

**UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA)**

**BOARD MEETING MINUTES**

April 13, 2020

10:00 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRAY, UTAH 84121

**Board Members Present:** Meeting conducted electronically

**Board Members Joining**

**Electronically:**

Wayne Pyle – Chair, West Valley City  
Debby Lauret – First Vice Chair, Orem City  
Adam Cowie – Second Vice Chair, Lindon City  
Kane Loader – Third Vice Chair, Midvale City  
Thomas Peterson – Brigham City  
Mayor Blair Camp – Murray City  
Councilmember Robyn Mecham – Centerville City  
Clint Morris – Layton City  
Councilmember Mark Sorenson – Payson City  
Todd Christensen – Perry City

**Officers Joining**

**Electronically:**

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 Joining**

**Electronically:**

Jason Roberts – Alternate, Brigham City  
Brant Hanson – Alternate, Centerville City

**1. WELCOME AND INTRODUCTIONS**

The UTOPIA Board of Directors held an electronic board meeting on April 13, 2020. The meeting was live streamed to allow public viewing. UTOPIA Chair Wayne Pyle (West Valley City) called the meeting to order at 10:04 AM.

UTOPIA Votes Present: 444

UTOPIA Majority Vote: 279

UTOPIA 2/3 Vote: 371

**2. APPROVAL OF MINUTES – FEBRUARY 10, 2020**

There was no discussion on the minutes.

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**ACTION: Kane Loader (Midvale City) MOVED to approve the minutes from the UTOPIA board meeting held February 10, 2020. Adam Cowie (Lindon City) SECONDED the motion. A voice vote was taken - vote was unanimous.**

**3. CONSIDER APPROVAL OF RESOLUTION 20-02: A RESOLUTION OF UTAH TELECOMMUNICATIONS OPEN INFRASTRUCTURE AGENCY (UTOPIA), ADOPTING THE TENTATIVE BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2021, AND SETTING A DATE AND TIME FOR A PUBLIC HEARING REGARDING THE FY 2021 BUDGET.**

Mr. Roger Timmerman, UTOPIA Executive Director, stated from a high-level things are good. There is demand for new city partnerships, in existing cities to complete builds and from customers across the board in existing and new areas. A few years ago UTOPIA was celebrating 200 new customers a month which grew to 500-600 per month. With Coronavirus the demand for fiber has increased even more and sales were at 1,100 new signups this past month. That is expected to go down to the 500-600 range but is still phenomenal growth. With that, there are more customers to support, more network to maintain and repair and more work to be done. This impacts resources so some staffing is needed to meet the demand. As UTOPIA increases staff, UIA is expected to pay for that because that is where the growth is. There are agreements between UIA and UTOPIA to ensure UIA is paying its fair share. The parameters are regularly adjusted to make sure the agreement is mutually beneficial. The budget is very preliminary and is still under consideration. Overall, the growth as an organization has been conservative. UTOPIA continues to improve in efficiency; cost per customer continues to go down as well as cost for maintenance across the system. Efficiency and economy of scale continue to improve even as revenue is growing. Budgeting and planning is still underway for an additional phase of bonds in spring of 2021 which will complete the buildout of the initial UTOPIA cities. In the previous meeting with UIA, an agreement was approved with Clearfield City for them to backstop a bond to build out their city. That is another \$12.8 million bond UIA will be doing for the buildout of Clearfield but will not impact the buildout of current UTOPIA cities. Finishing the buildout is dependent on timing and revenue growth; it is a careful balance of subscriber and revenue growth to obtain a good bond rating. Timing, schedule and resources all look good.

Ms. Laurie Harvey, UTOPIA CFO, stated this is a tentative budget. Utah Law requires a tentative budget be adopted before the first regularly scheduled board meeting in May of each year. Final budgets will be proposed and adopted at the June board meeting. She presented the FY 2021 tentative budget. The column titled Base Budget includes estimated revenue based on current growth rate. The columns are FY 2019 Actual, FY 2020 Amended Budget, FY 2020 YTD as of March 31, 2020, Projected Balance and Percentage of FY 2020 Budget and the last column is the Percentage of FY 2020 Projections. On revenues, the number to focus on is the increase in total revenues which is 14%. A lot of the increase is the UIA service contract agreement that requires UIA to pay UTOPIA on a per unit basis. It is estimated there will be \$2.3 million coming over in FY 2020 from UIA based on revenue. For FY 2021 it is estimated the UIA Service Contract Agreement will bring in \$3.2 million in revenue; almost \$1 million more than in FY 2020. Management fee is reimbursement for a lot of the administrative salaries at UTOPIA. A lot of positions at UTOPIA spend more and more time working on UIA issues and the auditors

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encouraged the organization to make sure those management fees are covered. Before the final budget is adopted in June there is further analysis needed of the UIA service contract; as costs increase for maintaining and operating the network those rates may increase which could be reflected in the service contract. As of now, total revenue is expected to exceed projected revenue by about 14%.

