

1 Minutes of the Centerville City Council special meeting held Tuesday, June 24, 2014 at 7:00  
2 p.m. in the Centerville City Hall Council Chambers, 250 North Main Street, Centerville, Utah.

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4 **MEMBERS PRESENT**

5  
6 Mayor Paul A. Cutler

7  
8 Council Members Ken S. Averett  
9 Tamilyn Fillmore  
10 John T. Higginson  
11 Stephanie Ivie  
12 Lawrence Wright

13  
14 **STAFF PRESENT**

15 Steve Thacker, City Manager  
16 Blaine Lutz, Finance Director/Assistant City Manager  
17 Lisa Romney, City Attorney  
18 Jacob Smith, Management Assistant  
19 David Miller, Justice Court Judge (left at 7:10 p.m.)  
20 Lisa Summers, Youth Council Advisor (left at 7:10 p.m.)  
21 Katie Rust, Recording Secretary

22 **VISITORS**

Interested citizens (see attached sign-in sheet)

23  
24 **PLEDGE OF ALLEGIANCE**

25  
26 **PRAYER OR THOUGHT**

Councilman Ken Averett

27  
28 **YOUTH CITY COUNCIL**

29  
30 Lisa Summers, Youth Council Advisor, introduced the Youth Mayor and new Youth  
31 Council members, who were then sworn in by Justice Court Judge David Miller:

32  
33 Jessica Greer, Youth Mayor Sarah Cutler  
34 Abigail Wadley Lyndsey Kunzler  
35 Nathaniel McDonald Spencer Vorgrenic  
36 Annelise Horlacher Braden Brown  
37 Thomas Newman Hannah Klein  
38 Peter Jepps Abbie Hodgson  
39 Ayden Richards

40  
41 Continuing Youth Council members:

42  
43 Brenna Wilkinson Jens Fillmore  
44 Brittany McDonald Jeremiah Moore  
45 Eli Bangerter Joe Moore  
46 Emma Kimball Jordan Hawkes  
47 Jake Garn Rachel Creer  
48 Jenna Lewis Valerie Beer

1           **OPEN SESSION**

2  
3           Mayor Cutler explained that an open session was not included on the agenda for the  
4 special meeting, but he would like to hold an open session to make sure all citizens who want to  
5 comment have the opportunity.

6  
7           Dan Lowen – Mr. Lowen asked if any competitive bids against UTOPIA were originally  
8 considered. He asked if he would have to pay the proposed utility fee or tax if he would prefer  
9 to stay with CenturyLink. He stated he feels imposing a telecommunications utility fee would  
10 take away his freedom of choice. He does not use a television and has no computer. He added  
11 that the Council members are representatives of all citizens, not chosen to dictate what citizens  
12 need. Mr. Lowen asked if the elected officials revealed they would give a tax increase when  
13 campaigning, and stated that many families cannot afford it.

14  
15           Ann Fadel – Ms. Fadel, a member of the Citizen Advisory Committee, stated she is  
16 opposed to Macquarie and going forward to Milestone Two.

17  
18           Richard Allred – Mr. Allred is currently a UTOPIA customer. He asked what happens to  
19 the infrastructure investments if Centerville opts out, and what happens to the existing debt.

20  
21           Matthew Callison – Mr. Callison stated he is looking to the Council for leadership going  
22 into the future. There are a lot of questions he would like answers to, and it seems like the only  
23 way to get those answers is to move forward. Mr. Callison said he knows his tax dollars help  
24 pay for the schools. He is not married and does not have children, but stated he feels it is his  
25 job as a citizen to help the community at large. He agreed with a previous comment that the  
26 Council members represent everyone in the city. Just as citizens without children help pay for  
27 schools, citizens without internet would help pay for fiber, on which any company can provide  
28 service. Rather than removing choice, it would be providing choice. CenturyLink and Comcast  
29 are monopolies with their own dedicated lines. Mr. Callison stated he trusts the elected officials  
30 to use their best judgment and get the information needed to make a decision.

31  
32           Steve Gurch – Mr. Gurch stated he feels the issue comes down to the fundamental  
33 principle of whether money should be taken from one group of people and given to another. He  
34 said he does not want UTOPIA and should not have to pay for UTOPIA. He asked the Council  
35 not to put him in bondage for a service he does not want.

36  
37           Dave Peterson – Mr. Peterson stated it is his belief and the belief of his entire  
38 neighborhood that a forced choice is not a choice, and now is not the time to move forward with  
39 the decision. He said there are too many unanswered questions, and suggested the Council  
40 vote no until all the questions have been answered.

