1. WELCOME AND INTRODUCTIONS

The UTOPIA Board of Directors held an electronic board meeting on October 19, 2020. The meeting was live streamed to allow public viewing. UTOPIA Chair, Wayne Pyle (West Valley City) called the meeting to order at 10:08 AM.

UTOPIA Votes Present: 425  
UTOPIA Majority Vote: 279  
UTOPIA 2/3 Vote: 371

2. APPROVAL OF MINUTES – AUGUST 10, 2020

There was no discussion on the minutes.
ACTION: Councilmember Debby Lauret (Lindon City) MOVED to approve the minutes from the UTOPIA board meeting held August 10, 2020. Councilmember Thomas Peterson (Brigham City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. APPROVAL OF RESOLUTION UT 20-04: ESTABLISHING AN AUDIT COMMITTEE FOR UTOPIA.

Ms. Laurie Harvey, UTOPIA Chief Financial Officer, 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.

Mr. Adam Cowie, Lindon, asked if the Audit Committee will coordinate with the auditors but not necessarily provide a report to the board.

Ms. Harvey stated that was correct. They would be a liaison between the board and auditors. The Finance Committee can report anything they’ve learned or would like to discuss with the board. When they meet with the auditors there is no UTOPIA staff involved so everyone can speak freely.

Mr. Todd Christensen, Perry, asked if there are requirements from the State that members of this committee have any credentials such as a CPA.

Ms. Harvey stated, fortunately, most people serving on the Finance Committee have CPAs. The recommendation is that government finance officials serve on the committee or have access to someone that has a background in governmental accounting. These four people have a very well-established background in governmental accounting.

Ms. Debby Lauret, Orem, asked if there is a length of service for this committee and how new members are elected.

Ms. Harvey stated the resolution states it will consist of no less than four members but is not specific to how long they will serve.

Ms. Lauret asked if there is a recommendation from the State Auditor about length of service.

Ms. Harvey stated it is up to UTOPIA.

Ms. Lauret stated the committee assignments in Orem are three years and people can serve twice and then they must cycle off. She is okay with whatever anyone wants to do.
Ms. Harvey stated there has been a Finance Committee for UTOPIA & UIA going back six or seven years. As Finance Directors come and go from different cities, there are new members appointed. It tends to change on its own. There are no formal rules about changing members. This resolution could be amended or looked at in the future.

Ms. Lauret stated it might be a good idea to spell it out.

Mr. Pyle stated West Valley’s Audit Committee has existed for about ten years and rotates on a two- or three-year term. Due to the pool of candidates available, most people end up getting reappointed. He does not think that is the case with UTOPIA/UIA because there is already a lot of people rotating in and out, but it wouldn’t be a bad idea to formalize it.

Ms. Harvey asked if they want to do it right now.

Mr. Pyle stated it is not urgent and can be addressed at the next meeting after decisions have been made regarding length of terms or staggering terms.

Mr. Jason Roberts, Brigham City, is fine with creating parameters but added that finding people to serve on that committee has been a challenge in the past.

Ms. Pyle suggested not limiting the number of terms.

ACTION: Councilmember Thomas Peterson (Brigham City) MOVED to table the motion to approve Resolution UT 20-04 establishing an Audit Committee for UTOPIA until the next meeting. Councilmember Debby Lauret (Orem City) SECONDED the motion. A voice vote was taken - vote was unanimous.

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

Ms. Harvey stated a public hearing was set in the UIA meeting to amend the budget to recognize the proceeds from the Clearfield Bond. Although she is not aware of any changes that need to be made to the UTOPIA budget, she would like to set the time and date for the public hearing in case it is needed.

ACTION: Councilmember Thomas Peterson (Brigham City) MOVED to Set the Time and Date for a Public Hearing to Consider Amendments to the UTOPIA FY 2021 Budget for December 14, 2020. Brenda Moore (Murray City) SECONDED the motion. A roll call vote was taken - vote was unanimous apart from Adam Cowie who was not present for the vote.

