BOARD MEETING & PUBLIC HEARING MINUTES
December 14, 2020
8:30 AM

UTOPIA FIBER OFFICES
5858 SOUTH 900 EAST
MURRAY, UTAH 84121

Board Members Present: Meeting conducted electronically

Board Members Joining
Electronically:
Alex Jensen – Chairman, Layton City
Jason Roberts – First Vice Chair, Brigham City
Matt Dahl – Second Vice Chair, Midvale City
Jamie Davidson – Third Vice Chair, Orem City
Paul Isaac – West Valley City
Brant Hanson – Centerville City
Mayor Jeff Acerson – Lindon City
Brenda Moore – Murray City

Officers Joining
Electronically:
Roger Timmerman – UIA Chief Executive Officer
Laurie Harvey – UIA Secretary/Treasurer
Joshua Chandler – UIA General Counsel

Others Joining
Electronically:
Christa Evans – UTOPIA Secretary
Kimberly McKinley – UTOPIA Chief Marketing Officer
Aaron Leach – UTOPIA Chief Operations Officer
Laura Lewis – Financial Advisor, Lewis Young Robertson & Burningham
Tom Peterson – Alternate, Brigham City

1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held an electronic board meeting on Monday, December 14, 2020. The meeting was live streamed to allow public viewing. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:33 AM. He welcomed all attendees.

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

2. APPROVAL OF MINUTES – OCTOBER 19, 2020

There was no discussion on the minutes.
ACTION: Jason Roberts (Brigham City) MOVED to approve the minutes from the UIA board meeting held October 19, 2020. Paul Isaac (West Valley 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 $57,000,000 AGGREGATE PRINCIPAL AMOUNT OF TAX-EXEMPT TELECOMMUNICATIONS REVENUE BONDS, (THE “BONDS”) AND (B) ANY POTENTIAL ECONOMIC IMPACT THAT THE PROJECT DESCRIBED HEREFIN TO BE FINANCED WITH THE PROCEEDS OF THE BONDS ISSUED UNDER THE ACT MAY HAVE ON THE PRIVATE SECTOR; AND RELATED MATTERS

Mr. Roger Timmerman, UIA Chief Executive Officer, stated this is to complete the final buildout of the network. Unrestricted Cash is currently being used to fund construction which has proceeded ahead of schedule. It will probably be a year and a half at most to reach build out. The public schedule shows two years, but the timing of this bond has allowed the construction schedule to be moved up a bit.

ACTION: Mayor Acerson (Lindon City) MOVED to open the public hearing regarding the UIA Bonds. Matt Dahl (Midvale City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

There were no comments from the public.

ACTION: Jamie Davidson (Orem City) MOVED to close the public hearing regarding the UIA Bonds. Brant Hanson (Centerville City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

Mr. Jensen stated this is a big milestone. It is wrapping up the original dream of many in the communities involved.

- PUBLIC HEARING TO ALLOW PUBLIC COMMENTS REGARDING AMENDING THE FISCAL YEAR 2021 BUDGET FOR UTAH INFRASTRUCTURE AGENCY (UIA)

ACTION: Mayor Acerson (Lindon City) MOVED to open the public hearing regarding the FY 2021 Budget Amendments. Paul Isaac (West Valley City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

Ms. Laurie Harvey, UIA Secretary/Treasurer, stated both proposed budget amendments are regarding the bond. For the Clearfield Bonds issued in August, the proceeds from debt issuance were $13.9 million. Of that, $12.7 million is for Network Expansion. The other budget entries are for bond issuance cost, contribution to Cap I and debt service reserve funds. The second proposed amendment is for the UIA 2021 bonds that should be issued in February. The anticipated proceeds
from the debt issuance is $54,150,000. Contribution to the bond construction funds is $34 million. Network Expansion is $12 million and UIA will be reimbursed for money currently being spent on the build out. The reimbursement agreement in the bond states funds spent right now are eligible for reimbursement from this 2021 Series. There was $10 million originally in the 2021 budget from the fund balance for network expansion with the intention of reimbursing that money out of this series. All other expenses are in line and there is no need for additional amendments to the 2021 budget.

Mr. Jason Roberts, Brigham City, asked how long the $7.4 million Cap I will be.

Ms. Harvey stated it is for two years. It is a 25-year term with 2 years of Cap I and 23 years of debt service.

Mr. Roberts asked what the anticipated interest rate is.

Ms. Harvey stated it is 3.05%.

There were no comments from the public.

4. CONSIDER APPROVAL OF RESOLUTION 20-10: AMENDING THE FY 2021 BUDGET.

This item was discussed during the previous agenda item

**ACTION:** Jamie Davidson (Orem City) MOVED to close the public hearing regarding the FY 2021 Budget Amendments and approve Resolution 20-10 Amending the FY 2021 Budget. Jason Roberts (Brigham City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

5. 2021 BOARD MEETING SCHEDULE

Mr. Timmerman stated the 2021 UIA/UTOPIA board meeting schedule is set for the second Monday of the month, every other month, unless there is a holiday (i.e. October). UIA meetings will begin at 8:30 am; UTOPIA meetings will begin at 10:00 am. It has been emailed to the board and posted according to state law.

