1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a board meeting and public hearing on Monday, June 14, 2021. The meeting was live streamed to allow public viewing. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:35 AM. He welcomed all attendees.

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

There was no discussion on the minutes.

ACTION: Jamie Davidson (Orem City) MOVED to approve the minutes from the UIA board meetings held April 12, 2021, April 15, 2021, May 10, 2021 & the UIA / UTOPIA joint board meeting held May 13, 2021. Brenda Moore (Murray City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. PUBLIC HEARING

– PUBLIC HEARING TO ALLOW PUBLIC COMMENTS REGARDING THE FISCAL YEAR 2022 BUDGET FOR UTAH INFRASTRUCTURE AGENCY (UIA).

Ms. Laurie Harvey, UIA Secretary / Treasurer, presented the FY 2022 Budget for UIA which is proposed at $28,798,900. Revenue estimates are based on assumed growth of 600 residential customers per month which is conservative. In FY 2021, new customers ranged from 500 to 1,000 per month. Estimated increase in commercial revenue is 8% over projected 2021. Contribution from Capitalized Interest Reserves is down from the previous year due to the Cap I period ending for Layton, Morgan & UIA Series 2019. The increase in revenues is about $3.8 million and most is in revenue from operations. FY 2022 Operating Expenses total $25,178,900. All advertising costs have been transferred from UTOPIA to UIA; most advertising is for new subscriptions in UIA. There has been $140,000 added to the system-wide advertising budget. All bank service fees have been transferred from UIA to UTOPIA and will be allocated as part of the fee UIA pays to UTOPIA. The only operations expenditure in UIA is advertising. Capital costs have $1 million budgeted and are included in Network Expansion. Debt Service is increasing about $3 million due to the addition of Pleasant Grove, Clearfield and UIA Series 2021. The biggest increase in 2022 expenditures is Debt Service. Management fees are increasing $421,200 and Network Operating costs are increasing $895,500. UIA Management Fee to UTOPIA is separate from the service contract UIA and UTOPIA entered years ago. It is a reimbursement from UIA for those UTOPIA expenses that were not accounted for in the service contract. This was started about two years ago and the auditors were the main catalyst. They were concerned that UTOPIA was carrying a significant amount of expenses allocable to UIA. An in-depth analysis has been done of UTOPIA expenditures to determine what should be paid by UIA. The proposed UIA Management Fee for FY 2022 is $2.7 million. The breakdown of department expenses is 80% of Administration, 50% of Technology, 95% of Marketing & Sales and 75% of Customer Service. The UIA Service Contract Obligation to UTOPIA is increased by $895,500. The proposed fee from UIA to UTOPIA is $4,180,600. This is not fixed and is based on connections which can vary. It breaks down to about 25% for UTOPIA and 75% for UIA overall. The 27% increase over the FY 2021 budgeted amount is related to growth and a proposed fee modification. There are four components of the service contract:

1. Network Operations: UIA active connections x $6.50/month. Anticipate 600 new connections/month. Propose fee increase to $7.15 (10%)
2. Provisioning: new UIA connections x $14.30 one-time. Anticipate 7,200 new customers. Propose fee increase to $15.75 (10%)
3. Field Maintenance: UIA addresses passed x $1.20/month. Anticipate 20K additional addresses. Propose fee increase to $1.30 (10%)
4. Shelter Maintenance Fee: $400 annual fee per UIA hut/cabinet

The projected FY 2021 amount is about $3.4 million and proposed FY 2022 is about $4.2 million.

Under Network Expansion Revenues (Capital) for FY 2022, interest is anticipated to be $380,000 which is lower than the previous year because construction funds are spent more rapidly and there are not large balances sitting in trust accounts earning interest. It is anticipated that the full $32 million remaining in the restricted bond funds will be drawn down in 2022. Although there are some cities UIA will most likely form partnerships with, that revenue will not be budgeted until the transaction is complete. CARES funding was unique to FY 2021 and is not included in the FY 2022 budget. Many cities used their CARES money to purchase installation of fiber to parks and city buildings. Federal funding may be available this year but is unknown and will not be included in the budget.

Mr. Timmerman stated cities may like to use their ARP funds for projects with UTOPIA/UIA but that will not be budgeted until there is a contract in hand.

