

Murray City Municipal Council Chambers Murray City, Utah

The Municipal Council of Murray City, Utah, met on Monday, the 28th day of April, 2008 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:

Krista Dunn,	Council Chair
Pat Griffiths,	Council Member - Conducted
Robbie Robertson,	Council Member
Jim Brass,	Council Member
Jeff Dredge,	Council Member

Others who attended:

Daniel Snarr,	Mayor
Jan Wells,	Chief of Staff
Gil Rodriquez,	Fire Chief
Carol Heales,	City Recorder
Patricia Wilson,	Finance Director
Zachary Fontaine,	Mayors Office
David Larsen,	IT Director
Alex Jensen,	Chairman of the Board, UTOPIA
Scott Baker,	Murray Chamber of Commerce
Rebecca Palmer,	Deseret News
Eric Isom,	Qwest
Pete Ashdown,	Xmission
John Andrews	Hamlet Homes
Mike Brodsky,	Hamlet Homes
Nancy Gibbs,	Beehive Telephone
Erin McShay,	Valley Journal
Royce Van Tassel,	V.P., Utah Taxpayers Association
Jesse Harris,	FreeUTOPIA.org
Levi Isott,	Alliance Technology
Steven Oberbeck,	Salt Lake Tribune
Steve Proper,	Comcast
Blake Wade,	Ballard Spahr
David Shaw,	General Counsel, UTOPIA
Citizens	

A. OPENING CEREMONIES

1. Pledge of Allegiance: Noel Anderson, who also recognized those serving in the armed forces.

Ms. Griffiths thanked Mr. Anderson for recognizing those who serve.

2. Approval of Minutes

Mr. Robertson made a motion to approve the minutes of April 15, 2008, with corrections.
Mr. Dredge 2nd the motion.

Voice vote taken; All Ayes

4. Special Recognitions:

None given

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

None Given

C. CONSENT AGENDA

None Scheduled

D. Public Hearing(s)

Ms. Dunn asked the Council to allow Murray residents and businesses to be allowed to speak first on the Public Hearing issue first, so that all of them can be heard.

The Council agreed.

Mr. Dredge disclosed that approximately six years ago, when UTOPIA was first starting, and before he was on the Council, that he did some financial work as a CPA for them, putting together some financial information for them for RUS; and at that time, they rented some office space from him. He does not feel that this will impact his decisions in this matter.

Mr. Dredge did ask that the public also declare any funds being received, lobbying or representation for or against this matter.

Ms. Dunn also asked that those that are on the system, please let the Council know.

Ms. Griffiths concurred with these suggestions.

A member of the public asked for clarification on Ms. Dunn's request to hear Murray residents and businesses first. Did this mean that they would not hear *all* of the public comments?

Ms. Griffiths answered by saying that they would like to hear all of the comments; but as it is a City issue, they would like to hear from the City residents first; all comments are appreciated and will be heard.

Ms. Griffiths asked Mr. Jensen, Chairman of the Board for UTOPIA, to come forward and state his name and position with the company.

Alex Jensen, Chairman of the Board with UTOPIA

Mr. Jensen stated that for the past 16 years has been employed as the City Manager for Layton City. He appreciates the opportunity to represent UTOPIA to the Council and citizens, and wanted to update the City on the status of UTOPIA.

Mr. Jensen noted that through a series of earlier discussions, work meetings, and written correspondence, the Mayor and staff are familiar with the issues facing UTOPIA, and won't attempt to recover all of that ground, even with the willingness to hear all of the comments, there would not be enough time to cover four or five years of history. They would like to present some of the information for those present to be able to get an update of where UTOPIA is at this time, and what the future will hold.

Mr. Jensen stated that UTOPIA is very excited about their future. This network that has been partially built across the state of Utah, is the most advanced and the most robust telecommunications infrastructure available in the state. Some consider it to be leading edge technology, and in many regards it is. The telecommunications industry is advancing very quickly, and what was impossible 10 or 15 years ago is now possible. He is confident that this same trend will continue well into the future; it is important to have a telecommunications infrastructure that allows the creativity and the hardworking nature of the American spirit, if you will, to take advantage of that infrastructure and improve the quality of our lives.

Mr. Jensen introduced those present from the UTOPIA team: Kane Loader, Board of UTOPIA and City Manager of Midvale City, Todd Marriott, supporter of UTOPIA, Jim Reams, UTOPIA board member and City Manager of Orem City, Phil Bailey and Tom Coverick representing Key Bank, the financiers for the refinancing of UTOPIA, Kurt Sedwicks, Chief Financial Officer for UTOPIA, Chris Hogan, asset manager and person responsible for marketing materials, Laura Lewis, Financial Advisor, Blake Wade, Ballard Spahr, bond attorneys, David Shaw, General Counsel, Paul Cutler, board member.

There is a lot of expertise present tonight, and Mr. Jensen asked that everyone take advantage of their knowledge and experience.

Mr. Jensen continued: to this day, there have been 10 public hearings across the UTOPIA network, so they have been through this before and are happy to be here. Of those 10, there have been six cities that have voted in the affirmative to move ahead with the restructuring and refinancing; there is one city, Payson, who chose to vote in the negative, and three cities that have tabled the matter and take further input. Those three hearings are scheduled to take place this week. There has been a question raised on the status of Payson City; Payson is still a member of UTOPIA; in effect, with their choice, they have agreed to begin calling on their sales tax pledge, in excess of \$230,000 a year for the next 18 years. The mechanics of how that will come to fruition is being worked out with them, but that is the decision that they have made.

Mr. Jensen also encouraged the public to remember, that the purpose of the discussion tonight is to consider the refinancing. There are a lot of aspects to UTOPIA, it is a complicated and complex operation, but the key decision point before you is whether there is a desire to restructure the financing to allow UTOPIA to continue to survive and move forward, providing the benefits that all of us envisioned when we got into UTOPIA. You will hear, this evening, a variety of issues; He encouraged the public to direct questions to them, not to those who are critics of UTOPIA and not allow them to interpret for them, the data or intentions for them. Over the last six or eight months, there has been a significant restructuring or repositioning that has taken place within UTOPIA. There it has been fairly calm from the exterior, a lot of people assume not much has happened; but he assured everyone that there have been hundreds and hundreds of hours of manpower to bring to the cities a plan that is workable and is legitimate, which will allow them to continue to operate. There are a number of issues that will not be spoken of in this public meeting, such as a written marketing plan that has been prepared, but would be foolish to present the details in a competitive marketplace; but these types of plans have been prepared. The complete staffing

at UTOPIA has also been restructured: since last summer/early fall, basically the executive committee has taken control of the organization, and has been running the operations. The previous staff members are no longer employed by UTOPIA.

Mr. Jensen stated that currently they have over 7,250 subscribers, or a 28% take-rate among the 26,000+ addresses. This is an actual number of people that are taking the service out of the number of people who have the desire and the ability to take the service. There are a number of places across the UTOPIA network where the investment has been stranded. Meaning, they have run fiber and conduit in front of someone's house, but the connection has not taken place and they cannot take the service. Some people tonight may say that the number is 17%, but that represents the number of people taking the service, as compared to the number of homes that have been passed by the fiber, whether they can physically connect to the service or not. That is a very important distinction. They currently provide IP video, or internet protocol video, telephone and internet. One of the benefits they have is that they have very low churn - once people come on to the network, they are not very likely to come off again, or the turnover.

Since its inception, UTOPIA has experienced less than ½% per month of churn. This speaks to the fact that people, by and large, are happy with the network. First and foremost, no tax money has been used to date. Sometimes in the press and other locations, it has been said that UTOPIA has spent X amount of tax dollars, and that they are making a proposal that will cost more. He wants to be sure that the public understands that no tax dollars have been spent, not a single cent, on this project. This is something that they intend to continue to honor going forward, and why the refinancing being proposed is so very important. UTOPIA is currently providing services as promised. They are providing advanced capabilities to businesses and residents, and is a network that is very reliable, and in many cases is well above what the incumbent service providers can provide at much less cost. UTOPIA has contributed to economic development, which was a main consideration for many cities in joining with UTOPIA. They provide an infrastructure which allows businesses of all sizes to flourish and create jobs, be more competitive, and expand their offerings in a competitive global market. They believe that they have accomplished that goal and many people have spoken on that fact. The incumbent service providers have adjusted their rates downward to become more competitive in the areas where UTOPIA is available, and despite what people hear, they are contacted regularly by private developers and other cities, wanting UTOPIA to be the sole telecommunications service in their networks.

Some people ask, why then, haven't more cities joined? Up until July 2007, the actions of the State Legislature prevented additional cities from joining UTOPIA; despite that, they have received additional inquiries to join, and once the refinancing goes forward, you will see a number of cities step forward and want to join UTOPIA and make the benefits of this network available to them.

They currently have four service providers on the network: Xmission, Mstar, Nuvont, and Veracity; construction has been streamlined, costs reduced and resident impact has been minimal. They recognize that anytime there is utility development, there is disruption that takes place in the community. They feel that they have done a fairly good job with that. UTOPIA has actually built this network for less cost than was originally projected. The bid environments that they have work in have been very productive. The biggest challenges they have faced have been in regards to financing. They entered into a relationship with a Federal agency called the RUS, a Road Utility Service administered through the Department of Agriculture. From UTOPIA's aspect, they were naive to a degree as to how the RUS worked, and at the same time, the way they have been treated by RUS and their lack of responsiveness and bad faith dealings have been significant. It is difficult to overstate the negative financial impact that this relationship has had on UTOPIA. It has involved a series of transactions where they approved the contracts for the work to go forward, and once the work was in place they refused to fund it, basically walking away from their commitment, leaving UTOPIA holding the bag for millions of dollars worth of contracts.

UTOPIA has also been overly relying on service provider marketing; one of the things they have found

is that some of the service providers have done a poor job of marketing the network. They have tried to proffer their own services, explaining why their service may be better than a competitors, but they have not embraced the idea of what a fiber tap means. Under the new business model and marketing plan that UTOPIA is planning, UTOPIA will take the responsibility for marketing the network and the value of fiber and the possibilities of that. They admit to, and take responsibility for the past mistakes; but this is not a reason not to go forward with this. They have learned from their mistakes, and are confident that in going forward, knowing that they have a great system, and getting help through more expertise and experience, they will be able to deliver. The problem has not been with idea, but with the execution of the plan, and they are committed to making sure that this does not happen again.

As the Board has looked at this, they feel that there are some very important things needed to go forward. Many people have asked why UTOPIA doesn't sell out at this point; UTOPIA feels that this would be a big mistake, exposing the tax payers to greater risk and that their tax dollars will actually be spent. It would be a foolish idea for the long run. There are some core principles in the founding of UTOPIA; they feel that these principles are still vibrant and bright, and appropriate for today. One of those is regarding that UTOPIA is an open network. UTOPIA is providing an open platform or infrastructure, allowing any private service provider to operate over that network.

Laura Lewis, UTOPIA

Ms. Lewis explained that the anticipated financing is \$185 million, which will take out the existing financing that is publicly offered of \$115 million original principal amount. A couple of million of that has been paid down without tapping into tax dollars. It will pay off RUS and eliminate them as a financing partner, and echo Mr. Jensen's comments regarding the poor work of RUS. They need to remove RUS to go forward with this, as they "have them by the throat" as far as how the waterfall of cash goes. They will pay off the balances of the contracts that were approved by RUS, but they have failed to pay. They will cover the cost of issuance, provide two years of capitalized interest and letter of credit fees so that the sales tax pledges cannot be called upon for the next two years, and provide additional construction funds and operating capital for UTOPIA.

The City pledge will be extended. They are asking a very difficult thing of the City, and they understand that. Speaking both as a financial advisor and a citizen of Murray, she does understand that on a personal level. The City pledge will increase up front from the original amount, and inflate at a rate of 2% per year thereafter and will be extended by an additional ten years. Understanding that there is always a challenge in the early stages of new entities, the new debt structure has been designed to increase over time in an attempt to match anticipated UTOPIA's increases in net revenues over time.