41  
42           Kyle Green – Mr. Green thanked the Council members who responded to the email he  
43 sent. He recently purchased a home in Centerville connected to UTOPIA, but said he will be  
44 disconnecting UTOPIA from the home based on the belief that a decision was made to force  
45 every homeowner into paying for an infrastructure that was already provided via other avenues.  
46 Mr. Green said he believes choosing to incur another \$30,000 to get more research is a bad  
47 idea, and asked why Macquarie is not paying for the research themselves. He said he already  
48 pays every month in taxes to the UTOPIA infrastructure he was told during the elections was  
49 going great.

1        Ken Gardner – Mr. Gardner said he is a prospective Centerville resident trying to find out  
2 which cities are moving forward. He stated he thinks Centerville is a great community. UTOPIA  
3 has a lot to do with his decision of where to move. He wants to find the most efficient, most  
4 modern city. He complimented the Council members on how they represent the community.  
5

6        Blane Roskelley – Mr. Roskelley thanked the Mayor and City Council for the extended  
7 time put into community issues. He said if he could afford UTOPIA he would have it. However,  
8 when a government partners with private enterprise in this manner it affects everyone for years  
9 to come. He commented there are community members who worry about having enough  
10 money from month to month. He stated he believes the proposal is a tax, not a fee. The  
11 Council has an obligation to take care of the City's money for the greater good of the  
12 community.  
13

14        Paul Mortensen – Mr. Mortensen stated the opinion that at the end of Milestone Two,  
15 after spending another \$30,000, the Council will not know any more about the situation than it  
16 does now. He said as a citizen he does not want to spend more per month in the future than he  
17 already is. He stated he feels the recommendation of the Advisory Committee was a political  
18 cover, and the Council should kill it once and for all.  
19

20        Daniel Ditto – Mr. Ditto is a member of the Citizen Advisory Committee. He said he  
21 spent many, many hours studying the issue. He stated that to accuse the Committee of giving  
22 the Council political cover is an incredible affront. The Committee members spent many hours  
23 serving the community and determining the facts of the issue to present to the City. Mr. Ditto  
24 asked that citizens not accuse the Committee members of being political pawns.  
25

26        Robert Eckel – Mr. Eckel said the deciding factor for him in moving to Centerville was  
27 UTOPIA. He is happy to pay for his service, but stated he is uncomfortable with a fee that  
28 everyone would have to pay. Mr. Eckel said he would vote against the utility fee proposal, but  
29 added that the Council should consider moving forward to Milestone Two if they think the  
30 proposal could be improved.  
31

32        Kes Armstrong – Mr. Armstrong encouraged the Council to move forward to Milestone  
33 Two. He said he feels the technology of the future will not be on copper or wireless. Mr.  
34 Armstrong works for HP, which recently announced a product that would require a light  
35 connection. He acknowledged that Macquarie is looking for a return and would be entitled to it,  
36 and said he likes that they would take care of and expand the network rather than what we have  
37 now, which is something of no value. Mr. Armstrong expressed appreciation for the Advisory  
38 Committee and their time spent.  
39

40        Rob Oakes – Mr. Oakes expressed gratitude for the time the Council has taken, and  
41 said he finds it incredibly offensive that community members would feel the need to offend. He  
42 stated the correct action is not clear. Mr. Oakes said we don't know what we need to know, and  
43 we need to move forward to Milestone Two to protect the investment Centerville has made and  
44 is saddled with for the next 25 years. At the end of Milestone Two if the network is fragmented,  
45 Centerville would have something that is not worth very much. He spoke in favor of partnering  
46 with the other cities, and said that meeting the obligations Centerville has made is enough  
47 reason to move forward. Mr. Oakes continued that at public meetings it is easy to get a skewed  
48 perspective of public opinion. It is easy for those who are angry to show up and comment, but  
49 those who are happy with their service do not feel incentive to attend. He said he believes there  
50 are more voices in favor than have been heard at the meeting.

1        David Pasket – Mr. Pasket stated he is happy with his choice to become a UTOPIA  
2 customer, but he is uncomfortable with the idea of forcing a fee on others and not giving them  
3 the choice.

4  
5        Vaughn Armstrong – Mr. Armstrong said he is a happy UTOPIA customer. He does not  
6 think change is a good idea if it will cost more for everyone.

7  
8        Russ Wilding – Mr. Wilding agreed with the comment that it should be a personal choice.  
9 High speed internet is already available if citizens want to pay for it. If the City goes down this  
10 path it takes away the choice. He said he does not feel the proposed basic service for the utility  
11 fee would be worthwhile to members of the community.

