

LAYTON CITY FIBER NETWORK MEETINGS

July 15-16, 2014

6:30 pm

UTOPIA - Brief History

- ◆ Formed in 2002
- ◆ Eleven pledging member cities
- ◆ Created to build and operate a ubiquitous fiber-to-the-premise network
- ◆ Original construction estimate - \$400 Million
- ◆ Currently issued \$225 Million in debt
- ◆ 41% of network completed with 25% "marketable" take rate
- ◆ Lack of support among cities for further capitalization
- ◆ Currently have fragmented build and lack of scale
- ◆ Layton is currently built out at 12% with a 20% take rate

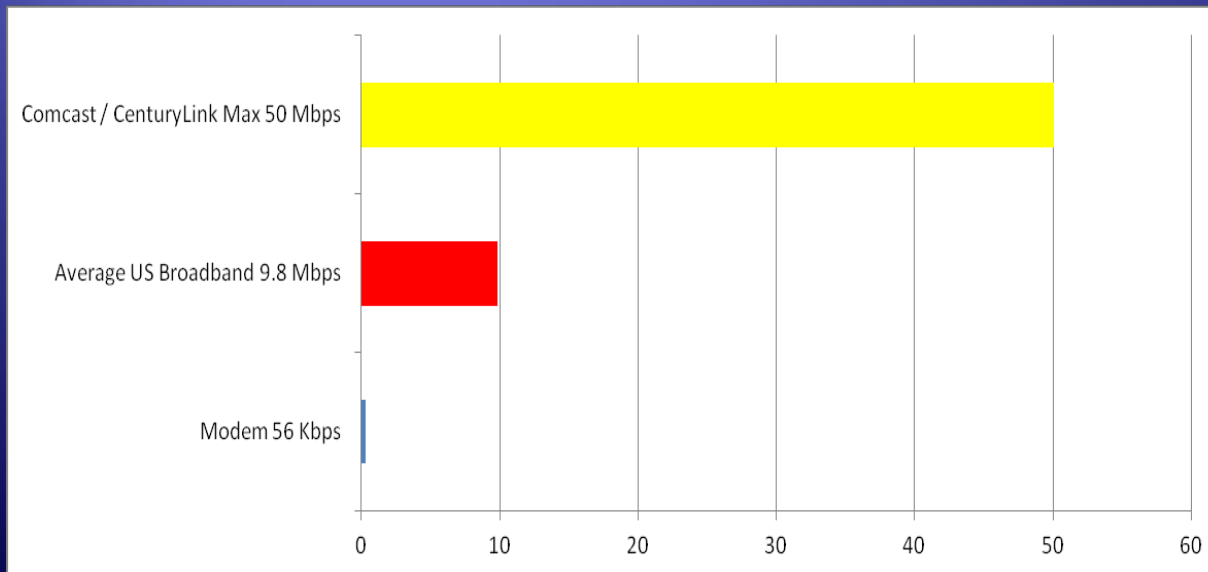
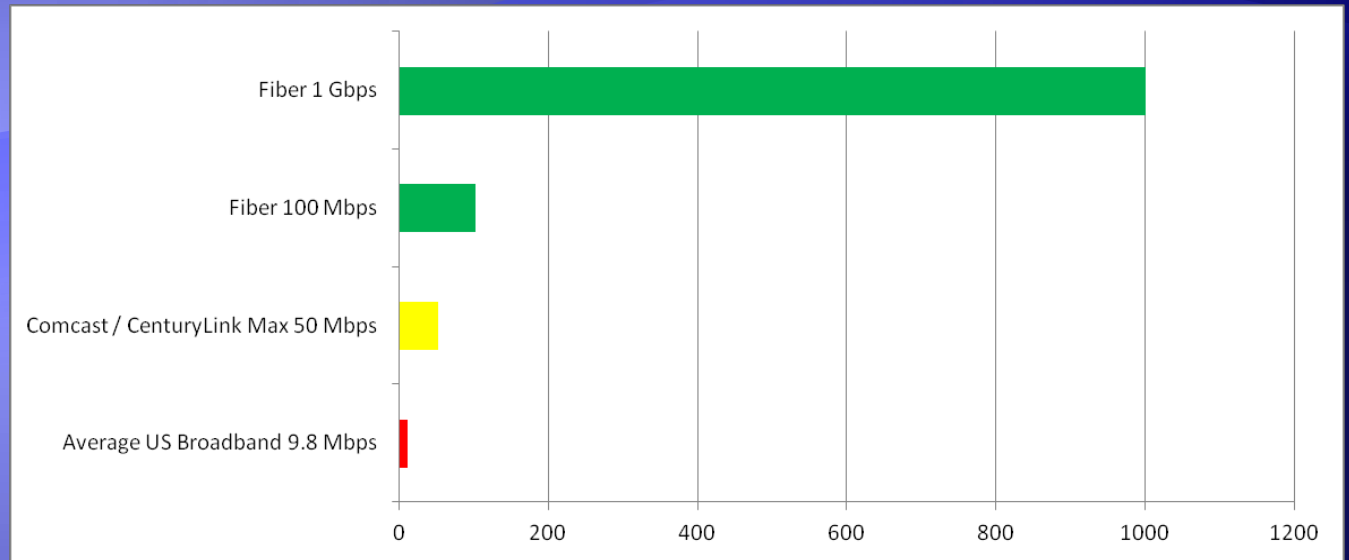
Why Fiber?

