

Murray City Municipal Council

Chambers

Murray City, Utah

The Municipal Council of Murray City, Utah, met on Tuesday, the 26th day of October, 2010 at 6:30 p.m., for a meeting held in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Roll Call consisted of the following:

Jeff Dredge,	Council Chair
Krista Dunn,	Council Member
Darren Stam,	Council Member
Jared Shaver,	Council Member - Conducting
Jim Brass,	Council Member

Others who attended:

Dan Snarr,	Mayor
Jan Wells,	Chief of Staff
Carol Heales,	City Recorder
Frank Nakamura,	City Attorney
Mike Wagstaff,	Council Director
Blaine Haacke,	General Manager
Tim Tingey,	Community Economic Development Director
Gil Rodriguez,	Fire Chief
Patricia Wilson,	Finance Director
Zach Fountain,	Legislative Affairs
Tim Marriott,	UTOPIA/UIA
Chris Hogan,	UTOPIA
Jared Pantier,	UTOPIA
Citizens	

A. OPENING CEREMONIES

1. Pledge of Allegiance - Mike Wagstaff, Legislative Affairs
2. Approval of minutes of October 05, 2010

Mr. Stam made a motion to approve the minutes.
Mr. Brass 2nd the motion.

Call vote recorded. All Ayes.

B. CITIZEN COMMENTS **(Comments are limited to 3 minutes unless otherwise approved by the Council.)**

None given

Public comment closed

C. CONSENT AGENDA

None scheduled

D. PUBLIC HEARINGS

Staff and sponsor presentations, and public comment prior to Council action on the following matter:

Consider a Resolution authorizing and approving the execution of a Communications Service Contract (“The Service Contract”) dated as of November 01, 2010, by and among the City, certain other cities, and the Utah Infrastructure Agency (the “UIA”).

Presentation: Todd Marriott, UTOPIA/UIA

Mr. Marriott stated that this contract that UIA, this endeavor that has been underway for eight months, it is a plan that has been vetted with our Councils, with our financial advisors, our bond counsels, and many concerned citizens; these communities need this critical fiber infrastructure. A lot of times, when we go around to different locations, people will say ‘well, I’m now getting speeds where I can surf a little faster, and while that’s fantastic, we would love to compare speeds.’ This infrastructure is about much more than simple triple-play or simple data surfing; it is about critical infrastructure in our lives. Nearly a century ago, councils like yourselves were considering whether or not to fund and work with electrical infrastructure; it was said at the time, and deemed by a very noteworthy case, that this was in fact infrastructure for only the wealthy—that we had gas, that we had coal— and that those would be sufficient for the lights, to turn them off and on, and that electrical infrastructure was really only needed by the wealthy. He added that his grandma still refers to that infrastructure as her light bill, because that is what it did— turned on the lights. Today, in our homes, that infrastructure does much more than just simply the lights. This infrastructure is important because it is not just whether or not you can get fast surfing speeds; it is non-shared. Today, much of our access that we see, in terms of people providing broad-band access, is shared access; it is either technology that is delivered to a node, then dispersed out through a community, or other types of technology. This shared access makes it difficult to count on some of the infrastructure needs that we need— such as power grid, load balancing, SKATA systems for our communities, for health and emergency measures, to have guaranteed access.

In Newsweek recently, it was stated that they are projecting that people will need 200 megabit

speeds, minimum, by the year 2020. This is non-shared, and it needs to be symmetrical, because one in every four homes, four jobs will be done from home; we are already seeing this trend. 90% of all textbooks are already being done online, and this infrastructure is critical. The cities begged for it nearly eight years ago, and it has been very much of an adventure, where to now we have a sustainable model that allows us to put infrastructure in where there is a demand. It was always noted and necessary to put this infrastructure in place, but often times it was put there and we never really saw the return on investment. Two and a half years ago we started a process that put us in a position to be much more lean and mean, if you will, to be operationally effective and efficient. Now, we deploy this infrastructure where there is demand; we have now 17 service providers, we are solidifying some of the residential service providers that we have- we have been working on that today, so that the next generation services that will be provided to your citizens will be coming even in the next first and second quarter of next year. These are different than your regular triple-play, although they will enhance that, these are security and cloud computing, and all kinds of services that will enhance our lives and will produce and promote economic development.

What is in front of you is a service contract that allows you to approve up to a \$60 million bond, which would say this: it is an incremental type funding that will be tranches or phased in the following manner. We will take down about \$20 - \$25 million initially; that money will be spent based on areas that we already know there is significant demand, and where we also know there is existing infrastructure. Those monies will go in to produce revenue, producing customers that will help us to that we are no longer subsisting on the cities in terms of operations, it will help make us much more healthy, it will build out a city, and it will continue to promote and produce both economic development here in Murray and produce a lot more opportunity for the citizens of Murray to participate and be a part of it. That will be done based on demand; so even in the first phase, those monies will be spent where there is demand. Once that is successful, we will then segment and incrementally go through that so that if we get to the point where we are an additional \$60 -65 million in debt, that will be an investment that will have produced a situation where we are now healthy, as far as an entity, where UIA has produced significant more infrastructure for the communities, for all the things that you set out to do in the first place. It will ultimately produce revenues that could ultimately take care of a third or so of the existing debt.

We have been very successful in obtaining a \$16 million NTI grant; that is being assimilated into this plan and will help produce some of the critical middle mile infrastructure, and will go to nearly 400 anchor institutions. This, as we looked at this plan this time last year, I remember sitting down with Mr. Reams, worried and concerned, and basically told me that we have four things that they can do: The first one is doing nothing, you can close the doors on \$185 million infrastructure and investment.

Walk away, leaving their commitments to our citizens, to the businesses that have connected, to the private-public partnerships that they have created, and if they do that, they will know what their investment is ultimately and they pay it and it was a failed venture. The second is that they can continue to fund this and hope that things happen that magically produce funding ways to go forward; the stimulus was certainly one of those things that occurred and there may be other things that may come their way, but they would have to continue to fund a shortfall in operations and move painfully down that course. The third was that they could sell this infrastructure; that they could look at placing it up and seeing what the value of that network is. To date, they can always receive unsolicited bids for this infrastructure-in the two and a half years that he has been at the helm, he has not received one. Nobody has made one offer, one gesture to come in and ask if this is something that they can purchase. That is because we are fairly fragmented-we are still in early stages in this network, and we have been delayed somewhat over the three or four years in terms of URS, and he knows that over two years ago, implementing new strategies that would give us a sustainable model.

So, the fourth was to find a way to grow infrastructure in the ground, and satisfy the demand that we consistently get. That is the plan they have put in front of you, that they have vetted, and they are appreciative of all the vetting efforts that Murray has done. It is fresh air, and especially as most of the Mayors and City managers in terms of vetting, and Murray has done their job, holding their feet to the fire in this regard. In Murray's case, it hasn't been just the elected officials, but staff who have repeatedly held them to some very high standards of being accountable for this plan, and to go forward and address concerns. Of course, the legal counsel has done an excellent job in going through this kind of thing and making certain that they are right, correcting places where they were not where they needed to be in terms of bond counsel and state law, and making sure that they were covered. They are very appreciative of those efforts, and it is that kind of involvement going forward that will be absolutely critical to their success. They are excited because six other fellow cities have already voted yes in going forward on this; there are three left this week-one that is happening as we speak of course. There are other cities that have not been involved in the UTOPIA effort, or the UIA effort to date, that are waiting and watching; knowing that they also need to get this critical infrastructure, mainly because there are businesses moving into their communities that are demanding it, and it is an absolute necessity for those businesses to have that type of redundant, symmetrical, big broad band fiber optic networks in those business parks and communities.

Mr. Brass: Mr. Marriott had mentioned to hopefully pay off a third of the debt, which he is guessing that he was talking about the debt that UTOPIA owes; that total, at the end of this, is that for the first phase of the new model, and if we had to pay out our pledges in Murray for the term, which is 30 years less two, what is the total dollar amount?

Mr. Marriott: Your total dollar amount that you are on the hook for is \$1.6 per year; it increases 2% every year.

Ms. Wilson: These are March numbers, and may have been updated a bit, but the original debt would pay off in 2040, and we would be an incremented amount and it totals \$29,961,775, so roughly \$30 million.

Mr. Brass: You would hope to pay off \$10 million of that?

Mr. Marriott: I would hope that they would do better than that over time. This is a five year plan that they are addressing, and if you noted in our financials, it remains static, flat after that point. We would hope to build additional infrastructure in five years and I would note that there are life changing technologies that we are working with currently, that will probably change that whole picture in that time. So, yes, as the plan projects right now is about 1/3 of that we would cover, but we wouldn't be done in five years.

Mr. Dredge asked: Should we proceed forth with this, you have said that UIA provides an opportunity for other cities to come on board, and yet the original cities are burdened with this anchor we are dragging along; has there been any consideration, as new cities come on, to help relieve some of that burden by more or less saying 'you first cities in, you help build some of this infrastructure, so we are going to help pay some of that back'?

Mr. Marriott: Yes, I think that is a natural cause and effect of them coming on board; they would obviously be using their own funding mechanisms to participate and build infrastructure, but you can't get to scale if you are just one city. One city would have a hard time attracting all of the service

providers and the management of that, so it would be perceived that they would fund that effort and participate in the operation similar to you, which would produce revenues that would assist in that. We are anticipating that will occur over the next five years.

