1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held an electronic board meeting and public hearing on Monday, June 8, 2020. The meeting was live streamed to allow public viewing. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:34 AM. He welcomed all attendees.

UIA Total Votes Present: 428
UIA Majority Vote: 220
UIA 2/3 Vote: 293
2. **APPROVAL OF MINUTES – APRIL 13, 2020**

There was no discussion on the minutes.

**ACTION:** Paul Isaac (West Valley City) MOVED to approve the minutes from the UIA board meeting held April 13, 2020. Brant Hanson (Clearfield City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. **PUBLIC HEARINGS**

- **PUBLIC HEARING TO ALLOW PUBLIC INPUT REGARDING (A) THE ISSUANCE AND SALE OF NOT MORE THAN $15 MILLION AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS AND FRANCHISE TAX REVENUE BONDS (CLEARFIELD CITY PROJECT) SERIES 2020; AND (B) ANY POTENTIAL ECONOMIC IMPACT THAT THE PROJECT DESCRIBED HEREIN TO BE FINANCED WITH THE PROCEEDS OF THE SERIES 2020 BONDS ISSUED UNDER THE ACT MAY HAVE ON THE PRIVATE SECTOR; AND RELATED MATTERS.**

Mr. Roger Timmerman, UIA CEO, stated the contract was approved previously and is similar to those for Morgan and West Point. There has since been a bond rating of A+ awarded to this.

Ms. Laura Lewis, Financial Advisor, Lewis Young Robertson & Burningham, summarized the following:

Although there are a few different nuances in each separate Service Agreement that UIA has already adopted, the general financial structure of the proposed bonds being considered is similar to other individual city transactions such as UIA-Morgan, UIA-Payson and UIA West Point to name a few.

The following summarizes the proposed financing transaction for the UIA-Clearfield project;

- The Bonds will be issued by UIA and will appear on UIA’s books as its debt obligation.
- The Bonds will be secured by system revenues with those revenues coming from the new connections in Clearfield.
- In entering into the Service Agreement, which is structured like a “take-or-pay” contract, Clearfield has agreed to utilize a portion of its municipal energy sales and use taxes to make the payment under the Service Agreement if fiber system revenues from the Clearfield take rates are insufficient to make the monthly payments.
- With the Service Agreement in place providing access to Clearfield’s energy sales and use taxes under the contract, if ever needed, the bonds have been rated A+ by Standard & Poors.
- The bonds will be structured with approximately two years of capitalized interest and principal will amortize in not to exceed thirty years so that care can be taken to structure
the bond payments so that they are at, or below, the amount Clearfield has committed under the Service Agreement.

- **Average Annual Debt Service** for the ~$12.5M build is estimated to be approximately $734,500 once principal amortization commences.
- Clearfield City Energy sales and use taxes available in total to support the Service Contract were approximately $2,838,000 in FY 2019. This results in approximately 1.90X coverage taking into account other city debt supported by this same revenue stream until that debt matures and then slightly over 4X coverage when comparing total available revenues to the estimated debt service on the Bonds.
- We currently anticipate closing in late July but this date could move up or back depending on market conditions.

Mr. Paul Isaac, West Valley City, asked how long the network buildout is expected to take in Clearfield.

Mr. Timmerman stated, contractually, the organization has two years to complete the build but it will probably take about a year and a half.

Mr. Isaac stated revenues should be expected in about two years.

Mr. Timmerman stated one of the benefits is the significant amount of business in Clearfield City and UTOPIA already has business customers and fiber in the city.

Mr. Jensen asked what estimated take rate is needed to cover the debt.

Mr. Timmerman stated it is about 30% when business revenues are factored in.

Ms. Kim McKinley, CMO, UTOPIA, is excited for the project and believes take rates will be exceeded. UTOPIA will be very successful in Clearfield.

Mr. Timmerman stated from the start until now, Clearfield City has been unanimously supportive of this project. Everyone from the public to city staff to the elected officials has been 100% supportive. Coronavirus has emphasized the need for this kind of connectivity and everyone in the city is anxious to get it built out.

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

There were no comments from the public.

**ACTION:** Brenda Moore (Murray City) MOVED to close the public hearing regarding the Clearfield Bond. Jason Roberts (Brigham City) SECONDED the motion. A roll call vote was taken - vote was unanimous.
PUBLIC HEARING TO ALLOW PUBLIC COMMENTS REGARDING THE TENTATIVE FISCAL YEAR 2021 BUDGET FOR UTAH INFRASTRUCTURE AGENCY (UIA).

