

January 13, 2015

Virginia:

AT A REGULAR MEETING of the Nelson County Broadband Authority Board at 1:00 p.m. in the General District Courtroom located on the third floor of the Nelson County Courthouse, Lovingson Virginia.

Present: Thomas H. Bruguire, Jr. West District
Allen M. Hale, East District
Alan Patrick, Central District – Vice Chair
Larry D. Saunders, South District – Chair
Stephen A. Carter, County Administrator
Candice W. McGarry, Secretary
Debra K. McCann, Treasurer
Susan Rorrer, Director of Information Systems
Baylor Fooks, Network Operator – BRI

Absent: Thomas D. Harvey, North District

I. Call to Order

Mr. Saunders called the meeting to order at 1:12 pm with four members present to establish a quorum and Mr. Harvey being absent.

II. Public Comments

1. Joe Lee McClellan, Nelson Cable

Mr. McClellan distributed prepared remarks to the Board and noted that he would not be reviewing these and they were for the Board to look at, at their convenience.

Mr. McClellan then noted that fifteen (15) years ago he was an original investor in DIRECTV and anticipated 2,000 customers in Nelson County, Amherst, Scottsville and more. He then sold this business back to DIRECTV with 6,500 customers. He attributed to this increase in customers to him having a bank finance contracts for five (5) years for \$600 apiece and the customers paid him a \$10 rental fee on the equipment. He noted that he thought this model could work for NCBA because the installation fees were too high for most people. He noted that he thought some thought should be given to helping providers in gaining IDA bonds and allowing them to do this. He added that then they could go beyond the existing line and serve existing communities.

2. Jim White, Nellysford

Mr. White noted that he thought there was lack of justification for extending the County's fiber network from Martin's Store to Route 664. He noted that this did not meet the NCBA's initial objective to make broadband available to unserved and underserved areas and benefit low to moderate income (LMI) people. He added that the Nellysford area has had internet available there for past ten (10) years. He noted that he was currently connected to Nelson Cable with a modem and router and had iphones, laptops, a Roku box,

and a Kindle connected. He noted that most of his neighbors had similar usage in their homes and the area was not lacking Broadband access and was not a LMI area. He added that in his opinion, the county would be better served to invest in extending the network down Route 29 and Route 56 west in order to serve Colleen and Piney River. He concluded by stating there was no justifiable benefit to duplicating what was available.

3. Jace Goodling, Afton

Mr. Goodling stated that broadband had the potential for helping rural areas; however the way it had been carried out went against the spirit of CDBG funding. He stated that the funds were to be used to expand in underserved and unserved rural areas like Nelson. He noted that he had not gotten it and that less than 5% of the population was served so far. He added that it was not affordable for regular citizens and now the County wanted to spend money on an area that was already served when the east and south were not served. He noted he understood the redundancy arguments; however he thought this was to keep Lovington and the government in business and the Authority should keep this in mind when expanding the network.

III. Public Hearings

A. Public Hearing – Consideration of a Change to the Schedule of Rates, Fees, and Charges to Eliminate the Discount of Non-Recurring Charges. (R2015-01)

Mr. Carter noted that the proposed change in the rates had been advertised in accordance with State Law and the change in the rate schedule was to eliminate the current discounts of nonrecurring charges. He noted that a proposed resolution was included that would re-establish the rates eliminating the discount on the actual installation costs. He added that the NCBA was losing money doing this that could be used for capital expansion. He noted that this could still be amortized and this would add less than \$25 per month to a bill. He noted that staff thought this was affordable and would aid in the development of the network.

Mr. Bruguere asked if this action would eliminate the subsidy and or the amortization. Mr. Carter noted the current rate schedule language and the proposed language as follows:

Non-recurring charges (NRC) are those costs incurred in connection with the installation of the fiber drop and ONT. The customer will be responsible for the payment of these costs on the following terms.

NRC not exceeding \$1500 will be discounted as follows:

Term of Contract	Discount
12 months	none
24 months	10%
36 months	20%
48 months	35%
60 or more months	50%

The undiscounted balance of NRC together with any NRC in excess of \$1500 may be amortized over the term of the original contract.

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Proposed Revision:

Non-recurring charges (NRC) are those costs incurred in connection with the installation of the fiber drop and ONT. The customer will be responsible for the payment of these costs which may be amortized over the term of the original contract.

Mr. Carter noted that the maximum discount was 50% of the first \$1,500 in non-recurring charges or \$750. Ms. Rorrer noted that this was not a maximum of \$750 and it was recovered. She added that an additional \$750 was earned back.

