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, Lovingston Virginia.

Present: Thomas H. Bruguiere, Jr. West District
Allen M. Hale – Chair
Thomas D. Harvey, North District – Vice Chair
Larry D. Saunders, South District – South
Gary W. Strong – Central District
Stephen A. Carter, County Administrator
Candice W. McGarry, Secretary
Debra K. McCann, Treasurer
Susan Rorrer, Director of Information Systems

Absent: None

I. Call to Order

Mr. Hale called the meeting to order at 1:04 PM with all members present to establish a quorum.

II. Public Comments

Mr. Hale opened the floor for public comments and the following persons were recognized:

1. Joe Lee McClellan, Lovingston

Mr. McClellan noted he was opposed to increasing the bandwidth on the NCBA system. He noted that it was just a gimmick that Ting was using in Charlottesville and it was not applicable to Nelson County. He added that nobody used 1GB for any reason. He distributed the following written comments:

I received a new rate schedule for NCBA dated October 26, 2016 from Anna B. Smoot, Secretary, County Administration. The letter stated that: "These proposed rates are currently in effect and subject to final approval at the public hearing scheduled on January 10, 2017. Please adjust any future offerings accordingly to reflect these changes."

In my opinion this change would make the Ting Charlottesville advertising consistent, but is not conducive for Nelson County, where we are trying to get High Speed Internet to as many residents as possible.

Mickey Quick tells me that we have never had customers ask for more than the 25/5 Mbps level of service, and Mickey was wondering why a customer would take one of the Business Packages, if the residential service was less expensive, because even the Best Effort service would probably provide the business level of service, even with the 32:1 split.
In my opinion, the NCBA needs to give the Service Provider's on the NCBA Network lower Service Types, so we can provide Internet service for school children in households with low income, who only need a lower Level of Service for school work and checking email. That is why we offer a 4/1 and 7/2 Mbps Service on the NCBA Network, but we have to pay the same Wholesale cost as your 25/5 Service, so we really do not promote and try to discourage these lower bandwidth packages.

In my opinion, to offer such a high level of service would put a "mind set" with county wide residents, who would only be able to receive this service on the NCBA Network. My Excede Satellite and Stewart Computers wireless service, which many residents throughout the County can only receive, cannot meet this Service Level and this is where most of the Internet customers are currently located in Nelson County.

In my opinion, the NCBA needs to find creative ways to lower the cost of installation. This is what is causing people not to subscribe. It is not more bandwidth.

Nelson Cable and Stewart Computers are "local" providers and in my opinion the NCBA should be working with us more to accomplish the goals of the NCBA. From looking at ling's web site, I believe they only provide Internet service in high density metro areas, except for Nelson County which they assumed from Blueridge Internetworks, whereas Nelson Cable and Stewart Computers are trying to provide service to as many County residents as possible at the very lost cost possible.

2. Clay Stewart, Acelanet LLC, aka SCS Broadband

Mr. Stewart noted he had a counter proposal on the rates and he would like to see a workshop between County Administration, the NCBA Board and all ISPs to discuss the details. He noted he thought producing higher speeds for businesses at a lower cost would be good; however there needed to be a discussion between ISPs and the County to iron out these things. He added that the changes affected contracts etc. and that he thought Mr. McClellan had made some great points.

Mr. Stewart then reported on SCS Broadband’s wireless status, noting that the Sugarloaf tower site was live and they were marketing it that week. He noted this allowed them to provide services to another few hundred square miles. He added that the Herds Mountain tower site was going live that day and this would affect services in Covesville and other places. Mr. Stewart reported that they were still investing in Nelson and other counties; including securing a tower lease on Turkey Mountain in Amherst which would help them provide services in the Piney River and Lowesville areas.

Mr. Stewart then noted that they had tested LTE services and were seeing up to 50 MB to the home now and that they would be deploying the equipment in four (4) counties in the next few weeks.

