

Minutes of the Centerville City Council meeting held Tuesday, June 3, 2014 at 7:00 p.m. in the Centerville City Hall Council Chambers, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT

Mayor Paul A. Cutler
Council Members Ken S. Averett
John T. Higginson
Stephanie Ivie
Lawrence Wright

MEMBER ABSENT Tamilyn Fillmore

STAFF PRESENT Steve Thacker, City Manager
Lisa Romney, City Attorney
Neal Worsley, Centerville Police Chief
Katie Rust, Recording Secretary

STAFF ABSENT Blaine Lutz, Finance Director/Assistant City Manager

VISITORS Interested citizens (see attached sign-in sheet)

PLEDGE OF ALLEGIANCE

PRAYER OR THOUGHT Councilman Ken S. Averett

OPEN SESSION

Brad Thueson – Mr. Thueson, General Manager of Cedar Springs Condominiums, stood with members of the Cedar Springs Board of Directors to show support and deepest gratitude to Chief Worsley and the Centerville Police Department. Mr. Thueson stated the officers of the Centerville Police are true professionals. He expressed appreciation for the support they give to the community and specifically to Cedar Springs.

Summer Thatcher – Ms. Thatcher is Controller of Cedar Springs Condominiums. She expressed appreciation for the Police Department and their quick response time. Virginia Losee, Cedar Springs Board of Directors Vice President, presented Chief Worsley with a plaque.

Mark Austin – Mr. Austin, a member of the UTOPIA Advisory Committee, stated that the Committee has wondered if other groups besides Macquarie have submitted proposals of what to do with UTOPIA. He stated the Committee feels UTOPIA has a responsibility to do due diligence in requesting proposals, even if it is thought that no one would be interested. Mr. Austin expressed concern regarding an article he read in the Tribune stating that UTOPIA had met with First Digital and agreed to look at their proposal, but the UTOPIA Board voted to ban consideration of any other proposals. Mr. Austin stated the City needs to be able to consider different options to make the right decision. He asked if the report was accurate, and if accurate, why it happened.

Mayor Cutler responded that the UTOPIA Board Chair brought up the resolution to limit the offers considered because a lot of different groups and cities were asking UTOPIA staff to

1 look at different options. UTOPIA staff is short handed with limited resources. Mayor Cutler
2 explained that the resolution clarifies that only proposals serious in nature will be considered by
3 the Board. An exception was made for First Digital as well as a proposal the Mayor of Orem is
4 working on. The Resolution states UTOPIA will not entertain new proposals "except as
5 approved by the Board of Directors." Mr. Austin stated he feels UTOPIA owes it to the citizens
6 to be open and above board in considering options, and not throw away options that may be the
7 right answer. Mayor Cutler stated he is in favor of looking at as many options as possible.

8
9 Blaine Lutz, Assistant City Manager/Finance Director, explained that in the agreement
10 with Macquarie, Macquarie was granted a period of exclusivity. Macquarie waived that right for
11 a couple of other proposals. Mr. Lutz stated UTOPIA has still not received a formal proposal
12 from First Digital. Discussions are continuing, but Macquarie's is the only formal proposal
13 received so far. Mr. Austin stated he feels there is always time to look carefully enough to come
14 up with the right answer. Mayor Cutler said the UTOPIA Board voted not to open a formal RFP
15 (Request For Proposal), but he agreed with Mr. Austin that an RFP would be a good idea.

16
17 Dale McIntyre – Mr. McIntyre proposed that Centerville refuse to sign-off on Milestone
18 One until such time as there is an RFP.

19
20 Nanette Smith – Ms. Smith stated she is on the Advisory Committee. She expressed the
21 feeling the Committee was given a fire hose of information about Macquarie without the
22 foundation of knowing what had happened before hand with UTOPIA. In the last two weeks she
23 has found out more of UTOPIA's history and the pattern of asking for more money. She
24 expressed disapproval for what she feels are scare tactics to force the cities into going with
25 Macquarie. She stated she is fine with another company coming in and taking over, but the
26 principle of charging a utility fee does not sit well with her or a lot of other people. She feels that
27 before jumping into another debt, the cities should look at the UTOPIA Board and staff and
28 make changes. She stated she feels they should have more to show for the millions of dollars
29 that have already been spent. She added she does not agree with the Board rejecting more
30 proposals. Ms. Smith said the Advisory Committee at their last meeting came to the conclusion
31 to recommend proceeding on to Milestone Two, but she said that decision was because of a
32 lack of information. They had more questions than answers, and felt in order to get the answers
33 the City should move ahead. In retrospect she feels it is ludicrous to pay to get more answers.
34 She suggested the answer would be to rearrange the management of UTOPIA. Ms. Smith
35 begged the Council to think twice before getting the City into it further.

36
37 Patricia Hedrick – Ms. Hedrick provided the Council with literature she got off the internet
38 regarding Macquarie and its partnership to operate a toll road in Indiana. She recommended
39 the Council find out what Macquarie's track record is in its other partnerships before making a
40 decision.

41
42 Mayor Cutler stated that an open house and presentation by Macquarie will be held at
43 City Hall on Thursday, June 5th at 7:30 p.m.

44
45 Steve Allen – Mr. Allen asked if each of the Council members and Macquarie know the
46 details of the First Digital proposal. He asked when the details of the First Digital proposal will
47 be available to the public, and if the public will be able to have a comparison chart of the two
48 proposals. Mr. Allen asked why the Macquarie proposal is public and not the First Digital
49 proposal.

50
51 Mayor Cutler responded on behalf of the Council that he and Mr. Lutz know only the
52 high-level details of the First Digital proposal. He explained that under State law a company can

1 declare some material protected under GRAMMA. First Digital has exercised that right.
2 Anyone who discloses that information is subject to a Class B misdemeanor. First Digital is a
3 private company trying to protect their information, but Mayor Cutler stated he suspects at some
4 point they will choose to make it public. The Mayor continued he can share the information with
5 Council members, but they would be subject to the same restrictions. Lisa Romney, City
6 Attorney, stated the Mayor is correct, but added that final decisions cannot be made without
7 providing information to the public. Mr. Allen questioned which body had instigated the
8 confidential agreement.
9

10 Stephanie Ivie – As a citizen Ms. Ivie asked staff to clarify the statement that not only did
11 the UTOPIA Board not put out a request for proposals, but granted Macquarie exclusive rights
12 to be the only bidder for a while. Mr. Lutz explained it is his understanding that the agreement
13 with Macquarie gave Macquarie a period of exclusivity to discuss the project. He added there
14 was discussion with Macquarie regarding First Digital, and Macquarie agreed discussions could
15 continue with First Digital and a couple of other potential proposals. Regarding no RFP, Mr.
16 Lutz explained the process has been going on for a long time. A couple of years ago an attempt
17 to receive proposals was made with no response. He stated that UTOPIA meant to portray that
18 as an organization it needs to put staff time into focusing on the two proposals presented to
19 them. Mayor Cutler stated the Predevelopment Agreement with Macquarie is available on the
20 City website. The Mayor stressed that individual cities are not limited in their ability to look at
21 other options.
22