Ms. Harvey stated the $32 million remaining in restricted funds is bond proceeds from the Clearfield Bond, UIA Series 2021 and the Pleasant Grove Bond which will be closing later this week. Under UIA Network Expansion Expenses for FY 2022, the organization plans to spend everything remaining in construction funds. Some construction in Pleasant Grove may run over into 2023. FY 2021 is the first year UIA had a deficit fund balance which was related to depreciation. There has been discussion about changing the estimated life on some assets. The rate of depreciation is anticipated to decelerate. Until then, there is a state law requirement to budget for the reduction of the fund balance deficit. The total fund balance deficit for 2021 was $989,900. There is an option to budget for the entire deficit or budget 5% of prior year revenues. This budget document proposes budgeting to reduce the entire deficit for FY 2022. In summary, the increase in operating revenues is $3.8 million, increase in total operating expenses is $3.7 million which is an increase in net gain from operations of $104,000 from the 2021 budget. Revenues over expenditures in the proposed budget is $3.6 million. In Nonoperating Revenues there is $32.7 million proposed which is a decrease of $68.6 million because additional cities for this year have not been included. The net loss is $989,900 which is the same as the replacement for the fund balance deficit. Total revenues over expenses for FY 2022 is $2.6 million. There were some changes from the tentative budget presented in April. Operating Revenues were different by $211,500 due to revised FY 2021 projections and the addition of Pleasant Grove Cap I. UIA is spending $955,600 more in Operating Expenditures mostly due to Pleasant Grove Debt Service, an increase in Service Contract Obligations and capitalizing UTOPIA construction related expenses and reimbursements from Bond Proceeds. Construction related expenses have been treated as operating expenses in the past. There is about $1.7 million spent by UTOPIA which is directly related to the UTOPIA build. The GFOA prefers those costs be capitalized. For UIA, that means some of the bond proceeds borrowed for capital will be used to reimburse UTOPIA for those capital costs. They will be listed as construction expenditures and reimbursed from the bond
proceeds from the trustee. Network Expansion Revenue is about $5.5 million less because the tentative budget included protentional new city partnerships but the final budget will not include them until the transactions have closed. Network Expansion Expenses was about $4.5 million higher in the tentative budget; the changes are related to the potential new city partnerships and related costs.

Mr. Jensen asked about the fund balance deficit and if there is a reason for the delay or if it can just be taken care of rather than shown on the depreciation schedule every year.

Ms. Harvey stated it could not be changed for FY 2021. The fund balance deficit existed because depreciation is growing every year and UIA was already on a 25-year depreciation schedule that can not be changed last year. Had it been changed in 2020, the deficit could have been avoided but it can be changed moving forward. Depreciation has not been budgeted for in the FY 2022 budget. She is trying to move to a cash-based budget which cities are familiar with. She does not expect a deficit fund balance for FY 2022. Board action is not required to make a change in the depreciation schedule.

Mr. Jensen asked if the additional $140,000 in the marketing budget is an expansion of what the organization is currently doing or if new things are being done.

Ms. Kim McKinley, UTOPIA Chief Marketing Officer, stated it is due to growth and also a result of trying new things.

Mr. Timmerman state some expenses are due to new customers because of the welcome packets they receive.

Ms. McKinley stated marketing is an evolving field and her department is always looking at new ways to obtain a customer.

**ACTION:** Jason Sant (Payson City) MOVED to open the public hearing regarding the UIA FY 2022 Budget. Nicole Cottle (West Valley City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

There were no public comments.

**ACTION:** Jason Sant (Payson City) MOVED to close the public hearing regarding the UIA FY 2022 Budget. Brant Hanson (Centerville City) SECONDED the motion. A voice vote was taken - vote was unanimous.

**4. CONSIDER APPROVAL OF RESOLUTION 21-06: APPROVING AN ANNUAL BUDGET FOR THE FISCAL YEAR COMMENCING JULY 1, 2021 AND ENDING JUNE 30, 2022.**

This item was discussed during the previous agenda item.
ACTION: Jason Sant (Payson City) MOVED to approve Resolution 21-06 approving an Annual Budget for the Fiscal Year commencing July 1, 2021, and ending June 30, 2022. Kyle Maurer (Midvale City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

5. CONSIDER APPROVAL OF RESOLUTION 21-07: EXECUTION OF SERVICE CONTRACT BETWEEN SYRACUSE CITY, UTAH (THE “CITY”) AND UTAH INFRASTRUCTURE AGENCY (UIA) FOR UIA TO PROVIDE CERTAIN SERVICES TO THE CITY; AUTHORIZING THE CHAIR OF UIA OR OTHER DESIGNATED OFFICER OF UIA TO EXECUTE AND DELIVER THE SAME; AND RELATED MATTERS.

Mr. Timmerman explained this is what has been done with other cities. The organization has been providing Syracuse City Offices with service for a while. The residents started to bring attention to this, so the city decided to look at it. Overall, there has been a lot of support for it. It was approved with a unanimous vote from the city. An alternative proposal came in from another provider which delayed it just a bit. After a second vetting of UTOPIA, they were comfortable with UTOPIA’s proposal. The contract has been approved by the city and is ready for counter approval from the UIA Board.

