1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a board meeting Monday, August 12th, 2019. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:32 AM. He welcomed all attendees.

UIA Total Votes Present: 439
UIA Majority Vote: 220
UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – JULY 1, 2019

There was no discussion on the minutes.
ACTION: Bryce Haderlie (Midvale City) MOVED to approve the minutes from the UIA board meeting held July 1, 2019. Paul Isaac (West Valley City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. DISCUSS MANAGEMENT SERVICE AGREEMENT BETWEEN UIA AND UTOPIA

Ms. Laurie Harvey, UIA Secretary/Treasurer, stated this is a discussion item because the service contract will need to be amended through a resolution. This was discussed briefly in the last meeting and with the Finance Committee, but they have not seen the revisions. Before it is adopted, she will send it out for them to look at. The $4,480,000 shown on the slide presented is a combination of the reallocation of the UTOPIA management costs, which is sometimes referred to as a management fee from UIA to UTOPIA ($3.2 million), and the UIA/UTOPIA service contract ($1.2 million). This contract was originally adopted in 2010 and has been amended twice. The budget for 2020 includes a transfer of $4.4 million from UIA to UTOPIA. The proposed budget leaves the total number at $4,480,000 but reallocates about $1 million of that amount from the management cost line item to the UIA service contract line item.

Mr. Sam Lentz clarified this does not mean more money going from UIA to UTOPIA but reclassifies it as part of the contract.

Ms. Harvey stated that was correct. The service contract consists of three different portions, which are a Provisioning Fee, NOC Operations Fee and an Outside Plant Infrastructure Maintenance and Cost Fee. The Provisioning Fee is a one-time fee paid from UIA to UTOPIA with each new connection. The idea is that this amount will cover the cost for a NOC Tech to configure that device. Since 2011, the last amendment to the service contract, payroll costs for a single NOC employee have increased by 30%. It is proposed that each new connection be increased by that 30% from $11.00 to $14.30. The current budget is based on 235 new customers per month but should be updated and based upon an average of 450 new customers each month. This calculates to $77,200 annually. This amount is for budgeting purposes, but the actual fee will be based on actual new customers. The NOC operations component of this contract pays for the ongoing monitoring of each UIA connection. Based on the increased payroll cost for a NOC employee there is an increase from $5.00 to $6.50 proposed for each existing UIA connection. The current budget is based on 11,100 UIA connections but should be based on 18,000 UIA connections. This calculates to $1,404,000 annually. The next component is the field maintenance cost. There were no adjustments made for field maintenance because it covers so many items such as blue staking, power service, maintenance of HVAC equipment, etc. This amount was adjusted based on number of addresses passed. The current budget is based on 35,000 addresses passed but the updated number is 50,000 addresses passed. This calculates to $720,000 annually.

Mr. Roger Timmerman stated this number of customers only represents UIA customers. The overall network is larger than this.

Ms. Harvey explained the IRU states “beginning July 1, 2017, and continuing monthly, thereafter during the term, UIA shall pay UTOPIA a quarterly maintenance fee equal to $100 for each electronics shelter that supports UIA network electronics.” This has not been implemented
so it is being included in the transfer from UIA to UTOPIA. There are 166 shelters which calculates to a transfer of $66,400 annually. All shelters were included because they all serve both UIA and UTOPIA connections.

Mr. Paul Isaac asked for clarification that money was never transferred.

Ms. Harvey stated it was just overlooked. The IRU was created back in 2011 and she is not sure what was behind the delay in the maintenance costs. It clearly states beginning in July 2017 UIA shall pay UTOPIA. It helps reduce the management fee coming from UIA.

Mr. Bryce Haderlie asked if this is referring to a physical structure.

Mr. Timmerman stated that was correct. Most used now are walk in shelters, but the original network used cabinets.

Ms. Harvey showed a list of UTOPIA costs she felt were appropriate to reallocate to UIA. The Administration Budget includes salaries for administrative personnel and lobbying efforts as well. It is proposed that 90% of that budget be allocated to UIA which is $1,771,330. Marketing and Operations Directors represents the salaries and benefits cost for the Chief Marketing Officer and Chief Operations Officer. It is proposed that 85% of that be reallocated to UIA, which is $275,000, since a substantial amount of the work those positions are doing is for the expansion of the UIA Network. Efforts are still being made to get property and liability insurance reduced but 50% can safely be reallocated to UIA which would be $165,600. The total reallocation would be $2,212,400. She presented a summary of what was in the original budget and what is proposed in the revised budget. Provisioning cost increase by $46,200, NOC Operations by $736,300, Field Maintenance by $216,000, and Electronics Shelters by $66,400 which reduces the cost reallocation for management services by $1,064,900. This nets out to zero and there is still $4.4 million transferring from UIA to UTOPIA but more of that is clearly connected to the number of connections and the cost to service those connections.