Mr. Pyle is pleased to see UIA able to support and contribute to increased cost in UTOPIA. Regarding access fees, for years it has been anticipated that revenues generated by UTOPIA itself would start to level off. It seems like that is beginning to occur when looking at the last few months.

Mr. Timmerman stated there are certain types of customers that could either be a UTOPIA customer or UIA customer. If they come on the network in an existing area that is funded by UTOPIA the revenue will be at UTOPIA. If there is a lot of new build then it is placed in UIA. The intent is to keep UTOPIA revenue flat which maximizes UIA's ability with more customers and revenue growth to secure additional funds for new phases of the project. However, at some point there will need to be some mechanism to get more funds from UIA to UTOPIA to pay off the bonds in the long-term. Short-term the strategy has been to have UTOPIA cover its costs but not grow significantly because that would harm UIA's ability to finance additional phases to finish the buildout.

Ms. Harvey explained the expenditure portion of the budget. Every approved position plus a 3% increase in employee compensation has been built into the base budget. There are some requests that are not built into the budget, the biggest request being additional personnel. The new positions will need to be discussed and have not been approved. Almost everything appropriated in the Administration Budget for FY 2020 was spent but looks as if it decreased because departments have been broken out and different components created. This will provide greater transparency and more accountability on the part of department directors. There is a new department created for Finance/Accounting with a base budget of \$540,000. The budget for Information Technology includes some software, computer equipment and maintenance cost. There is not a comparison from FY 2020 but the end of the budget shows total expenditures. There is a separate budget for Marketing/Sales; Customer Service has been broken out into its own budget as well. Operations Management has a budget of \$864,000 for FY 2021; co-location and easement items are in this budget. Warehouse/Inventory Management now has its own budget due to the new South Salt Lake location and the intent to take over inventory management. The budget for network operating cost has not changed much but is expected to increase by 2% in FY 2021. Field Services has been broken out into several different components. Field Services itself consists of nine service techs and the director. Blue Stakes Locating is a new department created in the current fiscal year and consists of ten locators and one manager. As network area grows the number of locators will continue to increase. Expenditures are anticipated at \$1 million in FY 2021. The last year with Stake Center Locating was at about \$900,000 but the number of addresses passed and calls has increased substantially since then. This has been a good move as there has been better quality from technicians and fewer mismarked lines.

Mr. Timmerman stated it looks as if it is an added expense but it has just moved from an external expense to an internal one.

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Ms. Harvey continued with the budget for network engineering which looks as if it is decreasing but some of the costs have just moved to other budgets. Total expenditures for FY 2021 are expected to be \$994,000. Outside Plant – Construction in the past has included all outside plant construction and engineering as well as inside plant engineering. Upon the request of Aaron Leach, UTOPIA Chief Operating Officer, it has been broken into three different budgets. Outside Plant - Construction is the new construction of outside plant and maintenance of that. Outside Plant – Engineering has been broken out into its own budget. Inside Plant – Engineering is mainly responsible for the huts and cabinets in the field. One large component of that budget is utilities for all huts and cabinets. The Non-departmental budget is a catch all for items that are difficult to allocate between departments. The largest items in this budget are: liability insurance, equipment (which can probably be parsed out to other departments before the final budget), building rent (rent that UTOPIA pays to UIA for the office building) and building repair/maintenance. There is a total of \$615,000 in that budget. Financing/Capital budget anticipates contributions from member cities in FY 2021 to replenish the debt service reserve fund at about \$15.1 million which is the amount due on the UTOPIA bond for FY 2021. There is about \$700,000 in capital purchases. It is required that 5% of the current budget be budgeted for reduction of the fund balance deficit. There is \$1.3 million in total Financing/Capital. Total expenditures of \$13.2 million leaves revenues over expenditures at about \$677,000 so there is room to work with new positions and requests. There are currently 73 positions funded in UTOPIA for FY 2020. The largest increase in FY 2020 was bringing Blue Stakes Locating in-house which added 11 employees to the budget.

