

UTAH INFRASTRUCTURE AGENCY (UIA)

SPECIAL BOARD MEETING AND PUBLIC HEARING MINUTES
October 7, 2019
8:30 AM

UTOPIA FIBER OFFICES
5858 SOUTH 900 EAST
MURRY, UTAH 84121

- Board Members Present:** Alex Jensen – Chairman, Layton City
Paul Isaac – West Valley City
Mayor Jeff Acerson – Lindon City
Brenda Moore – Murray City
- Joining Electronically:** Jason Roberts – First Vice Chair, Brigham City
Sam Lentz – Third Vice Chair, Orem City
- Officers Present:** Roger Timmerman – UIA Chief Executive Officer
Laurie Harvey – UIA Secretary/Treasurer
Joshua Chandler – UIA General Counsel
- Others Present:** Christa Evans – UTOPIA Secretary
Kimberly McKinley – UTOPIA Chief Marketing Officer
Aaron Leach – UTOPIA Chief Operations Officer
Laura Lewis – Financial Advisor, Lewis Young Robertson & Burningham
Jack Walkenhorst – All West
Brad Patterson – Bond Counsel, Gilmore & Bell

1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a special board meeting and public hearing Monday, October 7, 2019. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:34 AM. He welcomed all attendees.

UIA Total Votes Present: 372
UIA Majority Vote: 220
UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – AUGUST 26, 2019

There was no discussion on the minutes.

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ACTION: Paul Isaac (West Valley City) MOVED to approve the minutes from the UIA board meeting held August 26, 2019. Brenda Moore (Murray City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. PUBLIC HEARING

- **PUBLIC HEARING TO ALLOW PUBLIC INPUT REGARDING (A) THE ISSUANCE AND SALE OF NOT MORE THAN \$53,500,000 AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS REVENUE, SERIES 2019; AND (B) ANY POTENTIAL ECONOMIC IMPACT THAT THE PROJECT DESCRIBED HEREIN TO BE FINANCED WITH THE PROCEEDS OF THE SERIES 2019 BONDS ISSUED UNDER THE ACT MAY HAVE ON THE PRIVATE SECTOR; AND RELATED MATTERS**

ACTION: Mayor Jeff Acerson (Lindon City) MOVED to open the public hearing. Paul Isaac (West Valley City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

There were no comments from the public.

Ms. Laura Lewis, Financial Advisor, Lewis Young Robertson & Burningham, stated there was a meeting with Fitch ratings and there should be a rating for the bond by this Thursday. She will be taking some staff members on investor visits to meet with investors and share information about the project and UIA and how it is progressing. This will hopefully create more interest in the bonds and drive rates down a little.

Mr. Paul Isaac, West Valley, asked if there is any reason to believe the rating will be lower than previously.

Ms. Lewis personally believes the rating should be higher than BBB- but believes it will be at least that.

Mr. Roger Timmerman, UIA Chief Executive Officer, added that the financial position for UIA has only gotten better so there is no reason to believe things will be worse.

Mr. Sam Lentz, Orem, asked if there was an update on the new building purchase.

Mr. Timmerman stated the due diligence is currently being worked through. There were some zoning issues with the city that needed to be addressed. Staff is working with the city to get something in writing that would guarantee UTOPIA would be able to use the building with the intended purpose. The conflict is regarding outdoor storage. If it is not approved by the city then staff will walk away from the deal and other building options will be pursued.

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Mr. Josh Chandler, UIA General Counsel, stated in communications with the city, they have been very favorable about UTOPIA purchasing this building. He just wants to make sure everything is documented and UTOPIA is in a safe position regarding the use.

Mr. Timmerman stated the building is being purchased with proceeds from this bond. If UTOPIA does not purchase this particular building, the bond proceeds can be used to purchase a different building. There is still a need for a new facility for the purpose of in housing utility locating services and warehousing, which will help financially, but it is not specific to this property.

ACTION: Paul Isaac (West Valley City) MOVED to close the public hearing. Brenda Moore (West Valley City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

4. CONSIDER APPROVAL OF RESOLUTION 19-15: CONSIDERATION OF A RESOLUTION TO AMEND THE INTERLOCAL COOPERATIVE AGREEMENT FOR SERVICES BY AND BETWEEN UIA AND UTOPIA

Mr. Chandler stated this is a point that has been covered with the board in previous meetings. It basically updated numbers in the service agreement to reflect current costs. This is the formal mechanism to amend that agreement.

ACTION: Mayor Jeff Acerson (Lindon City) MOVED to approve Resolution 19-15 to amend the Interlocal Cooperative Agreement for services by and between UIA and UTOPIA. Brenda Moore (Murray City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

5. UIA FINANCIAL UPDATE

Ms. Laurie Harvey, UIA Secretary/Treasurer, presented the combined recurring revenue graph for both UIA and UTOPIA. Total monthly revenue is getting close to \$2 million per year. There is still a \$25,000 to \$30,000 increase per month in recurring revenue. Expenditures are right in line with where they should be. She displayed a graph showing the UIA revenue vs. the bond obligation along with the bonds that are currently being serviced by capitalized interest. The graph showed there is a sizeable gap between revenue and the debt service payment.

Ms. Lewis added this graph captures the reason why she believes the UIA bond should have a better rating.

Ms. Harvey presented another graph that showed revenue projections through 2025. The blue line on the graph showed anticipated revenue continuing to grow by 25% each year. This is conservative because for 2020, 30% was budgeted. With the bond being issued in October there is no reason to believe the buildout of the system will slow down. The take rate is expected to be the same as it has been. This assumes subscribers will go from 20,000 to 40,000 on the UIA network in 2025. The orange line showed the net revenues and the gap between the two being similar to what it is in 2020 which speaks to UIA's scalability. As subscribers go up, the NOC

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can handle that, however, new field technicians will need to be hired along the way. UIA is structured to take on new subscribers without adding a substantial amount of staff or new expenditures.