Mr. Isaac stated this is going to make UTOPIA look a lot better.

Ms. Harvey stated the next step is to review this in-depth with the Finance Committee. The budget amendments will be included in the next budget opening which will be coming up with the approval of the West Point bonds. A resolution will be required to amend the Interlocal Cooperative Agreement for Services which will be at the next board meeting.

Mr. Sam Lentz stated he believes this improves transparency by showing what the money transferred is for.

Mayor Blair Camp asked if this is just transferring from one line to another if it will even require a budget opening.

Ms. Harvey stated that is a good point and it probably is not required.

4. UIA FINANCIAL UPDATE
Ms. Laurie Harvey, UIA Secretary/Treasurer, presented a graph that showed the UIA Revenue vs. Bond Obligation. In June 2019 the total UIA revenue was about $1.3 million. She added benchmarks for the Morgan and Payson bonds, so debt service is approaching $800,000 but all three of those bond payments at this time are covered by capitalized interest. Once the UIA bond is issued in September or October the line will jump to somewhere between the current bond obligation and the line representing the Layton bond so there is still plenty of headroom.

Mr. Timmerman stated the current revenue growth has created a unique position to complete the project with just two more bonds. A new expedited schedule has been released publicly and can be seen on the website. Finishing out the entire network is dependent on the issuing of these bonds. The complete build out of all UTOPIA cities should be finished in about 3 1/2 years.

Ms. Harvey stated the preliminary financial statements have been completed for UIA and revenue is at about 104% of what was estimated. Operating expenditures are at 99% of budget. Kelvin Taylor was recently hired as the Financial Analyst and is putting data together for the ratings presentation and the preliminary official statement for the UIA bond. She presented a graph showing recurring revenue for UTOPIA and UIA which showed growth is mostly coming from UIA, but UTOPIA is growing as well. Average revenue month over month for UIA is increasing at about 25,000 per month. If just the last six months is looked at it is increasing 28,000 per month. UTOPIA is increasing about 1,300 per month.

Mr. Jensen asked if this was a combination of residential and business growth.

Mr. Timmerman stated that was correct. Business growth has been okay but where the uptake is really seen is in residential sales. The record used to be 200 sales per month; now sales are regularly exceeding 500 per month.

Mr. Jensen asked if growth is continuing in all areas across the network.

Ms. Kim McKinley stated growth is being seen across the network. It can be seen in city take rates that every city is growing.

Mr. Timmerman presented a graph showing the residential take rate per city. Any drops seen in the graph are the result of a new area being opened which increases the denominator. Subscribers across the system are up everywhere. Even in a city, like Lindon where there is a high take rate, there is still an increase. Take rates are also affected negatively by empty parcels that do not have a home built on them.

Ms. McKinley stated there are 330 vertical homes in Woodland Hills and there are about 210 services there.

Mr. Isaac asked what the anticipated rate is for West Valley.

Mr. Timmerman stated in the newer areas once they are considered mature the take rate is about 30%. There is a fast growing denominator in West Valley due to all the building there.
Ms. McKinley stated current trajectories are the same for West Valley as in other cities. There is just a lot more competitive pressures there and a lot more homes.

Mr. Timmerman stated an area is considered mature after it’s been built and marketed for about three years. Half of West Valley City has not had three years to be marketed to but will continue over the next few years.

Mr. Jensen asked if marketing is continuing to some degree in each city.

Mr. Timmerman stated flyers are delivered to the door quarterly. There is a lot of Facebook and Pandora advertising.

Ms. McKinley explained there is a lot of remarketing done with the digital adds. If someone ever visits the UTOPIA site and it is determined that service is available, then they are retargeted with UTOPIA ads. Marketing is very tactical in how everything is approached.

Mr. Lentz asked how close Layton is to being completed with their accelerated buildout.

Mr. Timmermans stated it is 86% complete and should be done by the end of the year, depending on any obstacles that may occur. There will be another bond in place and the construction resource that has been in Layton City will shift to other cities.