Ms. Laurie Harvey, UIA Treasurer/Secretary, stated in April the board adopted the tentative budget; this is a public hearing to discuss that budget. The next item on the agenda is to approve the budget for FY 2021. She went over a few highlights. Budgeted revenue is 28% higher than the FY 2020 budget and is 24% higher than projected. Available addresses and number of subscribers is up 25% from a year ago. Budgeted operating expenditures are 21% higher than FY 2020 and 20% higher than projected FY 2020. Eighty-six percent of the expenditure budget is for payments to UTOPIA for management services or through the service contract. The service contract reimburses UTOPIA for costs of new connections, maintenance of every connection, field services for addresses passed and $400 a year for each shelter. Combined Cooperative Service Agreement contract and Management fee make up approximately 50% of UTOPIA revenues. Debt service is increasing 24% over the FY 2020 budget and projected; it is increasing $7.4 million to $9.3 million. The UIA Layton bond payments begin in August 2020; the Cap I period has run. The UIA Series 2019 bond payments begin in February 2021. Repayment of Operating expense Assessments increased from $830,000 in FY 2020 to $1.4 million in FY 2021; this is a change from the tentative budget. After the last board meeting and listening to the plight of cities in light of COVID-19 and reduction in sales tax, staff decided to look at a way to accelerate the repayments of UIA’s notes payable to cities in FY 2022. Also, to come up with some way to relieve the pressure on those cities that were waiting until later to recover their OpEx. This new proposal was discussed with the Executive Committee and they were fine with it being presented to the UIA board. The increase for OpEx payments from the tentative budget is about $300,000.

Mr. Timmerman stated this compresses the three-year schedule for repayment of operating expenses down to two years. Staff would like this paid off and move onto other ways of getting debt paid off quicker. It does not hurt UIA financially and staff felt it was a good time to provide financial relief for cities during this time.

Ms. Harvey continued regarding network expansion; the Clearfield bond will close in July. The next general UIA bond is expected to be issued early spring 2021. Cash reserves will be used to continue the expansion of the network and to extend the time period before the next bond issuance and build more history to take to S&P in hopes of achieving a better rating than BBB-. That has changed from the tentative budget; staff is proposing network expansion at $10 million more than in the tentative budget. The issuance of the Clearfield bonds has not been budgeted and once the bonds are issued UIA will be reimbursed for any expenditures incurred on behalf of Clearfield. The same would be true of the UIA bond; if internal cash is used for network expansion, once that bond was issued, UIA would be reimbursed for any internal cash spent on construction. She presented the detailed UIA budget. Total revenue is $21.8 million and total operating expenditures are $6.4 million for an operating profit of $15.4 million. There is almost $11 million in debt service. There is $32 million in network expansion; $22 million of that will come from funds held with a trustee for bond construction that is remaining proceeds from debt issuance. About $10 million of that would come from internal funds that would be reimbursed once the UIA bonds are issued. This leaves revenues under expenditures at $5,313,500. UIA is an enterprise fund so it is
shown as revenues over or under expenditures. It is classified as a Contribution to the Fund Balance.

**ACTION:** Matt Dahl (Midvale City) MOVED to open the public hearing regarding the UIA FY2021 Budget. Mark Sorenson (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

There were no comments from the public.

**ACTION:** Mark Sorenson (Payson City) MOVED to close the public hearing regarding the Clearfield Bond. Jason Roberts (Brigham City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

4. **CONSIDER APPROVAL OF RESOLUTION 20-07: APPROVING AN ANNUAL BUDGET FOR THE FISCAL YEAR COMMENCING JULY 1, 2020 AND ENDING JUNE 30, 2021.**

Ms. Harvey did not have any additional information to present.

**ACTION:** Paul Isaac (West Valley City) MOVED to approve resolution 20-07, approving the annual budget for UIA for FY 2021. Matt Dahl (Midvale City) SECONDED the motion. A roll call vote was taken – vote was unanimous.

5. **UIA FINANCIAL UPDATE**

Ms. Harvey presented the recurring revenue graph representing combined UTOPIA and UIA revenue. In December 2019, the organization surpassed the $2 million mark for recurring revenue for the combined system. In January, the $1.5 million mark was passed for UIA. Monthly recurring UIA revenue is close to $1.6 million per month. The average month over month increase in recurring revenue for the fiscal year (since July 2019) is $25,000; however, the monthly recurring revenue for the calendar year (since January 2020) is $39,000. UIA is doing very well. Once the Clearfield bond closes, the bond obligation will be at about $1.16 million although many are currently being serviced by Cap I. She presented a graph representing the UIA-Layton Project showing the revenue to cover that bond is almost a year ahead of schedule. The next graph was the UIA-Morgan Project showing Morgan reaching the revenue level needed a year ahead of schedule. It’s too early in Payson to show a graph because all the footprints are not open yet but Payson is on track to meet and exceed its revenue projection.

Mr. Timmerman stated several areas were completed this last month in Payson and orders are coming in from customers.

