Cable Enterprise Business Plan
OBJECTIVES

This presentation will provide you with information on:

• Our path forward
• Changes we have made to our business
• Our new strategies and plans
• Outcomes and timelines
AGENDA

PART 1
Recap

PART 2
Business Strategies & Plan

PART 3
Plan Highlights
• PART 1 •

Recap: Cable Enterprise Study Session
PART 1 · Recap

Cable’s Customer Base

66.4 M Cable Internet
51.9 M Television
31.4 M Phone

How We Stack Up

53% · 44% Broadband
41% · 38% Cable TV
25% · 6% Phone

National    San Bruno Cable
PART 1 · Recap

TV is becoming All Apps

Strong video marketplace

Always connected home

TV is truly everywhere

Merging media devices

Pay TV apps on all devices

TV is getting smarter
## PART 1 • Recap

### San Bruno’s Cable Infrastructure

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>COST</th>
<th>YEAR</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>270 Mhz System and 46.7 miles of cable</td>
<td>$565,000</td>
<td>1971</td>
<td>12 channel system launched</td>
</tr>
<tr>
<td>Additional 13 miles of cable</td>
<td>$86,000</td>
<td>1975</td>
<td>Expanded to 24 channels, with Set Top Boxes</td>
</tr>
<tr>
<td>450 Mhz System Upgrade</td>
<td>$2,200,000</td>
<td>1985</td>
<td>60 channels fully addressable</td>
</tr>
<tr>
<td>750 Mhz System Upgrade</td>
<td>$7,100,000</td>
<td>1999</td>
<td>117 channels; high speed data</td>
</tr>
<tr>
<td>ISP business launch</td>
<td>$300,000</td>
<td>2002</td>
<td>Launch of broadband internet</td>
</tr>
<tr>
<td>Cable VOD launch</td>
<td>$425,000</td>
<td>2004</td>
<td>Enhanced system functionality</td>
</tr>
<tr>
<td>Router Upgrade; 10k CMTS</td>
<td>$1,700,000</td>
<td>2007</td>
<td>Internet and phone capacity increase</td>
</tr>
<tr>
<td>System upgraded to 100% digital</td>
<td>$230,000</td>
<td>2008</td>
<td>Increased channel capacity</td>
</tr>
<tr>
<td>Upgrade to Arris E6000</td>
<td>$450,000</td>
<td>2012</td>
<td>Enabled enhanced monetization of capacity</td>
</tr>
<tr>
<td>Router Upgrade with 10 Gigahertz Cards</td>
<td>$894,800</td>
<td>2014</td>
<td>Increased internet capacity</td>
</tr>
<tr>
<td>Upgraded VOD Storage</td>
<td>$200,000</td>
<td>2015</td>
<td>Greater Cable VOD capacity</td>
</tr>
<tr>
<td>CAP 1000 Equipment Upgrade</td>
<td>$115,000</td>
<td>2017</td>
<td>Increase HD channel capacity</td>
</tr>
<tr>
<td>MDU Fiber Projects (Shelter Creek, Peninsula Place &amp; Crystal Springs)</td>
<td>$2,200,000</td>
<td>2016-18</td>
<td>Fiber into select MDUs</td>
</tr>
<tr>
<td>Router Upgrade Project</td>
<td>$1,600,000</td>
<td>2018</td>
<td>Increased internet capacity</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$18,065,000</strong></td>
<td></td>
<td><strong>47 Years</strong></td>
</tr>
</tbody>
</table>
## Current Financial Situation & Goals

### SBC Per Subscriber / Revenue & Expense
- **Average Revenue Per User (ARPU)**: $109.54 per month
- **Average Expense Per Subscriber**: $113.75 per month
- **Net Margin**: -3.7% ($4.21)

### SBC’s Business Goals
- **FY 2018-19 Revenue**: $10.926m
- **ARPU Goal**: $95
- **FY 2018-19 Expenses**: $11.056m
- **Net Margin Goal**: +10%
- **Pay back General Fund Loan**: -$14.1m
- **Subscriber Target**: 9,600 (+3k increase)
- **Build Cable Reserve**: 5% of Operational Expenses
PART 1 • Recap

What San Bruno Cable Has Accomplished

NEW MARKET LEADING PACKAGES LAUNCHED
Internet plus local TV at low prices.

