

UTAH INFRASTRUCTURE AGENCY (UIA)

SPECIAL BOARD MEETING MINUTES

January 22, 2019

10:30 AM

UTOPIA OFFICES
5858 SOUTH 900 EAST
MURRY, UTAH 84121

- Board Members Present:** Alex Jensen – Chairman, Layton City
Jamie Davidson – Alternate, Orem City
Jeff Acerson – Lindon City
- Joining Electronically:** Jason Roberts – First Vice Chair, Brigham City
Paul Isaac – West Valley City
Mark Sorenson – Alternate, Payson City
- Officers Present:** Roger Timmerman – UIA Chief Executive Director
Laurie Harvey – UIA Secretary/Treasurer (tentative/proposed)
- Others Present:** Brad Patterson – Bond Counsel, Gilmore and Bell
Laura Lewis – Financial Advisor, Lewis Young Robertson & Burningham
Ty Bailey – City Manager, Morgan City
Bryce Haderlie – Assistant City Manager/“the new Laurie”, Midvale City
Kimberly McKinley – UTOPIA Marketing Director
Joshua Chandler – UTOPIA General Counsel
Aaron Leach – UTOPIA Director of Operations
Kellie Jeffrey – UTOPIA Board Secretary

1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a special board meeting on Tuesday, January 22nd, 2019. UIA Chairman Alex Jensen (Layton) called the meeting to order at 10:40 AM. He welcomed all attendees.

UIA Quorum Votes Needed: 220 (QUORUM PRESENT)

UIA Total Votes Present: 342

UIA Majority Vote: 171

UIA 2/3 Vote: 228

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2. CONSIDER APPROVAL OF RESOLUTION 19-01: A RESOLUTION THANKING KIRT SUDWEEKS AND RATIFYING AND CONFIRMING THE APPOINTMENT OF LAURIE HARVEY AS UIA'S SECRETARY/TREASURER

Kirt Sudweeks, UIA Secretary/Treasurer, has retired. Laurie Harvey has been recommended to take his place in this role. We are appreciative of Kirt's service, and are excited to have Laurie join the UIA/UTOPIA team. Mr. Jensen reiterated this appointment and thanked Laurie for her association with the agency since the beginning.

ACTION: Jamie Davidson (Orem City) MOVED to confirm the appointment of Laurie Harvey as the UIA Secretary/Treasurer. Jeff Acerson (Lindon City) SECONDED the motion. A roll call vote was taken - the vote was unanimous.

3. CONSIDER APPROVAL OF RESOLUTION 19-02: A RESOLUTION APPROVING A SERVICES CONTRACT BETWEEN MORGAN CITY AND UIA

Mr. Timmerman summarized the proposed agreement. This is similar to the Layton City agreement. Morgan City would back stop the project for build out of their city. UIA is building and marketing the project, but the financing would be strictly Morgan City. They have chosen to back stop with sales tax and energy utility revenues. We've done analysis in conjunction with the city. Mr. Timmerman feels it's a fair relationship that is mutually beneficial for Morgan and UIA.

Mr. Timmerman asked Ty Bailey (Morgan City) to elaborate on what Morgan City is expecting or anticipating. Mr. Bailey expressed appreciation to UIA for working with Morgan City on a proposed solution for infrastructure and services. Other providers have not invested in infrastructure in Morgan, due to its small market of approximately 1,500 homes. There are areas in the city that cannot get internet, DSL is sometimes the only option. Mr. Bailey feels that this is critical to the success of the city. The decision was carefully considered, and the vote was unanimous with Morgan City's council. The city rarely issues debt, so the decision was not without hesitation, and they are cautiously optimistic.

Jamie Davidson (Orem City) asked if Morgan City has done any analysis with its citizens to determine interest, to see if they will get to the 33% take rate. Mr. Bailey responded that a community survey produced about 80% interest in signing up. The response rate was high based on the sample size relative to the population. Mr. Bailey feels he knows his community well enough to know they can be successful. He also commented that they have a small business in the city boundaries that is trying to patch together enough broadband from several companies to make do. It's a necessary infrastructure to them. Mr. Timmerman feels that there is no competitive threat there currently, but that we could still be successful if competition were to pose a threat. Mr. Bailey feels that any resistance is more towards UTOPIA/UIA's involvement, not because of the potential financial burden. He has done lots of research and reached out to several providers. UIA is their best and most viable option currently.

Jeff Acerson (Lindon) inquired about the potential change legislatively regarding the 50/50 sales tax formula. Mr. Bailey responded they are a 50/50 city, but it is close. Mr. Timmerman feels

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that other legislative changes wouldn't be triggered by a Morgan City deal, but perhaps by a different, or larger, project. Ms. Lewis added that UIA/UTOPIA has more legislative support than previously.