- ◆ [GoFiberUtah.com video clip](http://GoFiberUtah.com)
- ◆ The most “future proof” telecom infrastructure
- ◆ Ultra high speeds – Almost “limitless” capacity
- ◆ Easily scalable - by changing electronics on either end
- ◆ Dedicated, non-shared connection – “your own lane on the highway”
- ◆ Proven longevity and reliability

Speed Comparison Using Google Fiber 1 Gbps

<https://fiber.google.com/about/>

Internet Speed Comparisons



UTOPIA and UIA Bond Totals

| UTOPIA Bonds (16.7% - Layton Allocation) | All Cities | Layton |
|---|---------------|----------------|
| Principal | \$184,970,000 | \$30,889,990 |
| Interest | \$257,640,000 | \$43,025,880 |
| Total Remaining Payments (FY 2015 to 2040) | \$442,610,000 | \$73,915,870 |
| Average per address per month | | \$10.04 |
| Swap early termination fee | \$69,000,000 | \$11,523,000 |
| UIA Bonds (18.2% - Layton Allocation) | All Cities | Layton |
| Principal | \$39,360,000 | \$7,163,520 |
| Interest | \$28,470,000 | \$5,181,540 |
| Total Remaining Payments (FY 2015 to 2040) | \$67,830,000 | \$12,345,060 |
| Average per address per month | | \$1.68 |
| Estimated early termination escrow cost | \$8,550,000 | \$1,556,100 |
| Total UTOPIA / UIA | All Cities | Layton |
| Total Remaining Principal & Interest Payments (FY 2015 to 2040) | \$510,440,000 | \$86,260,930 |
| Average per address per month | | \$11.72 |

Note: Utah Telecommunications Open Infrastructure Agency (UTOPIA) bond payments are currently paid by the cities. Utah Infrastructure Agency (UIA) bond payments are currently paid by UIA revenues. (UIA is a sister agency to UTOPIA)

Macquarie Capital Group

- ◆ Global company headquartered in Australia
- ◆ Over 70 offices & 85,000 employees worldwide
- ◆ Market capitalization of \$16 Billion
- ◆ Balance sheet assets over \$40 Billion
- ◆ Global leader in infrastructure finance
- ◆ Extensive experience financing, building, operating and maintaining public infrastructure
- ◆ Manages over \$360 Billion of public assets
- ◆ Strong experience in telecommunications arena

Unsolicited Macquarie Proposal

- ◆ Absorb UTOPIA operational shortfall
- ◆ Complete “build out” within 30 months on a “fixed price”, “date certain” basis
- ◆ Estimated investment of up to \$300 Million
- ◆ Open access (unlike Google) and will be built to a Gigabit standard (100 times faster than national average for broadband)
- ◆ Manage, operate and maintain the network for a 30 year period
- ◆ Performance standards (with penalties) apply across all functions

Unsolicited Macquarie Proposal

Continued

- ◆ Cities retain ownership of network
- ◆ Cities agree to impose a monthly utility fee to compensate Macquarie for all costs over 30 years
- ◆ Fee estimate is \$18-20 per month
- ◆ Basic data service provided to each connection at no extra charge. Phone service could be added for \$4-5 per month
- ◆ Private service providers compete to provide end services

Macquarie Proposal

Disadvantages

1. Utility fee with only limited opt-out
2. Disruption to city streets/neighborhoods during build
3. Potential lawsuits by incumbents
4. Long term agreement (proposed – 30 years)

Advantages

1. Every home/business will receive a dedicated connection
2. Increased choice - Multiple providers and product offerings

Macquarie Proposal

Continued

Advantages

3. Significantly increased competition in the marketplace
4. Reduced costs for services
5. 24-30 month build with guaranteed cost and delivery date
6. Management, operation, and refresh of the Network by a private company.
7. Cities maintain ownership of the Network
8. Construction and technology partnerships with world-class corporations such as Corning, Black and Veatch, Alcatel Lucent and Fujitsu

Macquarie Proposal

Continued

Advantages

9. Immediate relief from operational subsidies (\$336K per year)
10. Opportunity for revenue streams to pay original debt (\$2.2M/yr)
11. Opt-out provision (ongoing discussions)
12. Ability to provide expanded/more efficient community services such as public safety/security, EMS, traffic coordination and resource management
13. Longevity and reliability of fiber – Forward thinking infrastructure

