

Q&A With Roger Timmerman and Kim McKinley, UTOPIA Fiber

A Recipe for Rural Fiber

UTOPIA Fiber is expanding through Utah and beyond, proving that fiber-to-the-home deployments can succeed even in small, rural towns.



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UTOPIA Fiber, the interlocal community broadband network in Utah, has expanded to several new communities in the last year and now offers residential FTTH service in 15 cities and business fiber service in 50 cities, using an open-access model. The entity has a complex financial structure – some cities are members of the original UTOPIA agency, formed in 2004; others are members of its sister organization, the Utah Infrastructure Agency, formed in 2010;

still others have partnership arrangements of one kind or another. But despite their differing financial obligations, all the cities benefit from UTOPIA's all-fiber network and its engineering and operational expertise. Subscribers in all the cities can choose among the many service providers on the network.

In the November-December 2019 issue of this magazine, **BROADBAND COMMUNITIES** covered several new UTOPIA projects in depth. Recently, after UTOPIA announced the successful launch

of its network in Morgan City, Utah, we had the opportunity to speak with Roger Timmerman, UTOPIA's executive director, and Kim McKinley, its chief marketing officer, about the ingredients for a successful community deployment. Following are highlights of the conversation.

BROADBAND COMMUNITIES: *UTOPIA's network in Morgan City – whose population is less than 5,000 – was able to begin covering bond payments and operating expenses in eight weeks. Typically, I hear about deployments taking two to three years to reach the break-even point. What's different about the UTOPIA model?*

ROGER TIMMERMAN: For starters, since our restructuring in 2009, every UTOPIA Fiber project has been completely paid for by subscriber revenue. This is about \$200 million in successful fiber projects. The common threads that lead to successful projects are strong working partnerships with local communities, robust marketing efforts, and the scale of operating efficiencies that come from a proven network with a strong and trusted brand. In Morgan's case, the city's connectivity was awful, so there was pent-up demand for fiber service; word travels fast in a small town – and now even faster over fiber!

BBC: *How do you achieve a working partnership with a local community?*

RT: It's a result of the city's taking ownership. We feel this was a city effort, a community effort, versus some third-party entity coming in and wiring these communities. We don't live in these communities, necessarily, but we feel like we *are* these communities, and the network is *their* effort. So then cities take every opportunity they have – they're promoting the network, they're using it. They feel like it's their system. And that helps us with public support; I'm seeing positive results in terms of more subscribers and revenues. These are community-driven efforts versus some provider coming in and trying to sell service.

BBC: *In addition to the city marketing, what other kinds of marketing efforts do you use?*

KIM MCKINLEY: We do a lot more marketing than other municipal broadband networks. You'll see us on Facebook, we do referral marketing, we do direct mail – anywhere we can reach the customer, you will see us doing marketing. We get a great response when we post something on social media. We post news releases on LinkedIn, showing how much fiber we're building and releasing at any given time. People are following us, and it builds the excitement for fiber. You'll see chitchat online – "When can I get signed up?" We're very transparent with our marketing about when we're opening areas and how we're opening areas. I think we're really starting to change the paradigm of communicating with customers.

BBC: *What's UTOPIA's primary marketing message?*

RT: We don't just say fiber – obviously, that's part of it, but we

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also say that it's the fastest connection you can get, it's your community-owned system, you have a choice of providers, and it has amazing customer service and reliability.

KM: In the annual surveys we conduct, people say they like the network's reliability, the choice of 11 or 12 providers – that's a huge value add – and the fact that it's locally owned and operated.

BBC: *Your third ingredient for success was having a large enough scale to achieve operating efficiencies. Is there a trade-off between scale and localism? At what point do you lose the local advantage?*

RT: We want both to be the local provider that you trust *and* have some efficiency so we can share resources across larger projects and partnerships. Our smallest city is Woodland Hills, with about 350 homes. It's tiny. It doesn't have any resources to run its own network operations center, yet the mayor can call us and get our attention. She gets to use the smart-city applications that we develop and implement across all our cities. And the city gets the benefit of that, even though it's tiny. But at the same time, it owns its own network. The network literally is the city's own asset, and the city gets whatever it wants out of it.

BBC: *Is there a limit to how much you can expand and still keep that local feeling?*

RT: I don't think so. We'll go to events in the park and to parades and things like that. We get a little busy when everybody wants to have a party in the summertime at the same time, but we have grown our marketing team over time so we can participate at the local level and not neglect those cities that are smaller or farther away. It's a burden to give that level of attention to all the member cities, but it's an important aspect of what we do.

