



Florida Municipal Electric
Association 2019

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What is GRUCom?

GRUCom is the Gainesville area's only all-fiber-optic network, with more than 500 miles of fiber in Alachua County

- Business to business provider for small businesses, up to large multi-location corporations
- Own and operate 13 cell towers
- Licensed CLEC in State of Florida
- GRUCom service is discretionary; no one is obligated to purchase GRUCom services
- GRUCom is a contract service with fixed pricing and term requirements



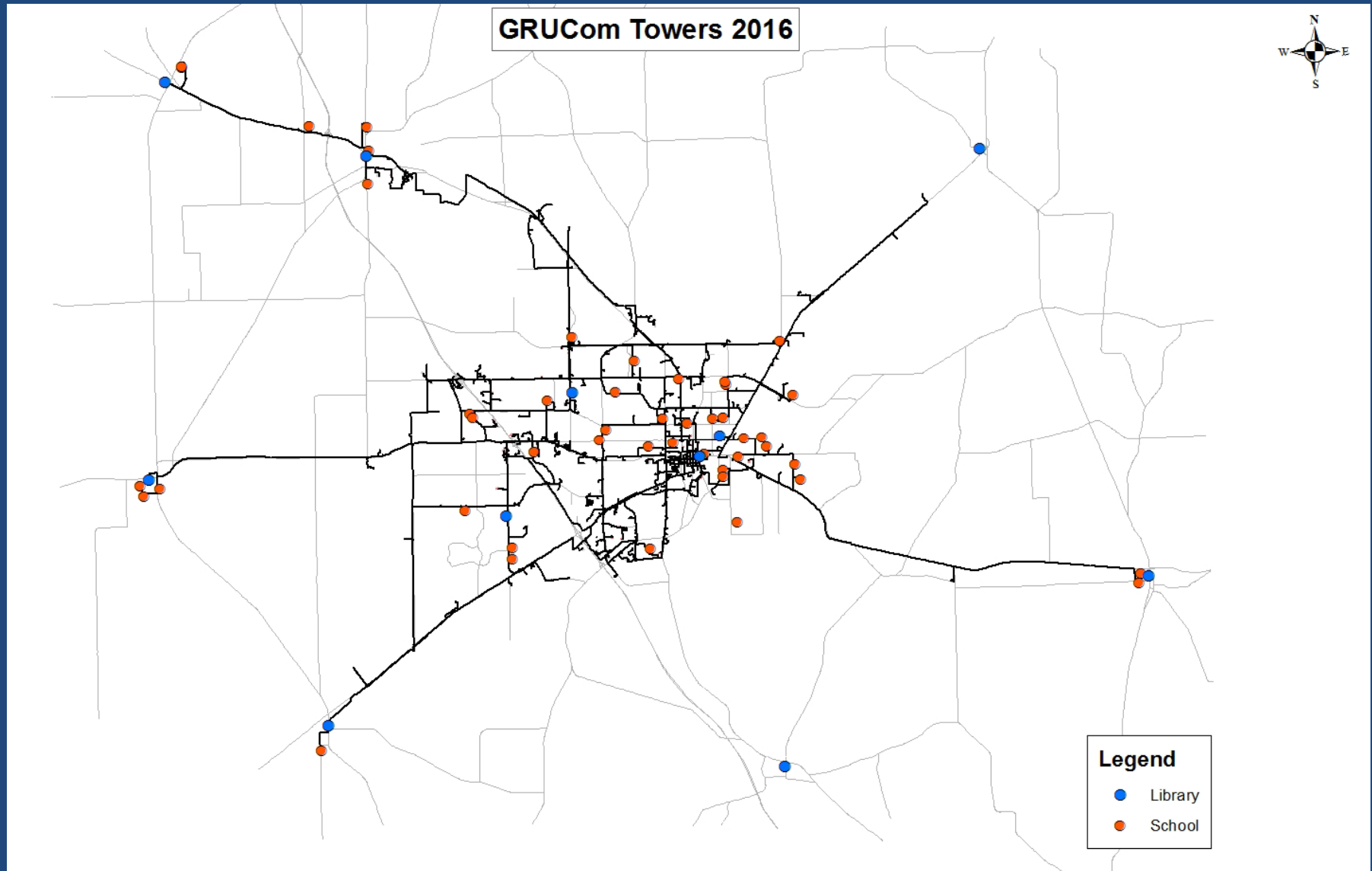
GRUCom's Standard Service Portfolio

