

**UTAH INFRASTRUCTURE AGENCY (UIA)**

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**BOARD MEETING MINUTES**

August 9, 2021

8:30 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRAY, UTAH 84121

**Board Members Present:**

**Board Members Joining  
Electronically:**

Alex Jensen – Chairman, Layton City  
Jason Roberts – Brigham City, First Vice Chair  
Jamie Davidson – Third Vice Chair, Orem City  
Kyle Maurer – Midvale City  
Nicole Cottle – West Valley City  
Brant Hanson – Centerville City  
Mayor Jeff Acerson – Lindon City  
Brenda Moore – Murray City  
Jason Sant – Alternate, Payson City

**Officers Present:**

Laurie Harvey – UIA Secretary/Treasurer  
Joshua Chandler – UIA General Counsel

**Officers Joining  
Electronically:**

Roger Timmerman – UIA Chief Executive Officer

**Others Present:**

Christa Evans – UTOPIA Secretary

**Others Joining  
Electronically:**

Kimberly McKinley – UTOPIA Chief Marketing Officer  
Aaron Leach – UTOPIA Chief Technology Officer

**1. WELCOME AND INTRODUCTIONS**

The UIA Board of Directors held a board meeting on Monday, August 9, 2021. The meeting was live streamed to allow public viewing. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:37 AM. He welcomed all attendees.

UIA Total Votes Present: 439

UIA Majority Vote: 220

UIA 2/3 Vote: 293

**2. APPROVAL OF MINUTES – JUNE 14, 2021 & JULY 12, 2021**

There was no discussion on the minutes.

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**ACTION: Nicole Cottle (West Valley City) MOVED to approve the minutes from the UIA board meetings held June 14, 2021 & July 12, 2021. Kyle Maurer (Midvale City) SECONDED the motion. A voice vote was taken - vote was unanimous.**

**3. CONSIDER APPROVAL OF RESOLUTION 21-09: APPROVING A FOURTH AMENDMENT TO AN INTERLOCAL COOPERATIVE AGREEMENT FOR SERVICES BETWEEN UIA AND UTOPIA**

Ms. Laurie Harvey, UIA Secretary / Treasurer, explained this resolution amends the amounts stated in the resolution. The last time they were amended was two years ago. The budget was approved with the proposed increases to the service contract fees. The management fee is \$2.7 million which is up from \$2.3 million, an 18% increase from FY 2021. For the service contract, the following is proposed:

1. Network Operations: UIA active connections x \$6.50/month. Propose fee increase to \$7.15 (10%)
2. Provisioning: new UIA connections x \$14.30 one-time. Propose fee increase to \$15.75 (10%)
3. Field Maintenance: UIA addresses passed x \$1.20/month. Propose fee increase to \$1.30 (10%)
4. Shelter Maintenance Fee: \$400 annual fee per UIA hut/cabinet. No change proposed

This amendment is on the agenda for both UIA and UTOPIA. If it's approved, the chairs for both entities will sign the Fourth Amendment.

Mr. Kyle Maurer, Midvale, asked how each of these amounts were arrived at.

Ms. Harvey explained, regarding the management fee, all administrative costs paid by UTOPIA are looked at to determine which would not be at the level they are at if it were not for UIA. Some of that includes additional staff as the network is expanded. Also, more time is spent on UIA from Executive Staff so 90% of those salaries are reimbursed to UTOPIA by UIA. The service contract was first adopted in 2010. At the time it was based on the salaries paid to the NOC Technicians and Field Service Technicians. The reason for amendments each year is because salaries increase an average of 3% every year. The last amendment was two years ago. It is necessary to make sure all UTOPIA expenses that would not exist were it not for UIA are covered and also to keep the right amount of assets in each entity.

Mr. Roger Timmerman, UIA CEO, stated there is also an economy of scale. When UIA was started there were about 10,000 customers. UIA was the mechanism to allow UTOPIA to grow and expand and it is now over 40,000. As UIA becomes bigger relative to UTOPIA it makes sense to adjust the cost structure between the two organizations. UTOPIA benefits from the economy of scale.

