1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held an electronic board meeting on Monday, October 19, 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: 318
UIA Majority Vote: 220
UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – AUGUST 10, 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 August 10, 2020. Brenda Moore (Murray City) SECONDED the motion. A voice vote was taken - vote was unanimous.


Mr. Roger Timmerman, UIA Chief Executive Officer, stated this is not anything new but the timing is a little earlier than expected. The plan was to originally finish the buildout in three phases but instead it has been changed to two larger amounts. The first phase has been wrapped up and this is the final phase to complete the buildout. There are remaining areas in West Valley, Midvale, Murray and Orem. There are smaller needs in it as well, to build backbone and finish routes, but the lion’s share is buildout for all remaining areas of the network.

Ms. Laura Lewis, LYRB, presented the following:

This is a phenomenal day! The proposed bond issuance that you are about to consider marks one of the critical milestones envisioned when UIA was created about ten years ago, that of finding a means to complete the major fiber build and anticipated connections for residents and businesses in all UIA cities. Given continued success in take rates and in cities’ population and business growth, along with general updates, there is much more to do in the future but this still marks a great day in UIA’s history. What a difference a decade makes!

The following summarizes the key matters as you consider the proposed Parameters Resolution.

- **Fitch Rating Agency** recently completed an extensive surveillance rating process which took many hours of Laurie’s time to prepare historical data and importantly projected models. I participated on three calls and believe Laurie was on the phone for even more.
Even in taking into account that UIA would issue new debt in 2021, Fitch maintained the rating with a stable outlook.

- The Bonds will be issued by UIA and will be UIA’s debt obligation from its own revenues and will be on parity with the other UIA (stand-alone) debt obligations.
- The bonds will be structured with **two to three years of capitalized interest** which will be determined as we near pricing and review updated cash flow projections.
- The Parameters Resolution sets a **maximum par amount of $57M** but it is currently anticipated that we will be closer to a par amount of $54M.
- Principal will amortize in not to exceed **twenty-seven years**.
- The Parameters Resolution sets a **maximum interest rate of 6%** to allow for premium couponing as may be advantageous to market the bonds at the best yields. Current indications are that the maximum coupon would be 4% and that the True Interest Cost (TIC) on the bonds will be approximately 3.50% to 3.60%.
- **Average Annual Debt Service** for this new series of bonds is anticipated to be approximately **$3.6M to $3.7M annually** once principal amortization commences.
- We currently anticipate closing in **February of 2021** but this date could move up or back depending on market conditions.

Mr. Brad Patterson, Gilmore & Bell, stated this is the same thing that has been done for previous issuances. The interest rate increased a bit this time due to uncertainty in the market.

Ms. Laurie Harvey, UIA Secretary / Treasurer, stated one comment from Fitch regarding the rating for the new bond is that it would largely depend on performance from July to November/December of the current fiscal year. The organization is currently on track to meet those projections. Fitch’s biggest concern is the debt to revenue ratio but will be very positive if UIA can keep up with this ratio. There is about $16 million in the bank with a trustee in bond funds, however, $12 million of that is for Clearfield. There is another $16 million in cash fund reserves which is what will be used until the bond is issued. There will be an option to reimburse UIA for the costs incurred between now and the time the bond is issued.

Mr. Brant Hanson, Centerville, asked for clarification about the repayment of these bonds and if any of the cities are contributing to that.

Mr. Timmerman stated all UIA bonds are paid from subscriber revenues. UIA is already in a good position to pay for this bond before it is even issued. The amounts that cities are paying are UTOPIA bond payments. As things get better in UIA, the goal is to be able to offset the debt in UTOPIA. Each year the operations costs and administrative fees UTOPIA receives from UIA will increase.

Ms. Harvey added there is no pledge required from the cities on this bond.
Mr. Hanson stated one concern is if projections are too high and the organization falls short on revenue.

Mr. Timmerman stated UIA is already at a point to be able to cover the debt. There would need to be a decrease in customers to not be able to cover this debt.

Mr. Jensen was told the amount needed for the bond was $45 million and would like to know the reason for the difference between that and the par amount that is shown of $54 million.

Ms. Lewis stated the difference is capitalized interest and the debt service reserve fund. These bonds are considered riskier because they are dependent on success of take rates so a debt service fund is required to be funded. The reserve is typically the lesser of 10% amount of the par of the bonds or the maximum annual debt service. In addition, three years of capitalized interest has been assumed and the cost of issuance.

Mr. Jensen asked the reason for three years of capitalized interest when it is usually two.

