

UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA)

BOARD MEETING MINUTES

OCTOBER 18, 2021

10:00 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRAY, UTAH 84121

Board Members Present: Matt Dahl – Midvale City

**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
Shawn Warnke – Fourth Vice Chair, Tremonton City
Councilmember Thomas Peterson – Brigham City
Mayor Blair Camp – Murray City
Councilmember Robyn Mecham – Centerville
Todd Christensen – Perry City
Jason Sant – Alternate, Payson City

Officers Present:

Roger Timmerman – UTOPIA Executive Director
Laurie Harvey – UTOPIA Chief Financial Officer
Christa Evans – UTOPIA Secretary
Joshua Chandler – UTOPIA General Counsel

**Officers Joining
Electronically:**

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

**Others Joining
Electronically:**

Jason Roberts – Alternate, Brigham City

1. WELCOME AND INTRODUCTIONS

The UTOPIA Board of Directors held a board meeting on October 18, 2021. The meeting was live streamed to allow public viewing. UTOPIA Chair, Wayne Pyle (West Valley City) called the meeting to order at 10:01 AM.

UTOPIA Votes Present: 383

UTOPIA Majority Vote: 279

UTOPIA 2/3 Vote: 371

2. APPROVAL OF MINUTES – AUGUST 9, 2021

There was no discussion on the minutes.

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ACTION: Adam Cowie (Lindon City) MOVED to approve the minutes from the UTOPIA board meeting held August 9, 2021. Shawn Warnke (Tremonton City) SECONDED the motion. A voice vote was taken - vote was unanimous.

3. CONSIDER APPROVAL OF RESOLUTION UT 21-04: APPROVING A SERVICE CONTRACT BETWEEN BOZEMAN FIBER AND UTAH TELECOMMUNICATION OPEN INFRASTRUCTURE AGENCY (UTOPIA) FOR UTOPIA TO PROVIDE CERTAIN SERVICES TO BOZEMAN FIBER; AUTHORIZING THE CHAIR OF UTOPIA OR OTHER DESIGNATED OFFICER OF UTOPIA TO EXECUTE AND DELIVER THE SAME; AND RELATED MATTERS

Mr. Roger Timmerman, Executive Director, explained this partnership is similar to Idaho Falls who wanted to do their own fiber project. UTOPIA helped get their fiber project up and running with an informal agreement 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. Bozeman Fiber has been operating for years as an open access network and is a middle mile network. Bozeman Fiber is a not for profit created by the city and school district. There is currently an open access network with providers on it. Bozeman is committed to a full city buildout. 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 and monitoring. Bozeman Fiber will be responsible for all local resources for technicians, repair, and maintenance. This will allow revenue growth at UTOPIA and expand open access fiber in the region without requiring any new debt. As they grow, Idaho Falls and Bozeman Fiber are expected to each bring about \$100,000 in monthly revenue for UTOPIA. The economy of scale this project brings is 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. Bozeman is expected to go faster than Idaho Falls because they have received approval for a \$65 million bond. Financing is done through Gallatin County and Bozeman Fiber is responsible for the local resources. The Bozeman contract is a more formal version of what is being done in Idaho Falls.

Mr. Pyle asked what would happen if Bozeman Fiber were to fold. Would it be necessary to scale down employees?

Mr. Timmerman stated it would result in UTOPIA missing out on additional revenue but not necessarily removing employees related to the growth in Bozeman. So many other aspects in UIA and UTOPIA are growing, any employee could be retained and would just put off hiring additional employees for a bit longer. If it were necessary, there could be a reduction in force. There are no plans to hire anyone to take on this project.

Mr. Adam Cowie, Lindon City, asked if there is an ability to exit the contract if it becomes too much of a burden or cumbersome.

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Mr. Josh Chandler, General Counsel, stated there is language in the contract that allows parties to mutually agree without cause. Otherwise, if it were only a single party leaving it would need to be a for cause departure.

Mr. Cowie asked if there would be any penalty or liability for UTOPIA in that instance.

Mr. Chandler stated there would not.

Mr. Cowie asked what the biggest concern is and how is it being mitigated.

Mr. Timmerman stated the biggest concern is that it is work for the team. If another opportunity came in for a large build it could conflict with resources that are tied up with Bozeman. There are ways that could be dealt with such as hiring additional engineering firms. From a revenue perspective, there are no concerns.

Mr. Jason Roberts, Brigham City, asked if the contract states the minimum Bozeman can charge for services. Is there a possibility Bozeman will not charge enough to users to make this worthwhile for UTOPIA in the long run?

Mr. Chandler stated that protection comes under Bozeman Fiber's product catalog, and they do not have the authority to change that without sign off from UTOPIA.

Mayor Blair Camp, Murray City, asked if the contract has been reviewed by the Bozeman Board.

Mr. Chandler stated the Bozeman Board is expected to see the contract by the end of the week. Staff has been working through some fine-tuning details of the language. The draft in the board packet is the most up to date. The Director of Bozeman Fiber will be taking it to his board. There are no obstacles for approval expected on their side.

Mayor Camp asked if today's vote would be final approval if there are no changes from Bozeman.

Mr. Timmerman stated if there is no substantive difference, he would expect approval. Normally, it would be brought to the UTOPIA board for counter-approval but due to the timing of the meeting it worked better this way.

ACTION: Mayor Blair Camp (Murray City) MOVED to approve Resolution UT 21-04 executing a service contract between Bozeman Fiber and UTOPIA. Jason Sant (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.

4. UTOPIA FINANCIAL UPDATE

Ms. Harvey presented a budget to actual statement. The organization is 25% through the fiscal year and everything is right on target. Twenty-five percent of revenues have been collected. All departments are very close to 25% as well. Plant Repairs and Maintenance is at 52% but staff will go through and see if any of that can be charged back to contractors. Total expenses are right where they should be at 25%.

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Mr. Pyle asked about the wide range of budget percentages in Non departmental.

Ms. Harvey stated the premiums on insurance came in higher than budgeted. Most is for additional vehicles purchased over prior years. Additional vehicles will be purchased so the full \$500,000 will be spent. With the Executive Director's permission, budget allocations can be moved from one department to another if necessary. The only one she feels needs to be looked at is Plant Repairs and Maintenance. She 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 additional revenue from Idaho Falls and Bozeman will be a huge benefit to UTOPIA revenue growth.

Mr. Timmerman stated UTOPIA has not issued any new debt for a long time so it was expected that UTOPIA's revenue would die off. That would become an increasing problem for the organization but some of these recent partnerships have been opportunities to grow revenue for UTOPIA. The revenue growth puts UTOPIA in a good position to tackle the original debt.

5. UTOPIA NETWORK UPDATE

Mr. Timmerman presented the most recent subscriber report. Total subscribers is about 43,000 which is impressive. Not many years ago subscribers were at 14,000. Idaho Falls was shown in the graphs which represent UTOPIA subscribers. There have only been a few footprints in Idaho Falls but more are expected. The growth in Bozeman is expected to be more aggressive because they have committed to a full buildout. A lot of growth is in cities where active building is occurring. 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. Take rates are good but jump around a bit due to new footprints and addresses being added. There is also address clean up that takes place and affects the numbers. Even cities that are considered built out continue to add new customers. Broadband needs continue to grow, and fiber has proven to be the best long-term solution to meet those needs. There is a lot of interest from other cities to form UIA partnerships as well. 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

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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 organization's interests in the city.

6. ADJOURN

There being no further business of the UTOPIA Board of Directors, the meeting on Monday, October 18, 2021, was adjourned at 10:44 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

Christa Evans, UTOPIA Secretary

Approved this 13th day of December, 2021

