

YTN Governance Structure and Business Plan Update Broadband Strategy Advisory Task Force



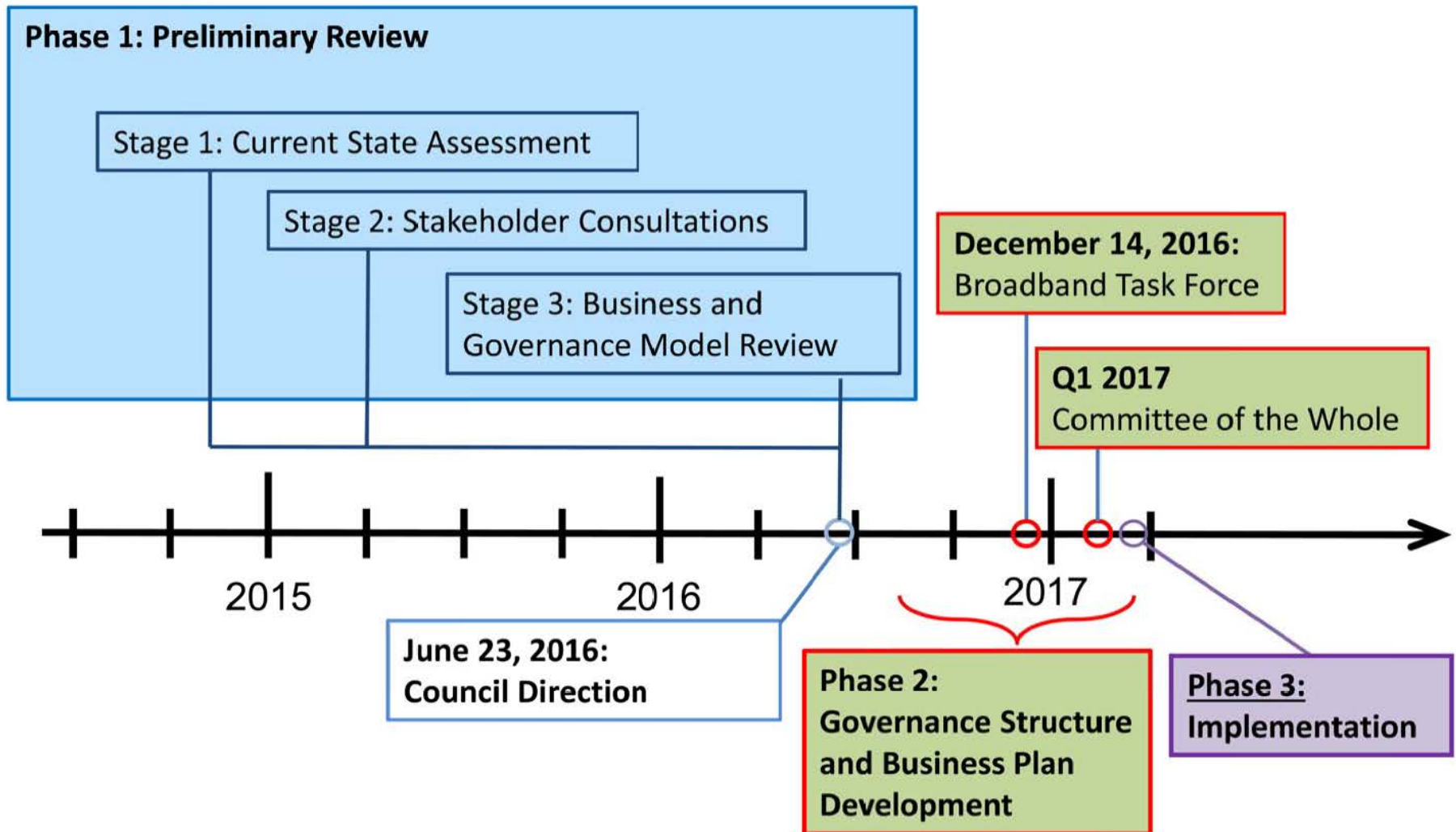
December 14, 2016



1. Recap of YTN Phase 1 Review
2. YTN Phase 2 Scope
3. Survey Results
4. Areas for Consideration:
 - Governance
 - Asset Ownership
 - Pricing Strategy
5. Next Steps



The story so far:



Phase 1 Outcomes:

Mandate

The mandate of “**YTN Inc.**” will include addressing York Region’s connectivity requirements; assisting local MUSH partners in optimizing their connectivity levels; and supporting economic development across the Region through the provision of dark fibre network access.

Phase 1 Outcomes:

The Proposed “YTN Inc.” structure meets all of the approved Guiding Principles approved by Regional Council on June 23, 2016.