Mr. Dredge: Additional cities would mean additional homes passed, which produces revenue, but what I am saying is that the initial cities who have participated in this, have taken a lot of risks and as new cities come on, to just take advantage of that doesn't seem fair and is it possible to look at some sort of capital investment in the original infrastructure, and not just the new infrastructure?

Mr. Marriott: I think that is anticipated to do that, and I would also say this: not just here in our state, but it is anticipated that we will be peering with networks nationally. Yes, that is part of the six phase strategy that was laid out well over two years ago; you are right, that is something that every city in UIA and UTOPIA has talked about—that will be a part of the process going forward.

Mr. Dredge: But that is not currently in the model.

Mr. Marriott: It is not financially realized in the model, but is anticipated, conceptually, in the plan.

Mr. Dredge: How would that anticipation come about? Although it is anticipated, are you saying then that the Board, or those participating cities before someone else becomes a part of it, are going to agree that so much percentage of what they are paying, as an example: 80% of what they are paying is going to theirs, and 20% goes back to pay for those early participant cities? Is that what you are anticipating?

Mr. Marriott: Yes, you are exactly right. What would happen is that staff would bring forth opportunities; we've had a couple in the pipeline and that would go before the board for their approval. Their membership, just like your membership was approved when you came on board with UIA; you can imagine that many of these cities haven't wanted to participate under the UTOPIA scenario, because it has been a pioneering effort, very painful, and because of all the efforts in regards to that debt that has been accumulated there; but the way the UIA is set up, and that is one of the main reasons that the cities have gone into this UIA effort, is so that the infrastructure could be built—not just in its own cities, but could be peered, which would allow innovation and ultimately relief of your debt as an investment to what you've already done.

Mr. Brass: My concerns are on the record repeatedly. Our current obligation is about 4.5% of our budget; as we pay these pledges, we are looking at 4.5% of our budget in a time of declining revenues, and that is my big concern. This thing started seven, almost eight years ago; two and a half years ago, you stood before us and said 'give me a chance, we have this great model' and here we are two and a half years later and we are talking about 'give me a chance, we have this great model.' The only compelling argument that I hear is that if we don't do this, then we walk away from it, and you have to pay the money; we have to pay the money anyway—it's a question of how much more money are we risking, versus the reward, and I am concerned with a \$185 million debt, and less than 10,000 subscribers. We have a model that says we are going to get a take rate in the 30% range, we are going to add 20,000 subscribers, and we are going to do this in five years; I know we have a model, but I look back at the last eight years, and wonder what is going to be different. In talking to a department head up in Brigham City, they are having video problems too, similar to what we had here when it started with MStar. We have a good reputation problem to overcome with what happened here, and if that is still going on, then I have to believe that is going to impact your model too. You can't make a go of it with just internet service; and you keep telling me 17 service providers— you need to get caught up on your website, because there are only 14.

Mr. Marriott: Some of those service providers are on there simply because they're not providing services to some of the companies like Mosey and Level Three and others that we.....I would simply say, to what you have said, the other night I got back from another council meeting and I turned on to see the news, and I had video problems, and had to call Direct TV, who told me they were having video problems. They are one of the largest video corporations-one of the largest corporations in the world-and they couldn't fix my video until 7:00 the next morning. Our companies that use the services, and use the networks, have problems here and there, and in Brigham City they have had a few more than normal because of the way that they went in as kind of a new company. But, they are doing a great job, for the most part, and they have rectified that; we have good service providers.

Two years ago, I stood up before you and said 'look, I have a plan' and you said 'well, here's \$185 million' and after we cleaned all the dead bodies out of the closet, we are left with \$8.9 million, and with that \$8.9 million, I can stand before you very accountable for every dollar.

Mr. Brass: I find no fault with what you are doing; I look at the load.

Mr. Marriott: I would only speak to this that over the last few years, if we were going to base it on track record, and base it going forward, I think that it is not just a model-we have done it in reality, but we have not done it to this scale. Where you suggest a concern is, that we are going to go from here and load ourselves to here, in that scale, is an extremely credible concern. It is one that I have too; we should be clear, this plan was put in place so that we could be out on the streets and doing this by July of this year, and we missed that. This would anticipate us being funded somewhere....I know exactly when that's going to take place. If I could look at the Farmer's Almanac and see when the greatest blizzard will come this winter, that's when it will be. So, it will be anticipated from all cities to go and do this, and it will be the dead of winter, and it will be the most difficult time; that model does flux and change, but we don't come here as private investors to say 'look, give us more money, we'll make more money' as you know, we're your staff; we are paid as staff members, we make money like that-just like your staff members have had to forego any raises over the last years, we haven't had one. We don't do any of those things, we are in it with you and it is very important to us.

I believe that you are very on target when you say to go from here to there that quick, is a tremendous task, and it is. If you look at how we are going to do it, we don't spend the money unless we are doing it; we are obviously covering some operation short falls and other things that we will be spending money on, but we are not spending the big construction dollars unless we are spending it where there is a return on the investment, and I think that is where the difference is.

Mr. Brass: You have a \$16 million stimulus package, and we need to do a \$4 million match, so some money is going to go to the match in the middle mile construction.

Mr. Marriott: \$6.5 million match.

Mr. Brass: So, out of the \$20 million, now we have that money going in there, how much is going to advertising on the total first tranche of bonds?

Mr. Marriott: You know, the marketing budget I don't want to necessarily give out in front of a certain company, but I will say that it was one of the mistakes that we have made over the past eight years, is that we simply thought we had the best thing since sliced bread (we did), you put it in the ground and nobody knew about it. In fact, over 54% of all your Murray residents have no idea what

UTOPIA is, imagine that-after all this hoopla. That was in a study; and one thing that they do now is take control of our marketing. It is a healthy budget, it is anticipated to produce results, and it's done by done by those who have years and years, including myself, in marketing and being successful in putting customers on networks. I probably would decline to go into specifics on how much money we are going to spend on customer acquisitions, but that is a part of it.

Ms. Dunn: This is probably the most important question that I have, and I don't even know if you can answer it, but I'm going to throw it out there: I would like to know the ballpark difference between what we will pay in the next 30 years, if we don't play, versus what we will pay if we participate. I want to know how close those numbers; we don't really have any good numbers – I know there are bond costs, and all of these things, but I guess my biggest question is, is the difference from one year to the next \$200,000 a year? A million a year? What is it if we agree to play tonight, how much more or less are we going to pay, or is it going to be the same as we are paying already? You are saying that a third of the debt goes away with this plan, so what does it make it for us?

Mr. Marriott: Your pro-rata share in UIA is 16.7%, so your percentage is...if we go into debt \$60-\$65 million, your liability is 16.7% of that. Keep in mind that it is incremental, and that we don't get to \$60 - \$65 million more in debt, unless we've been successful. If we have been successful, you will be paying significantly less, than you would be if you had not gone forward. My biggest concern, if I am a council, isn't on the \$60-\$65 million, because we have been successful. I won't be standing here in two years if you're not; the biggest concern is that first increment, the first tranche, in 20 to 25 and what is it we produce in there and what is your liability in that? Then you are talking in terms of 16.7% of that \$20 - \$25 million, which basically gives you about a 12% more liability in addition to what you currently have. You should look at it in terms of two things: liability versus risk. The liability is the 16.7% of the \$25 million of the first tranche; however, we don't spend that money, nor does it just go away, we also have to be successful within that first tranche. The risk is, how much we're not successful in that first tranche-because if we only hit 60% of our numbers, that's not good enough for you to re-appropriate money next year to continue to go forward, then your risk is the difference between the revenues that are being brought in and the value of that network, and the difference in our missed projections.

Mr. Dredge: When you say 60%, you are talking about the take rates?

Mr. Marriott: No, the 16.7% is your pro-rata share....the 60% is of the goal or the model rates.

Ms. Dunn: Where I'm trying to go with this is: I understand what you just told us about that, but what I'm asking you though is, to take what we are paying right now, is that number that we are paying right now any different, any less, if we participate in this, so that amount that you just explained, added on to that, is it actually added on to the number we are already paying, or is it added on to a lesser number?

Mr. Marriott: The liability would be added on to the existing amount that you are paying. That would be the liability amount, but it is anticipated that if we hit these numbers that it will be less for two reasons initially: one would be that, as you are painfully aware, we will spend more money operating this than we make; so you already have put monies forward to make certain that we can operate for your great customers and citizens and businesses here in Murray that participate in that fiber. Going forward, that would be an obligation that would be covered in the bonding, so you would pay less. It would also be anticipated that if you didn't go forward, you would have to match your share of the \$16 million grant, which is 30% of what would come in-say it's another \$600,000 or \$700,000-so yes, in those two instances you would pay less by going forward and your risk is less

given that we hit any reasonable amount of our projections in phase one. But, if we were unsuccessful in phase one, ultimately you would pay more.

Ms. Dunn: My next question is about that installation cost: right now the proposal is that the cost is either paid up front, or it is added into their bill for up to twenty years.