When UTOPIA issued it's first series of bonds, Qwest and Comcast made a run at the legislature in an attempt to stop/slow down / impact UTOPIA the result of which (in layman's terms) is that UTOPIA can only issue bonds back-stopped by sales taxes pledges to build out 1/2 of the complete fiber build in its member cities. Additionally, the legislature required that pledging member cities set aside their initial pledge amounts by July 1 2007. My understanding is that this latter requirement either sunset or something but is not in the telecommunications act or elsewhere in the statute any more. Therefore, it is my understanding that Pledging Member Cities do not need to initially front additional funds relating to their increased pledge commitment. The debt service reserve fund requirement increases over time but it is anticipated that it will be funded by interest earnings on the initial deposit into the reserve fund. So, if net system revenues are generated by UTOPIA as they have projected, then there will be no need for cities to come up with additional funds. If, however, there is a draw (or multiple draws) on the debt service reserve fund due to insufficient system revenues then the Cities would need to make payment from sales tax revenues up to the maximum amount pledged each year.

Ms. Dunn asked if they will get a copy of this information on the refinancing? Mr. Jensen answered yes.

Ms. Dunn also asked Ms. Lewis to clarify the dollar amounts discussed. Ms. Lewis stated that of the \$185 million, \$115 million goes to pay off the original principal amount, the payoff to RUS is \$21,350,000. plus one month's interest.

Ms. Griffiths asked if RUS was part of the original plan. Ms. Lewis stated that they were, although not identified by name as they were not certain of who they would be, but the original plan was to finance a certain corpus with the sales tax backstop and leverage that with debt that was not backed by the sales tax. RUS is not currently backed by the sales tax pledge; if they had been the good partner that they had anticipated them being, they would have used the entire \$66 million that they had approved and fully built out every UTOPIA pledging member city with that money to their home. Those revenues would have been coming in. It was in the plan that they would always leverage the sales tax backstop, but unfortunately RUS was not good to their word. This was always the plan and still is the plan, to use the sales tax to backstop the corpus, but extend that with other financing that will be backed solely by the system revenues.

Mr. Dredge asked what impact on the financing does a no vote have? Does this increase or decrease the change of plan.

Ms. Lewis stated that it would change the plan; it would cause other cities that are pledging members to likely increase their pledge, as it stated in the pledge agreement, it is a maximum of up to 2%. They do not anticipate needing to utilize all of that. However, with any financing where market situations come into play, they need to provide some window of flexibility. It would likely increase the pledge of those who have already voted in favor of the refinancing, and it may prove to be the demise of UTOPIA. The reality of a no vote would mean that the sales taxes would be called on, and there would be no hope for survival.

Mr. Dredge stated that it would be fair to say then, that you take 2%, and divide it by the remaining cities allocated based on the modified percentages, and then there would be some offset based on the revenue coming in from sales tax pledges from those cities.

Ms. Lewis concurred. She also stated that the expectation is that, with the details yet to be worked out from a legal perspective, for those cities who vote no, they are still committed under the existing pledge agreement, and those sales tax dollars, UTOPIA would call on those tax dollars. With a yes vote, they would move forward under this new plan.

Ms. Dunn asked, if any one of the larger four cities vote no, would UTOPIA need to go back to every city and ask if those are still in? Ms. Lewis stated no, the cities that have approved the pledge agreement as a maximum increase of up to a 2% every year. As long as they can stay within that 2%, they would not need to go back to those cities.

Ms. Dunn asked what the likelihood would be of staying within that 2% range, if the larger cities vote no?

Ms. Lewis stated that if only one of those voted no, it would still be doable, although it would be challenging. If more than one voted no, it would probably not be possible, unless the entire program were redone from the beginning.

Mr. Dredge stated that each city has a representative that serves on the UTOPIA board. Up until December 2007, Mayor Snarr served in that capacity for Murray City. Since then, it has been Mr. Dredge. Although he is not on the executive board, he meets with the board and brings back information to the Council. As they have gone through this process, none of them have taken this lightly. He wishes that their "Crystal Balls" would clear up; he has been very impressed with the Council members concern for the citizens interest and for all of their hard work and research in this matter. There is no foregone conclusion

for the outcome on this decision. They have looked at this both qualitatively at the numbers, and qualitatively as they have tried to look forward at this.

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

Consider a resolution of the City Council of Murray City, Utah ('The City'), authorizing and approving a pledge of its sales tax revenues; authorizing the execution by the City of an amended and restated pledge and loan agreement with the Utah Telecommunication Open Infrastructure Agency (UTOPIA) and any other documents required in connection therewith; authorizing and approving the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution; providing a severability clause; repealing resolutions in conflict; providing an effective date; and related matters.

Council consideration of the above matter to follow Public Hearing.

Public Hearing opened for Public Comment

Deborah Ng, 5330 Majestic Village Cir, Murray

Ms. Ng does not have a UTOPIA server at this time. She stated that she reviewed many of the documents, financial records, and the financial plan that was sent out April 2008. In reviewing these records, what came to light was that this new proposal is asking for monies to lower interest rates. In July of 2006, the records indicated that this was done using swap contracts to get lower interest rates. Unfortunately, the interest rates were variable and the gamble did not pay off.

Now we are trying to bank our confidence on them again, using the same type of variable rate. She does not feel that they have learned anything from the past mistakes. Ms. Lewis had stated that Payson would be paying out as they voted against this. In reviewing the original contract, Ms. Ng could not see where there was a requirement to pay this if they did not amend their original agreement with UTOPIA. She would like to recommend to the City Council, that they are willing to stand behind the original agreement, but does not feel that UTOPIA has not shown confidence, and suggests that the City stay with the original contract and amounts pledged.

Ellen Brady, MD 6133 S Carriage Park Cir Murray

Dr. Brady stated that she relies heavily on internet access to carry out her professional activities. Prior to being able to access the UTOPIA network, she would lose hours a day through other networks, the UTOPIA service has been a Godsend to her. It has been reliable, fast, and just much easier to deal with and use in all respects. As a citizen, simply view this type of service just as important as roads and utilities, and totally an appropriate place, in the 21st century, for the government to expend its funds.

Bryan Money, 6337 S River Bluffs Rd, Murray

Mr. Money remarked that in economics, there is a term that is called 'escalation of commitment' that is sometimes referred to as 'irrational escalation of commitment' and it is a phenomena were people increase the investment in a decision despite new evidence that the decision was probably wrong. There has been a lot of information on UTOPIA and what it promised in 2004, he believes the fact that they are there now, discussing the refinancing of this initiative speaks a lot on the what the future success of UTOPIA would be to the citizens. As a citizen of Murray, he would strongly suggesting going against the refinancing effort of UTOPIA.

Dan Johnson, 5278 Pinemont Drive, Murray

Mr. Johnson represents a business located in Murray, and states that they have used UTOPIA for the past two years, and it has allowed them to do a lot of extra things with their company. Many of the companies they have sold to cannot afford to pay the cost for the high priced equipment that they would otherwise need, and this has allowed them to come up with a plan to use a server at their office so that the client can use the technology at a much reduced rate and not have to pay for the infrastructure. UTOPIA has allowed them to expand their business, and to pay 1/3 the cost that they would have at a better rate and service. It has allowed them to serve their clients better, and it has played a key role in their business's future. It will allow their data to be centrally controlled, and help them with telecommunications. It is the wave of the future and will continue to allow people to do much more. He strongly suggests the Council approve the refinancing.

John Hail, 976 E 5750 S, Murray

Mr. Hail is a resident of Murray, and has no association with Qwest or Comcast, other than he recently became a DSL subscriber with Qwest. He urges the Council and the City to get the Murray taxpayers out from under this tax liability of UTOPIA. He would like to see the City take their losses now, and not get into it any deeper. The original cost was vastly understated, and the estimated customer support vastly overstated.

He states that the citizens have gone through the same thing with the new fire station that is planned for Vine Street, with huge cost overruns, and he urges the Council to support free market forces to determine what type of communication infrastructure Murray will have, rather than using taxpayers to guarantee the viability of UTOPIA. Murray City should not be using taxpayer money to guarantee or compete with Comcast or Qwest, who do not obligate taxpayers to guarantee their success.

About five months ago, Mr. Hail subscribed with Qwest and has the slower of the two speeds currently offered by Qwest. He feels that this speed is perfectly fine for him. UTOPIA promotes super fast speed, but Qwest is plenty fast for him and he is not obligated by them to guarantee their success. UTOPIA claims to have a 15 - 50MB speed, Qwest will soon have a 20MB, and eventually a 40MB speed, with no taxpayer obligation. Stockholders freely choose to invest and take the risk. Comcast will eventually have a 100MB speed, which is twice the speed of UTOPIA, and by 2010 will have a 160 MB. He does not know who would need that, but again, no obligation by the tax payers is required. He understands that UTOPIA is considering a \$1,000 connection fee for some of its customers; his connection fee was \$0. It appears to him that UTOPIA is failing and desperate or they would not be in this meeting considering vastly increasing taxpayer guarantees. It appears that UTOPIA is on the verge of bankruptcy.

Qwest and Comcast are examples of capitalism, no need for government involvement or taxpayer

obligation, based on private ownership of infrastructure as opposed to UTOPIA. If this next increase in taxpayer obligation is approved by the City Council, he expects it will not be long before they are back here again hearing once more why the costs have grown and the taxpayers must take on more bonding debt. He urges the Council to get out of it now.

Robert Keating, 4992 S 938 E Murray

Mr. Keating stated that he is not really opposed to UTOPIA and only knows what he has read in the paper over the financing. His concern is that he does not now, or believes he ever will receive UTOPIA's service. He does not think it is right that he has to agree to pay for a service that they will not have the opportunity to use. He recognizes that with the annexation, he does not receive any of the public works opportunities of the City, and he does understand that; what he does not understand is why they cannot run a cable to offer them that service. He believes that this is a sales based company, and if he does not subscribe he does not pay, and will leave it to the Council's best decision.

David Bernhardt 536 E Holstein Way Murray

Mr. Bernhardt commented that he had subscribed to the other service providers, and UTOPIA through Mstar. He feels that there could be better communications between UTOPIA and Mstar when problems arise with service. He likes the service, and would like to see it continue.

David Blackett 5088 Daisy Lane Murray

Mr. Blackett stated that UTOPIA is asking for an extension, not for new money. They are going from 20 years to 33 years. He has been a UTOPIA customer from the beginning, as well as a Comcast customer. He has recently discontinued using Comcast due to rate increases. He stated that when asked why they increased the costs, their answer was 'because they can'. He has 50MB with UTOPIA and has VOIP, and feels that they are exceptional and rock solid. He feels that this is building an infrastructure similar to the building of the railroads; we are investing in infrastructure that is very important to the future. We have invested in power, something that was opposed long ago. The mistakes have been admitted to, and can be rectified. If we say no to this, they will call us on the bonds and we will have to pay money out. Let them work this out with the new restructuring, and it is a good network.

Betty Crosman, 649 E Bulldog Cir Murray

Ms. Crosman noted that her concern is that as a citizen, water, lights and sewer are required by everyone. This program however, is not something that we need, and therefore she is against it.

Steve Barth 1403 Lombardy Ct Murray

Mr. Barth stated that he has a relationship with Qwest, and is a citizen of Murray, and loves the City. He stated that the past is water under the bridge, and the Council should ask the hard questions of where we are now and what we will do about it in the future.

He is against voting for the extension. He spoke with many of the homes in his neighborhood and found that not one of them are on the service, or is planning on taking the service, especially under the new hook up plans. No one in their right mind would pay that kind of money to hook up to a service; it should be ubiquitous, but it isn't. There are should be's and could be's, but the reality is

where we are. The costs are going down in the industry, it is a very competitive market, and we should let the competitive market go. The new plan is not what we were promised: it has changed in the performance, the potential costs, the deliverables, etc. It is not what it should be. Do not encumber us any further than we need to be.