12  
13        Travis Mueller – Mr. Mueller spoke in support of moving forward. He said he can see a  
14 lot of value in it for the City as a whole, and it is important to look at it from a bird's-eye view. He  
15 is currently a UTOPIA customer, and he believes UTOPIA brings competition to the market. He  
16 encouraged the Council to at least move forward to investigate more.

17  
18        Daniel Chambers – Mr. Chambers said he is a happy UTOPIA customer. The  
19 availability of UTOPIA was part of the reason he chose to move to Centerville. He said he feels  
20 it will be necessary for the internet in the future. Mr. Chambers recognized that others may feel  
21 differently, but said it is his opinion the City should move forward to find out the options. He  
22 expressed a hope that the basic service could be better than proposed. He runs a small  
23 business in Centerville and feels the connection is important for businesses.

24  
25        Garth Heer – Mr. Heer said the Council is not voting on whether or not to use UTOPIA,  
26 they are voting on whether or not to fund another study to find out more from Macquarie. The  
27 Macquarie proposal includes a utility fee whether it is used by citizens or not, which flies in the  
28 face of citizens' liberties and freedoms to choose. He suggested the City would be better off  
29 taking the \$30,000 and developing a proper RFP (request for proposals) to properly compare  
30 and make a decision. Mr. Heer recommended the Council not vote in favor of Milestone Two,  
31 and stated the City should never have become involved in private enterprise in the first place.

32  
33        Holly Ince – Ms. Ince stated this is not the role government should be taking, competing  
34 against other enterprises. She said she feels the City should not be taxing people for something  
35 they don't want. Ms. Ince stated she does not want UTOPIA, and would rather pay Comcast  
36 more and not have the government involved.

37  
38        Steve Allen – Mr. Allen emphasized that everyone in the City subsidizes the UTOPIA  
39 service for those who are connected.

40  
41        Mayor Cutler thanked the citizens for their comments, including those who shared  
42 comments in writing or at previous meetings. He especially thanked those who made an effort  
43 to become educated and understand the very complex issue.

44  
45        **MINUTES REVIEW AND ACCEPTANCE**

46  
47        The minutes of the June 3, 2014 work session and regular Council meeting, and the  
48 June 17, 2014 work session and regular Council meeting were reviewed. Councilwoman  
49 Fillmore requested a correction to the June 3 Council meeting minutes. Councilwoman Ivie  
50 requested an addition to the June 17 Council meeting minutes. Councilman Higginson made a  
51 **motion** to approve both sets of work session minutes, and both sets of Council meeting minutes  
52 as amended. Councilman Wright seconded the motion. Councilwoman Fillmore made a

1 **motion** to amend the motion to add language to the June 17 Council meeting minutes.  
2 Councilman Wright seconded the motion to amend. The amended motion passed unanimously  
3 (5-0).  
4

#### 5 **ADOPT CERTIFIED TAX RATE**

6

7 Mayor Cutler explained that State law does not allow cities to collect more property tax  
8 revenue than was collected the previous year, except for new growth. The rate must be  
9 adjusted each year, and the City relies on the State to set the official tax rate. Blaine Lutz,  
10 Finance Director, explained that the amount in the FY 2015 Budget needs to be adjusted down  
11 to match the actual Certified Rate, which is lower than expected. Mr. Lutz has asked the  
12 County to re-verify the amounts, but said he does not expect the numbers to be changed this  
13 year. He emphasized that it takes time for new growth to be reflected in the records. Staff does  
14 not recommend going through the Truth in Taxation process to increase the rate. Mayor Cutler  
15 reminded those present that the Centerville property tax rate has not been increased in 20 years  
16 and is less than half the property tax rate in Farmington.  
17

18 Councilman Wright made a **motion** to adopt Resolution No. 2014-15 regarding the  
19 Certified Tax Rate, with the addition of the word "property" to clearly reflect that it is the 2014  
20 Property Tax Rate. Councilman Higginson seconded the motion. Mr. Lutz stated he will  
21 continue to talk to the County about re-verifying the numbers. The motion passed by  
22 unanimous vote (5-0). Mayor Cutler stated that property tax revenue is a diminishing portion of  
23 the City's General Fund.  
24

#### 25 **AMEND CENTERVILLE CITY FEE SCHEDULE**

26

27 The City's contract with Ace Disposal entitles Ace to increase their charge in accordance  
28 with the Western States CPI, which increased 1.5% over the past year. Mr. Thacker reported  
29 that the City's cost for disposal of waste at the burn plant/landfill does not increase. Therefore,  
30 the actual increases in the fees paid by the customers will be 0.87% for solid waste, 1.35% for  
31 recycling, and 1.03% for green waste.  
32