- Data & Telecommunications Services
 - Carrier Access Services (Interexchange, Local Access & Cell Site Backhaul)
 - Commercial Data Transport Services (Private Line & Special Access Service)
 - Commercial Internet Access Services (Enterprise and Business Class)
 - Residential Internet Access Services (GatorNet Wholesale and GatorNet Retail)
 - Dial-Up Internet Access Service (GRUNet Internet)
 - Central Office Data Center Co-Location Services
- Communications Tower Leasing
- Trunked Radio Services (Public Safety Radio System)

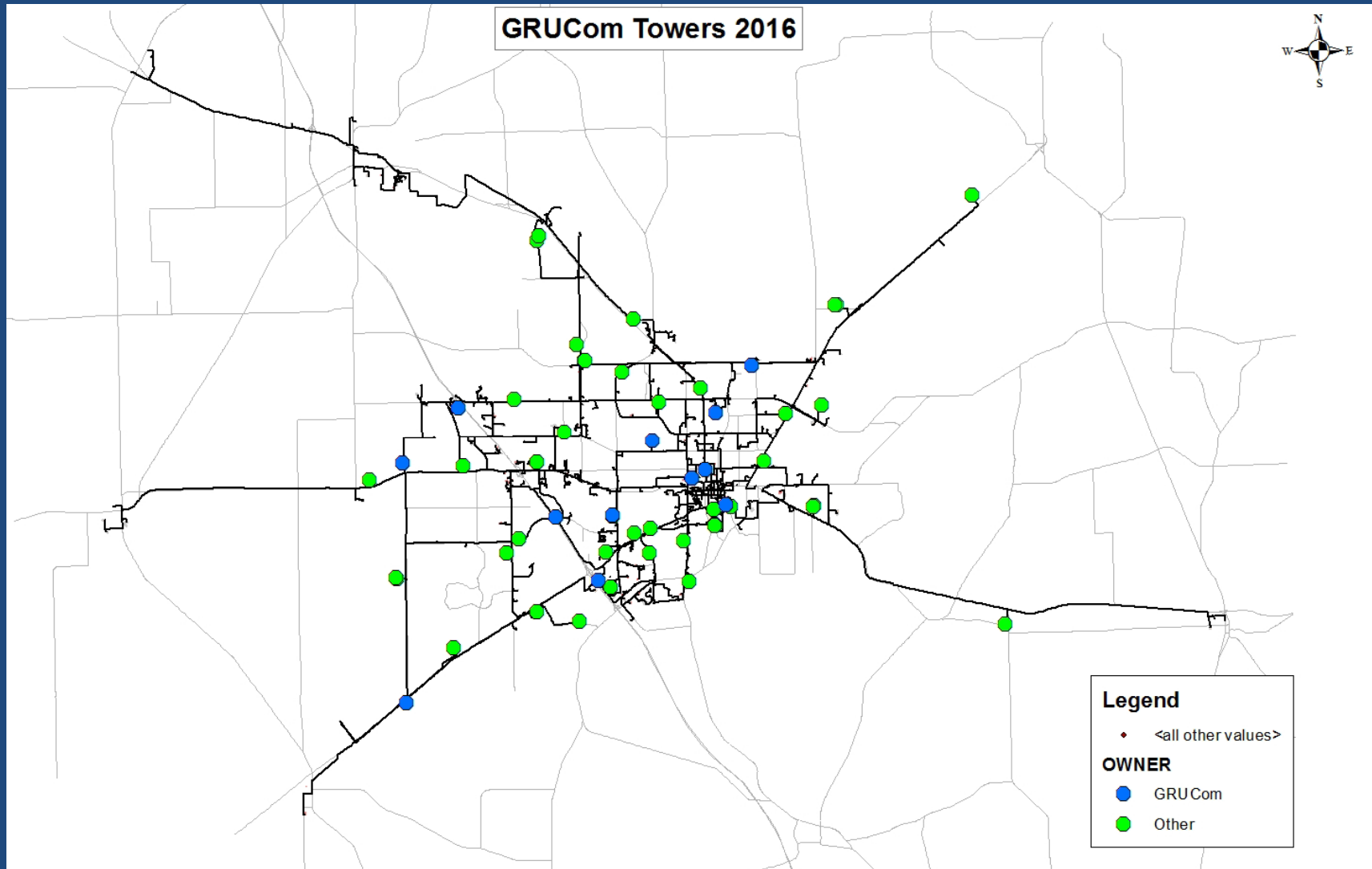
What Makes GRUCom's Network Unique?

