

From: "Jeff Dredge" <jdredge@mdcpa.com>
To: <Jim.Brass@murray.utah.gov>, <Krista.Dunn@slcgov.com>, <Darren.Stam@murray.utah.gov>, <Jared.Shaver@murray.utah.gov>, <Mike_Wagstaff@murray.MURRAY@murray.utah.gov>, <Jan_Wells@murray.murray@murray.utah.gov>
Date: 10/26/2010 11:17 AM
Subject: UIA

CM's

During my term on the Council I can't remember when I have made conscience effort to really lobby my position on any vote. Right or wrong I have simply studied the issue, listened to presenters, staff, the public, and of course the input and feelings of others on the Council. This I think is not too dissimilar to how the others I have served with over the years have also comported themselves. We just don't have a culture here of twisting arms behind the scenes or really even asking each other how we are going to vote on an issue. I appreciate this as I believe that it shows a respect for the process and shows that we really don't make up our minds until we have heard from all of those individuals \ groups listed above. I can't tell you how many times I have changed my initial views on an issues based on wise words from a fellow Council Member (yes even you Jim ☺).

With the UIA vote looming this evening I guess I am somewhat departing from my historical actions. Not that I am really trying to force or cajole any of you to change your position. I simply wish to let you know in advance where I stand, and if you have compelling argument against my position then I would love to hear from you. Please don't think for a second that I am some UTOPIA zealot that believes that no matter what we press forward. I am keenly aware of the concept of a sunk cost and am not afraid of saying NO MORE. However at this time I am of the opinion that we should give UTOPIA one for chance. My reasoning is as follows:

1. I don't believe that since Todd has assumed the reigns of UTOPIA that he has really ever had a chance to move forward. He had to clean up messes from the past, extract us from "partners" who were providing poor service at exorbitant rates, and then build the correct infrastructure to support the network we are selling. He has taken a sub-par product and built a world class NOC (Network Operations Center) that is operating much cheaper and more effectively than that which we were getting from Dynamic City staffed by some of the best technicians in the industry. Unfortunately this took much longer to do right than any of us expected. However, at this point I believe we internally have a well-oiled machine with several quality service providers.
2. Current staff has worked to build a much more diverse base of service providers. I believe we are still weak in terms of having a big named brand triple play service provider, but the white box video product developed by UTOPIA staff is a great product which can be sold by current voice and data service providers is a decent option until we are able to sign a bigger player in the market. The more homes we pass the greater the opportunity to attract a big name triple play provider. They will simply not invest in UTOPIA until they have access to a larger market.
3. The combination of the financial world falling apart and poor lending requirements imposed by our banking partners conspired to burn capital from the previous bond at an unconscionable rate. I do not believe this can be laid at the feet of the current management. Some of the most respected financial advisors and bond counsel (individuals that we as a city

use all the time) in the industry helped to put this financing package together. No one foresaw the extent of the damage the combination of the unexpected changes in market forces and the financing package we signed up for would wreak. My point is that current management, due to unforeseen market forces, has been constantly hamstrung by the fact that they are underfunded. They have not been able to market because they have had no funds to actually deliver the product if sold. A large investment in capital infrastructure with too few customers is not exactly conducive to profitable operations.

4. For the first time we actually have a well thought through plan. I know that we would all love to have some assurance that the plan will actually work, but no amount of questioning on our part will prove that. The plan, like all plans has inconsistencies, holes, and unknowns. However, I believe that the current team has proved that the concept can work. An opportunity to provide some capital and give them a real opportunity to proceed with a well thought out plan is really the only way I see that we can prove the model. I am sure that there will be modifications to the plan based on actual experience. I simply believe that they ought to be given a "well-funded" chance to take advantage of the core infrastructure we have already invested in and really build this network. Going back to #1 above, we really do have a quality backbone upon which to build from. We have never really had this before. There has been some question as to whether the proposed plan will work and that maybe by saying no that a better one would arise. I don't believe, unless we want our current investment to wither on the vine, that this is a viable option. I would simply say that we hired Todd to come up with a plan because we believed in his experience \ success in the industry. Todd has since then surrounded himself with quality individuals who also have significant experience in the industry. So, who of us has the experience necessary to say, based on where we are right now, that there is a better plan? If there is a better plan why hasn't anyone brought it forward? And if we really don't believe this will work then we don't really have faith in Todd or his team and should probably make a change there before we do anything else. I believe the options before us is the best and most timely opportunity to turn this around. If other don't then we should quickly move to make a change in management. If we believe in who we hired, then we need to give him the tools necessary to succeed. If we don't then we either need to roll up the carpet and quit now, or hire someone that we believe in. I believe that the net effect of waiting will simply mean that we continue to burn cash and delay the possibility of actually stemming the current bleeding.