**ACTION:** Mayor Jeff Acerson (Lindon City) MOVED to approve the 2021 board meeting schedule. Matt Dahl (Midvale City) SECONDED the motion. A voice vote was taken - vote was unanimous.

5. OPEN AND PUBLIC MEETINGS ACT TRAINING

Mr. Josh Chandler, UIA General Counsel, stated the legislature has required an annual training to keep up to speed on things happening with the Open Meetings Act. There have been some changes but none of them directly affect UIA. The changes relate to holding meetings electronically without identifying an anchor location. UIA has been able to hold meetings in a
consistent fashion with more electronic participation. The legislative intent is that public agencies take action and conduct deliberations openly. It is good to err on the side of keeping information publicly available. Meetings are required to be held openly. A meeting is defined as “The convening of a public body, or specified body, with a quorum present, including a workshop or an executive session, whether in person or by means of electronic communications, for the purpose of discussing, receiving comments from the public about, or acting upon a matter of which the public body or specified body has jurisdiction or advisory power.” The default position is the meeting will be open unless the meeting in its entirety or a portion of the meeting qualifies under the provisions for a closed meeting. To hold a closed meeting there must be a quorum present and, in most circumstances, a two-thirds vote to close a meeting. The common circumstances to close a meeting are as follows:
- discussion of the character, professional competence, or physical or mental health of an individual
- strategy sessions to discuss pending or reasonably imminent litigation
- strategy sessions to discuss the purchase, exchange, or lease of real property
- discussion regarding deployment of security personnel, devices, or systems
- investigative proceedings regarding allegations of criminal misconduct.

The issue he has seen the most problems with is the tendency to have a side meeting while the actual meeting is happening. The Open Meetings Act is clear in stating that communication between members of a body are permitted when the meeting is not happening. The safest reading of the statute would be that it is not the intent to have those communications taking place during an open meeting. During a meeting, anything that needs to be said should be said openly. There are two potential penalties for violating the open and public meetings act. One is that the final action taken by the body may be voided by the courts. The second possible outcome for violation of the act is the possibility of criminal charges. There are two additional prongs the act focuses on. One is the actions that take place before the meeting, i.e. notice and proper time frames, and things that happen after the meeting, i.e. publication of minutes and how they are made available. That is taken care of by Christa Evans.

6. UIA FINANCIAL UPDATE

Ms. Harvey stated the Billing Supervisor, Kellie Somerville, resigned at the end of November. She was with UTOPIA for 11 years and felt it was time to move on. She left on good terms and is helping with the transition. The finance staff has stepped up to fill her shoes. With Kellie leaving and the continuing growth with UIA and UTOPIA it has become apparent that more focus is needed on the organization’s accounting processes and financial reporting. The current Controller, Jess Rudd, is assuming the role of Treasurer. Staff is currently interviewing for a Controller with a lot of governmental experience and/or knowledge of the accounting software, Dynamics GP. The audit is still underway. They have been very thorough this year and a clean opinion is expected. There are no changes from the estimated revenues and expenditures presented in October, about $5 million in revenue before depreciation. She showed the UIA Budget for 2021 and YTD figures for the period ending November 30, 2020. With five months completed in the year the budget is 42% of the way through the fiscal year. Total revenue is 40% and is ahead of what was budgeted for installation fees. She expects to meet revenue estimates for access fees. In UIA, monthly recurring revenue is increasing at about $35,000 per month so it’s not surprising that it’s slightly below 42% with the rate of growth in revenues. Expenditures are coming in where anticipated at
41% of total budgeted. Debt service is 64% because a lot of the principal on the notes come due in October. Contributions from Cap I and Debt Service Funds means a lot of money has been pulled out of Cap I to make debt service payments as scheduled. The capitalized interest period is over for Layton and they have started to make their principal and interest payments. Network Expansion is doing great at 57% of budget. Overall, she does not see any issues with any of the line items.

Mr. Jensen asked for clarification that the month over month increase in UIA revenue was $35,000.

Ms. Harvey stated that was correct. She presented a graph showing recurring revenue for UTOPIA and UIA. UTOPIA revenue is about $700,000 per month and UIA revenue is $1.75 million per month for a total close to $2.5 million in recurring revenue. She presented a graph showing the Combined UIA/UTOPIA recurring revenue increase. In 2017 the increase in recurring revenue was about $15,000 which jumped to $25,000 at the end of 2019. It is now above $35,000 and the dips along the way are no reason to be concerned. There are individuals that still purchase the full connection up front which is included in recurring revenue because those situations will continue with expansion into new cities. The financed cue is not offered anymore so the full $2,750 must be paid upfront. Most of the increase is in UIA.