23 Rick Bingham – Mr. Bingham referred to a recent article in the Davis County Clipper in
24 which Mr. Lutz is quoted. He asked Mr. Lutz if the quote is accurate. Mr. Lutz responded he
25 doesn't remember the exact words, but he said something to the effect that citizens would not
26 need to pay more than the utility fee for basic, minimal service. Mr. Bingham asked about the
27 basic service that would be provided to citizens under the Macquarie proposal. Mr. Lutz
28 explained the proposal as he understands it. Mr. Bingham stated he feels he would have to pay
29 a lot more under the Macquarie proposal to get the same level of service he has now. He
30 stated he feels the comment in the Clipper was misleading. He asked if the Clipper is correct in
31 stating that Mr. Lutz is the Assistant City Manager. City Manager Thacker responded that Mr.
32 Lutz is both Finance Director and Assistant City Manager. Mr. Bingham expressed opposition
33 to Mr. Lutz representing the City to the media. Mr. Thacker explained that there are times when
34 members of staff other than himself or the Mayor are more qualified to speak regarding their
35 areas of expertise. He added that he finds it troubling that statements meant as general
36 statements and principles have been taken out of context and used in this manner.
37

38 Dave Hancey – Mr. Hancey asked if UTOPIA would profit if it is taken over by another
39 entity. Mayor Cutler stated that under the rules of the Interlocal Agreement, cities have the
40 ability to hire someone to operate services on their behalf. If the cities enter into a contract with
41 Macquarie, Macquarie would operate the assets of UTOPIA on behalf of the cities. The Mayor
42 explained that when UTOPIA benefits, its owners - the cities - benefit. Any profits or revenues
43 would flow back to the cities in the same way that costs flow back to the cities. UTOPIA is a
44 group of cities acting together. Mayor Cutler continued that the cities are considering the
45 Macquarie proposal as a possible way to solve financial challenges.
46

47 Amy Hancey – Ms. Hancey stated she does not feel a utility fee should be imposed, and
48 asked if the proposed \$18-20 utility fee is guaranteed to go up every year. Mayor Cutler
49 responded that the Macquarie proposal includes an \$18-20 utility fee that would increase every
50 year by a mutually agreeable index such as the CPI. The question before the Council is not
51 whether or not they accept the plan. The question is whether they feel the proposal is

1 interesting enough to do more due diligence with Macquarie to find out all the terms and details,
2 or is the Council ready to dismiss it now and not enter into more negotiations.

3
4 Charlie Rawlins – Mr. Rawlins stated he had trouble finding the City budget online using
5 a mobile device. Mayor Cutler agreed that the mobile device version of the website is difficult.
6 Mr. Rawlins expressed a desire for the City to explore the option of moving back to volunteer
7 management of some of the Parks and Recreation programs. He referred to the fact that the
8 baseball program was successfully run by volunteer management for many years. Mr. Rawlins
9 also suggested the City consider hiring a staff engineer.

10
11 Mr. Lutz showed where to find the Tentative Budget on the City website. Mr. Thacker
12 responded that a successful volunteer program requires a great deal of enthused volunteers.
13 He stated that years ago the baseball program got to a point that it would not survive unless the
14 City took over management. Mayor Cutler stated that across the country baseball programs are
15 struggling with decreased participation numbers. Mr. Thacker added that the City's baseball
16 program is run with a small budget that is entirely funded by the fees associated with it. It does
17 not affect the General Fund. Mr. Thacker explained he has had experience with and without an
18 in-house engineer during his career. He said that, taking everything into consideration, he is not
19 convinced that having an in-house engineer would be better than Centerville's current
20 arrangement. Mr. Rawlins asked if it would be possible to explore the possibility of a volunteer
21 baseball program. He stated he feels existing communication difficulties could be improved with
22 a volunteer program, and expressed confidence that a volunteer baseball program could be
23 successful. Mayor Cutler said the City would be happy to consider a volunteer program if
24 community members are willing to take it over, and that he would be happy to meet with Mr.
25 Rawlins.

26
27 Keith Prescott – Mr. Prescott asked if it would be possible to put the UTOPIA question to
28 a vote of the people rather than a decision made by the Council. Lisa Romney, City Attorney,
29 responded that State law only allows certain items to be put on a ballot. She stated that in her
30 opinion the UTOPIA matter would not qualify to be placed on a ballot, but that State law may not
31 prohibit distributing a survey. Councilman Wright asked if a proposition would be possible on a
32 ballot. Ms. Romney responded that a proposition may be possible, but there are very limited
33 reasons for adding a proposition. In her opinion the question of should UTOPIA move forward
34 with Macquarie would not qualify as a proposition issue. She suggested something less formal
35 than on the ballot, such as a survey. Councilman Higginson requested that citizens contact
36 Council members as an "informal ballot".

37
38 Garth Heer – Mr. Heer asked if the issue could be placed on a ballot at a time other than
39 November. Ms. Romney responded that, no, state law strictly regulates what can be placed on
40 a ballot. Mr. Heer asked how fluoride was put on the ballot. He expressed there must be a way
41 to overcome the restrictions, and added that in his opinion fluoride should be taken out of the
42 water. Mr. Thacker responded that the fluoride issue was a County-wide ballot issue authorized
43 by State law.

44 45 MINUTES REVIEW AND APPROVAL

46
47 The minutes of the May 20, 2014 work session and Council meeting were reviewed.
48 Councilman Higginson made a **motion** to approve both sets of minutes. Councilman Averett
49 seconded the motion. Mayor Cutler and Councilman Wright requested amendments to the
50 Council meeting minutes. Councilmen Higginson and Averett approved addition of the
51 amendments to the motion, which passed by unanimous vote (4-0).

SUMMARY ACTION CALENDAR

- a. Consider Master Utility Agreement between the City and UDOT for the Relocation of City Facilities in Conjunction with the I-15 South Davis County Project
- b. Award bid to Great Basin Development in the amount \$206,044 for labor and to Mountain States Supply in the amount of \$133,247.51 and Dura Crete in the amount of \$3,971.04 for materials (both materials bids include tax) for the Oakridge and 500 East Waterline Replacement Project
- c. Award bid to Great Basin Development in the amount of \$35,087 for labor and to HD Supply Waterworks in the amount of \$9,630.28 (includes tax) for materials for the Miscellaneous Water Lateral Project
- d. Award bid to Merlin Daines, Inc. in the amount of \$39,900 for labor and to Mountain States Supply in the amount of \$29,621.33 (includes tax) for construction of the Pasture waterline

Councilman Wright made a **motion** to approve all four items on the Summary Action Calendar. Councilman Higginson seconded the motion. Referring to item (a) on the Summary Action Calendar, Councilwoman Ivie asked for clarification regarding right-of-way and access on the UDOT I-15 project. Mr. Thacker and Ms. Romney explained the right-of-way and access portion of the agreement, stressing that UDOT tightly controls access to anything on the freeway. The motion passed unanimously (4-0).

FY 2015 TENTATIVE BUDGET

City Manager Thacker briefly explained portions of the FY 2015 Tentative Budget, including his recommendations for use of additional funds in the General Fund. Regarding employee compensation, he stated the City does not provide an across the board cost-of-living increase. In the work session held earlier in the evening Mr. Thacker recommended the Council approve a 2.5% merit increase with an additional 0.5% to reward outstanding performance, which is 0.5% higher than reflected in the Tentative Budget. He explained that State law requires changes in compensation for certain appointed officials be part of the Tentative Budget public hearing. State law also requires compensation of elected officials be included in the public hearing. Elected official compensation is evaluated every four years in accordance with City ordinance. Mr. Thacker stated that staff went through the evaluation process and recommends an increase of \$200 per month, \$100 from the General Fund and \$100 from RDA, for each Council member and the Mayor. State law sets a pay range for court judges and requires that annual salary increases for judges must be at least equal to the average employee increase. Mr. Thacker suggested the Council also consider increasing Planning Commission per meeting stipends.