33 Councilwoman Fillmore made a **motion** to approve Resolution No. 2014-19 increasing  
34 the monthly rates for solid waste, recycling and green waste in accordance with the contract  
35 with ACE Disposal. Councilman Higginson seconded the motion. Councilman Wright stated he  
36 feels it is important to look at potential competitors when it comes time for contract renewal to  
37 get the lowest price for the service. Mr. Thacker responded that the City is not at the end of its  
38 multi-year contract with ACE Disposal. Councilwoman Ivie repeated a request made at a  
39 previous meeting that a representative of ACE Disposal visit and give a presentation. A majority  
40 of the Council indicated a desire to hear from a representative of ACE Disposal, and Mr. Lutz  
41 agreed to contact ACE. The motion passed by unanimous vote (5-0).  
42

#### 43 **UTOPIA/MACQUARIE PROPOSAL**

44

45 Mayor Cutler explained that a tremendous amount of time has been spent considering  
46 the UTOPIA/Macquarie issue. At the Council meeting on June 17, 2014 the Citizen Advisory  
47 Committee made a presentation. The Committee did not endorse the Macquarie proposal, but  
48 recommended moving to Milestone Two to obtain more information. The Mayor emphasized  
49 that this is a complex and volatile issue in the community. He stated he does not like the idea of  
50 a utility fee any more than anyone else, but said in his opinion the Macquarie proposal would go  
51 a long way to solving the financial problems of UTOPIA. The City is currently paying essentially  
52 the equivalent of \$10-\$12 per month per household as part of the City's responsibility as a 4%

owner of UTOPIA. UTOPIA is owned wholly by the cities. The Mayor reminded the Council that the costs to abandon the project are significant because of its structure. Members of the UTOPIA Board have tried to solicit other options for years. Mayor Cutler said he has personally met with venture capitalists and ISPs involved with UTOPIA asking for creative solutions, and he contacted Google asking if they would be interested in purchasing the network. He has not yet received a response from Google. The Centerville Board members, Mayor Cutler and Blaine Lutz, along with representatives from other smaller cities, suggested a formal Request For Proposals (RFP), but the UTOPIA Board felt the current proposal process with Macquarie should be completed before requesting further proposals. The Board did vote to consider proposals already in the works, including a concept proposal from First Digital, the details of which are not yet public. Mayor Cutler expressed a hope that the First Digital details will be made public before the end of July. The Mayor stated he would prefer a non-utility fee option, but he feels there is a lot of value in moving to Milestone Two and having a seat at the negotiating table to work out the best options for Centerville.

Councilman Averett asked why the Board agreed to a fee per Milestone. Mayor Cutler clarified that those fees only come into play if Macquarie and UTOPIA do not agree to any kind of contract. He continued it is his understanding that it is relatively common in public private partnership negotiations to share the costs with escalated fees as negotiations continue. Councilman Wright asked Mr. Lutz to clarify the fee amount, which he understands is \$16,000 for Milestone One and approximately \$30,000 for Milestone Two, but could be \$20,000 more depending on how many cities participate in Milestone Two. Mr. Lutz agreed it is somewhat unknown at this time how the costs will break down, but the fees would not be assessed unless Macquarie leaves the negotiation process with no deal with UTOPIA. Councilwoman Fillmore stated she understands it is standard procedure to have a financial obligation exit strategy in these types of negotiations. The Council discussed the potential fees associated with different participation scenarios. Councilwoman Fillmore said she feels there has been a lack of push-back on the terms, and suggested if the Council votes to move forward to Milestone Two they set a maximum amount the City would pay in exit fees. She added that the costs of moving forward are probably less than 1% of the amount associated with the life of the financial commitment.

Councilman Averett asked if the Milestone fees are intended to wholly compensate Macquarie for their costs, or if they are just a portion of their expenses. Mayor Cutler stated it is his understanding the Milestone One fee only covers outside costs, the Milestone Two fee would allow Macquarie to recover external costs as well as some internal costs. The Mayor said he believes Macquarie has spent several hundred thousand that they will not recover.

Councilman Averett said he has heard from several citizens that the proposed basic service is inadequate. He asked if the basic service can be improved during negotiations so that the average citizen does not have to buy up. Mayor Cutler stated he cannot speak for Macquarie, but Macquarie representatives have stated that the amount of service is absolutely negotiable. The key will be to find a balance between providing value for a basic fee and still entice citizens to upgrade. Councilwoman Fillmore asked about West Valley's proposal to add phone to their basic service. Mr. Lutz explained that West Valley proposes to provide the necessary boxes for the phone service to any citizens who want them, with the cost for the boxes coming out of West Valley's General Fund. Centerville has not investigated that option.