BBC: *How replicable is Morgan City? Can something similar be achieved in any small town with a reasonable population density?*

RT: UTOPIA's rural model is easily replicable if you have political will and close tie-ins to long-haul fiber for backhaul. Morgan's challenge was its remote mountain location, so we did a fiber swap with the Utah Department of Transportation, which made the project possible.

In sparsely populated rural areas, we would work with a county to see what we can do, if it's able to help with financing, and if other opportunities exist to extend into the unincorporated areas.

BBC: *Have you used other tactics to get fiber out to remote locations?*

RT: We look for any option. The last resort is to build your own fiber, which takes not just money but also time. We've done trades, fiber leases and partnerships of all kinds with private-sector providers, governmental agencies, and sometimes even with our competitors.

BBC: *Would this model also work for sparsely populated rural areas outside towns?*

RT: There's definitely a need there. We would work with a county to see what we can do, if it's able to partner with us on the financing, and if there are other opportunities to extend into the unincorporated areas. Even without county involvement, we've brought a lot of benefits to those areas simply because we're bringing fiber connectivity to the cities and the region. We provide connectivity to wireless providers from those fiber networks. Generally there are already a lot of wireless providers, but they don't have very good backhaul connectivity, so when we build fiber to a city, it significantly enhances the wireless service outside the city.

The long-term payback for fiber is fantastic, but sometimes there's not a practical way to get fiber out to those really rural areas. They are served by wireless providers until we get some other funding or are able to incrementally build out. For example, in Morgan, we've finished the whole city network, and now we're actually extending it out into unincorporated areas incrementally. We don't have an aggressive plan to go into the entire county. But it becomes more practical, as we get more numbers in an area, to extend the reach from the initial project.

BBC: *Morgan has several advantages compared with many small towns that would like to build community fiber networks. I'd like to talk a bit about each of these advantages. First, how necessary or important do you consider the financial commitment of local government?*

RT: Financial commitment is huge. We believe a city has to have a financial stake to make the project work. In Morgan's case, city government provided the financial backstop for the bond deal.

BBC: *What about the absence of local competition?*

RT: It's important because it makes the city realize it has a problem. But even a small, remote community like Morgan saw many visits from telecom lobbyists who were trying to stop the UTOPIA project from going forward. The mayor went head-to-head with the lobbyists, reminding them that they had had more than a decade to execute on their empty promises. This is a great example of how a community can take the reins back into its own hands.

BBC: *Do you look for evidence of local demand, such as a successful preregistration drive?*

RT: We conduct surveys at the onset of all our projects. Because the UTOPIA Fiber brand is so strong, especially in Utah, it's relatively easy to secure customers. Morgan reached out to us initially, due to resident demand. That's pretty typical for UTOPIA now.

BBC: *Is it important for a city to have experience managing utility infrastructure?*

RT: This can be a double-edged sword. On the one hand, experience with infrastructure can make a city quite comfortable guaranteeing bonds, but on the other hand, a city's resources and equipment – for instance, the condition of its poles – may not be in alignment with UTOPIA's needs.

BBC: *How important is the ability to join an existing regional network?*

RT: This is huge, and I think it's an area where lots of muni networks run into trouble. It takes years to build trust with the public. To do so requires developing a strong brand and having seamless operations. Both these factors lead to greater efficiencies, speed to market and profitability. Our people at UTOPIA have worked very hard, for years, to get to this point.

BBC: *How about the ability to use the open-access model? Is that a benefit for a small community starting a broadband network?*

RT: Open access is the only allowable model for muni networks in Utah. But elsewhere, the answer depends on what the obstacles are. If the obstacle is financial, open access doesn't necessarily help. If the obstacle is political, it's hugely helpful because open access doesn't compete with private providers. We're not saying the private sector is doing a lousy job, so we're going to replace that monopoly with a government monopoly. That's not very popular politically. We say, we're going to put in fiber, and all these private-sector companies can come in and compete on that. This is pro-competitive. People accuse municipal fiber companies of being anti-competitive, but if it's open access, it's exactly the opposite.

With open access, you see a lot more innovation, a lot more variety of products. And those providers know they've got to differentiate themselves from the other providers, so we see a level of customer service just not found in other

networks. It's so easy for a customer to say I'm not getting any help, I'm just going to cancel and switch to a different provider. All the providers have to step up their game when they know they're in a very competitive marketplace.