City Manager Thacker stated that the City Council has not adjusted the City property tax rates for more than 20 years, and emphasized that the Council is not entertaining a property tax increase in FY 2015. For comparison, Mr. Thacker added that Centerville property tax rates are less than half of Farmington's. There will not be an increase in the water utility bill. A slight increase of 1.5% is proposed for the sanitation bill to cover the inflation index in the contract with the garbage collector. The Council is considering increases in drainage fees, but the analysis is not yet ready for a public hearing. Drainage fees have not changed since being first imposed in 1999 and 2001.

At 8:22 p.m. Mayor Cutler opened a public hearing for the purpose of receiving comments regarding the FY 2015 Tentative Budget.

1 Garth Heer – Mr. Heer proposed the City put a hold on costs similar to private industry
2 and not have any increases. He stated he knows the City has been conscientious, and
3 proposed applying austerity as a means of communicating to the employees and people in the
4 city that the job can be done without raising costs every year. He said he likes the idea that the
5 city does not have an automatic cost-of-living adjustment. He suggested that elected official
6 compensation adjustments should be conservative, and recommended that implementation of
7 those adjustments not apply for current Council and Mayor, but one or two terms hence.

8
9 Rick Bingham – Mr. Bingham stated he recently reviewed salaries in smaller
10 communities, and he found that elected official stipends are higher in smaller communities than
11 in Centerville. He said he would be in favor of an increase in elected official compensation
12 considering the time that Council members and the Mayor give to the community.

13
14 Amy Hancey – Ms. Hancey expressed concern regarding the amount of uranium in the
15 water and the infrequency of some substance testing, and asked if it is an issue that needs to
16 be considered in the budget. Mr. Thacker explained that the testing regimen for water is highly
17 governed by State and Federal regulations. Different substances have different testing
18 schedules. Mr. Lutz stated the Water Department is complying with State and Federal law,
19 including the requirement that all connections must be switched to copper, which is not
20 inexpensive. The cost of switching to copper is included in the Budget.

21
22 William Ince – Mr. Ince stated he knows the City has tried to control taxes, but
23 expressed the opinion that taxes have not been stable. He stated his property tax bill has
24 increased from \$1,100 to just under \$2,400 since he bought his home in 1989, and the big thing
25 that affects taxes is the valuation of property. He believes he can get more for his property now
26 than when he bought it, but recognizes that the amount of money the City is getting from his
27 property has tripled over the last 24 years. Regardless of what the City or the County say, rates
28 are up appreciably. Regarding compensation, he recognized that what the Centerville Mayor
29 and Council members make is a pittance compared to what County leaders are paid. He stated
30 he does not believe County leaders give service. He feels they are fully-paid employees. The
31 City Council and Mayor do give service and he appreciates it. He said he believes the minor
32 amount of increase proposed is insignificant compared to what they do.

33
34 Mr. Thacker explained the Utah Truth in Taxation law in response to Mr. Ince's
35 comment. Centerville has not gone through the Truth in Taxation process in 20 years, noting
36 that the only additional property tax the City has received in that period is due to "new growth",
37 or new development. Mayor Cutler explained that over the years property tax revenue has
38 represented a smaller and smaller percentage of the overall City budget. The Mayor added that
39 property tax revenue in Centerville covers the City's Fire Agency assessment, with a little left
40 over. The bulk of funds used for services are from sales tax.

41
42 Rick Bingham – Mr. Bingham stated he had heard that the South Davis Metro Fire
43 Agency is considering creating a separate taxing district. He expressed great concern with that
44 idea. Mr. Bingham asked what the cost of maintaining an independent city fire department is
45 versus what the City pays now.

46
47 Mr. Thacker responded that Centerville has been part of a multi-city Fire Agency for a
48 long time, even prior to participation in the South Davis Metro Fire Agency. He added that
49 requirements and expectations have changed over time. As the City's representative on the
50 Fire Agency Board, Mayor Cutler stated that some mayors have advocated a separate taxing
51 entity, himself not included. The Mayor said the Fire Department argues it is understaffed, often
52 not having enough paramedics to meet needs. The County fills in when needed, but response

1 time has increased. Mayor Cutler said it is his understanding that more than 80% of calls
2 received by the Fire Agency are medical related.

3
4 Nanette Smith – Ms. Smith suggested the City look at procedures to cut costs related to
5 emergency vehicle response. She said a family member of hers was recently involved in a
6 minor accident involving air-bag deployment but no injuries, and she was surprised at the
7 number of emergency vehicles that responded, which she felt was excessive.

8
9 At 8:47 p.m. the Mayor closed the public hearing.

10
11 **RDA MEETING**

12
13 At 8:48 p.m. Councilman Wright made a **motion** to move to a meeting of the
14 Redevelopment Agency of Centerville. Councilwoman Ivie seconded the motion, which passed
15 by unanimous vote (4-0). In attendance were: Paul A. Cutler, Chair; John Higginson, Vice
16 Chair; Directors Averett, Ivie, and Wright; Steve Thacker, Executive Director; Blaine Lutz,
17 Finance Director; and Katie Rust, Recording Secretary.

18
19 The Council returned to regular meeting at 8:54 p.m.

20
21 **UTOPIA/MACQUARIE PROPOSAL AND RELATED MATTERS**

22
23 Mayor Cutler explained that the Centerville UTOPIA Fiber Utility Advisory Committee
24 was formed to take a non-political look at the UTOPIA/Macquarie issue and provide
25 recommendations to the Council. The Committee is made up of Centerville residents and
26 business owners with varied background and experience.

27
28 **Report from Centerville UTOPIA Fiber Utility Advisory Committee**

29
30 Dan Ditto, a member of the Advisory Committee, introduced the other members of the
31 Committee. He reported the Advisory Committee does not have a recommendation for the
32 Council at this time. The Committee does not feel it is ready to give a definitive recommendation
33 because they still have too many questions to make an informed decision. Mr. Ditto said the
34 Committee will continue to study the issue on an expedited basis to give their recommendation
35 in the near future. He stated that the UTOPIA issue is extremely complicated, and Committee
36 members have spent many hours doing research. The Committee has heard from experts both
37 for and against, and is open to contact from citizens. Mr. Ditto added that the issue is fraught
38 with political intensity. The Committee members would like to remove themselves as much as
39 possible from the political aspect. He stated the Committee wants to engage in hard-headed
40 fact finding and make a recommendation based on facts. The Committee wants to come to an
41 agreement on what the questions and issues are; flush out real and verifiable facts; and
42 consider all appropriate options. Mr. Ditto stated he hopes the Council is okay with giving the
43 Committee a little more time. The Committee is dedicated to giving the Council and citizens of
44 Centerville something helpful in dealing with the challenging decision. Mr. Ditto stated the
45 Committee has heard presentations from City staff, Macquarie, George McEwan, Blaine Lutz,
46 and a couple of ISPs that provide service to Centerville.

47
48 Mayor Cutler emphasized that the vote the Council will take in June is whether to
49 continue to investigate the Macquarie proposal, which has a cost associated with it, or reject the
50 proposal outright. The Council and Mr. Ditto discussed when the Committee would be able to
51 present their recommendation. Mayor Cutler recommended the public hearing remain on June
52 17th. The Mayor also expressed his intention to ask the Committee to continue advising the

1 Council throughout the process. Councilman Averett said he would like to hear the Committee's
2 recommendation before voting. Councilman Wright expressed appreciation for the members of
3 the Committee. Councilman Wright expressed the opinion that the question is whether or not
4 the City can approve a utility fee - if not, he feels there is no reason to continue to Milestone
5 Two. He added that even if Centerville opts-out, he believes the City will still be privy to the
6 information and negotiations shared by cities that do continue with Macquarie, without having to
7 pay for it. Councilman Averett expressed his opinion that Council members need to be careful
8 not to politicize the issue. He said he feels it is important to give the Committee room to work
9 without being influenced by politics.

