



Memorandum

To: Mayor, Town Council
From: Rick Wixom
Date: November 1, 2023
Re: **November 8, 23 Town Council Meeting**
South Central Fiber Project

Improving access to broadband internet has been a goal of the Town and Council for years. Some months ago, I attended a Utah Broadband Conference put on by the National Telecommunication and Information Administration (NTIA) and the Governors Office of Economic Opportunity. The purpose in attending was to gain understanding of funding that may be coming to Utah through the Bipartisan Infrastructure Act. Unfortunately, what I learned at that conference was that while Utah would be getting significant money to provide fiber internet in unserved and underserved areas, Springdale isn't categorized as one of those areas.

An additional part of attending the conference was to build connections and network with internet service providers (ISPs), government staff, and others focused on improving access to broadband internet. One of the those present was Terrence Mitchell from South Central Communications/SC Broadband (SCC), who I've been able to interact with for many years.

SC Broadband currently operates one of the two fiber lines running through Springdale along SR-9. First Digital operates the other fiber line. Both provide internet service through the town connecting many of our local businesses to high-speed internet. We have had conversations with both companies for the past few years about how to best expand that access to high-speed broadband to the residential areas of town. So far, we've had limited luck making that expansion a reality.

In talking to Terrence at the conference, he mentioned that he was submitting a proposal within SCC to build out the fiber network throughout Springdale, utilizing the company's annual capital improvement funds to do so. He has brought back to the Town an offer and opportunity to do so. Attached is a summary of their proposed project, which would extend fiber throughout the Springdale residential areas, with the exception of Anasazi Plateau, which already has fiber internet provided by First Digital. Other than Anasazi Plateau, the project would extend to every residence in Springdale and wouldn't "cherry pick" the easiest areas to provide service. SCC would like to start this project in January 2024.

The request from SCC is for the Town to participate in the project to enable the project to move forward. As outlined in the summary, SCC will complete the fiber build at a cost of approximately \$1,019,000. Based on their ROI models, they are about \$227,300 short of the project being 100% sustainable for their capital investment funds. The Company is requesting that the Town provide a financial match for the project of \$113,650 (half of the funding gap) along with providing a 50'x50' piece of property for an equipment building. This match will

enable the project to move forward and provide greatly improved internet access throughout the Town. Besides the match funds and building location, no further investment would be required of the Town. SCC would construct the project and operate the network. Property owners would be able to sign up as customers and subscribers or could choose to receive internet from some other provider. The summary includes some information on how that subscription process might work. In constructing the project, SCC would be able to use identified open conduits owned by the Town, such as the conduit along Winderland Lane and Lion Blvd., to facilitate the installation of the fiber network.

The Council has in the past heard from other internet service providers on the subject of fiber internet. One was a presentation by Utopia a year or more ago. As the Council is aware, Utopia is an Interlocal Agency who builds the fiber network and works with a number of ISPs to provide service to customers. First Digital is one of their partner companies. Their business model relies on the local government financially guaranteeing the debt necessary to construct a project under Utopia. Like SCC, they base their ability to take on a project, at least in part, by the anticipated subscription rate, or “take rate” of the community for the new service.

To better understand how another company might look at a town-wide project in Springdale, I asked Roger Timmerman from Utopia to provide an estimate of what a similar project would cost the town, if we used their financial model. Attached is an email with his response, but in essence, Utopia would be looking for a financial match of \$599,000 to over \$1M, depending on the subscription rate and amount of infrastructure fee (a fee on top of the monthly subscription rate). Of course, their project would be more costly as they don't have the backbone network already installed along SR-9 that SCC presently has.

I also reached out to both First Digital and Infowest with the same question; what does a town-wide fiber project look like from the point of view of your company? To date, I've received no information from either company.

If the Council is supportive of providing a financial match to enable the SCC project, we will need to draft an agreement between the Town and SCC. The Council may want to discuss what terms you would like to have included in such an agreement as part of this item. As stated, this would be a project run by SCC and not the Town. The Town would be providing a small financial match but would not be involved in managing the project or contracting for the work.