Mr. Hale then clarified that the costs incurred were in connection with the installation and if they had the discount, the Authority was losing money. He added that whether or not the customer paid a portion or all of it was the issue for him. Mr. Bruguere clarified that this amount could be amortized.

Ms. Rorrer noted that these costs, up to the \$750 discount, would be recovered by the Authority through the monthly access fees the providers were paying. She added that this would be recovered as well as an additional \$750 and this was used to attract customers.

Mr. Carter noted that the Authority was still losing revenues in providing the discount and even if that would be paid by the Service Providers it did not make the NCBA whole.

Mr. Patrick then asked that of the installations to date, how many took advantage of this and Ms. Rorrer and Ms. McCann noted that the majority did take advantage of it.

Mr. Bruguere then asked what the average residential installation costs were and Ms. Rorrer noted that this varied significantly. She then noted for example, installation costs were \$1,500 and if the customer agreed to a 5 year contract term, they would be eligible for a \$750 discount. If the installation costs were in excess of this, there was no further discount and the remainder would be amortized with contract. She added that without the discount, the full amount would be amortized over the term of contract. She noted that Service Providers were paying NCBA \$25 per month for access to the circuit; so NCBA was receiving some revenue on this. It was noted that only the cost of installation would go up for the customer, not the cost of service provision. Ms. Rorrer then noted that if \$750 were divided by 60 months (5 year contract term) then \$12 would be added to the amortized monthly cost to the customer.

Mr. Carter reiterated that the NCBA was losing money that could benefit network growth. He noted that it had worked to attract customers and had served its purpose. Mr. Hale noted that having the discount program would supposedly generate more customers and the NCBA had discussed only having the discount for an initial period of time. He added that he did not think there was a long term benefit for it to be available all of the time.

Ms. Rorrer added that it had been there to attract a customer base and they needed to answer the question of whether or not the customer base was where they wanted it to be now or did they want to grow it more.

Mr. Patrick noted that he understood the purpose was to get a base of customers and provide incentives; however he thought having an open ended discount was not a good idea overall; however it may be a good idea to keep it for new areas.

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Mr. Carter noted that without additional revenues, the NCBA could not expand the network and without expanding the network, the NCBA could not get additional revenues. He added that this could be further discussed once the public hearing was held.

Mr. Bruguere added that perhaps it should be continued for another year. Mr. Hale then noted a quote from the last meeting minutes that said "BRI was in favor of discontinuing the discount and did not think it would impact the take rate of services."

Mr. Carter reiterated that it had been helpful in growing the network and Mr. Hale continued by quoting the last meeting minutes which stated "Mr. Fooks noted this (the discount) depleted the NCBA funds and were never recovered."

Mr. Saunders then opened the public hearing and the following persons were recognized:

1. Baylor Fooks, BRI Network Operator

Mr. Fooks noted that he thought the five (5) year amortization both encouraged participation; however the amortization was a more substantial incentive than the discount. He reiterated that of the two incentives, the amortization program had more of an impact in helping users get on the network. He added that he did believe that the discount consumed the Authority's funds and at the last meeting, one of the issues discussed was fairness. He added that the discount was subsidizing connection fees; however both provided incentive to get on the network.

Mr. Bruguere asked if they discontinued the discount, and collected the \$750, would the services still be competitive. Mr. Fooks noted that the lowest service cost would not change with whatever happened with the discount; the construction costs would change. He added that it was a correct statement that it would not affect adoption, since the amortization program was more effective. He noted that the Authority would receive the \$25 monthly fee from Service Providers in either scenario and the discount was an expense to the NCBA. He also agreed that the network needed to expand and the more customers that could get on the network the better. Mr. Carter noted that the record would speak to the few connections that were extremely costly.

Mr. Fooks then noted that the network did currently go down to Colleen and customer interest there had been minimal. He added that they could possibly do more marketing in that area to generate interest.

Mr. Carter reiterated that the network went to Blue Ridge Medical Center and into the business park. He added that there had been more success in the Route 151 corridor than that of Route 29.

2. Joe Lee McClellan, Nelson Cable

Mr. McClellan noted that the Authority needed to decide on whether or not they wanted high or low initial costs of hook up. He added that they would get more customers if the costs were lower and if they doubled the take rate, the revenue would also double. He noted that he thought they had to get the price down to where customers could sign up and that people would move to the higher bandwidth packages once they were on the network and time went on.

