



COMMUNITY SERVICES – ECONOMIC DEVELOPMENT
TOWN OF NEWMARKET
395 Mulock Drive
P.O. Box 328
Newmarket, ON L3Y 4X7
www.newmarket.ca
info@newmarket.ca
905.895.5193

May 19, 2015

**REPORT # 2015-18
COMMUNITY SERVICES REPORT – ECONOMIC DEVELOPMENT**

TO: Mayor Van Bynen
Members of Council

SUBJECT: Update for Ultra-High Speed Corridor pilot project

ORIGIN: Community Services

RECOMMENDATIONS

THAT Community Services Report – Economic Development 2015-18 dated May 4, 2015 regarding the Ultra-High Speed Corridor pilot project be received and the following recommendation(s) be adopted:

- 1. THAT staff be directed to proceed to the next step of negotiations with the preferred proponent,**
- 2. AND THAT staff be directed to provide a further report to Council with the results of the negotiations, a proposed model, governance structure and budget impact,**
- 3. AND THAT all negotiations be conditional on Council approval.**

COMMENTS

In August 2014, Council received staff report # 2014-20 and subsequently directed staff to issue a Request for Proposal (RFP) seeking interested Internet Service Providers (ISPs) who may be willing to provide ultra-high speed broadband service in Town. Council further requested that staff report back to Council with the results of the RFP, alternate options if necessary, along with recommendations and budget impact. This report is to provide Council with a summary of the RFP process and to request authorization to proceed to the next steps of this project.

RFP # 2015-02 was issued on January 5, 2015 with a closing date of February 12, 2015 seeking proposals for the design, implementation and/or the ongoing operation of ultra-high speed internet infrastructure and services. During the process, there was one non-mandatory proponent information meeting, and three (3) addendums were issued providing additional information and clarification of our requirements. The intent of the RFP was to identify a partner who would be willing to work with the town to help us achieve our vision of becoming a connected community that harnesses innovation for growth and prosperity. The RFP stipulated the Town requires the service being offered will be maintained as one of the top ten ranking in

Canada in terms of pricing and affordability as well as in speed and growth capacity for a minimum of the next 10 years. The RFP expressed the Town's willingness to work with the successful proponent to help achieve this vision to the extent possible. These included providing access to Town facilities and assets, facilitating meetings with other agencies and helping to market and promote the service offering.

An evaluation team was established consisting of Town staff, including the CAO, Commissioners, Economic Development Officer, Director IT Innovation, Manager of Procurement and Financial Analyst. Also included on the evaluation team was the President of Newmarket Tay Power and three (3) community representatives. An outside subject matter expert has been retained to provide technical consulting advice to the team.

Two (2) proposals were received, both offering different solutions and options. After a thorough review, the evaluation team recommended the Town pursue more detailed negotiations with one vendor whose proposal seemed to be most closely aligned with the requirements and vision. A smaller team has been created to continue discussions and negotiations. This team includes the CAO, Commissioner Community Services and the President Newmarket-Tay Power with support from the Director IT Innovation, Financial Analyst, a resident who has been involved in the project as well as the outside consultant. Several meetings have been held with the preferred vendor and staff and the project is now at the point where Council approval is sought to continue to the next step.

As background, the traditional model most seen in Ontario is that the private sector carriers or Internet Service Providers (ISPs) build, operate and own the infrastructure for service delivery. The decision of where to build is based on their own internal business case analysis. ISP's will build or expand their service for a particular business customer but usually the business must pay for much of the capital cost necessary to upgrade the service. In recent years, provincial and federal government programs have assisted providers in building out their infrastructure primarily in northern or rural areas. This funding has allowed for internet service to be provided in areas where the business case is not viable without the government funds. It should be noted this funding has allowed for only the most basic of internet speeds, 5 megabits per second (Mbps) for downloads and 1 Mbps for uploads. This is the current minimum standard as set by the Canadian Radio-television and Telecommunications Commission (CRTC).

The Town of Newmarket has not been eligible for any of the grant programs to date but we have also specified a level of speed and service much beyond the minimum standard. For this reason, the Town has looked at alternate options for service provision resulting in the RFP. The scope of work defined in the RFP stated that the Town was interested in finding a service provider to own the network and provide retail and wholesale services. The RFP stated the Town is willing to provide assistance and guidance to support the project. The RFP also noted that alternative solutions that meet the requirements and that will promote the long term economic and community interests were invited. The preferred proposal offers a willingness to discuss different scenarios for service provision in the pilot area.