I am planning a budget amendment for the December meeting and could include this request into that amendment at the Council's direction.

Rick Wixom

From: Terrence Mitchell <terrencem@scbroadband.com> on behalf of Terrence Mitchell
Sent: Friday, September 8, 2023 11:13 AM
To: Rick Wixom; Barbara Bruno
Subject: Springdale Costs Review

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Mayor Bruno and Rick,

It was great talking with you the other day. I have for you the numbers that we discussed working through in that meeting. The way they came out in order to meet our return models we need we are \$227,300.00 short. Just today I got approved for SC Broadband to cover half of the overage ourselves, and then get the other half from Springdale. Our actual project costs on this came in at just over \$1,019,000. With the contribution I reference below that means SC Broadband is asking Springdale to cover just over 10% of the entire project with funds, then additionally, the land to put a building on.

Essentially Springdale's match would look like this:

**\$113,650.00 funds in kind (half of the amount we are over, as we are covering the other half)
50'x50' land with that being a match in kind for whatever the appraised value is, or however you can work that out on your end.**

I spoke with the construction manager today and he said if we were able to proceed with Springdale, he would want to do it as closed to January 1 in 2024 as we can.

Lastly, I was not able to include Anasazi in these numbers and make it the project work. Our take rates go down significantly in places that already have access to fiber Internet. That said, I do believe possibilities will arise in the near future for us to become the provider there once we are more established in Springdale as the Residential Fiber Internet Provider.

Please let me know what comments, questions, or concerns you have as we strive to move forward with this project.



Rick,

The memorandum looks great. Here are some additional details from our side, but please let me know if you have need anything else.

I reached out to our various departments to provide some details we had not yet passed along regarding the Fiber build out in Springdale. I will break the details up below into categories, that way you can present them as you see fit.

Construction – Assuming Springdale City agrees with the SC Broadband plan to provide Fiber within the scope of the plan presented in a timely manner SC Broadband will to start the project in January 2024 with the project remaining a priority until completion, which we expect to take 4-6 months. Factors that play a part in the ability for SC Broadband to complete the project in such a timeframe include prompt responses for Rights of Way, construction and any other permits from the City to SC Broadband, timely response to the project proposal, and a willingness to allow SC Broadband to exercise their best judgement in the methods they choose for construction which are to include, use of existing available conduits, micro-trenching, Matilda, vibratory plow, underground drilling, missiling and hand work, all of which SC Broadband uses on a day to day bases in other cities where new construction is under way. For the sake of the least amount of disruption, SC Broadband would prefer to operate our construction crews when Springdale is least busy as far as tourism is concerned. Should SC Broadband not be able to start in January of 2024 SC Broadband suggest and intends to then wait on the construction until November of 2024 and complete the project near March of 2025. Again, the plan, as it is now, given timing of approval is start in January of 2024.

Packages and Pricing – Currently SC Broadband offers a 1 Gig Internet package which will be priced at \$65 per month in Springdale. SC Broadband residential services have no contract, no equipment fee, and the installation fee of \$99 is waived. If a customer chooses to disconnect service within the first year, we just ask that the customer reimburse the originally waived installation fee and return equipment. Additionally, it is common for us to offer promotions, especially when entering a new area. Two common promotions we have run as of late have been the customer getting the first 12 months for \$45 instead of \$65, as well as a promotion that is the first two months free. Lastly, we do plan to offer more packages in the future that will give customers options of services from 1 Gig to 8 Gig with pricing respective to each speed. Customers will easily be able to sign up on the SC Broadband website and as constructions and installation crews pass their home they will be installed. There is no financial penalty if a resident chooses not to sign up when our initial crews come by and then signs up later, but the timeframe between signing up and getting installed may be longer.

