



Sandy City Council Office

10000 South Centennial
Parkway Suite 231
Sandy, UT 84070
O | 801-568-7141
Sandy.Utah.Gov

Memorandum

January 31, 2019

To: Council Members Robinson and Fairbanks
From: Dustin Fratto, Management Analyst
Subject: UTOPIA Fiber

In response to constituent communication that you've received I've prepared the following memo regarding Utopia Fiber.

Background

Utopia is an inter-local entity, not a private company, and is owned and controlled by the participating municipalities. While Utopia had a rocky start in the mid 2000's, around 2010 they turned the corner as an organization. In short, the founding Cities took on the initial risk and experienced mixed results by doing so. Fortunately, any City that becomes a member now will be part of a subsidiary organization called the Utah Infrastructure Agency (UIA) and takes on far less risk than the original member organizations as start-up and initial infrastructure has already been taken care of. Unlike the original projects prior to 2010, every fiber project financed through UIA since 2009 has been profitable, and fully funded from subscriber revenues.

Implementation

1. A best practice is to issue an RFP for Fiber service. This would allow our current providers (i.e. Comcast and Century Link) to offer solutions to improving their service to Sandy residents if they so desired. Based the experience of other Utah Cities, unfortunately current providers won't choose to respond to the RFP, but Utopia will.
2. In coalition with one another Sandy City and Utopia (or a different provider) complete a feasibility study to decide if Utopia fiber is the right decision. This process includes interest surveys for residents, build out time frame determinations, etc.
3. Sandy City Contracts with Utopia and UIA to complete Fiber Network (Bonding is taken on by UIA).
 - a. The bond is paid for by those residents who sign up for fiber service. To cover the cost of the bond payments ~30% (take rate) of Sandy residents would need to subscribe to the fiber network.
 - b. After a prescribed period of approximately enough time for Utopia to sign on ~30% of residents (usually 2-3 years), the contract requires that the City



Sandy City Council Office

10000 South Centennial
Parkway Suite 231
Sandy, UT 84070
O | 801-568-7141
Sandy.Utah.Gov

cover the cost of any shortfalls in the ~30% take rate in the form of a loan. This equates to a set monthly cost to the City for each percentage that we fall below the take rate of ~\$8000/month. If the City is at the ~30% take rate, then it incurs no costs. If the City is above a ~30% take rate and it has paid for any previous shortfalls, then then it would be reimbursed for any previous shortfall over time.

4. Build-out and resident signup take place concurrently.

Impact to Residents

Sandy residents would see an increase in competition for their internet service resulting in increased speeds and lower prices. Residential speeds through Utopia fiber range from 250 Mbps to 10 Gbps and are offered through more than 10 internet providers, including Xmission, Beehive Broadband, InfoWest, Veracity to name a few. As Comcast and Century Link are currently the only high-speed internet providers in Sandy City, their competition would increase by more than 5x's, possibly encouraging them to both lower their prices and increase speeds for Sandy Residents.

Residents would have two bills for their Utopia internet service. One to UIA for \$30/month (this covers the bond payment for infrastructure and will expire once the bond is paid off) and one to their chosen service provider for \$34 – \$250/month depending on the internet speed that they choose. There is no connection fee for service. In the past it was rumored that Utopia required a \$3000 connection fee. In reality, this was optional in lieu of the \$30/month payment to UIA.

Other Questions

1. Will Sandy have Representation on Utopia's Board?

Utopia is managed by a board consisting of a representative from each of the original member Cities. No new board members will be added to the board over the next 4 years, or until complete build-out for the founding members has been completed. Once this occurs Sandy City may have a place on the board and may be able to appoint a representative.

2. Is Sandy Responsible for any of Utopia's past obligations?

The original member Cities are responsible for the bonds and debt that occurred prior to 2009. New members bond through a separate mechanism that isn't tied to any past obligations.



Sandy City Council Office

10000 South Centennial
Parkway Suite 231
Sandy, UT 84070
O | 801-568-7141
Sandy.Utah.Gov

3. What are the upfront costs?

There are no apparent upfront costs to the City. The costs of the infrastructure are handled by Utopia bonding through UIA. The City is only contracting with Utopia. The contract specifies that if the take rate is below the threshold of 30%, then the City is responsible for paying the shortfall.

My Recommendations

While I don't have enough information to recommend that the City become a member City with Utopia, I do recommend that we take on the low-cost proposition of further exploring membership. As Council Members you should consider the following:

1. Invite a representative from Utopia to make a presentation during an upcoming Council Meeting.
2. Partnering with Utopia to conduct a feasibility study to determine the desire for high-speed fiber internet in Sandy City, the exact take rate, and estimated time to build-out.

Exploring a partnership with Utopia has no cost to Sandy Residents, and in fact may benefit them financially. Should the City issue an RFP or begin showing interest in Utopia, regardless of whether we become a member City, it might encourage our current service providers to rethink how they are providing internet to Sandy residents. In other words, by just exploring a new option the City might encourage Comcast and Century Link to lower prices and increase speeds to avoid the increased competition that Utopia would bring with it.