Mr. Marriott: Yes, well may I just say that there has been a lot of confusion in terms of that up-front amount. For example, Comcast and Qwest charge it, you just lease it in your system-it is part of your bill; they have to recoup their costs of infrastructure. We just kind of let you know up front, and the goal of our organization is to get that paid off and reduce the bills for the citizens so that they don't have to pay that forever. In terms of how that will be deployed in the city, that will be done- it's a flavor of ice cream if you will-in Brigham City, as you mentioned, it was done under a special assessment where people volunteered and put liens on their homes in order to raise money to put that infrastructure in place. Murray may very well decide not to do it that way; you may do it through our Q-model, our subscription model, we will work with Murray so that they will put that forward as however works best for your community. It sounds ominous, but really there are ways that we can put it in place where your citizens will benefit. They will almost always receive significantly more service and more choice for the same or less money that they are paying their current providers.

Ms. Dunn: The price, with that amount added in, is not going to exceed the competitors price?

Mr. Marriott: Where you don't control the retail end, I can tell you that there are some exciting things planned in terms of pricing by our service providers that are getting ready to go into the market; I know that Mr. Dredge, in talking to him last week about some of his concerns, expressed concerns that our service providers be ready because we have stubbed our toe, significantly here in Murray. MStar did a horrible job, they weren't ready to do a lot of things that they were supposed to do, and so a lot of times, our name of UTOPIA is synonymous with MStar and that just isn't the case. The services that will be coming forward and provided are really neat things, and really great services; the cost is the same or less-right now, I'm with Comcast and probably the last person who will probably get UTOPIA because of where I live- and if I were to have a similar service....I can't get a service as slow as I get with Comcast, on UTOPIA, but if I were to get the lowest possible one I could get with UTOPIA, I would be paying about \$15 to \$20 less per month for the same services.

Ms. Dunn: My next question: I get a publication called "American City & County" every month, and they talk about the stimulus money that went to broad-band public agencies in this last go around, of which we were one of those; they talked about 94 different agencies that received funding-public agencies- and my question for you is: that being the case, are we looking at those agencies? Are we communicating with those agencies and finding out what they are doing to be successful? Are we learning from them, are they learning from us? Are those agencies successful, or are they just trying to tread water and hope that the stimulus money pulls them through?

Mr. Marriott: It is a great question because many organizations that have received funding still haven't seen a dollar. With our participation with RUS we know it's not our first rodeo; so we are very thankful, regardless of where you come down on the political scale, whether you think we should putting that money or giving it out, it is coming somewhere. We applied for that money, and we want it. There have been numerous organizations who have contacted UTOPIA, because it is really the flagship for this type of network in the country, and so in our own state we get a lot of problems, and rightfully so at times for some of the missteps, but nationally we've had from coast to coast entities that are coming on board; we've held a mini conference where we have invited many of these networks, and yes, we are communicating and like to peer with them. We think that an addressable market is a big thing in terms of spurring on innovations, and we are also participating

with a new entity called 'Gig Nation' which will be a not for profit organization for municipalities- it will be a safe harbor for like minded municipalities to participate in this. That is something that we are doing; we have attended conferences, we will be working with officials, we work with them weekly, but we are anticipating that those funds may or may not come as anticipated in the schedule, so we are going to assimilate those into our plans and take it as it comes and not have to be....a lot of organizations I know of have waited on their thumbs and have burned a lot of cash doing so. We are not going to that.

Ms. Dunn: One of the questions that I sent to you through Jeff last week, had to do with the study that was done, and the comparison to some of these other agencies; my question was: are there agencies, somewhat similar to ours, that are really successful out there right now?

Mr. Marriott: There are some right here in the state; if you look no further than Spanish Fork-they like to stay under the radar-but they have done a remarkable job with their municipal network. They can retail, which is a huge difference, it is a difference which a lot of municipalities across the country has experienced. We have definitely have been pigeon holed by a lot of lobbyist efforts-early days- to make certain, but I frankly simply disagree with it. I am of the opinion that government shouldn't be involved where the private sector is involved, so I don't think that government should be providing retail services. We have a lot of great companies- if you look on our website, there are some really neat companies providing innovation; give you an idea of Voonami, down in Lindon, for example, and the old WordPerfect cap is doing cloud computing-where everyone else is talking about

it, they are actually providing cloud computing. Some of our Boys and Girls Clubs are going to get that effort, so I think being open-access is much tougher, the margins are slimmer, but we have rectified some of those models and some of those business models over the past couple of years, to reflect the network access fees that we need to have to be successful. I would simply say this, for the record, as we have awareness, people come through Murray and we could simply state that if someone wants lower rates, they could call some of the competitors out there and say 'I'm going with UTOPIA' and immediately their rates would be lowered. I challenge you to do it-well, don't do it because you'll get lower rates and you won't come on board- but that's what happens; ultimately, this is different than any other network out there. It is fast going either way; when we go out there, we are not talking about meg anymore- I recently heard an ad out there saying "we can go up to 105" well, that is one direction and it is shared, and that's not what we've promised. Heck-we've been doing 100 meg for years- we are enabling 1 gig to every home, because you are going to need it. You are going to need it for your televisions, you XD televisions that will do holograms, and your security systems and your balance and control. We can't be controlled and that is what is happening now when you ask us; much of this infrastructure is gate-kept. In other words, our cell phones are producing so much revenues and these wireless services that are coming into place are simply an extension of fiber. They are gate-keeping communities and telling them how much infrastructure and speeds they can get, so they can give it off to other locations.

Ms. Dunn: Getting to my biggest concerns here, Marketing- you guys have told us that marketing is going to be a big piece of this, and yet, we still don't have any idea of what that marketing plan is. Even after the information that we got, it is still hard to make a decision to play, when you don't know what you're playing.

Mr. Marriott: I would just point to this: I think that should be your biggest concern, because if we're successful, it would be because we were able to message all of the things I'm talking about tonight successfully. We have our marketing expert within the house tonight, if you'd like to talk to him, but I doubt he's going to give you a better answer than I am-I will probably give you more than he will

because we hold that close to our vests, we shared it and they are constantly and consistently refining that message, and you'll see some pretty cool things. I think I would simply point to the effectiveness of our marketing, in the markets we have gone over the last two years. We hit 26%, 31%, 32%, 37%, 41%, and 31% where we asked an entire city to put liens on their homes. It has obviously been pretty effective; we learned, we are getting better, even in that messaging it is difficult-it is not like it was in the old days where you just have dial-up speeds, we have people now calling themselves fiber companies. Beware, fiber to specific locations and shared out is not fiber to your home; so that message needs to be refined, and I am with you, I think it's our number one critical aspect. We can do all the others, we just have to be really good at that messaging.

Ms. Dunn: Here is my last and biggest zinger: You did a study, I'm a little disappointed in that we are putting our eggs in the basket on a take rate, that we are going to have to get to. We talk about there are goals that we are going to have to hit before we move on to the next tranche if we take this one, a lot of that is going to have to do with take rates. You talk about 30 – 35% take rates in your plan, and yet, there is no marketing analysis in this plan. My question to you is: I know we are in a hurry, I know the rates are what they are right this minute, but understanding all of that, in my mind it seems that it would make more sense to do your marketing analysis up front, find out if it is really possible to get anywhere near what we are putting those numbers at, and spending two or three months to make that happen. Then for city councils, as our own, to go back and to educate-which by the way this city council is pretty good at educating the people in their communities- about what is going on and what that is. In your plan, you talk about depending on times of year, on installation certain times of year are easier than other times of year, we're looking at right now, according to your information, starting going full force in February which probably isn't the best time of year. You put it off two or three months to get a marketing analysis done, and then you have answers; plus, you start putting fiber back in the ground April or May instead of February. Why not do that?

Mr. Marriott: Let me just address the feasibility study first: the feasibility study was really never intended as a persuasion to city councils and it has kind of become that way; it was really meant for bond counsel. It was meant to say that what we are doing is feasible and they said it is; but you have hit on exactly the right key- both of them- both marketing and analysis. Just so you know, that is being done, we have that work that is going forward; the only thing that I would suggest is that a lot of it can't be completed because we just don't have the money. A lot of these companies are working that forward and creating those analysis for us; they are positive but those will be completed well before we are in the market, and that will be shared. Just because we have an approval to go forward, and just because we have bonding going forward, doesn't mean that we are just going to go helter-skelter into the market and see what mud sticks on the wall, it will be very scientific.

So the take rates are very interesting, because we talk about take rates like many other companies do, but we are really more connection rates, because we don't have take rates in terms of our services, we simply connect. That is why we realize higher at times; our service providers only realize about 4% - 5% take rates through 15%. We realize 30-40% connection rates, because it is a connection to an infrastructure, so we look at that market analysis in terms of return on investment not so much what kind of take rates. We always reference take rates because it is the easiest for people to understand, but we really are connection rates.

