

# UTAH INFRASTRUCTURE AGENCY (UIA)

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## BOARD MEETING MINUTES

April 12, 2021

8:30 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRY, 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  
Nicole Cottle – West Valley City  
Brenda Moore – Murray City  
Mayor Jeff Acerson – Lindon City  
Jason Sant – Alternate, Payson 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

## **1. WELCOME AND INTRODUCTIONS**

The UIA Board of Directors held an electronic board meeting on Monday, April 12, 2021. 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: 331

UIA Majority Vote: 220

UIA 2/3 Vote: 293

## **2. APPROVAL OF MINUTES – FEBRUARY 8, 2021**

There was no discussion on the minutes.

**ACTION: Matt Dahl (Midvale City) MOVED to approve the minutes from the UIA board meeting held February 8, 2021. Nicole Cottle (West Valley City) SECONDED the motion. A voice vote was taken - vote was unanimous.**

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**3. CONSIDER APPROVAL OF RESOLUTION 21-02: ADOPTION OF TENTATIVE BUDGET FOR FISCAL YEAR 2022 FOR UTAH INFRASTRUCTURE AGENCY AND SETTING TIME AND PLACE FOR PUBLIC HEARING REGARDING THE BUDGET (JUNE 14, 2021)**

Ms. Laurie Harvey, UIA Secretary / Treasurer, stated the board is required to adopt a tentative budget before the next regularly scheduled meeting in May. The Executive team will review requests before budget adoption in June. Budgeted operating revenues is \$28 million which is a \$3 million increase and conservatively estimates 500 new UIA customers per month. Contributions from Cap I is money that pays the debt service for cities until the revenue is adequate to cover it. Cap I ends for all bonds except the UIA Series 2021 and the Clearfield Bond which is the reason for the drop in revenue from Cap I. Proposed operating expenses is budgeted at \$24 million which is a \$2.7 million increase. Most is fees paid from UIA to support operations at UTOPIA and is tied to connections and addresses passed. She is proposing an increase in the amount UTOPIA receives. Management fees are going up about 18% which covers Executive time, UTOPIA Administration Budget and other key managers and a portion of customer service. Some is an increase in cost and some is a review of the UTOPIA budget and determination of what UIA should fairly be covering for UTOPIA. The larger part of the increase is related to the service contract. UIA pays \$6.50 per month for each active connection and an increase to \$7.65 is proposed. For Provisioning, each UIA connection pays a one-time fee of \$14.30 and an increase to \$15 is proposed. For Field Maintenance, UIA pays \$1.20 per month for addresses passed and an increase to \$2 is proposed. Twenty thousand additional address are anticipated which is the largest part of the increase. The shelter maintenance fee is \$400 annually per UIA hut/cabinet.

Mr. Jason Roberts, Brigham City, asked how the new proposed amounts were determined.

Ms. Harvey stated changes were mostly due to an increase in Network Engineering costs for UTOPIA. Network Engineers have been added, the amount of time the OSP staff spends on the network and the number of employees has increased. These fees have not been adjusted for several years and as the salaries and benefits increase so does the cost to UIA and UTOPIA.

Mr. Roger Timmerman, Chief Executive Officer, stated increase in costs should be covered more on UIA's side because most growth is in UIA. UIA has grown much larger than UTOPIA as an entity, with customers and revenues, and should pay its share. The benefit to UTOPIA is the offset in expenses. This is also the mechanism to relieve the burden for the UTOPIA cities.

Mr. Roberts stated that makes a lot of sense. When amounts were originally set it was hard to pinpoint numbers. He is not surprised it needed to be adjusted.

Ms. Harvey reviewed each department's budget in UTOPIA and analyzed costs that should be shared with UIA. These fees were last adjusted two years ago. It moves more money to UTOPIA but also supports the numbers.

Mr. Timmerman stated there are probably other areas that need review where UIA should be paying more. There are some co-locations and interconnects that provide revenue opportunities primarily to UIA but it is very hard to categorize everything in either UIA or UTOPIA. It would

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be easier to merge the two entities but there are several reasons why that cannot happen. Staff seeks to create a fair balance between the two entities.

Ms. Harvey stated one of UTOPIA's functions is to operate the network. Whether or not UIA should pay for more of the backbone is always a question. Enhancements to the backbone have been needed as cities have been added. Additional infrastructure added at UTOPIA to support UIA cities needs to be reviewed.

Mr. Matt Dahl, Midvale, asked how and when the organization will get the rest of the way in making these changes.

Mr. Timmerman stated adjustments will be made incrementally every year to create the right balance between improving the financial situation at UTOPIA while not harming UIA's ability to grow and expand.

Ms. Harvey stated another reason for an annual modification is as the agency grows new employees will be added and if things are not adjusted in UIA, UTOPIA will fall behind. The management fee that is about \$2.7 million was not put in place until three years ago and was suggested by the auditors. While UIA may pay for services, all employees are paid through UTOPIA. There was concern that UTOPIA was shouldering too much of the cost burden for employee time that is spent on UIA. For 2022 there is an additional \$20 million in bond proceeds with the tentative addition of one city. The original UTOPIA cities are getting close to full buildout so proposed construction for 2022/2023 will be additional partner cities.

Mr. Timmerman stated the tentative budget will be revised throughout the year based on new city partnerships. Other funding opportunities that may be available this year are the American Rescue Plan Act, the State Grant Program, and the new Broadband Act from the Federal Government. Those will significantly affect the budget this year.