Councilwoman Ivie stated she has heard Mayor Cutler say on several occasions that the original UTOPIA decision was a mistake. She asked the Mayor what portion was a mistake. Mayor Cutler responded that Centerville joined UTOPIA before he was elected to the City Council. At the time the decision was made there were significant areas in the City that did not

1 have access to DSL or Comcast. There were areas of the business park that were completely  
2 underserved, with many residents clamoring for better service. The Mayor said his statement  
3 that he regrets the decision referred not to the decision to build a fiber network, but referred to  
4 the fact that not enough provisions were made in the financial decisions in case something went  
5 wrong. He regrets not speaking up louder regarding his concerns that there were problems that  
6 needed to be resolved early on. He also explained some of the factors that were outside the  
7 control of the UTOPIA Board. The Mayor said he feels the network provides value to  
8 businesses and citizens. Mayor Cutler stated it does not look like it was financially worth it right  
9 now, but it may look different in the future. The decision was made, and now the cities need to  
10 decide what to do moving forward.

11  
12 Councilwoman Fillmore said there seems to be some confusion regarding the question  
13 of whether UTOPIA should have been created in the first place, and the fact that it exists and is  
14 hurting the City financially. The Council has the difficult task of deciding how to move forward  
15 with this complex issue. She stated that Centerville is inextricably tied to the other cities, and  
16 has to have real options to move forward with. Councilwoman Fillmore suggested it would be  
17 worthwhile for the Committee to present again the financial section of their presentation to  
18 remind the Council of the options and possible consequences. She also suggested the Council  
19 make a list of findings or reasons for either moving forward or not moving forward, similar to  
20 what is done in the Planning Commission. There was not a majority of the Council desiring to  
21 hear the Advisory Committee's financial presentation again prior to making the decision.

22  
23 Councilman Wright stated he appreciates what the Committee has done and what the  
24 community has done in trying to make sense of the decision. He said he feels there has been a  
25 disconnect between the instructions and the intent. Councilman Wright quoted from the minutes  
26 of the June 3<sup>rd</sup> Council meeting: "Mayor Cutler emphasized that the vote the Council will take in  
27 June is whether to continue to investigate the Macquarie proposal, which has a cost associated  
28 with it, or reject the proposal outright." Councilman Wright disagreed with the idea that the  
29 decision to be made is related to discovery. He then quoted from an email sent by Macquarie  
30 Senior Vice President Duncan Rammage: "To be clear, a vote to proceed to Milestone Two is a  
31 vote to proceed with the utility fee model. We will not be proposing a different model. Our  
32 involvement requires a utility fee. By the end of the week, we will know how many cities are  
33 ready to proceed with the model." Councilman Wright stated he feels the decision is whether or  
34 not the Council intends to go forward with the utility fee model. Mayor Cutler added that the  
35 email from Mr. Rammage states that after the details regarding the cities that opt in are worked  
36 out, Macquarie will look for ways to address the cities that opt out. Councilman Wright stated he  
37 hopes the intent of this Council is not to go forward with the utility fee model. He said he is sure  
38 there will be other options available.

39  
40 Councilman Higginson stated he has personally, unscientifically computed that 10% of  
41 the citizens who have commented have expressed they would say yes to Macquarie, 25% have  
42 indicated they would say yes to Milestone Two, 28% have indicated they would say no to  
43 Macquarie, and 37% have indicated they would say no to a utility fee. He continued he would  
44 guess that across those categories 90% would be against a utility fee model. Councilman  
45 Higginson said he does not think he can support a utility fee, but he does support looking further  
46 at Macquarie because he feels there will be other proposals made. He stated the goal of the  
47 Council is to ensure that UTOPIA does not go dark for the citizens that want it. He expressed  
48 appreciation for the Committee's time and agreed that the City needs to explore more, but said  
49 he thinks time will provide more answers.

1 Councilwoman Fillmore read from the email written by Mr. Rammage of Macquarie: "We  
2 are happy to try to find a solution for opt out cities, but that will be secondary to moving forward  
3 with the opt in cities. Opt out cities should not be voting to progress to Milestone Two and will  
4 not continue to participate in the formulation of the deal in the same way. We need to know  
5 what we are working with and we need everyone heading in the same direction as we proceed."  
6 Councilwoman Fillmore stated she is a realist and a fiscal conservative, and if the City is going  
7 to decide to opt out she wants answers as to where that leaves the City. She repeated that  
8 Centerville is inextricably tied to the other cities, and if the other cities move forward and  
9 Centerville does not she is concerned it will cost very real dollars. She asked Councilman  
10 Higginson what he thinks the consequences of opting out would be.