Mr. Chris Hogan, UTOPIA

One way to answer that is that the best market research we have is we have done in Brigham City; because research will tell you and give you some directional information-and we did do research before, right after the refinance, and if you actually look at that, I think we shared that with all the

city councils, what you see in Brigham City is nearly to a T. Coming out of a market where you actually go in with very little marketing, and walk out with a 30% plus take rate, I have been in the cable industry before coming here, 25 years, and that has never been done first time through a market. In fact, Verizon had their best hopes after spending \$23 billion was to reach a 25% take rate; so we know that it's there, and with the value proposition that UTOPIA offers, which by the way, some of the things that may have been a struggle early on, have become some of our best marketing tools. That is, the fact that we can't be a retailer, that we were, I guess by law, prevented from becoming that retailer, has actually turned into a huge positive for us because we offer something that nobody else in this market or anywhere across the United States offers, and that is choice. People want to be able to choose-when they pay for infrastructure brought to their home, they want to know that they are not locked into one provider- this way they have the control to make that choice. Businesses like that even more; if I pay \$10,000, \$20,000, \$30,000 to bring a pipe to my building and I don't like the service, I don't want to pay that kind of money again to get another provider. That has become one of the most compelling points of UTOPIA.

I look at that as our real market research, that is actually market feedback, and so the market is definitely out there, and yes, somebody asked the question earlier about the installation costs and the price; we have some of the best service providers you will ever find; they know that they have to be competitive and that they can't sell at a premium above market and expect to sell; so it is going to be positioned in the marketplace competitively. Then there are people who are willing to pay more when they get more, and that is what you get off the UTOPIA network.

Ms. Dunn: You talked about the Brigham City take rates; just for our information, because I really don't know the answer, do they have the options there that we have here? In terms of what is out there to choose from?

Mr. Hogan: Yes they do. The two companies that are service providers on the UTOPIA network run into most often....

Mr. Marriott: I think she means competitors.

Mr. Hogan: Yes, that our service providers run into are Comcast and Qwest, and they are definitely up there, and so are the satellite providers.

Mr. Dredge: I would like to echo the questions that Ms. Dunn and Mr. Brass have asked so far: These are the same concerns that we have had over the years; I'd like to ask some questions about the model if I may, I'm looking at your model itself, and because of some of the competitive nature, I won't state any of the areas, but right now it looks to me like you are going after the low hanging fruit of areas where we already passed, and there's already fiber running down the street and we are going to go out and hit an awareness campaign and run into a lot of new builds- at least what I'm looking at perhaps sorted a certain way. My question to you is: If I have fiber running down my street and I go do my awareness campaign in February, is it feasible if someone wants to sign up in February, to effectively run the fiber from the street to the home in these areas where the infrastructure is already there?

Mr. Marriott: Yeah and it's one of the reasons that we have put it that way; I've got our outside plan director here tonight, if you want to go into more detail, but the answer is yes, and the reason we are going to a lot of our existing build is that we did a terrible job of getting people connected and marketed to the first time, and 54% of them don't even know we are in the street. So, yes, it is feasible to dig down two inches of snow, two feet of snow, and put that in place.

Mr. Dredge: So a follow up question to that is: You have a plan here for how you're going to tentatively roll this out, because it is going to be success based, I understand that, and so let's say that Murray has a fairly high percentage of build out, so we might not be necessarily in the first area you choose to do a new foot print. Should we, as a community, be involved and make our citizens be aware of this, where they see the success of their neighbors that have it; is this plan flexible enough to where you will move over to Murray and take that neighborhood and build it out if you have the percentage necessary?

Mr. Marriott: It is a flexible plan that way, and it is a good point because where we sequence this is based on two criteria: cost of build times demand, and demand is weighted values that is determined by a number of criteria. If communities in Murray say 'hey, we want it' in significant demand, that simply alters that equation, so we are going to be chasing that demand. There is a lot of new build that will go on in Murray, by the way, but that there is a lot of existing infrastructure here that we'll be building to on a regular basis, where we need to do that for take rates for connection rates. So, yes, Murray residents can dictate new builds by demand.

Ms. Wilson: When she was asked about the original debt, she said it was roughly \$30 million, that was basically our 12% of the original debt; she wanted to clarify that our pledge amount, which will go until 2040, would include the interest, so if we were to have to make good on every one of our pledge amounts, we would be closer to \$60 million.

Council consideration of the above matter to follow Public Hearing.

Public Hearing opened for public comment.

Richard Hanson, 5269 Lucky Clover Lane, Murray, Utah

Mr. Hanson: Being formerly in marketing many years ago, I hear all of the same things over again. It's déjà vu- and the questions by the council, I was really pleased to see that everything they had been through before, was again the same thing again with the council; what's it going to cost? Should we do it? Do we have to do it? In some of the programs that I've worked in, it was do we have to do it? And in this particular case, my feeling is, we have to do it; how do we do it? It isn't are we going to do it, we aren't going to toss it away-you can't afford not to. I don't know if anybody here watches news programs on TV- did anybody here see Charlie Rose on TV last night?

Mr. Shaver asked Mr. Hanson to address his comments to the Council itself.

Mr. Hanson: If anybody watched that, the theme of the whole show was, nationally, how do we get the country back on its feet; the biggest single point that they dwelt on was: provide infrastructure for things that will provide jobs in the future. That was the biggest single thrust of it; and the rest of the world, China especially, technically has taken this to heart. They learned it from us- that we got complacent about the whole dog-gone thing, and that is, really, one of the big problems because 'hey, we've been winners for years, how can we possibly get in second place?' How about 15th place educationally? And when it comes to education, what are they loading up all of our schools with more than anything else? Computers. In business, one of the big problems is that you have a plant that you have to make big enough to put in the manufacturing, you have to put in the sales, you have to put in the marketing groups, you have to put in the payroll- everyone has to be in one big building. If you have the ability to put all of your various parts of

of your company in small satellites and communicate instantly, you can save money and that is what is going to be the future of a lot of small towns. I've seen it already, maybe you guys haven't seen it, but I have seen it. In the business that I was in, the last one, I built model airplanes for 25 years, I designed them and sold them all over the world, and I found out that if I didn't do it right, then nobody at the house ate. I have the same questions: can we do it? Should we do it? Do we have to do it? and sometimes we fail-sometimes we fall flat on our face. One of the big problems that I have seen with the UTOPIA program here, was I started out, I don't know if I was the first person in my neighborhood, but I got it and saw the problems with it. But, I saw that you have to have it; there's nothing else that will beat this. You can't pass information bilaterally any faster than you can do it with fiber optics; you can't do it over the airwaves, you can't do it over copper combination things, you have to have that as a base and if we know that we have to have the base, and we have a program for the base, and the program can work and apparently does work, then how do we make it better-because we are going to have to have one. It is not a matter of toss it out the window and that is my take on the thing.

I did notice that the marketing here really sucked; it is some of the worst marketing I have ever seen in my life quite frankly, and I don't know why! I haven't been privy to the 'why' but I see people coming out and re-selling me the program; there's no need to resell to me-I already got it. How are we selling it to the other places? That is the thing that I see is- how do we get the word out? The old missionary thing? That is the big problem with the program as I see it right now; How do we get it to grow? and I think we will get it to grow if we can get the word out. That is the only problem that I see, and that is my two bits worth on it, and if this doesn't make any sense, why just forget that I stood up here.

Donald Patton, 5597 Hillside Dr., Murray, Utah

Mr. Patton: I stood here eight years ago, more or less, and gave the same speech-we were talking about UTOPIA at the time. I have no concerns about the technology of what we are talking about tonight-it is needed and it will be accomplished. My point is that I don't think it's the City's job to do it; I think, as it is with the phone systems, and with the internet, and all the others-this is done by the private sector, and I think that is where this belongs. The technology is great, and the technology will change from day to day almost, and year to year; what will it be in eight years, the technology that we are talking about? This may be obsolete at that point.

Eight years ago when the UTOPIA project was brought forth, great promises were made and not kept. We've had eight years of debt, we were promised that the subscription fees would cover the construction costs, the feasibility study was just exactly what would happen, and we found out now that what they said was feasible then never happened-it wasn't feasible. There was no marketing plan which went out and sold the product; so we have eight years of debt with UTOPIA, and the feasibility study that we have now indicates that we have another eight years of debt with this new endeavor. They don't predict any profitability until 2018 in their feasibility study; so that is 16 years of debt that the tax payers of Murray will have to have, and will have to absorb. It is a big part of our budget-I've talked to several employees of the City, and it would be interesting to take a poll of those employees as to how they feel about this endeavor. They haven't had a raise in three years, and yet we are willing to spend \$200,000 on a project that has yet to prove itself. So, as my time is drawing closed, I do not think that we ought to use General Funds to upfront this project. The amount that we have budgeted for UTOPIA in this coming budget in 2011 - \$1.25 million- we could do a lot of road work, a lot of the basic things that Murray needs. We could take care of our employees and treat them better than letting them sit and wonder. I have been given

the high sign....I don't oppose the technology at all, in fact, I support it whole heartedly, but I think it should be done in the private sector.

Jim Prindiville, 97 W. Woodrow St, Murray, Utah

Mr. Prindiville: I have been here for every meeting, except for the second half of the last meeting; My opinion hasn't changed-I wish I could stand here and say I was wrong every time. Ms. Dunn asked a question, if I were here looking for a handout, I would have had the answer to her question right on the tip of my tongue. How much if we do it, how much if we don't do it. The problem with their numbers is they are perceived, they are projected and would hope. None of this is a promise-that way they don't have to keep it. It started out in the beginning as a brilliant idea, but there is no guarantee for the cities-only a guarantee for UTOPIA, if they totally failed, the cities would have to cover it. Now they are talking about bringing in more cities; they can't build out the ones they got-like a giant ponzi scheme, they need more money. If the money stops, all you have is a hole and eleven cities to fill that hole back in.

