

MEETING NOTICE

A SPECIAL MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, March 30, 2010

At

5:15 p.m.

In The

COMMISSION CHAMBERS

(2nd floor, Governmental Center)

400 Boardman Avenue

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

AGENDA

Roll Call

1. Presentation by the Michigan Land Use Institute.
2. Presentation of the WiFi Business Plan. (Franzo/Selby)
3. Public Comment

Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686
(231) 922-4942

Posting Date: 03-26-10
3:00 p.m.



**TRAVERSE CITY
LIGHT & POWER**

To: Light and Power Board
From: Ed Rice, Executive Director
Date: March 26, 2010
Subject: Fiber System IP Enhancements for Broadband Wireless

At the Special Board Meeting on March 30, 2010 a business plan to consider Wi-Fi Broadband Internet for Traverse City will be presented.

If after the presentation, discussion, and public comment the Board would like staff to proceed with implementation of the Plan the following motion would be appropriate:

MOVED BY _____, SECONDED BY _____,

THAT THE LIGHT AND POWER BOARD DIRECTS STAFF TO NEGOTIATE A CONTRACT WITH ASPEN WIRELESS AND MITTEN COMMUNICATIONS, LLC TO ALLOW FOR CONSTRUCTION AND IMPLEMENTATION OF A Wi-Fi PROJECT AS PRESENTED.



TRAVERSE CITY
LIGHT & POWER

Investing Our Energy In You

Wi-Fi Project Business Review

Pro Bono Publico Aequilibrium = Balance For the Public Good

Rob Franzo, Business
Jim Selby, Engineering

Motivation for Wi-Fi Project

- End Goal:
 - Extract value from the under utilized Fiber asset
 - Only 1% of capability being used
 - Accelerate ROI for previous Fiber Plant investment
 - Provide new service to Traverse City tourists and businesses
 - Invest and collaborate with Chamber, DDA and BATA to build economic base
 - Strengthens economic base for job and wealth creation
 - TBEDC Regional Broadband Investment Strategy
 - Tie broadband access to tourism – Pure Michigan®
 - Strengthen TC L&P brand:
 - Leadership with a successfully executed project
 - Affinity with transit visitors and locals

Traverse Bay Tourism Stats

- ~2,000,000 to 2,200,000 Visitors/year
- ~4,300,000 to 4,700,000 Visitor Days/year
- ~\$140.00 Spend/day
- Visitor Demographics:
 - 45.6% of total days by 24 to 34 year old tourists,
 - 14.7% of total days by 35 to 54 year old tourists making more than \$50K/year, and
 - 14.0% of total days by 55 to 64 making more than \$50K/year

Sources: Brad Van Dommelen (2010), Fishkind & Associates (2007)

Draft Splash Page

Splash Video Link Allen GAN™

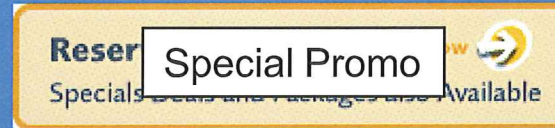
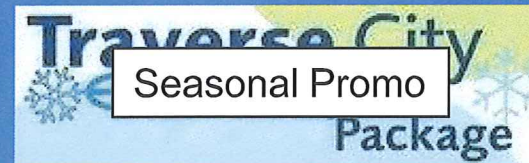


Service Plans

Comp w/Advertisement

1 Day	\$ 9.95
1 Week	\$ 19.95
1 Month	\$ 49.95

Welcome to Traverse City



Login

Username:

Password:

National Aggregator Banner

Baseline Model P&L Summary

Baseline Summary Project P&L Summary	Fiscal Year						
	2H 2009	2010	2011	2012	2013	2014	2015
Total Revenues	\$ -	\$ 20,040	\$ 109,179	\$ 194,567	\$ 312,202	\$ 429,311	\$ 498,363
Total Network Operating Expense	\$ 54,810	\$ 88,524	\$ 45,583	\$ 52,514	\$ 52,514	\$ 55,811	\$ 55,811
Total Sales and Marketing Expense	\$ 20,000	\$ 47,540	\$ 89,384	\$ 65,870	\$ 69,940	\$ 93,362	\$ 107,173
Total General and Administrative Expense	\$ -	\$ 2,004	\$ 1,638	\$ 2,919	\$ 4,683	\$ 6,440	\$ 7,475
Total Operating Expenses	\$ 74,810	\$ 138,068	\$ 136,605	\$ 121,303	\$ 127,138	\$ 155,613	\$ 170,459
Net Income	\$ (74,810)	\$ (175,862)	\$ (87,238)	\$ 11,474	\$ 121,296	\$ 188,546	\$ 195,134
Total Annual Capital Expenditures	\$ 54,810	\$ 292,190	\$ 11,869	\$ 11,869	\$ 11,869	\$ 11,869	\$ 11,869
Cumulative Capital Expenditures	\$ 54,810	\$ 347,000	\$ 358,869	\$ 370,738	\$ 382,607	\$ 394,476	\$ 406,345
Free Cash Flow	\$ (129,620)	\$ (410,218)	\$ (39,295)	\$ 61,395	\$ 173,195	\$ 242,423	\$ 250,990
Cumulative Free Cash Flow	\$ (129,620)	\$ (410,218)	\$ (449,513)	\$ (388,118)	\$ (214,923)	\$ 27,500	\$ 278,489
Return on Investment		-86%	-94%	-88%	-54%	-4%	44%

- Baseline model:
 - Cash flow positive in 2H 2012 (third year), and
 - Profitable in 1H 2014 (fifth year)

Business Model P&L Sensitivity

Revenue 20% Lower Summary

Project P&L Summary

	Fiscal Year						
	2H 2009	2010	2011	2012	2013	2014	2015
Total Revenues	\$ -	\$ 18,736	\$ 93,555	\$ 171,137	\$ 265,944	\$ 354,452	\$ 396,436
Total Network Operating Expense	\$ 54,810	\$ 88,524	\$ 45,583	\$ 52,514	\$ 52,514	\$ 55,811	\$ 55,811
Total Sales and Marketing Expense	\$ 20,000	\$ 46,236	\$ 77,666	\$ 58,841	\$ 60,689	\$ 78,390	\$ 86,787
Total General and Administrative Expense	\$ -	\$ 1,874	\$ 1,403	\$ 2,567	\$ 3,989	\$ 5,317	\$ 5,947
Total Operating Expenses	\$ 74,810	\$ 136,634	\$ 124,653	\$ 113,923	\$ 117,192	\$ 139,519	\$ 148,545
Net Income	\$ (74,810)	\$ (175,731)	\$ (90,909)	\$ (4,575)	\$ 84,984	\$ 149,188	\$ 144,386
Total Annual Capital Expenditures	\$ 54,810	\$ 292,190	\$ 11,869	\$ 11,869	\$ 11,869	\$ 11,869	\$ 11,869
Cumulative Capital Expenditures	\$ 54,810	\$ 347,000	\$ 358,869	\$ 370,738	\$ 382,607	\$ 394,476	\$ 406,345
Free Cash Flow	\$ (129,620)	\$ (410,088)	\$ (42,967)	\$ 45,346	\$ 136,883	\$ 203,065	\$ 200,241
Cumulative Free Cash Flow	\$ (129,620)	\$ (410,088)	\$ (453,055)	\$ (407,709)	\$ (270,826)	\$ (67,761)	\$ 132,480
Return on Investment		-86%	-95%	-93%	-68%	-28%	8%

- Revenue 20% Lower Sensitivity Analysis:
 - Cash flow positive in 1H 2013 (fourth year), and
 - Profitable in 1H 2015 (sixth year)