And it's also local. We have 12 providers now, and most of those are Utah-based companies. We're keeping those dollars local. Local providers can suddenly compete with those big incumbents. And you know, that's really good politically.

But open access does add complexity from an operations perspective, and obviously there has to be money in it for providers to pay their expenses. So there's an economy of scale that a small community would struggle with. Part of the benefit that we've achieved with having a partnership of many communities is that providers can say, I've got more than 100,000 addresses I can sell to. Some of those addresses happen to be in this little tiny town of Woodland Hills, but they don't have any incremental costs to providing service to those rural cities, compared with the big cities.

BBC: *Are there any red flags – reasons you might turn down a community that wanted to be part of the UTOPIA network?*

RT: It's pretty simple: Not having enough political support. We require a unanimous council vote because we don't want UTOPIA Fiber projects being politicized. We have a large pipeline of projects in Utah and are even being approached by communities in other states, so we can afford to be choosy.

KM: We don't want to force that battle. It's not worth our time to have that battle anymore.

RT: If we were a business, we'd probably go anywhere we could make money – but we're not a business. We're a partnership with cities. The cities want to know that partner's going to be a good partner, and so there's a pretty hard, high bar, intentionally, for a city to enter into a partnership.

BBC: *What's in the future for Morgan City? Does it have plans for taking advantage of its new access to fiber?*

RT: Morgan is a really interesting community. As Utah's population surges, rural mountain cities such as Morgan are poised to double in size. Right now, Morgan is growing fast. It's building a new ski resort, and the community is positioned to be the next Park City. But, even as recently as 2019, it was nearly impossible for the city to attract businesses because Morgan's connectivity was so bad. The fiber network went live right around the time that COVID-19 hit, so measuring 2020 business growth is a little tricky. But we've been told that had UTOPIA not come to Morgan, residents could not have worked remotely and kids would not have been able to participate in distance learning. Fiber will help drive Morgan's economic expansion.

BBC: *What's in the future for UTOPIA? Are more expansions in the works?*

RT: We're being approached by communities in several other states for operational partnerships. These are interesting times for us.

BBC: *How big could UTOPIA get?*

RT: We've asked that question, too: What is the tolerance or the interest of our member cities to add additional partnerships? We recently expanded into Idaho with a partnership there, and it's gone very well. We're not saying we're going national – that's not something we've even considered. But from an operational perspective, as we look at our partnership with Idaho Falls, that project might as well be in Florida. It isn't really connected to our system in Utah. We are able to manage it remotely. We're not driving technicians back and forth between Idaho and Utah. It's kind of an island. It has its own set of service providers.

For political reasons, the states nearest to us are the only ones we've considered expanding to. But if a city wants to partner with us, it could really be a city anywhere. We're more than happy to consider partnering with cities anywhere.

BBC: *How does expanding the network benefit UTOPIA and the member cities?*

RT: There's been a real benefit to providers as we grow and expand, just because they don't have any incremental costs and they now have the opportunity to expand their customer bases and market to new areas. It's also been an economy-of-scale issue for UTOPIA. We've added some staff, but not a lot. Our cost per customer is going down as we continue to improve that economy of scale.

We've got more than 30,000 subscribers on the system right now. What would happen if we grew that to 60,000 subscribers? We wouldn't need to double our operations. We'd probably have a 10 to 20 percent increase, but that would make everything more efficient and put us in a better financial position if we continue to grow. So we absolutely hope to get to 60,000, and continue to grow beyond that.

BBC: *What's the future for UTOPIA in terms of technology?*

RT: We're trying to stay ahead of the curve, so we're proud of having a 10 gig offering that's available with all the carriers. We are not cherry-picking good and bad areas – 10 gig residential services are available anywhere in the entire system, and that puts us a full generation ahead of any other provider in the state.

We're also the No. 1 provider of smart-city applications in Utah. We're providing air quality sensors. We're providing wildfire detection systems. We're providing advanced Wi-Fi in public spaces. We're doing cool things that the cities, on their own, don't have the capability to do, but because we're bigger, have some good in-house technology people, and are able to get pretty deep into those applications, it benefits the cities.

Smart-city technology is evolving rapidly. There are so many things that we can do to conserve resources – power management, water management, air quality. There are a lot of scarce resources or public-safety needs that we can address with technology, but, without connectivity, it's difficult. With connectivity, we can do everything. ❖