1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a board meeting Monday, February 10, 2020. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:38 AM. He welcomed all attendees. Matt Dahl was introduced as the new UIA representative for Midvale City. He has been with Midvale for two years and is currently the Assistant City Manager.

UIA Total Votes Present: 420
UIA Majority Vote: 220
UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – DECEMBER 9, 2019

There was no discussion on the minutes.
ACTION: Paul Isaac (West Valley City) MOVED to approve the minutes from the UIA board meeting held December 9, 2019. Brenda Moore (Murray City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. PUBLIC HEARING

- AMEND 2020 FISCAL YEAR BUDGET

ACTION: Brant Hanson (Centerville City) MOVED to open the public hearing. Paul Isaac (West Valley City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

Ms. Laurie Harvey, UIA Secretary/Treasurer, presented a chart detailing the budget amendments. The first budget amendment is to add revenue from bond proceeds for the West Point project which is $7.815 million. The expenditure side is $552,200 transferred to the Capitalized Interest Trust account, $187,400 covers the cost of issuance and $7 million will be transferred to the Construction Trust account. The second amendment is bond proceeds from the UIA Series 2019 bond which is almost $52 million. The expenditure side is $2.8 million transferred to the Capitalized Interest Trust account, $780,500 covers the cost of issuance, and about $3.3 million transferred to the Debt Service Reserve Trust account. The remaining $45 million will be transferred to the Construction Trust account. The next item is pulling $26 million in funds needed out of the Construction Trust account to be used in FY 2020 for infrastructure. There is about $40 million budgeted in infrastructure for 2020. The next line item showed $1.489 million transferred from the Capitalized Interest Trust account for debt service to be covered on the bonds that were previously mentioned. Debt service for the West Point and UIA bond does not start for a couple of years. The last amendment is a line item transfer between management fees paid to UTOPIA and service contract fees paid to UTOPIA.

There were no comments from the public.

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


This item was discussed during the previous agenda item.

ACTION: Paul Isaac (West Valley City) MOVED to approve resolution 20-01 amending the budget for the fiscal year beginning July 1, 2019 and ending June 30, 2020. Brant Hanson (Centerville City) SECONDED the motion. A roll call vote was taken - vote was unanimous.
5. CONSIDER APPROVAL OF RESOLUTION 20-02: A RESOLUTION OF UTAH INFRASTRUCTURE AGENCY (UIA), APPROVING A DISTRIBUTION FROM FY 2020 EXCESS REVENUES OF UIA.

Ms. Harvey stated in 2014/2015 UIA requested operating expenditure assistance to continue running. Assessments were made to all UIA cities. UIA is currently in the process of repaying those cities their operating assessments. She displayed a slide showing how the FY 2020 repayment is being calculated which is similar to how the FY 2019 payment was calculated. The first column represented the dividend based on UTOPIA pledge increases since 2017. UTOPIA pledging cities have a commitment to replace the debt service reserve for the UTOPIA bond. Every year that pledge goes up 2%. Over the last few years, UIA tried to repay those cities at least the amount the pledge is increasing so the pledge payment the cities made in 2017 stays level. UIA is remitting enough to the cities to cover the increase since 2017. The second column is the dividend based on the percentage of operating assessment paid. It was noted last year, based on the way some of the assessments were determined, it would take longer to pay some cities back based on just the pledge. The percentage of operating assessment was looked at, if cities paid in full and the repayment based on that calculation. The greater of the two, either pledge or operating assessment, was used to determine the dividend. Those cities that paid their operating assessment in full will be paid in cash; these cities are Brigham City, Layton, Midvale, Orem and Payson. The dividend for cities that just paid part of their operating assessment is being used to offset any additional amount they owe; those cities are Centerville, Lindon and Murray. Once all the OpEx is paid in, around 2022/2023, those cities will start receiving cash. There was $833,800 appropriated as a dividend based on what the total pledge increase would be so all the dividends were grossed up in order to remit the full $833,800 in cash.

Mr. Timmerman stated this is more than what was done in the past in order to expedite things.

Ms. Harvey displayed the next slide showing the UIA note payable to cities and how that amount is decreasing. It showed a reduction in the amount owed by about $760,000. She displayed the proposal for repayment in 2021. It showed Centerville’s OpEx assessment paid in full and beginning to receive a cash dividend. In 2021, the note payable is proposed to decrease by about $1 million. The repayment proposal for 2022 showed all OpEx assessments paid in full, with Murray and Lindon caught up, and all cities eligible for a reimbursement. The dividend based on the pledge is $1.4 million but $1.6 million is proposed, depending out how things are looking at that time. The 2022 note payable to cities is proposed to decrease to $408,780, which will make it easy to repay the remaining cities in 2023. Staff recommends the first priority is to repay the note payable to cities. The second recommendation is to continue to cover UIA cities and any increase in UTOPIA payments they may have. Brigham City’s OpEx is paid off in FY 2020 due to how their special assessments affected the way their OpEx was calculated. Layton, Murray and West Valley will have their OpEx paid off in FY 2022. The Finance Committee has been charged to develop a plan for contributions from UIA to UTOPIA for 2023 to continue giving dividends and rebates to UTOPIA and/or UIA cities.

