



**Rochelle Municipal Utilities**  
Communications

## Memo

**To: David Plyman**

**From: Scott Koteski**

**Date: June 4, 2013**

**Re: Fiber Internet Rates**

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Mr. Plyman

As competition and cost change yearly within the Internet access market place, The Advanced Communications Division determined it was time to review our current fiber Internet access rate structure. As our cost for bandwidth and phone services lower it is necessary to review and adjust our rates to remain competitive within the market. I have laid out a new rate structure that incorporates reductions of our current costs and passes savings or higher speed services on to our fiber customers.

The new rates have been structured using our cost for services with a 25% maintenance adder along with a 25% markup for revenue. This formula applies to the Small Office and Medium Office packages; the large office package uses a 35% maintenance adder along with the same 25% markup. This 35% reflects the higher cost of hardware to deliver higher speed service.

We have also made vast changes to the Speeds offered in our services, along with offering VOIP phone services as a "complete service package" on the small office and medium office packages. Changes have also been made to our installation fees, VOIP services and additional IP addresses. As the rates for these additional services have not been adjusted in over 5 years it was time to look at the entire pricing structure.

I have attached a break down of the new rates as well a rate sheet reflecting the proposed new rates.

On May 22<sup>nd</sup> 2013 these rates were presented at the UAB board meeting, the board unanimously approved the restructured rates. It is my recommendation for City Council to approve these new rates to be effective immediately.

Scott Koteski

Based on our current Internet cost of \$3300.00 per month for 200 Mb of bandwidth, I have used a formula of 6 to 1 over subscription rate for my pricing. At this rate our bandwidth cost would be \$2.75 per Mb. The industry standard from what I have seen is a 10 to 1 ratio; this would include a mixture of business and residential customers. As we are only dealing with the business side we are using a 6 to 1 ratio as to avoid any lacking bandwidth issues. The monthly fees for each package would break down like this..

#### Small Office Package

\$13.75 for bandwidth access  
\$14.95 for the static IP  
\$18.76 for 2 voice lines discounted to our \$9.38 cost  
\$11.86 25% maintenance cost  
\$14.83 25% markup on the service  
\$74.15 total rounded off to \$74.95

#### Med Office Package

\$27.50 for bandwidth access  
\$29.90 for the static IP  
\$37.52 for 4 voice lines discounted to our \$9.38 cost  
\$23.73 25% maintenance cost  
\$29.66 25% markup on the service  
\$148.31 total rounded off \$149.95

#### Large Office Package

\$275.00 for bandwidth access  
\$28.95 for the static IP  
\$11.86 30% maintenance cost (5% more due to equipment used for 100 Mb connection)  
\$98.78 25% markup on the service  
\$493.91 total rounded off \$495.95

Voice lines we currently have 48 voice channels for both incoming and out going calls, we are utilizing about 28% of these lines at any giving time. I have used an over subscription rate of 8 to 1 on our voice channels. At our monthly cost of \$3600.00 for the 2 PRI circuits the cost for each line is equates \$9.38. I added a 50% markup for server and customer premise maintenance fee with and additional 50% revenue markup. Bring our monthly fee to a rounded \$21.95 per month with unlimited local and LD services included. This is slightly lower than Comcast normal fees for voice lines and well under the Frontier charges. This monthly fee would not cover taxes and surcharges they would be additional fees every month.