

UTAH INFRASTRUCTURE AGENCY (UIA)

BOARD MEETING MINUTES

October 18, 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
Kyle Maurer – Midvale City
Nicole Cottle – West Valley City
Brant Hanson – Centerville City
Brenda Moore – Murray City
Jason Sant – Alternate, Payson City

Officers Present:

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

Others Present:

Christa Evans – UTOPIA Secretary

Others Joining Electronically:

Kimberly McKinley – UTOPIA Chief Marketing Officer
Aaron Leach – UTOPIA Chief Technology Officer
Jeff Erwin – UTOPIA Chief Operations Officer

1. WELCOME AND INTRODUCTIONS

The UIA Board of Directors held a board meeting on Monday, October 18, 2021. The meeting was live streamed to allow public viewing. UIA Chairman Alex Jensen (Layton) called the meeting to order at 8:32 AM. He welcomed all attendees.

UIA Total Votes Present: 337

UIA Majority Vote: 220

UIA 2/3 Vote: 293

2. APPROVAL OF MINUTES – AUGUST 9, 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 meeting held August 9, 2021. Jason Roberts (Brigham City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. UIA FINANCIAL UPDATE

Ms. Harvey presented a budget to actual statement. The revenue budget for 2022 is about \$29 million; to date UIA is at \$7.2 million which is 25% of budget. Operating expenses are also at 25%. Proceeds from the Syracuse debt issuance of \$22 million have not been included because there has not been a budget opening yet. Contributions from restricted bond funds is money sitting with the trustee from proceeds of prior debt issuance. That fund has been drawn down by \$16 million. On the expansion side there has been \$16.6 million built for network expansion. It is halfway through the year so there is \$16 million left to spend on network expansion plus the \$22 million for Syracuse. Overall, UIA is on track. By the end of the fiscal year, the Syracuse Project will be around 40% completed, 50% through the Pleasant Grove Project and most of the UIA/UTOPIA footprints built out. Some cash reserves may be used to do that. Most construction from this point forward will be in partner cities. At some point soon another issuance of UIA bonds will need to be looked at.

Mr. Roger Timmerman, UIA Chief Executive Officer, stated the new UIA bond will probably be around January or February.

Ms. Harvey stated these funds will be for additional expansion and installation in the UIA/UTOPIA footprints and to finish up the footprints in West Valley and Murray.

Mr. Timmerman stated the last UIA bond was for footprints that needed to be built and there is still a little of that left. There will be incremental growth as new areas are added to footprints that are already built out. Unrestricted cash can be used for some expansion costs but at some point, there will need to be another bond for incremental growth. The amount will be somewhere around \$10-\$20 million.

Ms. Harvey showed a graph of the combined recurring revenue for UTOPIA and UIA. Combined recurring revenue per month is about \$2.8 million. If it continues like this, recurring revenue will reach \$3 million by February 2022. UIA is \$2.2 million of that revenue and UTOPIA represents \$671,000. The next chart showed the combined recurring revenue increase as a 12-month moving average. It is settling in at about \$40,000 month over month increase. Prepaid services are difficult to measure. Occasionally there are customers that purchase the fiber up front rather than lease it when footprints open which may be the reason for the jump in the Fall/Winter of 2020. The next chart showed UIA Revenue vs. Bond Obligation. Many bonds are in the capitalized interest period. There is a \$600,000 margin between monthly recurring revenue and bond obligations which is adequate to cover operating expenses. The franchise fee pledge that UIA has never had to call on helps maintain a 1.5 times debt service coverage which helps with a positive bond rating. The most recent bond obligation added was for Syracuse.

Mr. Jensen asked if there is anything on the horizon that would derail UIA from this course, particularly something that would be out of the agency's control.

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Mr. Timmerman stated the trend toward remote work and education have gone in the organization's favor. Fiber is the most long-term, future proof way to do it. As for growth and expansion into other cities, there has been more competition in that space. Companies like Strata and Google Fiber have gotten into the fiber to the home space. Google has provided FTTH but it is still in their experimental category of business; for the time being they are growing pretty rapidly. Provo and Salt Lake were the first two Google Fiber cities and UIA/UTOPIA does very well in those cities; relationships with service providers, the State, the County, schools, etc. still bring a lot of business in areas that are not met by Google Fiber. From a revenue perspective, it's not bad to have them go after residential and UIA/UTOPIA do everything else. Even in existing areas, take rates and revenues continue to grow.

Ms. Jensen asked if there are any sectors of the business UIA should be looking to move into.

Mr. Timmerman stated the recent survey showed the organization is doing well among premium customers and could do better with low-income households. It is a financial obstacle for someone paying \$30 a month for internet to switch to \$65 for fiber. The organization could do better at reaching those customers. There is a federal emergency broadband benefit that offers a \$30 month subsidy and there are a few service providers eligible for that. He hopes to get more involved in those programs.