Mr. Paul Roberts, Syracuse City Attorney, stated the council is on board 100 percent.

Mr. Timmerman stated this is the same agreement done with Morgan, West Point and Clearfield. It strikes the right balance between member cities and new cities. There is a low threshold of guaranteed revenue needed from the city. The ground conditions are favorable.

Mr. Jensen asked if this is the same contract done in the past.

Mr. Timmerman stated the only difference is Syracuse wanted different language to ensure complete coverage of the city. That has always been the intent of the organization.

Mr. Josh Chandler, UIA General Counsel, stated UIA’s obligation did not change with the change in language.

Mr. Timmerman stated questions always arise with new projects about whether it will hold up construction in member cities. At this point, every single area is in some process of construction. Every new project is coming in behind the member city projects. Funding was done through the last UIA Bond. All cities will be wrapped up within the next two years.

Mr. Jensen asked if new contractors are being added with the additional cities.

Mr. Timmerman stated the number of engineering firms the organization works with has increased significantly so there are a lot of things that run parallel in that area. As far as construction, it primarily goes through one contractor that subs out work through almost all contractors that are available to do the kind of work needed.
Mr. Jensen asked when construction is anticipated to begin.

Mr. Timmerman stated the process begins immediately with getting fiber huts prepped and installed. The first area is usually completed within eight to ten months.

Mr. Aaron Leach, UTOPIA Chief Technology Officer, stated engineering and permitting takes three to five months, then three to five months after that for construction.

Mr. Timmerman stated the first customer is expected a little less than a year out and final areas of the city are completed after about a year and a half. The contract allows for two years.

**ACTION:** Kyle Maurer (Midvale City) MOVED to approve Resolution 21-07 executing a service contract between UIA and Syracuse City. Jason Sant (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

6. **CONSIDER APPROVAL OF RESOLUTION 21-08: AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN $23,500,000 AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS, FRANCHISE AND SALES TAX REVENUE BONDS (SYRACUSE CITY PROJECT), SERIES 2021; FIXING THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF THE BONDS, THE MAXIMUM NUMBER OF YEARS OVER WHICH THE BONDS MAY MATURE, THE MAXIMUM INTEREST RATE WHICH THE BONDS MAY BEAR, AND THE MAXIMUM DISCOUNT FROM PAR AT WHICH THE BONDS MAY BE SOLD; DELEGATING TO CERTAIN OFFICERS OF THE AGENCY THE AUTHORITY TO APPROVE THE FINAL TERMS AND PROVISIONS OF THE BONDS WITHIN THE PARAMETERS SET FORTH HEREIN; PROVIDING FOR THE PUBLICATION OF A NOTICE OF PUBLIC HEARING, BONDS TO BE ISSUED AND OF EXECUTION OF A SERVICE CONTRACT; PROVIDING FOR THE RUNNING OF A CONTEST PERIOD; AUTHORIZING AND APPROVING THE EXECUTION OF AN INDENTURE, A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT, A BOND PURCHASE CONTRACT, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THERewith; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

Ms. Laura Lewis, Financial Advisor, LYRB, updated the board that the Pleasant Grove transaction closing this Wednesday priced at a true interest cost just above 2.72%. They are amortized over 27 years with two years of capitalized interest which is planned for Syracuse as well. The FOMC is meeting this week and at least half the board of directors are signaling a rate increase in 2023; the other half feels it will be in 2024. The issue is related to inflation. She expects Syracuse to price about the same as Pleasant Grove. The parameters for this resolution are as follows:

- The pricing committee will be the same as in the past.
- The bonds cannot exceed more than $23.5 million.
- The interest rate to allow for couponing cannot exceed 5.5%.
• Maturity not more than 30 years.

Mr. Brad Patterson, Bond Counsel, Gilmore & Bell, added that the bonds cannot be sold at less than 97% of their principal amount. There will be a public hearing for these bonds on July 12.

