A Citizen Guide to Fiber Internet in Cedar Hills

Summary of Recommendation

- The city wrote a request for proposals to build a fiber network in the city. Five organizations responded.
- The Mayor appointed a committee of residents to evaluate the five proposals.
- The resident committee recommended that the city contract with UTOPIA Fiber to build a fiber network that will bring fiber to every property in the city.

1. Why Fiber?

- Fiber offers much higher Internet speeds than current service providers in the city, at lower cost.
- Current services with Xmission, one of the ISPs that are available with UTOPIA, include 250 Mbps ($67/month) and 1 Gbps ($80/month). For each plan, $30 of this fee goes to UTOPIA to run the network, and the rest goes to the ISP.
- The services on a fiber network are symmetric, meaning a 1 Gbps plan includes both upload and download speeds of 1 Gbps. Upload speeds are important for video calls, backing up your files online, or running a server from home.

2. Why UTOPIA Fiber?

- UTOPIA uses a subscription model, so only residents who use the network pay for it.
- UTOPIA arranges for financing through UIA, and subscription rates in nearby cities are exceeding expectations, meaning there is low risk that subscriber fees will be unable to pay for network costs.
- UTOPIA pays for new subscriber connections from existing fees, so there are no extra installation fees for the city or residents.
- UTOPIA manages all aspects of the network, including long term network upgrades.
- UTOPIA has a strong track record of providing fiber services in our area.

3. How does financing work with UTOPIA Fiber?

- UTOPIA arranges for financing. The estimated cost is $5.8 million.
- Payments are delayed for 2 years to provide time for construction and for customer revenues to build up a reserve to handle shortfalls.
- Each customer bill includes $30 per month that is paid to UTOPIA to pay the debt service for constructing the network throughout the city (fiber to the curb) and any costs for installing connections to resident homes (from the curb to the home).
- If subscriber fees are too low, and the reserve is depleted, the city is required to pay for the monthly debt cost through a short-term loan to UIA.
- If subsequent revenues are high enough, the city is paid back and the debt is eventually retired.
- This model carries some risk for the city because it is ultimately responsible for the network cost, estimated at $5.8 million, or $350,000 annually for 25 years.

- Experience with other cities nearby indicates the subscription rate should be high enough to avoid losses. The committee thus feels the risk is low with this proposal. There is a high likelihood that the city will not need to pay for construction costs.

How did UTOPIA Fiber compare to the other proposals?

- The proposal from STRATA Networks was the other finalist.
- The STRATA proposal offers a different model — the city owns the network.
- This model means the city has to collect fees from subscribers and maintain a long-term fund to pay for equipment replacement and upgrades over time.
- In addition, the STRATA proposal covers connections to 35% of resident homes. If there are additional residents that want to be connected, the city or residents would have to pay this extra cost, at about $500 to $1000 per resident.
- Thus the STRATA proposal carries additional risk of costs for resident connections beyond 35% and managing funds to cover long-term equipment replacement and upgrades.
- There is a potential upside to the STRATA proposal that the city could make money if it owns the network. The committee deemed the risks to not be worth the potential benefit.
- The UTOPIA proposal removes these two additional risks, and also removes any possibility that the city will make money.

Why use a subscriber model instead of a utility model?

- The utility model has an advantage that everyone pays. This provides a guaranteed revenue source for the city, which would be particularly important if the city owned the network.
- However, the utility model requires everyone to pay, regardless of whether they use the network. One could argue that everyone benefits (e.g. through higher home values), so everyone should pay. But others feel that if they don’t use the network they shouldn’t pay.
- The subscriber model has been successful for UTOPIA and it is the only one they offer. They prefer to make it easy for anyone to join (no installation fees, no long-term contracts) instead of making everyone pay whether they use the service or not.

How is UTOPIA doing financially?

- They have approximately $170 million in existing projects, and revenues are exceeding debt service for all of them. They are making approximately $1.4 million per month in revenues for $1.1 million per month in debt service. This covers West Valley City, Orem, Murray, and Midvale.
- Other projects are under way in Layton City, Woodland Hills, Morgan City, Payson City, and West Point, with Pleasant Grove recently started. Layton broke even 6 months early, and Morgan City broke even 1 year early. Payson is trending well. Woodland Hills has a 70% subscription rate. West Point is currently under construction.
- Because UTOPIA is a public entity run by its member cities, you can view public meeting agendas and minutes.