On a lighter note, every week we hear that Utah is the scam capital of the nation; every week we see elderly people on TV "he said that I would get...." "he said this, they promised me that and now it's all gone, we have nothing." You know, there are eleven cities that are starting to make that elderly couple look smart. They only got taken once.

David Vasenda, 798 W. Clover Meadow Dr. Murray, Utah

Mr. Vasenda: Since June, I have been trying to get service on UTOPIA, unsuccessfully. I have contacted every service provider on UTOPIA and was denied; I was initially told I was not in the service area, in spite of the fact that there is a box at the corner of my driveway. Eight years ago, I came to the first meeting and I told the Council that there was no way that they were going to build this for free, and within a year they would be back-and they came back and they asked you to back the bonds. I asked in that meeting, why we were backing the bonds when in the first meeting we said we wouldn't back the bonds. Consequently, I was told that it just had to be.

I have been in the communications business for 30 years, I am not a novice at it-I was Director of Operations for an IPC here in Salt Lake. I knew what it costs to build it out, I knew that their projected numbers were bogus. Now people are telling me that they knew all along that it wasn't enough money to build it out, but we went ahead and did it anyway. When you say that there is 57% of the people that don't know about UTOPIA, I will guarantee that 50% of your city that doesn't know that you have committed the money that you have to UTOPIA. Not only do they not know about UTOPIA, they don't know the dollars that they have been put into by the City Council. You are in a tough spot-you are on the hook for \$30 million, and the question is: when is it time to cut bait-it's a tough question. You are being asked to sign up for another \$60 million, I really don't relish your decision; if it were me, I would not sign up for another \$60 million. I would limit my liability, even if it were just to the first tranche of services where your 16% is only an additional \$4 million, and see where it goes, see if you get it. I don't think-they use a lot of terms which I wrote some down: "anticipated, planned" all of these things are anticipated, planned, they are projected-I can tell you that the old thing about numbers is true-you make them say what you want them

to say. I can also tell you that it is a wishful thinking that they are going to get a 35% take rate on homes passed. I've been in this business too long to believe that. If you limit your liability, I don't know what to tell you.....that would be my suggestion. If they are not going to sell it, you are not going to regain whatever you can out of it now, while it still has some value to it, and try and reduce your debt and your loss. The only thing that I can think of is that you do everything that you can to limit your liability on this; and if you are going to build it out, that you own it. Part of my concern is that you are putting this money into a large pool that is going to be for take rates; how do we know that money is going to go build out Murray? You are putting money in with no guarantees, nothing in writing, nothing committed to building out in Murray. Again, it is frustrating for me, I questioned it in the beginning, I decided to try it even though I questioned it in the beginning, and I still can't try it because I still can't get service. I wish you luck.

Public comment closed.

Mr. Marriott: Just to be clear, we do have to the dollar, we don't say 'approximate' it may seem that way but we fired up computers; I talk a lot here because there is a lot to talk about, but there is way more that I could say and so anybody who would be interested in seeing numbers and looking at those kind of things, we have all kinds of computers fired up, and would be happy to go through that in detail with you to the dollar. I would just say, I understand peoples frustrations, when I got here two years ago I would have had similar feelings, but I would point to the fact that in the last two years, this network has made remarkable gains; it's become a completely carrier class network that's redundant, it's added the service providers, the offerings, it is on the right track, and it's trending the way you want it to. I would be the first one to say, if I were a citizen of Murray, 'you shouldn't be involved in building out this infrastructure, if the private sector would do it.' They won't, they can't. Qwest is being bought out-they can barely make it. This is a tough scheme, and the reason is because it is so expensive. That is why we need to have cities and municipalities involved, because it will never happen. We continue to put technologies out there that make internet surfing faster, but it is shared and it will not provide the infrastructure we need for these critical, critical things that are coming and that are here.

What we don't do, is we don't provide the services, we simply provide the freeways. If you don't believe this is critical infrastructure, I can truly see that. But, I can clearly demonstrate this as critical infrastructure; I would put this out there tonight-I did this in the Centerville meeting- if there is any private company that is willing company to step in and provide open access, non-shared, fiber to the premise, UTOPIA and UIA will step back and we won't build it. I would open that to any corporation out there that will do it, and we won't spend the money there; we will go elsewhere and spend it all, and we will support those efforts. It just will never happen. It is really critical, and the reason is, having been a private sector guy for 16 years and having been involved in communication companies where I had to compete, the reason is because we have to get-for our investors-we have to give a return on that money. Sometimes you can do it in five years, eight years, on a network, but typically three years; because cities have the ability for bridges, for roads, and for fiber infrastructure to bond 20 years, it gives us a longer period of time to pay back infrastructure and that is why the cities need to do this. That is why I would opposed to building an infrastructure like Lafayette did-they went in and built a wonderful system like we do and then shut it out to everybody because they needed every dime to pay for it. I'm opposed to that; although we work and support those different organizations, I would just say if I were a citizen of Murray, I would want to know where every dime goes and I would just say that your City staff and your elected officials hold our feet to the fire, they know where every dime is. They are very cognizant, also I can tell you, of their City employees. We hear it more from Murray

Council, and your Mayor, they are very protective. I would just say that in part, I am in part, a 16% staff member of Murray; UTOPIA and UIA is nothing other than staff and an extension of this great city. We are you, we are a part of your community, we are here on that great cause, and we understand the frustrations and believe we are a legitimate part of those solutions. I don't know that any of us were a part of those problems that occurred and it's a courageous effort that we are proud to be a part of it, and are proud to be a part of your community and this great effort.

Krista Dunn: I have to make a decision here tonight, and I want to know what the numbers say.

Mr. Marriott: We are going to be bonding for \$60 - \$65 million, that fluctuates because of all the different things we are involved in, in terms of stimulus and some of the demand, but we are going to be asking you to approve a service contract for your board members, to approve up to that amount of money. It will be segmented based on incremental draw downs, based upon performance benchmarks being met; so, let's say that there were three incremental draw downs on that \$63 million, what we would do is anticipate the first draw down to be around the \$25 million mark which would accommodate most of our needs-many of our needs in terms of the stimulus. It will produce 48,000 new residences and businesses with a fudge factor in the positive of another 227 consumers. That money will be spent primarily in existing areas; we will building out a new area though, that we have designated primarily because there's a lot of expanded infrastructure that was placed in some of those areas down south and so we are going to spend the money in that manner.

Currently we are a few hundred thousand dollars a month negative on our operations and so as we go forward, in terms of...we spend more money to keep this system operating than we make. Right now, with some of the adjustments we are making as we go forward, as you know, last year we cut to a very lean staff-we cut over \$500,000 out of our budget annually- and have been running extremely lean. Your staff at UTOPIA and UIA...by the way, there is no new staff at UIA that is paid; there may be services that are done for auditing purposes, but UIA will maintain staff that doesn't get paid, that's contracted through UTOPIA, and so UTOPIA is running very lean. We are going to have to ramp up somewhat in almost every department to accomplish this volume of work. We are also funding an effort, some of our efforts legally, that we are anticipating going forward, and so those monies have of course been given forward, but it represents about 25% of those initial tranche of money that will be spent in terms of the operations shortfall and ramping up and some of the awareness costs of marketing that we need to do, putting in about 75% to 80% of that money into the ground. That money will go towards critical middle mile infrastructure, some of which will not be revenue producing for some time; at least not anticipated as such initially because we haven't projected that into the model, although it may very well produce revenues-we have to do that to meet our qualifications. So, the first tranche, in terms of a financial or fiscal go forward, is the best tranche because we have put our ace up our sleeve.

We have areas that market research has demonstrated should be connection rates of at least 25% and are now at 9% and 11%; so when you go past a home, say you have ten homes on a street, and two of them are connected, the eight homes that are not connected, you spent about \$1,000 per home going past them. Then you spend money every single month to maintain blue stakes and so forth, so when we go past those homes, in terms of the financial model, we realize more from getting existing areas up to those take rates than we will anywhere else. The only reason that we are going into some new areas in construction in the first phase is because there is about \$3 million in one location, and another \$1.5 million in another location that is stranded. It is sitting

in the ground, you have already spent your money on that, and it's not making any money. So, because we need to get a return on investment and get where we are no longer being subsidized by our parent cities, that is our biggest intention, and that is how the money will be spent.

Mr. Shaver: What I heard you say was that the first draw down is going to be up to \$25 million, and it's going to meet the stimulus, part of that. Also there would be 48,000 new connections plus on the best side?

Mr. Marriott: Yes; the connections would include businesses and residences.

Mr. Shaver: 78% of the funds in the ground will be both in your primary and secondary focus. Primary would be those in existing areas, and a secondary area that is a new location, like you're describing where there is something in the ground but you want to make use of. That is what you are calling 'new', correct?

Mr. Marriott: That is correct.

Mr. Shaver: Also, there is a shortfall in the operation make-up that we are talking about, and also..

Mr. Marriott: Which by the way, that gap gets wider.

Mr. Shaver: You're talking about the ramp up?

Mr. Marriott: Yes, because there is a ramp up, we are going to need some additional resources.

Mr. Shaver: Then you said 'legal' costs?

Mr. Marriott: That is anticipated to be around \$1 million of legal costs in that first tranche.