Mr. Jensen clarified that once the OpEx is all repaid in 2023, payments will be made in the form of debt reduction toward UTOPIA.
Ms. Harvey stated that was correct.

Mr. Timmerman stated part of the Finance Committee’s responsibility is to figure out how to do this the right way in order to keep the entities separate. There may need to be a contract or agreement with the cities to address the money between UIA and UTOPIA. The OpEx payments could be expedited but it is better to have the money go toward the priority of building out the network. That makes UIA’s financial position better for the next rating for the final build out bond that will take place in Summer 2021.

Mr. Paul Isaac asked when the buildout will be finished.

Mr. Timmerman stated the buildout will be significantly completed approximately at the end of 2022. At that time, the percentage of debt burden cities have can be significantly reduced. That will be the next priority once cities have reached buildout.

Mr. Jason Roberts finds it exciting that cities receiving money back will be paying less for their sales tax pledge than they did last year.

ACTION: Brenda Moore (Murray City) MOVED to approve resolution 20-02 approving a distribution from FY 2020 excess revenues of UIA. Matt Dahl (Midvale City) SECONDED the motion. A roll call vote was taken – vote was unanimous.

6. CONSIDER APPROVAL OF RESOLUTION 20-03: A RESOLUTION OF UTAH INFRASTRUCTURE AGENCY (UIA), AMENDING RESOLUTION NO. 13-06 AND ELECTRONIC MEETING PROCEDURES FOR UTAH INFRASTRUCTURE AGENCY.

Mr. Josh Chandler explained this is a small revision of the policy adopted in 2013. When the policy was originally adopted it set a threshold for minimum in-person attendance at board meetings in order to allow representatives to continue to vote at meetings in the future. Given the improvements in technology and how things are working with member cities and UIA, it seems advisable to remove the minimum required in-person attendance. The remainder of the provisions have stayed the same regarding protocol for meetings, but this will make it easier for board members to attend meetings electronically.

ACTION: Paul Isaac (West Valley City) MOVED to approve Resolution 20-03 amending Resolution 13-06 and electronic meeting procedures for Utah Infrastructure Agency (UIA). Brant Hanson (Centerville City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

The auditors were not present yet and the audit review occurred later in the meeting.

8. ELECTION OF UIA BOARD OFFICERS.

The UIA board is as follows: Alex Jensen (Layton) – Chair; Jason Roberts (Brigham City) – first vice chair; Bryce Haderlie (Midvale) – second vice chair, which is now vacant; and Sam Lentz (Orem) – third vice chair, which is also vacant.
Mr. Isaac expressed his appreciation for the current board and does not see a need to change anything until buildout is completed.

**ACTION:** Paul Isaac (West Valley City) MOVED to retain the current leadership, with the addition of Matt Dahl (Midvale) to replace Bryce Haderlie and Jamie Davidson (Orem) to replace Sam Lentz. Brant Hanson (Centerville) SECONDED the motion.

Mr. Davidson asked what the tenure of the current chair was.

Mr. Timmerman stated Mr. Jensen had been the chair since 2014, prior to that it was Richard Manning.

Mr. Davidson appreciates the value and input Mr. Jensen has provided as chair but would like leadership to be a shared responsibility. While the motion has been made to continue the status quo, he will be voting against this.

**ACTION:** A roll call vote was taken on the motion that was previously made - the vote was as follows:

- **Aye:** Alex Jensen, Layton City  
  Jason Roberts, Brigham City  
  Matt Dahl, Midvale City  
  Brenda Moore, Murray City  
  Paul Isaac, West Valley City  
  Brant Hanson, Centerville City  
  Mayor Jeff Aerson, Lindon City
- **Nay:** Jamie Davidson, Orem

The motion passed with 329 votes.