III. Consent Agenda

A. Resolution – R2016-07 Minutes for Approval

Mr. Saunders moved to approve the consent agenda and Mr. Bruguiere seconded the motion. There being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion and the following resolution was adopted:
RESOLUTION R2016-07
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(September 13, 2016 & October 6, 2016)

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Board meetings conducted on September 13, 2016 and October 6, 2016 be and hereby are approved and authorized for entry into the official record of the Broadband Authority meetings.

IV. New/Unfinished Business
   A. Network Operator’s Report

Ms. Susan Rorrer presented the report and noted that she had changed the way customers were shown, such that they were easier to count and understand. She added that she was showing numbers as of the month prior to the meeting. She reviewed the report as follows:

I. Operational

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total Number of Customers on 8/31/16:</td>
<td>187</td>
</tr>
<tr>
<td>Installations for September and October:</td>
<td>33</td>
</tr>
<tr>
<td>Pending Installations:</td>
<td>23</td>
</tr>
<tr>
<td>Total Number of Customers on 10/31/16:</td>
<td>240</td>
</tr>
</tbody>
</table>

Ms. Rorrer noted that pending installs were those in process or under contract.

Mr. Bruguiere asked if the Afton Mountain connections were all fiber. Ms. Rorrer stated they were; noting that many homes were in close proximity to the fiber so installation costs were very reasonable.

II. Administrative

Currently working with two neighborhoods that would add an estimated 52 customers on the initial neighborhood build. There are approximately 35 individuals to date seeking service along the Afton Mountain Road fiber extension.

III. Financial

attached

   B. Treasurer’s Report
Ms. McCann reported the following:

**BROADBAND FUND @ 10/31/16**

**OPERATIONS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance 7/1/2016</td>
<td>$406,277.36</td>
</tr>
<tr>
<td>July-August 2016 Expenditures</td>
<td>$(60,401.45)</td>
</tr>
<tr>
<td>July-August 2016 Revenues</td>
<td>$42,493.00</td>
</tr>
<tr>
<td>September – October 2016 Expenditures</td>
<td>$(86,536.59)</td>
</tr>
<tr>
<td>September – October 2016 Revenues</td>
<td>$58,085.84</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$360,361.60</td>
</tr>
<tr>
<td>General Fund Transfer</td>
<td>$100,000.00</td>
</tr>
<tr>
<td><strong>Ending Balance 8/31/2016</strong></td>
<td>$460,361.60</td>
</tr>
</tbody>
</table>

Current Year Revenue Exceeds Expenses by $53,640.80

**EXPANSION PROJECT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance 7/1/2016</td>
<td>$(4,730.14)</td>
</tr>
<tr>
<td>July-August 2016 Expenditures</td>
<td>$(18,244.75)</td>
</tr>
<tr>
<td>July-August 2016 Revenues</td>
<td>$30,436.94</td>
</tr>
<tr>
<td>September – October 2016 Expenditures</td>
<td>$(5,073.00)</td>
</tr>
<tr>
<td>September – October 2016 Revenues</td>
<td>$12,406.43</td>
</tr>
<tr>
<td><strong>Ending Balance 10/31/2016</strong></td>
<td>$14,795.48</td>
</tr>
</tbody>
</table>

**SUMMARY OF FUND BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Funds</td>
<td>$14,795.48</td>
</tr>
<tr>
<td>Amortized Installation Fund</td>
<td>$22,841.40</td>
</tr>
<tr>
<td>Operational Funds</td>
<td>$437,520.20</td>
</tr>
<tr>
<td>Available Bank Balance @ 8/31/2016</td>
<td>$475,157.08</td>
</tr>
</tbody>
</table>

*Operations Discussion:*

Ms. McCann noted that $22,841.40 was the amount left in the set aside to cover amortized connections. She added that this fund was started with $250,000 and was now down to 22,841.40.

Mr. Bruguiere asked if the $100,000 transfer was matching funds for grant money and Ms. McCann noted this was not; it was a transfer from the General Fund because NCBA was not yet self-sufficient. She added that this was separate funds from the amortization fund dollars.