Baseline Model Revenue

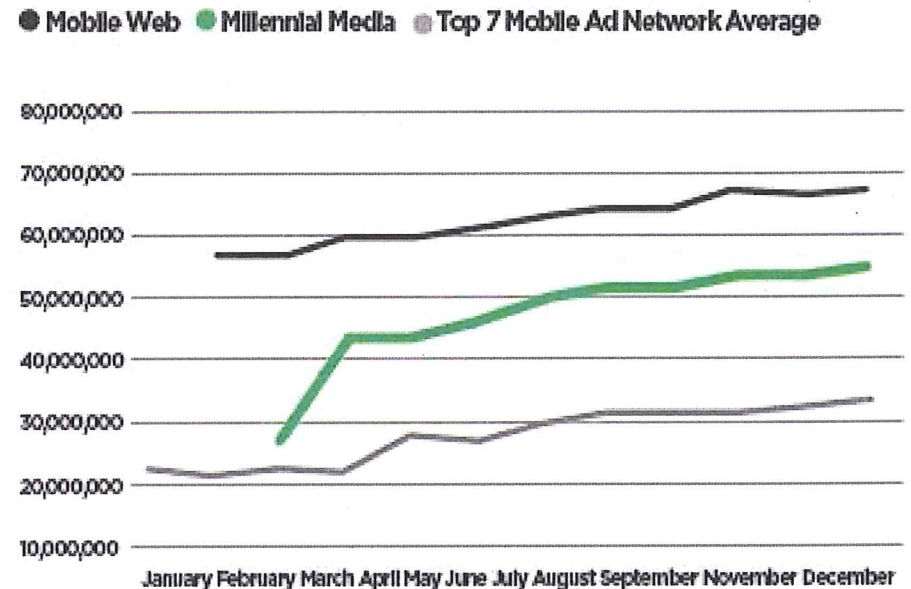
Baseline Revenue (\$)	Fiscal Year						
	2H 2009	2010	2011	2012	2013	2014	2015
Revenue							
Resident & Visitor Service Revenues \$	- \$	13,756 \$	50,306 \$	122,012 \$	194,613 \$	260,045 \$	290,072
Business Service Revenues \$	- \$	6,435 \$	55,304 \$	67,940 \$	115,416 \$	162,764 \$	201,443
Partner Service Revenues \$	- \$	904 \$	9,315 \$	14,856 \$	18,603 \$	29,097 \$	33,078
Gross Service Revenue \$	- \$	21,095 \$	114,926 \$	204,807 \$	328,633 \$	451,906 \$	524,592
Net Service Revenue (Less City Fee) \$	- \$	20,040 \$	109,179 \$	194,567 \$	312,202 \$	429,311 \$	498,363

- Baseline Model Generates \$1.564M Revenue:
 - Residential, Visitor and Business Service Levels
 - Complimentary with Interstitial Advertising
 - National Aggregator Partner Negotiation Ongoing

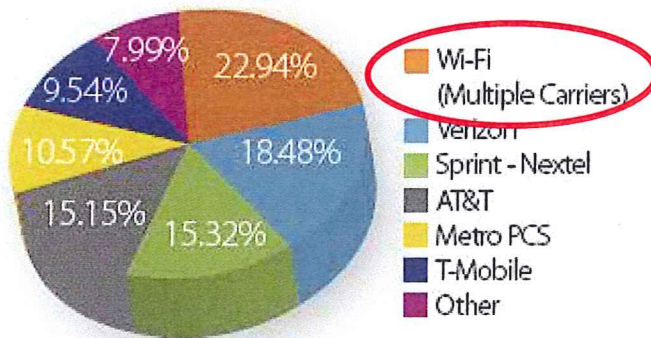
Revenue Generation Model

- Cost Per Ad Injection Interstitial Impressions
- Co-op Ad Injection
- Service Subscription
- National Partner:
 - Bounty Fees
 - Subscriber Fees

Nielsen's 2009 Mobile Web Reach Network Comparison



Ad Rev Mix



Wi-Fi Top Transport

Source: Millennial Media 1/10.