Mr. Timmerman stated subscriber growth and contracted revenue is very stable in its growth.

Ms. Harvey stated the dip at the end of 2020 was due to a credit needed in business revenue but that too has been doing very well. She presented a graph with UIA Revenue vs. Bond Obligations. UIA Revenue is $1.75 million. It showed the full debt service once the series 2021 debt is issued. Dotted lines represented those still in the Cap I period. She drew attention to the consistent gap between revenue and debt service.

Mr. Timmerman stated debt taken on and how quickly the network is being built must be gauged conservatively enough to still be financed. Things have gone well and the organization has the capacity to build and finance allowing the network to be built out quicker and, in turn, increase the revenue. As revenue grows it puts the organization in a strong position to pay off debts.

Ms. Laura Lewis, Financial Advisor, Lewis Young Robertson & Burningham, asked as the growth continues and doesn’t seem to be letting up, are there any concerns with staffing and availability of resources to house that staff. She needed to be made aware of any issues leading up to the discussion with the rating agency.

Mr. Timmerman stated growth increases the economy of scale. Some roles must grow relative to the number of customers such as technicians. There is also a burden relative to the rate of new growth in construction. He does not see construction stopping as there are opportunities for new city partnerships. Some incremental growth in staffing is expected but not at the rate the organization is growing. The cost per customer is going down as growth continues. The South Salt Lake building was purchased last year and provides room to expand.

Ms. Lewis asked about the cost of replacement electronics and if there are supply and demand issues.
Mr. Timmerman stated the cost of electronics has stayed flat. There is a small increase in the cost of materials. Every year the construction contractors can adjust pricing. Every few years an RFP is reissued to evaluate alternative options. Generally, the organization’s size and scale help with better pricing. There has not been a need to raise prices to customers even though some competitors have had to do that. As the economy of scale grows, the customers become more affordable.

Ms. Lewis stated it would be helpful for the bond presentation to update a slide comparing the cost of being on the UTOPIA network versus the competition.

Mr. Timmerman stated the competition has increased prices and announced bandwidth caps which has driven the demand for fiber.

7. **UTOPIA NETWORK UPDATE**

Mr. Timmerman showed the residential take rates in member cities. There continues to be an uptick in each city except for areas where construction is happening. The only exception is the high take rate in Lindon went down but that is due to subdivisions being added. A 35% take rate is usually considered successful for the project to break even. All cities completed for a few years are well above that threshold. The ones below that threshold are those with new areas - Midvale, Murray, Orem, West Point and West Valley City. The address availability represents the construction of the network. There will be a large increase in this number next report because there were a couple thousand addresses just released. Subscribers continue to grow and more people are benefiting from this investment. Subscribers are approaching 35,000 which will be reached this month. It took many years to reach 10,000 customers in the beginning and now that number will be added just this year. The organization has benefitted from COVID which has legitimized why the organization does what it does. People used to move where schools were better and now they are moving based on the ability to work remotely and do online schooling.

Mr. Jensen asked if there is anything at the legislature this year that would affect UTOPIA.

Mr. Timmerman stated the perception of UTOPIA is good. Some legislators have asked what they can do to help UTOPIA. The approach is the same as in the past; UTOPIA doesn’t need anything as long as nothing is done that would be negative toward the organization. As UTOPIA becomes more available there is more support. Previously people were angry they were not benefiting from the service and now are very pleased they have been able to get hooked up to this critical service.

Mr. Jamie Davidson, Orem City, asked if there continues to be interest from other cities to have access to UTOPIA.

Mr. Timmerman stated there are many discussions happening with other cities, but staff does not advertise those too widely because it can bring negative attention. Many cities have reached out to UTOPIA with interest. There is capacity to do a couple new city partnerships this year.

Mr. Davidson stated it is not necessary to give names he was just curious if there continues to be dialogue and interest. The positive momentum seems to be gaining.
Mr. Timmerman stated some cities are being left behind and that is an issue now. There is pressure when cities around them are benefiting from UTOPIA. The main reason someone opposes UTOPIA is they believe it is not the role of government. UTOPIA is willing to pursue projects in cities with unanimous support and not a big political battle.

8. ADJOURN

Mr. Paul Isaac, West Valley City, stated this will be his last board meeting as he is retiring January 1, 2021. It has been a great opportunity to be involved with UTOPIA. He remembers the issues in the past and it is great do see it doing so well.

Mr. Jensen explained how significant Mr. Isaac’s role has been with UTOPIA. His support was always firm and, for a short period, even stepped in as Executive Director during a time of transition. He is very well respected and appreciated for his role with UTOPIA.

There being no further business of the UIA Board of Directors, the meeting held on Monday, December 14, 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 8th day of February, 2021