Scope of Network:

- i. Confined to within York Region’s Boundaries
- ii. Limited to Dark Fibre Access only

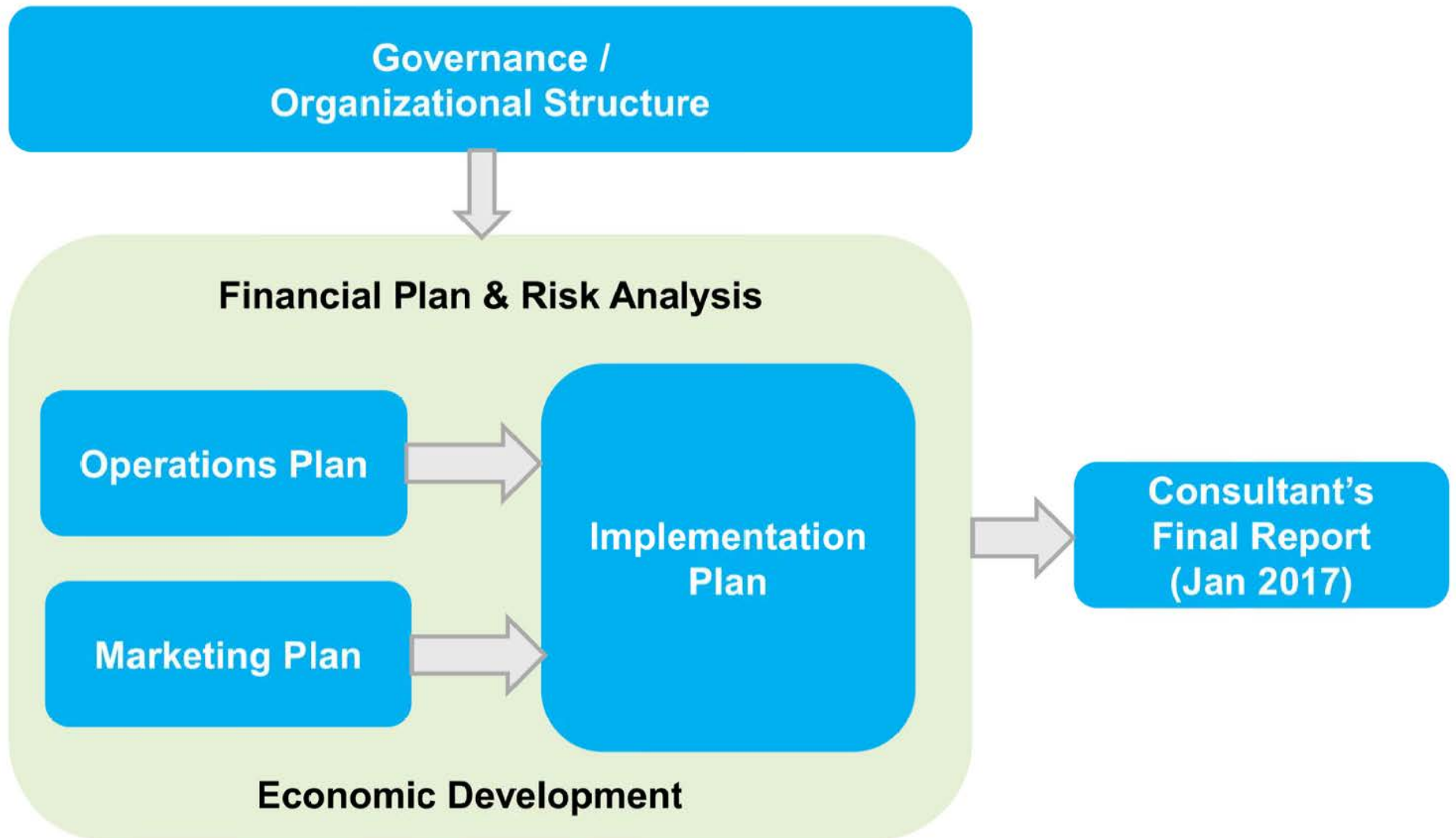
Financial Considerations:

- i. Full Cost Recovery
- ii. Service cost savings through cost avoidance

Policy Considerations:

- i. Wholly-owned subsidiary of York Region
- ii. Support York Region’s connectivity needs to the extent possible
- iii. Assist in meeting the needs of local Municipal, University, School and Healthcare (MUSH) partners
- iv. Open to the possibility of joint ownership with local MUSH partners
- v. Primarily public sector subscribers
- vi. Open to pilot projects with third parties, including private sector
- vii. Leverage funding and partnership opportunities as appropriate
- viii. Non-dominant carrier
- ix. Not compete with current Internet Service Providers (ISPs)
- x. Future-ready, redundant and reliable
- xi. Support economic development and growth