Ms. Harvey stated the management fee came into existence about four years ago and was proposed by the auditors. They felt UTOPIA was shouldering a lot of the burden from UIA.

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Mr. Jamie Davidson, Orem, asked if the number would be trued up on an annual basis.

Ms. Harvey stated that was correct. This number is based on an additional 600 new connections per month. The amount transferred from UIA to UTOPIA will be based on the actual number of new connections. At the end of each year those calculations are reviewed with the auditors.

Mr. Jason Roberts, Brigham City, asked if the management fee amount is an overhead charge or if there is a profit to UTOPIA.

Ms. Harvey stated it is overhead. This is 90% personnel and a fair look at where expenses belong. There is not a portion of profits in it at all. Field Tech work and NOC Tech work are not included in the management fee because those costs are covered in the service contract.

**ACTION: Jamie Davidson (Orem City) MOVED to approve Resolution 21-09 approving a Fourth Amendment to an Interlocal Cooperative Agreement for Services between UIA & UTOPIA. Brant Hanson (Centerville City) SECONDED the motion. A roll call vote was taken - vote was unanimous.**

#### **4. DISCUSS UTOPIA FIBER SUBSCRIBER REPORT**

Ms. Kim McKinley, UTOPIA Chief Marketing Officer, presented the results of the subscriber survey conducted this year. This is sent to residential subscribers every year to get a baseline of where the organization is and opinions about the service. It was conducted from July 8 through 16 with over 3,000 responses which makes it very relevant since it is about a 10% response rate. Some cities had a higher response rate than others which she feels is attributed to newer cities where construction is active. Most people that responded were male. About 94% own their homes; this shows that UTOPIA needs to get further into the rental space. Most customers responding are married. The demographics line up closely with Utah demographics. Regarding household income, in the past results have shown that UTOPIA skews to a higher demographic. The current survey shows more of a mix, so the organization is doing a better job of getting people to sign up among different economic brackets. There is a mix among age groups but the largest response groups were those 40-44 and 65+. About 52% of respondents do not have any children living at home which can be attributed to the large 65+ response. This stat is important to understand if bandwidth is being used due to a lot of people living in the home. Most customers have a graduate or undergraduate degree. The majority have been UTOPIA Fiber customers for less than one year which makes sense since 10,000 subscribers were added this past year. It also showed that 5% had been customers for over ten years and have stayed customers. The majority have XMission as their ISP. There is an even break between those that have 250Mbps and 1Gig. Sixty-six responded that they had the 10Gig service but UTOPIA does not have that many 10Gig customers; respondents probably assumed they had the highest available speed.

Mr. Timmerman stated there are a lot of 10Gig customers on the business side but not with residential customers.

Ms. McKinley stated most customers hear about UTOPIA through their municipality. There are a few who had UTOPIA service at a business or other residence so it shows when people move they

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look for areas where they can once again obtain UTOPIA Fiber service. Most customers use their service for email, streaming movies and social media. There was an uptick in working from home which is not a surprise due to the pandemic. Most people use their internet service for computers but there has been an uptick in home security, Arlos and smart appliances. Overwhelmingly, the video services they use are Prime, Netflix and Disney Plus. Mostly, other telecommunications services they pay for are cell phones and data plans. Price and internet speed are the main factors in the decision to sign up for UTOPIA service. Choice of provider is something that internally the organization feels is important but is not as important to the consumer. City co-sponsorship of UTOPIA Fiber is not very significant for subscribers. Consumers like that it is a fiber network and they also sign up because they do not like large telecom companies. The reliability of the UTOPIA Fiber network is heard over and over as the reason why customers stay with the service. An overwhelming majority is pleased that their city invested in UTOPIA Fiber. Most subscribers feel UTOPIA Fiber has had a positive impact on their quality of life. Most people are very satisfied with their UTOPIA Fiber experience, the reliability of the service, the ability to choose their internet provider, the installation process and the speed provided. Most people were happy with their interactions with customer service. The customer's ISP Net Promoter Score (NPS) is 49. To gauge this question, customers are asked how likely they are to recommend their ISP.

