

**TREMONTON CITY CORPORATION
CITY COUNCIL MEETING
September 30, 2014**

Members Present:

Diana Doutre
Lyle Holmgren
Jeff Reese
Bret Rohde
Byron Wood
Roger Fridal, Mayor
Shawn Warnke, City Manager

SPECIAL CITY COUNCIL MEETING

Mayor Fridal called the September 30, 2014 City Council Workshop to order at 6:02 p.m. The meeting was held in the City Council Meeting Room at 102 South Tremont Street, Tremonton, Utah. Those in attendance were Mayor Fridal, Councilmembers Doutre, Holmgren, Reese, Rohde, and Wood, City Manager Shawn Warnke. The following Department Heads were also present: Public Works Director Paul Fulgham, Treasurer Sharri Oyler, and Finance Director Curtis Roberts. Also in attendance were: Police Sergeant Kevin Allred and Deputy Recorder Linsey Nessen. City Recorder Darlene S. Hess was excused.

The prayer was offered by Councilmember Rohde and the Pledge of Allegiance was led by Councilmember Holmgren.

1. Approval of Agenda:

Motion by Councilmember Doutre to approve the agenda of September 30, 2014.

Motion seconded by Councilmember Reese. Vote: Councilmember Doutre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde - aye, and Councilmember Wood - aye. Motion approved.

2. Discussions and/or Presentations on:

- a. Discussion and updates on the potential Public Private Partnership with Tremonton City and Macquarie Capital on the building out and operation of the fiber optic network and related matters – Mayor Roger Fridal and Shawn Warnke, City Manager

Manager Warnke spoke to two representatives of Macquarie and to Wayne Pyle of West Valley, the UTOPIA Chairperson. They are still planning on moving forward with the citizen question on the support of creating a Utility Fund and treating UTOPIA as a utility and at that point it would be a PPP (public private partnership) with Macquarie. Manager Warnke understands that it is more a

matter of the timing of when they are going to move forward.

Macquarie has committed to running some public education and public announcements as part of the overall question. There was a little discussion and maybe a little confusion about when that is going to occur. Macquarie was thinking it would be in the spring, which started a dialog amongst the Mayors about starting the education process this fall. Manager Warnke is not sure there was ever a consensus on when the start of the education campaign would occur.

Mayor Fridal stated that a discussion of the spring date was not at any Mayor's Meeting he attended. The Mayors would like to pursue it this fall. It will require a Special Election, but they would like it done before the Holiday Season.

Manager Warnke said there has been some confusion over whether the ballot will be binding or non-binding. It was originally intended to be a binding ballot and it was UTOPIA's understand from the Lt. Governor's Office that it could be eligible as an item that could be on an official ballot, but, upon further review the Lt. Governor's Office position changed and it couldn't be on an official ballot. That forced it to a different track.

Mayor Fridal explained that a non-binding vote gets the feeling of the public. He spoke with Karen Cronin, the Mayor of Perry, on Friday. She feels the public needs to be educated. Mayor Cronin would like to do that this spring. She would like Macquarie to pay for part or all of getting the information out to the people. The Mayors and Councils have been meeting on the UTOPIA/Macquarie deal for a long time and are still not totally familiar with everything that needs to be done. Mayor Fridal doesn't know how the public can be educated enough to make an intelligent decision whether it be this fall or next spring.

Councilmember Holmgren asked what some of the other cities are going to do about paying the OpEx (operational expense related to shortfalls in revenue) if it is decided to wait until spring. Mayor Fridal replied that he doesn't know. That is one of his concerns. The Tremonton City Council has never been overly enthused about paying OpEx until September. Mayor Fridal thinks the City will probably be obligated to pay OpEx at least until the City gets a general vote on it. It is up to the Council what they decide to do.

Councilmember Rohde asked what would happen if the Council decided not to pay the OpEx. Manager Warnke responded that his understanding is that Tremonton is not necessarily bound legally, but there is a general sense among the UTOPIA cities that there is an obligation to pay it. Manager Warnke can only think of two cities that are not paying: Perry (because they have very little fiber infrastructure to operate and maintain) and Payson has refused to participate. Murray was refusing to participate, but they have since changed and are paying. The problem is, as cities drop off paying for operational shortfall, it compounds

the issue for those cities that are willing to continue the obligation.

