

Fiber to the Premise Project Recommendations:

- We strongly recommend that the Kaysville City Council proceed with a project to install fiber optic cable throughout the City. We don't feel that the City can afford to wait any longer. Not having fiber connectivity within Kaysville City will become a negative impact on home values and business interest within Kaysville in the future.
- The feasibility study indicates that a significant majority of responses supported the City facilitating the improvement of connectivity within the City.
- We feel it is very important that Kaysville City own the fiber infrastructure and operate it as an open competitive network. An open network means that any provider can offer services to residents if they agree to a network access agreement.
- Based on financial modeling and information from various sources, we recommend the City employ the utility model where all residents contribute to the installation of the fiber infrastructure but are not obligated to connect their home to the infrastructure or purchase any services from providers who operate on the infrastructure. We feel this model provides the lowest risk, best long-term value, lowest overall cost to residents and most competition for services.
 - To reduce the concern of residents paying the utility fee before they can obtain any services, we also recommend that the city be segmented into approximately 50 separate sections. As each section has the fiber network installed and residence connections are available, then each residence in that section will be assessed the fiber network fee. Based on available information, 1 or more sections could be installed each month with installation of the fiber taking about 3 years to reach all sections of the city.
 - Further we recommend that operating costs of the network only be assessed to residences that have connected to the network. This can be done as part of the ISP fee or shown as a separate component of the fees.
 - The lowest cost financing for the fiber project would be to issue General Obligation bonds.
 - This bonding would require a vote of the residents to approve the bonds.
 - The bonds would be paid through the monthly fiber utility fee, but will be backed by the taxing authority of Kaysville City
 - We would recommend 30 years bonds given the current rate difference between shorter- and longer-term bonds and also include an early payoff option.
 - We would also encourage the Council to have the Utility fee sunset after the bonds are paid off and an appropriate reserve is established such that it doesn't become a forever fee or tax.
 - If the City Council doesn't want to force 100% of residents to be subject to the Utility Fee, they could create an "Opt Out" process that would allow a limited number of residents to submit an application to be exempted from the Utility. We modeled this limited Opt Out at about 20% or 1,700 residences. If the Opt-out process is implemented, a procedure for future re-entry to the Utility would also need to be defined so that those residences pay their fair share of the infrastructure costs.

- If the Utility model is not found to be acceptable, then we would recommend that the City Council pursue the subscriber model – where only those residents who desire to connect to the fiber network would be obligated to pay for the infrastructure installation.
 - The subscriber model will cost participating residents more and carries more risk to the City as it is highly dependent on the number of residents who sign up to connect to the network (or the take rate).
 - A minimum take rate for success in this model would be between 35 and 40% of residents signing up for connections.
 - This model will require some funding backstop from the City on the bonding obtained to complete the project similar to what revenue bonds may require.
 - The bonding may be accomplished through a 3rd party agency, like UIA, which would not then be shown on Kaysville financial statements.
 - Take rate risk may be mitigated by asking interested residents to make a fully refundable deposit (say \$200) to help the City know how many people would participate. It would also allow for prioritization of sections with the greatest interest. If enough interest is not generated, the City could refund the deposits and not implement the project. The deposit method could also be employed in the utility model to help prioritize sections for installation.
- No matter which model the City Council determines to utilize for the fiber project, we encourage the City Council to allocate resources for professional services to help the fiber project get started sooner rather than later. The professional services would include Project Management, Legal, Public Relations and Financing. The amount needed is estimated to be \$200,000 and could be repaid as part of the project financing.
- We do not recommend that the City Council defer action on this project and maintain the current status quo within Kaysville.