

## UTAH INFRASTRUCTURE AGENCY (UIA)

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### BOARD MEETING MINUTES

December 13, 2021

8:30 AM

UTOPIA FIBER OFFICES

5858 SOUTH 900 EAST

MURRAY, UTAH 84121

#### **Board Members Present:**

#### **Board Members Joining Electronically:**

Jason Roberts – Brigham City, First Vice Chair  
Jamie Davidson – Orem City, Third Vice Chair  
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:**

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

#### **Others Present:**

Christa Evans – UTOPIA Secretary  
Brad Patterson – Bond Counsel, Gilmore & Bell

#### **Others Joining Electronically:**

Kimberly McKinley – UTOPIA Chief Marketing Officer  
Aaron Leach – UTOPIA Chief Technology Officer  
Jeff Erwin – UTOPIA Chief Operations Officer  
Chandler Goodwin – City Manager, Cedar Hills  
Denise Anderson – Mayor, Cedar Hills  
Jarrett Waite – Councilmember, Santa Clara  
Brock Jacobsen – City Manager, Santa Clara

### **1. WELCOME AND INTRODUCTIONS**

The UIA Board of Directors held a board meeting on Monday, December 13, 2021. The meeting was live streamed to allow public viewing. UIA First Vice Chair Jason Roberts (Brigham City) called the meeting to order at 8:30 AM. He welcomed all attendees.

UIA Total Votes Present: 370

UIA Majority Vote: 220

UIA 2/3 Vote: 293

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**2. APPROVAL OF MINUTES – OCTOBER 18, 2021**

There was no discussion on the minutes.

**ACTION: Kyle Maurer (Midvale City) MOVED to approve the minutes from the UIA board meeting held October 18, 2021. Nicole Cottle (West Valley City) SECONDED the motion. A voice vote was taken - vote was unanimous.**

**3. CONSIDER APPROVAL OF RESOLUTION 12-10: AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN \$7.8 MILLION AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS AND FRANCHISE AND SALES TAX REVENUE BONDS (CITY OF SANTA CLARA PROJECT) SERIES 2022; SETTING THE DATE FOR A PUBLIC HEARING; AUTHORIZING THE EXECUTION OF A FIBER COMMUNICATIONS SERVICE AND ACQUISITION CONTRACT BETWEEN THE CITY OF SANTA CLARA, UTAH (THE “CITY”) AND UTAH INFRASTRUCTURE AGENCY (UIA) FOR UIA TO PROVIDE CERTAIN SERVICES TO SUCH CITY AND OTHER RELATED MATTERS**

Mr. Roger Timmerman, UIA Chief Executive Officer, stated this is the result of conversations that have gone on for a long time. The first time staff met with Santa Clara was about five years ago and it has taken some time to reach the point of a decision. There were cost increases that would affect this if it were delayed much longer, and cities down south were notified of that. It is the same structure done with other cities such as Morgan, West Point, Clearfield, Pleasant Grove & Syracuse. The only variation with these agreements is how the city chooses to backstop the first phase, whether it is sales tax or franchise tax. Geographically, Santa Clara is further away than other UTOPIA cities but there are already customers in the area. There is a backbone route all the way to Las Vegas and UTOPIA provides connections to the Utah Education and Telehealth Network. This was put in place 15 years ago related to a UDOT obligation and trade. This will require at least one full-time technician for maintenance in the area. Construction and installation will be contracted out. Other than that, this agreement looks like the others.

Mr. Jarrett Waite, Councilmember, Santa Clara, stated they are very excited about this. Santa Clara will be a bit of a guinea pig for the southern cities and working through the process. The entire council is on board and realizes this is very important. They conducted their due diligence with other options and UTOPIA seemed like the perfect option.