Requests for FY 2021 are as follows:

- Administration: 1 position
  - Smart City Specialist – helps promote the application of some city-wide services that are available
- Marketing/Sales/Customer Service: 2 positions
  - Customer Service Representative – current reps are serving an average of 5,000 customers each. As customers increase there is need to add another Customer Service Representative.
  - Order Fulfillment Processor – helps Business Sales department get orders in CUE and processed.
- Operations Management: 2 positions
  - Field Service Dispatcher – manages all Field Service workers.
  - DevOps Manager – assists with system, network and operations.
- Warehouse/Inventory: 1 position
  - Warehouse Assistant – assists with inventory management of warehouse resources related to the purchase of South Salt Lake building.
- Network Operating Center: 1 position
  - NOC Tech – current techs are covering an average of 5,000 connections each. As connections increase more techs are needed.
- Field Services: 1 position
  - Field Service Technician – current techs are covering an average of 3,300 addresses each. As addresses passed increase the number of techs needs to increase proportionally.

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- Blue Stakes Locating: 1 position
  - Locator – as the network expands there are more calls from contractors in the field to mark UTOPIA infrastructure.
- Outside Plant – Construction: 1 position
  - Inspector – additional field inspector.
- Inside Plant/Facilities: 1 position
  - Facilities Engineering Technician – helps with design, installation and maintenance of the system.
- GIS: 1 intern
  - GIS Intern – there are currently three intern positions, requesting one more.

Approximate cost for all positions is about \$845,000. With the base budget and a few changes that need to be made many positions can be accommodated if determined to be needed. They are all subject to approval and will be reviewed in June when the final budget is adopted. System addresses will have increased 40% from July 2019 to June 2021. System connections will have increased 48% in the same time period. With the base budget, revenues are increasing 14% and operating expenditures are increasing 10% before additional budget requests are added.

Mr. Adam Cowie, Lindon, stated there is a lot of growth right now due to circumstances of Coronavirus. Have the UTOPIA numbers been looked at from the prior recession to see how the organization fared during that time?

Mr. Timmerman stated that has been looked at. Fortunately, broadband is pretty recession proof especially if an affordable option is being offered. Looking back at 2008, there was not a lot of building going on and customers continued to be added. Growth today is due to existing areas and building new areas; it is stronger than it has ever been. There is not a lot of indications it will slow down. If construction slows down it would affect the locating department. There are others being looked at in relation to certain circumstances to determine actual needed. Approval will come at the next meeting after a lot of review has taken place. He believes even after Coronavirus passes levels will remain at 500-600 customers added each month. There is a very low churn rate with customers and when people scrutinize bills due to financial hardships, UTOPIA fares very well.

Mr. Cowie clarified if new positions are not proposed in the base budget, then approving the tentative budget is not necessarily approving the new positions.

Ms. Harvey stated that was correct.

Mr. Timmerman stated the growth is occurring in UIA. There are agreements where UIA pays UTOPIA for services so there are ways to ensure UTOPIA stays whole. Increased costs in UTOPIA would bring increased revenue from UIA.

Mr. Cowie stated cities are dealing with a reverse situation and need to look at how revenues are going to contract.

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Mayor Blair Camp, Murray, asked if the 3% increase for employees is an across-the-board cost of living adjustment.

Mr. Timmerman stated that was correct. He understands the situation of cities and that this is a really constraining time. Generally, UTOPIA has mirrored what member cities have done. If cities are pulling back on merit increases that may be something that will be looked at. There will be a better idea in two months when the final budget is approved.

**ACTION: Kane Loader (Midvale City) MOVED to approve resolution 20-02 adopting the tentative budget for FY 2021 and setting a date and time for the public hearing. Mark Sorenson (Payson City) SECONDED the motion. A roll call vote was taken – vote was unanimous.**

#### **4. UTOPIA FINANCIAL UPDATE**

Ms. Harvey stated the revenue charts were included in the packets. System-wide there is an average increase in revenue month over month of about \$22,500. In UIA, there has been an average increase of \$30,000 month over month since July. UTOPIA revenue is staying fairly flat. Most of the new connections are in UIA. She met with the Finance Committee to discuss the best method of moving money over from UIA to UTOPIA to begin repaying the Notes Payable to UTOPIA cities. She has been asked to prepare long term projections that will be very helpful to know how to move forward in UTOPIA and when going to the bond market. The revenue chart shows UTOPIA revenue over \$500,000 per month, UIA at \$1.5 million for a combined gross revenue that has now exceeded \$2 million per month. March was a very good month and UTOPIA seems to be weathering the storm well. The UIA revenue chart is included which shows it compared to the debt service obligations of the different cities. Things are in good shape on the UIA side as well.