Ms. Harvey presented the Proposed Accelerated Repayment of OpEx to Cities schedule. The method used was to divide the note payable in half and pay it off in two years. The method used in the past has been an adequate repayment to cover any increase in debt service from 2017 forward. The goal being that the pledge does not increase from 2017. That has come in the form of a repayment to the city. Cities are still making payments to the debt service for the UTOPIA
bonds, then reimbursement is given to those cities with enough to cover that increase. Staff did not want to leave any cities short of money to cover those pledges in 2021 & 2022. That is why some UIA cities who made their full pledge received additional money in 2021 & 2022. The exception is Perry because they did not participate in the UIA 2018 bonds. The intent is to relieve some of the financial burden that all cities are facing right now so a dividend is proposed for Perry with enough to cover their UTOPIA pledge increase from 2017. The total projected dividend for 2021 is $1.45 million and $1.59 million for 2022, depending on the continued success of UIA. The purpose of this is to get the UIA notes regarding OpEx paid off by the end of FY 2022. At that point the focus can be paying dividends to UTOPIA cities and reducing either their annual commitment or the UTOPIA note payable. It will require getting money from UIA to UTOPIA and the Finance Committee has been charged to look at that. She is currently creating a long-term financial projection so they can do that. The State Auditor requires that all local governments create a fraud risk assessment. An implementation guide was issued and they asked that all cities complete and review it with their board. It is designed to help measure and reduce risk of undetected fraud, abuse and noncompliance. The framework includes five principles: Tone, Risk Assessment, Control Activities, Communication and Monitoring. UIA completed the assessment and it is meant to be a starting point to improving the risk of fraud, waste and abuse. UIA scored 300 out of 395 possible points and is at the high end of the moderate risk range. There are several easily implemented measures that could move UIA into the low risk range:

- requiring employees and elected officials to annually commit in writing to abide by a statement of ethical behavior
- requiring board members to complete the State Auditor online training
- having and promoting a fraud hotline
- reviewing/updating various policy manuals is currently underway
- developing written policies for credit card use
- personal use of entity assets is addressed in policy manual; personal use of company vehicles is prohibited and employees in violation of this are disciplined

The organization is doing very well in the area of basic separation of duties. She felt there is a solid foundation for preventing fraud and abuse and believes this assessment will be helpful in furthering that.

Mr. Mark Sorenson, Payson City, asked what is needed from cities to show their personnel have completed the training needed. Who is required to complete the necessary training?

Ms. Harvey stated the questionnaire asked if board members had completed the State Auditor online training at least once in the past four years. This questionnaire is not due to the State Auditor’s office until six months after the end of the year. If board members go through this with their own city, UIA staff could follow-up in an email in just a few weeks.

Mr. Sorenson stated an email would be great so he could easily notify the board representative in Payson.

Ms. Harvey answered affirmatively about the organization having a formal audit committee since there is a finance committee. It may be necessary to look into what would make that a formal audit committee, maybe adding someone from the public that has a background in governmental
accounting. Other areas where the organization scored highly is entity expertise in monitoring finances. She is a CPA and CPFO and UTOPIA’s controller is a CPA as well.

Mr. Sorenson stated in the next meeting it may be good to have a formal resolution indicating an audit board even if the same people from the finance committee are named along with any additional people that might be needed.

6. UIA NETWORK UPDATE

Mr. Timmerman presented an update on the growth perspective of the network. Last month was a big milestone; 30,000 customers were exceeded on the system. There have been a few months of adding around 1,000 customers per month. Some of the growth has been Coronavirus related but even prior to that things were ramping up well before that. Building has also been faster so customer availability is increasing. Take rates continue to grow in every area. Take rates only go down when the denominator is increased by adding new areas in the city. There is continued demand for the service and he does not see any reason that would not continue. People are very happy with UTOPIA service. There are a lot of complaints related to construction because it can be intrusive but those are always responded to and issues are taken care of. If board members hear of any complaints, they should notify staff so things can be resolved. More providers want to be involved with the system. Additional cities are interested as well. Coronavirus was somewhat of a wake-up call to cities that realized they need to have sufficient infrastructure in their cities.

Ms. McKinley put things in perspective; total sales for last year were 5,800 and right now sales are already over 4,500 for the year. Sales for the year are trending toward 9,000.

Mr. Isaac stated a UTOPIA presentation was just made to his city council. Mr. Timmerman was excellent in the presentation and the council is very excited about UTOPIA. The mayor commented that when he first became mayor his concerns were all about UTOPIA and now he has seen a great turnaround. They appreciated all that Mr. Wayne Pyle, UTOPIA Chair, had done regarding UTOPIA.

Mr. Timmerman stated the positive content of the presentation helps. The recent history of UTOPIA has been fantastic and there is a good team.

7. ADJOURN

Mr. Jensen stated the success of UIA is a combination of factors. Staff is very competent and capable. As employees and elected officials of cities everyone on the board knows the importance of a good staff. Board members have contributed to the success by weathering internal challenges in their own cities and continuing to be supportive and leaders in their cities. There were some tough times earlier where the demise of UTOPIA was prophesied. He is thankful for three of the attendees today for their support back then; Ms. Laura Lewis, Mr. Brad Reynolds and Mr. Tom Coverick were significant partners for UTOPIA and could have walked away but didn’t.

There being no further business of the UIA Board of Directors, the meeting held on Monday, June 8, 2020, was adjourned at 9:30 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 10th day of August, 2020