There are also some other funds that can be used for the operation and expenses, but outside of the cities contributing, there are probably not many options.

Mayor Fridal asked how much the City's obligation is per month. Manager Warnke replied that this quarter it was around \$16K, so a little over \$5K per month. UTOPIA has really cut back on operations and expenses. From what he has been told, they have come to a dangerous level. At some point the obligation will need to increase just because the network is starting to age and the equipment will need to be refreshed.

Councilmember Wood commented that he thinks UTOPIA is losing support from the cities that have pledged to go with Macquarie with the higher costs associated with less cities participating. He knows of one city that is going to pull the plug rather than go with the higher costs associated with the utility fee.

Councilmember Rohde stated that the Macquarie option was a great deal if everyone was in it together, but now some cities are backing out.

Councilmember Wood wondered how all the cities could even be meshed together. He thinks it is time for Tremonton to jump off the bandwagon. He doesn't even want to put it towards Tremonton's citizens at \$23.50 for the utility fee as it is too much. Once the cities split on their participation and the utility fees have increased raised, he just doesn't think there is a chance.

Councilmember Holmgren's concern is that it is kind of a dangerous thing, unless there is some sort of an option besides just walking away. He is concerned about just moving away from UTOPIA. He wants to hear what the benefits and cost are, and feels that if the City were to walk away, the costs would be higher. The Council should look at all the options before the City does anything like that.

Mayor Fridal said that the Mayor from Orem says there are lots of options, but Mayor Fridal has never heard any of them. The only option he has heard came from Mayor Eyre from Murray. Mayor Fridal didn't feel bad about the idea. Mayor Eyre would be willing to come present it to the Council. It was Mayor Eyre and Justin Zollinger from Thatcher (Murray's City Finance Director) that came up with a plan. If Macquarie doesn't work, it is something for the Council to consider. Mayor Fridal doesn't think Brigham City is overly excited about the Macquarie deal right now.

Councilmember Rohde commented that his biggest concern is that member cities will keep putting it off and Tremonton will continue paying OpEx, just like we are now and the Council will not coming up with any solutions. The Council needs to come up with a solution.

Mayor Fridal responded that for the Council to be supportive of OpEx, the Council needs to have a goal or something that the Council can look forward to. Councilmember Doutre stated that the Council decided to pay for OpEx until September. Mayor Fridal said that Tremonton might have to consider paying until the ballot question is taken care of. Councilmember Wood is not sure that a letter to the public would work now. The proposed utility fee increase has continually gone up and Macquarie is not a done deal.

Councilmember Rohde expressed the need for data before the Council can make a decision.

The Council chose to skip item b. at this time and move to item c. as Randall Larsen from Ballard Spahr is stuck in traffic on the freeway due to accidents.

- c. Discussion of potential increases to Wastewater Treatment Fees - Curtis Roberts, City Finance Director, Shawn Warnke, City Manager, & Paul Fulgham, Public Works Director

Finance Director Roberts noted that Brad Rasmussen with Aqua Engineering came to a staff meeting wherein future facilities for the WWTP (Wastewater Treatment Plant) were discussed. Mr. Rasmussen's specialty is wastewater treatment plants throughout the Western United States. Mr. Rasmussen is very familiar with State and Federal requirements and will be doing the Impact Fee Facilities Plan as part of the new Impact Fee enactment.

Finance Director Roberts explained that ROA (Return on Assets) needs to be analyzed. There needs to be a benchmark that covers the ROA plus an inflation rate cost. The City needs to be able to replace assets and pay for inflation. The WWTP Fund has been operating very marginally at not even 1% rate of return on the assets. The City is looking for a 2-4% ROA to cover inflation.