5. UIA NETWORK UPDATE

Mr. Timmerman, UIA Executive Director, stated total subscriber count is at 24,530 and has doubled in the last four years. Recent history has been very good for both organizations. There are eleven service providers on board; the most recent one added was CentraCom. There are a lot of business providers. There are new city partnerships under way such as West Point, Morgan City is progressing, but the networks are not finished so there are not customers yet. The demand for fiber is higher than it’s ever been, and the frustration with the incumbent options is worse than it’s ever been. The cities felt that need and that’s why these organizations were developed, and it’s only been further substantiated over time that this was a necessary thing to do. The efforts of staff and support from cities has also helped to create growth.

Mr. Haderlie asked about 5G and what kind of impact that might have.

Mr. Timmerman stated 5G is a great thing. Some of the business growth the organization gets is for connectivity for wireless carriers. It is a mixed situation from carrier to carrier. Some don’t care what the terms are and just want to build their own system. Others are open and buy from UTOPIA to provide fiber to their towers. Part of 5G is not only the technology improvement that requires added capacity to each tower but more towers overall. Rather than selling a connection to one tower, a connection for ten to fifteen towers may be sold. There has not been a lot of it deployed in Utah, but it is getting prepped for it.
Mr. Haderlie asked if it is believed that customers might drop off as a result of 5G or if there will still be just as much demand in the homes.

Mr. Timmerman stated the primary driver for 5G is to keep up with the demand for mobile devices. The performance of cellular service is expected to decrease over future years because their ability to upgrade to 5G and increase capacity is not as fast as the demand that people are using their devices. Eventually they hope to catch up to 5G. Prices are being raised on cellular service to justify the investment in 5G and they’re not able to see the justification for it. Then they wanted to use the service for a home-based service. When a house connects with the same service a cellular device is connected to, there may be 40 to 50 devices on that one connection, and the network can’t sustain that capacity and usage for the same dollar amount. People expect unlimited service at home and 5G networks do not have the capacity for unlimited service. There is no expectation of a negative impact on home-based services because 5G networks don’t have the capacity to deliver in a suburban area. There is revenue expected for facilitating the mobile service that is out there.

Mr. Lentz stated information relating to how 5G has been analyzed would be a great thing to have in a FAQ on the website. He asked if a public version showing take rates and growth in cities is any closer to being available.

Mr. Timmerman stated he wanted to start with the board but was not sure about putting it on the website.

Mr. Isaac asked why that would be done for competitors to see, other than for the purpose of transparency.

Mr. Lentz stated there is a much better story to tell right now unlike five years ago. It would be helpful to show the trajectory that it is on to the people concerned that it is obsolete.

Mr. Timmerman is a bit hesitant with going too public with information, but it has been trending that direction.

Ms. McKinley is okay doing that but wants to do what the board feels comfortable with. It can be used against the organization as well because people could turn it and use it any way they like.

Mr. Timmerman stated critics and opponents can pick and choose data points without context.

Mr. Haderlie stated crafting the correct story that shows positive growth and continued improvement is important. Without the right information behind certain parts of the story it is not relevant to the public. It may confuse people. Midvale was thankful for having UTOPIA present at their recent city festival and it was very helpful for citizens to see what was going on.

Mr. Lentz stated maybe instead of just dumping this table on the website it could be a quarterly blog post that could also give some context.

Mr. Timmerman stated a format can be put together that will show the information with context.
Ms. Harvey clarified a comment made regarding the management fee. There are twelve employees included in the administration department.

6. **CLOSED SESSION TO DISCUSS THE PURCHASE, EXCHANGE, OR LEASE OF REAL PROPERTY**

**ACTION:** Sam Lentz (Orem City) moved to close the meeting to discuss real estate matters at the UTOPIA Offices. Bryce Haderlie (Midvale City) SECONDED the motion. A roll call vote was taken – the vote was unanimous.

**ACTION:** Bryce Haderlie (Midvale City) moved to open the meeting at the UTOPIA Offices. Sam Lentz (Orem City) SECONDED the motion. A roll call vote was taken – the vote was unanimous.

7. **ADJOURN**

There being no further business of the UIA Board of Directors, the meeting held on Monday, August 12, 2019, was adjourned at 10:08 AM.

**ACTION:** Sam Lentz (Orem City) MOVED to adjourn the meeting. Bryce Haderlie (Midvale City) SECONDED the motion. A voice vote was taken - the vote was unanimous.

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, UIA Secretary]

Approved this 26 day of August, 2019