10
11 The Council took a brief recess at 9:17 p.m. and resumed at 9:27 p.m.

12
13 Presentation From Resident

14
15 Mayor Cutler explained that Council member Wright and Ivie requested that a
16 presentation from George McEwan, a Centerville resident, be added to the agenda. Mr.
17 McEwan stated he was opposed to UTOPIA from the beginning. He presented an analysis he
18 put together (a slightly expanded version of the presentation given to the Advisory Committee),
19 a copy of which is attached. Mr. McEwan said the question he is asked most is whether
20 Centerville should continue to throw money at an effectively failed enterprise. He stated he
21 does not have an answer to that question from a community standpoint, but for himself he feels
22 the cities should "reboot" UTOPIA with a completely new Board and creative ideas for change.
23 Mr. McEwan said he finds it troubling that the UTOPIA Board would only focus on two options
24 and ignore other creative ideas.

25
26 Councilman Averett asked Mr. McEwan to explain the difference between UTOPIA's
27 situation and what happened in Provo. Councilman Averett said that to him the situations seem
28 similar, with the exception that Provo sold their network and UTOPIA would retain ownership
29 under the Macquarie proposal. Mr. McEwan responded he is not up to date on Provo's current
30 situation, but explained he feels the biggest difference between the situations is that with one
31 ISP, as is the case in Provo, price fixing is not possible by definition. Councilman Averett asked
32 why Provo has not been sued. Mr. McEwan stated he does not know why Provo was not sued,
33 but he considers the Provo network to be dead. He added he thinks it is worth investigating why
34 the Provo network did not survive.

35
36 Councilman Wright asked Mr. McEwan about ownership of the network as specified in
37 the Interlocal Agreement. Mr. McEwan responded that Macquarie shows revenue sharing as an
38 upside to their proposal, but the UTOPIA Interlocal Agreement already includes revenue
39 sharing. He continued that network assets are not pledged as part of the bond issue. The
40 proceeds of the network's revenue and sales tax are pledged. The network is not turned over to
41 the cities by UTOPIA until the debt is paid. The Council, Mayor, and Mr. McEwan discussed the
42 bond obligations of UTOPIA (of which Centerville is responsible for 3.398%) and UIA (of which
43 Centerville is responsible for 3.65%).

44
45 Councilman Averett asked Mr. McEwan if he has evaluated Macquarie as a business
46 partner. Mr. McEwan responded that he knows Macquarie has a number of lawsuits pending
47 for the way they have operated various utilities. Mr. McEwan said in his opinion Macquarie is
48 looking at this as a guaranteed revenue stream with very little risk. He believes the risk would
49 be born by the citizens of the UTOPIA cities. Councilman Averett asked Mr. McEwan what he
50 feels is the answer if Macquarie is not the answer. Mr. McEwan responded he feels UTOPIA
51 should get creative in what is offered in terms of the network. He continued that UTOPIA should
52 approach content providers and utilize subsidies to offer value-added services within the

1 network. He stated that net neutrality does not apply within the UTOPIA network. He said
2 other cities might be willing to buy into wireless canopies. Mr. McEwan emphasized he feels
3 there is not a single solution, but we need to stop focusing on fiber to the home and focus on
4 fiber to the node and copper to the home. Councilman Averett asked how Mr. McEwan would
5 propose refining the system and improving the product without money. Councilman Wright
6 stated he thinks the cities need to change-out those who are on the UTOPIA Board and replace
7 them with people who can think innovatively and are not bound by years of group-thinking.

8
9 Councilman Higginson said he feels that even though Centerville is part of UTOPIA, the
10 City gets to make its own decision. He stated he feels the City has an obligation to the 30% of
11 the community already connected to make sure they continue to have service, and an obligation
12 to the 70% not already connected. Councilman Wright said he would ask the UTOPIA Board
13 what they are going to do to continue providing services. Mayor Cutler stated that the UTOPIA
14 Board members are required by the Interlocal Agreement to be elected or appointed officials of
15 the cities. He said to his knowledge there are only three Board members that were on the
16 original UTOPIA Board. The Mayor added that he and Mr. Lutz would be happy to give up their
17 Board seats to Council members wanting to participate.

18
19 Mr. McEwan pointed out that to his knowledge no attempt has been made to recover
20 money from companies that managed UTOPIA in the past for fiduciary mismanagement. Mayor
21 Cutler responded there has been significant discussion in closed session about the likelihood of
22 recovering money from previous business partners. He said the decision of the Board was to
23 not pursue legal action. Mr. McEwan said the city has to accept that UTOPIA, the \$343 million,
24 is a sunk cost. The decision to be made is whether or not it is recoverable. He continued that
25 the scary answer may be no, it is not recoverable. The network cannot be sold until the debt is
26 paid.

27
28 Mayor Cutler thanked Mr. McEwan for his presentation.

29
30 **CITY MANAGER'S REPORT**

- 31
- 32 • Mr. Thacker reported the bid for the first phase of the Community Park expansion
33 has not been awarded because of the mound of soil still on the property. The
34 sources that had been arranged for removing the soil fell through, and the City
35 Engineer and Parks Director have been researching how much of the soil can remain
36 on the property, and options for removal. The cost associated with the analysis will
37 be \$5,000-\$8,000, which could be an RDA expense since most of the soil came from
38 the Performing Arts Center project. The goal is to complete the first phase of the
39 expansion before winter of this year.
 - 40 • Mr. Thacker reported that the Parrish/Main Intersection Project bid specs allow for
41 four nighttime closures to do work that would require closure. The contractor has
42 opted to work from early Sunday morning until early Monday morning (June 8-9),
43 which will reduce the likelihood of needing other nights of closure. Councilman
44 Wright expressed concern that he observed a large shovel hanging over the traffic
45 lane this week. Mr. Thacker responded that UDOT representatives are watching the
46 safety issue closely. He reported that property owners have expressed surprise that
47 the two historic walls UDOT agreed to replace will be farther from the new sidewalk
48 than expected. UDOT requires 12 feet of clear-zone from the edge of the asphalt.
49 Mr. Thacker said the issue has created some bad feelings among those property
50 owners. He explained that even if a waiver had been granted by UDOT or the
51 Federal Highway Administration, the wall could only have been 12-18 inches closer
52 than it is now.

- The City Manager showed photographs of enhancement options for the pedestrian bridge planned as part of the I-15 Express Lane Project. The Council indicated a desire for staff to obtain prices for the different options.
- Mr. Thacker described proposed changes in the City newsletter schedule.

MISCELLANEOUS BUSINESS

- Councilwoman Ivie stated she was recently approached by a descendent of William Henry Streeper, who was the last living Pony Express rider and the first Justice of the Peace in Centerville. The descendent asked if there is anything in the City that could be named after William Henry Streeper. Mayor Cutler suggested she bring the idea up with the Landmarks Commission.

