



## UTOPIA: No Revenues and No Transparency

Utah's largest municipal telecom system, UTOPIA, is pining for taxpayers to back another round bonding. Unfortunately, UTOPIA believes that their investors, aka taxpayers, shouldn't be able to evaluate how UTOPIA plans to spend that money. Given this contempt for transparency, and UTOPIA's abysmal record so far, the City Councils in affected cities should reject this latest round of bonding.

Regular readers of the Utah Taxpayer are all too familiar with the sad story of UTOPIA. Formed in 2002, UTOPIA hoped to build an all-fiber-optic telecom network to every resident in its 11 pledging member cities (out of approximately 240 Utah cities). To pay for that build out, UTOPIA bonded for \$185 million. UTOPIA would pay the bond holders from subscriber revenue, and if that fell short, the member cities would pay the bond holders out of pledged sales tax revenues.

Your Taxpayers Association warned city councils not to join UTOPIA. Of the dozens of cities across the nation, from Oregon to Georgia, who have gotten into the telecom business, taxpayers have continuously had to pay.

### UTOPIA's FY 2011 Budget

Like all public entities operating on a fiscal year budget, UTOPIA's board recently adopted its FY 2011 budget. That budget re-emphasizes the complete failure UTOPIA has been, and gives no reason to believe their current trajectory will change.

As past issues of the Utah Taxpayer have noted, UTOPIA's operating expenses have always exceeded their operating revenues. For FY 2010, they budgeted an operating loss of \$2 million per month. For FY 2011, they anticipate a monthly operating loss of just \$1.7 million.

That's an improvement over last year, but hardly cause for celebration. After all, UTOPIA's recent budgets have been surprisingly optimistic, particularly the number of subscribers they budgeted for. UTOPIA finished FY 2009 with 8,009 paying subscribers, each paying an average of \$417. Your Taxpayers Association has evaluated UTOPIA's fiscal projections and attempted to understand their business model. However, Table 1 illustrated the fragmented and nonsensical nature of their projections. UTOPIA anticipated finishing FY 2010 with 22,900 subscribers, each of whom would pay an average of \$228.

Unsurprisingly, UTOPIA has not achieved their aggressive goal of 22,900 subscribers across the 11 member cities. In various public statements, they have acknowledged having approximately 10,000 subscribers. However, that claim seems curious, given that they are anticipating having only 9,200 customers at the end of FY 2011.

UTOPIA has not been forthcoming with their plans to achieve their 2010 and 2011 goals, however several explanations are possible. The most obvious is that UTOPIA plans to nearly triple their prices, since they are budgeting for their average subscriber to pay \$698 per

year in FY 2011. Given the competitive nature of the telecom market, and the critical role that discounting plays in attracting new customers, tripling their prices seems a curious business strategy.

Another possibility is that UTOPIA doesn't yet have the 10,000 subscribers they are claiming. With UTOPIA unwilling to let the public into their discussions, there's no way to verify. Still a third possibility is that UTOPIA is purposefully budgeting conservatively. That is a possibility, but doesn't explain why they are budgeting for fewer subscribers than they currently claim to have.

Regardless of the explanation, budgeting an operating loss of \$20.2 million does not inspire confidence that UTOPIA's next round of bonding will create any more success than their other rounds. Your Taxpayers hopes the City Councils in UTOPIA's member cities will carefully evaluate these trends, and vote against further indebtedness for our children and grandchildren.

Table 1: UTOPIA Subscribers and Subscriber Revenue, FY 2009 through FY 2011

	FY 2009 (actual)	FY 2010 (budget)	FY 2011 (budget)
Subscribers	8,009	20,900	9,200
Subscribers Revenue	\$3,341,807	\$5,218,000	\$6,410,000
Revenue Per Subscriber	\$417.26	\$227.86	\$696.74

Source: Calculations by Utah Taxpayers Association using data from UTOPIA's FY 2011 Budget