Donald Patton 5597 Hillside Drive Murray

Mr. Patton stated that he has been in public service for 57 years, and finds that in most cases, the private sector does much better than government in most endeavors. That is the case in this field of telecommunications. He believes that we should leave this to those with the expertise and knowledge in this area. It has been acknowledged that there hasn't been good expertise in this. Mr. Patton also noted that he was against this from the beginning four years ago, when we had all the promises and accolades; now we are getting admissions that it hasn't been the case- there have been serious errors made in management, processing and delivery.

UTOPIA is a good name for this project. In the dictionary, UTOPIA is defined as: 'an imaginary and ideal country, a place of perfection, proposing UTOPIAN or ideal schemes'. This is what Mr. Patton feels we are receiving.

David Lewis 5746 Ridge Creek Murray

Mr. Lewis stated that when he opposed this several years ago, he too thought that this type of business belonged to the private sector. The first time around, he studied the financials of the proposal, and did not believe what was said. There was a lot of detail about the cost, but not much detail on the revenue side that was available to the public, or the take up rates.

Mr. Lewis is also offended that although his street was torn up to lay the fiber, and it is not available to anyone on their street, they are not included in the take up rates quoted. He reviewed his options, and thought that it could be worth the lower rates, but still wondered what the rates would actually be. If it was such a great deal, then why didn't other investors such as Key Bank get into the funding. He does not feel that the citizens should be encumbered any further.

Noel Anderson 9 W Washington Murray

Mr. Anderson noted that he has been a Murray citizen for the past 75 years, and hopes he is dead by the time this comes due. He was here for the first go around and listened to the list of promises and hears the same thing now. There are so many if's and promises in this, and doesn't care if his internet takes five minutes or five seconds, he is still learning how to operate a computer. There have been mistakes made, there have been guarantees made; he has never worked for a company that counted on tax dollars to pay his checks. It has been competition. If the company isn't the best, had the best product and service, the company would have to trim the fat.

Mr. Anderson doesn't feel that governments and municipalities have any right to stick their nose into businesses that can be handled by people that are not counting on tax dollars. All of his family, grand children and great grand children are living in Murray, and he cannot imagine them being indebted in a program that is as iffy as this. He would like to make the Council a deal: they give him that money that they are guaranteeing this project, he will take it to Vegas and put it on the wheel, one spin, and if he wins, the City gets all of it and all they have to pay for is the gas. It is about the same odds of success.

Eric Lowry

5541 Fairhaven Cit

Murray

Mr. Lowry stated that he is a new resident to Murray, moving here specifically because of UTOPIA. He works for a company in California, and tele-commutes. For him, internet connectivity and bandwidth was everything. Mr. Lowry works in the telecommunications industry and manages servers, so it is very important to him. UTOPIA offered him something he could not get anywhere else. He checked with the other companies, and they could not come close.

Mr. Lowry stated that he is all for capitalism, free markets defining, but if you cannot find what you need to do the work you want to do, and live in Murray, then he has very happy that someone said 'lets take a step back and provide an alternative'. It is infrastructure, and is vital to what he does for a living. He regularly teleconferences with people in India, has six different VOIP providers as he does international support around the world, and he does it out of his basement, being paid California wages while living in Murray. It is the perfect scenario for him.

UTOPIA, for him, is perfection. It has totally lived up to his expectations. It has been worth it for him to leave Salt Lake City, getting out from under the thumb of Qwest and Comcast, and going here to get on UTOPIA.

He has no affiliation with any ISP or these other companies. This is his job, and since day one he spent \$300 to get hooked up with UTOPIA; a one time charge. Since then, he has gone from Veracity, a great company, then was offered a better connection and lower cost with Nuvount. Now, Xmission comes out with 50MB per second for \$55.00 per month, and can't be happier.

Heather Passey 1245 E 6385 S

Murray

Ms. Passey stated that she is an annexed resident of Murray, and like the others who have been annexed into Murray, will not be able to use UTOPIA, and has also been told that the cost of the installation will be \$1000. per residence.

Ms. Passey grew up here, and loves this City. She has not been happy with the decision to go with UTOPIA, and feels that this should be a private sector transaction. There is a lot of money being invested in this field by the private sector, and doesn't feel that UTOPIA is doing what they should be. She feels that the City should cut its losses and not take the risk any further.

Ms. Griffiths wanted to ask UTOPIA to clarify on the statements being made regarding people living in the annexed areas of Murray never being able to get on with the UTOPIA network.

Mr. Jensen stated that this is not true. UTOPIA is a network deliverable to everyone, and the intention and commitment from UTOPIA is to offer their services to every residence and business. How that will be done will be through a business strategy. For UTOPIA to be successful, it must look at costs and the opportunity for revenue. They have a plan as to how the network will be rolled out, someone has to be first, someone second. The fact is, that every home and business in the UTOPIA member city will have the opportunity to connect to this network.

Mr. Brass asked Mr. Jensen what the process would be for someone living in a place like Three Fountains East, where it is private property.

Mr. Jensen stated that it depends if they are owners or renters, and they would discuss this with the Home Owners Association. Hamlet Homes, for instance, is working with UTOPIA for adding the

network to a number of their projects. They will work with individual home owners, and home owners associations to make this available to everyone.

Paul Remund 4615 Atwood Blvd Murray

Mr. Remund has been a resident of Murray for the past three years, and feels lucky to live here. He stated that what they are dealing with tonight, is not about technology, but a business decision. He stated that it is easy to get into a business deal in the early stages because it is emotional; we have a vision; the hard part is getting out of a business deal. That is when we have to deal with the numbers, where we are, and how are we going to get out.

He has been in this spot-looking at one of his investors that had put \$600,000 into a business that he was running, and he could not face the fact of writing off that amount of money; he wanted to continue to put money in. Mr. Remund looked him in the eye and said 'it's over, quit it.' But, sometimes it is what you have to do.

When he first moved here, he had Qwest. He changed over to UTOPIA, but after they got it in, they could not deliver the VOIP, long distance and had to switch back. This is not a program we are funding for the elite few. He is happy with what he has now. It is like a car, getting him from point A to point B. Would he like a Ferrari? Sure. But where would he drive it? He hopes that the Council will look at this with good judgement and not with emotions.

Bill Olsen 5330 Lucky Clover Ln Murray

Mr. Olsen noted that he manages Murray Printing Company here in Murray, and has been using UTOPIA. The printing business needs to be able to transfer files quickly, and be able to transfer large files. One of the papers they print is the Park Record; with Qwest, they had occasions where it was actually faster to drive and meet someone half way between here and Park City, then to get the files transferred. They switched to UTOPIA and now can transfer the files much faster. The only shortcoming that he sees, is that it hasn't been made public enough. If people knew what the network could do for their business, they would buy it.

Lew Robbins 1807 Ann Dell Ln Murray

Mr. Robbins stated that he had a conversation with his grandchildren recently, and had told them that with grey hair comes great wisdom. The response was that it was stubborn wisdom. He has followed UTOPIA as he has use for the network. He has many sources of information, and found several newspaper articles; some that say that the UTOPIA dream has turned into a nightmare, and he agrees. Many articles are printed, and most are negative. They state that UTOPIA is running two years behind, have connection fees of \$1,200 - \$3,500; Mr. Robbins continued by saying that he has 50 years experience in sales and marketing, and knows the difference between a good deal and a bad deal. He does not feel that it is fair to put a 33 year millstone around his children and grandchildren's neck.

Mr. Robbins understands that UTOPIA is in the process of hiring an executive director and CEO. This process was supposed to be completed in the month of April - three days left, and no announcement yet. He believes in the tooth fairy and Santa Claus, but does not believe in UTOPIA.

The Utah Taxpayers Association is against this proposal, and he feels that the goose who lays the golden egg has turned into a white elephant, no offense to the Republican Party.

Jay Brummett

548 E Julep Cir

Murray

Mr. Brummett is a resident of Murray, and has spent 25 years as a leader in the IT industry, has 35,000 Google sites, and is well known in the IT area throughout the world. Mr. Brummett stated that he owned an ISP company called NetLogics, which has the largest network of frame relay in the world, reaching 65 countries. That company was sold, and he went into venture capital, bringing SS7 Telecom to Africa. After that, 911 occurred; Ogden Mayor Matt Godfey asked him to be a civil servant as the Chief Technology Servant in Ogden. At the time he took over, they had \$2 million upside down in their fund and within the first year, he took that down to \$900,000 and within 18 months they were cash positive and they were named the #2 digital city in the United States and were in the top three after that. He then went back to the private sector, and is now the Chief Operating Officer for Data Systems International. Data Systems International makes its living selling enterprise software to human health and service agencies and non-profits, are doubling their revenue approximately every eight months, and are fully dependant upon the internet.

That being said, there was a company a few years ago called Brooks Fiber who tried this model, and went belly up. This model has been tried in Wyoming and Montana, and went belly up. He kept Ogden out of UTOPIA, and he feels it is not a good investment for this community because it missed its business plan, and did not do what is said it would. He wants fiber at the curb, he wants it badly, but he wants it in a way that will be fiscally responsible. UTOPIA and this particular business proposal are not fiscally responsible.

Michael Brodksy, Hamlet Homes, 308 E 4500 S Murray

Mr. Brodsky, owner of Hamlet Homes, stated that he is an ardent supporter of UTOPIA. They have been developing in Murray for 13-14 years, and in the last few years have begun developing in-fill, commercial sites into residential communities. They found that the buyers appreciate the technology that they can provide them through UTOPIA.

Mr. Brodsky stated that we are all giving birth to this technology, and there are labor pains in this process. One of the bigger ones being the television provider; they are working through some difficulties with that, and has unfortunately has given both Hamlet Homes and UTOPIA a black eye. He has had reasonable assurances that this is being worked through and with time will be resolved. He believes that it is worth the challenge of working through it because of the significant benefits that having this type of technology available to these communities. Without a doubt, it increases the value of the homes.

Mr. Brodsky continued, saying that he has Comcast in his home, and UTOPIA at his offices here in Murray; the difference in the speed, predictability and quality of service is night and day. He wanted to make his voice heard as a builder and developer as to his faith of this being the wave of the future. They are building in South Salt Lake, a non-member of UTOPIA, and Hamlet has actually picked up the cost of bringing UTOPIA from Murray into South Salt Lake so that those communities have this technology available to them as well. Mr. Brodsky disclosed that UTOPIA does reimburse them as connections are made and services are coming in.

Laura Lewis, UTOPIA 734 East Holly Avenue, Murray

Ms. Lewis stated that the need for bi-directional speed offered by UTOPIA is essential, not only for this city, but for this country going forward. She has had the other services, and there is no comparison to UTOPIA. She works from home a lot, and is now able to work much more efficiently with the higher speeds and downloads.

The philosophical idea that we have heard over and over again is that this competes with the private sector; She would suggest that government officials have faced this particular issue before, and had decided in favor of what benefits your citizens. Maybe not each and every citizen, but for the majority. She noted that she pays, with her tax dollars, for public transportation. She has ridden TRAX four times. She has not ridden a bus since high school. She pays for that, and others benefit from it because it is the right thing to do. Lewis Brothers Stages operates private buses, why not say that we should privatize all buses? There are a number of bus companies, but that would mean a lot of cost to a lot of citizens. Similarly, there are golf courses, recreation centers, etc. that are not fully funded on their own, they are supported by sales tax or general fund monies. This isn't something new to you, it isn't the first time you have been asked to do this. She believes that this is a quality of life issue, with gas prices going up, and the environmental concerns over emissions, the ability to telecommute even 1 day a week is a great benefit.

The average age of Utah citizens is very low. The youth are very demanding of these services. Ms. Lewis related a story regarding a young daughter of hers and a friend. After a visit, the friend's mother sent an email stating that the friend wanted to know why the Lewis' computer was so much faster than their own. The mother had tried to explain to the eight year old that in Murray they had fiber, and their own city did not. The child was very upset that this service was not available to everyone. The youth do understand the need for technology and speed. She asked that the Council vote yes to UTOPIA.