MAYOR'S REPORT

Mayor Cutler asked Council members if they had reviewed the suggested UTOPIA opt-out/opt-in documents. Councilwoman Ivie stated she felt they were painful to read with poor grammar. Lisa Romney, City Attorney, asked if the City is required to pass one of the documents. Mayor Cutler responded that the UTOPIA Board has requested the cities pass one or the other to make their decision clear. Councilman Wright stated he would want whichever document the City passes to specify that Centerville receives the Macquarie report. The Council, Mayor and staff discussed changes they would make to the documents. Councilman Higginson commented that West Valley and Midvale have already voted to move forward with Milestone Two. Councilman Wright repeated his belief that Centerville would have access to Milestone Two even if the Council votes to opt out. Mayor Cutler stated his opinion that there is value in moving forward if the City wants to participate in negotiating the terms in Milestone Two. The Mayor said that if Centerville opts in, he would want to make sure that Centerville is given some control over its financial terms rather than locking all the cities together. Councilman Wright repeated that the original Interlocal Agreement includes a provision that provides Centerville with royalties. Ms. Romney responded that Macquarie would create a completely separate, new entity. The revenue with Macquarie would not be funneled into UTOPIA.

Councilman Wright emphasized that a lot of people have told him to not to get involved with a utility fee. He stated he recognizes the benefits they have been hearing about, but he feels a utility fee would be transferring a burden to the backs of the people. Councilman Wright said he will vote against it. Mayor Cutler said he feels it is worthwhile to find out more. He stated he feels there is more to be gained by participating to try to come up with a hybrid model of utility fee/non-utility fee. Councilwoman Ivie stated her opinion that Centerville has a track record of being reluctant to not go all the way with a project when money has been spent to study it. She stated she believes that is why the Parrish/Main Intersection Project is happening. Councilman Higginson stated he feels the two situations are very different. Mr. Thacker said emphatically that her statement is not a fair assessment.

City Manager Thacker pointed out that \$30,000 to keep a seat at the negotiating table is a drop in the bucket compared to the total value and impact of the decision. He urged the Council not to let the \$30,000 be the reason they do not keep the ability to influence something different than is being proposed. Councilman Wright stated the opinion that Centerville will still have a share in UTOPIA and a seat at the table even if the Council chooses to opt out. He added that the City's share in UTOPIA is such a small percentage that Centerville is not listened to anyway. Ms. Romney said that she has been present in some of the meetings, and she has felt involved and listened to, and she believes having a seat at the table makes a difference.

Mayor Cutler explained that negotiations and discussions with Macquarie would not take place in UTOPIA Board meetings. As the City's Board representative, Mayor Cutler advocated it would give him and Mr. Lutz a lot more leverage to be taken seriously if Centerville moves forward. The Mayor referred to Payson as a relevant example.

Councilman Averett suggested the Council make its approval to move to Milestone Two conditional on Macquarie giving two options: a utility fee-based model as well as a model without a mandatory user-fee. Councilman Wright expressed his belief that if Centerville opts out, Macquarie will be motivated to entice Centerville to still participate. Councilman Averett said he thinks requesting another option will give the City the ability to participate in further negotiations, and time to look at the other proposal coming down the line. He stressed that the opt-in would need to be conditioned on Macquarie giving two options. Councilman Wright stated he could only support moving forward if there is not a utility fee involved in any form. Councilman Higginson stated that Centerville is different in that it would cost less for Macquarie to connect all Centerville homes, so maybe Macquarie would be willing to agree to something different for Centerville.

APPOINTMENTS

Mayor Cutler recommended Becki Wright be appointed to the Parks and Recreation Committee. Councilman Higginson made a **motion** to appoint Becki Wright to the Parks and Recreation Committee. Councilman Wright seconded the motion, which passed by unanimous vote (4-0). There are currently two open spots on the Board of Adjustments.

BUDGET DISCUSSION

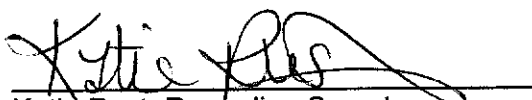
The Council will continue discussion of the FY 2015 Tentative Budget at a work session on June 17th.

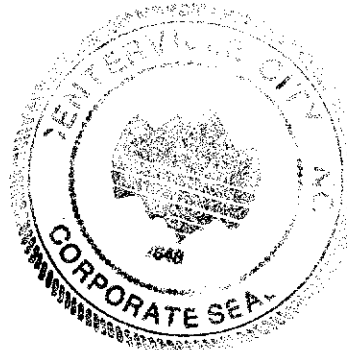
ADJOURNMENT

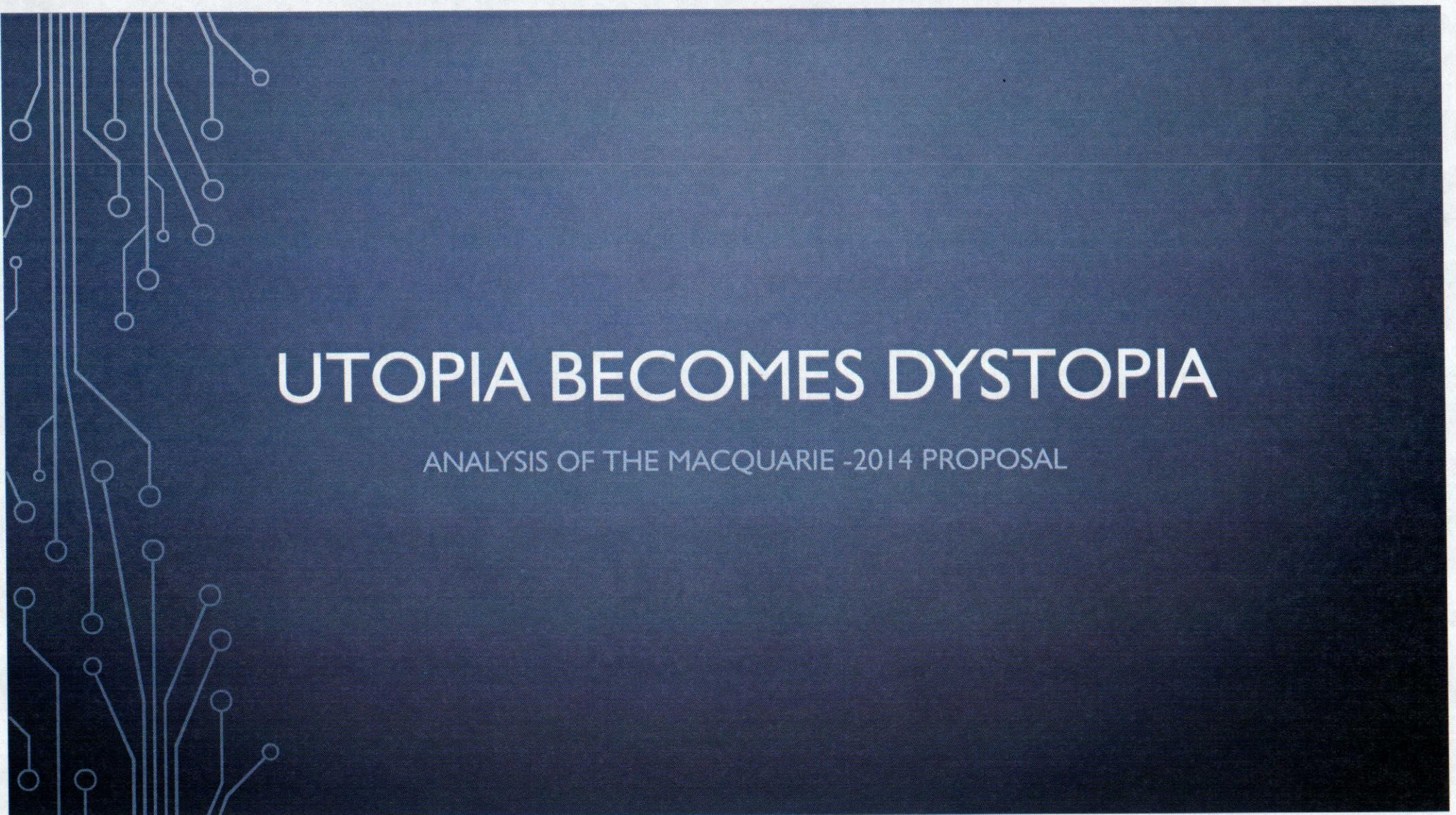
At 11:12 p.m. Councilman Higginson made a **motion** to adjourn the meeting. Councilwoman Ivie seconded the motion, which passed by unanimous (4-0).


