Value Report:
20 Years of Community Broadband Benefits

Cedar Falls Utilities
THE POWER OF SERVICE
Community Broadband Milestones

October 1994  Cedar Falls citizens vote to form a Municipal Communications Utility
July 1995  Groundbreaking for network construction
January 1996  First TV customer connected
February 1996  First business internet customer connected
May 1996  City-wide Hybrid Fiber-Coax network complete
January 1997  Cable modem internet service launch
November 2001  Digital TV launch
October 2003  High definition TV launch
August 2010  Fiber-to-the-premises upgrade kick-off
October 2012  Rural broadband expansion kick-off
May 2013  Fiber-to-the-premises upgrade complete city-wide
December 2013  Rural broadband expansion complete
October 2014  Google names Cedar Falls Iowa’s top e-commerce city
May 2016  Telephone service launch

Why Cedar Falls built a community-owned network

In the early 1990s, residents wanted competitive choice for cable TV service, and leaders recognized high-speed internet service would soon be essential to the local economy. The telephone and cable companies that served Cedar Falls were not willing to invest in network upgrades. To get the services they wanted, citizens passed a broadband referendum with more than 70% approval, and tasked CFU with building and operating a community-owned network. During 20 years of service, CFU broadband has delivered the benefits promised to the community.
Early Deployment to Homes, Businesses & Schools

Because of the municipal network, Cedar Falls was one of the first U.S. cities with widely available high-speed internet service. CFU cable modem service was available city-wide four years before any private provider began offering broadband service.

Community Benefits

**ECONOMIC GROWTH** Leading edge broadband availability contributed to Cedar Falls’ exceptional job growth. The city’s Industrial and Technology Parks are now home to more than 7,000 jobs, up from about 1,200 in 1996.

**HIGH ADOPTION RATES** Early availability of affordable broadband lead to high adoption rates. In a city with about 15,500 households and 1,500 business premises, CFU has more than 14,900 active service locations as of July, 2016.

**CUSTOMER SATISFACTION** Nine of ten Cedar Falls broadband households choose service from CFU, according to research conducted by the University of Northern Iowa.
Leading Edge Infrastructure

Broadband subscriber fees are used to fund system upgrades that keep CFU’s network reliable and ready to meet growing customer needs.

From 2010 to 2013, the entire community-wide network was upgraded to fiber-to-the-premises (FTTP), providing higher capacity and reliability. Diverse multi-path upstream connections were put in place to reduce outage risk.

Community Benefits

**BUSINESS CLIMATE ADVANTAGE**  System upgrades have kept CFU’s service ahead of the bandwidth and data transport needs of local businesses, enabling them to innovate, compete and grow.

**SAME DAY SPEED UPGRADES**  CFU has offered gigabit connections in every corner of Cedar Falls since May, 2013. Today, most choose our 100 x 50 or 250 x 125 megabit per second (mbps) services. As their needs change, subscribers can upgrade anytime to gigabit service with no waiting, no appointment and no build out fee. Services faster than 1 gbps are readily available as custom solutions.

**SUPERIOR RELIABILITY**  Redundancy and diversity in our external network means seamless service to our customers, even if an upstream provider is down.
Competitive, Economical Service Rates

As a community owned, not-for-profit service, CFU sets service rates as low as possible, but high enough to fully fund operating costs, capital expenditures and debt service.

Community Benefits

RATE SAVINGS  Twice a year we compare CFU broadband and TV service rates to a group of 20 peer cities in Iowa. The most recent comparison shows that CFU subscribers save more than $4 million a year on these services, compared with the average peer-city rates.

COST BASED PRICING  CFU’s rates are lower than competing providers for similar service plans. Rather than charging as much as the market will bear to maximize shareholder profits, CFU’s local Board of Trustees sets the lowest responsible rates, based upon operating and capital expenditure costs.

SERVICE PLANS DRIVEN BY CUSTOMER NEEDS  Rather than push customers into higher-cost service plans, CFU offers a full menu of services from budget to premium. Our mission is meeting the full range of customer needs.
Self-Supporting Fee for Service Business Model

The Municipal Communications Utility is community-owned but not tax supported. Citizens who don’t subscribe to CFU broadband services pay nothing to support the Communications Utility. The money subscribers pay for internet, TV and telephone services covers operating costs, capital expenditures and debt repayment.

Community Benefits

**NO LOCAL OR STATE TAX SUPPORT**  Contrary to false information you may have seen elsewhere, there is no cost “to the public” for community broadband. The network is supported by user fees, not taxes. By supporting business growth, the Utility has helped bolster the community’s tax base.

**NO SUBSIDY FROM THE ELECTRIC, GAS OR WATER UTILITIES**  Contrary to false information published by groups that oppose municipal broadband, CFU’s Communications Utility is not subsidized by the Electric, Gas or Water Utilities. The other utilities do not borrow money on behalf of the Communications Utility or guarantee or repay its bond debt.

**LOCAL CONTROL OF SERVICE RATES**  A Board of Trustees composed of local citizens sets rates for all of CFU’s services. They keep service rates as low as possible, while raising enough subscriber revenue to fully fund the Utility.
Prompt and Responsive Local Service
While competing service providers may take several days to connect services or fix problems, CFU’s local crews are on call 24/7/365 to connect customers and keep them in service.

Community Benefits

SAME DAY SERVICE Internet service can be activated at nearly any Cedar Falls residence or business location with just a phone call on any business day.

FREE LOCAL TECH SUPPORT Customer support is provided seven days a week by our local Help Desk associates. In the rare event of a service outage, local crews are dispatched day or night, any day of the week.