Mr. Shaver: Could you be more specific as to what that legal cost could be? Or do you and I need to do that outside?

Mr. Marriott: No, we are very much anticipating a fight with the RUS.

Mr. Shaver: Do you have a quantification of what that expenditure, or what you need to see in return for the additional after that? If you're saying the 63, and I heard you go 60 – 65 and so we're going in the middle and I understand that, that it's not targeted specifically; but do you have a quantification that would say when we reach this, then the \$25 million makes sense; is there something that we can anticipate in the first year? We need to be at this place, second year we need to be.....Is there something that you have identified, this is our identifying mark where we can go back to the cities, our board, and say we are meeting it, we are not meeting it?

Mr. Marriott: I think what you should anticipate is that we are going to use some of that money to get ramped up, and get ready to go. That money is not money that can ever come back-we are going to spend it. Past that point though, we have produced-if anyone has ever done a business plan and protections- we base our projections very realistic, hopefully we can beat them, but it was anticipated that we would be out in July, as I said before. I am going to have to set those expectations so it will be a sport card approach that the board will monitor; as you are aware, there is a lot more involvement on our board levels and executive committees than ever before, and there will be an

evaluation that will be on-going monthly that will track the results of this effort.

Mr. Shaver: I hear that, and you and I both know that the track says we are on track to reach *something*; is that the 4,800 that we are talking about in that primary and secondary focus? In other words, if you get to a certain time period, you have to say 'we're in it in that five year, or three year, or two years, and we are anticipating hitting that 4,800; we are at 4,200, gosh we're close.'

Mr. Marriott: Although your model shows you hitting some of those numbers in the first three months, at the time it was put into place, it was anticipated that we would be able to bridge into that and get a running start a little better than having our tires spin on ice.

Mr. Shaver: I understand that, but that was in the past.

Mr. Marriott: There will be some adjustment on that, but yeah, what the numbers are set on is what we've been able to hit in the last two years. In terms of deployment, in terms of installations, we've set our own governors in there and we may very well find that we can do better than we say.

Mr. Shaver: No doubt.

Mr. Marriott: But we know that we that we can hit what we've said.

Mr. Shaver: That 4,800 has to be tied to a time-line, and that is what I'm looking for.

Mr. Marriott: It is tied to about a year, a year's mark.

Mr. Shaver: 12 months starting January?

Mr. Marriott: Yes, but with the caveat that has to be somewhat flexible in terms of how..... there will be conversations that I will have with all of you, given the go ahead, in terms of what kind of running start you would allow me to have, and those are conversations that we can have once we go. But if you say OK and go just the way you are, and then come January 02, here's the money, go, then that's different than saying that there is a way to maybe bridge that between now and then; there's some mechanisms we have, that's fine, do it and we get a little bit of a running start. Yeah, we will tie that to a time frame but we will also tie that to a dollar amount.

Mr. Shaver: Dollar amount spent? Dollar amount income, which one?

Mr. Marriott: Both; what will happen is when we go into an area, we will go in and spend money to do marketing and the customer awareness. We will get customers who will say they absolutely want it, like this gentleman who spoke before, and I've had Councilmen who said look, you have a place right there that the fiber is close, but I can't even get it- we are going to get to them, gather all those up, and spend hundreds of thousands of dollars in those big areas. Then we will spend \$2 - \$3 million in those areas; so it will be tied to acquiring demand through our marketing and awareness campaigns, and then we will spend the dollars. It is tied to both timing and to the acquisition of that demand, in terms of how that money is spent.

Mr. Shaver: I'm hearing three things: sometimes my mind gets filled with lots of information, and I want to make sure that I understand it clearly, so that you and I both have an understanding of what we are discussing. I am hearing that it is definitely tied to a timing issue, it's also tied to an out-go of funding rate, and in income of funding rate.

Mr. Marriott: It is Mr. Shaver; the first, in terms of timing, we are burning money every month, and so we have to be accountable to that-to the return on investment in terms of our burn rate. We are going to have some burn rate in the beginning where our return is not there, depending on how quick of a start we get. Then it will be tied, on a monthly basis, to both the timing, and in terms of customer acquisition, will tie together once that gets synced up. It will only sync up in terms of timing and customer acquisition depending on how quickly we can get under way.

Mr. Dredge: I was going to simply state, and this is the same question the last time you were here, and that is: We need very clearly stated metrics that are outlined at the beginning of the project, that have all of those pieces of the puzzle and that we, basically as a board, agree that those are accurate and correct measuring tools and then we need to see them on a timely basis. If that weren't to happen, it would probably be a problem.

Mr. Marriott: It has been yelled from the rooftops.

Mr. Dredge: It is a judicious statement.

Mr. Marriott: It is also important for us to have this mechanism so that we are tracking; we need to track internally as well, so we are creating those mechanisms so that we know we are accountable for sacred dollars, it is not just a business venture.

Mr. Shaver: I appreciate your sitting under the gun for so long, and I know that we have really kind of pounded you a little bit; I appreciate the time you have taken to come down and answer those questions.

Mr. Hogan: I would like to make two comments just to simplify things just a little bit: there is a clock that will start ticking at a certain point and there will be a time frame. I think the big question is, when does the clock start ticking? That is so tied to when does the funding show up; if there are funding to provide to the project, that's kind of when the clock starts ticking, so that is up to us collectively if this were to occur, to define. Then it does become a matter of a time frame that is defined-it is generally a year.

One other thing I would like to address, is a comment made earlier-Ms. Dunn asked why not wait until a better time of year. It is not that this is a bad time of year, it's just a cyclical time of the year that our friends from Qwest and Comcast go through the same thing; it doesn't mean that you wouldn't sell, you have to deal with that anyway, so it's just a matter of setting expectation-if you started in the best cycle, you would expect to see a better rush of demand, and if you don't, it's a little lower-so it's a matter of setting that expectation. For the next five years, we are always going to have a January and a February, and people are going to be with less attention span because they are coming out of the holidays. I wouldn't wait, because Mr. Vasenda and I spoke earlier today, and he is going to be your first customer. I have his address and nobody is spending for services, and I know all of our providers will beat that service, and they will beat it on price, and they'll beat it on service. So, we have already made a sale tonight.

Ms. Dunn: You kind of missed my point on it; it wasn't why not start later, but why not do a little more due diligence, then start later.

Mr. Hogan: Well, because I think that the due diligence you refer to is already there, and that is what I was trying to refer to with regard to Brigham City; there is no better research than your past performance, and the marketing or feasibility study-we met with the gentleman and we discussed the marketing plan-in fact I think he makes comments in the feasibility study that the marketing strategy is one that he supports. I think we have enough evidence that this is a duck, and we will do research, but the research won't tell us: is the demand already out there, it will tell us how more effectively to go after it.

Somebody mentioned too, and I know I'm probably taking up way too much time, that the marketing sucked. I want to second that, by the way, and that is why we are here. It is to improve that marketing, and one valuable lesson that UTOPIA has learned: Do not leave the marketing up to the service providers by themselves. It is a combination of letting people know about Murray's network, how amazing it really is, and all the great service providers that they are going to have the ability to choose from. It is that combination of marketing that makes it so successful.

Mr. Brass: First, unfortunate turn of phrase: your past is your best research on performance. Brigham City is one in a row, way to go; but you have eight years, \$185 million, less than 10,000 people...so call that a wash. I'm glad that Ms. Wilson brought up the interest, \$60 million if we end up paying our pledge all the way out. Let's compare that to now: you want to bond, if we bond for a total of \$60 - \$65 million, spend it all, all of our problems are solved, in all of the UTOPIA cities, but we are on the hook for that much money. We could have built a lot of fiber in Murray for \$60 million, and we could have built probably three City Hall's, a performing arts center, paid off the Recreation Center three times.... that's the impact that we already have, and that is my concern. I'm on UTOPIA, and I love it, I've told you, I've said it in the meetings, particularly tonight-our documents for tonight's meeting was 182 pages-most of them were redundant, but when you have to download that PDF file, I have to go home to do it because at work it times out. We have a very sophisticated system at work so I won't argue the point on technology, I don't believe it's going to become obsolete.

My concern is this: we were charged, upon election, with protecting the health, safety, and welfare of our citizens; that is our primary job, and in that you are looking at police, fire, roads, etc. then you get down to water, which is critical, sewer which is really critical, and then power and we provide all of this. Then you are getting down to 'do I need high-speed internet service.' The big issue here is the debt that we have today, and the debt that we might have with this, impacts our ability to provide the health, safety and welfare of our citizens. That is my concern, and right now I feel like I'm playing Texas Hold'em....I love to watch World Series of Poker, because you know what everybody has in their hand, and that guy that has the two kings is betting everything he has and doesn't know that the guy across the table has two aces, and I feel that is what we are doing; I agree with Ms. Dunn-it is not a question of holding off your marketing for three months, the question was, if you can't put it in the ground now, and yes you can, but let me tell you-it's hard to dig a trench and a lot harder to bore when the ground is frozen down four feet, I've done it- In the Spring, that is construction season. In Utah, hopefully March, but you move on through construction season. I had the fun of putting a 138,000 volt power line in the ground in

Jackson, Wyoming in the wintertime, and let me tell you, it's expensive. I want to know, will our citizens pay the fee to hook up? I have a lot of questions on that, because everybody I have asked said no; yes- Qwest, Comcast, Dish Network, Direct TV all puts it in their monthly fee, but you are committed for a specific period of time, two years. Then, if I get ticked off at them, I can go; if I get upset with these guys, now that there are other choices, I can go, but if I'm hooked up to you, I'm stuck there for 20 years. I'm going to pay X amount of dollars no matter who I go to, so it impacts my portability, and there will be other choices down the line. They may not be better than you, but they may equal to it and it's that long term commitment that bothers me a little bit, plus the debt. The debt is also my concern...is the hole too big to fill in now; it's like telling Kennecott to fill that thing in.