Mr. Rasmussen noted that ROA cannot just cover inflation; it must also cover a regulatory increase. Instead of the City looking at a ROA of 2-4%, there is an additional margin because regulations continue to increase on the outflow from the WWTP. The City must be able to recover the costs of making improvements to the Plant as the regulatory environment rules are enacted. Mr. Rasmussen knows of regulatory changes that will come down within the next 15-20 years. The ROA needs to be between 6-8% to cover all the changes necessary. The upgrades necessary due to new regulations will be expensive.

Director Fulgham noted that expenses will go up when nutrients come into play like phosphorous and nitrates. Farming industry impacts phosphorous levels in the river. Because the City has a Plant with a permit stating it discharges at a certain point, the City can be held liable for the phosphorous levels in the Bear River at that point. The City had 2-4% of the total phosphorous in the river based

on previous studies. The rest comes naturally or from farming activity. Farms obtain some funding from NRCS (Natural Resources Conservation Service) to do projects.

Mayor Fridal asked for a timeframe on regulations regarding nutrients. Director Fulgham said if phosphorous were implemented right now, the City would probably have between five and ten years period to complete the project at the WWTP that would reduce phosphorous. It is usually implemented on stages based on the population served. It would cost about \$2-4M in upgrades to do more aeration and adding chemicals associated with anticipated phosphorous regulations. It can be disposed of as part of the composting operations, but it will be costly to treat phosphorous and remove it from the water.

Finance Director Roberts noted that Impact Fees cannot be used for many of these upgrades. Director Fulgham explained that settling ponds are only exempt from the new regulations if there is total containment. If there is discharge to the river, the phosphorous impacts the settling ponds. Elwood is total containment and will land apply the phosphorous. A lot of facilities are trying to go that route. The State doesn't like sewer ponds because there is not much operational lee-way. When Elwood's pond starts to fill up, they will start to sprinkle the phosphorous. When land applying, another factor comes into play called The Energy Factor, meaning the water in the pond has to be re-pressurized. That will be an additional cost that Elwood will have to consider.

Councilmember Holmgren asked if there were programs available to municipalities to help with phosphorous. Director Fulgham said there are not. It is what is considered unfunded mandates. The City needs to either build up reserves for the upcoming mandates or go out for bonding which drives rates up. In ten years, the City might have to have a rate of \$26-28 a month.

Finance Director Roberts stated that once in bonding mode, the lender will mandate a minimum utility rate for the WWTP. Finance Director Roberts remarked that the City could minimize utility rate increases in the future by having an appropriate utility rate structure in place today. Mr. Rasmussen included in the Capital Facilities Plan to grow the plant in increments so there is money to help pay for projects without having to borrow. The last wastewater treatment bond was in 1994 owing to regulations on bio-solids.

Finance Director Roberts reiterated that the WWTP needs more ROA. Last year the WWTP had \$29K in income on \$3.7M worth of assets. It cannot operate long term on that rate structure, it will fail. Things will fail, and the City will not have enough cash flow and will be forced into a borrowing structure.

Director Fulgham noted that the proposed rate increase of \$1.74 and the \$0.10 per gallon increase on overage, along with the increase in pre-treatment rates will

start building the reserves. Finance Director Roberts would like to help the Council generate a rate structure so this issue is not being addressed every year. The rate of return looks at a long term basis. The last rate increase was in the 1990's, other than something related to businesses in 2000.

Director Fulgham estimated that with the new regulations for phosphate ten years down the road, the rate would be about \$28 a month. It would be about a \$10 increase over a ten year period. Councilmember Reese asked how Tremonton rates compare to other cities. Director Fulgham stated that Cache Valley City, (which feeds into a regional facility) pays \$24 a month as a flat rate with no allotment. The meters are read from October to March, and the residents are charged for the average of their monthly winter use at \$2.25 per 1,000 gallons. The sewer ponds are reaching capacity, and Logan City (the regional facility) is looking at having to do a \$100M plant. The cities using the regional facility are troubled by the anticipated rate increases and are looking at other options.

