

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA)

BOARD MEETING MINUTES

December 9, 2019

10:00 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRAY, UTAH 84121

Board Members Present: Wayne Pyle – Chair, West Valley City
Kane Loader – Third Vice Chair, Midvale City
Mayor Blair Camp – Murray City

Joining Electronically: Adam Cowie – Second Vice Chair, Lindon City
Todd Christensen – Perry City
Jason Roberts – Alternate, Brigham City
Mark Sorenson – Alternate, Payson City
Sam Lentz – Alternate, Orem City

Officers Present: Roger Timmerman – UTOPIA Executive Director
Laurie Harvey – UTOPIA Chief Financial Officer
Joshua Chandler – UTOPIA General Counsel
Aaron Leach – UTOPIA Chief Operations Officer
Kim McKinley – UTOPIA Chief Marketing Officer
Christa Evans – UTOPIA Secretary

Others Present: Jack Walkenhorst, All West

1. WELCOME AND INTRODUCTIONS

The UTOPIA Board of Directors held a board meeting on December 9, 2019. UTOPIA Chair Wayne Pyle (West Valley City) called the meeting to order at 10:01 AM.

UTOPIA Votes Present: 358

UTOPIA Majority Vote: 279

UTOPIA 2/3 Vote: 371

2. APPROVAL OF MINUTES – OCTOBER 7, 2019

There was no discussion on the minutes.

ACTION: Mayor Blair Camp (Murray City) MOVED to approve the minutes from the UTOPIA board meeting held October 7th, 2019. Mark Sorenson (Payson City) SECONDED the motion. A voice vote was taken - vote was unanimous.

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3. 2020 BOARD MEETING SCHEDULE

Mr. Pyle stated the 2020 UIA/UTOPIA board meeting schedule is set for the second Monday of the month, every other month, unless there is a holiday (i.e. October). UIA meetings will begin at 8:30 am; UTOPIA meetings will begin at 10:00 am. It has been emailed to the board and posted according to state law.

ACTION: Mayor Blair Camp (Murray City) MOVED to approve the 2020 board meeting schedule. Adam Cowie (Lindon City) SECONDED the motion. A voice vote was taken - vote was unanimous.

4. OPEN AND PUBLIC MEETINGS ACTS TRAINING

Mr. Josh Chandler, UTOPIA General Counsel, explained that state statute requires annual training for the public meetings act. To figure out if something violates the open meetings act, you can look back to the declaration of public policy that the legislature included in the act itself. He quoted that "It is the intent of the Legislature that the state, its agencies, and its political subdivisions take their actions openly; and conduct their deliberations openly." The baseline is meetings will be open and the public can attend. He addressed the requirements to close a meeting: quorum present and two-thirds vote to close a meeting. The common reasons to close a meeting are as follows:

- discussion of the character, professional competence, or physical or mental health of an individual
- strategy sessions to discuss pending or reasonably imminent litigation
- strategy sessions to discuss the purchase, exchange, or lease of real property
- discussion regarding deployment of security personnel, devices, or systems
- investigative proceedings regarding allegations of criminal misconduct.

One issue he addressed is ensuring there are not separate private meetings occurring in the middle of an open meeting, i.e. through text message between members of the body. The statute does not limit members from communicating electronically when the public body is not convened in an open meeting. There are two potential penalties for violating the open and public meetings act. One is that the final action taken by the body may be voided by the courts. The second possible outcome for violation of the act is the possibility of criminal charges.

There were no questions regarding the Open and Public Meetings Act.

5. UTOPIA FINANCIAL UPDATE

Ms. Laurie Harvey, UTOPIA CFO, displayed a graph showing recurring revenue for both UIA and UTOPIA. Combined system revenue is growing at about \$30,000 to \$35,000 month over month. There was a slight decrease in UTOPIA revenues this month due to some UEN credits which came in the form of an adjustment. The dips shown in the revenue graphs are due to year end receivable adjustments that were written off as a result of preparing for the audit. The auditors are still working on some issues with capital assets and will be at the board meeting in February to go over the audit. She also showed a graph displaying UIA revenue compared to its

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bond obligations. The graph showed revenue currently covering all bond obligations, including those still being serviced by capitalized interest.

Mr. Timmerman stated with all the bond amounts UIA is obligated to, current revenue is able to cover it. UIA is still yet to spend the money from the most recent bond to grow the system and increase revenue. He expects to take on another similar size bond in about a year and a half to build out the final phase of the original member cities. This information is of interest to UTOPIA because these bonds are assisting with buildout of original member cities. As UIA & UTOPIA grow there will be more expense offloading from UTOPIA to UIA. The priority for both organizations is getting the cities built out and, second, offsetting UTOPIA's debt burden.