Mr. Marriott: If the hole is too big to fill in, then we need to fill in some of it. I think that is what we are proposing to do; I know it was mentioned here earlier, we just keep coming back and coming back, well it was anticipated from the very beginning that this project would cost \$400 million, that is what we signed up to eight years ago. Now, you were also told that half-way through that there would be revenue bonds that would drive that, so that is the disclaimer there. The fact of the matter is that we have a long ways to go and there is a lot of infrastructure to put into place and it is not just a matter....they will pay the \$3,000 because it is marketed in a way that will be extremely compelling; I think that we have documented that over the past....not just with Brigham City, but keep in mind that we were in three or four other markets before that...but it's more than just our ability to surf, it is the ability for somebody to work from home, have a 182 page download that goes like this... It is the ability to have tele presence that works, and I remember a gentleman here two years ago that said "I work in Murray because you have UTOPIA, and I work in my underwear, in my basement, and I make California wages." We have movie producers that can work from Utah headquarters; that infrastructure also reaches well beyond what was going on today. We need that .0005 second, make sure its relaying information type timeframe so that we can do sensory applications that allow us to load balance. We think that right now we are involved in some initiatives with some very powerful and very innovative space technology companies that are going to produce.

The ability for you to be more effective in your load balancing and saving the city a lot of money in terms of its energy costs, the ability for you to run a SKADA system here, and your water and to control those kinds of things, and have the ability for you to have your Fire Department and your Police Department to get rid of their Sprint cards so that they don't have to spend \$15,000 a month on that, but could have streaming video so that when an explosion happens here, like it did in San Francisco-hopefully not- they will know the best way to route in. You will have all of your lights tied in, and your city's essential services, and it will be an integrated hull. At some point- it isn't a matter of talking about 25% take rates, but a ubiquitous connection to every single person in Murray; that is where we are headed and that is why it's so important. Right now, I think the hole is pretty big- it's huge-and when we got here just over two and a half years ago, keep in mind that hole was dug, and I think in the last two years we have spent that money wisely and have started filling that hole. I think we will continue to do that, so, can we fill that whole hole in? I'm optimistic to say we can, but today I'm not sure how we will do it, I can't see clearly how that entire hole gets filled in, so can I cover it a third? Probably; can I do better than that? I think so. And if we are successful in what we do, can we fill in the whole entire hole? At some point, probably. But we spend money on critical infrastructure just like you said; I think we're going to find electricity is going to become....that this fiber optics is going to

become fairly equal in some aspects to our....it's going to be fairly equal to electricity. They are going to be symbiotic, and I think we are going to find that we spend money on golf courses and recreational centers that never fill in that hole- you spend that all of the time...you have detention ponds and all those kinds of things. This is critical infrastructure, so if you never fill in the entire hole, then let's get as much of it filled as we can and let's get every citizen connected to this fiber, whether they use it to surf with or not, and once we do that, we can save a lot of money for the tax payers, promote essential services, and be effective.

Mr. Dredge: I'm going to ask Ms. Heales to enter this into the record-I have put my position in writing, but do not want to go into it, as it is several pages long. I have given a lot of thought to this and I think it should be a matter of the record. (PDF email attached as a separate file)

One of the first things that I want to say is that there was an assertion made that UTOPIA was perhaps being, in register, using the cities in some way. Murray is UTOPIA-it is cities that have banded together to put in infrastructure that, when the vote was originally made, it was felt that it would be an economic driver for our cities. The individuals who originally put this together were individuals who were trying to look down the road and have the same sort of foresight that Murray did, when Murray Power was put into play. Our crystal ball was not as clear as we would have liked it to have been in those days; I would say that one of the biggest disservices that was originally put forth by the original UTOPIA group, was that this wasn't going to cost us anything-that just wasn't realistic. When you get past the fact that, ok, that wasn't realistic, do our original goals and aims still remain in tact? Is it important for us to have this as infrastructure? Is this infrastructure as important as power? Is it as important as roads? Quite frankly, my personal opinion is that yes, if we can't move data it is going to create just as big of a problem as if we can't move people.

I have to tell you, it isn't like I'm sitting here not echoing Mr. Brass' concerns- he very eloquently stated that yes, we are in a big hole and it scares the heck out of me. This has weighed very heavily on my mind personally; and yet, what it boils down to, to me, is that we are in a hole, and we are there-so what do we do? We are going to pay that \$60 million no matter what, unless there is some action that is taken to somehow mitigate that. What it boils down, to me personally is, am I willing to risk our share of the initial tranche of money to see if this plan will work? Because if that initial tranche of money can prove it will work, then we have hope; right now, if we just say no, we have no hope. We have a lot of infrastructure, we have a huge investment and it is going to sit there and really going to wither and die because there will be no investment in it. In my mind it boils down to: is this key infrastructure? Because if this is key infrastructure that is what cities provide- and yes, there is an order of magnitude of course, but people have wanted to come to Murray because we've had good infrastructure, and if we are going to stay ahead of the curve and continue to be a place where people want to come and do business, which has historically kept our property taxes low, and a good place to work, I for one am supportive of giving this one last shot because quite frankly, if this doesn't work with this tranche, it won't be just Murray pulling the plug. I think it would be fair to say that this first tranche is UTOPIA's, UIA's last chance.

With that being said, I would like to clarify to those that have been here for eight years and sat through these meetings: this is a vastly different entity that came to you, and to us, originally; this is probably the best organized, well thought out, group of people that have

ever stood before you with a plan. Now, as we all know, with any plan or any pro-forma, until it is proved, it's theory and we understand that. You have to have some faith in the people who are standing behind that theory. I guess what I am stating, and what I am providing here for the record and here verbally is that I believe that the only way to get out of this hole is to try to move forward. The incremental cost to us, really, compared to the whole debt-factoring in what we would pay if we vote no-just to maintain what we have built, the incremental cost is immaterial.

Ms. Dunn: I have to be really honest, I came here tonight really not knowing which way I was going to go with this because I have a lot of feelings about it; I echo Mr. Brass' thoughts, I echo Mr. Dredges thoughts. We are being asked to do something that in many ways, we probably got ahead of the game in things, we probably started too soon in this. We had some great thinkers eight years ago that said 'now, this is the greatest idea since toast, but we can do this.' It wasn't carried out in the manner that was presented to us, it wasn't done the way that we were told it was going to be done and consequently there were a whole lot of mistakes made and the reality is that is water under the bridge. We did what we did, and we moved forward with it; so the question today is: do we give it one more chance? I asked my first question tonight "what is the difference in what we are going to pay if we don't participate, and what we are going to pay if we do participate." Essentially it is about \$200,000 per year, is the best numbers that I can come up with. I know that you can't hold onto that, but at the same time, \$200,000 is a lot of money. It is about three positions in this city; and that is positions that we may have to let go, not that we could hire-there is a big difference between those two. That is huge-it is huge to the people that work for us; at the same time, we are going to pay that \$60 million no matter what. If we walk away today, we have no chance, whatsoever, of changing that. It puts a big, huge weight on the top of five people's shoulders up here and I will say that I helped put it there, as I was one of that original group that voted for this.

In the time that we have been involved with this, I have read every piece of article and research I could possibly get my hands on about increasing broad-band. I can tell you right now, when we started, no one could find any other comparable organization that was doing this, and that was part of the reason that the group that presented it to us, presented it and said 'nobody's doing it, somebody's got to do it.' Like I said, I think we were probably a little ahead of our time in moving in that direction, but since that time, I've read a lot of articles, and know that most of this group has done the same and done a lot of research, right now, I can tell you of at least 94 others who are going in this direction, in this country. But not only that, I can tell you right now that Australia is moving in this direction, China is moving in this direction, Japan is moving in this direction, Norway and Finland are moving in this direction and we have dropped, every single year, as being a leader in technology. We are no longer a leader; we are seeing businesses leave this country, leave this state, because there aren't those kinds of options for them, and that's really concerning for me, in a community where we have to build economic development or we are going to be left behind. We are going to be the city that died, because we depend so much on that economic development; we aren't going to get any bigger-we can only get better or worse.

