

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA)

BOARD MEETING & PUBLIC HEARING MINUTES

JUNE 14, 2021

10:00 AM

UTOPIA FIBER OFFICES
5858 SOUTH 900 EAST
MURRAY, UTAH 84121

Board Members Present: Meeting conducted electronically

**Board Members Joining
Electronically:**

Wayne Pyle – Chair, West Valley City
Councilmember Jeffrey Lambson – First Vice Chair, Orem City
Adam Cowie – Second Vice Chair, Lindon City
Matt Dahl – Midvale City
Mayor Blair Camp – Murray City
Councilmember Robyn Mecham – Centerville City
Jason Sant – Payson City
Todd Christensen – Perry City
Alex Jensen – Alternate, Layton City

**Officers Joining
Electronically:**

Roger Timmerman – UTOPIA Executive Director
Laurie Harvey – UTOPIA Chief Financial Officer
Christa Evans – UTOPIA Secretary
Joshua Chandler – UTOPIA General Counsel
Aaron Leach – UTOPIA Chief Technology Officer
Kim McKinley – UTOPIA Chief Marketing Officer
Jeff Erwin – UTOPIA Chief Operations Officer

**Others Joining
Electronically:**

1. WELCOME AND INTRODUCTIONS

The UTOPIA Board of Directors held a board meeting on June 14, 2021. The meeting was live streamed to allow public viewing. UTOPIA Chair, Wayne Pyle (West Valley City) called the meeting to order at 10:03 AM.

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

2. APPROVAL OF MINUTES – APRIL 12, 2021 / MAY 13, 2021 (JOINT UIA / UTOPIA)

There was no discussion on the minutes.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) Board Meeting & Public
Hearing Minutes

June 14, 2021

ACTION: Matt Dahl (Midvale City) MOVED to approve the minutes from the UTOPIA board meeting held April 12, 2021 & the UIA / UTOPIA joint board meeting held May 13, 2021. Jeff Lambson (Orem 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 TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA).**

Ms. Laurie Harvey, UTOPIA Chief Financial Officer, presented the budget summary for FY 2022. The proposed budget for Operating Revenues is \$31.9 million which is an increase of \$2.9 million over the previous year budget. Increases in transport revenue are mostly revenue reassignments from UIA to UTOPIA during the CRM implementation. Bandwidth and direct internet access had been allocated to UIA and UTOPIA. The conclusion was reached that UTOPIA is backbone and it makes sense that backbone revenue is assigned to UTOPIA. UTOPIA has some growth because residents are upgrading their plans. The IRU payments from UIA are amortized; UIA has paid that in full. It is a non-cash transaction and because the budget is based on cash flow that item has not been included in the FY 2022 budget. She provided a breakdown of the \$2.7 million in management fees and the network operating costs of \$4.2 million which are the UIA and UTOPIA service contract obligations. There is a reimbursement budgeted from UIA to UTOPIA for wages and some operating costs that are attributable to personnel that are 100% focused on building (outside plant and some engineering employees). The construction arm of UTOPIA would not be needed if building were not continuing in UIA. That will be capitalized in UIA and UIA can use bond proceeds from the various projects to pay UTOPIA for that labor. That is a new revenue line item of \$1.7 million. The debt service pledge payments from cities increases each year by 2%. Overall, there is an increase in revenues of \$2.9 million. UTOPIA Revenue from UIA Management Fees is \$2.7 million which is an increase from the previous budget of \$421,200. Each UTOPIA department has been reviewed to see how much activity can be attributable to UIA. The breakdown of department expenses attributable to UIA is 80% of Administration, 50% of Technology, 95% of Marketing & Sales and 75% of Customer Service. The total of those UTOPIA expenditures that will be reimbursed by UIA through the management fee is \$2.7 million. The UIA Service Contract obligation to UTOPIA is the interlocal agreement between UTOPIA and UIA to reimburse for costs incurred on behalf of UIA. It breaks down to about 25% for UTOPIA and 75% for UIA overall. The total cost that needs to be covered by UIA is \$4,180,600. 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%)