- All fiber network
- Design focus is on moving data
- Network design insures capacity and reliability through route diversity
- Route diverse Internet connectivity to Atlanta and Miami with multiple Internet providers
- Established peering arrangements with major content services (Netflix, Google, YouTube, Apple, Amazon)
- Strategic partnerships with National, regional and local transport providers expands service capability beyond the physical network

How & Where are Services Delivered?



How & Where are Services Delivered?



GRUCom Revenues

Revenue Item

FY18 Actuals

Telecommunications

\$7,734,382

Public Safety Radio

\$1,759,037

Tower Lease Rental

\$1,820,064

Other Income

\$49,506

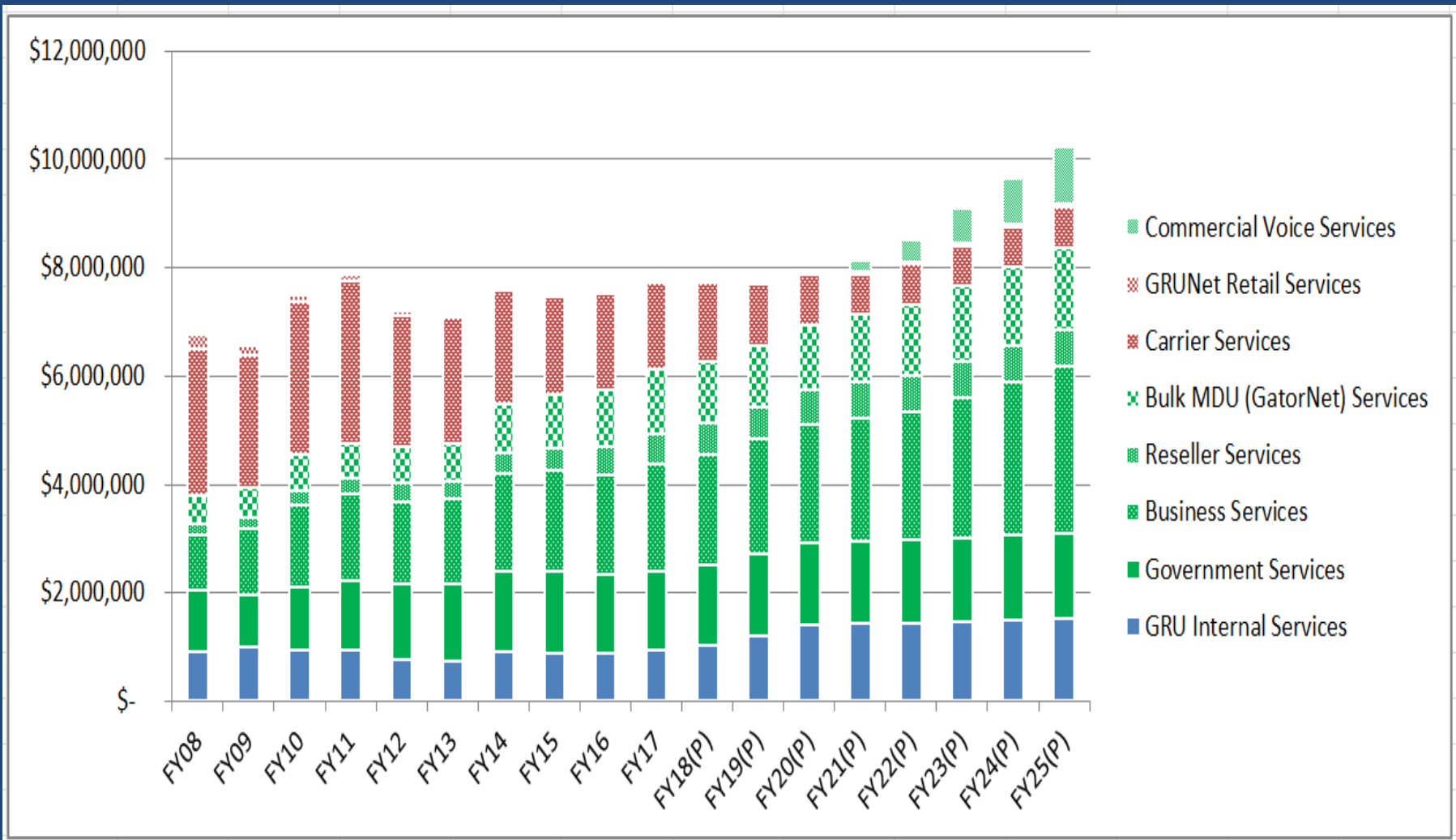
Total

\$11,362,989

Increasing GRUCom Revenue

- Developed GATOR NET Wi-Fi
- Developed voice service offering
- Studying feasibility of broadband expansion throughout the county
- Upgrading Trunked Radio System with opportunity expand services and better recover costs in 2021 inter-local

GRUCom Revenue Trends



Broadband Subcommittee Goals

Primary Goals:

- Lower prices and increased speeds for residents
- Lower prices and increased speeds for businesses
- Everyone has access to municipal network in designated areas

Secondary Goals:

- Lowest priced gigabit internet for residential service in the United States
- Lowest priced internet for businesses in the United States
- Universal free service to all residents served

Business Case - Bulk Multi-Dwelling

- Construction costs - \$100,000
- Ports 1000
- Price per port \$10.00 (market based)
- Monthly Income \$10,000
- Recovery time of Construction costs – 10 months

Business Case – Single Family



Business Case - Single Family

- Construction Costs - \$122,500
- Ports 49
- Monthly Price to recover construction costs in 48 months - \$52.00
- Does not include inside costs (Homeowner)