Ms. Lewis stated from a parameter’s perspective, the idea is to preserve the ability to lengthen the runway of time needed for revenues to catch up with debt payments. As time gets closer, it can be pared back to two years of Cap I.

Mr. Timmerman stated most likely Cap I will be two years but this leaves flexibility in the parameters.

Mr. Jensen asked for more information about the increased interest rate.

Ms. Lewis stated it is partly being extra cautious. It is also a way to counter discounted or premium bonds.

Mr. Jason Roberts, Brigham City, asked when funds will be needed in relation to the current cash available.

Ms. Harvey stated if the bond closes by January or February the cash reserves will be fine. If needed, a bridge loan could be taken out to cover any shortage. There is about $16 million that can be relied on for construction until the bonds are issued.

Mr. Jensen asked if there is any increase in construction costs due to materials or wages or based on the nature of footprints being more difficult to build.

Mr. Timmerman stated the blend of projects ahead is typical. There is also a blend of areas that will have a good return. It is expected to be about the same as has been seen in the past. A surge in signups is expected based on what is being built right now.

Mr. Aaron Leach, UIA Chief Operations Officer, stated projections are doing well. There is a slight concern with materials based on Coronavirus and some natural disasters, but the organization has weathered those well.
Mr. Jensen asked if existing incumbent providers are doubling their efforts to capture some of the market or are new providers entering the market.

Ms. Kim McKinley, UIA Chief Marketing Officer, stated everybody in the broadband community is growing because of the need during this pandemic. Where UTOPIA is seeing success is due to its product offerings and higher asymmetrical needs.

Mr. Timmerman stated another reason for UTOPIA success is reliability of service and being able to count on the capacity available when needed. He does not think this need will go away when things go back to normal because more people will continue to work and educate remotely.

Ms. Lewis asked if any surveys or inquiries are done as to why people have left UTOPIA service.

Ms. McKinley stated there is not any concrete way of gathering this information because most customers cancel with their service providers. From what has been seen, most are a result from customers moving.

Mr. Jensen asked if there are any communities underperforming due to political dynamics. If so, maybe the organization could reach out to resolve some of the differences that may have come about in the past.

Mr. Timmerman stated it defiantly helps to have the support of a city politically. There has been a lot of increase in support from member cities. There is room for improvement but there has been a great improvement in public perception. An anti-UTOPIA attitude has become increasingly unpopular. Staff is willing to meet with city councils, attend events, etc., in order to help with that.

Mr. Jensen stated although everyone wishes there was not UTOPA debt, the fact is the organization is where it’s at today because that debt was issued. What a difference a group of remarkable, resilient, courageous and smart people have made in this. That is the difference between now and ten years ago. The success of UIA and UTOPIA has always been the quality of people involved.

Mr. Patterson stated this resolution will authorize them to take all the action necessary to issue the bonds. A public hearing will need to be held which is scheduled for December 14, 2020. That will give the public the opportunity to be heard.

Mr. Paul Isaac, West Valley, stated he will be retiring in January and this is very fitting for him to see some type of conclusion to the debt ant the building out of the network.

**ACTION:** Paul Isaac (West Valley City) MOVED to approve Resolution 20-08 Authorizing the Issuance and Sale of not more than $57,000,000 Aggregate Principal Amount of Tax-Exempt Telecommunications Revenue Bonds and Related Matters and setting a date and time for a Public Hearing on December 14, 2020. Brant Hanson (Centerville City) SECONDED the motion. A roll call vote was taken - vote was unanimous.
4. CONSIDER APPROVAL OF RESOLUTION 20-09: ESTABLISHING AN AUDIT COMMITTEE FOR UIA.

Ms. Harvey stated at a previous board meeting the fraud risk assessment was reviewed and one of the recommendations from the State Auditor was to form an audit committee. She spoke with each member of the Finance Committee (Jason Roberts – Brigham City, Tracy Probert – Layton City, Jim Welch – West Valley City & Brandon Nelson – Orem City) about serving on an Audit Committee. This resolution would formally form an Audit Committee and set out the responsibilities of that committee. The main benefit is the ability for the Audit Committee to have an informal conversation with the auditors before or after the audit. She will send the link to all board members for the introductory training for municipal officials which some board members may have already taken.

ACTION: Brant Hanson (Centerville City) MOVED to approve Resolution 20-09 Establishing an Audit Committee for UIA. Jason Roberts (Brigham City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

5. SET THE TIME AND DATE FOR A PUBLIC HEARING TO CONSIDER AMENDMENTS TO THE UIA FY 2021 BUDGET (DECEMBER 14, 2020)

Ms. Harvey stated some budget amendments will be necessary amending the proceeds from the Clearfield Bond, possibly the UIA Series 2021 bond and any other adjustments needed for UIA. There will be more information once that meeting is closer.

