

# UTOPIA Discussion

## Orem City Council FY 2016-2017 Goals

June 21, 2016

# UTOPIA/UIA by the Numbers

- **Total active UTOPIA/UIA system-wide connections: 13,439**
  - Orem active parcel connections: 3,105 (24.32% take rate)
  - Orem parcels that can connect if inquired about services: 12,767 (green)
    - Total installed : 5,061
    - Total active: 3,105
    - Total disconnected: 1,956 (784 business and 1,172 residential)
    - Installs remaining: 7,706
  - Orem parcels that could connect with additional “drop level” construction, engineering, cabinet electronics, etc. : 2,009 (yellow)
  - Orem parcels that cannot connect: 16,017 (red)
- **Orem Connection Percentages (total of 30,793 parcels)**
  - Percent of Orem that can connect: 41.46%
  - Percent of Orem that can connect with additional construction: 6.52%
  - Percent of Orem that cannot connect: 52.02%
- **FY 2016-2017 City of Orem annual UTOPIA debt obligation: \$3,046,100 (cost per parcel/year = \$98.92)**

# UTOPIA/UIA Update, FY 2017 Budget Presentation

- Added over 7,000 subscribers since 2011 (Centerville build, sweet spot plan - UIA bonding)
- Combined network recurring revenues of nearly \$1.1 million per month (continues to grow at \$10-14k/month)
- No additional OPEX assessments required (outstanding Orem OPEX payment of \$293k). OPEX breakeven was achieved prior to Phase III bond funding
- UIA Phase III funding, \$26.1 million + RUS settlement funds, \$10 million = \$36.1 million
  - \$20.6 million - new construction (sweet spot/ROI strategy)
  - \$5.5 million - new installs
  - \$1.45 million - marketing
  - \$7.3 million - electronic upgrades
  - \$1.25 million - other (bond issuance costs, cap. interest, etc.)

# Macquarie and OPEX History

- **Macquarie Partnership** - deliverables received by UTOPIA
  - Orem's share of \$480,000 Milestone One = \$106,912 (22.27% of total)
  - Payment requested
  - Milestone Two - \$273,056
- **OPEX History** - City of Orem Payments (50% current deployed assets, 50% pledge)
  - FY 2009-2010 = \$65,095 (RUS lawsuit legal fees)
  - FY 2010-2011 = \$68,585 (annual dues)
  - FY 2011-2012 = \$0
  - FY 2012-2013 = \$268,605 (working capital assessment)
  - FY 2013-2014 = \$426,135 (working capital assessment)
  - FY 2014-2015 = \$46,586 (RUS lawsuit legal fees reimbursed - \$65,095)
  - Outstanding Balance = \$293,500

## Alignment of Priorities - Orem vs. UTOPIA

- UTOPIA - sweet spot ROI, business customers, greenfield development
- Orem - residential customers, new footprints/neighborhoods in all areas of the city, subscriber growth in areas that already have access to the network.

# Options Under Discussion . . .

- **Maintain UTOPIA status quo.** Incremental growth. Possible network buildout in 7-10 years. Pay-as-you-go option
- **System revenue bonding.** Use incremental growth of UIA revenues to bond in expanding network.
- **Special assessment area (SAA) bonding.** Voluntary assessment bonds. Mirrors Google "fiberhood" model
- **Utility fee bonding.** Growth of network tied to voluntary or mandatory customer utility fee(s). May require legislative changes. Could involve conversion of an existing city fee
- **City issued bonding.** Pledge available franchise and/or sales taxes to buildout entire city
- **City excess revenue expansion.** Set aside available city resources to incrementally grow network
- **General obligation bond.** Ubiquitous build backed by dedicated property tax
- **Hybrid option.** May involve a mix of noted alternatives

## Bottom Line . . .

- All noted options require investment in capital - there are no "no cost" alternatives.
- Member city parity is a component of all UTOPIA decision making
- UTOPIA is open to fee discussions that allow Orem to benefit from customer connection fees (infrastructure) and transport fees (O & M costs and revenue sharing)

# Key Questions to Consider . . .

- Can the network footprint expand while at the same time adding new customers in existing service areas without additional cost and/or debt?
- Other core issues . . .
  1. Where do you find yourself on the UTOPIA spectrum? Focus on growing subscribers versus growing the network's service footprint?
  2. What is the city council's opinion related to use of existing revenues, utility fees and additional debt in growing the network?
  3. Is ubiquitous (full) buildout of the network critical to UTOPIA's success in Orem? How do you define buildout? Is it full deployment of infrastructure to the side of every home or access to the network by way of fiber that passes by each home?

# Discussion