRA)	\$110/MO. (SOME MOVIE CHANNELS INCLUDED)	CURATED CONTENT WITH IMPROVED ENTERPRISE MARGIN
ONE TO FOUR PREMIUM MOVIE CHANNEL PACKAGE(S)	\$27/MO. - \$67/MO.	NOT AVAILABLE	INCLUDED IN NEW EXPANDED CABLE TV



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CONTINUING BUSINESS MODEL CHANGES

CURRENT AND PROPOSED PRODUCT RATES (continued)




PRODUCT	EXISTING RATE CARD (PRIOR TO UNBUNDLING)	NEW RATE CARD	BENEFIT
SPORTS TIER	NOT OFFERED	\$65/MO.	FIRST TIME AVAILABILITY
SPORTS AND NEWS TIER	NOT OFFERED	\$75/MO.	FIRST TIME AVAILABILITY
BASIC INTERNET AND LOW INCOME	\$19.95/MO. - BASIC INTERNET \$20.55/MO. - BASIC TV \$9.95/MO. - LOW INCOME INTERNET \$15.46/MO. - LOW INCOME TV	NO CHANGE	MAINTAINS CITY'S SERVICE COMMITMENT TO QUALIFIED LOW INCOME RESIDENTS



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STREAMING TV INFORMATIONAL MARKETING



Can't Find Anything Worth Watching?

[Brand] TV Now has you covered anytime on any home device.

Your Logo Here

-  Live National TV
-  Movies
-  Local Channels
-  Sports

Popular national channels and local content in a guide format

Replay any program on the guide up to 24 hours

Record and store unlimited programs for up to seven days

Watch on your big screen TV or mobile device anywhere in your home

Call XXX-XXX-XXXX to learn more or to sign up.



Watch it Your Way

With [Brand] TV you are in control of your TV experience. You'll have a wide array of TV choices without having to pay for and juggle multiple streaming applications.

-  Live National TV
-  Local Channels
-  Movies
-  Sports

STREAMING TV INFORMATIONAL MARKETING



Your
Logo
Here



How it works

Place Your Order.



Choose the subscription plan that is right for you.

Get Your Login.



Login and check out the Video Guide.

Enjoy Watching.



Watch Live TV or replay any program up to 24 hours.

A Ton of Programming at Your Finger Tips

[BRAND] TV has you covered anytime on any device with live Local and National Channels, Sports, Movies and more. Our affordable price doesn't nickel and dime you with hidden fees.

- No Set-top box required. Supports popular streaming devices like Roku and Amazon Fire TV Stick
- Supports popular devices like Roku
- Runs on Windows-based laptops and PCs, and Android and Apple mobile devices
- High quality video on mobile and big screen TVs
- Popular national channels and local content in a guide format
- Replay TV lets you go back up to 24 hours and watch any program on the guide
- Unlimited DVR with up to seven day's storage

Call XXX-XXX-XXXX to learn more or to sign up.

Your Logo
Here

Enjoy Packages Such As:

Lifeline - a basic plan, which includes local channels and a few national channels

Standard Basic - that adds many of the popular national channels

Expanded Basic - adds even more channels like the ESPN and Fox Sports lineups, Bravo, Cooking Channel, Turner Classic Movies and Telemundo

Premium - that adds Showtime, The Movie Channel and Starz channels



Your phone number
address
email address
website URL

Call XXX-XXX-XXXX to learn more or to sign up.

You are In Control of Your TV Experience

Enjoy a more flexible video experience compared to traditional cable TV.

With [BRAND] TV you can choose from a wide array of popular national and local channels, all in one service, reducing the need to subscribe to multiple streaming services.

We also store every program on every channel from the last 24 hours so you can easily go back and watch something you may have missed.

Viewing has never been easier. You can watch your favorite channels and programs from your couch, on a big screen, on your phone or other device wherever you are in your home.



Every Day Programming at Your Finger Tips

[BRAND] TV has you covered anytime on any device.

Live TV, Sports, 24/7 TV Shows and Movies on Demand.

Our affordable price doesn't nickel and dime you with hidden fees.

- Supports popular devices like Roku and Amazon Fire TV Stick
- Runs on Windows-based laptops and PCs and Android and Apple mobile devices
- High quality video on mobile and big screen TVs
- Popular national channels and local content in a guide format
- Replay TV lets you go back up to 24 hours and watch any program on the guide
- Unlimited DVR with up to seven day's storage

How it works

Place Your Order.



Choose the subscription plan that is right for you.

Login.



Login and check out the Video guide.

Enjoy Watching.



Watch Live TV or Replay any program up to 24 hours.



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CURRENT TARGETED INTERNET MARKETING



Power it up
with Fiber
Fast Internet

Sign up now and get
2 months FREE



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Expanding Outside San Bruno

- **Federal Government & State Government Grants**

- Current funding for areas under 25 MBPS Downstream & 3 MBPS Upstream internet speeds
- CA State focus on middle mile networks
- Opportunity may emerge for last mile fiber in future grant series (Grant writing assistance to be sourced @ estimated \$50,000 per application package)

- **Cities exploring city owned fiber internet**

- White label solution on offer from San Bruno CityNet
- Palo Alto, Colma, East Palo Alto some examples



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Recent Industry Headlines and Implications

- **You Hated Your Cable Package. Your Streaming Services Are Bringing It Back.**

Implication: The significance of TV packages to consumers is diminished but not eliminated

- **Streaming Tops Cable-TV Viewing for the First Time**

Netflix, Hulu, Prime Video and other platforms set records for share of U.S. viewing time in July

Implication: Streaming TV is here to stay

- **Comcast Fails to Gain Broadband Subscribers for First Time**

Implication: Consumer pull back from COVID Stay at Home needs

- **Comcast Launches Smart TV for U.S. Market in Bid to Take On Roku, Amazon**

Like its peers in the pay-TV industry, Comcast has been losing cable customers as consumers flee the traditional bundle for streaming services. The company had nearly 19 million cable-TV customers as of June 30, after losing 399,000 during the second quarter.

Implication: Why buy a cable TV system/ISP when you can own the living room experience and associated \$ without paying the cost of last mile delivery?



Industry Headlines from Wall Street Journal

- **Americans Aged 50 and Up Are Powering Streaming Growth**

The group accounted for 39% of streaming watch time as of May 2022, outpacing growth of all other demographic segments

Implication: The classic pay TV demographic is embracing streaming TV



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Comments or Questions?

Thank you!



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