11  
12 Councilman Higginson responded he thinks the consequences could be good for  
13 Centerville in a way. Macquarie knows that to build out Centerville would be a fraction of the  
14 cost to build out some of the other cities. He said he does not believe Macquarie will walk away  
15 from the relatively inexpensive build out and revenue. He suggested Centerville could reach out  
16 to Lindon and Murray, as opt out cities, and partner with them in exploring other options that  
17 would be mutually beneficial. Councilman Higginson said that Centerville is an attractive piece  
18 of UTOPIA. He believes the City is in a good position and that other proposals will come.  
19 Mayor Cutler commented that Centerville does not own the assets. The assets and subscriber  
20 contracts are owned by UTOPIA and UIA, but at this time Centerville has influence. He  
21 suggested the influence could be better used with a seat at the table, but he respects the other  
22 opinions that have been expressed. The Mayor added that Centerville cannot take its  
23 subscriber revenue and go to First Digital without an agreement among the eleven cities.

24  
25 Councilman Wright mentioned that Representative Barrus has expressed he is not in  
26 favor of moving ahead with the utility fee model, and that Representative Barrus said if UTOPIA  
27 proceeds with the current proposal he will recommend the State require a separate UTOPIA  
28 utility fee, separate from the other utility fees that are collected. Councilman Wright said that in  
29 his opinion most community members, himself included, would vote with their pocket book and  
30 just not pay the utility fee, and the City may not be able to make the availability payment. Mayor  
31 Cutler stated the incumbents have a lot of friends at the Legislature who would like to block any  
32 successful municipal attempt at fiber. Councilwoman Fillmore agreed that perhaps government  
33 overstepped its role in beginning UTOPIA in the first place, but the question now is determining  
34 the proper role of government in solving the problem. Selling the network or agreeing to any  
35 proposal that closes the network at all is something she could not in good conscience vote for,  
36 because it would be helping create a monopoly. UTOPIA is infrastructure that increases the  
37 ability of the private market to work by increasing competition. She said that Representative  
38 Barrus and other Legislators have stated they would prefer an open network over a closed  
39 network. Councilman Wright responded that what Councilwoman Fillmore said has tremendous  
40 merit, and suggested the Council ask the Committee to help in coming up with governing  
41 principles that will help the City make future decisions with respect to the network. The  
42 openness of the network is one of those principles. Councilman Wright continued that the focus  
43 right now should be whether or not the City wants to adopt a utility fee model.

44  
45 Councilwoman Ivie quoted the first line of the email addressed to the Mayor from Mr.  
46 Rammage: "Yes, that's our final answer." Councilwoman Ivie stated the opinion that Macquarie  
47 will not come back with another proposal that does not include a utility fee just because  
48 Centerville says they don't want a utility fee. It is important to her that the citizens who have  
49 voted with their pocket books and their comments know that they have friends on the City  
50 Council who heard them.



1 Councilman Averett stated he looks at it differently. He said that everyone present is at  
2 a shareholders meeting, with the Council members acting as the Board of Directors. Centerville  
3 owns 3.3% of UTOPIA. He said that every citizen is writing a check to UTOPIA every month  
4 whether they know it or not. The overreach of government has already happened. Councilman  
5 Averett stated the City has a problem and needs to decide how to fix it. He said the question at  
6 hand is not whether or not fiber should be a utility. The question at hand is deciding what to do  
7 with a half-billion dollar deficit utility company. The proposal suggests a way to take UTOPIA  
8 and make it profitable. To do nothing costs money as well. Councilman Averett said he has  
9 voted no on UTOPIA consistently for six years. He has had zero confidence in UTOPIA from  
10 the beginning. Referring to the question of why another company has not stepped up with a  
11 proposal he responded that UTOPIA is a company with a half-billion dollars in debt operating in  
12 a politically hostile environment with the Legislature, local government, and Taxpayer's  
13 Association, and an environment that makes installation difficult for half of the year. One  
14 company has said they would take it on. Macquarie has a proven track record and is well  
15 funded. Councilman Averett said the City should seriously take a look at it, as it may be the  
16 only chance. The debt obligation does not go away if they do nothing and UTOPIA goes dark.  
17 He said the best solution that has been offered by opposition to the Macquarie proposal is to  
18 clean house at UTOPIA and start again with new management, which would require time and  
19 money. Councilman Averett said he can see two choices. With the Macquarie proposal citizens  
20 would pay for a premium service, which would allow the City to pay the original debt and have  
21 an asset worth more in the future than it is today. To do the opposite and let UTOPIA go dark is  
22 to spend more money on an exit strategy for UTOPIA and operating expenses, and have  
23 nothing at the end of the day. Councilman Averett said he has struggled with the utility fee, but  
24 feels Macquarie should be seriously considered as the best chance so far of making it  
25 successful. To continue with UTOPIA managing UTOPIA does not work.