Mr. Davidson asked if there is a correlation between the growth of the network and the NPS.

Ms. McKinley stated there is not because the ISP Net Promoter Score has never been asked before. UTOPIA's NPS is 63 and has remained very steady through the years. Many subscribers are on the network because providers are net neutral and do not restrict any content or give paid prioritization. The impact on the community is described as 75% positive. This is done each year to ensure UTOPIA is delivering on all metrics and everything done in the last ten years to build up the reputation.

Mr. Jensen asked if the survey was done internally or contracted with someone else and how the questions were crafted.

Ms. McKinley stated it was internal and sent out through survey monkey. In previous years, it was done externally and the outside provider helped craft the questions but those have also been added to through the years.

Mr. Jensen asked what the evolution of the ISPs have been as the network has evolved.

Mr. Timmerman stated there is a mix of some that have just remained the same and others that have been very aggressive in pursuing a bigger piece of the pie through marketing, reputation, referral programs and social media. It is very competitive with 15 ISPs and they have to put in some effort. This data is helpful to show how the organization can help and support the ISPs as well so that UTOPIA maintains its investment and reputation.

Ms. McKinley stated this survey validates UTOPIA taking the lead position rather than letting the ISPs take the lead. It allows UTOPIA to control its destiny and customer experience. The positive reaction to UTOPIA is a credit to everyone involved in the meeting and shows how far the organization has come.

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Mayor Jeff Acerson, Lindon, asked if there is a breakdown by city of who the providers are.

Mr. Timmerman stated that information is available and can be shared privately.

Mr. Davidson stated the information is fantastic and speaks counter to what he recently read from the Utah Taxpayers Association where UTOPIA was criticized. These results should be shared with communities and the public because it represents something very different than what the detractors are suggesting.

Ms. McKinley stated an infographic and press release will be coming regarding these results.

Mr. Timmerman stated from a data perspective there is no reason to criticize UTOPIA these days. The survey results are good along with the overall reputation. There has been a lot of press lately and comments have been very supportive. This is not just the result of the capability that fiber brings. Reliability is not just a given with fiber and depends on the efforts of the team through things like how the network is built with greater redundancies, responses to fiber cuts, etc.

Ms. McKinley stated there will be an announcement going out about Midvale soon because they are finished.

Mr. Davidson stated there has been a lot of discussion in north Utah County with some communities wanting to go it alone. There was an article touting Pleasant Grove and that they are already turning dirt with UTOPIA while these other communities are still in the exploration phase. Pleasant Grove will probably be done before these other communities even turn dirt. It shows why it makes sense to go with the tried-and-true operator and constructor rather than going it alone.

Mr. Timmerman stated he does not want to see any city fiber project fail although he feels UTOPIA is the best option out there. The partnership structure balances new cities with old cities and works very well.

Mr. Jensen asked, regarding the press release for Midvale, if the city has been well-informed of that.

Ms. McKinley just received the first release which will be sent to Midvale for them to look over. UTOPIA has been silent for a long time and it's important to come out a little stronger to let people know that UTOPIA is completing cities before others are even getting started.

Mr. Kyle Maurer, Midvale, stated they appreciate all the work to get them built out and are ready to celebrate with a press release and get the word out to constituents.

Mr. Timmerman stated UTOPIA staff is more than happy to go to member cities to give updates if desired. Press releases are also good. Staff may want to do a 10Gig recognition ceremony or presentation as cities are completed. It is up to each city what they would like to do.

Ms. McKinley stated cities can reach out to staff to get that scheduled.

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Mr. Jensen stated a summary packet of the survey results would be helpful for cities to provide to legislative people and for cities considering UTOPIA as well.

Ms. McKinley stated staff is working on getting this information out to people and there has been an informational video created to help with that.