Mr. Hale then supposed that the amortization fund should be getting funds into it and Ms. McCann noted that these numbers were accounting for the money coming back in. She noted that it was coming in much slower than going out and it was getting to the point where funds would run out in the next few months. She added that if it were continued, they would be dipping into the fund balance and staff would continue to track it as it was paid back.
November 8, 2016

Mr. Hale then inquired of the total, how much came back and Ms. McCann noted that all of it should come back; however it was a revolving fund. Mr. Hale then confirmed that it was basically a loan fund and not a grant.

Mr. Carter then asked where the installation discounts were charged and Ms. McCann noted that is was charged to a separate line on the expenditure report. Ms. McCann noted that the year to date expenditure of this line was $17,271.00 and year to date revenues were $15,629.50.

Mr. Carter noted that the $750 discount was not being recovered. Ms. McCann noted that what the ISP billed customers may not coincide with what the NCBA billed the ISP. Mr. Hale then clarified that the NCBA customers were the ISPs and the end user bills did not come from NCBA; therefore the ISPs could do whatever they wanted to do. Mr. Harvey noted that the NCBA controlled the ISPs costs and competition controlled what they charged. He supposed that if the discount went away that network expansion would be crippled. Mr. Carter noted that the consideration was if it was amortized over five (5) years. He noted that the Authority had said it would look at this in January, it was a big expense to provide the discount that could help with amortization.

Mr. Harvey clarified that they only amortized amounts over the threshold. Ms. Rorrer noted that the customer signed the amortization agreement with NCBA; which showed the total costs after the County discount was applied and that was the amount amortized over the term of the contract. She added that when ISPs offered their discount, they were paying a monthly part of their amortized cost. Mr. Harvey reiterated it was a way to gain customers.

Ms. McCann reiterated that the expense report showed the discount expense which was year to date $17,271.00.

She then noted that without the $100,000 General Fund transfer expenses exceeded revenues by $46,000 (100,000-this)

Ms. McCann also provided a report that showed the following regarding the Broadband Network Operating Fund:

The Broadband Network Operations report showed year-to-date expenditures (July – October) of $146,938.04 for Network Operations, with there being an unencumbered balance of $273,765.96 and a Contingency Reserve remaining of $69,524.00 The Revenue Summary for Network Operations showed year-to-date revenues of $100,578.84 and a balance of $188,616.16. The report also showed the revenues transferred in from the General Fund of $100,000.00 and a transfer in from the CDBG fund of $42,843.37 and a balance of $7,578.63. The Year Ending Balance was shown at $100,611.00.

C. County Administrator’s Report

A) Expansion Project – CCTS has advised Phase 3 will be complete by 11-4 (and therefore the overall project) with the company then working on new service connections that have resulted from the project.

Mr. Carter noted that CCTS was working on eight (8) connections along the route and that County staff would have to do project close out on the administrative side.
B) Broadband Planning Project – County and Design 9 staffs are working to complete the outcomes of the Authority’s work session on 10-6 (final build out plan & cost estimate, including identification of served & unserved areas, issuance of an RFP for network operation services, and follow up on outside plant work.

C) CVEC RFI – per input with CVEC staff, a County/NCBA proposal to the Co-Op’s Broadband RFI will not be submitted.

Mr. Carter added that CVEC staff said that the Board members outside of the county would not be in favor of subsidizing services only in one area.


Mr. Strong asked about the break-even point and Mr. Carter advised he was not entirely sure at this point; however progress was being made towards solvency.

Mr. Bruguiere asked when Design Nine would finish up their report and Mr. Carter advised that it would probably be in late December. He added that they would provide an updated report that would be more defined and the pro-forma financials should be easier to understand.

Mr. Carter then noted that at the intersection of Route 151 and Route 6, CCTS is having to reroute the fiber and that work was 50% done. He added that the fiber was simply being relocated and was not impacting network operations.

1. Other Business (As May Be Presented)

Mr. Hale suggested they have a discussion presently with Mr. McClellan and Mr. Stewart regarding the rates etc. He added he wanted to hear their suggestions on the direction they should be going in and their reaction to Design Nine’s work; without getting into technical detail.