Jim Prindiville, 97 W Woodrow Murray

Mr. Prindiville stated that he was here four years ago to say that this plan had nothing in it for Murray, and everything for UTOPIA. All Murray was doing was guaranteeing that if UTOPIA loses, we would pay for it. It was an offer that any company would gladly take up, but he could not imagine any city that would offer it.

Tonight we have heard from several people in favor of UTOPIA. Those people have UTOPIA. There is no doubt that fiber optics is the state of the art way to go right now. But, we are not discussing whether it is a good thing, we are discussing who is going to build it and pay for it. If it was such a great thing, there would have been investors lined up to help pay for it. The original proposal was done on speculation, guesswork, and predictions to make it look like a race horse. The race horse fell right out of the gate. He refuses to tape it up and run it again.

Tyler Dallas, 964 Marion Village Rd, Sandy

Mr. Dallas noted that Sandy has very good internet services. He stated that he is an employee of Qwest. He wanted to clarify a few issues: Qwest is a wholesale provider as well as a retail provider of services, so their network is not exclusively Qwest services. There are other choices; their technicians service the lines for a number of other providers who utilize their lines for their products. If you are a Qwest high speed internet customer, you have dozens of choices of ISP's, many more than are offered through UTOPIA, including Xmission and others.

The reason you have not used tax dollars yet is because in the initial bond, it funded a debt service reserve fund that has now been used, and they are now requesting that it be funded again, and in two years, you may be facing the same thing again. It was represented that Qwest prices in UTOPIA cities have decreased, but that is false. The prices for the cities in with UTOPIA are the same as those who are not. These statements are made over and over again, but it is not true. Mr. Dallas continued: UTOPIA has spent \$134 million, and have stated that they have built a network to 26,000 subscribers. Provo City has spent \$38 million dollars and have built to 30,000 subscribers; so they have spent approximately \$90 million more than Provo to accomplish the same thing. In order for this new financing to break even, they do not hear what it will take to pay this bond because they do not want to tell you. In order to make this new bond, you will need to have

incumbent monopolies has the skill, the ability, or the willpower to give us the telecommunications systems that they promised us.

Steve Proper 1593 Cypress Point Way Draper

Mr. Proper noted that he is with Comcast, and does not envy the decision needing to be made tonight. He has spoken at many of these meetings on build outs, collaborations, franchises and city channels, and this is one of the unique situations where we talk as competitors, instead of as regulators.

Mr. Proper stated that the more factual information that you have, the better. Four years ago, it was said that the private sector was not willing to make long term investments in cities such as Murray. Comcast said they would, and they have. They have spent almost \$1 billion in the past decade on capital investments here in Utah alone. Half of that came in the form of their fiber upgrade, and are one of the largest fiber deployers in Utah, although they do not take it to the home. They pass about 700,000 homes in their footprint in Utah.

Fact: as a result of this investment, they have significantly increased their video offerings: High Definition Television, On-Demand & Pay-Per View, interactive on-screen guides and digital music.

Fact: as a result of that investment, they have significantly increased their high-speed internet offerings. They initially offered one speed, they doubled it and doubled it again, and yet doubled it again.

Their CEO, Brian Roberts, spoke this past January in front of the Consumer Electronics Convention in Las Vegas, and demonstrated their platform of internet delivery, 3.0, with speeds up to 100MBPS. They have heard here today that they cannot deliver this, they are in fact delivering it. They have made a commitment to deploy the Doxis 3.0 technology across the entire Comcast national market in the next 12-18 months.

Fact: as a result of the investment they have made, they have increased their residential phone offerings. You did not previously see residential phone competition. They are now a huge VOIP provider.

Fact: they have been asked time and again, and it has been represented, 'Comcast, come hop on our UTOPIA lines'. They haven't, won't, and don't want to.

Fact: their prices are the same in Murray as they are in UTOPIA non-member cities, and he challenges anyone to contact him to get the prices.

Ms. Griffiths asked what the installation charge is for the Doxis. Mr. Proper stated that installation is the same as the ordinary installation. If the home is already hooked up with their equipment, it would be an upgrade, not an additional hookup charge.

Pete Ashdown 51 E 400 S #200 Salt Lake

Mr. Ashdown noted that he is the president of Xmission, a provider on UTOPIA and has probably spent more money on UTOPIA as anyone attending the meeting, and received less profit as well. He believes in this network and that is why he has done so. \$7 trillion and not a dime of profit. In 1954, Dwight D. Eisenhower stood up and said: "We have a problem; we need a national infrastructure of roads and highways," and he was voted down. Thankfully, in 1956 it got passed, and \$7 trillion went into that system, and we are all better off for it.

If the private sector was set up to build our roads and to service those roads, Mr. Ashdown stated, that he would have ridden a horse to get to the meeting tonight. Eisenhower looks down upon us and weeps because of the priorities of this nation. This nation has lost its priorities. It should be focused on infrastructure as Eisenhower was, it should be focused on its people like Eisenhower was, yet it is not.

Mr. Ashdown stated that he commiserates with the City, this is the wrong way to finance this network. It should be financed from the top, and should be financed with leadership, and said that if he were the leader, he would stand up as Eisenhower did and say: 'Fed-Ex, UPS, you will all going to use the same system. Comcast, Xmission, you will all use the same system.' He believes in the free market, and feels it would be nice if we tried it in this country for a change.

Mr. Ashdown continued: What we have in this country is not competition. If he were able to compete on an equal playing field as Qwest and Comcast, he would 'clean their clock.' He has been voted with the best customer service in Utah, while Comcast gets voted the worst company in America. There are a lot of detractors in UTOPIA. His beloved Mayor, Rocky Anderson, in his infinite wisdom, was one of those detractors. Mr. Ashdown stated that he finds it interesting to look at the history of detractors; because by our history, we know our future. Do we need a sewer? I can throw my chamber pot into the street. Do we need streets? I have a horse. Do we need clean water? I have a well out back. Do we need a railroad? Handcarts got me here. Telegraph? Pony Express. Telephone? I have the telegraph. Gas? I have candles and firewood. Electricity? I have gas.

Email and Internet? In 1996 Qwest looked at him and said that their network could not support what he was doing on it. Stop doing it. They have always been recalcitrant towards new technology. Email/internet...Mr. Ashdown asked how many people needed it then. He stated that probably no one did. And how many need it today? Probably every person attending.

Ms. Dunn addressed Mr. Ashdown, stating that she assumed he was on systems other than UTOPIA. She asked why, with the wireless zones offered in many cities, it has not been offered in the UTOPIA cities?

Mr. Ashdown replied that he would be happy to offer it here in Murray, and be happy to set that up here. He would gladly offer it to any city that asked. He added a point regarding wireless service: he does not believe it is a service for delivering internet to the home. Ms. Dunn stated that she does not disagree, but feels it is a nice service to have, especially if you are considering a product that you are already paying for.

Royce Van Tassel 3659 Royal Troon Dr Eagle Mountain

Mr. Van Tassel, Vice President of the Utah Taxpayers Association, stated that the question here tonight is: shall we pay \$202 million, or Murray's portion of that, or, shall we increase that to \$503 million? The guarantee is \$202 million, or take a chance on \$503 million or Murray's share thereof. He would suggest that this is a false dichotomy. You have pledged several hundred thousand dollars per year, set that aside already. You have not, however, taken any RFP's, to determine the value of what you could sell that for today. Mr. Cutler suggested that there is a value, yet you have yet to get an outside audit to see what the other options are available. In Provo, Mayor Billings has led the way, certainly in building out Provo, and now to find ways to salvage the value. They spent \$39.5 million to build that, and are looking in 2012, if they meet their customers, they would still be subsidized.

Mr. Van Tassel would argue that the question that the City needs to take is, can we exercise the pledge today? If you vote no, you will pay, this year, the pledge. But does that guarantee for the

next 18 years you will? No, its says that for the next year I have an opportunity as a Council, to work with the people who run UTOPIA to find out what the best solution is. You have been presented one, but he is not convinced that you have seen the best that money can buy. You need to spend the money, you should exercise the insurance policy that you purchased when you joined UTOPIA and be sure you get your money's worth.

Ms. Dunn asked Mr. Van Tassel who the Utah Taxpayers Association actually represents.

Mr. Van Tassel answered: they have membership of several thousand individual and business customers across the State. A number of people in a variety of cities have suggested that they take their cues from the members, as an example, both Qwest and Comcast are members of the association, and therefore the association opposes UTOPIA. In the last legislative session, they lost a significant member because they took a specific position. Before his time, when there was discussion on public support of remodeling the University Mall, ZCMI, who was a large proponent of that, sat on their board. As an association, they opposed that remodel, and ZCMI not only left the board, but took their sizeable contribution to the association with them. Unfortunately, two years later, it fell through. This is only to say that they take their positions on principle to the extent that businesses or members support them in advocating for those principles.

Ms. Dunn asked if that meant that the association receives large sums of money from those companies? Mr. Van Tassel stated that neither Comcast nor Qwest are in the top 10 of dues payers in the association.

It was asked if they would open their books and let the public know how much they do contribute. Mr. Van Tassel stated that they would not. They are a 501c4 company and are not required to do so.

Ms. Griffiths asked how the dues to the association are determined.

Mr. Van Tassel stated that there is a certain degree of flexibility to that, however, when it comes to business customers, it is largely based on their valuation. Not every company is willing to pay that amount based on their property valuation.

Merrill Cook 631 16th Avenue Salt Lake

Mr. Cook stated that he has always been impressed with Murray's Council, staff, and commitment to their citizens. On UTOPIA however, he stands with the Utah Taxpayers Association, and is opposed to the business model they have presented. He feels that with his experience in government and in industry, it is predicated on a flawed model. With the new technologies, where we have private sector companies developing, working and changing as rapidly as they do, it is best for government to take a back seat to this. When he hears of sales tax guarantees, of sales tax back stops, and CEO's saying that they haven't used anybody's sales taxes *yet*, it has always been a red flag to him.

Mr. Cook stated that he says all of this with deep respect. He is impressed with the commitment that people have shown in this, but he would suggest to Murray City that they reconsider the foundation of principles of this business model and move towards decision making that emphasizes the private sector development of these technologies; for the citizens that he knows the City is trying very hard to serve. He again asked that the City reconsider the extension for the UTOPIA refinance, and ask them to vote against it.

Jarin Blackham 655 W Center St Midvale

Mr. Blackham is the IT Manager for Midvale City. Mr. Blackham passed out some informational handouts to the Council.

The only thing that he would point out, is that by no means are we finished with the UTOPIA project. There are others here tonight that would say to stop and to call on the pledges, but that is what will kill UTOPIA, they would cease to exist. Those pledges will be called upon for the next 18 years. That is not something anyone wants, nor that Midvale wants. He urges the Council to stay the course, to stay as Midvale's partner, along with the other pledging cities. Finish this project. It is not complete, they are stranding more than 25,000 new accounts if the project is not finished. That is something that is in this refinancing. Mr. Loader reiterated: stay the course, finish the project, and if we have something to sell in a few years, we will sell it.

Eric Isom, Qwest 250 Bell Plaza

Salt Lake

Mr. Isom is representing Qwest, he is a government affairs director, and is also here on behalf of Jerry Fenn, who is the Qwest President for Utah, who was unable to attend. Although some may have you believe that this debate is about Qwest, this is not the case. This is a difficult decision and he commended the Council on their careful consideration of the issue.

Mr. Isom reaffirmed that the individuals he has met through this debate have sincere interests and although, from a personal and philosophical level they are in disagreement, he has appreciated the opportunity to get to know these individuals. A major reason for UTOPIA's inception was a claim that private industry would be unlikely to provide needed broadband infrastructure. Four years ago he was before the City Council, having witnessed several debates, and knows that UTOPIA was presented as a perfect solution. At the time, UTOPIA was unknown; now they have a track record, not only of private industry, but of UTOPIA.