9. **UIA CALENDAR YEAR END SALES REPORT**

Ms. Kimberly McKinley, UTOPIA Chief Marketing Officer, stated the year ended with 5,815 gross residential sales which is a 20% increase from last year. There were over 27,000 subscribers at the end of 2019 which is the highest it has ever been. That is a net growth of 4,710 customers over last year. She feels this is due to the operations team and how much they are building and staying consistent on the build schedule. At the end of January 2020, the first section of Morgan was opened and within one month there was a 25% take rate in that one area. She feels 2020 is trending toward a lot of records. She thanked the board and shared there is a lot of success and growth when the cities get behind the project. There was some success and steady growth in the business area as well. The strategy for 2020, which began in 2019, is to entrench the organization more in the business community and create more awareness. The first month of 2020 was the largest month for residential sales ever coming in just shy of 600.

Mr. Jensen asked if there is anything the growth can be attributed to.

Ms. McKinley stated the incumbents in the area are terrible which has helped the organization. More people are signing up as awareness increases; UTOPIA was on the news three times in the
past week and the press is a lot more friendly than previous years. In the next couple of months UTOPIA will be involved with an editorial board at the Salt Lake Tribune and the organization is receiving attention that it never would have in the past. It’s just getting people to hear the positive stories and not the negative. Now, when UTOPIA Fiber is googled there are only positive stories on the first page. EDCUtah is doing a photo shoot at the office and will be putting UTOPIA in their investor magazine.

Mr. Jensen asked if the board members can share this information with their cities.

Ms. McKinley stated board members are welcome to share with their cities.

Mr. Timmerman stated media coverage does not happen accidentally. Ms. McKinley pushes out press releases to different media outlets to get coverage. The West Point article was very strategic with its timing and when areas were being released. The goal was to not only drive up demand in West Point but to do it everywhere.

Ms. McKinley stated, nationally, UTOPIA is now looked at as the how-to project rather than what not to do which is has been in the past. That is a credit to all those that have been involved in the project for so long.

Mr. Timmerman stated the reason why national coverage is important is because of projects like Idaho Falls. That is a recurring project where UTOPIA receives between $5,000 to $6,000 for services that are provided. It is expected that more opportunities will come up that are similar to that project where UTOPIA can partner with areas outside of the state. It creates a great benefit without UTOPIA having to take on any of the risk. Idaho Falls subscribers are not included in the subscriber reports but it is additional revenue.

Mr. Jensen commented that 99% of the credit for the success of UTOPIA is because of staff. The political stability in the cities is also a great contributing factor to the turnaround that Ms. McKinley talked about. The stability of both the UTOPIA and UIA board has created that environment. Sometimes change is good but if there is consistency, predictability and stability within a governing body it can function a lot better. There is a comfort level and a knowledge of how to work within the parameters. In the early years of the organization, that stability did not always exist. He thanked the board members from cities that have previously struggled with that stability in their city.

10. UIA FINANCIAL UPDATE

Ms. Harvey presented a comparison of the FY2020 budget to an actual as of December 31, 2019. She also showed the FY2020 amended budget with the proposed amendments that were adopted today. For revenues, the total budget is $17 million; YTD there is $8.4 million of which the largest component is access fees. This combines lease revenue and revenue from service providers. It is at 49% which is great because subscribers are being added every month. There is no doubt that the proposed amount will be reached by the end of the fiscal year. Total revenue is currently at 50% of budgeted revenue. Total expenditures are at 51%. Some of the variances are UIA service agreement and management fees to UTOPIA. She believes this is due to some
internal coding that will be fixed. Combining those two numbers is about halfway through the total budget. Financing/Investment/Capital showed debt service at about 57% of budget because there were principal payments due in October. There will also be some due in April but there are no concerns when looking at the detail of that budget. There are also contributions from capitalized interest and debt service reserve funds. Some of the Cap I that will be paid in the future is coming from the trust accounts so that will offset the number budgeted for debt service. Interest on restricted funds is about where it should be at 47% of budget. Proceeds from debt issuance is at 98% because all budgeted debt has been issued. Bond issuance cost is at 88% of budget because all of those have been transferred into the trust accounts. There are still a few bills to pay from the last one because Fitch was slow with their invoice. Anything left after the cost of issuance has been paid moves to the construction fund account. One hundred percent of contributions to Cap I/Debt Service Reserve funds and Bond Construction Funds has been moved to the trust accounts. Money is pulled from the Contribution from Bond Construction Accounts as construction is funded. Year to date, $19.5 million has been spent on infrastructure and network expansion. The budget for 2020 is about $40 million so it is proceeding at the pace expected.

7. FINANCIAL AUDIT FY2019

Mr. Ben Bailey, Auditor for Keddington & Christensen, presented the findings from the FY2019 Audit. There was a clean, unmodified opinion. They did not run in to any difficulties with management. As of June 30, 2019, the financials are materially correct. Internal controls are checked for compliance with state requirements. One finding was there were a few accounts at year end that had not been reconciled but this did not seem to be an issue from month to month. There was a clean report regarding state compliance.