5. UTOPIA FINANCIAL UPDATE

Ms. Harvey presented the recurring revenue graph showing current systemwide recurring revenue at about $2.3 million. UTOPIA makes up about $500,000 of that and the balance is UIA. Subscribers continue to grow at a rate of about 900 per month, however, most of those go to UIA but UTOPIA is holding its own. UIA Revenue vs. Bond Obligation showed monthly UIA revenue
at about $1.7 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. There is still a large gap
between the two. She showed a comparison of actuals to the 2021 budget. Revenues through
September 30 from access fees (leases and service provider revenue) is at about $1.8 million which
is 26% of budget. Installation revenue is budgeted at $25,000 and has already collected $21,000.
Deferred payments from UIA is shifting money from the deferred revenue account; it is not actual
cash. The IRU contract has been paid in full by UIA. The service contract agreement and UIA
management fees are at 25% of budget; this is the money UIA pays to UTOPIA based on number
connections, addresses and provisioning for new accounts. Miscellaneous revenue is 5% of budget.
Interest revenue is a large part of Miscellaneous revenue. A certain percentage of expenditures
must be budgeted toward the fund deficit. A contribution of about $400,000 is included for that.
Overall, total revenues are $3.4 million which is 25% of projections. Expenditures for wages and
benefits is about 22% of budget. About 17% of the marketing budget has been spent. On the
operations budget, there was a mis-posting to licenses and insurance of about $100,000 that should
be in the software budget. It is a little ahead of budget, however, most is licensing paid early in the
year. There are no major concerns about any line items but if budget amendments are needed they
will be discussed in the December meeting.

Mr. Pyle noticed the operations budget at 40% and field maintenance at 34% and wanted to assure
there were no issues with those line items.

Ms. Harvey did not have any concerns. Total expenditures are at 21% and revenues over
expenditures is $535,000.

6. UTOPIA NETWORK UPDATE

Mr. Timmerman stated in the prior UIA meeting the parameters resolution was approved for the
next UIA bond. 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. He reviewed the following information provided from the organization’s financial advisor,
Laura Lewis, with Lewis Young Robertson and Burningham:

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. Timmerman stated there may be smaller bonds in the future to pay for additional installations because the buildout of the network is somewhat of a moving target when areas get added. The publicly posted schedule is very conservative and the actual buildout should be sooner than those dates. There are more parallel construction projects going on now than ever before. There was about 11 miles of conduit installation in one week; that equates to about 45 miles of new conduit construction in a month. The public hearing was set for December 14, 2020. The bond is set to close in January/February.

Ms. Lauret asked how quickly this moves up the completed buildout in Orem.

Mr. Aaron Leach, UTOPIA Chief Operations Officer, stated Phase 1 of Orem’s buildout covered a lot of the difficult areas. This was originally a three-year plan and there is about a year and a half left. He would look up that information and email her some more specifics. Hopefully there is not too much disturbance in the areas being built.

Ms. Lauret stated complaints are mostly about landscaping that is disturbed.

Ms. Kim McKinley, UTOPIA Chief Marketing Officer, stated it is important that residents call or email with those complaints. If residents contact UTOPIA, issues will get resolved.

Mr. Timmerman stated as the pace of construction increases, so do the complaints, which is expected.

Mr. Pyle asked if subscriber sales are expected to stay at 900 a month as it was at the beginning of the pandemic.
Mr. Timmerman stated some sales are Coronavirus related, such as the month of 1,100 new sign ups. Since then, it hasn’t fallen to the numbers seen prior to the pandemic; it has stayed strong at about 900 per month. Reasons for growth are not only due to people increasing their internet usage but also because the pace of buildout has increased. Adding available areas will continue to happen and contributes to increased sales. The bond forecast was conservative at 700 sales per month.

Ms. McKinley stated the marketing department is doing some creative marketing and putting fresh content out there and redesigning the website. She hopes to stay near 1,000 sales each month.

Mr. Pyle asked for clarification on the UIA Revenue vs. Bond Obligation and the numbers associated with that.

Ms. Harvey stated a good way to view it is to look at the gap in September of 2020 compared to when the 2019 debt was issued in November; the gap is similar. The cumulative debt will be brought to $1.4 million and revenues are projected to grow even more than they were in 2019.

Mr. Pyle stated even if revenue went flat it would still cover the bond obligation.

Mr. Timmerman stated at some point the gap will not be maximized to support the next bond but to help with debt relief in UTOPIA.

Mr. Christensen asked if there is still misinformation from incumbents going around about what UTOPIA really is.

Mr. Timmerman stated the perception of this being a critical service is stronger now than ever. The need for better connectivity has grown, not just for entertainment but for education and remote working. Speed and capacity are not the only issues considered but also reliability. UTOPIA does very well from a reliability perspective. Things are going very well from a technology and future trend perspective.

Mr. Leach responded to the question asked earlier. There are five footprints left in phase 2 of Orem’s buildout, roughly 600 homes. That is scheduled out until July 2021 mainly due to some not being built yet and some HOAs still under contract.

Mr. Timmerman has been sending subscriber reports to the board and explained some aspects of the report. Availability is growing substantially. Board members can drill into this report to see how their specific city is doing on the network.

7. ADJOURN

There being no further business of the UTOPIA Board of Directors, the meeting on Monday, August 10th, 2020, was adjourned at 11:03 AM.
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 14th day of December, 2020