At the time of the Winter Olympics, Qwest Utah broadband availability was at approximately 30% and four years ago, when UTOPIA urged cities to join as pledging members, Qwest broadband speeds were typically at 256Kb - 1.5MB range. Four years later, Qwest broadband availability in Utah is now above 85% and speeds have significantly increased to up to 7MB. They have recently announced that Qwest will spend up to \$300 million company wide in 2008 without taxpayer risk, a significant portion here in Utah to upgrade their network infrastructure with fiber to the known technology. Their company plans to offer connection speeds up to 20MB this year, and are pursuing technology to allow them to offer even higher speeds. They will be coming to Murray as part of that 2008 build, that will allow them to bring about 200,000 potential customers to those advanced services this year. .

Mr Isom addressed the RUS issue: originally, the RUS issue was not part of the original financing plan of UTOPIA, yet it is shouldering a great deal of the blame. He wanted to ask, when have you known the Federal Government to pull back on spending If RUS is not going to fully fund that \$66 million, he would encourage the Council to ascertain the reasons why.

Mr. Isom noted that he would respect Mr. Jensen's recommendation and not address the commitment to build out into neighborhoods, but asked that the Council considers that as well. If there is a 40% or more commitment for neighborhoods to have the services built out in the UTOPIA model, and if there is an installation or connection fee, he feels that this places UTOPIA in an even more precarious competitive position. The industry is very competitive currently, and he feels that this places them in a more precarious situation.

John Andrews, IT Director, Hamlet Homes

2857 W 13200 S Riverton

Mr. Andrews remarked that they are all for UTOPIA, it adds value to the homes that they develop. He meets with the residents, and although there have been issues with the television side, the residents are ecstatic over the internet speeds and abilities it provides them. It has allowed many to

have the opportunity to work from their homes. An important distinction to make is that the connectivity that you receive from UTOPIA is bi-directional. When they give you 45MB, it is both ways. What that means is that when someone synchronize their Outlook, on Comcast it takes 15-25 minutes. On UTOPIA, it takes seconds.

Mr. Andrews noted that he has worked in India as a contractor for Google. He was able to see how all the outsourcing works. In Thomas Freedman's book, he speaks of two races: a race to the top, and a race towards the bottom. Some of the things you can do to race to the top are: improve education, and an important factor: improve infrastructure. The incumbent telecoms may tell you that they are giving you these speeds, but for example, Doxis is 100MB download, but his understanding is that the upload speeds are 8MB. This is the same thing that Qwest is promising; the download speeds are great, but upload is 8-10MB. Hamlet has an office here in Murray, and he had spoken with a radiologist who wanted to move to Murray as he was excited over having UTOPIA. This radiologist has images that he takes of patients, and would have the capability to transfer these images at a reasonable rate. It is all about upload, and the incumbents are only giving you download. Mr. Andrews asked that the Council support the refinancing of UTOPIA.

Nancy Gibbs, 2655 N Center St Lehi

Ms. Gibbs is representing a rural, independent telephone company, Beehive Telephone. She indicated that she used to be a resident of Murray many years ago. Ms. Gibbs that both she and Beehive Telephone are against putting additional money into UTOPIA. She stated that she has been involved with UTOPIA since its inception, she used to be the Executive Director of the Utah Rural Telecom Association which encompassed all of the independent telephone companies in the state. They cover 85% of the land geographically, and were very concerned over this as it was getting into the private enterprise sector. They feel that they did not have the expertise that they needed in telecommunications, as it is not an easy business and the technology changes so often. They were saying that 20-23 years for these cities to be encumbered, when the technology changes so quickly, was very concerning and did not feel that this was a good business decision for the cities.

She continued: she was a bit confused by some of the things that were said by UTOPIA: when she was at Brigham City's meeting last week, it was said that a "no" vote from any of the cities would mean that UTOPIA would not continue. Now they are saying that a "no" vote would put the burden on other cities. Also, one gentleman mentioned the Universal Service Fund; saying that it was for all the telephone companies. Qwest could not get it, only the independents could.

David Larsen, IT Director, Murray City 6576 S 670 W Murray

Mr. Larsen stated that when Murray City first built the fiber ring for the power department, we had about 18 different buildings that we connected with different types of circuits, leased lines, and they were several hundred dollars a month, each. The City was paying thousands of dollars a month; we hooked those up with fiber and that cost essentially went to zero. We now have 23 different buildings, we centralized our servers, we have high speed communications, we have geographic information systems today, that we did not have then, that can transfer high speed data around. We also have Xmission internet, where we are getting roughly 10 times the speed that we were getting before, for 1/4 of the cost. If that changed, then the City might incur costs of several thousand dollars a month more.

Mr. Larsen stated that he personally has internet service through UTOPIA at his home and feels that it is very good; Glasgow, Kentucky started this very model a long time ago, and are very successful. There are 367 other cities, according to the internet, that use this same model and are all very successful at it. Mr. Larsen noted that he has several professional associations that he deals with on a regular basis, one of which is Dell Corporation; through that work, he has become aware of other

places in the United States, such as Maryland, who use this, especially in the medical field. The use of high speed transfers is saving lives. Infrastructure and the end to end equipment might change a hundred times, but the basic infrastructure will stay the same. Those are some of the benefits that come to the City.

Dawna Lofgren 1119 Walden Park Dr Murray

Ms. Lofgren commented that a few additional points should be made: the wireless security is very low, it is easy to hack; the underground lines are more secure. She feels that UTOPIA is pioneering an idea that many people will benefit from. They are allowing more companies to use it, they are not putting it down for themselves. She feels that more of the companies that company afterwards will benefit from what has been laid.

Ms. Lofgren believes that UTOPIA has a good plan and will be a valuable asset in the future. She also believes that it is a benefit to the City, and it will become more valuable the longer it is in place; much like other pioneering ideas. It is always a struggle in the beginning; UTOPIA did not have the backing that they would have in the beginning. They are working on that, and she feels that this is a good idea, that will grow as it stays in. The value of the company will increase, and they will make up the difference in the future. She asks the Council to approve the request.

Daniel Snarr, Murray City Mayor

Mayor Snarr wanted to share some comments about the history and what brought us to adopting the UTOPIA model, he wants the residents and community to understand why he supported the decision.

Ms. Griffiths interjected and asked the Council on the time limit they feel would be appropriate to allow the Mayor to speak. It was decided to allow five minutes at this time.

Mayor Snarr continued by saying that he has absolutely zero political ambitions. His only ambition in life since being elected Mayor, has been to make this the best city in America. When he took office, he looked at the economic horizon, particularly in the power department, and they were concerned about deregulation in the power industry, and what that would cause.

Your taxes are amongst the lowest, by far, than any other city. The press always calls him and asks why that is. He answers that it is because of our dynamic business environment. We are very unique as a city; 33 customers take over 50% of our power load. His first thing was to protect our power department. Mayor Snarr asked: who has the lowest power rates in Salt Lake County? We do. Why? Service. We do not charge you for lights, to trim your trees, we pick up all the tabs, something other cities don't do, and still our taxes are the lowest. He is here to protect the businesses and provide the services. If they deregulated the power industry, they could have cherry-picked off our best customers who balance our load. The power industry is very complicated.

The Mayor stated he wanted to protect the power industry to start with. Then he realized that we live in a dynamic environment; he was reading a book about the sham we live in here in America, that we are not investing in our infrastructure for the future. He stated that our school district is the only totally fiber optically school district in the state of Utah; a big benefit to you. They used to take 45 minutes a night to download all of their information. This meant teachers had to stay late and watch that information go over a line that they were paying a fortune for. Now, it takes less than five minutes and they can transmit more information. Everyone of you save money due to that very issue. Everyone of you are a benefactor of UTOPIA. It interconnects all of our substations, our lift stations, all of those are connected by that fiber and we do not pay for it. All of

our water stations and our pumps are interconnected with this fiber system. You are so lucky, here in Murray, because we were progressive and thought ahead.

Mayor Snarr pointed out that he has been criticized many times; in 1998 he wanted to spend \$500,000 to put another arborist crew on in Murray City. People criticized him for this. In 2003, there was a significant storm event, and we were prepared. We beat everyone. Richard Walje, president of Rocky Mountain Power came to him and said you put us to shame. No city does a better run or better job of providing services than Murray City.” He told him that at the economic development meeting and stated that we are ready for the next 30 years. We have the power resources, you have met the demand on what is going to be placed as far as having energy. To this Council’s credit, we have renewable energy resources and we are ready to go. We are already there. We are not out there having to pay a lot of money for solar energy or wind power, because we are already there. Mayor Snarr is proud, this city has been proactive and prepared for the future. Prior planning prevents pathetically poor performance, and that is what the City has tried to do and keep the taxes low.

Mayor Snarr stated that if the we went by the Utah Taxpayers Association, we would not have Murray Power. It competes. Does it compete with private industry? Absolutely. Yet Mr. Walje came to him and told him that we set the example. They came to see how our City handles business, because our average time off power is 10 minutes. They have people out for days.

Four years ago, when we started the UTOPIA process, the Mayor was disappointed. He works as the Mayor as a public service. He took a big cut in pay to be the Mayor, and does it because he loves this community and wanted it to be the best city in America. But, you don’t do that by sitting back and hoping. You have to be progressive and look towards the future and find out what you need to do. He has studied this thing, has been around America looking at it, and we are not there yet. There are third world countries who are outdoing us now. China is putting it in, South Korea has it, the government has supported it and put it in. Then they told everyone to come and use it.

The Mayor stated that he has had threats on himself. He has had neighbors come to him. People from the Taxpayers Association. People telling him he is going down the wrong path, doing things wrong. That fiber is antiquated, it’s not going to be there. He finally got so disgusted with the campaign that he went down and spoke to the Salt Lake City council about bamboozling, snookering, hoodwinking with the campaigns of deceit in this information. He knew that fiber was the future and that this is what we would need in order to succeed as a country.

Mayor Snarr stated that he is disappointed with all of the calls and all of the angry and mean-spirited, saying that he is wrong, this is not right for the future and that he is spending money down a rats hole. The Mayor read the following: *‘Qwest Communications International, Inc on Thursday, introduced DSL plans for faster download speeds, including one that is the faster DSL service from a major US phone company. Qwest is charging \$104.99 per month for download speeds of 20MB. For 12MB, it is charging \$51.99 per month’* (ask people what they are getting from UTOPIA) *“ the prices are \$5.00 lower when combined with local phone services. The plans will be available in 23 Qwest top markets, the company said that by the end of the year they will available to two million customers.”* Again, they don’t take the fiber into the home, the services are available in several neighbors in Draper, East Millcreek, and Salt Lake City, and more sites will have it this later this year. If they do this, the problem is that they are trying to exclude the Xmissions and others from coming into their lines, so they are the sole-provider. *“Qwest said that it is committed to spending up to \$3 million to upgrade its network by drawing fiber into it’s neighborhoods. AT&T is putting billions of dollars into a similar upgrade, which it’s using to provide TB service over phone lines. Verizon Communications, Inc. has chosen a different route, drawing fiber all of the way to the customers homes”.*

If we are eliminated, all of your prices will be going through the roof. There is no competition in the oil industry. The telecom industry is interested in creating a no competition environment as well. All of you will pay more than what it will cost for us to help make UTOPIA succeed. You will all pay a lot more in the end. So, with that, the Mayor has always stood by what he believe, and go ahead, vote him out of office if you choose, but he is a man of courage, and he will stick by what he believes is right for the future. He has never backed down in his life; even when people threaten him, he smiles and reminds them that he had a good life before he became Mayor, and he will have a good life. This is important for the future success of our City, it has put us on the map, and it can succeed.

Public Hearing Closed

Ms. Griffiths read the Resolution.