Mr. Pyle stated he has been watching with interest when revenue would exceed \$2 million which represents combined revenues quadrupling since June 2012. He is looking forward to the \$2.5 million mark. He also appreciated the other charts provided by Ms. Harvey which show expenditures are matching revenues which is important as bond debt obligation is being added.

#### **5. UTOPIA NETWORK UPDATE**

Mr. Timmerman sent out a subscriber report to all board members that provided a lot of detail. It shows availability of network and the number of addresses across all cities that can get service. Building has been happening faster than ever. There is another \$45 million bond anticipated after this current UIA bond phase. The final phase of the bond will occur spring 2021. The financing capacity must be balanced carefully. Revenue growth continues to be very strong. Take rate in every area is continuing to grow. In the UIA meeting the Clearfield project was approved which creates a new bond backstopped by the city. There will be a new \$12.8 million debt obligation with a two-year capitalized interest period which will be shown in the UIA chart. The expense kicks in two years from now but in the meantime, there will be revenue growth. UIA receives infrastructure revenue for each connection, in addition there is a transport fee which covers operations and maintenance. As new customers, cities and projects are added there is an economy

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of scale benefit; new positions are added at a much slower rate than new customers and the corresponding revenues. Efficiency continues to improve. There were about 50 employees back when there were only 10,000 customers. Eleven of the new positions added since then have been locators which was being paid for externally and was just brought inhouse. There are not a lot more people to manage almost three times the customers and twice the network footprint. Staff feels they are being very efficient with growth. There have been a lot of updates and strides made on the network. There have been upgrades made to the core of the system to make sure it can handle new customers coming on. People are using more bandwidth due to Coronavirus and the system is completely capable of handling it. Customers could be doubled and the network would still be able to handle that. The network and customer growth are both in great shape. There were 1,100 new sign ups last month. UTOPIA is incredibly busy and the staff has been up to task. Staff is working hard, putting in extra hours and it has been a lot of work to handle the upswing in demand. There is concern about employees and contractors staying safe during interactions with customers. They've been equipped with masks and training to ensure their safety. There has been one confirmed case of Coronavirus among employees.

Mr. Todd Christensen, Perry, asked how the ISPs are doing with the growth.

Mr. Timmerman stated they have done pretty well but if they reach some sort of congestion it usually needs to be pointed out to them. There is a lot of capacity on UTOPIA's system but ISPs don't always have a lot of upstream headroom on their connections. They've responded well and there haven't been many customer issues that have come up related to speed. There were a couple network events that would have affected Perry, Tremonton and Layton where equipment needed to be replaced. There is redundancy created within the network so that if something fails hopefully the systems stays up.

Mr. Christensen stated the email sent last week was very good. His children are doing schoolwork from home and he has seen the benefit of UTOPIA. He has been able to share his experience with neighbors that are struggling with children not being able to do their schoolwork due to poor internet connections.

Mr. Timmerman stated this is critical infrastructure and UTOPIA is working as fast as possible to get it built out to every neighborhood.

Mr. Christensen stated the current situation further supplants the need for a good internet connection in homes. It's not lifesaving like power or water but is still very critical for people needing to work from home.

Mr. Timmerman stated the need is nationwide. Staff is experiencing cities coming to them about service that have never been interested before.

Mr. Pyle needed to leave the meeting and turned the chair responsibilities over to First Vice Chair, Debby Lauret, for the remainder of the meeting.

Mr. Timmerman added there has been some good progress made on additional projects other than internet connections that are being utilized to benefit cities. One of these projects is Purple Air

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which monitors air quality. That is deployed in all UTOPIA cities now. Another project that work has been done on is a wildfire detection system. Thermal imaging cameras are utilized to scan over bench areas that are at high risk for wildfires and provide early wildfire detection. There are plans to install one of these cameras in Orem, Layton and Woodland Hills. Fiber infrastructure is behind this technology to enable it to work.

**6. ADJOURN**

There being no further business of the UTOPIA Board of Directors, the meeting on Monday, April 13, 2020, was adjourned at 11:11 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*

Christa Evans, UTOPIA Secretary

Approved this 8<sup>th</sup> day of June, 2020