**ACTION: Kyle Maurer (Midvale City) MOVED to approve Resolution 21-10 approving the parameters of the bond with the City of Santa Clara and setting the date for a public hearing (January 10, 2022); and executing a service contract between UIA and the City of Santa Clara. Jason Sant (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.**

**4. CONSIDER APPROVAL OF RESOLUTION 21-11: AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN \$7.2 MILLION AGGREGATE PRINCIPAL AMOUNT OF TELECOMMUNICATIONS AND FRANCHISE AND SALES TAX REVENUE BONDS (CEDAR HILLS PROJECT) SERIES 2022; SETTING THE DATE**

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**FOR A PUBLIC HEARING; AUTHORIZING THE EXECUTION OF A FIBER COMMUNICATIONS SERVICE AND ACQUISITION CONTRACT BETWEEN THE CITY OF CEDAR HILLS, UTAH AND UTAH INFRASTRUCTURE AGENCY (UIA) FOR UIA TO PROVIDE CERTAIN SERVICES TO SUCH CITY AND OTHER RELATED MATTERS**

Mr. Timmerman stated this deal with Cedar Hills is very similar to Santa Clara only it is not in Southern Utah. Something that is unique to Cedar Hills is they are a founding member of UTOPIA but that does not affect the structure and partnership with UIA. There will probably be a representative participating more on the UTOPIA board. From UTOPIA's perspective, it makes a lot of sense to do Cedar Hills because of the way it is intermingled with Pleasant Grove at the north end of town. Designing and building will be a lot easier with both cities. At the city council meeting a comment was made that this decision has been a long time coming seeing as they were founding members of UTOPIA. They were very supportive. They were facing the same situation as Santa Clara with the upcoming cost increases for materials and labor and were able to get in ahead of that. They conducted a thorough vetting process with a broadband committee and explored many options before committing to UTOPIA.

Chandler Goodwin, City Manager, Cedar Hills, stated this has been a long time coming and there is a lot of clamor in the area for better internet providers. UTOPIA's survey clearly demonstrated that. There is a lot of support from both the council and community.

**ACTION: Nicole Cottle (West Valley City) MOVED to approve Resolution 21-11 approving the parameters of the bond with Cedar Hills and setting the date for a public hearing (January 10, 2022); and executing a service contract between UIA and Cedar Hills. Mayor Jeff Acerson (Lindon City) SECONDED the motion. A roll call vote was taken - vote was unanimous.**

**5. CONSIDER APPROVAL OF RESOLUTION 21-12: AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF TAX-EXEMPT TELECOMMUNICATIONS REVENUE BONDS AND RELATED MATTERS; THIS RESOLUTION ALSO SETS THE TIME AND DATE FOR A PUBLIC HEARING ON JANUARY 10, 2022**

Mr. Timmerman stated the last UIA general bond was for the final buildout of the original member cities. One of the things this new bond will cover will be installations. Installation of a customer can be anywhere from \$600 to \$1,300 depending on conditions and location. Adding around 1,000 customers each month creates an expense but also revenues. The best thing to do with funds is installations in already built systems. A big piece of this bond is covering installations over the next year and a half. Another piece is with building going on in Utah and new development comes additional cost of laying conduit, fiber, putting in additional huts and electronics. Generally, the cost in new developments is better because there is open trench, but it is an expense which also creates new revenue streams to pay off debt. There is a need to improve and expand backbone; that is done incrementally as opportunities arise. In summary, the primary purposes for this bond are additional installations, expanded footprints of new developments, additional backbone routes and opportunities that have been awarded. These opportunities are related to RFPs from UEN and

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other State and County projects. They are considered business builds and revenue associated with them is very good. If the organization can continue to borrow and aggressively grow revenues, the situation will be better financially. Month over month revenue is phenomenal and is better than it would be if it were just based on residential subscribers. There is a lot of money available from grants with the State such as the infrastructure bill money. The sizing of the bond has not been nailed down but \$30 million gives some headroom.

Ms. Laurie Harvey, UIA Secretary / Treasurer, added the BBB- rating given to UIA will be considered when determining the proper size of this bond. The proceeds from the last bond issued has been spent so internal cash is being used right now. There is about \$6 or 7 million left for complete buildout of all UTOPIA/UIA cities. It was important to do now so there would be additional funds available by February.

Mr. Maurer asked what the pledge is on the bonds.

Ms. Harvey stated the pledge is service fee revenue.

Mr. Timmerman stated it will not fall back on cities and there is no additional exposure to cities.

Mayor Acerson asked if there will be improvement to the bond rating at some point and what would need to happen for that.

