1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a board meeting Monday, August 26th, 2019. UIA Chairman Alex Jensen (Layton) called the meeting to order at 10:01 AM. He welcomed all attendees.

UIA Total Votes Present: 422
UIA Majority Vote: 220
UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – AUGUST 12, 2019

There was no discussion on the minutes.
ACTION: Sam Lentz (Orem City) MOVED to approve the minutes from the UIA board meeting held August 12, 2019. Bryce Haderlie (Midvale City) SECONDED the motion. A voice vote was taken - vote was unanimous.


Mr. Jensen stated this resolution is to keep construction going on the network and to fulfill the promise and vision made a long time ago to get the cities built. He is excited to see this come forward to benefit other communities and he and his city of Layton are happy to support it.

Mr. Roger Timmerman, UIA Chief Executive Officer, explained the context around this bond is there has been a lot of success at UIA. The board determined the top priority is building out the system and the second priority has been to minimize the debt burden to those cities. Fortunately, the top priority helps with the second priority. The faster the network can be built out the better it is. Three phases of financing were initially contemplated to get the network to completion. The recent success with UIA has been good and the pace of construction has been accelerated. The construction pace right now is faster than it’s ever been. About half the customers on the system have come on within the last four years. The revenue and subscriber charts show the success the organization is having right now. The organization needs to continue what it’s doing and if trends stay as they are now, there is a good financial position to finance projects using revenues. When financing is no longer needed and customers are just being added incrementally to the system, the financial position of the organization gets very good. There may be more projects financed but those will be additional city projects. Those cities will come with their own backstop. Given the position the organization is currently in, it was decided to go for half of what would be needed to complete the rest of the cities that needed to be built out. There was a little head room added to the $45 million needed for the build out to cover financing and allow some flexibility. It is anticipated that a similar size bond will be taken out in about a year and a half for
the final phase of build out for the original cities. This is based on the construction schedule that is currently on the website.

Ms. Laura Lewis, Lewis Young Robertson & Burningham, presented the following information:

REQUEST:
Consider Adoption of Super Parameters Resolution which, among other things, sets forth the maximum amount of the bonds, the maximum maturity date, the maximum interest rate, appoints designated officers to finalize the transaction within the parameters set forth and sets a date for a public hearing.

BACKGROUND INFORMATION:
With the success it’s had with fiber deployment and take rates to date, UIA desires to continue with its plan to fully build out fiber to the home in its member cities. In order to further construction within the member cities UIA is now to a point where it needs to issue additional bonds for the capital cost of continued deployment.

UIA will oversee the construction of the fiber system utilizing professional contractors. UIA will own, operate and maintain the fiber system.

UIA has an excellent history of take rates and related cash flow as it has deployed fiber throughout its member cities. The debt has been, and is planned to be, completely repaid utilizing the fiber system revenues and while the Member Cities have agreed to backstop a portion of the debt with the pledge of energy franchise fee revenues, it has not been necessary to call upon these pledges.

Notwithstanding the excellent revenue history that UIA has demonstrated, given that the annual debt service payments exceeded the franchise pledge amount with the last issuance of UIA bonds, the rating on the bonds went down. This is due to the fact that rating analysts have specific criteria as to how to rate energy franchise fee bonds but have no criteria to provide guidance to them as to how they should rate municipal fiber system revenue bonds where any portion of the debt service could ever be reliant on fiber system revenues. Although ongoing efforts to educate the rating agencies on this emerging bond security, and the great success of UIA, it is anticipated that the UIA bonds will maintain its current rating with this next issue. The current interest rate environment, and significant amounts of available cash from the investor community, make it an excellent time to issue bonds.

FISCAL IMPACT:
The total fiscal impact to UIA’s budget is anticipated to be approximately $2.8M per year commencing in calendar year 2022. It is anticipated that additional fiber system revenues will be generated to make this debt service payment.

SUMMARY OF PARAMETERS IN THE ATTACHED RESOLUTION:
Maximum Par Amount of Bonds: $53,500,000

Maximum Length to Final Maturity: 30 Years from the date of issuance

Maximum Coupon: 5.50%

Designated Officers:
Any three of the following: Chair of the Board, Vice Chair of the Board, the Chief Executive Officer and the Secretary / Treasurer

OTHER PERTINENT INFORMATION:

Anticipated Par Amount: $49,355M
Estimated Construction / Acquisition Funds Available: $45M
Estimated Fully Funded Debt Service Reserve: $2.85M
Estimated 2-Years Capitalized Interest: $3.81M
First payment from System Revenues due: April 15, 2022
Estimated Average Annual Debt Service: $2.854M

ANTICIPATED TIMING:

Rating Agency Visit: September 19th
Pricing: Mid October
Closing: End of October

Ms. Lewis added they may do an investor road show to speak with individual purchasers to see if they would be interested in purchasing more UIA bonds. The information provided to investors included in the road show will be available online for any other potential investors as well.