Ms. Kim McKinley, UTOPIA Chief Marketing Officer, stated there are new ad campaigns to reach those areas a little better. With the EBB program she believes there will be some uptick among customers. It was advertised to service providers, but they were not given any funding to advertise.

Mr. Timmerman stated another problem with the EBB program was no guarantee past two months of service. Service providers were hesitant to enact it if there would be cancellations after funding ran out. The federal government is looking for ways to provide a long-term solution. One way it could work with the organization's format is with prepay options.

6. UIA NETWORK UPDATE

Mr. Timmerman presented the most recent subscriber report. Address Availability shows the number of addresses that can get service and, city by city, it shows where building is occurring. Orem, Murray, and West Valley are being completed. As those are wrapped up, it will represent the build out of UIA/UTOPIA cities for FTTH. On top of that, there are city partnerships; Morgan and West Point have been completed, Clearfield is wrapping up, Syracuse and Pleasant Grove have just been started. There are several other cities staff is in current conversations with regarding partnerships. There is a partnership going before the UTOPIA board today rather than UIA because it does not require financing. It is similar to Idaho Falls who decided they wanted to do their own fiber project. UTOPIA helped get their fiber project up and running and receives revenue for each customer. No positions have been hired relative to Idaho Falls but they utilize our NOC services. It has presented a good opportunity to grow revenue in UTOPIA. The partnership being considered today is with Bozeman Fiber and will be a similar structure. UTOPIA will take on no risk or debt but is simply acting as an operational partner. There is a revenue structure on the management of the build and design of the project upfront and there is an operating fee charged for provisioning

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and monitoring. Bozeman Fiber will be responsible for all local resources for technicians, repair, and maintenance. It is a good opportunity and is a decent size project with around 25,000 households. This will allow revenue growth at UTOPIA and expand open access fiber in the region without requiring any new debt. Take rates are good but jump around a bit due to new footprints and addresses being added. The charts have been sent to board members and they can reach out with any questions. Churn rate is always monitored; the company's ability to keep customers is a strong indicator that customers see value in what UTOPIA offers. He mentioned UTOPIA has filed a lawsuit with American Fork. Documents have been provided to board members that provide details that cannot be addressed in a public meeting. At one point, UTOPIA had a great partnership with the city and was fulfilling contracts to build to businesses and schools in the area and then American Fork cancelled the franchise agreement and would no longer issue permits. This is an important area to service providers as well as schools. Staff feels there is a straightforward claim because UTOPIA is only asking for the same terms as any other provider in the network. This lawsuit was a last resort to fight for the organizations interests in the city.

Mr. Jensen asked if there are communities where take rates could be improved by something cities could be doing (i.e. permitting process, political challenge, communication, etc.).

Mr. Timmerman stated the position and communication from the city can go a long way. There has been amazing progress in those areas. Politically, it is not a great time to oppose a broadband project because so many people need it. Generally, there is a lot of support among communities but more doesn't hurt. Cities have not been charged for air quality sensors or fire detection cameras provided by UTOPIA and can be looked at as a reinvestment of resources into cities.

Mr. Jensen encouraged board members to bring forward any issues they come across. The organization will work to resolve anything that comes up.

7. ADJOURN

Mr. Jensen thanked everyone for their continued support of UIA.

Mr. Jason Roberts, Brigham City, asked if the deal with Bozeman Fiber is exactly the same as that of Idaho Falls.

Mr. Timmerman stated the terms in Idaho Falls were very loose. It was more of a handshake agreement because it was unclear where the lines needed to be drawn. They have been very good partners. The Bozeman contract is a more formal version of what is being done in Idaho Falls. One difference to note is it is a bit removed from the city itself. Idaho Falls has its own power and the city is who UTOPIA deals with regularly. Bozeman Fiber is a not for profit created by the city and school district. Financing is being done through Gallatin County and Bozeman Fiber is responsible for the local resources. From an operational perspective, the structure of the agreement is almost identical to Idaho Falls. Bozeman is committed to a full city buildout, while Idaho Falls takes it one footprint at a time. The demographics are very good in Bozeman and there is a lot of growth in the city. There is currently an open access network with providers on it. It may be necessary to formalize the agreement with Idaho Falls a bit more. The economy of scale this project brings is

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very beneficial to UTOPIA to grow revenue without having to increase significantly in size. Increased revenues help UTOPIA's ability to offset its debt on the original bonds.

There being no further business of the UIA Board of Directors, the meeting held on Monday, October 18, 2021, was adjourned at 9:47 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 13th day of December, 2021

