

AMERICAN FORK CITY COUNCIL  
JUNE 18, 2019  
WORK SESSION MINUTES

Members Present:

|                      |                |
|----------------------|----------------|
| Bradley J. Frost     | Mayor          |
| Kevin Barnes         | Council Member |
| Staci Carroll        | Council Member |
| Barbara Christiansen | Council Member |
| Rob Shelton          | Council Member |

Members Absent:

|              |                |
|--------------|----------------|
| Clark Taylor | Council Member |
|--------------|----------------|

Staff Present:

|                   |                               |
|-------------------|-------------------------------|
| David Bunker      | City Administrator            |
| Camden Bird       | Admin Analyst                 |
| Wendelin Knobloch | Associate Planner             |
| Lauralee Hill     | Deputy Recorder               |
| Aaron Brems       | Fire Chief                    |
| Kyle Maurer       | Finance Officer               |
| George Schade     | IT Director                   |
| Timothy Merrill   | City Attorney                 |
| Adam Olsen        | Senior Planner                |
| Darren Falslev    | Police Chief                  |
| Derric Rykert     | Parks and Recreation Director |

Also present: Andrew Cohill, Kyle Petersen, Will Davis, Todd Marriott and several others.

WORK SESSION

*The purpose of City Work Sessions is to prepare the City Council for upcoming agenda items on future City Council Meetings. The Work Session is not an action item meeting. No one attending the meeting should rely on any discussion or any perceived consensus as action or authorization. These come only from the City Council Meeting.*

The American Fork City Council will meet in a work session on Tuesday, June 18th, in the City Administration Office Conference Room, located at 51 East Main Street, commencing at 4:00 p.m. Mayor Frost welcomed everyone to the meeting and excused Council Member Taylor who was detained.

1. Presentation and discussion on Market Study and Feasibility Report for municipal Broadband Services. (Requested by Terilyn Lurker, Recorder)

David Bunker introduced Andrew Cohill, President and CEO of Design 9 (Broadband, Marketing and Feasibility Study Presenter). Mr. Cohill would be presenting the findings of a recent market study conducted on behalf of the City.

Mr. Cohill explained that the market study analyzed broadband services, including cost estimates and a financial analysis. He stated that affordable broadband services benefitted communities in that it served local businesses and fostered economic development. Broadband was a factor for people when choosing where to live. He explained that 5G would not replace fiber; fiber was needed in order for the broadband to work at optimal capacity. He explained the reasons why it was expensive for cellular providers to replace their current systems. Based on the research findings presented in the market study, residents wanted access to fiber as it was important to their lifestyle. He stated that high quality broadband would make this lifestyle possible, especially for individuals who work from home. An aerial map of American Fork was presented and areas where residents wanted better internet access were shown.

Mr. Cohill discussed the fee structure to pay for the broadband. They could choose a subscriber model which would only charge those who took the service. The City could also include the fee as a utility and every household would pay a small monthly fee. Mr. Cohill then discussed potential locations to place the fiber line and relevant cost estimates.

Council Member Carroll asked about the 100% Take Rate. Mr. Cohill clarified that this meant 100% of the homes would be connected to the broadband.

Mr. Cohill explained that they developed 10-year financial scenarios, including the cost of construction, labor, operations, private internet service, and other variables. Mayor Frost asked about insurance, to which Mr. Cohill responded there was a line about insurance in their financial scenarios.

Council Member Shelton asked if the costs related to phasing and roll out. Mr. Cohill explained that they identified the typical types of construction costs. The actual construction would not be related to their maps. Mr. Cohill continued by explaining that the utility fee model would reduce the financial risk and would help the network be built faster. The City would not be the internet provider. Council Member Shelton asked if the customer would have full connectivity. Mr. Cohill stated that the residents would have full connectivity once the fiber line was installed.

Council Member Barnes asked if the construction would occur in one area at a time. Mr. Cohill said they would have several crews working simultaneously throughout the City. When asked about the advantages of aerial lines, Mr. Cohill said it was cheaper and quicker to build, adding that they were susceptible to damage from tree limbs. Council Member Barnes asked if they could only put aerial lines in where there were poles, to which Mr. Cohill responded in the affirmative.

Council Member Carroll asked if they would cut the road to lay the lines. Mr. Cohill said they tried to avoid doing this and that the lines would not be intrusive.

Mayor Frost asked about splice closures. Mr. Cohill explained these were round structures that were 18 to 24 inches long. Splice closures were either put on poles or buried in the ground.

Council Member Shelton asked Mr. Cohill if he was familiar with the Lifeline Federal Program. Mr. Cohill said he needed to investigate the program. Council Member Shelton suggested they explore this as an option for fixed income families.