Different options can be considered relative to funding a new broadband infrastructure build and the potential role of local government. In a public-private partnership model, the government can have varying

degrees of responsibility and commitment in a project while the private sector partner takes on the other side. There is also the option of the municipality being the sole owner of the infrastructure and they enter into a service contract for the operation of the network. There are many examples in Canada of municipally or utility owned internet service providers. Each has a slightly different business model to meet the slightly different requirements of the community. Factors affecting the model include:

- are there are other providers in the area,
- is there a municipally owned utility company,
- is the service provided to only public sector organizations or also private and residential,
- varying degrees of ownership:
 - design, financing only
 - design, financing and contract for performance levels
 - design, financing, shared ownership and maintenance
 - design, financing, ownership and maintenance
- other government agency involvement, i.e. funding

At this stage, several different models are available that will provide the solution needed. Each model has different governance structures, different financing options and varying outcomes but all will still meet the ultimate goal of providing a high speed internet service that will become the foundation for future innovation and economic development. The amount of capital investment and operating funds required differ with each option. The proponent has expressed their willingness to work with the Town to find the best possible solution that best aligns with the Town's objectives while at the same time allows the preferred vendor good options for business growth. The goal is to reach a win/win solution for both parties.

Council may recall that we engaged the firm Sandel & Associates in July 2014 to complete an economic development impact assessment with the objective to identify the most feasible area of town for the pilot project as well as to identify the potential benefits of providing this service. The consultant's scope of work was to:

1. Inform local decision-makers of the potential short-term and long-term economic return on investment in a lower cost, gigabit level internet system deployed within designated areas of the community;
2. Determine which areas of deployment would generate the greatest of economic benefit; and
3. Provide local officials with preliminary benchmarks for tracking future economic activity.

The consultants toured the area, reviewed available documentation and reports (including the York Region Broadband study) and participated in a number of community stakeholder meetings in order to prepare their findings.

The report identified the three target areas including the **Main Street Business District** from Davis Drive to Water Street; **Davis Drive Health/Life Sciences Corridor**; and **Leslie Street/Harry Walker Parkway**

Business Corridor. These areas provided the greatest potential for economic growth based on increased access to improved internet service. The report also identified the pilot project would realize:

- 17 new firms with 205 employees
- Annual wages at \$14,935,366
- 126 in-direct jobs generated across the community
- \$13,174,963 of additional economic output value as a result of wages spent

In the end, the consultant's recommendation strongly supported the Town moving forward with the pilot project in order to attract and retain businesses seeking market advantage through the ultra-high speed broadband service.

Next steps

Staff is seeking Council's approval to move forward with negotiations with the preferred proponent and to further investigate the different models to determine the one best suited to meet the Town's requirements. A core team is to be established including the CAO, Commissioner of Community Services, Director IT Innovation, Financial Analyst, community representative, Newmarket-Tay Power President and his designated staff. Outside legal representation that specializes in business will be retained to assist in the development of the model and the contract negotiations.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

Living Well

- Health education, wellness services and state of the art medical facilities

Well Balanced

- Educational, hotel and meeting/conference facilities

Well Equipped and Managed

- Leadership excellence and leading edge management
- Clear vision of the future and aligned corporate/business plans
- Efficient management of capital assets and municipal services to meet existing and future operational needs
- Ideal mix of residential, commercial, industrial and institutional land use
- Small town feel with big city amenities

- Appropriate mix of jobs to population and people to industry

Well Planned and Connected

- Long term strategy matched with short term action plan
- Revitalization of neighbourhoods starting with the downtown area
- Telecommunications infrastructure and policies for an increasingly wired world

Well Respected

- Discovering innovative and creative solutions for future well being

CONSULTATION

Public consultation was conducted during the earlier research and data collection phases of this project. Public consultation has not occurred during this RFP process however, it is within the overall project plan to include marketing and community consultation once the partner has been selected and approval to proceed with the project has been received by Council.

HUMAN RESOURCE CONSIDERATIONS

Staffing levels are not impacted as a result of the recommendations in this report.

BUDGET IMPACT

Potential capital and operating budgets may be impacted by the model selected and the final negotiated agreements. As such, any budget impacts will be brought to Council for approval in subsequent reports.

CONTACT

For more information on this report, contact:

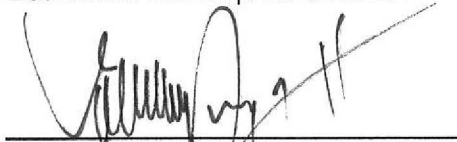
Susan Chase, Director IT Innovation, (905) 953-5300, ext. 2301, schase@newmarket.ca



Director, IT Innovation



Economic Development Officer



Commissioner of Community Services

SMC:smc