



# ULCT Conference

April 11, 2014



## Faster, Sooner: Why The U.S. Needs 'Gigabit Communities'

*“Walking the floor of the Consumer Electronics Show last week, I kept thinking of that line from Jaws, “You’re going to need a bigger boat.” All the Internet-connected, data-hungry gadgets that are coming to market sent a strikingly clear message: **we’re going to need faster broadband networks.**”*



Julius Genachowski, Chairman of the Federal Communications Commission



## Faster, Sooner: Why The U.S. Needs 'Gigabit Communities'

*“Making sure the U.S. has super-fast, high-capacity, ubiquitous broadband networks delivering speeds measured in gigabits, not megabits isn’t just a matter of consumer convenience, as important as that is. It’s essential to economic growth, job creation and U.S. competitiveness.”*



Julius Genachowski, Chairman of the Federal Communications Commission



# The Future of Municipal Broadband



*“We should think of high speed internet access in the same way we think of other public utilities like electricity and running water. Local government at the city and state level need to take action to optimize information infrastructure for the public good.”*

Susan Crawford, broadband policy expert and co-director at the Berkman Center at Harvard University. March 2014, PublicCEO.com



## Historic Overview

- Early 2000's = Demand for high speed broadband services
  - Desire to increase services & level competitive playing field thus lowering costs
- 2002 Feasibility studies
  - Broadband considered critical infrastructure
    - Econ Dev / Business needs
    - Growing residential demand





## Historic Overview

Member Cities <sub>1</sub>	UTOPIA
Brigham City	X
Centerville	X
Layton	X
Lindon	X
Midvale	X
Murray	X
Orem	X
Payson <sub>2</sub>	X
Perry	X
Tremonton	X
West Valley	X

1. UTOPIA non-pledging cities: Cedar City, Cedar Hills, Riverton, Vineyard, and Washington.



## Historic Overview

- 2004 – first bonding & fiber installations
  - ~ \$185 Million
- 2010 – UIA formed to continue growth of network
  - ~ \$41 Million





## Historic Overview

Member Cities <sub>1</sub>	UTOPIA	UIA
Brigham City	X	X
Centerville	X	X
Layton	X	X
Lindon	X	X
Midvale	X	X
Murray	X	X
Orem	X	X
Payson <sub>2</sub>	X	
Perry	X	
Tremonton	X	
West Valley	X	X