Utah Telecommunication Open Infrastructure Agency (UTOPIA) Board Meeting & Public
Hearing Minutes

June 14, 2021

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

UIA Operating Expenses for FY 2022 has a proposed budget of \$10.4 million for personnel. That is about one third of the total FY 2022 budget. Fifty percent is debt service. She focused on the \$1.8 million increase in salaries and benefits. The largest portion of the increase is for 13 new FTEs. A 3% merit increase for existing UTOPIA employees will cost \$240,800. There is a 5% increase in insurance which is about \$50,300; this is an estimate and will not be known until closer to the end of the calendar year. The other changes are related to marketing increases and employee benefit selections. A breakdown was provided for the proposed 13 FTEs:

- Finance & Accounting – 1 Clerk to support Fleet management and Contract management
- Operations – 1 Financial Analyst to assist the new COO
- Field Services – 2 additional technicians
- Blue Stakes Locating – 2 additional locators
- Technology – 1 CTO, 1 additional software developer & 1 IT Tech
- Outside Plant – Construction – 1 additional inspector & 1 Permit Coordinator
- Outside Plant – Engineering – 1 Drafter
- Inside Plant/Facilities – 1 Assistant to the Inside Plant Manager

Of the 83 current employees, two GIS Interns are included in that number.

Mr. Roger Timmerman, UTOPIA Executive Director, stated the organization has grown significantly over the last five years and although it looks like a lot of new employees, the organization is still very lean. These positions are past due. A lot of these are to support UIA functions but the cost to cover these positions is provided through money UIA pays UTOPIA.

Mr. Matt Dahl, Midvale City, stated it was mentioned that this is considered a conservative approach to staffing, but it sounds as if it is not optimal staffing. He asked how far short this proposal is from optimal staffing.

Mr. Roger Timmerman, UTOPIA Executive Director, stated there were a lot of requests turned down. The NOC asked for growth and that was rejected. This industry average is about 1,000 to 2,000 subscribers per technician; the organization is well under that. There are positions that could easily justify more but staff does not want to err on the side of having too much and being wasteful of resources. During the budget year, it may be decided that additional positions are needed but he would rather address that when the need arises. New positions could be added in the Sales and Customer Service Departments, but he felt the organization could still get by with what it currently has. Compared to the amount of work being done this is still very lean. Conceptually, there are two areas that affect resources. One is the size of the network and maintaining customers. The other side is the growth of the network which involves engineering, construction, and design. They are both bigger than they have ever been. There are also new city partnerships and several others being considered. These new partnerships represent a lot of growth which creates staffing needs, but they are very good for both agencies. Staffing is lean but not to the detriment of the organization.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) Board Meeting & Public
Hearing Minutes

June 14, 2021

Mr. Pyle asked if the new positions have been discussed previously.

Ms. Harvey stated there was not a lot of discussion about additional positions when the tentative budget was adopted. At that time there was a list of requested positions that had not been reviewed or approved by the Executive Director yet. After review, some requests were approved, and some were not approved. It was not discussed in detail with the board at the meeting in April.

Ms. Robyn Mecham, Centerville City, asked if rates are being raised for customers.

Mr. Timmerman stated rates are not being raised. The general response from the industry has been to raise rates due to the impact of inflation and increased cost. UTOPIA has been able to offset those factors with increased efficiency because the economy of scale has grown. There is a stronger desire to be in the position to lower rates in the future but that will need to be evaluated. At this point, there is no rate change in the forecast.