NEW LOOK & FEEL
Updated TV Guide on Set Top Boxes by April 01, 2019

NEW LANGUAGES NOW AVAILABLE IN BASIC
New Chinese, Filipino and Korean channels now included in Basic Programming. Spanish channels already available.

LOW COST PHONE
$7.50/month phone line now available!

NEW RATE CARD
Now available

PERFORMANCE IMPROVEMENTS
Increased internet capacity, speeds and reliability.

NEW LOGO AND MARKETING
Rebranding and Campaign Planning underway

NEW COST CONTROLS
Card Processor changed – 30% savings
Phone line costs lowered – 59% cheaper
Network monitoring costs lowered – 52% lower

CHANNEL 1
Upgrades under review.
PART 1 · Recap

San Bruno Cable’s Crossroads

47 Enterprise has provided competitive service to San Bruno for 47 years

Internet usage on San Bruno Cable is exploding—1 Gig to 11 Gig growth from 2011-18. System needs to provide exponentially better internet connectivity to cater to its customers

Limited investment in installing fiber in select apartment complexes, with good results

System needs to offer higher internet speeds, better data caps and better TV/video package options to serve customers

Crossroads
Proceed with a comprehensive fiber upgrade to compete effectively?
PART 1 · Recap

Benefits of Fiber

- Future proofed
- 1GB and higher internet speeds
- Enterprise will be internet focused—for data, video and phone services
- With TV Guide’s new look and feel, users will have easy navigation
- Apps and IPTV to follow—Bring Your Own Device the goal
- TV channels per San Bruno customer preferences
As retransmission fees rose over the last decade, network primetime audiences fell by more than half. VOD viewership has surged while live streaming TV is growing.
Direction from City Council

- Develop a business plan for the future of the Cable Enterprise
- Research and develop financial options to fund the upgrade
PART 2

Business Strategies and Plan
PART 2 · Business Strategies and Plan

Business Strategy

ISP Strategy

3 Services Strategy

TV    Internet Access    Phone

“Thick Pipe, Thin Pipe” Strategy

100% Last Mile Subscriber Relationship    Shared Subscriber Relationship
PART 2 · Business Strategies and Plan

System Strategies

**PRODUCT STRATEGY**
- Gig Service + Local TV
  OR
- Best available speed + Local TV during rollout

**PRICING STRATEGY**
- No contracts
- Reasonable price points
  “One stop bill” to come

**CONTENT ACQUISITION STRATEGY**
- Data based curation
- Licensing cost control

**MARKETING STRATEGY**
- Grassroots campaigns
- Informational + Themed messaging
- No promotions—Everyday low price!

**TECH STRATEGY**
- Standardization
- Multicast IP
- BYOD

**OPERATIONAL STRATEGY**
- Reduce reasons for complaints —
  defective tap replacement
- KPIs—no fault days, fewer truck rolls
- System wide solution deployment

Enterprise Business Strategy
ISP Focus, TV and Phone add on services
## PART 2 · Business Strategies and Plan

### Changes Delivered by Enterprise Strategy

<table>
<thead>
<tr>
<th></th>
<th>PRESENT</th>
<th>FUTURE WITH ENTERPRISE STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Bruno Municipal Cable</td>
<td>Cable TV/ISP/ VoIP Provider</td>
<td>Cutting edge ISP/Cable TV/VoIP Provider</td>
</tr>
<tr>
<td>Types of communication &amp; entertainment services available in the market</td>
<td>Regular TV and Internet Streaming TV /Megabit Internet/ Cellular &amp; VoIP Phone/</td>
<td>IP Delivered Mobile &amp; Regular TV/ Fiber Internet / IP Delivered Cellular &amp; Wired Phone</td>
</tr>
<tr>
<td>TV Market</td>
<td>Streaming, Cable, Satellite TV</td>
<td>IP delivered streaming, cable &amp; satellite TV</td>
</tr>
<tr>
<td>Pay TV Characteristics</td>
<td>High Costs, Bloated triple play packages (video, voice and data)</td>
<td>Reasonable costs linked to consumer’s choice of single, dual or triple play assembled from single or multiple sources</td>
</tr>
<tr>
<td>TV Set Evolution</td>
<td>High Definition TV set with LED or Plasma, Smart TVs</td>
<td>Facilitate use of High definition, UHD/4K and smart TVs</td>
</tr>
<tr>
<td>Set Top Box Evolution</td>
<td>Cable set top still required but more IP video capable devices with consumers</td>
<td>Bring Your Own Device (BYOD) dominates and cable set tops fade out</td>
</tr>
<tr>
<td>Most consumed type of TV</td>
<td>Internet access and streaming video on demand (VOD) rules viewership; traditional linear TV exists</td>
<td>Internet delivered VOD and linear streaming TV rules viewership</td>
</tr>
</tbody>
</table>
PART 2 · Business Strategies and Plan

Change in Residential Services

In System Areas without Fiber

New Package for Our Network
Now Direct to Your Home!