26  
27 Councilwoman Ivie referred to an email between Mayor Cutler and Councilman Wright  
28 regarding the use of influence on the UTOPIA Board by unelected officials. Councilwoman Ivie  
29 asked who hired City staff members to work on UTOPIA when they are supposed to be doing  
30 City work. Mayor Cutler responded that the Centerville City Council appointed a staff member  
31 to serve on the Board, and suggested Councilwoman Ivie could make a motion to change that  
32 situation at any time. The Mayor clarified that the unelected officials referred to in the email are  
33 the city managers of other cities who have been directed by their city councils to pursue the  
34 Macquarie proposal. Councilwoman Ivie asked about the funds in the Telecommunications  
35 Budget designated for administrative and professional services. Mr. Lutz explained the  
36 administrative and professional services in the Telecommunications Budget. Mayor Cutler  
37 stated that UTOPIA has a policy that none of the Board members are personally compensated.  
38 The City has not been compensated for staff time spent on the proposal.

39  
40 Councilwoman Fillmore commented that the big cities with the majority of the votes on  
41 the UTOPIA Board have made clear they are determined to go forward at this point, which she  
42 feels makes the decision for the City since Centerville is inextricably tied to UTOPIA. She said  
43 she would be concerned if the other cities move forward and Centerville is not at the table.  
44 Councilwoman Ivie responded that Centerville has had a voice at the table all along and all it got  
45 the City was a mandatory utility fee model. Mayor Cutler suggested the Council wait a month  
46 for another proposal that will be a direct result of the City's efforts. Councilwoman Fillmore  
47 stated she does not feel comfortable dismissing the current proposal before knowing what the  
48 other options might be. She expressed a worry that any other options might not include an  
49 open network, and stated that going dark or maintaining the status quo does not serve the  
50 citizens or the City's budget well.

1 Responding to Councilman Averett's comments, Councilman Higginson said he  
2 understands the City has a debt, and he fully expects to continue paying on the debt even if the  
3 Council chooses not to move forward to Milestone Two. He said a few residents have  
4 suggested to him they would prefer the City say that an assessment is needed to help pay the  
5 debt, rather than force every home to become connected and pay a utility fee. Councilman  
6 Higginson said he is not sure everyone against the utility fee model feels that way, but it is the  
7 way he thinks the government should operate. Councilwoman Ivie agreed, continuing by stating  
8 that anytime you have to say "the end justifies the means", government has gotten out of hand.  
9 Councilman Wright stated he believes we have some very intelligent people who will come up  
10 with options to keep the network alive. He said it is in the City's best interest, and the City has  
11 an obligation to keep it alive. Councilman Wright continued that the question is whether or not  
12 to impose a utility fee the City does not have control over. He guaranteed that, left in the hands  
13 of the cities, the utility fee would be increased in the future for reasons other than the inflation  
14 index. Councilman Wright said he thinks there is a future for UTOPIA that does not include this  
15 Macquarie proposal. Macquarie may decide to modify the proposal. He said the Council is  
16 hearing from the people not to do this. Councilman Wright stated he believes the Council will  
17 send the message that the utility fee model is not compatible with the City's beliefs and who we  
18 are.

19  
20 Councilwoman Ivie made a **motion** to opt out of the Milestone Two option from  
21 Macquarie so they know Centerville is not in favor of a utility fee model for the citizens.  
22 Councilman Wright suggested amending Councilwoman Ivie's motion adding that the Council  
23 adopt Resolution No. 2014-18, striking the words "UTOPIA and UIA" from the first sentence,  
24 deciding not to support moving forward with Macquarie into Milestone Two and directing the  
25 City's representatives to the Boards of Directors of UTOPIA and UIA to vote against moving  
26 forward with Macquarie into Milestone Two. Councilman Wright clarified that the City supports  
27 UTOPIA and UIA, but does not agree with moving forward with a utility fee model.  
28 Councilwoman Ivie accepted the amendment to the motion. Councilman Wright seconded the  
29 amended motion. Councilman Averett stated the deciding factor for him was the email written  
30 by Duncan Rammage that stated the utility fee was their final stance. He said he hopes there  
31 will be a different option from Macquarie, and he sincerely believes a company with outside  
32 experience needs to be involved in a situation that does not include a utility fee. Councilman  
33 Higginson agreed, continuing that Macquarie is the only option right now, but he does not  
34 support the utility fee model. Councilman Higginson said he hopes the message sent is that the  
35 City is open for other options. Mayor Cutler stated that some citizens preferred the status quo  
36 UTOPIA was operating under with positive revenue growth, and the option to get UTOPIA if  
37 residents were willing to pay for the connection. The current proposal was not solicited by  
38 Centerville, but some of the larger cities have made it clear they want a change.