Mr. Jensen asked if a process has been implemented to make sure the issue with the finding doesn’t happen again.

Mr. Timmerman stated there were some things the previous CFO would do to reconcile accounts at the end of the year that were unknown. It will be taken care of this year now that there is awareness.

Mr. Harvey stated the current controller, Jess Rudd, took over many things the previous CFO did regarding the audit and did the best he could. It was a rough audit for all involved, mostly related to capital assets. There is time being spent on the fixed assets schedule right now in order to fix this problem in the future.

Mr. Hanson asked if any other corrective actions are being taken to address any other issues that came up during the audit.

Ms. Harvey stated most of the issues were related to the transition from one Finance Director to another. She is reviewing the monthly financial statements from the Controller more often. Everyone is learning more about Microsoft Dynamics GP which is the software that is used. It is more suited for private sector use rather than governmental which is what most in the room are
more familiar with. There were also communication issues between her and the accounting staff that she takes full responsibility for and will be much better this year.

Mr. Jensen asked if areas were found where it would be helpful to have a written process for staff or if that is already taken care of.

Ms. Harvey stated a written process for reconciling fixed assets at the end of the year is in place but staff struggled with it. The controller has taken notes to help him in the process for the future. Both she and the controller are more familiar with the program and process now and it will run much smoother in 2020.

11. UIA NETWORK UPDATE

Mr. Timmerman shared the subscriber report and focused on some of the detail. Address availability essentially represents the buildout of the system. It’s a big number so even a slight uptick in the slope represents a lot more construction happening; it varies when a lot of addresses are released. At buildout there will be about 160,000 addresses if the focus is on just the initial cities. Buildout schedules for each city are available on the website. From a financial perspective, revenues are already where they need to be in order to cover the debt service.

Layton is nearing buildout, there is a lot of construction going on in Orem and West Valley is the largest city and there has been a lot of progress there. This will result in a lot more addresses available and subscribers. Any city could go to the website to see their buildout schedule; staff is working on providing more interactive maps. The numbers on the website are what is communicated publicly but the buildout is ahead of that schedule. Historically, that information has been kept internal, but staff did not see a problem with putting it out publicly. There should be no problems with delivering on that schedule. Subscribers are continuing to increase in all cities, even those where there has not been any construction. Residential take rates is an interesting metric to look at. Lindon is an example which has been built out for nearly 15 years yet subscribers continue to grow and is now around 57% take rate. That is a result of not only a demand for fiber services but a better reputation as well. Services offered today are better as well; about half of customers coming onto the system are buying 1 Gig and are not just going to the low end which helps with revenue. There does not seem to be a threat from 5G but instead it benefits the organization through small cell deployment. 5G has not resulted in subscribers cancelling their fiber connection. There are more cities coming to UTOPIA who for many years did not want to be a part of the project but are now wish they were. It is bringing broadband and solving net neutrality issues because it is building out entire cities. Removing contracts was an effort to make it more accessible. Churn rate is maintained at 4% annually while the industry churn rate is about 10%. Growth is good in new cities as well as existing cities. Woodland Hills and Morgan have both had very strong numbers. West Point is a new UIA project that is expected to have a very high take rate. There are several other cities that would like to do partnerships like West Point. By the next board meeting it is expected to have a potential partnership agreement to present. Morgan City and West Point are the preferred structure to use where the city takes on the pledge for the bond tied to their project; there is no risk to UIA and with every customer, a portion of the bill covers the debt service and the operating expense.
Ms. McKinley asked board members to notify her of any city events they would like UTOPIA to be a part of this summer. Also, as sprinkler season approaches, please direct any customer complaints to the customer service department.

Mr. Matt Dahl asked if there is anything happening in the legislative session that could affect this organization.

Mr. Timmerman stated so far there has not been anything related to telecom and broadband. There are some lobbyists that work closely with UTOPIA and keep tabs on things going on there. Support among legislators is probably the strongest it’s ever been.

12. ADJOURN

Mr. Jensen suggested that some of the new board members take time outside of the regular board meetings to come to the office and get familiar with the network. If there are political issues, board members should let staff know as they are very responsive. Also, if there are new council members that could benefit from being updated by staff they should contact them to schedule a meeting update at their city. He expressed his appreciation to staff and board members for their efforts to make UIA successful.

There being no further business of the UIA Board of Directors, the meeting held on Monday, February 10, 2020, was adjourned at 9:53 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

Laurie Harvey, UIA Secretary

Approved this 13th day of April, 2020