Ms. Dunn asked UTOPIA asked for clarification on the issues that Ms. Lewis spoke about. First: She asked about the new financing” \$185 million is the new dollar amount. On the original debt, \$115 million to Bank of America; \$21.35 million to RUS, for a total of \$136.35 million that is owed. Mr. Jensen agreed to these amounts. Ms. Dunn asked that once this is paid to Bank of America and RUS, are we done with them?

Mr. Jensen replied that yes, once it has been paid, we’ll be done with them, similar to refinancing a home.

Ms. Dunn asked if UTOPIA goes under, and the refinancing does not happen. We call the pledge and Bank of America gets the pledge. Then what happens to RUS?

Mr. Jensen answered that the RUS obligation stays in place. The way that the current documents are structured is that the sales tax pledge only serves as a back-stop or collateral against the \$115 million that is held by Bank of America. The backing or collateral for the RUS debt of \$21 million are the revenues that are generated from the system. The practical thing that would happen is that the sales tax pledges would be called on, each city would begin to pay the monies as opposed to it sitting in a reserve fund, that money would be controlled by Wells Fargo, who is the trustee and pay Bank of America, and would send each of us individually a notice saying that you have 365 days to replenish that same amount back into the fund. Each city would put up the money and the process would continue, in theory, for 18 years. A very important point, with regard to the RUS debt, is that because their back-stop or guarantee comes from the sales tax revenues, they have no claim on the sales tax pledges; only the revenues of the system. What that essentially means the network could go into receivership, which means that the Federal Government could come in and take over control of the network. We could continue to pay for a network controlled by RUS and be managed, in theory, by someone in Washington, D.C. The collateral is actually for RUS versus the Bank of America.

Ms. Dunn asked if RUS takes the infrastructure up to what we owe them, or all of it?

Mr. Jensen replied that they would take all of it. One of the things, for anyone who has dealt with the federal government, has learned that they have a lot of strings like tentacles, and under the structure of the documents, they have the ability to control virtually every aspect of the network, even though their financial contribution to the network is very small compared to the total involved. Their ability to force things to happen is significant. He noted that it is similar to issues with CDBG funds.

Ms. Griffiths stated that when the City entered into the original agreement, she had never heard of RUS, nor was it ever mentioned; she did not have any idea of the power that they would have by

entering into an agreement with them. She stated that she also had the misconception that it was a grant, which it is not. She felt that it had never been made clear, to the Council, that this is what is.

Mr. Jensen empathized with Ms. Griffiths, and said that most of the folks involved with UTOPIA understood that, all of the representatives from the cities understood, but he does admit that he accepts the responsibility for it. The communication with the councils in the past has severely lacked, and one of the commitments they have made to all of the councils is that they will do a much better job in making sure of the happenings of UTOPIA, both good and bad, the challenges and the successes. Mr. Jensen again apologized and said that he knew it was the Council's sincere belief, although not accurate, but it was based on the information presented to them at the time.

Mr. Jensen pointed out that some people have asked why UTOPIA ever got involved in that (RUS) venture. In hindsight, it seems silly, but the reason they did it was based on sound business principles; the private financing dollars, they were paying an interest rate in the range of 7.25 - 7.5%. They had an opportunity through a loan program funded by Congress, to get money down in the 5.25 - 5.5% interest rate. When you are talking about millions and millions of dollars, it would be unwise not to look at that opportunity; it makes a big difference financially. They did not go into this cavalierly, they did due diligence, spoke with RUS and Congressional delegation people, they spoke to consultants who had dealt with RUS, and the fact is that the report back was a mixed bag. Some people had excellent results with RUS, others had problems. The prior management spent a lot of time researching it, deciding what the appropriate course would be, and in the end they decided to go rely on the good faith agreements and verbal commitments that they made. They feel that it was a logical decision at that time. Hind sight would say it was not; it was one of the mistakes that they made. But the reason they made it was that their commitment then, and now, is to try to do whatever is smart from a business perspective, that lessens the possibility that the sales tax pledges would be called on and the cities who made pledges would be called on to spend tax dollars. That is the beginning and the end of the motivation as to why they did that.

Ms. Dunn stated that it was mentioned several times during the comments by the public, regarding connection and hook-up fees. She asked Mr. Jensen to explain the \$500 - \$3,500 costs that were spoken about.

Mr. Jensen stated that people should be aware of others trying to explain UTOPIA's business plan. He stated that the folks that have spoken to the 40% take rate threshold, to the \$1000 connection fee, these are people who have not seen any of the written documents. He does admit that one of the things being considered is the possibility of some type of connection fee. Is that the only possibility going forward? Absolutely not. They believe that people should have a choice. If they want to connect to the network, there needs to be a variety of mechanisms through which they can do that. Some people may choose, if there is a connection fee, to say 'yes, I'm a business and it is worth it to me to write a check for the amount' there are others who are not in a position to do that. They may be willing to do so if they could finance it; if in exchange for the financing, they have the opportunity to receive discounted monthly subscriber fees by 30 - 35% each month. Some people may say yes, some no. Their idea with the marketing is to provide a variety of options for people to make it easy for them to connect to the network.

Have they settled in on exactly what the cost will be? Absolutely not. The other thing that needs to be brought out is a lot of these issues will be dictated by what happens in the market. They are not foolish enough to believe that once the plan hits the market, that they will not need to make adjustments. Not every plan survives its interaction with reality. There are a lot of factors that will go into how those services are priced. In Murray, for example, to make a connection may be significantly lower than it would be in Layton, because there is already significant existing infrastructure in place. There are a lot of factors involved; connection fee is one of the ideas being considered, but at the end of the day, each individual person will have the opportunity to choose

that, or not to choose it, or to take some other financing approach that will lead them to the same destination.

Ms. Griffiths asked, in regards to those who are already on the network, for this to be equitable, will they have to pay anything on connection fees?

Mr. Jensen stated that, no, they would not have to. He personally believes that a large number of existing subscribers will want to make that conversion, taking advantage of the connection fee possibility, because of the value added proposition and the benefits that will come from that. Only time will tell that, but no one would be required to convert.

Ms. Griffiths asked what was meant with 'value added'. Would that mean the connection staying with the premises?

Mr. Jensen responded by saying that is one of the benefits. There are a variety of benefits, membership only type of benefits that would float to someone who joins the network. He respectfully declined to enumerate every one of the details as some of those are strategic and part of the marketing plan. At the end of the day, people have to be convinced, and are astute about this, that the value that they are receiving from the fiber tap connection is worth the cost they are willing to pay. They believe very strongly, based on the marketing research that has been done through two independent groups not involved with UTOPIA, and three independent focus groups, that this model is favorably looked upon. There are a lot of options and choices.

Ms. Griffiths stated that she is concerned, in these recessionary times, that we are being counseled not to get into debt, so for herself personally, she would be reluctant to incur a debt whether it stayed with her home or not. All of our fees are something that we need to keep pace within the expenditures we incur. More and more people are applying for assistance through the H.E.A.T. program with just the utilities for water, sewer, and power. She is concerned over whether or not many of her constituency could do that.

Mr. Jensen recognized Ms. Griffiths' concerns. It will have to be issued and marketed properly, and then the individual consumer will make the final decision. He wanted to emphasize that the refinancing and the consequences or benefits of that are fairly clear. We are not voting this evening on a marketing plan; there is not a document that states this is the marketing plan and can never change; this must be a flexible, fluid document if we are to react. He noted that he appreciates her concerns, and as they have spoken with others, they share her concerns, but in most of those cases when they understand the benefits that come with that, they say this makes sense and are willing to do that. In the end, his opinion doesn't matter; it will be up to the good people who have an opportunity to take that service.

Ms. Lewis stated that from a finance perspective, one of things that drives her insane, and she hears it all the time in regards to car loans is: zero percent financing. Anyone who does not believe that they do not bill that finance cost in the price of the car, she would argue that they are not a very astute consumer. There is principal and interest, and candidly games can be played with that. Remember that at the end of the day that there is no free lunch. If Qwest and Comcast had the vision to hook up fiber to your home, and stuck with their existing model, they would not charge you a connection fee; but, it would cost them to connect to your home. How do you think they would recover those costs? In the monthly charges. The idea is, it's a matter of moving the costs from one side to another. The nice thing about paying it up front is that once it is paid for, it goes away. Then you are left with the normal monthly charges.

Ms. Dunn remarked that she has heard it referred to several times tonight, and could have been taken two different ways, "please don't take any more of our tax dollars." She asked Ms. Lewis to explain what has been taken from the cities so far versus what has been spent by UTOPIA to date, including the issue that Mr. Dredge brought up earlier regarding the reserve funds.

Ms. Lewis explained that the reserve fund is currently funded with cash that the UTOPIA members have on deposit. \$10,091,000. Additionally there is a letter of credit in that reserve fund for \$1.6 million that is provided by Key Bank to bring it to its full funding requirement of \$11.7 million. UTOPIA has paid \$2. million in principal down on the Bank of America debt in addition to the related interest, and have made interest payments on the RUS loan. She was not sure of the dollar amounts at this time.

Ms. Lewis stated that there has been no taxpayer money used by UTOPIA. The \$10.09 million is still sitting in an account at the trustee.

Mr. Dredge said that for him personally, it truly is about the financing and marketing plan. In terms of whether or not fiber is needed, whether or not we need the infrastructure. For him, in the business world it is not even a question. He stated that he is a CPA, but deals in technology and for years he was hindered by the incumbents' inability to provide services to many of his clients all across the State. When the concept of UTOPIA was first brought out, he was thrilled because it has spurred competition and now there is service in areas that there was none before and he is able to see the economic benefit to his clients. He looks through this, and no disrespect intended to the Utah Taxpayers Association, but he does not know what they would say yes to; we would not have TRAX, the Olympics, he could go on with a litany of things that we wouldn't have because he feels that the answer is usually, automatically no.

From what he is seeing in our economy, the ability to deliver information is what America is getting good at. If we limit our ability to limit information, we have a problem. With that said, is UTOPIA's model the best route to go? Can they deliver it, can an incumbent step up and provide us the speed that we all need? Can UTOPIA deliver on their promise? As he stated earlier, his crystal ball is still fuzzy on that. But, with that being said, UTOPIA has built in working capital by capitalizing interest for two years, no payments, and they have two years to turn this around and find out if the new model works. Mr. Dredge noted that it is frustrating, because he has been privy to proprietary information that cannot be discussed here, and many of these questions that are being answered, and many of the frustrations that they have addressed can not quite be discussed in the paper and defend themselves by saying they are doing this.

Mr. Dredge continued: with the capitalized interest, having two years to get their ducks in a row, or attempting to, they have to have metrics in place that will measure whether or not they will be successful. If we get a year down the road, and UTOPIA is 50% towards the metrics, are we going to continue with the 'never say die' attitude, or, we're going to get better, we have a year and ½ to do it in? Do we have reasonable measures in place so that we can stand back and you can tell the Council members that we needed to be here, we are here; UTOPIA says they will communicate better, how will that work?

Mr. Jensen answered that they do not have the luxury of waiting six months to a year to see whether they are meeting their metrics. There will be, and has been put together, a series of milestones and plans that have to be met. They have spent a large amount of time preparing for the refinance, have done a lot of work behind the scenes to prepare themselves for this day; a lot of things are in place. They haven't been turning a rowboat around in a pond, they have been turning a battleship around in the middle of the Pacific. They feel they have accomplished it. Every time they go to plate, they have to get a hit. It doesn't mean they have to hit a home run, or a triple, but they do have to have a reasonable set of metrics that will gauge their performance. One month in, two months in, etc. if they are not meeting those metrics, they will need to look at it very closely and make the necessary adjustments. It is no different than any other business would have to do. There are a variety of options as to how to do that. You can lower costs and increase the number of subscribers; you can do the opposite. There are a number of very bright people who have looked at this and, yes, they intend to communicate very regularly with elected officials, and that has been a finding or request

from all of the cities, and they are committed to do that, they feel that is very important. The accountability will be very strong. The contract that will be entered into with the Executive Director and other telecom professionals who will be brought in, will be performance based. Every relationship that they are in, they have cut their operational costs by 50%. They did not have to do that, but it reflects the fact that they have taken this very seriously. The same kind of persistence that they have shown in bringing costs into line, it's the same doggedness, persistence, aggressiveness, vision and belief, the courage of our convictions, that we are going to use in generating revenue. Every relationship that we have has to be productive; if it is not, we will jettison it. That is a commitment we have made, and their track record, for those who have been involved in it, have seen that they are true in it. In some of the consulting arrangements they have made, they have cut the rates by 80%. Since they got involved and began to apply the principles, they have made significant cuts and are committed to continue that long term.