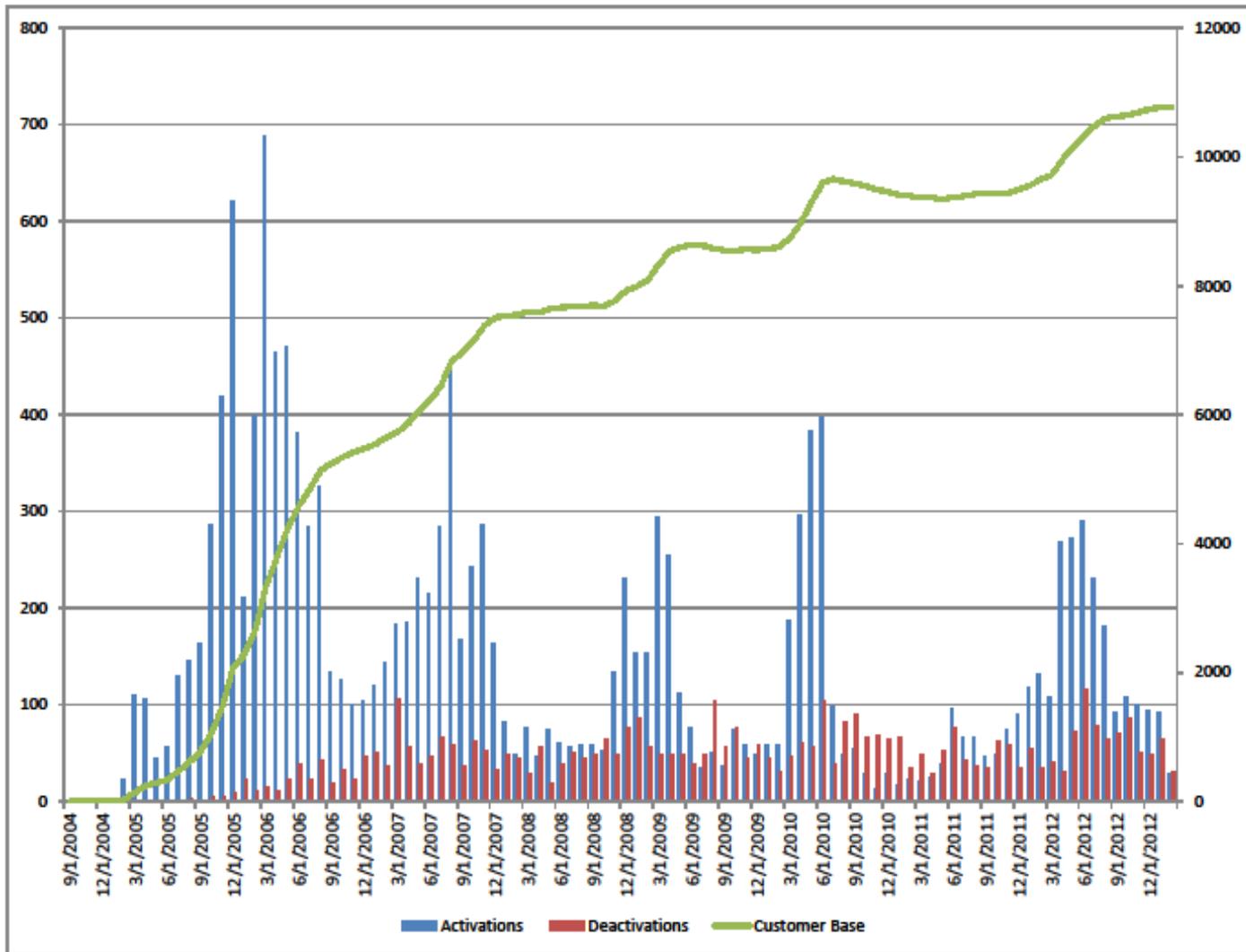
1. UTOPIA non-pledging cities: Cedar City, Cedar Hills, Riverton, Vineyard, and Washington.