Mr. Jensen asked if all the cities where Cap I will be ending have reached their target take rates.

Ms. Harvey stated every city has met their take rate goals.

Mr. Jensen asked if there has been any consideration, once buildout is completed, to go to each member city and celebrate the success. The organization could possibly give them something to recognize the accomplishment and thank them for their support.

Mr. Timmerman stated that is a great idea and would love to hear board members thoughts on it.

Ms. Nicole Cottle, West Valley City, believes it is important to acknowledge that UTOPIA was right to pursue this venture. Had it not been done when it was, things could have been much worse during the pandemic this past year. It is a great idea to make this acknowledgement.

Mr. Dahl felt it was a great idea as well.

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Mr. Jensen asked staff to come up with something to present in a personal acknowledgement to each city. This is also an opportunity to thank elected officials for holding their ground to do the right thing and not the easy thing.

**ACTION: Jason Roberts (Brigham City) MOVED to approve Resolution 21-02 approving the FY 2022 Tentative Budget for UIA and setting time and place for the public hearing (June 14, 2021). Jason Sant (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.**

#### **4. DISCUSSION OF UIA'S FRAUD RISK ASSESSMENT**

Ms. Harvey explained the State Auditor's Office asked that a Fraud Risk Assessment be completed each year. The organization scored better this year than last year. One reason is because each board member completed online Introductory Training for Municipal Officials for Cities and Towns. Any new board members probably had to complete it for their city and they can provide their certificate to UIA to help with the organization's score. The other reason the score increased was due to the formation of the Audit Committee which is the UIA / UTOPIA Finance Committee. Requiring employees to commit in writing to abide by a statement of ethical behavior could easily be put in place and help improve next year's score. There is not a formal internal audit function and it is unlikely one will be put in place anytime soon. There are many checks and balances and good separation of duties. At 355, UIA scores in the very low risk range. This will be submitted to the State Auditor's Office and will be an annual process.

Mr. Jensen asked when this report is due.

Ms. Harvey was unable to get the due date from the State Auditor's office but would like it done before the June 30, 2021 Audit.

Mr. Jensen asked if the online training needs to be done annually.

Ms. Harvey stated it is a one-time thing and needs to be done within 4 years of term appointment.

Mr. Jensen asked Ms. Harvey to send an email to Board Members that have not completed the training.

#### **5. UIA FINANCIAL UPDATE**

Ms. Harvey showed the combined recurring revenue for UIA and UTOPIA; UIA reached \$2 million and UTOPIA is about \$600,000. She showed the month over month increase in systemwide recurring revenue which is almost \$45,000. She displayed the chart showing UIA Revenue vs. the Bond Obligation. There is already a sizeable increase in the headroom since the 2021 bonds were sold; there is \$500,000 between monthly revenue and cumulative bond payments. The Morgan Cap I period ends soon but everything else is in the Cap I period. All partner cities that have been completed have met revenue requirements about a year ahead of schedule.

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## **6. UIA NETWORK UPDATE**

Mr. Timmerman shared the availability and subscriber number charts. There were some changes made to how the numbers are reported. Idaho Falls is now included in the numbers. Total subscribers is just shy of 38,000; 1,000 of that is from Idaho Falls. Take rates have been growing in every city. In spite of new technologies (i.e. 5G, other providers upgrading, etc.), people still choose to move over to fiber, specifically UTOPIA fiber. Each month about 500 to 600 customers are added which is a little lower than desired. There has been a lot of fiber added in the ground but just has not been finished. There should be several thousand releases coming soon which will create a lot of growth. There is a big opportunity for a new city partnership with Pleasant Grove City. It is scheduled for city council approval tomorrow evening. If it is approved by the city council, there will need to be a UIA special meeting Thursday, April 15, 2021 at 8:30 am to get board approval. It is the same structure done with other projects. There is a backstop from the city equal to the amount of customers and revenues to cover the debt service on the project. There is no financial risk for UIA. Pleasant Grove would be the largest new city partnership for the organization. Pleasant Grove borders Lindon, which is the city with the highest take rate and the demographics are similar. Staff feels confident in obtaining the needed take rate which is 25-30%.

Ms. Brenda Moore, Murray City, stated she receives mailers every week from other providers. She asked if marketing materials go out when areas get completed.

Ms. Kim McKinley, UTOPIA Chief Marketing Officer, stated a new series is just starting that is a progression of mailers that begin when digging starts and continues through the process. There is also some targeted social media advertising.

Mr. Timmerman stated the organization tries to be conservative with its marketing expenses and makes sure it is very data driven.

Ms. Moore asked if board members could be notified when areas in their city are turned on so they can inform councilmembers who can then do some marketing. They receive phone calls all the time wondering if UTOPIA is available.

Ms. McKinley stated that can be done. She asked board members to reach out to staff if they are interested in UTOPIA participation in any of their summer events.

## **7. ADJOURN**

Mr. Jensen mentioned that Kane Loader recently retired from Midvale and Matt Dahl will be taking his place. Kane was with UTOPIA through all the tough years and he is thankful for all the support he and Midvale provided to the organization.

Mayor Jeff Acerson stated his city appreciated receiving the OpEx repayment check from UTOPIA.

There being no further business of the UIA Board of Directors, the meeting held on Monday, April 12, 2021, was adjourned at 9:29 AM.

Utah Infrastructure Agency (UIA) Board Meeting Minutes

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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 14<sup>th</sup> day of June, 2021