Ms. Harvey stated software is increasing by \$300,000. UTOPIA is trying to use technology as much as possible to keep the FTE counts down. The organization is in the process of implementing or considering the following:

- inventory control software
- contract management software
- purchasing SLACK instead of using the free version
- increasing Network Engineering programs for device configuration
- transitioning to an online customer payment service
- purchasing a full year of Vitruvi
- enhancing Blue Stakes Locating software
- I-pad service for Field Techs
- Reclassifying software from other categories

Other operating expenses are proposed to increase by \$356,300. Items being considered are as follows:

- National Lobbyist
- Outside Legal Services
- Bank Service Fees transferred from UIA to UTOPIA
- Outside plant repairs and maintenance
- Colocations and easements
- Vehicle Expenses (new FTEs)
- Budgeted reduction of Fund Balance Deficit
- Advertising transferred to UIA (decrease)

Mr. Timmerman explained that UTOPIA had lobbyists on the national level years ago but for a while were not pertinent and were therefore cancelled. Things are beginning to take off at the national level that may affect UTOPIA and he felt there was need for it again.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) Board Meeting & Public
Hearing Minutes

June 14, 2021

Ms. Harvey summarized total revenues for the FY 2022 budget are \$31.9 million, total expenses are \$31.4 million for a total net increase of \$518,800. This is before depreciation which is a non-cash item; governmental accounting focuses on cash transactions. There were some minor revisions to the tentative budget presented in April. The difference in revenue from tentative to final is an increase of \$340,600; this is based on an increase in UIA reimbursement and revised FY 2021 revenue projections. Expenditures are \$178,200 lower due to not all FTE increases being approved.

ACTION: Adam Cowie (Lindon City) MOVED to open the public hearing regarding the UTOPIA FY 2022 Budget. Matt Dahl (Midvale City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

There were no public comments.

4. CONSIDER APPROVAL OF RESOLUTION UT 21-02: 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: Matt Dahl (Midvale City) MOVED to close the public hearing regarding the UTOPIA FY 2022 Budget and approve Resolution 21-06 approving an Annual Budget for the Fiscal Year commencing July 1, 2021 and ending June 30, 2022. Adam Cowie (Lindon City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

5. UTOPIA FINANCIAL UPDATE

Ms. Harvey reviewed the UTOPIA FY 2021 budget to actual. There is less than a 1% variance in revenue. Expenses are about \$600,000 under budget. The obligation to budget for the Reduction of Fund Balance was met by coming in under budget by \$600,000. The requirement to budget for Reduction of the Fund Balance Deficit is 5% of 2021 revenues. There is not a strict requirement to actually cause that to happen but to simply budget for it. It is difficult for enterprise funds such as UTOPIA because most of the deficit is due to depreciation which is a noncash item. The state legislature required that for more transparency and to show that organizations are focused on bringing down their fund balance deficit. Overall, revenues over expenditures are \$865,000 higher than budgeted. 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 final 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

Utah Telecommunication Open Infrastructure Agency (UTOPIA) Board Meeting & Public
Hearing Minutes

June 14, 2021

member cities and pledge of franchise fee revenue from UIA cities. Based on the graph, that revenue is not needed.

6. UTOPIA NETWORK UPDATE

Mr. Timmerman stated the agreement with Syracuse City was approved. All remaining UTOPIA & UIA areas are in some state of active build, either final engineering or actual construction. The network will be substantially complete within this fiscal year. Additional city partnerships have gone very well. Morgan and West Point have both met their targeted revenue. Clearfield is still very early but some areas are completed and customers are signing up. Pleasant Grove is just beginning construction and Syracuse was counter-approved this morning. There are several additional city partnerships anticipated; staff is in various partnerships with cities across the state. Revenue comes with each new city partnership which helps pay off debt and decrease service costs along with other benefits to the network. He shared the latest subscriber report. He shared the availability and subscriber number charts. The organization is close to reaching 40,000 subscribers. Things are good from a competitive aspect as well as politically and financially. The current priority is to complete the remaining areas and the next priority will be debt relief.

7. ADJOURN

Mr. Timmerman introduced Jeff Erwin 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.

There being no further business of the UTOPIA Board of Directors, the meeting on Monday, June 14, 2021, was adjourned at 10:46 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 9th day of August, 2021