Mr. Jason Roberts, Brigham City, asked for clarification on what the dots on the graph represented.

Ms. Harvey stated the dots represent debt service, from the 2019 bond all the way to the bond that is anticipated to be issued in Spring of 2021 to finish the buildout of the UTOPIA/UIA footprint. The revenues assume that the debt is issued in 2021.

Mr. Timmerman stated the purpose of this graph is to project what it will look like to finish out the network at this pace, build new cities and take on additional debt burden to do all that. This bond and another one like it are all it will take to build out the mainline of the system. Just performing how the organization has been will create a massive amount of customers that can come on to the system. This is not an overly optimistic projection.

Mayor Jeff Acerson, Lindon, asked if there has been any pre-market analysis of the new areas. He is wondering what the competition is like in these new areas.

Mr. Timmerman stated the blend is good. There are some areas that may have a below average take rate and other areas that have an above average take rate. The overall blend is fantastic.

Mr. Paul Isaac, West Valley, asked at what point is there concern that there are too many subscribers for the NOC to handle.

Mr. Timmerman stated that is a good problem to have. Most operations were designed to scale very nicely. The NOC could still be inhouse even if the customer base was tripled with only the addition of one or two NOC Techs. Field services is where things are not scaled well. The number of Field Service Techs is dictated by the number of customers, so he expects to see the Field Service Techs increase in number as the customer base grows. Field Service operations would probably move to the new building. Most things scale very nicely with what is currently being done. The customer base has doubled in the last four years and things are continuing to grow faster. The industry trend shows that growth will be even faster. For example, Lindon is one of the very first areas that was built and no saturation level has been reached. Customers continue to be added there. This shows the demand for fiber is increasing. Woodland Hills is now the leader in take rates at 65%.

Ms. Harvey included the ratings presentation that was used for the meeting with Fitch Ratings. This presentation will be taken to the investors.

Mr. Sam Lentz, Orem, was fascinated by some of the information in the bond presentation and was thankful it was provided in the board packet.

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Mr. Timmerman stated for the investors and people looking to buy the UIA bonds, there will be a lot more information available publicly. From a transparency perspective, there will be a lot more information available on the website as well.

Ms. Lewis stated this is important because investors want to be able to access this information, but staff has been made aware it is important for the information be kept up to date.

6. UIA NETWORK UPDATE

Mr. Timmerman stated the network is still very strong. There was a report sent out to the board members which show where things are from a subscriber perspective. It includes subscriber counts and gives the ability to see how each city is doing from a take rate perspective. It also allows comparison from city to city. Generally, take rates do not go down in any city. Financially, it is an enormous benefit to get customers in existing areas. That has been a big part of financial improvement. There is more building going on right now than any other time in UTOPIA history. Construction is going on in Payson, Orem, Midvale, West Valley, Layton, Morgan and West Point. Areas not mentioned that still need to be built are on the construction schedule. There is light at the end of the tunnel that all the cities will be done soon and then it will be discussed what to do from there. There are several additional cities in discussion for potential partnerships but none to approve at this point. The organization would like to get some of the new partnerships wrapped up, such as Morgan and West Point, and show they were successful before moving into new city partnerships. New city partnerships take time. There is a balance needed between new cities coming in while not creating a negative effect on the original buildout which is why the new cities have been smaller cities, so it does not create a big impact. If a large city was interested in a partnership and it was a good opportunity it would be considered along with how it would impact the buildout. That is not an issue at this point. There are other cities considering fiber to the home projects like American Fork and Kaysville. The organization has seen those and has not felt it was a good political environment to get tied to. There is a lot of division surrounding those projects. The UIA partnerships have all had unanimous support which is what the organization likes to have. Contracts are set up where citizens are only charged a fee if they choose to sign up for service which is the type of structure the organization likes to have. These other city projects are looking to impose mandatory utility fees which is very risky for those cities both legally and politically. UTOPIA has made a choice to distance itself from those projects in an effort to not get pulled into any of the fights.

Mr. Isaac stated he is glad to hear there is a strategic plan to avoid the perception of being associated with those city projects.

Mr. Timmerman stated UTOPIA is trying to stay as distant from these projects as possible in case there is legislative action that results. It has even been said in city meetings that they are trying to get things pushed through as quickly as possible to avoid legislative action that might prohibit them from doing a utility fee. UTOPIA does not want any collateral damage if changes come from the legislative level. UTOPIA is continuing with what it believes to be a good model. There is misinformation that UTOPIA is trying to interfere with those projects and that is not the case. UTOPIA is keeping its distance from these projects.

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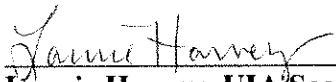
Mayor Acerson asked if there had been any direct discussion with the Mayor in American Fork.

Mr. Timmerman stated he reached out to the mayor and scheduled a meeting, but the mayor cancelled it and does not want to speak with UTOPIA. American Fork officials have expressed their desire to not involve UTOPIA. If Mayor Acerson has a relationship with the Mayor in American Fork, he is welcome to talk with him about UTOPIA. He does not want to see fiber projects fail in other cities, even where UTOPIA isn't involved, because that can hurt the fiber industry in general.

7. ADJOURN

There being no further business of the UIA Board of Directors, the special meeting and public hearing held on Monday, October 7, 2019, was adjourned at 9:11 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 9th day of December, 2019