Finance Director Roberts stated that based on his research, Tremonton City's WWTP fees are in the bottom 25% of utility fees, maybe even the bottom 10%. Director Fulgham noted that Brigham City residents pay \$25.16 a month. Mantua feeds into Brigham's regional plant and pays \$38 a month. Ogden residents pay \$28.13 based on meter size. If you have a ¾" meter you pay \$28, and if you have a 1" meter you pay \$46 a month. Tremonton has lower fees because the City Council has been proactive about bringing industry in that helped build capacity at the WWTP. Electrical costs have gone up, along with chemicals and polymers that are needed in the WWTP process. Things have been increasing but the utility fee has not gone up in quite some time.

Director Fulgham explained that the WWTP purchased a new front end loader and dump truck. The money had been set aside in depreciation for the new equipment, but is a large amount to remove from reserves.

Manager Warnke described how West Liberty Foods had tremendous amounts in overage over the years that helped keep WWTP fees down. The overage brought in quite a bit of unexpected revenue. Since then, West Liberty Foods has done a good job reducing the overage. There has been a drop in revenue as West Liberty Foods and MOM Brands have reduced overage.

Councilmember Doure asked if there will be a rate increase every year. Director Fulgham wasn't sure when the next increase would come but it would need to be discussed in the next few years. Once the Capital Facilities Plan and Impact Fee Facilities Plan are completed by Aqua Engineering, it will give the City a long term picture showing a timeline for the amount needed. The \$1.74 rate increase will help the City get to a 3% ROA along with the overage and pre-treatment increases.

Councilmember Reese asked if there have been complaints lately about the smell from the WWTP. Director Fulgham explained that there have not been complaints, but the load is down. The higher the load the more it will smell. Director Fulgham said the plant is running more constant now trying to keep the solid level down and reduce the smell.

Councilmember Reese asked if the \$1.74 increase would change if Garland decided to go a different route for treatment. Director Fulgham noted that the City receives around \$150K a year from Garland for treatment. Tremonton would gain 20% capacity without Garland as far as flow, not loading. The regulation changes will be costly when they come whether Garland is using the WWTP or not.

The Council questioned if there was land available for a sewer pond as it might help with the phosphate regulations coming. Manager Warnke explained that a pond system is what cities use until they get a plant. There are more options available to cities with a plant. Director Fulgham stated that the WWTP goes through 2M gallons a day. There would need to be a very large area of land for a sewer pond and it would need to be lined. It is not a viable option.

Finance Director Roberts noted that Logan didn't raise rates or make upgrades and now that regulation changes have come, they need to do a new plant at \$100M. This will raise rates to \$70 a month. Tremonton does not want to be stuck in a similar situation and needs to take action now. Finance Director Roberts said that Mr. Rasmussen told him that the Federal Government is helping cities go from septic tanks to treatment plants. As such, there is no money available to help with upgrades.

The Council returned to item b. as Mr. Larsen arrived.

- b. Discussion of legal and financial issues pertaining to Tremonton City's previously entered into bond covenants and membership in UTOPIA - Randall Larsen Ballard Spahr LLP and Curtis Roberts, City Finance Director

Mayor Fridal thanked Mr. Larsen for coming to speak to the Council. Mr. Larsen apologized for being late due to accidents on the freeway and the weather.

Manager Warnke explained that Mr. Larsen is a bond attorney. Ballard Spahr has served as the bond counsel on several transactions for UTOPIA.

Mr. Larsen stated that his partner Brad Patterson worked as bond counsel for UTOPIA bonds. Ballard Spahr has not been involved in the business points of Macquarie.

Mr. Larsen suggested that the Council question every proposal from UTOPIA, are

we comfortable investing in what we know so far in UTOPIA? The answer to the question can change from week to week or month to month as more information becomes available. The hard part is that the sales tax pledge cannot be undone. The City is not required to make additional commitments to UTOPIA right now, but contractually the sales tax pledge with past bonds won't change.

Mr. Larsen suggested that besides asking about the return on investment; ask what the collateral damages might be of stepping aside. The collateral damage can't be avoided either. For example, Brigham did large capital contributions for people to hook in. If Brigham City chose the extreme go dark option, there could be a class action lawsuit involving all the homeowners who did a big capital investment. That wouldn't necessarily apply to Tremonton, but there could be businesses that rely upon the service. If there wasn't a replacement service available for a comparable cost, potentially these businesses could cry foul.