39  
40 Councilwoman Fillmore expressed appreciation for the feedback received by the Council  
41 from the community. She said she was pleasantly surprised by the balance of responses, and  
42 disagreed with Councilman Higginson's numbers. She said she has asked for a survey to get  
43 demographic information regarding how many residents have the internet and how much they  
44 are paying. She referred to the comment made in the open session by Mr. Oakes regarding the  
45 human tendency of people who are content not being motivated to show up. She expressed  
46 surprise at the depth of study and commitment the Committee gave this matter and wanted to  
47 follow their recommendation. There were many citizens who have said they want to move  
48 forward to Milestone Two. Speaking for the citizens whose voice is not being heard,  
49 Councilwoman Fillmore listed the findings she put together in support of moving forward:

- 50  
51 1. The City's voice at the UTOPIA/Macquarie negotiating table is in Centerville's best  
52 interest to be sure Centerville's specific concerns are addressed.

2. The City has entered a legal partnership with the other member cities that is inseverable until bonds are paid. It is both practical and ethical to be an honest, fair, and participating partner.
3. Success of UTOPIA as a whole is beneficial to Centerville City.
4. A partnership with Macquarie is a fiscally conservative move because: it will result in immediate savings for the City budget with the end of UTOPIA operating expenses; it has realistic potential for revenue sharing that could pay down our bond commitment; and it would most likely save money for citizens in their monthly internet bills.
5. The potential cost of moving forward (30k-50k) in further study of this option is a fraction (less than 1%) of the financial interest involved for the City.
6. Even if all cities don't agree on the method of change, the decision must be made as a group. Major changes to the structure of UTOPIA are inevitably coming. Moving forward as a participating member allows the City to influence those changes for the City's sake.
7. An open network option is essential to justify support of any deal. It would be outside government's appropriate role to make a deal with a private company that would compete in a closed way with existing companies. With Macquarie, UTOPIA has an open network proposal in hand and it is very unclear as to whether or not there will be another open network offer.
8. An open network increases choice and freedom for the City's internet users by increasing the choice of service providers.
9. There is potential in the revenue sharing aspect of the proposal, and not moving forward would mean losing access to that potential.
10. There are too many unanswered questions at this time regarding continuing service to the City's subscribers. Thirty percent of citizens chose to subscribe even with great financial barriers and limited service offerings. With removed connection fee and greater service offerings it is possible that many more citizens would desire to sign up. It is important to find out if this is the case, and how much it would cost before deciding to become a non-participating city.
11. There are important social and economic benefits that justify further exploring the idea of the Internet as a utility.
12. The Citizen Advisory Committee members have expertise in varying relevant fields and delved deeply into this proposal. Councilwoman Fillmore expressed a desire to follow their recommendation to move forward, particularly recognizing the importance of the findings of the finance subcommittee and the legal subcommittee.

Councilwoman Ivie pointed out that profit sharing is already part of the Interlocal Agreement, and the proposed take rates provided by Macquarie line up with the original proposed take rates of UTOPIA, but this time everyone would pay a utility fee. Councilman Ivie stated she is grateful to be able to say no on behalf of the families in the community who struggle financially (604 children on free or reduced lunch). Mayor Cutler asked the Council members if they have any findings in support of opting out to add to the motion, and did not receive a response. The motion to opt out passed by majority vote (4-1), with Councilwoman Fillmore dissenting. The Mayor thanked the Council and the Committee for their work and the citizens for their engagement. He stated the Council will continue to work to find the best deal for Centerville given the circumstances.

#### **ADJOURNMENT**

At 9:33 p.m. Councilman Wright made a **motion** to adjourn the meeting. Councilwoman Ivie seconded the motion, which passed by unanimous vote (5-0).

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*Marsha L. Morrow*

Marsha L. Morrow, City Recorder

*7-1-2014*

Date Approved

*Katie Rust*

Katie Rust, Recording Secretary