CUSTOM BUSINESS SOLUTIONS CFU’s network engineers work directly with local businesses to design internet access, networking and data transport solutions.
New Services to Meet Community Needs

During 20 years as a broadband provider, CFU has continuously expanded bandwidth capacity to stay in front of community-wide demand, which has often doubled from one year to the next. Competing providers sometimes decline to extend service to new developments and neglect needed plant maintenance. CFU continues serving the entire community to put reliable, high capacity service within the reach of every home and business.

Community Benefits

**TELEPHONE LAUNCH** Because of customer demand, particularly from the business community, CFU launched phone service in May 2016.

**RURAL EXPANSION** In 2009, the federal government made funding available to broadband providers for rural service expansion. CFU received a one-time grant of $843,641 from the Department of Agriculture. This covered about 40% of the cost of extending fiber services to previously unserved areas outside the city limits. (Most federal broadband grants under this $7.2 billion program were received by private, for-profit phone and cable companies.)

**SYNERGY WITH THE MUNICIPAL ELECTRIC UTILITY** CFU’s electric utility is able to connect through the broadband plant to smart meters and remote switching gear that save meter reading costs and help minimize outage time.
What is the cost to local taxpayers?

The Cedar Falls broadband utility is community-owned, but not tax supported. It is operated on a fee for service basis, and fully self-sustaining through subscriber revenue.

In a city with approximately 15,500 dwellings and 1,500 business premises, CFU currently serves more than 14,900 dwellings and businesses with high-speed internet, telephone and/or TV services. Subscriber revenues fund operating and equipment costs, as well as principal and interest payments on money borrowed to finance major capital projects. A chart of the broadband utility’s profitability over the past 10 years is below.

How was the fiber optic upgrade financed?

From 2010 to 2013, Cedar Falls Utilities (CFU) upgraded its broadband infrastructure throughout the city, replacing hybrid fiber coax (HFC) with fiber to the premises (FTTP). The upgrade was funded with accumulated internal cash flow (set aside over several years in anticipation of this project) and borrowing that included $15.04 million of proceeds from Communications Utility Revenue Bonds. These bonds pledge Communications Utility revenue as the sole repayment source. The bonds are not guaranteed or backed by the city-owned electric, gas or water utilities, or by the taxpayers. CFU is on target to repay these bonds early, at their first call dates.
How does the broadband utility pay back its debt?
The Utility’s local Board of Trustees sets service rates as low as possible, while generating the cashflow needed to fund operating expenses, capital expenditures and debt service. Principal and interest payments are made from operating income. The most recent 10-year financial summary is at the end of this report.

Did the city’s electric, gas and water utilities take on debt to build the fiber optic plant?
No. The Communications Utility used accumulated operating cashflow and issued revenue bonds to fund the upgrade. The bonds are not backed by the city’s taxing authority or by CFU’s electric, gas or water utilities. More information appears above under the section titled “How was the Fiber Optic Upgrade Financed?”

Why is CFU’s gigabit internet priced higher than Google’s?
CFU’s most popular business and consumer broadband plans are priced below competing local providers. Compared with the average cost in peer communities across the state, Cedar Falls residents save more than $4 million a year on internet and TV services.

Based upon publicly available information,* Google fiber services are priced below cost and subsidized by the company’s other business enterprises. In summer 2016 Google announced a moratorium on additional fiber build-outs, and said it’s exploring wireless rather than fiber connections going forward.

Unlike Google, CFU’s fiber network is a self-supporting, fee for service business. To sustain leading edge fiber services in Cedar Falls for the long term, CFU sets prices as low as possible while covering the costs of providing service.

*As reported in the Wall Street Journal [here](#).
**Ten Year Financial Summary** Cedar Falls Municipal Communications Utility

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<th>Year ended 12/31…</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>Operating Revenue</td>
<td>$9,721,949</td>
<td>$10,995,281</td>
<td>$11,296,749</td>
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<td>Operating Expenses</td>
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<td>Operating Expenses**</td>
<td>$2,192,662</td>
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<td>NonOperating Revenue (expense)**</td>
<td>$48,774</td>
<td>$29,456</td>
<td>$185,912</td>
<td>$(187,046)</td>
<td>$(226,359)</td>
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<tr>
<td>Net Income</td>
<td>$2,241,436</td>
<td>$2,407,374</td>
<td>$2,557,748</td>
<td>$2,762,210</td>
<td>$459,534</td>
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<tbody>
<tr>
<td>Operating Revenue</td>
<td>$14,309,713</td>
<td>$15,725,113</td>
<td>$16,724,758</td>
<td>$17,575,519</td>
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<td>Operating Expenses</td>
<td>$13,199,728</td>
<td>$14,908,652</td>
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<td>Net Operating Income</td>
<td>$1,109,985</td>
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<td>$3,215,759</td>
<td>$3,409,775</td>
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<td>Non Operating Revenue (expense)**</td>
<td>$283,472</td>
<td>$(122,895)</td>
<td>$127,761</td>
<td>$439,079</td>
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<tr>
<td>Net Income</td>
<td>$1,393,457</td>
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<td>$3,343,520</td>
<td>$3,848,854</td>
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* Source: Audited annual income statements for the Municipal Communications Utility of the City of Cedar Falls, IA. 2016 numbers are pre-audit and will be updated if needed when audit is complete.

** Non-operating revenues include contributions in aid of construction, intergovernmental payments, interest income and miscellaneous items. Non-operating expenses are primarily interest on term debt.