Mr. Paul Isaac asked about the overall timeline from now until issuance of the bonds.

Ms. Lewis is hoping to wrap up everything around the end of October with money in the bank on October 30th. She also addressed with this bond issuance there is also a building purchase anticipated for storage facilities in South Salt Lake. The rating agencies will not view the fact that not every dollar is not going toward generating revenue and making connections as negative but rather neutral to positive.

Mr. Timmerman stated it can be shown that this building purchase will help save money. There is an agreement expected between UIA and UTOPIA where UIA will purchase the building and then lease it to UTOPIA. From UTOPIA’s perspective, this will have a good financial affect as far as being able to insource utility locating. With the purchase of this building, there will be net revenue associated with it.
Mr. Jensen asked if there has been discussion with the owner of the new building.

Mr. Timmerman stated an offer has been accepted pending some inspections and determining that the current zoning will allow the intended use.

Mr. Jensen asked if there is a chart that will show where the debt service will line up in relation to revenues.

Mr. Timmerman showed a visual of where the debt service line will be once the capitalized interest periods are met. The total of all obligations once this debt service hits will still be under the current revenue. The revenue line is aggressively good but there is no reason to believe it will not continue. There are regularly 500 new subscriptions per month. There is a lot of new area opening up.

Mr. Jason Roberts stated accelerating the timeline has been discussed as well as only two more UIA bonds rather than three. He asked for an explanation of how this will affect the timeline of the build.

Ms. Lewis stated this is about as aggressive as things can get relative to the metrics that are of highest concern to the rating agency. If the bond is doubled and the payment goes from $2.8 million to $5.6 million the claim can’t be made that there is currently enough revenue to pay for this debt with no reliance needed on new subscribers. When they previously met with the rating agencies, one thing mentioned that could cause a downgrade was that there was another bond issued sooner than a year and a half from the previous one. This bond will be pushing that a little, but the organization’s story is so good that she believes it will be okay. With those two things in mind, from a finance perspective she believes this is about as far as it can go.

Mr. Timmerman stated from a construction perspective there is a really good pace going right now. If there were three bond issuances instead of two, the bonds would probably need to happen less than 18 months apart so it’s better to do two larger ones and not extend the build out of the network. He would like to get all this done faster and bring about more revenue, debt relief and politically it would be good for residents to be able to get the service. From his perspective, this is the right balance of timing and size of financing to maximize the pace of construction and the capacity of the organization.

Ms. Lewis shares the concern that interest rates are low right now and when bonds are issued again in 18 months markets could be a lot different than they are now. The parameters could be increased by about $5 million but she would not like to double it because she believes the organization could lose its rating.

Mr. Roberts would not want to risk losing the rating either. He wondered if this is issued as presented when would the organization be back out to market for the next bond.

Ms. Lewis stated UIA’s preference would be 18 months.
Mr. Timmerman stated if it is sooner, then there should be more network built and revenues corresponding to that. That balance will be watched carefully to make sure the organization is in a good revenue position for the next bond. There are 500 subscribers a month with associated revenues, plus business revenue and there are other city partnerships. So far, revenue from other city partnerships has been negligible because those networks are still in the process of being built. There is some revenue from Woodland Hills and Idaho Falls. West Point and Morgan have not been built yet so there is no revenue from them at this point. During the next 18 months it is likely that there will be new city partnerships which don’t harm the rating because they come with their own backstop but create additional revenue opportunities.

Ms. Lewis added the resolution provides for UIA to reimburse itself the monies it has expended or will expend prior to issuing the bonds. This means if UIA purchases the new building before the bond is issued the bond can be used to reimburse UIA for that expense once the monies have been received.

Mr. Brad Patterson, Gilmore & Bell, briefly went over the parameters of the bond: maximum principal amount is $53,500,000, maximum maturity of 30 years, maximum interest rate of 5.5% and they can’t be sold at a price less than 97% of the total principal amount of the bonds. There will need to be designated officers to assist with the execution of the bond purchase contract at the time the bonds are priced.

Ms. Lewis stated on the day of pricing, three of the four officers listed will be required. They can join through a conference call if needed.

**ACTION:** Bryce Haderlie (Midvale City) MOVED to approve resolution 19-14 authorizing the issuance and sale of not more than $53,500,000 aggregate principal amount of tax-exempt telecommunications revenue bonds and related matters. Paul Isaac (West Valley City) SECONDED the motion. A roll call vote was taken –vote was unanimous.

4. **ADJOURN**

There being no further business of the UIA Board of Directors, the special meeting held on Monday, August 26, 2019, was adjourned at 10:39 AM.

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 ___ day of October, 2019