- Does not cover operating costs
- Internet only
- 40,000 homes = \$100,000,000 for starters

The Study Areas

Considered four different study areas:

- City limits of Gainesville.
- Adding the rest of the GRU service territory.
- Adding the urban reserve
- Adding small cities of Alachua, Archer, Hawthorne, High Springs, Newberry, and Waldo.

Financial Results - Base

	City Limits	GRU Area	Urban Reserve	Small Cities
Asset Costs	\$98.0 M	\$157.3 M	\$173.3 M	\$196.9 M
Bond Debt	\$116.7 M	\$172.8 M	\$190.8 M	\$213.5 M
Passings	42,729	62,543	67,685	78,196
Penetration Rate	48%	48%	48%	48%
Year Positive Net Income	5	6	6	6
Year Covers Debt	21	21	22	21
Cash 25 years 3.25%	\$35.2 M	\$65.3 M	\$40.8 M	\$70.1 M
Cash 25 years 4.00%	\$15.5 M	\$34.9 M	\$7.8 M	\$32.9 M

Conclusions from our Analysis

- Moving forward will almost certainly require a public referendum.
- We interpret the survey to indicate approximately a 48% interest in those that might buy from a new network.
- We believe a fiber network using PON technology will provide the most affordable technology solution.
- The only realistic source of funding is municipal bonds. There are not likely going to be any sizable grants that could help a City of your size. There is an intriguing possibility with Opportunity Zone financing.
- We don't think that offering low prices is compatible with creating a public/private partnership.

Conclusions from our Analysis

- It looks possible to succeed with a \$50 gigabit broadband product. However, there are significant financial downsides from not meeting the key assumptions such as penetration rates, interest rate on debt and a few others.
- There is also the potential for offering a low-price digital divide product. To do so would mean increasing the \$50 gigabit price.
- The City could offer free broadband if you can find another revenue source of \$27.21 per household per month to support the business.

Thank You