2. Non-pledging UIA member.

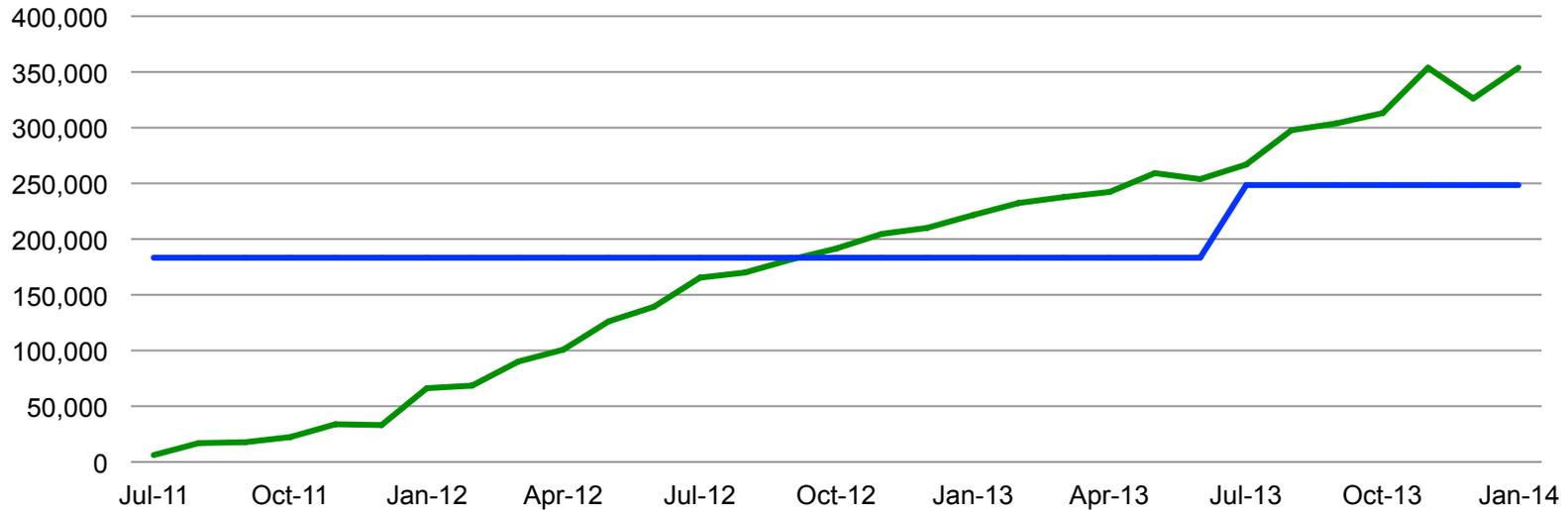




# History of Net Customer Count



# UIA Recurring Revenue



— Recurring Revenue

— UIA Monthly Debt Payment (\$40.7M Bonds)



# Percent of Addresses Passed



UTOPIA/ UIA CITY	% Build Out	Marketing Take Rate
CENTERVILLE	98%	26%
TREMONTON	96%	13%
BRIGHAM CITY	93%	30%
LINDON	73%	46%
MURRAY	63%	24%
MIDVALE	54%	19%
OREM	42%	30%
PAYSON	42%	24%
WEST VALLEY CITY	19%	14%
LAYTON	12%	20%
PERRY	0%	0%
<b>Grand Total</b>	<b>41%</b>	<b>25%</b>

Addresses Passed

63,000

Addresses Connected

16,000



# Potential Options



- Sell Network
- “Go Dark”
- Maintenance Mode (no growth)
- Continue bonding for Wireless Deployment
- Continue bonding for Wired Deployment (current model)
- Public Private Partnership



# Probable Options



- Sell Network
- “Go Dark”
- Maintenance Mode (no growth)
- Continue bonding for Wireless Deployment
- Continue bonding for Wired Deployment (current model)
- Public Private Partnership



# Public Private Partnership (PPP)



## Why Macquarie?

### North American infrastructure specialist



1. Infrastructure Journal Corporate Finance League Tables 2011;

2. US P3 market share based on enterprise value of Macquarie-led transportation transactions 2007-2012 above \$500m

3. US P3 transaction involvement based on number of Macquarie-led transportation transactions 2007-2012 above \$500m



# UTOPIA / Macquarie PPP



	Current	Post-PPP
<b>Network Scale</b>		
Addresses Passed	63,000	155,000
Addresses Connected	16,000	155,000
<b>Service Levels</b>		
Basic Internet Service	No	Yes
100Mbps Service	Yes	Yes
1Gbps Service	Yes	Yes
Active ISPs	18	18+
<b>Agency Objectives</b>		
Complete network coverage	No	Yes
End Operating Deficit	Yes (slow)	Yes
Increased Revenues	Yes (slow)	Yes
Open access for ISPs	Yes	Yes
Pay down UTOPIA bonds	No	Maybe
Ownership of assets	Yes	Yes



# UTOPIA / Macquarie PPP



## Milestone Deliverables

#	Milestone	Deliverable
1	<b>Business Case</b> 3 months	<ul style="list-style-type: none"><li>▪ Proposed business model</li><li>▪ Network feasibility study</li><li>▪ Draft term sheet – Concession Agreement</li><li>▪ Shortlisted design-build contractors</li></ul>
2	<b>Proposal Development</b> ~ 2-3 months	<ul style="list-style-type: none"><li>▪ Final business model</li><li>▪ Final technical specifications of the network</li><li>▪ Detailed commercial / legal project terms</li><li>▪ Preliminary financing plan</li></ul>
3	<b>Commercial Close</b> ~ 2 months	<ul style="list-style-type: none"><li>▪ Final proposal to Agencies / Member Cities</li><li>▪ Fixed-price, date-certain design-build proposal</li><li>▪ O&amp;M plan including network refresh</li><li>▪ Committed financing from lenders</li><li>▪ Third party audited financial model</li></ul>
4	<b>Financial Close</b> ~ 2 months	<ul style="list-style-type: none"><li>▪ Executed Concession Agreement</li><li>▪ Executed Design-Build Contract</li><li>▪ Executed financing documentation</li></ul>