Mayor Frost suggested they have an opt-out option and Mr. Cohill said this was discussed. Mayor Frost asked what other communities had chosen to do. Mr. Cohill noted that one community

represented that its internet only cost \$2. However, this was misleading as it was closer to \$50 due to additional fees.

Council Member Carroll asked how much money would be charged as a utility fee, to which Mr. Cohill responded \$10 to \$12. Council Member Shelton reiterated they should investigate the Lifeline Program because he was concerned about those not able to afford the internet.

Council Member Shelton asked what the total cost was, to which Mr. Cohill responded they estimated \$22 to \$26 million. He continued that fast internet helped individuals order prescriptions and groceries online, especially in rural areas. This also was essential for telemedicine and telehealth because patients' vitals could be monitored over the internet. Council Member Shelton suggested there was a silent majority not interested in this change. Mr. Cohill stated that he had never met a community that was unhappy with a fiber network. Council Member Shelton asked if they included the projections of bond rates. Mr. Cohill noted that the financial analysis would include the cost of borrowing.

Council Member Christiansen asked if the bond rates would change during a national election year. She wondered whether rates would be more stable after the election and further, whether there was an optimal time (rate wise) to acquire the bond. Mr. Cohill said he did not know.

Council Member Carroll stated that the City owned a fiber backbone and wondered if this was an advantage. Mr. Cohill said this was not factored into their model. He explained that the fiber backbone already acquired by the City would solve one of two important challenges – namely, how to bring internet into the community. The second challenge was providing infrastructure within the community – which was the focus of the study at hand. He noted that the existing infrastructure would attract service providers and speed up the build-out.

Mayor Frost asked how much of the take rate was needed for the model to be successful, to which Mr. Cohill responded 40% in the first year. They conservatively wanted to have 70% by completion.

Council Member Shelton asked if replacement costs were built into the fee structures. Mr. Cohill stated that they planned on a cash reserve for replacements. Council Member Christiansen asked how they would plan for future growth. Mr. Cohill explained they would work with developers to build the new conduits just like they did with other utilities.

Council Member Carroll said she thought 70% of the residents using the fiber internet was unreasonable. Mr. Cohill stated there would be several providers on the fiber network. Currently, 90% of households in American Fork used the internet.

Council Member Barnes asked if they would emphasize their build-out on undeveloped land. Mr. Cohill stated it was less expensive to put in the infrastructure in new developments. They would still build out in developed portions of the City.

Mayor Frost asked if there was anything that would be prohibited. Mr. Cohill explained that the existing providers like Comcast were free to do what they wanted. He noted Comcast and other existing companies would lower their prices to compete.

Council Member Shelton asked if the fiber network would be set up as an enterprise fund. Mr. Maurer responded in the affirmative and explained that the network would be backed by a City bond. He said they would work with the financial advisor to find the most optimal strategy.

Council Member Carroll asked what the prospects of success were for American Fork. Mr. Cohill said he was confident the network would perform well. They were easy to build and city residents desired faster internet.

Council Member Christiansen inquired as to the initial obstacles of this project, to which Mr. Cohill responded they were marketing and awareness. When asked by Mayor Frost if this was an opportunity or threat to providers, Mr. Cohill said it was an opportunity. They were providing a single infrastructure that several providers could use and it could help reduce internet costs for residents. Council Member Christiansen asked how many communities Mr. Cohill had helped. Mr. Cohill said he had worked with about 250 communities. He noted that he had an architecture and networking background. His team provided high level, detailed network designs.

Mayor Frost asked for questions from the audience.

Will Davis asked if Utopia had performed a similar study in the area. Mr. Cohill stated that Utopia used a different model. Council Member Shelton mentioned that Utopia had campaigned in different areas throughout Utah County.

Todd Marriot commented on the take rates and the cost of infrastructure, noting that the City already had infrastructure to reduce the costs. It was stated that there was a fixed operation cost, to which Mr. Marriot responded this was already accounted for in the costs.

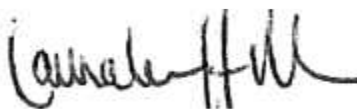
A representative from Utopia said they wanted to be a partner.

Mr. Davis asked if the City planned on making this a utility or a subscription service. Mr. Cohill stated the utility fee would be assessed once the connection was made to the home. Council Member Shelton commented that the City was still in its research phase and nothing had been decided.

Mr. Cohill stated that this was a large community decision, not unlike installing sewers 100 years ago. He noted in the past telephones and electric services were originally municipal utilities; this, too, was basic infrastructure.

## 2. Adjournment

The work session adjourned at 5:35 p.m.



Lauralee Hill, Deputy Recorder