ACTION: Paul Isaac (West Valley City) MOVED to Set the Time and Date for a Public Hearing to Consider Amendments to the UIA FY 2021 Budget for December 14, 2020. Matt Dahl (Midvale City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

6. UIA FINANCIAL UPDATE

Ms. Harvey presented the recurring revenue graph showing current systemwide recurring revenue at about $2.3 million. In June 2019 it was at $1.8 million and in June 2020 it was at $2.2 million so there has been significant growth. UTOPIA makes up about $500,000 of that and the balance is UIA. UIA Revenue vs. Bond Obligation showed monthly UIA revenue at about $1.6 million and bond obligations along with those currently paid with Cap I and the Series 2021 bond would put the bond obligation at about $1.4 million. The current gap between revenue and accumulated debt service is similar to what it was just before the issuance of the 2019 debt. There is still good coverage for the debt service. The revenue line is expected to continue to grow as it has been. She showed a comparison of actuals to the 2021 budget. Revenues are at 22% which isn’t surprising because it is increasing about $30-40,000 each month. Installation revenue has already been collected at the budgeted amount. Rental income is what UIA pays UTOPIA for the use of the building and is at 25%. Interest income on contracts is at 25%. Overall revenue is at $4.7 million which is 22% of budget. Overall expenditures are at 24%. Currently revenue over expenditures before debt service is $3.2 million. She also a presented the press release from Fitch Ratings which affirmed the BBB- rating with a stable outlook. They are starting to get the picture of how
UIA/UTOPIA is different than the Gogles and Comcasts of the world. The franchise pledge is on the 2018 series debt so there are no pledges on the 2019 series or the proposed series 2021. They are aware debt will be issued in 2021 and they were positive about those plans. The rating will strongly depend on meeting or exceeding revenue projections which are currently on track. They mentioned the high credit ratings of all four cities they rate; Midvale, Murray, Orem and West Valley are all AA or higher. One big focus of theirs is a ratio called net adjusted debt to funds available for debt service and staff watches that formula closely to make sure Fitch is kept happy.

**7. UIA NETWORK UPDATE**

Mr. Timmerman has been sending subscriber reports to the board and explained some aspects of the report. There are more parallel construction projects going on now than ever before. Subscribers by city has been growing. Take rates only apply to residential subscribers and they are increasing in each city. Each city now has a resource to use when they get questions. This is a moving target because homes continue to be built in cities. There may be need in the future to have smaller bonds for new development and expansion and to cover installations. There is also a snippet from UTOPIA’s blog or press updates of what is going on with UTOPIA. There are a lot of cities that want to partner with UTOPIA and that is expected to happen in the future. It is important to not take on too many of these projects that would slow down the buildout of the network. New city partnerships are essentially no risk for UIA and there is still a good financial benefit to UIA as a result of that. Those will always be brought before the board for approval. There are some cities that have been turned down due to a bad political environment or other factors that are deemed unfavorable by the organization. The team is working very hard and is not much bigger than it was a few years ago. There is some additional staff but many new employees are a result of insourcing tasks that were previously outsourced. Staff has been asked to do a lot more with a lot less and the amount of work being done is phenomenal. For many employees this is not only a job but is a passion to see the progress that is happening. He appreciates the support from the board as well.

Mr. Jensen suggested when the final debt is issued something could be sent to the cities to announce that and thank them for support through the years. This has happened much quicker than many people anticipated. The dream has been realized and the commitment has been kept. He also asked about inroads being made with institutional organizations such as UEN or even some faith organizations at an institutional level.

Mr. Timmerman stated one big success has been UEN as a partner. There are some school districts the organization has not done well with and others that beg for services. There was a situation recently where CenturyLink failed to deliver in Orem City and those orders were moved over to UTOPIA and that was good for the organization. UEN is very competitive and awards bids every year. Business with the State of Utah has also increased. There are several counties now using UTOPIA Fiber and those are all strategic government relationships. The product set for religious institutions is a very good price and there are many different religious institutions that have connected their facilities. One area where UTOPIA misses out on is not having a route to BYU where one of their big data centers is. As the footprint grows, it gives the organization better ability to create competitive bids.
8. ADJOURN

There being no further business of the UIA Board of Directors, the meeting held on Monday, October 19, 2020, was adjourned at 10:00 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 14th day of December, 2020