Jason Roberts (Brigham City) inquired if any of the pledged revenue needs to be advanced to UIA from Morgan and a promissory note would be written, how would the pay back work and what funds would be used. Mr. Timmerman responded that the city is on the hook until that break-even point. If we hit the 2-year period and we hit break even, eventually we would continue to grow beyond, and additional funds would be used to pay back the city. UIA would benefit from day 1 on transport but would not benefit from infrastructure until the city breaks even. Mr. Roberts was concerned about the dates on the promissory note and pay back (referring to exhibit D). Mr. Roberts would like to know what the default date is. Brad Patterson responded that the promissory note wouldn't have a payment date necessarily. After quickly looking over it with Mr. Chandler, the date would not be in effect until the time comes, but we don't know when the note would hit, if at all. It's flexible, for example, we could require the payments on the 1st of the month or the 15th. Typically, payments begin the month after the note. Mr. Roberts would also like to know if there is a time where general UIA revenues would be used to pay back the Morgan debt. Ms. Lewis noted that it wouldn't be required that UIA pay Morgan's debt, but UIA would not be prohibited from doing so, if they desired. Discussion between Mr. Roberts, Brad Patterson, and Laura Lewis, Mr. Roberts would like more clarification on the services agreement related to the promissory note and interest. Mr. Jensen noted that the basic framework should be the same with other cities, but each city can have its own adjustments.

Mr. Davidson expressed concern over adding a city that would benefit before UIA member cities. He wants to know when Orem City will get reimbursed, where the Morgan City agreement defines that. Mr. Timmerman noted that Morgan City's partnership is small, but still beneficial. If we were to bring in 10 or 20 cities the size of Morgan, the conversation would be different. It's difficult because there is a burden on the original cities, but with partnerships like this, we hope to expedite the pay back to the original cities. Mr. Davidson expressed concern about the treatment of current UIA cities. Ms. Lewis stated that adding a Morgan City agreement or Woodland Hills, etc. that back stops new debt, will not impede what UIA can do on its own. What could harm UIA on its own, would be a debt to revenue ratio, and revenue on its own to sustain additional debt. To reiterate, Morgan City backing its own debt, would not hinder UIA from bonding in the future.

Mr. Jensen feels working with Morgan City is positive. It benefits us both financially and politically. There are some challenges because no new city partnerships are going to experience what the original cities experienced. If that was the requirement, no one would do it. He feels it makes sense to be careful who we partner with, but this is a good agreement for UIA. He expressed that each city has the opportunity to expedite their build by doing the same type of deal. There are so many positives, we should not get bogged down.

ACTION: Jason Roberts (Brigham City) MOVED to approve resolution 19-02 resulting in a services agreement between Morgan City and UIA, subject to verification that the notes be paid with Morgan revenues. Paul Isaac (West Valley City) SECONDED the motion. A roll call vote was taken - the resolution passed with a majority vote.

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Aye: Layton City (Alex Jensen) Nay: Orem City (Jamie Davidson)
Brigham City (Jason Roberts)
West Valley City (Paul Isaac)
Lindon City (Jeff Acerson)
Payson City (Mark Sorenson)

TOTAL: 251 91

Mr. Acerson (Lindon City) was excused from the meeting after the vote. A quorum was still present.

4. CONSIDER APPROVAL OF RESOLUTION 19-03: A RESOLUTION APPROVING BOND ISSUANCE FOR MORGAN CITY PROJECT WITH SPECIFIC PARAMETERS

Brad Patterson addressed the board. Now that a service contract has been approved, the board needs to authorize the issuance of bonds under that contract. It's similar to the structure used in Layton. This resolution allows bond issuance under specific parameters, which are: we can't exceed \$3.1 million in aggregate principal amount, we can't exceed an interest rate of 5.75%, the bonds can't mature more than 31 years from their date and can't be sold at a price of less than 97% of total principal amount. It also authorizes certain members of UIA to execute documents related to the issuance and execution of a bond purchase agreement, etc. Ms. Lewis added that in accordance with the parameters, there is some flexibility in the agreement to go more than 25 years, but not more than 30.

ACTION: Paul Isaac (West Valley City) MOVED to approve resolution 19-03 approving the agency to move forward with a bond for Morgan City. Jason Roberts (Brigham City) SECONDED the motion. A roll call vote was taken - the resolution passed with a majority vote.

Aye: Layton City (Alex Jensen) Nay: Orem City (Jamie Davidson)
Brigham City (Jason Roberts)
West Valley City (Paul Isaac)
Payson City (Mark Sorenson)

TOTAL: 240 91

5. ADJOURN

There being no further business of the UIA Board of Directors, the meeting on Tuesday, January 22nd, 2019, was adjourned at 11:51 AM.

ACTION: Jamie Davidson (Orem) MOVED to adjourn the meeting. The vote was unanimous.

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I hereby certify the foregoing to be a true and accurate record of the proceedings of this meeting of the UIA Board of Directors.

Laurie Harvey
Laurie Harvey, UIA Secretary

Approved this 11 day of February, 2019