3. Sarah Holman, Nelson Cable

Ms. Holman noted she thought that there needed to be a strong push to market the network on the Route 29 corridor and the southern end of the community. She added that kids needed internet for educational purposes. She noted that now a lot of college applications had to be done on-line. She also noted that the Authority needed to look at the 25-40 year old demographics, which were those families with children.

There being no other persons wishing to be recognized, the public hearing was closed.

Mr. Hale noted that he did not mind tabling action, however the suggestion to continue amortization made sense to him but continuing the discount did not. He added that Nelson Cable had not given him an incentive when he got satellite Internet. He noted that he thought when the network services became available and the installation costs were not extraordinary, people would go for it and if they had the option to pay for it over time that was a positive thing.

The Board then agreed by consensus to defer a decision on this until the next meeting and no action was taken.

IV. Reorganization, Election of Officers, and 2015 Meeting Schedule

- A. Chair
- B. Vice Chair
- C. Secretary
- D. Treasurer
- E. 2015 Meeting Schedule

Mr. Carter noted that it was time for the annual reorganization and election of officers and he referred to the history of this that had been provided to the members. He noted that this showed Mr. Patrick would become Chair and Mr. Hale would become Vice Chair with Ms. McGarry as Secretary and Ms. McCann as Treasurer. He noted that the meeting schedule was proposed as is as being at 1pm just prior to the Board of Supervisors meeting on the second Tuesday of each month following the end of the quarter. He suggested that if this garnered favorable consideration it could be done in one motion.

Mr. Bruguiere moved to nominate Alan Patrick as Chair, Allen Hale as Vice Chair, Ms. McGarry as Secretary, and Ms. McCann as Treasurer and keeping the same meeting schedule as that of 2014.

Mr. Hale seconded the motion and there being no further discussion, members voted unanimously (4-0) by roll call vote to approve the motion.

V. Consent Agenda

Mr. Hale moved to approve the consent agenda and Mr. Saunders seconded the motion. There being no further discussion, members voted unanimously (4-0) by roll call vote to approve the motion and the following resolution was adopted:

A. Resolution – R2015-02 Minutes for Approval

**RESOLUTION R2015-02
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(October 14, 2014)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority's meeting conducted on **October 14, 2014** be and hereby are approved and authorized for entry into the official record of the Broadband Authority's meetings.

VI. New/Unfinished Business

A. Network Operator Report - Blue Ridge Internetworks

Mr. Fooks reported that there had been nine (9) installs last quarter, a total of ninety-three (93) active circuits, and one pending installation. He then reviewed the following reports:

I. Operational

Q4 Installations:

Oct	4
Nov	1
Dec	4

Active Circuits:

Blue Ridge	87
Shentel	3
Nelson Social Services	1
Nelson County Cable	2

TOTAL 93

Pending Installations 1

II. Administrative

Mr. Fooks noted that Nelson County Cablevision had been added as a colocation customer and service provider. He added that they had installed two (2) initial circuits for them in December.

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III. Financial

Nelson County Broadband Authority
A/R Aging Summary
As of December 31, 2014

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
BRI	4,415.82	75.83	0.00	0.00	0.00	4,491.65
Lumos	437.50	437.50	0.00	0.00	0.00	875.00
Shentel	2,575.00	0.00	0.00	0.00	0.00	2,575.00
Social Services	0.00	250.00	0.00	0.00	0.00	250.00
Stewart Computer Services	<u>1,600.00</u>	<u>0.00</u>	<u>0.00</u>	<u>199.17</u>	<u>0.00</u>	<u>1,799.17</u>
TOTAL	<u>9,028.32</u>	<u>763.33</u>	<u>0.00</u>	<u>199.17</u>	<u>0.00</u>	<u>9,990.82</u>