Ms. Harvey provided some preliminary financial statements for FY 2019. The Statement of Net Position showed the total current assets increased by \$286,000. Most of that is a receivable from UIA. She worked with the auditors to determine a fair amount for UIA to transfer to UTOPIA to cover the cost of staff working on UIA issues. There is \$864,000 owed from UIA to UTOPIA that will be paid in FY 2020. The IRU was paid off in FY 2018. Noncurrent assets decreased by about \$5 million with is all related to depreciation. There is very little growth in capital assets on the UTOPIA side; growth is taking place on the UIA side. The Deferred Outflow of Resources offsets the liability for the interest rate swaps. If UTOPIA were required to pay off that swap today it would cost \$80 million. It is essentially a book entry and she cannot foresee any event requiring the use of current assets to pay off that swap. Current liabilities went up slightly and noncurrent liabilities increased by about \$32 million; \$15 million is related to the interest rate swap. About \$18 million is the increase in notes payable to the cities; UTOPIA cities pay money to UTOPIA every year to replace the debt service reserve on the revenue bonds so that number continues to grow. UIA is doing very well so there will continue to be dividends issued that will help cities offset that payment. Net position decreased; \$5 million of the decrease was depreciation. Operating revenues were up by \$2 million. Revenue continues to increase in UTOPIA; some of that consists of UIA's reimbursement to UTOPIA. Overall, there is a \$2 million increase in revenues. Expenses increased by \$1.7 million; a lot of that increase is in payroll which is offset by revenue coming from UIA to UTOPIA. The ending change in net position is about \$21 million which is mostly due to bond interest and fees and depreciation. She presented an actual vs. budget chart showing numbers through September 2019. Revenue is about \$36,000 more than budgeted due to the reimbursement from UIA. The Administrative Expenses budget is about \$97,000 lower than expected. Professional Services is about \$9,700 lower than expected. Overall Operating Expenses are \$188,000 below estimated. Depreciation is not included because that is a noncash item. UTOPIA is in line with budget and there is no reason for concern as far as expenses. She presented some UIA/UTOPIA accomplishments over the last few months which were as follows:

- Closed UIA Revenue Bond in amount of \$48,365,000 (November 8, 2019)
 - True Interest Cost – 3.48%
 - Fitch Rating BBB-
 - Investor roadshow paid off – 2 investors placed orders on all maturities

Mr. Loader asked if it is ever expected that the bond rating could be raised.

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Mr. Timmerman stated more years of history and the ability to show debt coverage will factor into that.

Ms. Harvey continued:

- Closed on purchase of South Salt Lake building - \$2.1 M (November 26, 2019)
- Changed Insurance Broker to Olympus Insurance
 - Reduced annual insurance premiums from \$301,200 to \$117,400
- Hired Employee Benefits Consultant (Health Insurance Brokers) – GBS
 - Enhanced options for employee health coverage
 - Offered High Deductible plan with Health Savings Account
 - This year, UTOPIA is contributing \$1,000 upfront and an additional \$1,000 over the year to current employees that opt for the High Deductible HSA Plan
 - Kept traditional plan with reduced deductible
 - Offered cash waiver (in-lieu of coverage) to employees insured through spouse/parent
 - No increase in overall cost to UTOPIA
- In the process of bringing blue staking in-house
 - Anticipate savings of at least \$200,000 per year (from \$820,000 to \$600,000)

Mr. Timmerman stated the cost for blue staking has continually increased each year while quality has gone down. There have been times UTOPIA lines have been hit and damages occurred that created outages and required repair. There are other areas within the organization that were once outsourced, such as the NOC, which have been brought in-house and have fared very well. The new locating team will be housed in the new facility. The complete transition will happen by February 1, 2020.

Mr. Pyle asked what prompted the move to an HSA Plan.

Mr. Timmerman stated high deductible plans are cheaper but can impact employees negatively. It was decided to use the money saved with a high deductible plan and put it toward an employee HSA. There was a health reimbursement arrangement in place but was cumbersome and the employees were not getting the expected benefit from it. With an HSA the employees can retain their benefit but with the HRA employees would lose the money if it was not used. The cost to the company was about the same and the HSA was an easier system.

Mr. Lentz added Orem City has had an HSA for six years and have saved over \$30,000, \$5,000 per year. There is a learning curve in employees understanding how it benefits them, but the advantages are definitely there.

6. UTOPIA NETWORK UPDATE

Mr. Timmerman provided some high-level stats that he emails to board members. The subscriber base continues to grow and is at over 26,000. There have been strong months of over 500 customers coming on the system. Subscribers have been growing in every city. Take rates fluctuate a little when new areas are added but the quantity of subscribers always goes up. There

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has been a significant amount of building in new areas. The organization recently surpassed over 100,000 addresses available on the system. Building is happening faster than it ever has in the past. Completion of all pledging UTOPIA cities is on pace to be done in about three years. It is expected in a year and a half to take out another \$48 million bond to complete that. There is a lot of demand for construction resources in this economy but UTOPIA's pricing with contractors has been stable. Staff believes the best way to address UTOPIA debt is to complete the buildout as quickly as possible so any available funds could be turned toward UTOPIA debt. The organization is on track to cover a portion of the reimbursement for UIA cities that made OpEx payments. That UIA payment will go out in April.

Mr. Pyle stated he really likes this report. It is very succinct and shows what is going on.

Mr. Timmerman sends the report out every month to board members. Board members are welcome to share this information as well.

Mr. Mark Sorenson, Payson, asked what it will take to move equipment to the new building and the anticipated timeline to make it a functional part of the system.

Mr. Timmerman stated the first phase is an immediate need to house vehicles and some technicians. That will happen before any remodeling. Over the spring, it is expected to do some improvements such as removing a wall to create more warehouse space and adding asphalt to the back. These will be incremental improvements over the next year.

Mr. Loader asked what the square footage of the new building is.

Mr. Timmerman stated it is about 12,000 square feet. Most of the building value is in the location and acreage. UTOPIA needs storage space and this building works well for that. It also has great freeway access.

Mr. Sorenson asked if a paragraph explaining the intent of the building could be included with the next board member email update. It would be helpful for board members to share with councilmembers.

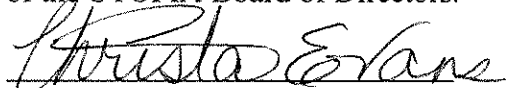
Mr. Timmerman stated Payson and other cities that have their own bond will also get a UIA report outlining specific obligations related to the project.

7. ADJOURN

There being no further business of the UTOPIA Board of Directors, the meeting on Monday, December 9th, 2019, was adjourned at 10:49 AM.

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


Christa Evans, UTOPIA Secretary

Approved this 10th day of February, 20~~19~~²⁰

