Minutes of the Centerville City Council **work session** held Thursday, February 13, 2014 at 6:05 p.m. in the Centerville City Council Chambers, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT	
Mayor	Paul A. Cutler
Council Members	Ken Averett (arrived at 6:35 p.m.) Tamilyn Fillmore Stephanie Ivie Lawrence Wright
MEMBER ABSENT	John T. Higginson
STAFF PRESENT	Steve Thacker, City Manager Blaine Lutz, Finance Director/Assistant City Manager Lisa Romney, City Attorney Katie Rust, Recording Secretary
VISITORS	Nicholas Hann, Macquarie Senior Managing Director David Owens, IO Data Interested citizens (see attached sign-in sheet)

WORK SESSION WITH MACQUARIE CAPITAL REPRESENTATIVES

Nicholas Hann, Senior Managing Director for Macquarie Capital, described the types of public/private partnerships in which Macquarie invests. Mr. Hann explained the two investment models used by Macquarie. With the "availability payment" model Macquarie is paid based on performance of the asset. With the "demand" model, Macquarie takes the revenue risk of demand of the asset. It is expected that a partnership between UTOPIA and Macquarie would be set up with the availability payment model.

Mr. Hann stated that Macquarie feels the UTOPIA business model is a good fit with the Macquarie business model. UTOPIA has struggled with infrastructure delivery, and Macquarie is good at delivering infrastructure services. Macquarie is currently in the middle of Milestone One of a four-milestone Pre-Development Agreement (PDA). Milestone One involves Macquarie conducting a scoping study, determining the cost to build-out the network to full-scale, the risks involved, and what might need to change to put UTOPIA on a fully-commercial footing. At the end of Milestone One, Macquarie will present to UTOPIA a feasibility report and a proposal of how Macquarie would deliver build-out of the network. If the UTOPIA cities choose to continue with Macquarie's proposal, Macquarie is hopeful that build-out would move forward as early as summer of 2014. If the UTOPIA cities do not choose to continue with Macquarie, UTOPIA will be responsible to pay for the out-of-pocket expenses associated with Milestone One (not to exceed $480,000), and will retain ownership of the feasibility report.

Mr. Hann responded to questions from the Council. He stated that Macquarie would be interested in expanding UTOPIA service to cities outside of the eleven participating cities, but would charge a premium that would be returned to the member cities to defray early investment costs of the network. Mr. Hann expressed confidence that with full build-out, and a company like Macquarie backing UTOPIA, more substantial revenues will be possible. He stated the intention would be to quickly and efficiently connect all homes to the network. A utility fee would be levied and a basic service provided, with the option to upgrade the service if desired. A portion of revenues from upgraded services will be distributed back to the cities to help defray the debt obligation.

Macquarie is in the process of defining what the basic service would include. The basic service is intended to have something for everyone, and is not intended to include an opt-out provision. However, individual cities could choose to not levy the fee on low-income households and spread the cost over the rest of the community. Citizens who already paid a connection fee for UTOPIA would receive credit in that amount towards the monthly utility fee. Mr. Hann stressed that Macquarie does not own the assets in which they invest. Macquarie retains the right to use the asset for a defined period of time, but the cities retain ownership. The availability payment to Macquarie would be fixed with a set inflation index for the duration of the partnership.

The network would remain an open-access network with many service providers available. Macquarie is planning that at the outset customers will be given a list of service providers to choose which company they want providing their basic service. Mr. Hann stated that cities would have the option of charging citizens an amount less than the recommended utility fee and subsidizing the balance with City funds, or charging a greater amount to help off-set the debt obligation. Mr. Hann expressed that Macquarie can see huge potential to provide additional services once the ubiquitous network is in place, including a wireless overlay to provide free city-wide WiFi to every citizen.

Mr. Hann explained that approximately one-third of the utility fee would go toward refreshing the network. Macquarie would be responsible to refresh and maintain the network at its current level. Cities would have the option to contribute to a greater refresh out of revenues. At the moment Macquarie is planning that small businesses would be treated the same as residential households with regards to the utility fee, with a cut-off point at which larger businesses would be required to pay a larger utility fee. Mr. Hann explained the studies and factors Macquarie is taking into consideration to determine the utility fee. He also explained the ongoing process of presenting information and receiving feedback from UTOPIA cities throughout Milestone One.

ADJOURNMENT

Mayor Cutler thanked the Macquarie representatives for their time and adjourned the work session at 8:00 p.m.

Marsha L. Morrow, City Recorder

3-4-2014
Date Approved

Katie Rust, Recording Secretary

CENTERVILLE CITY, INC. CORPORATE SEAL

CENTERVILLE CITY COUNCIL MEETING

Thursday, Feb 13, 2014

6:00 p.m.

NAME **(PLEASE PRINT)**	ADDRESS**
NEIL LIGHT	478 E. 1200 N. CENTERVILLE
Blane Rostkelley	93 N. 100 E Centerville
Brandon Ivie	595 S. 700 E. Centerville
Rick Bingham	290 E Casa Loma Dr
STEVE ALLEN	133 E ROCK MANOR DR.
JOHN RAY	168 Rolling Hills Drive
Blake Wade	95 E 1900 N

** 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.