Marsha L. Morrow, City Recorder

6-24-2014
Date Approved


Katie Rust, Recording Secretary





UTOPIA BECOMES DYSTOPIA

ANALYSIS OF THE MACQUARIE -2014 PROPOSAL

WHAT ARE YOU USING THE INTERNET FOR?

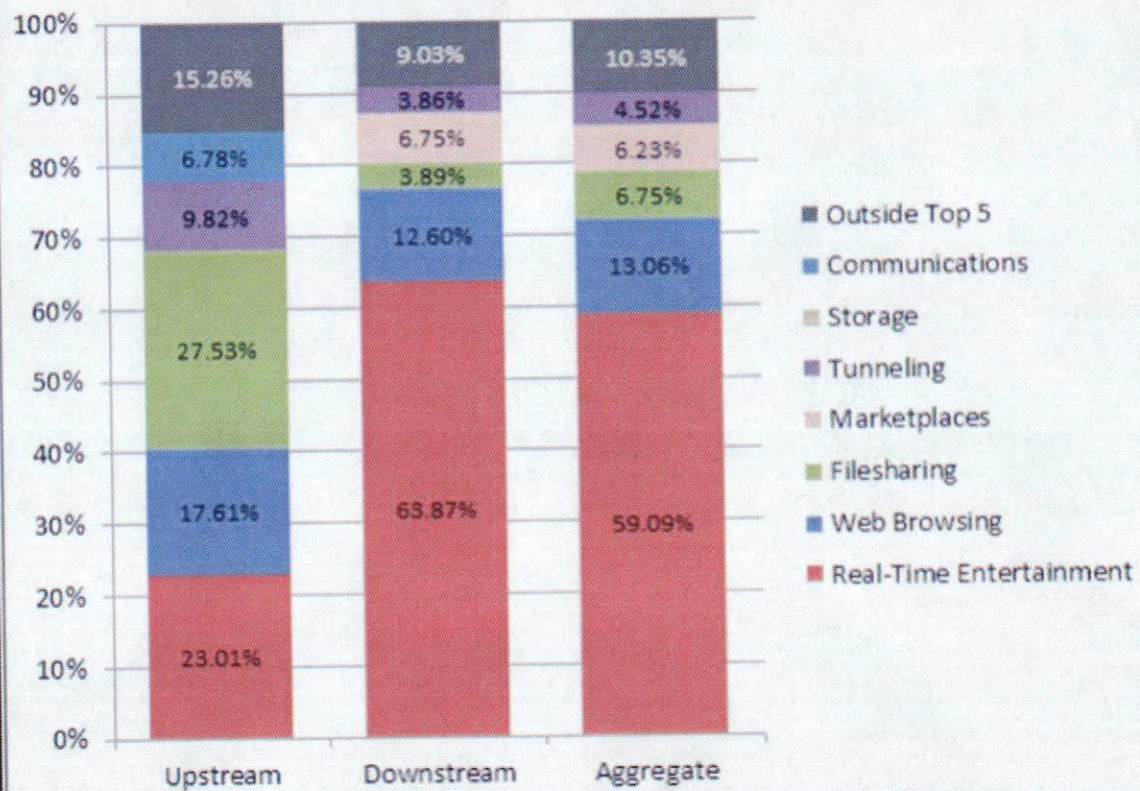
- Email
- Business communications
- Video conferencing
- Online Shopping
- Data backups
- Video/Music streaming
- Playing games
- Social Media