Mr. Robertson followed up: if he understands correctly, in a year and a half, they would know where they were going. He asked if there was an exit strategy in place at that time, if they are not there, so that they do not just continue on investing and going deeper into debt.

Mr. Jensen replied that there is actually a two year runway. For the two years there is capitalized interest, meaning that approximately \$24 million from the debt proceeds will be set aside and will be used to pay principal and interest on the debt for the first two years. Essentially, there is a two year window in which to make this venture fiscally sound and self sustaining. He can't say that there is an exit strategy on that date, this is what they will do, but going back to Council member Dredge's question, that is something that they will be evaluating all along, depending on how well they are doing or vice-versa. There always have to be alternatives that are being considered and looked at.

Ms. Dunn said that they may a bit skeptical, they were given a plan, and were told that UTOPIA would do phase I, and if its ok, move on to phase II, and so on. Next thing that they knew, both she and Mr. Brass had asked on numerous occasions to be filled in on what was happening, and got nothing; over and over again. They were only told that it was moving forward and everything was good. They would almost want something in writing that says if they don't make these benchmarks along the way, we're done and we give back the money we borrow and don't build another thing. She stated that all of this makes her a bit gun-shy.

Mr. Brass also stated that he had those questions written down. What is in place to make sure this doesn't happen again? They had asked over and over again, where do we stand? They were told everything is great. He noted that he respects the fact that UTOPIA has said they made mistakes, and they have apologized for it; that is great, but he agrees that he would like to see something that shows them what steps will be taken to prevent this from continuing.

Mr. Jensen said that it was a fair question, and he feels that the Council's concern and criticism is very legitimate. He cannot stand and whitewash the issue, he can say that the easy thing would be to walk away from this; those involved have not received one penny of compensation for the work they have put into it. They have done it because they love their communities, just like the Council does, and they feel that this is important for the communities. There is no benefit to them, other than if you consider being beat up in public hearings a benefit. Their point is important, but he wanted to ask if the representations of when the Council asked for information and were not given it, His belief is that those are prior individuals, most of whom are no longer with UTOPIA, is that a correct statement? (Council agreed). Mr. Jensen asked is any of those who are now with UTOPIA, such as Alex Jensen, Paul Cutler, etc., had there ever been a time that they have come to the Council and told them to do something, have they ever lied to them? (Council stated no).

Mr. Jensen stated that they have to accept responsibility, and is hopeful that the way that they have personally interacted with the city, personally kept their commitments, been honest with them on

both the good and the bad, will provide some level of comfort going ahead. Of course there is a risk; he cannot stand before them and guarantee anything. History has been recreated a little in the past and things attributed to what UTOPIA originally said that are not true. Some of the things that are being said, he had not heard uttered, nor had he ever said, but that has become the reality in some people's minds. He understands that, but would ask that they look at their track record with the City, the way they have interacted with them, since they have been involved. With regard to Mr. Brass's comments: the final touches of all of those contracts are not yet in place, some of those are currently being negotiated, and he does not have any problems, as the Chair and believes that the Executive Committee would concur, that as they structure those contracts and relationships, they could make the provisions of those known to the Council. Some of those with service providers would have to be kept proprietary, you are dealing with competitor environments and people's lives, and non-disclosure agreements are signed with them; but to the extent that is possible, they have nothing to hide. Their goal is the same as the City's- to have this be a successful network that can generate the vision and provide the benefits we all intended. They need everybody's help in this endeavor; the City has expertise that will help in that process, as do other elected officials.

Ms. Dunn interjected: getting back to her original question, will there be benchmarks that they can look at and say: we have actually made them, or no, we have not made them and we are done.

Mr. Jensen said yes, and asked that Mr. Marriot, who will be taking a more prominent role in UTOPIA in the future, be allowed to speak to that.

Todd Marriot, Utopia Business Advisor, 17th Meadowvale Rd, Longmont Colorado

Mr. Marriot stated that he has a heavy background in telecommunications, and noted that they have looked at what UTOPIA had done, what they are doing; and took a hard look at many opportunities, including buying the network for pennies at the dollar. As they became more involved, and began understanding the processes, they were very impressed with the people involved in this process: from the executive board and the board of directors, there are extremely dedicated people who have taken the reigns and are guiding this battleship on the right course. As they started looking at this with an experienced eye in telecommunications, he became very excited. Given all the mistakes, and the things they have talked about, sometimes when you are leading edge, you get in bleeding edge territory. They have been pioneers and have done some very good things; have there been mistakes made? Yes.

As he looked at this, maybe he knows more of the sins than he should; but he looks at it from a private sector point of view. He looks at it like we would. Given a yes in this financial restructuring, there are many options. Right now, what has been done is strand an incredible investment in the ground, on poles and in peoples homes. Currently, if you said no to this, and they fold up the tent and go home today, there will be something that happens and it will not be favorable. There will be people who look at it as an opportunity for the private sector. You will not recoup your investment, and yet there is oil under the ground here. You have put oil wells into place here, but have not pumped for that oil. You have built a house but have not finished it.

Right now, in his professional opinion, there is a tremendous opportunity to recoup stranded investment, to be successful on an immediate basis and over time. From the benchmarks, absolutely; they are currently busy night and day. He has heard tonight, that UTOPIA's business model is flawed, that it doesn't work; and he thinks: "gee, I'm pretty sure they haven't read the books." The business model is proprietary, but you as the owners, you own this and they work for the citizenry, the ones the investment is for. So, as they look into going forward with this, they look for low hanging fruit opportunities as stranded investments, and if nothing more happens than if the City says yes to this vote, they can make what has already been done, very valuable. He believes that it will go much further than that;

Ultimately the Mayor and others who have fought to make this happen, will be seen in a much different, more favorable circumstances. But, if that day never occurs, from an exit strategy viewpoint, if you say yes to this, you ransom the stranded investment and create value where there is none today. They will create those benchmarks, and the City will be made aware of those on a regular basis, you will be a part of seeing those benchmarks, and you will be able to measure those results.

Ms. Griffiths stated that a concern she had initially was on the volatility of sales tax. When she thinks about this whole issue, being in a consortium, what is best for Murray is not always best for the other communities, and vice-versa. Our community is probably the only one that was negatively impacted by the redistribution of sales tax in 2006, requiring us to raise our property taxes. She is concerned about this.

Mr. Jensen commended her for worrying about that issue. Generally, if you look at the last 20-30 years, most cities in the state of Utah, particularly along the Wasatch Front, have seen a continual escalation on average of their sales tax pledges. He knows that Murray was subject to some legislation that was changed, certainly experienced a hiccup, but he thinks that if the City were to ask its financial people to give a 10 or 15 year trending, you would see that the trends have generally been fairly good in the state of Utah, and will continue to see that trending. Generally, people view this as an uncommon strategy, but he can say that this is very common. Many cities that build police stations, fire stations, buy or construct park grounds, the guaranteeing document or the collateral for that is many times sales tax, because it is such a strong revenue source in this state. The back-stop here is not an atypical approach in any way, shape, or form. It is a very common approach that financiers look to, because it is such a strong pledging revenue source.

Again, Mr. Jensen stated, he shares the City's concerns, he doesn't know how to alleviate those concerns, as they are doing their job in being concerned.

Ms. Griffiths remarked that the main provision in the agreement is in Article V, '*The Non-Impairment of Sales Tax Revenue Collections.*' The legislature has shown us that they can change.

Mr. Jensen agreed. The legislature can do just about whatever they want to. They have proven that.

Ms. Griffiths emphasized that is her concern. It states in the agreement that: '*the State pledges that it will not alter, impair, or limit the sales and use taxes from which the pledge sales and use tax revenues are derived and pledged here under in a manner that reduces the amounts that are to be rebated to the City until the bond is secured or fully met and discharged.*'

Mr. Brass began to ask Mr. Van Tassel to speak.

Ms. Dunn interrupted, saying that if they do that, they would need to open it to everyone.

Ms. Dunn stated that they would be happy to hear from him afterwards.

Mr. Van Tassel stated that he would like to clarify a point. There have been some gross misrepresentations that go to the question of credibility, which Mr. Jensen just raised.

Mr. Robertson indicated that public comments have been closed, and that if they opened it now it would start things over again.

Mr. Brass stated that the 2% per year growth in sales tax concerns him. He has checked into how Murray's sales tax is currently, and it is flat. Anyone who is in business understands that if your sales are flat, you are losing money because the cost of living continues to go up. He is concerned that if they do not keep up with the 2% growth every year, whether UTOPIA takes the money or

not, it is in reserve. That amount increases every year and that has an impact on what the City can do as well. We get up to \$2.6 million at the end, and there are a lot of other things that the City can do. He does not dispute the value of the network, he is on UTOPIA, on Xmission, he has a comment for them on their email-is not happy with it right now, but, he is also on Qwest DSL as a business, and moved his office to his home because he uploads files, and he would either get timed-out, or as someone else said, go read a book, watch a movie, or maybe drive to Boise. It was not good; on Comcast as well. UTOPIA is as fast as they say and it is a great network.

Mr. Brass continued: like Mr. Dredge said, it's not about technology, its not about the speed. He does not believe that the speed of light will be conquered in 33 years, but he believes that there will be better options, things that will be more attractive to people. He sees a trend in cutting the connection. People don't have land lines now, they all have cell phones for all of their communications. He feels that more and more stuff will be out of the internet, and we will have only one play out of three, and he is concerned if they can make it pay with just one. He asked the question four years ago, he is asking it now; how do we pay to hook up a home with a revenue that you make it off of one service? The numbers have never added up, and he has a concern over that. He has never gotten a good answer on this and this is one of the issues that he thought was covered in the marketing plan.

Mr. Jensen stated that these are fair questions. He believes that they have a marketing plan, and that they will roll out a series of service offerings which will address all of the concerns raised. There is no question that, like any business that is providing a cafeteria of services or a choice of services, one needs to be smart and strategic about which one you lead with; whether it is a loss leader for you to get the customers, you may make your money on this piece not that one, that is very common. We recognize that and UTOPIA clearly has some advantages and they also have some areas where their advantage is not quite as strong in the market. They need to be sensitive and wise on how they structure the price points and marketing strategies to give the private service providers who operate on this network the best opportunities to succeed. He is certainly willing to commit that as that becomes public and the final touches are placed on that, to make it available to the City and to receive input, advice and expertise to benefit that. At the end of the day, it will be the consumer who will make the choice to accept it or not.

Mr. Jensen emphasized that this is an evolving, fluid document that needs to be flexible and very, very nimble.

Ms. Griffiths noted that it had been stated, that UTOPIA relied too heavily on the service providers to market the product; nobody really knows what UTOPIA is, or who's on first, etc. A concern that she has is that if UTOPIA moves into the marketing of this, will we be moving from wholesale to retail mode?

Mr. Jensen answered that no, they would not be,. UTOPIA does not provide, nor intends to provide any retail services over this network. That is solely the bailiwick of the private service providers like Mr. Ashdown and others who will use their creativity and expertise and sales force to do that. They believe that explaining and educating the populous with regards to the benefits of the fiber cap, is well within the purview of UTOPIA, even in communities where the network has been rolled out, there is still a fair number of people who do not know about UTOPIA. That speaks to the fact that the marketing effort in the past has been not very successful, to say the least. They believe that it is important for the community to understand the benefits of fiber and UTOPIA will certainly let them know, through creative and exciting approaches, the services offered over the network, who the service providers are. UTOPIA will not get involved, nor ever have been involved, in saying "you choose this or that provider", that is up to the consumer. UTOPIA believes that its very important to convey what the fiber will do for the community.