Ms. Harvey's opinion is that more history is needed. The rating agencies need to see UIA is meeting projections and there is very good coverage. They are always looking two or three years out so she feels it's just a matter of time before they see that. It would also be nice if both rating agencies would build a model to rate agencies like UIA; they are very unfamiliar with how UIA does business and it is hard to fit the organization into the model they use for municipal debt.

Mayor Acerson stated it would be nice for some understanding because that is the same story given in the past. The reality is UIA is performing and doing well and hopefully at some point a better rating will be awarded.

Ms. Harvey stated one of the benefits is there are investors that realize these bonds are a much higher quality than the rating on them. There are some investors that believe the rating will be increased and the secondary market will be really good.

Mr. Timmerman stated when pricing the bonds, they have been oversubscribed which allows the yield to be lowered. They are pricing better based on conversations that have occurred with investors.

Ms. Harvey stated the underwriters at KeyBank have done a very good job telling UTOPIA / UIA's story and helping investors understand the business model.

Mr. Roberts stated in the next few years, limiting debt burden on cities from the original bonds will be looked at. Issuing more debt now would possibly free up more cash to go towards that in the future.

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Mr. Timmerman stated a better financial position for UIA creates more potential for offsetting debts. There is complexity with UIA and UTOPIA being separate entities. UIA is the larger organization and has been able to take on the proportional expense of the network. This creates a cost offset at UTOPIA. Deals such as Idaho Falls and Bozeman Fiber generate revenue at UTOPIA. There is a decrease in cost and increase in revenue for UTOPIA due to things happening at UIA. There hasn't been a transfer of cash, but it is being looked at. It needs to be done in ways that work contractually.

Mayor Acerson asked about the timeframe for repayment of operating expenses funded by cities.

Ms. Harvey stated the final payment will be made this Spring.

**ACTION: Kyle Maurer (Midvale City) MOVED to approve Resolution 21-12 Authorizing the Issuance and Sale of not more than \$30,000,000 Aggregate Principal Amount of Tax-Exempt Telecommunications Revenue Bonds and Related Matters; and setting a time and date for the Public Hearing on January 10, 2022. Jason Sant (Payson City) SECONDED the motion. A roll call vote was taken - vote was unanimous.**

## **6. 2022 BOARD MEETING SCHEDULE**

Mr. Roberts explained the 2022 UIA/UTOPIA board meeting schedule is set for the second Monday of the month, every other month, unless there is a holiday (i.e. October). UIA meetings will begin at 8:30 am; UTOPIA meetings will begin at 10:00 am. It has been emailed to the board and posted according to state law.

**ACTION: Jason Sant (Payson City) MOVED to approve the 2022 board meeting schedule. Brenda Moore (Murray City) SECONDED the motion. A voice vote was taken - vote was unanimous.**

## **7. OPEN AND PUBLIC MEETINGS ACT TRAINING**

Mr. Josh Chandler, UIA General Counsel, stated the legislature requires annual training regarding the Open Meetings Act. There were not a lot of substantive changes this year. Changes regarding notice matters and conduct with electronic meetings were consistent with current practices by UTOPIA. One clarification is that during a closed meeting a vote can be held to end the closed meeting. The legislative intent is that public agencies take action and conduct deliberations openly. A meeting is defined as "The convening of a public body, or specified body, with a quorum present, including a workshop or an executive session, whether in person or by means of electronic communications, for the purpose of discussing, receiving comments from the public about, or acting upon a matter of which the public body or specified body has jurisdiction or advisory power." The default position is the meeting will be open unless the meeting in its entirety or a portion of the meeting qualifies under the provisions for a closed meeting. To hold a closed meeting there must be a quorum present and, in most circumstances, a two-thirds vote to close a meeting. The common circumstances to close a meeting are as follows:

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- discussion of the character, professional competence, or physical or mental health of an individual
- strategy sessions to discuss pending or reasonably imminent litigation
- strategy sessions to discuss the purchase, exchange, or lease of real property
- discussion regarding deployment of security personnel, devices, or systems
- investigative proceedings regarding allegations of criminal misconduct.

As a reminder, there cannot be a second meeting occurring through electronic means while an open meeting is happening. The Open Meetings Act is clear in stating that communication between members of a body are permitted when the meeting is not happening. The safest reading of the statute would be it is not the intent to have those communications taking place during an open meeting. During a meeting, anything that needs to be said should be said openly. There are two potential penalties for violating the open and public meetings act. One is the final action taken by the body may be voided by the courts. The second possible outcome for violation of the act is the possibility of criminal charges.