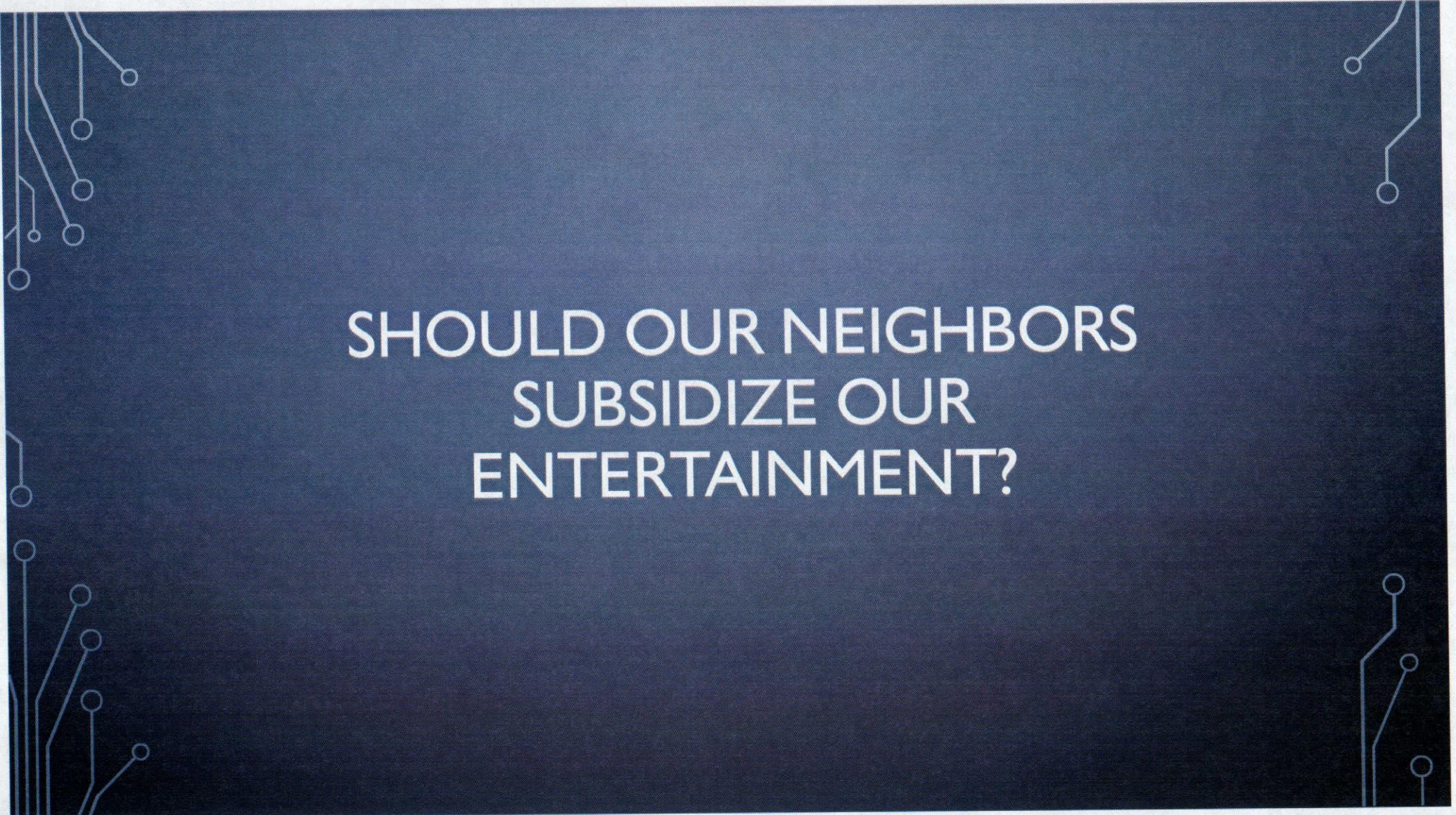
Hyper Giants 2013

Site	Rank	Pct. Users	Pct. Traffic	Industries
 google.com	2	58.479	11.380	Internet
 youtube.com streaming	5	39.069	9.797	Internet
 netflix.com streaming	27	14.501	8.014	Entertainment
 microsoft.com	4	41.033	2.288	Computer Software
 pandora.com streaming,music	35	12.730	2.162	Internet
 apple.com	10	29.392	1.839	Consumer Electronics
 facebook.com social	1	58.927	1.769	Internet
 gmail.com mail	14	25.149	1.323	Internet
 hulu.com streaming	172	3.495	0.799	Internet
 valve.com games	235	2.578	0.743	Computer Games
 api.facebook.com social	6	38.283	0.648	Internet

How we are really using the Internet

Peak Period Traffic Composition
(North America, Fixed Access)





SHOULD OUR NEIGHBORS
SUBSIDIZE OUR
ENTERTAINMENT?

ESCALATION OF COMMITMENT

- Current street value of Centerville's UTOPIA Infrastructure = \$8 Million
- Current bond debt held by Centerville for UTOPIA = \$16 Million
- Current bond debt held by Centerville for UIA = \$2.3 Million
- Proposed PPP Utility Fees to be levied against Centerville residents which will be our third tax to build out UTOPIA outside of our town totals:

\$53

"The sky isn't falling as some have claimed. Some of the rumors we have heard are that City finances are in trouble because of UTOPIA...Please be assured that our City is well-managed and is in great financial shape...Utopia presents challenges, but City expenditures on UTOPIA are less than 4% of the budget. The UTOPIA fiber optic network is available to all of our residents and UTOPIA is making progress."

-Mayor Russell, Councilmembers Lindstrom, Allen, Averett, and Higginson
Oct 10, 2013 Open Letter to Centerville residents

CENTERVILLE TAXPAYER BURDEN

Year	1	2	3	4	5	26	27	28	29	30	
Monthly to Resident	\$20.00	\$20.50	\$21.01	\$21.54	\$22.08	\$37.08	\$38.01	\$38.96	\$39.93	\$40.93	
Annual to Resident	\$240.00	\$246.00	\$252.15	\$258.45	\$264.92	\$444.95	\$456.07	\$467.47	\$479.16	\$491.14	
											**Total Cost of Network from Utility
*Monthly to Centerville	\$99,920.00	\$102,418.00	\$104,978.45	\$107,602.91	\$110,292.98	\$185,246.09	\$189,877.25	\$194,624.18	\$199,489.78	\$204,477.03	fee collection
Annual to Centerville	\$1,199,040.00	\$1,229,016.00	\$1,259,741.40	\$1,291,234.94	\$1,323,515.81	\$2,222,953.13	\$2,278,526.96	\$2,335,490.13	\$2,393,877.39	\$2,453,724.32	\$52,641,097.20
*Mail addresses - does not include business upcharge or mdu discount **Does not include current bond obligations \$16M UTOPIA, \$2.8M UIA, and operating subsidies Assumes Average CPI of 2.5%											

Total Tax Commitment:

\$16,000,000 + \$2,800,000 + \$53,000,000 (Utility Fee) =

\$71,800,000

Who would take out a ~30% interest 30 year mortgage on a \$8 million dollar network?

USE OF PROCEEDS –UTILITY FEE

PPP Funding								
Network Year	1	2	3	4	5	28	29	30
Monthly Utility Fees	\$3,000,000.00	\$3,075,000.00	\$3,151,875.00	\$3,230,671.88	\$3,311,438.67	\$5,843,400.05	\$5,989,485.06	\$6,139,222.18
Annual Intake	\$36,000,000.00	\$36,900,000.00	\$37,822,500.00	\$38,768,062.50	\$39,737,264.06	\$70,120,800.66	\$71,873,820.68	\$73,670,666.19
Total Utility Fee Collections		\$1,580,497,313						
Payback Year (2/3 Proceeds usage)	Year 13	\$327,782,338						
Excess fees collected	Years 13-30	\$1,083,857,406						

Unnecessary Tax Burden
\$1 Billion

FROM HUMBLE ORIGINS

Question:

How is it possible that a ten year old network has managed to grow from only needing \$85 million to a potential total tax burden of **\$1.9 Billion**?

- From 2004 until now, UTOPIA has managed to create \$343 Million in tax liabilities.
- The conversion to a PPP will create an additional \$1.5 Billion in direct levies against every household.
- UTOPIA is a case study in reckless and incompetent management.
- Historically ineffective UTOPIA and UIA oversight boards.
- No accountability for wasting millions of tax dollars.

Question:

Many key board members for UTOPIA and UIA have been in office since 2004. How can taxpayers trust these same people to negotiate anything to the benefit of residents since they have proven ineffective to date?



RISK AND EXPOSURE

LEGAL

ETHICAL

WHAT HAPPENS IF WE SAY NO?

TECHNOLOGY

LEGAL

- No legal precedents exist for a fiber network PPP
(Remember UTOPIA was a first of its kind in the country, let's not do that again)
- Illegal monopoly challenge by telecommunications providers (UTOPIA II)
- Class action lawsuits-Disparity in utility fee structure, non-essential 'utility'
- Violates Section 253 of the Federal Telecom Act
 - Unlawful barrier to entry
- Creates illegal price fixing syndicate stifling a competitive marketplace
 - Basic service of 3MB has a set value of zero by the PPP.
- Only established ISPs will be able to absorb costs – no new players

ETHICAL

- Local government becomes the revenue collection arm of a private company.
- Turning off life critical utilities to force payment against a luxury service.
- Loss of employment– Smart phone or UTOPIA, there is no choice!
- Underprivileged residents will see zero benefit without computing hardware.
- PPP defines via data cap what your allowed use of the Internet is. This creates the very digital divide UTOPIA wants to solve.
- Should Centerville continue to create new taxes for a FAILED enterprise?
- If Centerville's finances are in good shape, why put them at risk?
- Are Cenerville's entertainment needs worth \$72 Million of taxpayer dollars?

WHAT HAPPENS IF WE SAY NO?

Centerville does not yoke its residents with \$53 million in new taxes.

“Equity imbalance” of \$8 million remains a baseless threat.

Centerville has zero obligation to financially offset UTOPIA’s poor management decisions

Service to residents continues – we do not go dark

Centerville represents over 10% of the entire UTOPIA subscriber base

Debt service - Bonds are NOT callable. The network is not pledged, our tax dollars are.

‘You are correct that it is not a formal financial debt listed on any balance sheet. Centerville is not being called upon to repay this "equity imbalance" at this time under the current structure.’ – Mayor Cutler

TECHNOLOGY

Question: Why were there so few signups at \$99 installation fee West Valley City?

- High speed data is not a universal need – bad value proposition.
- Access was available through other means –smart phones, wireless, and existing providers
- UTOPIA has and continues to use unrealistic assumptions about uptake rates – 50% was never possible and is still doubtful

WIRED VERSUS WIRELESS

“Over two-thirds of the world’s mobile data traffic will be video by 2018”

—Cisco Whitepaper 2014

*The Mobile Network Through 2018

Mobile data traffic will reach the following milestones within the next five years.

