

CITY COUNCIL WORK SESSION
Tuesday, July 7, 2020 6:00 p.m.
Community Recreation Center
10640 N Clubhouse Drive, Cedar Hills, Utah

Present: Jenney Rees, Mayor, Presiding
 Councilmembers: Denise Andersen, Ben Ellsworth, Brian Miller, Kelly Smith
 Absent/Excused: Mike Geddes
 Chandler Goodwin, City Manger
 Jeff Maag, Public Works Director
 Hyrum Bosserman, City Attorney
 Colleen Mulvey, City Recorder
 Others: Lt. Josh Christensen, Roger Timmerman, Kim McKinley, Laurie Harvey

This work session meeting of the City Council of the City of Cedar Hills, having been properly noticed, was called to order at 6:02 p.m. by Mayor Rees.

1. Utopia Fiber Presentation

Roger Timmerman, Utopia Fiber Executive Director, stated they were proposing a partnership with the City. Utopia had established similar partnerships in other cities including Layton, Payson, and West Point. They financed the project with the Utah Infrastructure Agency whose projects had been successful in paying for themselves. The Utah Infrastructure Agency would come in and finance the project, so it took on and paid off the debt. It received a portion of subscriber fees to cover operating expenses and it took care of everything so the City would not need to do anything other than a services agreement which was based on the dollars of the financing costs. He said it equated to 40% to sign up and there would be enough money coming into the system that would pay for the expenses and projects.

Mr. Timmerman stated all technology trends pointed to this market demand. He said anything that came in over time would help and over time the risk would decrease. As everyone else raised rates due to increased costs or inflation the financing would never go up over the full term.

Mr. Timmerman went on to discuss the benefits. He said the project would pay for itself, he stated they would save the City and its residents money and increase property values. No other municipal project brought a more dramatic improvement in economics and quality of life than fiber. He referenced a slide from the presentation which illustrated the revenue distribution of subscriber fees. There were no installation costs and an infrastructure fee of \$30.00 which was used to pay for additional installations and paying off the bond. There was also a retail fee of \$35.00 that was billed by the service provider which resulted in a cost of \$65.00/month.

Mr. Timmerman next referenced a slide from the presentation that illustrated the financial model specific to Cedar Hills. Laurie Harvey, Utopia Fiber Chief Financial Officer, stated they usually bonded for two years and they would probably start seeing revenue around month 6. She explained the graph of the financial model. She said the goal would be to get to \$40K/month. They would be expecting 40% after 5 years.

C. Andersen asked how long the bond was for to which Mr. Timmerman replied 25 years of payments with two years of capitalized interest for a total of 27 years. He said this was an extremely conservative model.

Mr. Timmerman commented on some things specific to Cedar Hills and stated they were currently a UTOPIA member and already had existing backbone fiber which would expedite the installation and save a lot of money. He said the City would have some business revenue coming in which would help offset some of the risk. The take rate would help, and he noted that Lindon had a 57% take rate which was good. He commented when houses were further apart it took more fiber and more construction but the houses in Cedar Hills were close together which was a good thing because they would not need as much.

Mr. Timmerman discussed the survey results. He said there were some atypical results from the survey being that they saw more cable subscribers. There was a low take rate on DSL, and it appeared Cedar Hills liked high speed more than other cities. He said they surveyed based on demographics and analyzed which age ranges subscribed to which streaming networks and it was interesting to see the results. Cedar Hills had a high subscribership to streaming services and 70% of people subscribed to both Netflix and Amazon Prime which was something they hadn't seen before. He went on to discuss the results for how much people paid for internet services and that 60% of people were paying over \$60.00 for internet. He said people who were cost conscience would naturally go to a lower cost for a better service option. He discussed the download speed results and said a vast majority of people in Cedar Hills were working with speeds that at their highest did not match UTOPIA's lowest so this would be a significant upgrade.

Mr. Timmerman explained the results of the question "How likely is it that you would recommend your current internet service to a friend or colleague." The survey indicated that only around 8% of people would recommend their current service which was worse than normal. He discussed the results for how supportive people were of the City actively pursuing additional broadband options which had strong support. He discussed the results for the question "if you were offered the following options from a fiber broadband provider, what would you sign up for?," and 83% selected a UTOPIA Fiber service which was especially high. He referenced a map of the survey responses from those who provided their addresses. He said this was important because it showed it was spread out throughout the City and there were no pockets of competitive alternatives.