Mr. Timmerman stated, if time permits, the five-minute video will be shown at the end of the meeting.

## **5. UIA FINANCIAL UPDATE**

Ms. Harvey showed a preliminary fiscal year end statement for UIA. Current assets is \$75 million which is up \$4.5 million from last year and most is in cash. There is \$21 million in unrestricted cash. Non-current assets is \$186 million which is up \$35 million and is mostly related to fixed assets net of depreciation. Liabilities are \$7 million which is down but this is preliminary and accounts payable is continuing to accrue so it will go up. Bonds payable is up \$72 million because of additional borrowing. Net position is \$3.2 million, compared to \$2.3 million at the end of FY 2020. Depreciation will be adjusted this year and the life of assets is being extended which will reduce the depreciation expense by about \$2 million per year. This will get UIA closer to being out of a negative net position within a year or two. Revenues are \$23.6 million which is \$2 million more than collected in FY 2020. Total operating expenses of \$16.6 million is an estimate including depreciation. If depreciation is backed out it is \$1 million less than last year. Accounts payable is still being accrued, however, most of accounts payable will go to capital projects. Revenues are \$1 million higher than budgeted and are about where expected based on estimates. She showed a graph of the combined recurring revenue for UTOPIA and UIA. Combined recurring revenue per month is about \$2.75 million; UTOPIA represents \$650,000 and UIA is just over \$2.1 million. The graph was current through August. The next chart showed the combined recurring revenue increase as a 12-month moving average. It is hovering around a \$40,000 month over month increase. It showed a significant jump at the beginning of COVID. There was some lag in releasing new project areas but those have now been released and the moving average will probably trend closer to \$40,000.

Mr. Timmerman stated two of the organization's larger business providers merged, First Digital acquired Veracity. The result is they won't purchase fiber from UTOPIA if their own company provides it. Veracity has moved some businesses off the UTOPIA network to their own First Digital Network. The effects from that will show this month and next month, but in the long term, UTOPIA is still in a great position.

Ms. Harvey presented the next chart which showed UIA Revenue vs. Bond Obligation. UIA revenue is covering the bond obligation and the franchise pledge from cities puts it at \$1.5 times coverage. UIA is maintaining the coverage needed to receive good bond ratings. The Syracuse rating came in very favorable at AA-. Syracuse is poised to sell the week of August 26 and will close mid-September. The Finance Department is currently transitioning from its current pay portal to Xpress Bill Pay which should be more efficient and simpler for those customers already using it for city utilities. The transition will take place on September 1. The organization is also going

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through an insurance renewal and there is a lot of focus on cybersecurity. There will be some expense in meeting the insurance requirements to improve security.

**6. UIA NETWORK UPDATE**

Mr. Timmerman presented the most recent subscriber report. There has been a transition to a new CRM so the report has changed slightly due to system data migration. The number of services delivered is above 40,000 and continues to grow. Per city, there are no decreases. Take rates can go up and down based on when new areas are added but they continue to grow. There are a few bumps but that can be attributed to system migration. About five years ago, subscribers were at 13,000 and growth has been phenomenal since then. Most new customers are from member cities. New city partnerships are beginning to make an impact as well. Ground has been broken in Pleasant Grove. Clearfield has had several footprints released. Any remaining areas in the original UTOPIA cities will be wrapped up in the next six to twelve months. Financially, the organization is in a very good position. There are several other city partnerships that may be lining up. It is important to balance the capacity to partner with each new city. He shared the marketing video that was mentioned previously.

**7. ADJOURN**

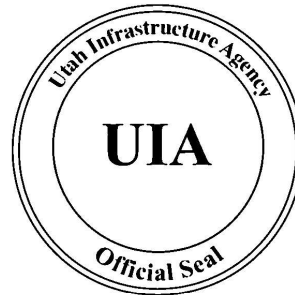
There being no further business of the UIA Board of Directors, the meeting held on Monday, August 9, 2021, was adjourned at 9:47 AM.

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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 18<sup>th</sup> day of October, 2021