- Monthly global mobile data traffic will surpass 15 exabytes by 2018.
- The number of mobile-connected devices will exceed the world’s population by 2014.
- The average mobile connection speed will surpass 2 Mbps by 2016.
- Due to increased usage on smartphones, smartphones will reach 66 percent of mobile data traffic by 2018.
- Monthly mobile tablet traffic will surpass 2.5 exabyte per month by 2018.
- Tablets will exceed 15 percent of global mobile data traffic by 2016.
- 4G traffic will be more than half of the total mobile traffic by 2018.

“Wireless access will be ubiquitous long before UTOPIA ever pays for itself”

—George McEwan 2004

*http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html

BASIC 3MB SERVICE -20GB TRANSFER CAP

The Netflix logo, consisting of the word "NETFLIX" in white, bold, sans-serif capital letters with a black drop shadow, set against a red rectangular background.

- Low (0.3 GB per hour)
- Medium (SD: 0.7 GB per hour)
- High (HD: 3 GB per hour, 3D: 4.7 GB per hour, 4K: 7 GB per hour)

Data cap in 6 hours!!!!

THE MYTH OF THE GIGABIT

Majority of residents do not have the correct router- \$250 to \$350

Upstream throttling prevents throughput:

- Net Neutrality
- Bad network design
- Too many users

THE MYTH OF THE GIGABIT CONNECTION

A residence cannot consume a 1gb of data flow

The Netflix logo, consisting of the word "NETFLIX" in white, bold, sans-serif capital letters, set against a red rectangular background.

0.5 Megabits per second - Required broadband connection speed

1.5 Megabits per second - Recommended broadband connection speed

3.0 Megabits per second - Recommended for SD quality

5.0 Megabits per second - Recommended for HD quality

25 Megabits per second - Recommended for 4K quality

200 HD Televisions at the same time!

THE MYTH OF THE GIGABIT

Let's build up a super techie household that can actually use 1gb.

- 10 HD televisions running - 50 Mb (950 Mb remaining)
- 10 4K televisions -250 Mb (700 Mb remaining)
- 100 video Skype calls 150 Mb (550 Mb remaining)
- 100 computers backing up to iCloud 200 Mb (350 remaining)
 - 70 concurrent HD video streams from your home web server Finally out of bandwidth!

SUMMARY

- Centerville met its obligations to UTOPIA. We should not be forced to pay \$52 Million more because of UTOPIA's mismanagement.
- Residents are already burdened with two taxes because of UTOPIA, there is no justification to add a third.
- We don't need a \$1.9 Billion subsidy to watch TV.
- The private sector is currently providing solutions
- There are alternatives! Centerville needs to step away from the Macquarie high pressure, used car sales tactics. Stop spending exploratory dollars today – No to Milestone 2.

Utopia Deals of the Century	Original Deal (2004)	Macquarie (2014)
Proposal to build out a ubiquitous fiber network	yes	yes
City is wholly dependent on the proposing partner	yes	yes
Artificially short review window before decision is required	yes	yes
Assurance of large-scale player(s) if it is accepted	yes (AT&T + RUS)	yes (unidentified "large companies")
High take rates projected	yes (50 %)	yes (30-50%)
Claims of being in best interest of Centerville	yes	yes
Expectation that cities/citizens would need to fund it	no	yes
Ultimately funded on the backs of the citizens	yes	yes
Suggestion that continuing would help pay off original debt (w/ sufficient take rate)	yes	yes
Cities locked in to deal once it is accepted	yes	yes (short window <u>now</u> to buy our way out)
Peer pressure of "hard feelings" if not continuing w/ the group of cities	yes (UIA & assessments)	yes
Dire consequences predicted if Centerville doesn't continue	yes (lack of high speed internet)	yes (huge debt & lack of high speed internet)
30 (or more) year commitment	yes	yes
Cost per home/ per month	\$8 increasing to \$12.30 currently comes from City General Fund to service original Utopia debt	\$18-\$20 direct utility fee increasing annually w/ no cap and no appeal option. Additional rate covenants, etc. to assure profit to Macquarie. <u>Plus</u> , \$8 increasing to \$12.30 from City General Fund to service original Utopia debt.
20 GB data cap for basic service (monthly)	No (data cap only per contract with individual ISP)	Yes (ALL service stops when cap is reached. After that, 911 calls might require prior separate agreement between emergency agencies & Macquarie or the Wholesaler.)

CENTERVILLE CITY COUNCIL MEETING

Tuesday, June 3, 2014
7:00 p.m.

①

NAME (PLEASE PRINT)	ADDRESS**
NEIL LISH	478 E. 1200 N.
CHARIE LISH	478 E. 1200 N
Brad Thueson	Cedar Springs Condos
Virginia Losee	Cedar Springs Condos
Summer Thatcher	Cedar Springs Condos
BRYAN SEXTON	GTAWDA ED - EXAM
Dale McIntyre	258 E. 200 S. Centerville
PATRICIA HERRICK	253 W 1375 North Centerville
Karl Anderson	88 W. 50 S. D. 7
Mark Austin	1607 N. 400 E.
Garth Lee	Cedar Springs Condo
Annie Hancey	1375 N 200 W, Centerville
David Hancey	1375 N. 200 W. Centerville
Jolene Watson	76 Carrington Lane Centerville
Nanneth Smith	187 E. 1975 N. Centerville
JOISE McEWAN	618 WELLOW BEND DR, CENTERVILLE
Lisa Sommer	2212 No. Main
Garth Heer	Cville
STEEVE & TENA ALLEN	133 ROCK MANOR DR
Jon Butler	596 N MAIN
Trick Bingham	290 E Casa Loma Dr.
Charles Rawlins	439 Rawlins

** Your address will be used only in the event the City staff needs to contact you pertaining to an issue discussed in the City Council meeting.

CENTERVILLE CITY COUNCIL MEETING

Tuesday, June 3, 2014
7:00 p.m.

NAME (PLEASE PRINT)	ADDRESS**
D Cummings	2099 Park Hills Dr
Susan Dixon	900 Courtyard
John Yrny	216 Canyon Breeze Dr
Amtdall	224 So Main Centerville
Rabyri Mechem	202 NO 100 E Cent
Charles Johnson	731 S. 650 E. Centerville
Bill Owen	495 E 500 N. Cent.
Dorothy B. Call	296 N. 300 E Cent.
Margaret V. Orlando	147 N. 360 W Cent.
Afton L. Layville	208 N 170 W Cent
Marion Clapperton	282 N 100 W Cent.
Blane Rockwell	93 N. 100 E Centerville
Nate Morris	148 E. 100 N. Centerville.
Blake Wade	95 E 1900 N
Jennifer Decker	560 E 475 S.
William Ince	1148 N 300 East
Lenora Roderick	362 E 100 N
Kristy Browne	285 E 1100 N.
Vernie Brockbank	238 S. 140 W Cent
Donna K Hansen	256 N 100 W.
Norm Arbiston	1036 N. 300 E
Scott R. Hile	51 Village Square Rd.

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CENTERVILLE CITY COUNCIL MEETING

Tuesday, June 3, 2014
7:00 p.m.

NAME (PLEASE PRINT)

ADDRESS**

Ruth Tinger,
Pamela G. White

170 W. 225th. Cent
59 N. 285 W. Centerville

** Your address will be used only in the event the City staff needs to contact you pertaining to an issue discussed in the City Council meeting.