The next survey question was about subscriber models and the results showed that 85% were in support of the City building a fiber-to-the-home network paid for only by those that signed up for services for \$65.00/month which was referred to as a subscriber model and that around 70% were in favor of the implementation of a \$10.00 City-wide utility fee which was referred to as a utility model. The following question asked if the City considered between the two options what the preference would be. He compared the results between the subscriber model and the utility model and stated that even with 83% of people planning to sign up, there was stronger support for the subscriber model.

Mr. Timmerman discussed other similar projects of UTOPIA. He said that the next step was to formalize the proposal into contracts which was sometimes done in response to an RFP. They recommended an RFP because it was a legal protection for the City and then they would come

back with a more formal proposal. They would put in the contract that construction would be done in 1.5 years, but he thought they would be done closer to a year.

Mayor Rees asked if Mr. Timmerman knew of a City with an RFP to which Mr. Timmerman replied that Morgan had done one and he could send them templates and provide examples. Mayor Rees asked to clarify that they would have a 40% take rate by the end of year 2 to start paying the bond back. Mr. Timmerman replied it was kind of a moving target and if they had revenues coming in before the end of the two years, that would be reserved to cover any shortfalls. He stated initially they had conservative growth and with a 40% take rate, at two years they would only be at half that. He said if they were at 20% at two years that would be fine. Mayor Rees stated that one of the concerns was always if they did not meet that 40% take rate then they City would have to cover the difference to make the bond payment. Mr. Timmerman replied if they had zero customers it would be around \$35,000/month and broke down the bond payments.

C. Andersen questioned if Mr. Timmerman was saying the project construction would last for about a year. Mr. Timmerman replied that officially it would last a year and a half, but they would probably be done closer to a year. He said they would probably have the first half of the City done in ten months and finish the rest the following couple of months.

Mr. Goodwin commented that it had been mentioned if Cedar Hills went online before Highland went online then they could capture Lone Peak High School if they signed up. Mr. Timmerman replied that Pleasant Grove was on their network as well as some other schools. Mr. Goodwin commented there was a lot of fluctuation in terms of what the Pleasant Grove border looks like. There may be a need to build through that area since some of it may become Cedar Hills at some point. He asked if they did that and built into Pleasant Grove, would that count towards their take rate. Mr. Timmerman replied the contract would have a map and they would make sure they built out to cover all the houses they needed to. He added the Council was welcome to change that, but they were not quite there yet. Mr. Timmerman explained the take rate and stated that they could add a supplemental agreement that would allow for them to go in down the road and add houses if need be.

C. Ellsworth asked what the impact was of people working from home. Mr. Timmerman replied there was no change in fiber and the only thing they needed to do was some core upgrades to handle the general capacity and the nice thing was that they had enormous headroom in their network. They had double the number of customers in the last two years and had made a lot of upgrades to the network. They had not had any negative impact to their customers in response to people working from home. He said that they had not seen a lot of change in the usage during peak hours, but they had seen an increase in usage during the day. C. Ellsworth asked if UTOPIA has increased their subscriber base, to which Mr. Timmerman replied they had had a huge increase, and the demand for new customers was staying very strong.

C. Ellsworth asked for the dates of when the survey was distributed. Mr. Timmerman said they did it in the first couple weeks of March. Ms. Harvey commented that she was unsure how COVID had affected it. C. Ellsworth commented he had to switch providers during that time because the provider he had did not offer fast enough speeds to support what he needed for working from

home. He wondered if that had affected the survey results overall. C. Ellsworth asked how long the survey was left open to which Mr. Goodwin replied that it was open from late February/early March to late May.

C. Ellsworth commented he had had conversations with people that matched the responses from the survey. Mayor Rees commented she thought people were looking for a more reliable connection because of how much more they were working and schooling from the home.

Mayor Rees stated she liked the RFP suggestion and requested the templates previously offered by Mr. Timmerman. Mr. Timmerman replied that he could provide them to the Council.

ADJOURNMENT

This meeting was adjourned 6:50 pm on a motion by C. Andersen, seconded by C. Smith, and unanimously approved.

Approved by Council:
August 18, 2020

/s/ Colleen A. Mulvey, MMC
City Recorder