Macquarie Proposal

Continued

Advantages

14. Ability to provide a city-wide wireless mesh network
15. Economic Development competitiveness

Representative Cost and Savings Comparison

| | <u>Fiber Network</u> | <u>Incumbent</u> |
|-----------------------------------|---------------------------|----------------------------|
| Utility Fee | \$20 (Est) | \$0 |
| Telephone | | \$35 |
| <u>Internet</u> | | <u>\$30</u> |
| Total Monthly | \$20 | \$65 |
| Total Aggregate Annual | <u>\$5,621,280</u> | <u>\$17,712,960</u> |

On the Ground Survey

- ◆ 92% of Utah accesses the internet at home
(Salt Lake Tribune, December 7, 2013)
- ◆ 98.5% of Utah have a home phone
(United States Census)
- ◆ 23,779 homes in Layton City
 - 21,877 with internet and phone
 - 1,545 with phone only
 - 357 with no service

Incumbent Best Deal Internet & Phone

◆ 21,877 homes X
\$65/month =
\$1,422,005 or
\$17,064,060
annually

◆ Assumes cheapest use
of bundled service
found.

The screenshot shows the Verizon website's bundle offerings. At the top, there are navigation links for Shop, My Account, and Support. Below that, a search bar and a 'Quick Bill Pay' button are visible. The main content area features a large banner for a bundle deal: 'Bundle With Home Phone' for \$64.95 per month. This price is circled in red. Below the banner, there are three columns of bundle options, each with a 'Start Now' button and a 'Get a \$50 Prepaid Card' offer. The first column is 'Bundle With Home Phone', the second is 'Bundle With Internet', and the third is 'Create Your Own Bundle'. Each bundle includes details about service options, connection speeds, and additional features like DIRECTV or Verizon Wireless services. The 'Bundle With Internet' and 'Create Your Own Bundle' sections also mention 'FREE months of HBO, STARZ, SHOWTIME, and Cinemax' and 'Upgrade to Genie, the most advanced HD DVR ever, only from DIRECTV'.

Incumbent Best Deal Phone Only

- ◆ 1,545 homes x \$35/month = \$54,075 or \$648,900 annually
- ◆ Assumes best deal home phone only, domestic local and long distance use

The screenshot shows a website interface for selecting services. At the top, there are navigation steps: 1 Choose Services, 2 Customize, 3 Shopping Cart, 4 Customer Info, 5 Checkout. A location bar indicates 'Welcome | 1071 N 300 E, LAYTON, UT, 84041' and 'Change Info | Already a customer?'. A 'Reset' button is in the top right.

Choose Services:

- Add Internet (Compare Download Speeds)
- Add Home Phone (Compare Phone Packages)
- Add DIRECTV® (Compare TV Packages)

Choose Internet Download Speed:

You qualify for download speeds up to 40 Mbps. Choose the speed that best works for you:

- 40 Mbps is perfect for:**
 - Seamless speed on multiple devices
 - Downloading multiple HD movies
 - Watching streaming videos
- 20 Mbps is perfect for:**
 - Downloading HD movies
 - Watching streaming videos
 - Playing games at fast speeds
- 12 Mbps is perfect for:**
 - Downloading HD movies
 - Multi player gaming
 - Supporting multiple devices
- 7 Mbps is perfect for:**
 - Online shopping
 - Social networking
 - Downloading music
- 1.5 Mbps is perfect for:**
 - Email
 - Surfing the internet
 - Social Networking

Choose an Offer:

- Home Phone Unlimited** \$47.00 per month. Get home phone service at month-to-month pricing with no contract! [Select & Customize](#)
- Home Phone Plus** \$35.00 per month. Get home phone service at month-to-month pricing with no contract! [Select & Customize](#)
- Home Phone** \$35.00 per month. Get home phone service at month-to-month pricing with no contract! [Select & Customize](#)
- Basic Phone Service** \$16.00 per month. Get home phone service at month-to-month pricing with no contract! [Select & Customize](#)

A red oval highlights the 'Home Phone Plus' and 'Home Phone' options, indicating they are the best deals.

Total Expenditure - Incumbent System

21,877 homes, internet & phone = \$17,064,060

1,545 homes, phone only = \$ 648,900

Total = \$17,712,960

Total Expenditure - Layton Fiber System

23,422 homes, world class fiber access = \$ 5,621,280

Total Savings by Switching = \$12,091,680

The potential yearly savings to Layton citizens is equivalent to 1.86 times the entire general fund property tax burden for 2014-15 (\$6,487,412)

Potential Citizen Benefits

- ◆ Increased choice
- ◆ Cost savings
- ◆ Tele-commuting
- ◆ Tele-education
- ◆ Tele-medicine
- ◆ More access to premium services (home automation, security, etc.)
- ◆ Increased communications with citizens through common infrastructure. (PEG channel concept)
- ◆ Receive robust services for dollars already being paid
- ◆ Possible revenue stream for city to help defray need for future tax adjustments
- ◆ Increased ability to monitor and regulate consumption of resources. (i.e. water, etc.)

CNN Video

<https://www.youtube.com/watch?v=hJosCq3InUA>