It puts a huge, huge shadow over us on whether or not we move in this direction, whether it is right to move in this direction. Our national leaders, and I'm not talking about Republicans or Democrats, I'm talking about our experts nationally in technologies say we must go in this direction and we know it's not going to be done by commercial groups. We were told eight years ago, when asked, will you come into my neighborhood when I was

being told by my neighbors, that Qwest and Comcast would not come, and I asked the question directly and was told, no there is no profit in your neighborhood. That was a big reason for my decision back then. Well, if nothing else, UTOPIA has done one real big huge positive thing, and that is that we have created a whole lot of competition, and the prices have come down enormously. But, \$185 million- that is a huge hole; can we ever make it up? Did we ever expect to? I know that members of this council said that despite the fact that others were saying ‘oh, we’re going to make money on this’ this council-and it’s on the record over and over-said: “we aren’t in this to make money, we don’t believe that we ever will make money, we are in this to bring the technology to keep us in the top levels.” That’s been a huge weight to balance, to make a decision here tonight; and if nothing else, you will have the perspective that we have faced over the three times that UTOPIA has come and said join us, this is the way to go.

Mr. Stam: 35 years ago, I took a job as a draftsman and learned how to draw, and I learned how to draw by hand. 25 years ago, my boss told me we would never do it on computer; 15 years ago I went to the community college to learn how, and 12 years ago I started working at home, and made the decision at that point not to draw by hand anymore. I had a friend of mine, who lives two blocks down the street from me, who did the same thing at the same time. He made it in business about four years, because he did not learn to do it on the computer; he looks for a job today. When I started doing that on the computer, I talked one of my customers in California.....I am, by the way, one that works at home, gets California wages, and works in my pajamas half of the day. When I started, I talked one of the customers into taking my drawings by email, and I emailed them and the only option I had was dial-up. To send six little drawings, took an hour and half of sitting in my chair watching my computer send it, because I couldn’t do another thing since it was all tied up with the computer. Today, those same six drawings I can send in about a minute, on Comcast; I know that if it was on UTOPIA, it would be in probably two seconds. But, I am in business today because of the internet and the opportunity that I have to do that. A customer called me a month ago and said ‘I have this little piece of handrail that needs to be drawn I went upstairs and asked the in-house people that worked in his office to do it,’ and he said that they couldn’t touch it for two weeks, and asked if I could do it for him. Two hours later, he had it in his computer, at his desk, and I am still in business today, because I can do that.

I believe that this infrastructure provides people the opportunity to do it-in five years from now, I really believe that 20% of the people will be working from home, and working from home is going to take people off the roads, it’s going to stop pollution, it’s going to save the city money because we don’t have to pay for as much repair in those different infrastructures, because it is not being used as much. I believe it to be an important infrastructure and I believe I am in business today because of it.

Mayor Snarr: Of all the things that have occurred to me during the course of being the Mayor, this is probably the one that has aged me the most. It has weighed very heavily on my mind over the years, but I believe, passionately, in the future success of our community and our future, and look back at our ancestors and the commitment that they made to go in-house and do their own power delivery system. We had significant challenges for many years, but because we stayed the course and weathered the difficult times, now we are praised as one of the best power delivery systems, not only in the state of Utah, but in the western United States. My biggest challenge is, like Dave calling me and asking me why can’t I can’t it Mayor? For the most part, my neighborhood is mostly hooked up, but there

are a few that would like to be on the system, and I would have to say ‘we don’t have the money to bring it to you.’ I had two phone calls up in my office tonight before I came down to this meeting: I had somebody that I have been working with passionately for the past two and half years, and he said ‘Mayor, I’ve made a commitment, I want to meet with you on Thursday and I am willing to spend \$17 million in your community on the caveat that I get that fiber. Because that makes me different than all my competitors and I’ll be able to provide things that nobody else can provide. I will be successful with that.’ He said that he just wanted to make sure that when he pays for it, it is mine, I have it, it’s part of that building, I own it. He said that is absolutely critical to my decision making process. I think that in the last meeting, I discussed this, but I have more people and businesses calling me, and I have a tenant....I’ll be the first to admit this, I’m not hiding anything...that needs this so desperately to be successful, and he says ‘I guess I’m kind of stuck here in the hopes that I can get it down to my business, because I’ve gone out and looked for other opportunities to expand my business,’ and he needs me to build him another 20,000 square foot building and all these other things, but he said it’s going to be contingent upon whether or not you can get me that fiber. Or, he says, I guess I’m going to have to go out to an area or community where they will bring it to me; he said that he has checked with Comcast and these other ones, and they want a significant amount of money to hook him up-more than what you said you would bring it to me for.

At the end of the day, we are going to look back maybe two decades from now, and say this was a brilliant decision. I hope it will be. I still believe in it passionately, like Ms. Dunn- if I watch TV it’s the Discovery Channel, or other channels in which they are constantly talking about....Like Mr. Hanson said, this is the future and we have barely touched the tip of the iceberg with the capabilities that fiber has and what it can deliver to our constituents and our businesses. We barely touched the tip of the iceberg; it’s like when they first developed the laser...now look at all the things that they do with the laser now. Fiber has so much capability and we have the ability, which is so unique, to offer our residents and our businesses a choice. Is it going to cost them money up front? Right, but they own that; I talked to a developer and he said that at the end of the day, he says he has something that nobody else has that makes my property more marketable. Nobody else can offer it, and he says that this is going to be absolutely critical that this is going to be available in communities; and those communities that have it, will have the economic development tools to be much more successful than those who don’t.

That is one of the primary reasons, as everyone is well aware, that Brigham City was so passionate about this; they didn’t have the critical infrastructure, and the sustainability to provide the necessary opportunities for jobs to be created in their community. It has been a challenge for them, and I’m going to stick to it until the day that they throw me in the hole-and it may be sooner than later if I keep having as much pressure as I’ve had- but, nevertheless, I am passionate in believing in this, I know my children are passionate about this-they think it’s the greatest thing ever-and I know my neighbors appreciate and value the fact that they have it. Granted, I don’t know why they are having problems....have they had problems? You better believe it; did MStar have problems? I have people calling me up with Dish Network and complaining about their system being down. It happens to everybody, but my Prime television service has been absolutely superior the last three months-I have no pixilation, everything has worked incredibly well and so I am incredibly thrilled with what I have. My children are constantly using the internet, they’re in on that computer constantly, and I have a son that does a lot of work over in China on my behalf, and he does it from his house because he has the fiber over there at Fireclay, but fortunately

he has it and it is easy for him to transfer data and what not back and forth. I have stood by this from day one, and I still passionately believe in it and believe it is the future of our community, and more medical things will be delivered over fiber than anyone will ever realize.

Mr. Shaver: As the Chair for this particular evening, it is our passions that define us, so those of you who have made comments this evening about this particular issue, Council members as well, it is an important issue and I believe that's why those passions are as strong as they are.

Mr. Dredge made a motion to adopt the Resolution.

Mr. Stam 2nd the motion

Call vote recorded by Carol Heales

<u>A</u>	Ms. Dunn
<u>A</u>	Mr. Dredge
<u>A</u>	Mr. Stam
<u>N</u>	Mr. Brass
<u>N</u>	Mr. Shaver

Motion passed 3-2

E. UNFINISHED BUSINESS

None scheduled

F. NEW BUSINESS

Consider a Resolution authorizing the City to execute the Second Amended and Restated Interlocal Cooperative Agreement of the Utah Infrastructure Agency.

Mr. Marriott: We have put forward the organization, and one of the things I would note in terms of the organization of UIA is that it has its own executive committee, that will be working in conjunction with the executive committee of UTOPIA, both UTOPIA and UIA maintain different boards. It is our every intention to make certain that there is as much involvement from our elected officials and city staff in this effort as possible. As we go forward on this, we plead, and I know when I say this that this is the wrong council to ask for more help from, as we have received quite a bit, but please continue because we....this is an all hands on deck effort, and we really are.....when I stand here, and I really have been trying a lot over the last couple of years, to close this gap that's UTOPIA's and the cities because we really stand here as much as your staff, at least 16%, and are accountable to you for that, and we are accountable to the citizens of Murray. That organization is tighter than it has ever been, there is more involvement, and there is a fervor amongst the leadership of both organizations to be accountable. We know that we have to make every bullet count.

Ms. Dunn: I would ask, no, actually demand that Murray has a place on the executive board; I

don't know if you can guarantee that, standing there right now, but that is how I feel right now.

Mr. Marriott: What we have done is tried to organize it so that Murray has a place on the executive committee, either UIA or UTOPIA; but this will be intermingling quite a bit. Are you wanting to be on UTOPIA or UIA?

Ms. Dunn: UIA

Mr. Marriott: I will take that back and of course, it's not for me..... I work for you, but we want to accommodate that, especially somebody.....Ms. Dunn has been integral in holding our feet to the fire too over the last eight months, she has been involved in a lot of the conversations and efforts, as well as the rest of the Council. We don't get that participation from everyone, and of course your staff. Mr. Nakamura has done a masterful job of watching out for your interests as well as the rest of your staff. I will take that back and of course, that's a board decision, but we want your involvement any way.

Mr. Shaver: I also believe very strongly in fiber optics; my question deals with budgeting and timing more than anything else. Having said that, without any other comments, we will consider a motion on the above Resolution.

Mr. Stam made a motion to adopt the Resolution.

Ms. Dunn 2nd the motion

Call vote recorded by Carol Heales

<u>A</u>	Ms. Dunn
<u>A</u>	Mr. Dredge
<u>A</u>	Mr. Stam
<u>N</u>	Mr. Brass
<u>N</u>	Mr. Shaver

Motion passed 3-2

G. MAYOR'S REPORT

None

H. QUESTIONS OF THE MAYOR

None

ADJOURNMENT