

Feasibility Studies for Municipal Broadband

What communities should do during the planning phase of a broadband project – and what they can save for later

By Lori Sherwood / *Vantage Point Solutions*

When it comes to developing and expanding municipal broadband networks, there is no one-size-fits-all model. Proper planning is crucial to the success of any network deployment. However, not all broadband planning is equal; some planning processes may even be counterproductive.

Many communities borrow planning outlines from requests for proposals (RFPs) that other communities have issued and that address needs specific to the original community. This results in their spending time and resources on tasks that do not match their values and priorities.

Worse, this one-size-fits-all approach to planning can lead a feasibility process into a cycle of never-ending discussions, research requests and multiple partnership solicitations. Not every plan will (or should!) result in a full municipal network deployment, but a poor feasibility study will inevitably halt even a good, viable potential project in its tracks. Understanding feasibility study best practices will help a municipality of any size complete a proper feasibility study.

As your community considers undertaking a feasibility study, the fundamental question to keep in mind is this: What problem or problems are you are trying to solve? Are you trying to bring broadband to parts of your community that are unserved or underserved? Do you have a digital equity and utilization problem? Are consumers in your community dissatisfied with their current internet provider? Are you trying to solve all these problems? Before committing

public funds or seeking private investment to support a municipal network, municipal leaders must understand the problem or problems a network might solve.

ELEMENTS OF A FEASIBILITY STUDY

A feasibility process should focus on the following seven elements. Note that not all these activities may be necessary for every planning study – this process can be streamlined depending on the needs of the community, existing community assets and any prior planning work that has been completed.

1. Reaching Out to Stakeholders

Identifying all the key stakeholders in a community and ensuring that they are included in the process from the very beginning is critically important. Outreach can be accomplished through individual or group meetings and should include representatives from K–12 schools, universities, the library system, public safety agencies, the health care and business communities, active community groups, elected officials and others. This outreach is critical to uncover potential assets and financial resources and to gauge the current and future needs in the community.

2. Understanding the Existing Infrastructure

A community may or may not have assets that could be used to deploy a broadband

network. Municipalities that own electric utilities are often at an advantage for developing a broadband network because they can leverage and utilize existing public infrastructure to offset deployment costs. Municipalities without in-house utilities often struggle to leverage private infrastructure either because it isn't available to be leased or does not exist at all.

It may be tempting, in the early stages of a planning study, to try to map all existing assets. However, this is often an exercise in frustration, as incumbents do not generally volunteer maps of their infrastructure or promise to lease the infrastructure. Creating a comprehensive map can be very costly, and the money is wasted if the existing assets are not available to be leveraged.

The planning phase should take a high-level snapshot of existing assets. However, boots on the ground are

needed to accurately identify all existing infrastructure, and this is more cost effective and better done during the engineering phase.

3. Conducting Market Research

If a community has one or more existing providers, another important question is whether it can realistically support a new provider. In other words, if the community is considering a residential network, are enough residents interested in switching providers that a municipal network could obtain sufficient subscription numbers ("take rates") to meet the realities of operational demand? The answer to this question can be determined only with market demand research. If the answer is no, a fiber-to-the-home network is not viable. The data gathered through this research is critical for understanding the residential marketplace, concluding

whether a municipal broadband system is feasible and demonstrating the validity of the feasibility study.

4. Engaging With Potential Providers

Identifying and engaging any and all potential provider-partners is an important step in determining municipal network feasibility. This engagement often occurs through informal discussions. In this effort, communities should not hesitate to look beyond the traditional incumbent providers to local telephone companies, cooperative utilities, ISPs and others. This will help identify any potential providers early in the process and gauge the likelihood that a private sector partner may be willing to contribute financial resources. To assist in this step, some communities have issued requests for information (RFIs) to solicit proposals from interested

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providers. This process, though, can be costly in terms of time and resources and may lead to delays in completing the feasibility process. See the sidebar for more information about RFI best practices.

5. Determining a Model and Network Design

A community should apply all the data gathered in this process to actively explore different models and potential network designs. For example, if a market demand survey finds that an FTTP network is not viable, then a different network model and design will be necessary. Fundamental questions must be answered about network ownership, management and operation. All these questions must be explored

in the feasibility process before cost analysis, business planning and financing evaluation can take place.

6. Conducting a Cost Analysis and Business Plan

A thorough cost analysis will provide critical information regarding network capital expenditure estimates, financial forecasts, pro formas and more. However, a municipality should develop a comprehensive business plan only after it selects a model. Developing multiple business plans during the planning phase is far too costly, and if a community is going to work with a private partner, any business plan should be conducted with the partner to ensure accuracy.

Communities, with good intentions, often commission business plans in the early stages of

their feasibility studies – and the plans, lacking the details available later in the process, inevitably end up sitting on a shelf. Although a community should not undertake a network deployment without a comprehensive business plan, it can create a high-level cost analysis without many later-stage details in place.

7. Evaluating Financing and Funding Availability

Money! Money! Money! Finding a partner willing to completely fund a new network is very unusual. It is also uncommon for a community to obtain federal or other grant funds (unless the community is an internet service provider, plans to become one or partners with one) to finance a network build. Thus, a community should know how much, if any, funding (bonds, general funds and so forth) it can contribute to a network build. This will help determine a model as well – particularly if the answer is “little to nothing.” Though sometimes uncomfortable, the funding question must be tackled head-on.

Keep in mind that broadband planning is a collaborative, dynamic process with multiple phases. Communities should not enter into the planning phase with a predetermined conclusion but rather with an openness to creative partnerships, solutions and models. Community leaders should maintain realistic expectations and avoid the temptation to spend money on Band-Aid solutions. Network solutions – and the feasibility studies that guide them – should be tailored to the unique needs, priorities and values of each community. Conducting a feasibility process that asks the right questions of the right parties will direct a community down the right path – and provide the right solution. ❖

TO RFI, OR NOT TO RFI? PROS AND CONS

Recently, many communities have issued RFIs seeking proposals from providers that may be interested in establishing public-private partnerships (PPPs). Though the RFI process can assist in drawing out interested parties, it can also create substantial delays that can stall or derail a project.

For example, RFIs that are overly broad and open-ended make it difficult for vendors to know how to accurately respond. On the other hand, RFIs that are too narrow or demand too much may be difficult for vendors to satisfy. As a result, vendors are likely to submit proposals that are completely different from one another, making them difficult to compare and evaluate. There have been many instances in which, based on information learned through a lengthy evaluation and interview process, a community has had to cancel an original RFI and start over by reissuing a new RFI with a revised scope.

In addition, putting together a proper bid for a PPP takes a considerable amount of time and effort on the part of a vendor. Vendors understand that an RFI process does not necessarily lead to an RFP or a contract. If an RFI is perceived solely as an information-gathering exercise, a vendor may not want to invest in developing a serious proposal. In this case, an otherwise interested provider may be deterred from submitting a proposal.

One thing to keep in mind is that PPPs are very difficult to establish, particularly for smaller communities. In many cases, a PPP will not be a viable option for a community, particularly if there are multiple existing incumbents or if the financial projections do not enable the provider to profit and generate a return on the investment. Before investing the time and money in an RFI process, consider holding informal meetings with potentially interested local and national providers. Gather as much information as you can before starting the RFI process. And remember – the key word is “partner.” A community that pursues a PPP needs to enter the RFI process willing to be a partner.

Lori Sherwood is director of broadband development for Vantage Point Solutions, a broadband and telecommunications engineering and consulting company based in Mitchell, South Dakota. Contact Lori at Lori.Sherwood@vantagepnt.com.