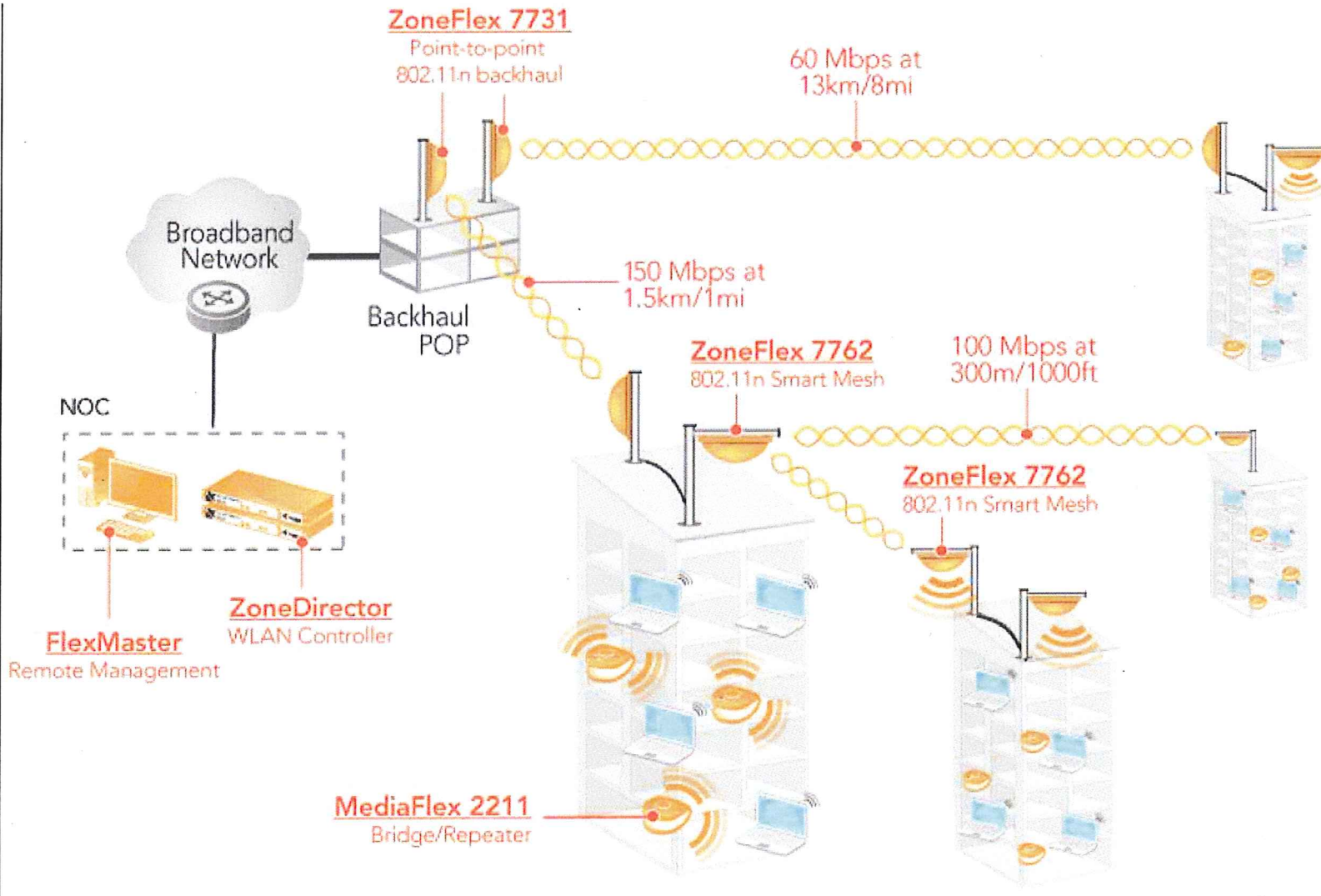
Baseline Model Expenses

Expenses (\$)	Fiscal Year						
	2H 2009	2010	2011	2012	2013	2014	2015
Network Operating Expense							
Maintenance Costs	\$ -	\$ 14,495	\$ 26,364	\$ 26,364	\$ 26,364	\$ 26,364	\$ 26,364
Internet Connection	\$ -	\$ 19,219	\$ 19,219	\$ 26,150	\$ 26,150	\$ 29,447	\$ 29,447
Engineering Professional Services	\$ 39,150	\$ 39,150	\$ -	\$ -	\$ -	\$ -	\$ -
Project Management Professional Services	\$ 15,660	\$ 15,660	\$ -	\$ -	\$ -	\$ -	\$ -
Spectrum Operating Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Network Operating Expense	\$ 54,810	\$ 88,524	\$ 45,583	\$ 52,514	\$ 52,514	\$ 55,811	\$ 55,811
Sales and Marketing Expense							
Estimated Marketing Costs	\$ -	\$ -	\$ 54,590	\$ 38,913	\$ 46,830	\$ 64,397	\$ 74,754
Installation Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile Client Expense	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Marketing Professional Services	\$ 20,000	\$ 20,000					
Promotion Costs	\$ -	\$ 20,040	\$ 27,295	\$ 19,457	\$ 15,610	\$ 21,466	\$ 24,918
Total Sales and Marketing Expense	\$ 20,000	\$ 47,540	\$ 89,384	\$ 65,870	\$ 69,940	\$ 93,362	\$ 107,173
General and Administrative Expense							
City Fee (5%)	\$ -	\$ 1,055	\$ 5,746	\$ 10,240	\$ 16,432	\$ 22,595	\$ 26,230
Billing Cost	\$ -	\$ 2,004	\$ 1,638	\$ 2,919	\$ 4,683	\$ 6,440	\$ 7,475
Total General and Administrative Expense	\$ -	\$ 2,004	\$ 1,638	\$ 2,919	\$ 4,683	\$ 6,440	\$ 7,475
Total Operating Expenses	\$ 74,810	\$ 138,068	\$ 136,605	\$ 121,303	\$ 127,138	\$ 155,613	\$ 170,459