**Nelson County Broadband Authority
01/08/15 Income Statement by Item
Accrual Basis October through December 2014**

	<u>Oct 14</u>	<u>Nov 14</u>	<u>Dec 14</u>	<u>TOTAL</u>
Parts				
ONT 716GE-I (Calix 4-Port Indoor ONT)	<u>0.00</u>	<u>0.00</u>	<u>1,200.00</u>	<u>1,200.00</u>
Total Parts	0.00	0.00	1,200.00	1,200.00
Service				
Collo 2RU (Collocation: 2 Rack Units, 20A)	150.00	150.00	187.50	487.50
Collo Full Rack (Collocation: 19" Rack, incl 20A DC)	350.00	350.00	350.00	1,050.00
Collo Power \$250 (Collo Power Fee)	250.00	250.00	250.00	750.00
Collo Power 10A (Collocation: Additional Power, 10A)	437.50	437.50	437.50	1,312.50
Dark Fiber (Dark Fiber Lease)	1,000.95	0.00	0.00	1,000.95
Tier 1 25x5 (Tier 1 25x5 Access Circuit)	1,846.78	1,925.00	1,935.08	5,706.86
Tier 1 50x10 (Tier 1 50x10 Access Circuit)	250.00	263.33	300.00	813.33
Tier 2 25x25 (Tier 2 25x25 Access Circuit)	150.00	150.00	150.00	450.00
Tier 2 Gig (Tier 2 Gigabit)	0.00	0.00	500.00	500.00
Tier 3 1G (Tier 3 Private WAN 1 Gbps)	4,368.00	4,368.00	4,368.00	13,104.00
Tier 3 25M (Tier 3 P2P WAN 25 Mbps)	250.00	250.00	250.00	750.00
Tower Lease (Tower Lease Income)	1,525.00	1,525.00	39,646.40	42,696.40
Xconn (Collocation Cross Connect Fee)	<u>0.00</u>	<u>0.00</u>	<u>125.00</u>	<u>125.00</u>
Total Service	10,578.23	9,668.83	48,499.48	68,746.54
Other Charges				
CF Amort (Construction Fee Amortized Pmt)	1,442.61	1,505.11	1,577.24	4,524.96
CF Std (Construction Fee One-Time Pmt)	1,332.00	0.00	391.00	1,723.00
Collo Setup Fee (Collo Setup Fee)	<u>0.00</u>	<u>0.00</u>	<u>700.00</u>	<u>700.00</u>

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Total Other Charges	<u>2,774.61</u>	<u>1,505.11</u>	<u>2,668.24</u>	<u>6,947.96</u>
TOTAL	<u>13,352.84</u>	<u>11,173.94</u>	<u>52,367.72</u>	<u>76,894.50</u>

B. Treasurer's Report

Ms. McCann reported the following regarding the Broadband Fund:

<u>BROADBAND FUND @12/31/2014</u>	
Beginning Balance 7/1/2014	\$ 360,971.37
July-September 2014 Expenditures	\$ (102,340.15)
Oct-December 2014 Expenditures	\$ (49,919.54)
July-September 2014 Revenues	\$ 31,451.82
Oct-December 2014 Revenues**	\$ 86,295.07
Subtotal	\$ 326,458.57
General Fund Transfer	\$ 100,000.00
Ending Balance 12/31/2014	\$ 426,458.57
Revenues Exceed Expenditures FYTD by	\$ 65,487.20
Remaining Balance Amortized Installation Fund	\$ 141,387.78
Remaining Balance Operational Funds	\$ 285,070.79
Available Bank Balance @12/31/2014	\$ 426,458.57

She also reported the following regarding the Broadband Network Operating Fund:

The Broadband Project Fund report showed year-to-date expenditures (July – December) of \$152,259.69 for Network Operations, with there being an unencumbered balance of \$294,049.31 and a Contingency Reserve remaining of \$50,950.00. The Revenue Summary for the fund showed year-to-date revenues of \$217,746.69 and a balance of \$279,512.11 for the remainder of the year. Ms. McCann Noted that \$100,000 was a contribution from the General fund and revenue less this was noted to be \$117,744.89.

Ms. McCann then reported that the \$193,634 year ending balance shown on the revenue report was the amount set aside for amortized installations and upfront costs.

Following the Treasurer's report it was noted that it was approaching 2:00 pm and there was not sufficient time to discuss the remaining agenda items. Staff recommended that these be discussed at a continued meeting the following month at 1:00 pm. Members agreed by consensus to continue the meeting to discuss the following remaining agenda items:

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- C. Definition of Broadband (**R2015-03**)
- D. Comprehensive County Broadband Plan
- E. Regional Broadband Initiative

VII. Other Business (As May Be Presented)

There was no other business considered by the Authority.

VIII. Adjournment

At 2:00 pm, Mr. Hale moved to continue the Nelson County Broadband Authority meeting until 1pm on the second Tuesday of February preceding the Board of Supervisors meeting. Mr. Saunders seconded the motion and there being no further discussion, Members voted unanimously (4-0) by roll call vote to approve the motion and the meeting adjourned.