New Base Packages
Internet Plus Local TV and Select International Channels
(TV Activation Optional)

WiFi Service
Fastest growing service category

New Phone Rate
$7.50 per month (includes unlimited LD and select Int’l Markets)

Low Income Internet and TV
Our system, like other systems, offers state mandated low cost access to internet and TV

In System Areas with Fiber

New, All-Fiber Network
Now Direct to Your Home!

Call our office or visit us online
650-616-3100    ·    ... Modem required at $1.95/ MONTH
Plus, More Broadcast Channels, HBO, Encore, Foreign Language and Sports Packages!

Call our office or visit us online
650-616-3100    ·    www.sanjosecable.com
* Fees, taxes may apply

Not available in areas that have Fiber to the Home.
## Change in Business Services

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>PREVIOUS RATE (PER MONTH)</th>
<th>CURRNT RATE (PER MONTH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Gig Symmetric Internet and up to 2 phone lines*</td>
<td>Not Offered</td>
<td>$300</td>
</tr>
<tr>
<td>300/10 Mbps Internet and up to 2 phone lines*</td>
<td>Not Offered</td>
<td>$150</td>
</tr>
<tr>
<td>75/10 Mbps with 2 phone lines</td>
<td>Not Offered</td>
<td>$85</td>
</tr>
<tr>
<td>100/10 Mbps</td>
<td>Not Offered</td>
<td>$65</td>
</tr>
</tbody>
</table>

*Only in fiber built areas*
PART 2 · Business Strategies and Plan

Benefits of Business Strategies & Changes

- Enterprise is ready to offer fiber based internet access and TV
- Residential Customers now have choice to customize their own communications & entertainment bundle
- Exclusive services now available for business customers
- Cost controls and new rate cards = elimination of business losses and positioning for growth

**Situation**
Enterprise is positioned to benefit customers and the business with Fiber technology
PART 2 · Business Strategies and Plan

Rebranding Process

Process & Deliverables Overview

BRANDING PHASES

<table>
<thead>
<tr>
<th>Phases</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>Research &amp; Idea Generation: Includes research, sketches, logo explorations, color explorations, typography explorations; brand mood boards created</td>
</tr>
<tr>
<td>Phase 2</td>
<td>Design Refinements to a maximum of two chosen logo design routes; brand mood board refinements</td>
</tr>
<tr>
<td>Phase 3</td>
<td>Final Design Refinements to chosen logo, typeface, brand assets; logo applied to business card and other marketing materials</td>
</tr>
<tr>
<td>Phase 4</td>
<td>Production Print- and Web-ready artwork created, business card files finalized; Brand Guideline document created</td>
</tr>
</tbody>
</table>
PART 2 · Business Strategies and Plan

Samples of Marketing Collaterals
PART 2 · Business Strategies and Plan

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PART 2 · Business Strategies and Plan

Samples of Marketing Collaterals
PART 2 • Business Strategies and Plan

Fiber Rollout Plan

Entire City in 24 Months
# PART 2 · Business Strategies and Plan

## Fiber Rollout Costs

### OVER HEAD PLANT COST FOR FIBER REBUILD

<table>
<thead>
<tr>
<th>EQUIPMENT</th>
<th>UNITS</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innotrans equipment</td>
<td></td>
<td>$382,500</td>
</tr>
<tr>
<td>Headend equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rfag units</td>
<td>3750</td>
<td>$671,250</td>
</tr>
<tr>
<td>Calkix equipment</td>
<td></td>
<td>$1,072,139</td>
</tr>
<tr>
<td>Headend equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other equipment</td>
<td>Field equipment</td>
<td>$1,711,106</td>
</tr>
<tr>
<td>Tap Cost</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL EQUIPMENT COST</strong></td>
<td></td>
<td><strong>$3,836,995</strong></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pole Count</td>
<td>2592</td>
<td></td>
</tr>
<tr>
<td>Number of Homes</td>
<td>13165</td>
<td></td>
</tr>
<tr>
<td>Miles of overhead plant</td>
<td>69</td>
<td></td>
</tr>
</tbody>
</table>