Phase 2 Scope:



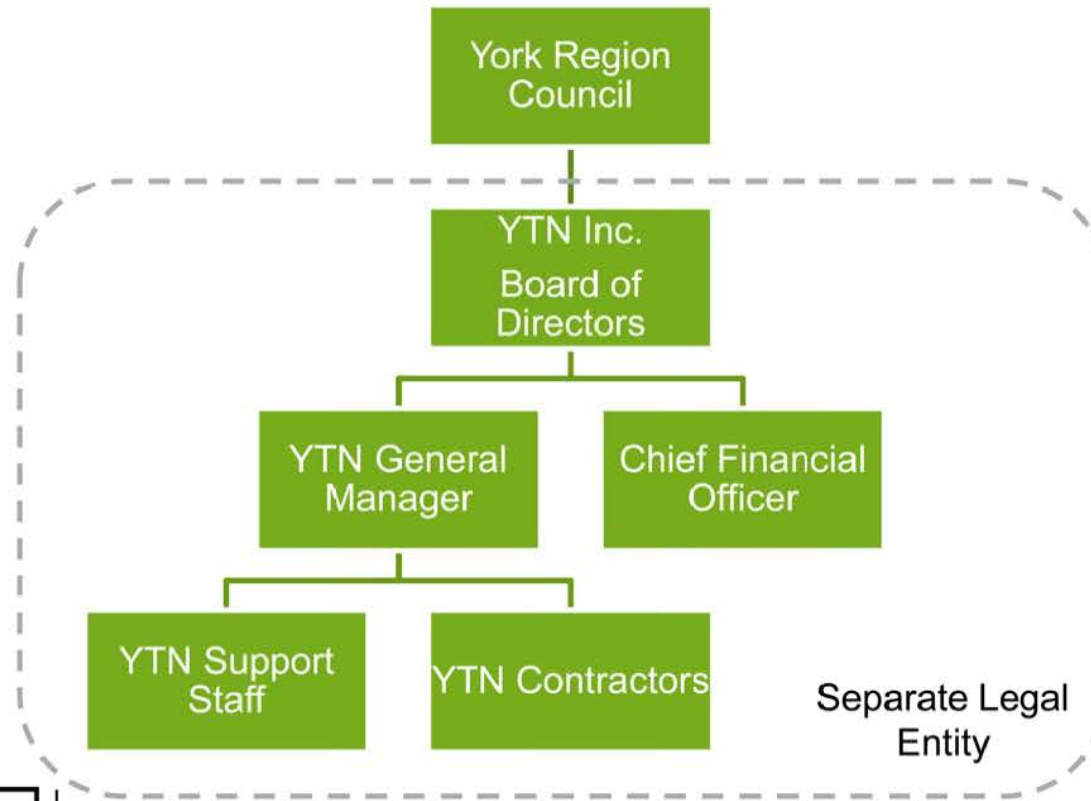
Phase 2 Scope: Marketing Plan Market Survey Key Findings



1. Strong Demand from both internal and external users
2. Move from talk to action
3. Pricing Flexibility

Governance & Organizational Structure Update

YTN Organizational Structure Baseline



Council as YTN Inc. shareholder:

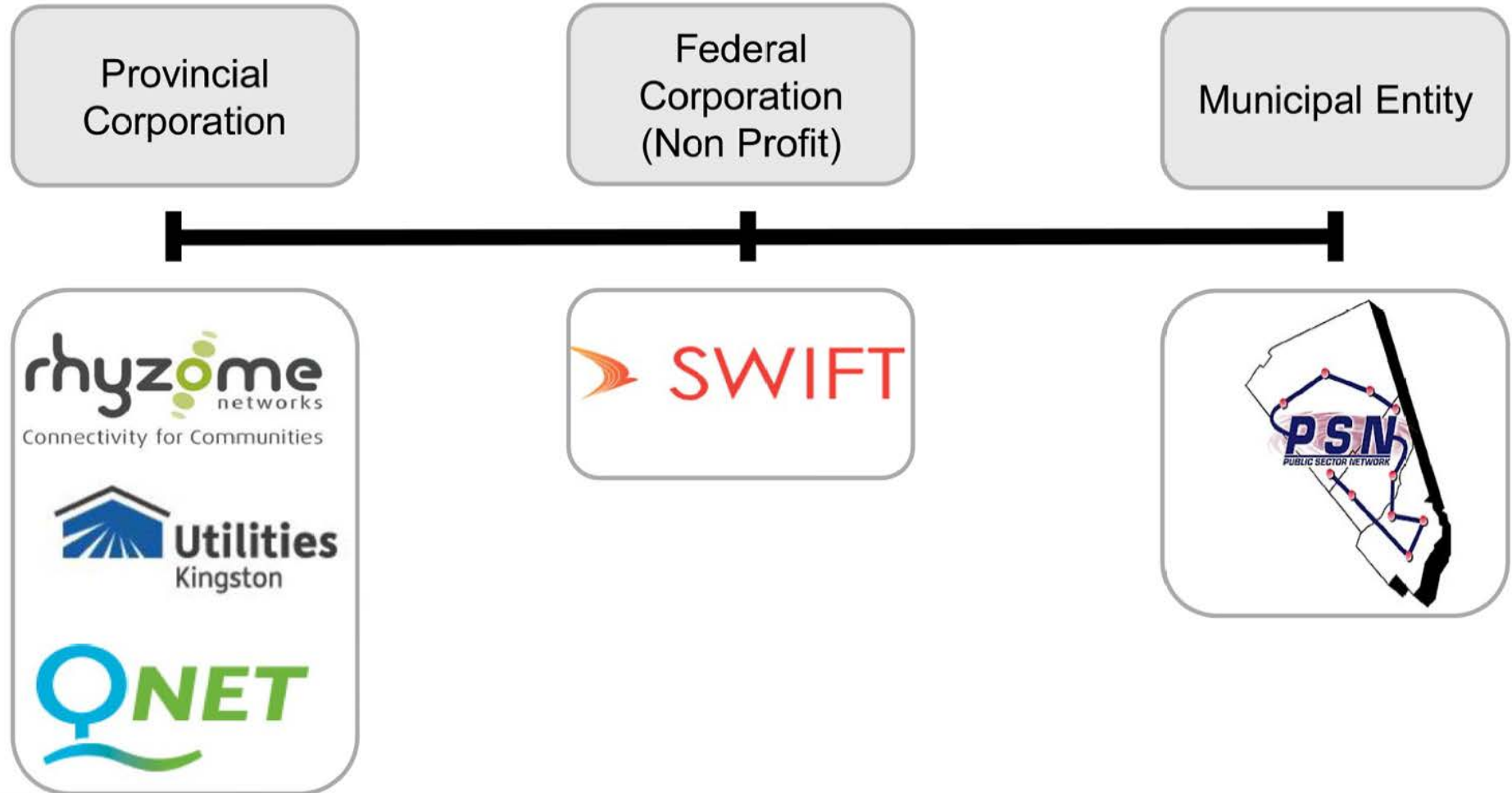
- YTN Inc. Board operates within mandate & budgets set by council
- Council receives regular updates from YTN Inc.
- Council approves annual budgets and any changes to corporate mandate

Governance & Organizational Structure Peer Reviews

- Legal Entity Structure
- Board of Directors
- Asset Ownership
- Pricing Strategy



Governance Consideration - Legal Entity Structure



Governance Consideration: Board Of Directors Composition

- Industry Expertise
- Senior Admin Staff

- Elected Officials
- MUSH Sector
- Industry Expertise

- Elected Officials



Role of Council:

- Approves strategy, business plan and budget
- Receive regular updates from YTN Inc.

Governance Consideration: Board of Directors

- Functional guidance and oversight of General Manager / CFO
- Senior industry experience
- MUSH representation
- Nimble and responsive structure
- Responsible to Council
- Continuity through election cycles



Governance Consideration: Asset (Fibre) Ownership



Asset Ownership Considerations:

	OWNED UNDER REGION	OWNED UNDER YTN INC.
CRTC	YTN Inc. must become reseller	Transfer non-dominant carrier status to YTN Inc.
Legal	Licence agreement for YTN Inc. to use assets	Assets inside corporation
Tax	Status Quo	Under review
Risk	Direct to Region	Region at arms length from YTN Inc.
Financial	Future assets built from YTN cash flows transferred back to region	Notional debt created to municipality with annual interest payments. Future assets YTN funded
Partnership Opportunities	Less flexible	More flexible; ability for partial/minority ownership
Asset Growth	YTN designs, operates and maintains. Region owns	YTN Inc. responsible for asset growth. Owns, maintains and operates
Exit Strategy	Limited alternatives	More alternatives

Governance Consideration: Pricing Strategy

Tiered Pricing

Fixed Price



Pricing strategy for YTN Inc. to ensure full cost recovery, encourage service provider utilization and promote economic development priorities.

Note: Pricing TBD:  SWIFT

Next Steps:

1. Consider feedback on governance, asset ownership and pricing considerations
2. Continue with project plan:
 - Financial Plan
 - Risk Analysis
 - Final Report

Questions