
SALT LAKE CITY COUNCIL STAFF MEMO

DATE: April 9, 2004
SUBJECT: **Potential Motions Relating to UTOPIA**
STAFF REPORT BY: Gary Mumford, Michael Sears

Salt Lake City has been asked by the Utah Telecommunication Open Infrastructure Agency (UTOPIA) to pledge \$4,104,505 of annual sales tax revenues for a period of 20 years as a backstop for UTOPIA's debt service. If the Council desires to make the pledge, it must do so by April 15, 2004 per Senate Bill 66.

OPTIONS:

The Council has several options including the following:

- A. Pledge future sales tax revenue as a guarantee on the debt service for UTOPIA's bonds. Under this option, Salt Lake City will need to advance \$53,114 for a portion of the bond issue costs. After UTOPIA completes a final financing plan, an interlocal agreement will be forwarded to pledging cities for consideration.
- B. Make the pledge contingent upon the City obtaining a premium-based insurance policy or arranging for one or more investor groups to cover a portion or all of the City's risk. If the Council selects this option, UTOPIA will, in good faith, obtain the final bonding plan for the entire project including Salt Lake City's share. Salt Lake City will be obligated to advance \$53,114 for the bond issue costs.
- C. Remain a member of UTOPIA but not pledge revenues to back the bonds. The fiber optic network would be installed in Salt Lake City once the network proves itself and bonds can be issued by UTOPIA without the City's backing. Reimbursement of most of the advance that the City made for the feasibility studies would be contingent upon the project moving forward in Salt Lake City. The City would give up the right to share in any of the possible excess revenue that the system may generate.
- D. Withdraw as a UTOPIA member. The City would have the option of identifying service level expectations and making these expectations a part of franchise agreements with telecommunication providers. At some future date, the City could consider constructing its own telecommunication network.

POTENTIAL MOTIONS:

The council may wish to consider the following motions.

1. Pledge future revenue – I move that the City pledge future sales tax revenue of \$4,104,505 annually for a 20-year period in connection with bonds to be issued by the Utah Telecommunication Open Infrastructure Agency (“UTOPIA”), and that the City Attorney prepare an agreement or other document effecting such pledge on terms materially consistent with the draft Pledge and Loan Agreement prepared by UTOPIA and presented to this Council; provided, however, that such pledge shall be contingent upon the approval by this Council of a revised Interlocal Agreement, in a form approved by the City Attorney, following an evaluation by this Council of the final financing plan prepared by UTOPIA.
2. Pledge contingent upon premium-based insurance policy or arranging for one or more investor groups to cover all or a portion of risk – I move that the City pledge future sales tax revenue of \$4,104,505 annually for a 20-year period in connection with bonds to be issued by the Utah Telecommunication Open Infrastructure Agency (“UTOPIA”), and that the City Attorney prepare an agreement or other document effecting such pledge on terms materially consistent with the draft Pledge and Loan Agreement prepared by UTOPIA and presented to this Council; provided, however, that such pledge shall be contingent upon (i) the approval by this Council of a revised Interlocal Agreement, in a form approved by the City Attorney, following an evaluation by the this Council of the final financing plan prepared by UTOPIA, and (ii) the City obtaining a premium-based insurance policy or arranging for one or more investor groups to cover all or a portion of the City’s risk.
3. No financial pledge but remain a member of UTOPIA – I move that the City make no financial pledge at the present time in connection with bonds to be issued by the Utah Telecommunication Open Infrastructure Agency (“UTOPIA”), and that the City remain a member of UTOPIA for the purposes of (i) facilitating the potential reimbursement to the City of funds heretofore advanced to UTOPIA, and (ii) preserving the option of the City to consider at a future date the nature and scope of the City’s participation, if any, in the UTOPIA project.
4. Withdraw as a member of UTOPIA – I move that the City withdraw as a member of the Utah Telecommunication Open Infrastructure Agency.

cc: Rocky Fluhart, Ed Rutan, Chris Bramhall, Ken Cowley, Steve Whittaker, DJ Baxter