### LABOR COST

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pole Cost permitting</td>
<td>$647,500</td>
</tr>
<tr>
<td>Construction cost for poles</td>
<td>$2,119,000</td>
</tr>
<tr>
<td>Drop and Home connections + Tap Labor</td>
<td>$3,950,500</td>
</tr>
<tr>
<td>Redesign Fiber</td>
<td>$87,000</td>
</tr>
<tr>
<td><strong>Total Labor Cost</strong></td>
<td><strong>$6,804,000</strong></td>
</tr>
</tbody>
</table>

**TOTAL EQUIPMENT COST AND CONSTRUCTION COST** $10,640,995
PART 2 · Business Strategies and Plan

Fiber Rollout Plan

- Project Consultant, 4 Temporary Technicians, Contractors
- Every home and business will be passed by our fiber. Each customer will have a fiber drop – true fiber to the home
- 7 Rollout Phases, 93% aerial, 2,692 Poles
- Rollout cost vastly lower than comparable rollouts – existing business, no pole permits, experienced team, cost controls
- Overlashing, an FCC permitted method, will be used to replace hybrid fiber coaxial (HFC) cable with fiber

Poised for Success
Fiber rollout planned for timely, on budget execution
PART 2

SUMMARY

This section provided you information on:

- Enterprise’s new strategies
- New rate cards, branding and marketing plans
- Benefits of strategies and current business position
- Fiber rollout plan and process

In the next section, we will tell you about the highlights of the business plan.
• PART 3 •

Plan Highlights
PART 3 · Plan Highlights

Why have 3 Scenarios for the Plan?

$12.24M
Requested Fiber Capital Expenditure

Over a multi-year period, unknown variables can play a role in business outcomes

Three business scenarios have been considered in the Business Plan:

Conservative  Moderate  Aggressive
PART 3 · Plan
Highlights
Scenarios

Plan Timeline

15 Years
$12.24M
Infrastructure Spend

Subscribers %

Conservative
35-58%

Moderate
41-66%

Aggressive
47-68%

General Fund Loan Payback

15 Years

13 Years

10 Years

Fiber Upgrade Loan Repayment: 20 – 30 Years
## PART 3 · Plan Highlights

### Plan Revenues: Breakdown and Comparison

<table>
<thead>
<tr>
<th></th>
<th>Actual Prior to Jan 2019</th>
<th>Projected Range 2019-2033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Revenue per User (ARPU), Monthly</strong></td>
<td>$110</td>
<td>$111–139</td>
</tr>
<tr>
<td><strong>Contribution to ARPU</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>37%</td>
<td>44–56%</td>
</tr>
<tr>
<td>TV (Video)</td>
<td>42%</td>
<td>38–49%</td>
</tr>
<tr>
<td>Telephone</td>
<td>4%</td>
<td>1-5%</td>
</tr>
</tbody>
</table>
PART 3 · Plan Highlights

Channel 1 Upgrade

• Channel 1 is the City’s Public, Educational and Government (PEG) TV Channel. It is operated by San Bruno Cable
• Channel 1 is funded by a $1.50 tax on TV subscribers, in accordance with FCC regulations and national practice
• Channel 1 was last upgraded to Standard Definition Programming in 2008. The channel's infrastructure is outdated and failing to deliver consistent performance
• Staff recommends an upgrade of Channel 1 infrastructure to High Definition to permit better quality transmission and live internet streaming

Upgrade Plan

• Estimated Cost: $175,427 (inclusive of 15% contingency)
• Timeline: 9 months
• Funding: Through potential savings in technology costs in the fiber upgrade plan
• PART 3 •

SUMMARY

This section provided you information on:

• Business Plan Scenarios
• Projected Subscribers, Revenues and Expenses
• Channel 1 Upgrade
NEXT STEPS

• Council’s approval of the Cable Enterprise Business Plan
• If approved, present financial options to fund the upgrade to fiber
Comments & Questions