Facilities and Miscellaneous – As mentioned SC Broadband will need a 50' x 50' piece of land to house a building that our facilities and fiber plant will be located in. Typically, these sites have a 12' x 20' building, a propane tank, a backup generator, and some form of storage building that is all fenced in by an 8-foot three wire tilted top fence. SC Broadband will construct all of this and secure power to the building at our cost but is asking for the land to be provided by Springdale. These facilities and the occasional placement of a cabinet throughout the construction will be the only facilities above ground. All other facilities will be subgrade (vaults with only the lid level flush with the ground) or underground. Additionally, as SC Broadband conducts the construction left over material will be

created. Typically, this consists of trenched asphalt materials, earth from digging etc. Usually, these materials can be used as fill material for private or city construction. SC Broadband will need a place to store said materials and any assistance Springdale can offer in finding uses for the material, for city or private use, around the area would be helpful.



Terrence Mitchell

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Rick Wixom

From: Roger Timmerman <RTimmerman@utopiafiber.com> on behalf of Roger Timmerman
Sent: Monday, September 25, 2023 5:45 PM
To: Barbara Bruno; Rick Wixom; Nicole Cottle; Kimberly McKinley
Subject: Springdale/Rockville Fiber Buildout Estimate Terms

Mayor Bruno and Rick,

Our OSP Design folks have updated their costs and design to provide an estimate for building out Springdale and Rockville. Typically, we finance these projects with a revenue backstop from the city, and then pay for them over time from what we call an infrastructure fee, which makes up \$30 of the cost of the services that the subscriber pays. Only those who subscribe for the service pay for the infrastructure fee. More recently because of higher construction costs and cities with less density, we have had to model out a higher infrastructure fee (\$40). Unfortunately, we have both lower density and higher costs for Springdale and Rockville, meaning that even with a higher infrastructure fee (\$40 per subscriber), we still do not have a situation where there is enough revenue to entirely cover the debt service of the project. These projects can work, but they would require a partial subsidy.

I've modeled out what this would look like for a \$30 per subscriber fee and a \$40 per subscriber fee for each city. Both models assume a 50% take-rate which may be too conservative because there are not good competitive options in these cities, but we generally like to model these conservatively and then hope for better outcomes. If we went with the same price structure that we offer in most of our cities (\$30/mo infrastructure fee), Springdale and Rockville projects would require some form of \$1,150,000 and \$852,550 subsidies with financing backstop for the remaining project costs. At the higher price point, these would drop to \$599,000 and \$711,000 respectively.

If using the \$30 structure, the services and options would reflect what is listed here:

<https://www.utopiafiber.com/residential-pricing/>, which has an all-in cost of services starting at about \$60/mo for 250 Mbps service. At the \$40 price point, it would be \$10 more than these prices.

I think we would be very successful at the \$40 price point and would recommend this approach. The result would essentially be a \$1,310,000 investment by the cities that results in a \$4,081,000 network being built that provides a far better broadband service and saves residents and businesses money on broadband services in perpetuity. I would love to schedule a day/time to either meet remotely, or to come in person to discuss further. Also, please let me know if you have any additional questions.

Springdale

Covered Locations - 606

Mainline Buildout Expense - \$2,500,000

Installations (50%) - \$303,000

Total Cost (w/ 50% installations) - \$2,803,000

Option 1 - \$30 infrastructure fee

Debt supported with 303 subscribers - \$1,653,000

Subsidy needed - \$1,150,000

Option 2 - \$40 infrastructure fee

Debt supported with 303 subscribers - \$2,204,000

Subsidy needed - \$599,000

Rockville

Covered Locations - 155

Mainline Buildout Expense - \$1,200,000

Installations (50%) - \$78,000

Total Cost (w/ 50% installations) - \$1,278,000

Option 1 - \$30 infrastructure fee

Debt supported with 78 subscribers - \$425,450

Subsidy Needed - \$852,550

Option 2 - \$40 infrastructure fee

Debt supported with 78 subscribers - \$567,000

Subsidy Needed - \$711,000



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