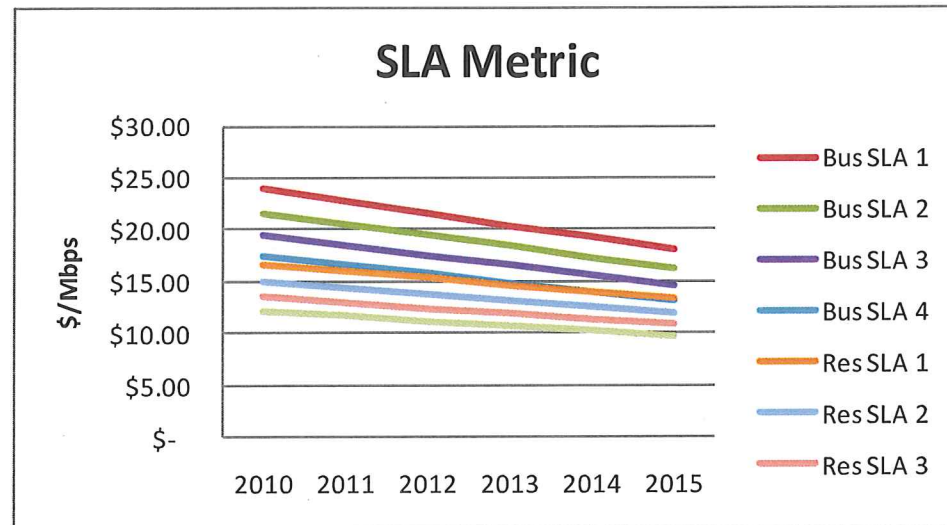
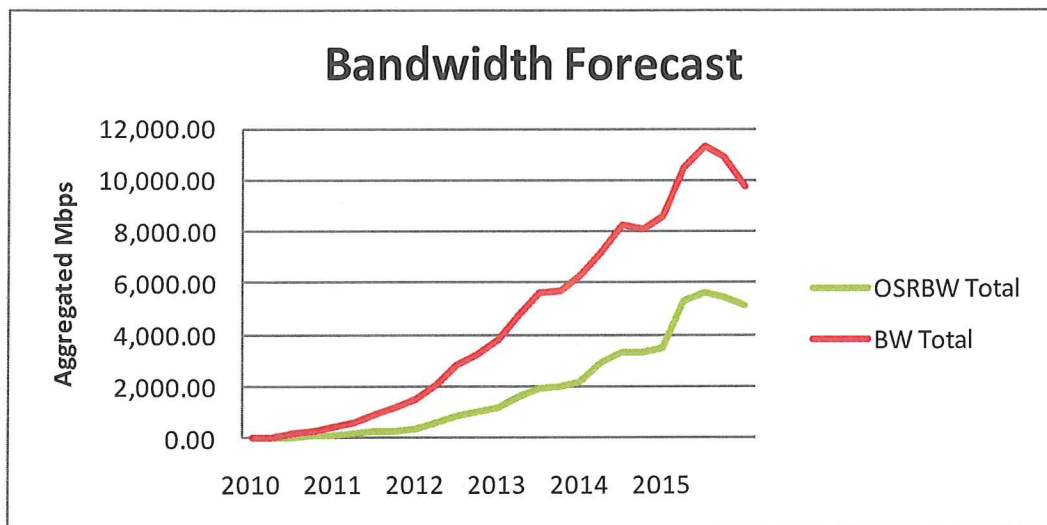
Wi-Fi Network Coverage



Wi-Fi Network Configuration



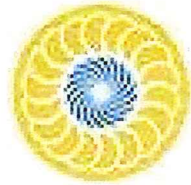
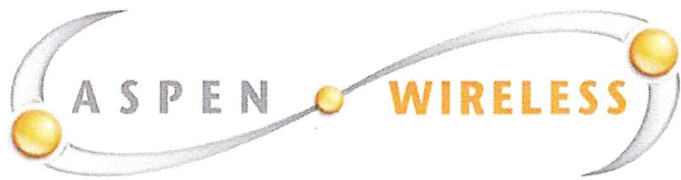
Wi-Fi Network Model Statistics



- **Baseline Model:**
 - Bandwidth demand satisfied by DIA provider
 - Service Level Agreement pricing metric
 - Business pricing includes higher level of support
 - Residential pricing for affordability

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- End Goal:
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 - Invest and collaborate with Chamber, DDA and BATA to build economic base
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LIGHT & POWER

Investing Our Energy In You

Thank You

Rob Franzo – (231) 866-0919

Jim Selby – (970) 948-9998