**ACTION:** Jason Sant (Payson City) MOVED to approve Resolution 21-08 approving the parameters of the bond with Syracuse City and setting the date for a public hearing (July 12, 2021). Brenda Moore (Murray City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

### 7. **UIA FINANCIAL UPDATE**

Ms. Harvey reviewed the UIA FY 2021 budget to actual. On total operating revenues, most of the $1.4 million is due to operating revenues stronger than anticipated. The original budget for Contributions for Cap I was underestimated by about $600,000; there is no reason to be concerned but the takeaway is operating revenue was above budget by $800,000. Total operating expenditures was $1.2 million below budget. Capital costs have been accounted for in network expansion. When doing year end entries and preparing the audit they are reclassified as fixed assets and do not show in the financial statements. Most of the difference between budget and projected is based on capital costs and the 4% difference budgeted for debt service and the anticipated actual. Marketing and administrative was slightly over; a lot is due to the increase in new customers and the welcome packet involved with that. Network Operating costs paid to UTOPIA is about $117,000 higher than budgeted due to higher growth than anticipated. Total revenue over expenditures from operations is about $2.6 million. Revenue expansion variance is $24 million proceeds from debt issuance which is mostly due to the closing of the Pleasant Grove bond later this week. The budget does not need to be amended for that; there is not much concern unless expenditures are over budget and most of the money will not be spent until FY 2022. Projected FY 21 revenue from debt issuance is $92 million and $68 million was budgeted. The proceeds from the Pleasant Grove issuance is expected to be about $20 million so there is a $5 million dollar difference between budgeted and projected. The budget was opened for the General UIA and Clearfield Bond and of the issuance cost, Cap I and debt service reserves were netted against those proceeds. Interest Revenue was overestimated for FY 2021 because the money did not sit in construction funds but was spent. There is $1.1 million in CARES funds that was not anticipated in the budget. There is a slight difference of $1.4 million in Contribution from Unrestricted Bond Funds. Total Non-operating Revenues is $23 million which is generally associated with the Pleasant Grove transaction closing this week. Expenditures for network expansion and building purchase are slightly more than anticipated. Network expansion is exceeding budget by about $23 million which is close to the non-operating revenues, resulting in a net loss of $150,000. Total revenues over expenditures is about $2.5 million. She showed a graph of the combined recurring revenue for UTOPIA and UIA. Combined recurring revenue per month is about $2.7 million; UTOPIA represents $650,000 and UIA is just over $2 million. The graph showed significant growth since 2012. The next chart showed the combined recurring revenue increase as a 12-month moving average. Between 2014 and 2018 the averages stayed between $10,000 to $20,000. It really took off in the past 12 months to grow to over $40,000 month over month. Then next chart showed UIA Revenue vs. Bond Obligation. The gap between the two is about $600,000. Monthly output for UIA operations is less at about $550,000. Debt Service Coverage of $1.5 million is reached through
revenue pledges from member cities and pledge of franchise fee revenue from UIA cities. Based on the graph, that revenue is not needed.

8. **UIA NETWORK UPDATE**

Mr. Timmerman stated the revenue captures the growth, but subscriber counts help as well. The organization is close to 40,000 subscribers and expects to meet that next month. Idaho Falls is now included in the numbers. The charts show very consistent growth from all cities. Feedback is good about service quality, reliability, value, and the reputation both financially and politically has improved over the years. Staff is very happy with how things have been going. The priority right now is to finish buildout of member cities. The growth opportunities through different partnerships have been significant. One of those partnerships is through the school system and this year UIA received its largest award ever from the Utah Education & Telehealth Network. Not only does the organization serve residences and businesses but also educational institutions. There are almost 17 cities that have FTTH agreements through UTOPIA but fiber benefit and connectivity is provided in over 50 cities throughout the state including Cache Valley and St. George Area. The footprint keeps expanding with fiber in the ground and more reach of the network. More people are benefiting, not just direct customers, but other agencies like schools, the state, counties, and cities.

Mr. Jensen asked what the subscriber numbers were last month.

Ms. McKinley stated there were about 700 new customers last month. Subscriber numbers vary based on footprint releases.

Mr. Jensen asked if subscribers are expected to decline as COVID issues begin to normalize.

Mr. Timmerman stated that is not anticipated and would be currently affecting the organization if it was an issue. More people are working remotely and want the service. They are becoming increasingly frustrated with DSL and cable options out there.

9. **ADJOURN**

Mr. Timmerman recognized Ty Baily, City Manager of Morgan, and Kyle Laws, City Manager of West Point, joining the meeting today. Invitations have been extended to partner cities for their participation in board meetings. Although they are not voting members, they are very important in the success of the organization and he appreciates their participation. There will probably be other partner cities joining meetings in the future as well. Jeff Erwin was also introduced as UTOPIA’s Chief Operations Officer which was approved at the last board meeting.

Mr. Erwin stated he is excited to work with each member of the board in the future.

Mr. Kyle Maurer was also introduced as the new UIA board member representing Midvale. Mr. Matt Dahl will now be a board member on the UTOPIA Board.

There being no further business of the UIA Board of Directors, the meeting held on Monday, June 14, 2021, was adjourned at 9:01 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 9th day of August, 2021