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Councilmember Wood asked if Mr. Larsen could see UTOPIA going forward if several cities dropped out. Mr. Larsen explained that is what is being evaluated right now. Macquarie has to evaluate the territory and customers of those cities willing to participate and take a step forward on the fee. The offer would come based upon that information. The cities could then determine whether they were in or out. UIA (Utah Infrastructure Agency) was a split off from UTOPIA, so it is not completely unprecedented.

Councilmember Reese stated that Tremonton is 90% plus built out. Someone determined 6-8 years ago that UTOPIA would not be hooked into the homes unless residents paid \$3K. Mr. Larsen explained that Payson shares the same concern; however, he believes the \$3K is the real cost for connecting. Years ago UTOPIA was set up to do build ups in the rural areas first due to RUS (Rural Utility Services) monies.

Finance Director Roberts stated there are covenants that every bond document has. Is there some action that UTOPIA could take that would cause the bond covenants to be violated? If the bond covenants were violated, what would the impact be to individual cities? Mr. Larsen said that question would be better answered by a financial advisor. No one could predict with certainty what effect, if any, a default on UTOPIA's bond would have on Tremonton's credit. If UTOPIA defaulted on the bonds, bond holders would be looking for anyone to name in litigation. The actions would go against UTOPIA first, and then go against the cities.

Finance Director Roberts asked if there is a chance of increasing from the maximum pledge that is in the actual pledge agreement for the City. Can the covenants result in a rewriting of the pledge. Mr. Larsen said no, the sales tax obligation cannot be increased. However, there could be a duty to all members of UTOPIA to do their best efforts to maintain the system. That is part of the pledge

that bond holders are entitled to. There could be a lawsuit crafted saying that if you walk away from the system and operations, you could be sued for harm based on how you are caretaking the system as a member of UTOPIA. It is a judgment that could be sought after the City.

If cities turn off the system and continue to pay the sales tax obligation, then bond holders will get paid and it would be difficult for them to sue for anything more than the accounts are worth. Litigation may come from other cities and customers that rely on UTOPIA's system if you don't pay. Mr. Larsen believes that investors bought UTOPIA bonds because of the sales tax pledges, not based on just the net revenue of the system.

Finance Director Roberts asked what impact it would have to the bonds as a whole if one of the cities were not able to meet the sales tax pledge. Mr. Larsen explained that Tremonton would not be obligated to come up with more sales tax to cover another city's shortfall. There would be no legal obligation, but there may be a request from UTOPIA to give a short term loan to the city unable to meet the sales tax pledge. The city receiving loan would then enter an arrangement where future sales tax would come back to us. It might make sense in this scenario because we would not want a default in payment on the bonds. The City could consider it, but there would be no legal obligation to pay the sales tax from other cities that have a shortfall.

Councilmember Holmgren asked if UTOPIA could call the loan early. Mr. Larsen doesn't believe there are any acceleration provisions. Tremonton's pledge is independent and it is annual. Finance Director Roberts asked if there were any provisions that could cause a cancellation of the swap arrangement and end up in an escalation of the interests due on the bonds. There are none that Mr. Larsen is aware of. Councilmember Reese asked if the City could get a loan and pay the whole bond off. Mr. Larsen said the City could, but would have to pay the share of the swap termination.

Finance Director Roberts said the City could have a financial advisor come run numbers to see if an in-substance defeasance would work. There would have to be a really good interest rate difference. It is like a refinance, but you don't pay off the mortgage you set the money aside to make the payments. A defeasance extends out the term of the loan or finds incredibly low interest rate that makes it economically viable. As far as Finance Director Roberts knows the bonds do not have a call provision. If there was a call provision, you would exercise the call provision and pay them off which would change it to a regular defeasance instead of an in-substance defeasance.

Mr. Larsen explained that when Tremonton entered into the pledge agreement backing the bonds with the sales tax pledge, freedom was given that the City could do other debt payable from the sales tax so long as the coverage maintained

coverage of one and a half times. The City still has the ability to do sales tax bonds for improvements independent and be senior lien to the UTOPIA obligations. It doesn't penalize the City in interest rate or cost of debt. UTOPIA stays as a junior lien up to one and a half times coverage of the UTOPIA debt.