## **8. UIA FINANCIAL UPDATE**

Ms. Harvey showed a graph of the combined recurring revenue for UTOPIA and UIA. Combined recurring revenue per month is just short of \$3 million. UIA is \$2.3 million of that revenue and UTOPIA represents \$700,000. UTOPIA revenue is beginning to creep up due to Idaho Falls which is currently where the highest customer growth is. The next chart showed the combined recurring revenue increase as a 12-month moving average. There is still a \$40,000 month over month increase and has been there consistently for over a year. One of the reasons it varies is because there are still customers that opt to prepay. As business revenues come in there are sometimes cities that pay lump sums to have infrastructure built out. The next chart showed UIA Revenue vs. Bond Obligation. The gap is widening between bond obligations and revenue. Many bonds are in the capitalized interest period. Several loans are out of capitalized interest and UIA is paying interest on them. The picture looks good and is another reason she feels the agency will do fine on its rating if it goes out for additional money. The most recent addition was Syracuse, and Santa Clara and Cedar Hills will be added. Typically, the auditors would be present at the December meeting but staff is not ready yet and is working on fixed assets for UIA. Last year was the first year UIA had a net deficit which was about \$1 million. This year the net deficit will be increased by \$1.5 million resulting in a \$2.5 million net deficit. Net revenue has increase by about \$4 million. Interest expense is about \$2 million higher than last year; as more debt is taken on there is more interest expense. Depreciation expense is remaining at \$9 million. The useful life for fiber and conduit is changing from 25 years to, hopefully, 50 years. With the increase in revenue and modification to depreciation, this is still a net deficit that UIA can work itself out of by 2022. Audit reports are expected to be issued by December 31 and they will be sent out. The auditors will be at the next meeting. There have been staffing changes; Jess Rudd has been the Treasurer for five years has retired. The job has been posted internally and she plans to fill that position internally.

## **7. UIA NETWORK UPDATE**

Mr. Timmerman stated the organization continues to have the best broadband service in the state. It is the fastest in the country with 10 Gig connections, staying a full generation ahead of everybody else. Staff is working on an award for cities celebrating that they are a 10 Gig certified city. The

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buildout of the network is nearing completion. There is a little left in West Valley, Orem and Murray. The rest are little pockets here and there. It should be wrapped up over the next couple of months. He presented the most recent subscriber report. Address Availability shows the number of addresses where fiber is available. There are over 140,000 locations in Utah that have access to UTOPIA Fiber. Subscribers are just under 44,000. He showed subscribers by city. Bozeman, Pleasant Grove and Syracuse will be coming on as well. Clearfield is the newest one that is not to the threshold of where it needs to be but is trending ahead of where it needs to. He presented residential take rates which continue to increase. The organization is up against an inertia trying to get people to switch to UTOPIA but once they do, they rarely leave. The churn rate is very low. There has not been a rate increase for a long time. Labor and material costs have gone up due to inflation but there is no increase forecasted for the cost of services. He will send out a full subscriber report to each board member.

Ms. Nicole Cottle, West Valley, expressed gratitude from her city for all the hard work staff has done through the years. For her personally, it is pleasure to see because she had to deal with UTOPIA legislatively in the early years. She fielded questions about whether it was a good idea or not. To have the benefit of UTOPIA during the pandemic was great. For her local community, this is a great equalizer.

Mr. Timmerman expressed thanks to the board and the support given throughout the years.

Mr. Kyle Maurer, Midvale, stated in his city they are seeing a lot of vandalism. He asked if staff is seeing an increase.

Mr. Timmerman stated it is not systemwide. In areas with repeated vandalism, locked lids on boxes and graffiti resistant paneling on cabinets are used. But sometimes it just has to be dealt with.

Mr. Maurer stated when there was an outage the response was very fast.

Mr. Roberts feels buildout of original cities is the biggest milestone since the beginning of UTOPIA.

## **8. ADJOURN**

There being no further business of the UIA Board of Directors, the meeting held on Monday, December 13, 2021, was adjourned at 9:32 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 February, 2022