Ms. Griffiths stated that she has no question about the technology, her questions is: should we be venture capitalists?

Mr. Marriot stated that one of the exciting things the City should look at, as far as the statistic of numbers is, the fact that in the UTOPIA areas alone, 58% do not know who you are.

Mr. Brass remarked that we are not here to vote on the marketing plan, but that is why we are here now. It was not marketed correctly.

Mr. Marriot agreed that it was a faulty model for sure, but with the new model, they will be taking a very active role. They are not providing any in-services, they will be on a wholesale basis, but with them providing information, awareness and providing help in marketing the presence of UTOPIA, they are helping the service providers grow. They help capture a market share by getting in front of the customers and capturing the stranded market.

Ms. Griffiths asked if all of the current service providers are current in their obligations to UTOPIA.

Mr. Jensen answered no, they are not. They are in the process, and have been, collecting it. One of the minority investors in one of the companies, has pulled back, causing them to be delayed in their payments, and in some cases, minority investors have actually stepped up and since the time he has been involved, has every single commitment to UTOPIA, has paid every single bill and has paid it on time. They believe this will be the track record going forward. He can also say, without naming the company involved, one of the service providers is in the process of being re-capitalized with new investors being brought in, and a new management and approach are forthcoming. The details of these are proprietary, not for him to divulge here, but they are confident that the service provider will end up being a strong presence on the network.

Mr. Jensen also noted that they recognize that they will need to bring additional service providers onto the network. They are not content with the ones they have, they appreciate them, but the fact is that for this network to reach its potential, they need to bring not just four, but 20-40 different service providers onto this network and are confident that the number of homes passed in this stranded investment are brought onto the service, and people have the opportunity to get 20,000 customers as opposed to 7,500 or 8,000 customers, that those people will be attracted. At any given time, they have approximately 20+ service providers that they have an interaction with all across the country.

Some of those are quite close to signing agreements, some of them are holding back, not willing to sign the documents, pending the outcome of the refinancing. They are aggressively committed to bringing additional, high quality service providers to this network because, at the end of the day, they succeed or fail with them; they are the face of UTOPIA, having the individual, last mile interaction and they have to do their business very, very well. They feel that even now they have some good service providers, recognizing that there have been hiccups, many of which have been worked out now.

Mr. Dredge asked about stranded investment, asking if UTOPIA would translate that into homes passed and the potential. They have said that we have put the fiber into the ground, but have not hooked people into it yet.

Mr. Jensen said that the fiber is in the ground in some form; in some cases they have conduit in the ground but no fiber, in some cases they have paid contractors to deploy the fiber in the conduits. As an example, there is almost a 43,000 homes passed number, compared to a 27,000 homes passed; the difference in those numbers is actually where fiber has been deployed, but people have chosen not to take it, such as in a large MDU or apartment complex. Lindon is a member, and they have very large apartment complexes that serve the student population; in that case, there may be

500 units. In effect, that is 500 homes passed but the owner of that unit may have decided that at this time he doesn't want to bring UTOPIA services into his complex. So, the 500 units are counted at 500 homes passed, but UTOPIA doesn't have the ability to service them. There is an 18-20,000 unit stranded investment right there. That is one piece, in addition to that, when UTOPIA decided to take the RUS money, this caused a re-arranging of priorities and Layton was one of the cities who suffered the most because of that. Initially Layton planned to be one of the phases that would be built in phase I, similar to Murray; when they first took the money from RUS, there were strings attached, that the money had to be spent in rural areas. Many of the cities, due to the attractiveness of the interest rates, said they were willing to step back and wait, allowing the system to be deployed in other areas. What that meant, the RUS money could only be spent in cities with a population of under 25,000, that is how the federal government defines rural, suddenly, cities such as Payson, Lindon, Centerville, Brigham City, Tremonton, and Perry jumped to the front of the list. The funding that was received from RUS was funneled into those communities to be built out.

In those cities right now, there are approximately 22-23,000 in those rural communities who have had fiber actually, to some extent, laid in front of their homes. Tremonton, for example, is virtually built out. There is \$100,000 worth of splicing that needs to be done, but there is fiber in front of every home or business. That is the money that RUS approved, and then said they would not follow through and fund. In addition to the 17-18,000 that would be stranded, because there has not been effective marketing, there is another 20-25,000 that will really be stranded in the true sense of the word, because there is no money going forward if there is no refinance, to actually make the connections and light that fiber.

It is important, when you look at those two combinations, there is a significant amount of investment that has been made and will be walked away from; that goes back to the value proposition. The other thing he wanted to say, and this is a fact backed by the statistics, is that the take rates in these rural areas have been very, very good. There are footprints in some of these rural areas that have a 40-50% take rates. He is not saying that this will be the case across the network, no, but in these rural areas the telecommunications choices are far less than in places such as Murray City. The people in those areas are very hungry for these services, there is low-hanging fruit, as Mr. Marriot discussed, that is waiting to be picked, and they just need to have the facts and resources to make those connections, those tie ins, and to light the fiber.

Mr. Dredge stated that it was discussed previously that there is a possibility of going back in and renegotiating some of that RUS debt. Has there been any progress in that, or has it been attempted? Will that reduce the loan principal? There is always trouble when attorneys get involved.
David Shaw, General Counsel for UTOPIA

Mr. Shaw deferred Mr. Dredge's questions, as they pertain to an ongoing dispute. He hopes that the City can appreciate the fact that they would hate to say something in a public meeting that may jeopardize a potential negotiation.

Mr. Dredge stated that the variable rate concerns him, and asked for a response.

Mr. Jensen stated that Ms. Lewis had left the meeting, but Mr. Bailey and Mr. Coverick could address this; in a previous meeting in Layton, this point was also raised, and spoke regarding the synthetic fixed rate; it is not as scary as it sounds. Secondly, there was a question raised on how the debt service reserve fund functions and the 2% escalation. Mr. Jensen deferred the answers to Mr. Coverick.

Tom Coverick, Keybank Capital Markets, Public Finance Bond Underwriting
227 W Monroe St, Chicago, IL

Mr. Coverick stated that the question that Mr. Brass had posed, regarding the sales tax and the uncertainty related to that revenue stream. There are a couple of distinctions that need to be made, and there are a few highlights in the plan of finance that should be addressed and should give the board a little bit of comfort: one is that the debt service reserve fund as it sits will be transferred over into the new transaction. The \$10,091 million that Ms. Lewis had referred to will be transferred over and that fund will be invested over the life of the bond issue. If and when, they are counting on it, if there is a deficiency, meaning the debt service payments on the outstanding bond can't be made, the debt service reserve would be hit. Until that time, those funds need to be invested; what they are planning as part of the plan of finance, is to invest that debt service reserve fund at a rate with the current market, which they expect to be between 3.75% - 4.25%; so that each year those earnings will be deposited into the debt service reserve fund.

Mr. Coverick continued by saying that the debt service reserve fund will grow over the life of the issue at a rate of 3.75% - 4.25%, while the commitment of the city will grow at a rate of 2%. To the extent that there is uncertainty in the revenue stream, there is an excess every year built in because the earnings rate is higher. That is not to say that every year the city's liability won't grow, if in fact the debt service reserve fund is called upon. There is a distinction there, but he wanted to be sure that the city understands that there is some insulation in the debt service reserve fund from year to year as it operates, to insulate any variances in the tax as it is received.

Mr. Dredge asked if they would explain the 'synthetic fixed' rate. Mr. Jensen stated that Mr. Bailey would explain that area.

Phil Bailey, Key Bank National Association, Finance Division. 20803 SE 208th Street, Maple Valley Washington

Mr. Bailey stated that there had been a lot of thoughtful and good comments made tonight. They go around and work with telecoms and other providers throughout the U.S., and that we here in Murray, have a state of the art opportunity here, and hopes we see that.

In regards to the variable rate, they would not want to be involved either, if they were taking a variable rate risk; it is not a position that UTOPIA should be in, and it is not their business to be taking interest rate risks when you can find financing in the low rates that they are today. If rates were in the 10% - 12% range, you might want to do 50-50, but what they do is issue variable rate bonds and as you understand, make those synthetically into fixed rate bonds, thereby creating a financing source that is cheaper than if they financed that in the fixed rate bond market.

This is a very complicated issue, and he is sure everyone would be asleep if they went through the whole thing.

Mr. Dredge asked if this is a paid premium. Mr. Bailey stated that it depends on where the yield curve is, but yes, if you were to do rates now, variable rate would be lower than a fixed rate. What they want to do is be sure that it is fixed, that there is no interest rate risk at all for UTOPIA, and that is absolutely a tentative of their financing commitment that they have. They will not do it if there is any interest rate risk, they would not be involved in this project if they did not feel it was a good project; they have \$185 million on the line and have every incentive to make sure that it works so that they don't have to ask the City to come on their pledges.

Ms. Dunn asked Qwest to clarify the comments made regarding the comments made that Qwest denies others access to their system; she understands that they have a proprietary system, what is the difference between a proprietary system and the comment that they do not allow access to their system.

Mr. Isom stated that he was not sure what the comment referred to, as currently, they have a number of providers using their network.

Mr. Dredge stated that he felt that the question was since the 1996 Telecommunications Act, they had to do that, but as they deploy fiber and other lines, and maybe pull their copper, they are not required to share the network anymore; he thought that was the ascertainment.

Mr. Isom stated that he was not certain on that, it was something he would check on. With the current network they have a number of providers providing services. He would be happy to do some research and follow up on this, but without some certainty, he would not like to misrepresent that.

Ms. Dunn asked that if he could get some information regarding this, they would appreciate it.

Ms. Griffiths stated that she had an additional concern; She noted that at her age, she would never get into a 30 year mortgage, but she has the same concern as before regarding binding future councils, as she did in the initial proposal, of binding future generations.

Mr. Brass stated that he has questions on the marketing plan, some comments that had been made, but as they concern the marketing plan, he is sure that he will not get all those answers today. It sounds like there were some changes made from the time that they were given an idea of what it would be. That coupled with all of the comments that they have had, he would be inclined to postpone their decision for at least a week.

Mr. Robertson agreed with Mr. Brass, saying that he would need some time to review and process all of the information and comments, to hopefully make an intelligent decision.

Ms. Griffiths concurred, and stated that she would like some of those things in writing so that she does not have to rely on her memory and notes.

Mr. Brass made a motion to postpone the decision until Monday, May 5, 2008 at 6:30 p.m..
Mr. Robertson 2nd the motion.

A question was raised as to whether they are voting to close the public hearings and defer the decision, or to keep the public hearing open and extend it?

The Council explained that the public hearing portion had already been closed.

Ms. Dunn stated that there still may be discussions in order to find answers to their questions.

Ms. Griffiths commented that she appreciates the input she has received from her constituency, and she encourages further contact from them as to their position, because she has always tried to represent the interest of her constituency.

Call vote recorded by Ms. Heales:

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge
<u> A </u>	Mr. Robertson
<u> A </u>	Mr. Brass
<u> A </u>	Ms. Griffiths

Motion passed 5-0

Ms. Dunn added that just because there would be no further public comment, she would hope that those attending here tonight would come back to the meeting next week. They have a lot of things to consider, and a lot of questions needing to be answered.

Mr. Brass added that the Mayor had mentioned it, but he would like to say it also: for a room full of people spilling out into the hall, he feels that everyone has handled it very well. He thanked them all for their patience.

E Unfinished Business

None Scheduled

F. New Business

None Scheduled

Mayor Report

Mayor Snarr remarked that he is excited over the repaving and remarking of 5300 South and State Street, and expressed his thanks to UDOT for their efficiency on all the projects they have partnered with.

Questions of the Mayor

None

Adjournment