Mr. Larsen suggested that the biggest monetary risk to Tremonton would come from the other cities. If Tremonton left UTOPIA, lawyers could make a case against Tremonton asking for the amount of revenue that would have been available if Tremonton had stayed. That is worst case scenario. It will probably be somewhere in between.

Finance Director Roberts asked Tremonton's responsibility for paying OpEx. Mr. Larsen stated that Tremonton is not legally obligated to pay the OpEx, but other cities could say it was an understood obligation when joining UTOPIA. Finance Director Roberts asked what the potential collateral damage would be if a city did not pay the OpEx? Mr. Larsen said that in order to answer the question you would have to predict what the cities that continue paying the OpEx would do. The cities would need to come up with a cause of action under an implied duty of cooperation of UTOPIA. It would go into litigation to recover the amount of the OpEx. Mr. Larsen doesn't think there would be a large amount spent on litigation for the \$70K Tremonton pays in OpEx a year.

Councilmember Wood expressed concern that the build out is coming through UIA and Tremonton is not a part of UIA. Councilmember Wood questioned if the OpEx is for build out and not for operation fees. Mr. Larsen does not know where the money is being spent. Finance Director Roberts said that if the City didn't pay the OpEx and it went to litigation, the City would have to prove that the OpEx fees were not being used for OpEx. Mr. Larsen said the City is looking to save \$70K a year in OpEx versus potential exposure to some collateral damages. The City should not be needed into paying the OpEx because of potential collateral damages.

Mr. Larsen understood that Murray is paying OpEx but not continuing on. Mayor Fridal believes Payson is the only city not paying OpEx besides Perry which has no build out. Mr. Larsen stated that Payson's build out is similar to Tremonton's.

Manager Warnke explained that UTOPIA is governed by a board. Each city has representation on the board. UTOPIA member cities votes' are weighed based on your share of UTOPIA. The bigger cities have a larger weighted vote because they have more vested in UTOPIA. Three of the eleven cities can vote the same and carry the vote. Mr. Larsen explained this is the way someone could make an attempt at a cause of action by saying, the City entered into a body and knew it was governed this way. If the governing body made a determination, you individually have no right to opt out. If the City said there is self-determination as a City and are not in on OpEx, potentially it could be said that the City made a

contractual arrangement such that the board governs based upon membership. The situation would be unpredictable and ripe for litigation.

Finance Director Roberts figured that based on 2,600 homes in Tremonton, each household is being charged about \$2.25 a month for OpEx. Manager Warnke stated that UTOPIA has scaled back its operations and will need to replace and update the network and the amount will increase. Councilmember Holmgren asked Mr. Larsen if he had any new information from Macquarie. It has been very quiet lately and is hard to make a decision with unanswered questions. Mr. Larsen does not have that information. Mr. Larsen's firm is not included in the business point decisions, rate of return, or if it is a viable deal. Mr. Larsen's firm is included in the securitization value of the proposed fee, and a legal analysis.

Finance Director Roberts asked how many current connections are in Tremonton. Councilmember Holmgren noted the number has dropped to 400 to 300. The Council explained that more people would sign up but the connection fee is too high. Finance Director Roberts asked if under the Macquarie theory, it was promised that every home would have a minimum connection. Councilmember Holmgren confirmed that it did. Mayor Fridal said it was strictly internet. West Valley City was the only city that made a deal to include phones with the internet. The Council stated that under Macquarie every unit would have a connection/hook up and be obligated to a payment.

Finance Director Roberts determined the incremental costs on top of the sales tax pledge. Tremonton currently pays \$2.25 in OpEx per house and the households not connected to UTOPIA are getting nothing in return. If the Macquarie deal goes through and the OpEx is gone, then each household would have a net increase of \$21 per month. If residents could get out of current internet contracts, the fiscal impact to residents would not be as extreme. However, residents still would not like having the fee imposed.