Mr. Hale then asked about the Pine Ridge Subdivision in the Faber area and from a wireless internet provider’s perspective; how did Mr. Stewart see that area progressing and what was the role of NCBA. Mr. Stewart noted that the signals from the Herds Mountain tower site combined with those from Sugar Loaf passed each other in the Faber area; so there would be wireless internet coverage there now. He noted that new technology added a great deal more to the plausibility of services and higher tiers of speed. He noted that this impacted the current Design Nine study as it affected what was needed in towers. He noted that he would like to see Design Nine talk to ISPs for direction.

Mr. Strong asked if the new LTE system, was point to point or like cellular. Mr. Stewart noted it was point to point, using line of sight; however it would go through leaves. He noted that this was a symmetric service and that LTE was different because there was interoperability and better service. He then reported that Google had applied for seven (7) cities to have LTE 365 service and has suspended building fiber. Mr. Stewart then noted that he was in favor of putting fiber wherever it could be installed; however they had to make sure that with the new pricing, thought was given to the costs associated with increasing upstreaming.
He noted that if they increased bandwidth, they would have to have the conversation of what that meant in other related costs. He noted that he was not 1GB service was needed.

Mr. Hale then noted he would like to speak with Design Nine regarding that concern.

Mr. McClellan then noted that the Authority ought to be working with Mr. Stewart; since he had the most new customers. He added that the only way to expand the network was to assist him and people wanted the service in a rural setting. He added that if Mr. Stewart wanted to put up a tower or a pole on a building, he should not have to get permission from Building Inspections or Planning and Zoning departments as that slowed down the process of getting service to customers. Mr. McClellan noted that since his business was fiber, that in order to help him, they needed to try to make the customer’s installation costs less somehow. He suggested that the NCBA include drop costs when applying for new grants whenever possible. He added that he thought the 1GB service was a gimmick and no one was using that much speed at this time.

Mr. Stewart commented on the rates; noting that the pricing they currently had did have some benefits especially for businesses. He noted that businesses required more than 100 MB and they needed a price point that supported that; however they needed to consider what it meant in extra costs. Mr. Stewart then noted he was concerned about the impact of changing the rate structure to current processes or the grandfathering of current customers. He noted that his fiber customers would be upset if they did not get the same benefit as a new customer. He added that the contracts were a quagmire to the process and they needed to work closely together if there was a pricing change.

Ms. Rorrer then noted that Mr. Stewart and Mr. McClellan were correct in that the rates deserved further consideration. She added that they needed to look at what it meant and what were the impacts to service to the customer. She noted that she thought residential 1GB needed to be a different animal, and it needed further work and discussion. She then advised that one concern from the wireless side was that people who did not have access to the fiber would be upset if they did not have the same access to the 1GB service that those on the fiber side would have.

Mr. Carter stated that people wanted the 1GB service whether they could use it all or not. He added that it was a competitive environment and hopefully the local ISPs could gravitate to it and if it brought more customers to the network that was a good thing.

Mr. Strong noted he would like to know what the Broadband customer base was in Nelson County and what % was NCBA vs what has been done from outside.

Mr. Stewart advised that the NCBA was at 10% and the rest was all wireless. He then questioned what benefit there was to having a NCBA customer vs one that was not. This was noted to be a good question. He then stated that they should base cost and profit off of the base pricing of the NCBA and pay a fixed cost for back-haul in other areas. He noted that some thought ought to be put into that at some point and consider how the County could get out of per customer charges.

Mr. McClellan reiterated that the NCBA should help Mr. Stewart more since he was growing and should consider charging him the same thing on a tower as Broadband; charge him by the customer. Mr. Stewart advised that he has put forward a fixed cost for all towers and that they wanted the ISPs doing the
implementation plan to avoid overbuilding. He added that they wanted to be able to fix and upgrade their own infrastructure.

V. Adjournment

At 1:59 pm, Mr. Strong moved to adjourn the meeting and Mr. Saunders seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.