5. There are still unresolved issues regarding how this will actually work. For example finance does not want to be responsible for billing for the "tap" charges, etc. I also know there are some unresolved issues about the contracts. Two points. First, I would love to have to deal with the fact that we were billing so many people that we actually had a problem handling the volume. I am not saying that we should ignore the issue, but in the grand scheme of things this is a small problem that we will deal with if the plan works. Second, regarding contract issues. I am confident that Frank is doing a great job looking out for Murray and I appreciate that. However, we must also remember that WE ARE UTOPIA. This means in addition to looking out for ourselves we need to look out for the good of the whole. It also means that because we are UTOPIA if contracts aren't working (other than the financing) we have the power to push for change. We will never get the perfect contract for Murray. There are too many other entities involved. However, I believe we have a good starting point that can be improved upon through active participation as part of the decision making team.

6. If we vote no at this time we are dead in the water as to current development in Murray unless we are willing to invest in our own infrastructure. That has some appealing aspects, but

bottom line we do not have the expertise currently to do this. To fund the growth on our own and to hire the expertise necessarily to do this correctly would be cost prohibitive.

7. We cannot afford to further damage our relationships with the other UTOPIA \ UIA member Cities. There is already a feeling that Murray got build on the backs of other Cities and now we are being selfish and only looking out for ourselves. Looking at this from their perspective they do have a point. There is a pervasive belief that we got into this together and that we need to stick together to solve the problems. A no vote would cast Murray, a historically respected City, in a very bad light and I believe would come back to bite us in future dealings with these Cities and others. Bottom line, is taking a risk on our share of an additional \$25M in debt, with a possibility of success, worth alienating other Cities that we have to work with now and in the future? I believe the cost to the Murray in alienating these Cities could be in excess of the potential loss of our share of the additional debt. Currently 7 of the 9 UIA members have voted (Orem is to vote tonight but it has be purported that they have enough votes to pass the measure) to bond. This leaves Murray and Payson as the last Cities to vote.

8. We all have had concerns regarding information flow from UTOPIA to date. We also haven't had a real seat at the table for some time. I don't suppose the flow of information from UTOPIA \ UIA will all of a sudden magically improve. I believe we are taking steps in the right direction to change this. Making sure that there is always a representative from the Council at each UIA Executive Board Meeting and working with the Administration to provide double coverage at those meetings as well as a seat on the UTOPIA Executive Board are a good start towards better information flow and increased input. I believe in addition to these actions we should have a report in the Committee of the Whole meeting at least quarterly from a representative from UTOPIA \ UIA to answer our questions and report on progress.

9. I believe if we are going to proceed with UTOPIA \ UIA we need as a City to have a shift in paradigm from this being a possible money maker (at least in the near future) to the idea that this is core infrastructure that is as important as public transportation. I believe that we all understand that our economy is becoming more and more reliant on the flow of information over the internet. The bandwidth necessary to meet that need is not growing as fast as demand. The private sector is not stepping up to the plate fast enough to solve this problem. The ability to provide this resource in our community will, I believe, provide another reason for the people and business necessary to keep our community vibrant coming here. We, as a matter of public policy, subsidize roads and public transportation because we believe these are keys to a successful community and economy. We just may need to continue to subsidize our investment in the electronic version of this same concept until that infrastructure is more stable.

10. If we choose to proceed with this financing we can no longer sit back and hope UTOPIA \ UIA will be successful. We need to go to our employees and our citizens and engage them in the process of making this successful. They need to better understand what we are trying to do and enlist their help to meet our goals more quickly.

The bottom line to me is that we are UTOPIA. We have a large investment in this entity that will be of little to no value if we cannot find a way to make this work. I for one am not ready to walk away from it. If we want any more than we currently have we don't have any viable alternatives other than what is before us. A no vote at best means we continue to slowly bleed paying debt service and operating costs with a limited possibility of ever growing beyond what we have. A yes Vote gives us at least one more shot. If the \$25M infusion does not provide significant movement towards success it will not be just Murray pulling the plug on this. I for one want one more shot at success.

If this comes across to strong I apologize. This was not my intent. I simply felt it important to express my views regarding this important decision. I am sure each of you has a different perspective of the matter, and I value that perspective. No matter the decision, I hope that we all stand together behind that decision. We can ill afford any of us casting stones or backbiting. Once a decision is made I would ask that we all stand strong and firm together as we have always done.

Thanks for taking the time to consider my ramblings. Please excuse my poor writing skills. I believe you are all smart enough to understand that which I perhaps so inelegantly presented.

Thanks,

Jeff Dredge, CPA
Morris & Dredge
678 E. Vine St., Suite 11
Murray, UT 84107
801-288-4135 (Work)
801-288-4146 (Fax)
801-971-8382 (Cell)
jdredge@mdcpa.com