Councilmember Rohde asked if Tremonton could take the OpEx and use it for hook-ups. At what point would there be enough revenue generated by hook-ups to remove the need for OpEx? UTOPIA charges \$3K for hook-up. Mayor Fridal noted that Murray did a study and found that, regardless of carrier, actual costs for hook-ups are \$700. Councilmember Wood remarked that Tremonton has such a small amount compared to the total that it wouldn't help if there were more hook-ups. Councilmember Rohde commented there should be incentives to cities to increase the take rate. Finance Director Roberts stated that was UTOPIA's plan in 2011 to increase build-out and revenue, but it never generated enough. It was expressed by Mayor Fridal that the take rate would go up if UTOPIA had a reasonable connection fee.

Mr. Larsen explained that Macquarie is offering that option. The Macquarie option has merit. There may have been some concern if the utility fee was legally

challenged. Would the cities or Macquarie bear that risk? What if there was a successful challenge against the utility fees and the City could no longer collect them, would Macquarie handle that as well? There needs to be more information. Mr. Larsen advised the Council to not be shy about contacting Murray's City Attorney or Mayor. Murray has done a lot of research. According to Mr. Larsen's understanding, Murray reserved the right to come back and UTOPIA told them it could cost more to come back once they left.

Finance Director Roberts said that if there was a default on UTOPIA bonds, the City's obligation is limited to the pledge amount. There should not be any increase to the pledge that is in place. There is no real risk to the swap agreement, but there is a potential risk for not paying OpEx from the other member cities. Mr. Larsen stated the claim would be limited to the OpEx that has been approved by the board. The Council needs to analyze potential returns and risks from making investments.

Councilmember Rohde would like the citizens to be informed of the costs associated with the different options. It would be nice to hear input from the citizens regarding the issue. Councilmember Holmgren will modify the letter based on the information discussed tonight. He also believes the public needs to be informed.

Manager Warnke stated that as collateral damage could occur, it could be born out of the liabilities of the other cities. Mr. Larsen said a clever litigation lawyer could make an argument saying all the members of UTOPIA should help participate in meeting any judgment or liability that is found against a member city. The cities could fight it and win, but still lose monetarily.

The Council and Mayor thanked Mr. Larsen for coming and for his time. Mr. Larsen said that ultimately there is not an easy way out because the sales tax pledge cannot be reworked.

- d. Discussion and presentation of ambulance service area boundaries between Tremonton and Fielding's licensed service area- Tremonton City Fire Department

This Agenda Item was tabled to a future date.

Mayor Fridal said the Council will need some time before a decision is made. However, he believes the City needs to pay the OpEx as it is a moral obligation. The money paid to UTOPIA is not being used for build-out it is just to keep UTOPIA going. Mayor Fridal does not want to wait until spring for more information from Macquarie. Mayor Fridal asked Manager Warnke to call and see if he can get an update. Mayor Fridal told the Council to keep in mind other options. The Council needs to become educated on other options. Councilmember Dautre liked the letter that came from Councilmember Holmgren because it was very basic and easy to understand. Manager Warnke said

discussion of a letter could be included on the next agenda. Mayor Fridal asked if anyone had any objection to contacting Murray City. There were none. It would be good to gather information about all the options.

3. **Closed session:**

- a. **Strategy session to discuss pending or reasonably imminent litigation and a strategy session to discuss the sale of real property when public discussion of the transaction would disclose the appraisal or estimated value of the property under consideration or prevent the public body from completing the transaction on the best possible terms**

The Closed Session was tabled.

4. Adjournment.

Motion by Councilmember Rohde to adjourn the meeting. Motion seconded by Councilmember Wood. Vote: Councilmember Dautre - aye, Councilmember Holmgren - aye, Councilmember Reese - aye, Councilmember Rohde - aye, and Councilmember Wood - aye. Motion approved.

The meeting adjourned at 8:19 p.m.

The undersigned duly acting and appointed Recorder for Tremonton City Corporation hereby certifies that the foregoing is a true and correct copy of the minutes for the City Council Meeting held on the above referenced date. Minutes were prepared by Cynthia Nelson.

Dated this _____ day of _____, 2014.

Darlene S. Hess, Recorder