

October 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, Lovingston Virginia.

Present: Thomas H. Bruguiera, Jr. West District
Alan Patrick, Central District – Chair
Larry D. Saunders, South District – South
Stephen A. Carter, County Administrator
Candice W. McGarry, Secretary
Debra K. McCann, Treasurer
Susan Rorrer, Director of Information Systems

Absent: Thomas D. Harvey, North District
Allen M. Hale - Vice Chair

I. Call to Order

Mr. Patrick called the meeting to order at 1:05 PM with three (3) members present to establish a quorum and Mr. Harvey and Mr. Hale being absent.

II. Public Comments

1. Gary Strong, Horizons Village - Nellysford

Mr. Strong noted that their neighborhood currently had twenty (20) letters of intent signed. He noted that their community was not completely built out and they were adding about two (2) houses per year and they were expected to also want fiber. He added that four (4) sites did not have homes yet and the owners wanted the fiber installed to make the lots more sellable and two were in the process of development. He noted that they had suggested a hybrid proposal that they would like to see approved; after installations and contracts were done, he would like to see Horizons Village form a Coop to insure that future connections would go through it.

2. Marion Kanour, Edgehill Way - Faber

Ms. Kanour noted she was representing the Edgehill Way community, they had six (6) installation and service contracts with Nelson County Cable and they were working in the neighborhood. She added that they had service boxes in the homes and needed VDOT to give permission for Nelson County Cable to cross the road. She added she was not sure why the permit was not being granted by VDOT and that it was of great inconvenience to them.

3. Tony Mustain, Nelson County Cable

Mr. Mustain noted he represented Nelson County Cable, who was an Internet Service Provider on the Network. He noted that they had five (5) existing customers and five (5) more were under contract; with

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six (6) or seven (7) in various stages of connection. He added that they had hired a salesperson to go around and drum up business.

4. Joe Lee McClellan, Nelson County Cable

Mr. McClellan requested that the Authority extend the installation discount until January 1st. He noted that they have made commitments but had not gotten paperwork signed. He added that they had hired a new employee to contact people along the NCBA fiber route to try to help the County get more customers.

III. Consent Agenda

A. Resolution – R2015-06 Minutes for Approval

Mr. Bruguere moved to approve the consent agenda and Mr. Saunders seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the following resolution was adopted:

**RESOLUTION R2015-06
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(July 14, 2015)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority’s meetings conducted on **July 14, 2015** be and hereby are approved and authorized for entry into the official record of the Broadband Authority’s meetings.

IV. New/Unfinished Business

A. Network Operator Report - Blue Ridge Internetworks

Nelson County Broadband Authority
A/R Aging Summary
As of October 12, 2015

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
BRI	9,709.36	0.00	0.00	0.00	0.00	9,709.36
Lumos	437.50	437.50	0.00	0.00	0.00	875.00
MBC	1,000.95	600.00	0.00	0.00	0.00	1,600.95
NCC	1,450.00	0.00	0.00	0.00	0.00	1,450.00
Shentel	4,368.00	4,368.00	0.00	0.00	0.00	8,736.00
Social Services	0.00	250.00	0.00	0.00	0.00	250.00
Stewart Computer Services	1,600.00	0.00	0.00	0.00	199.17	1,799.17
TOTAL	18,565.81	5,655.50	0.00	0.00	199.17	24,420.48

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In response to questions, Ms. McCann noted that the amount shown over ninety (90) days old, was due to a discrepancy in the retroactive reduction of their rates and that Staff would get to the bottom of it. Mr. Carter added that it pertained to Stewart Computer Services and staff would get back to them on it.

Nelson County Broadband Authority 10/12/15
Income Statement by Item Accrual Basis
July through September 2015

	Jul 15	Aug 15	Sep 15	TOTAL
Service				
Collo 2RU (Collocation: 2 Rack Units, 20A)	225.00	225.00	225.00	675.00
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)	2,216.67	2,251.62	2,641.67	7,109.96
Tier 1 50x10 (Tier 1 50x10 Access Circuit)	300.00	300.00	300.00	900.00
Tier 2 100x100 (Tier 2 100x100 Access Circuit)	0.00	0.00	300.00	300.00
Tier 2 25x25 (Tier 2 25x25 Access Circuit)	225.00	225.00	225.00	675.00
Tier 2 500x500 (Tier 2 500x500 Circuit)	0.00	850.00	0.00	850.00
Tier 2 Gig (Tier 2 Gigabit)	1,000.00	1,000.00	1,000.00	3,000.00
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	1,525.00	4,575.00
Xconn (Collocation Cross Connect Fee)	250.00	250.00	250.00	750.00
Total Service	12,398.12	12,282.12	12,122.17	36,802.41
Other Charges				
CF Amort (Construction Fee Amortized Pmt)	1,814.19	2,018.97	2,302.47	6,135.63
CF Std (Construction Fee One-Time Pmt)	0.00	500.00	3,779.00	4,279.00
Total Other Charges	1,814.19	2,518.97	6,081.47	10,414.63
TOTAL	14,212.31	14,801.09	18,203.64	47,217.04

B. Treasurer's Report

<u>BROADBAND FUND @9/30/2015</u>	
<u>OPERATIONS</u>	
Beginning Balance 7/1/2015	\$ 406,277.36
July-September 2015 Expenditures	\$ (79,119.71)
July-September 2015 Revenues	\$ 44,958.22
Subtotal	\$ 372,115.87
General Fund Transfer	\$ 150,000.00
Ending Balance 9/30/2015	\$ 522,115.87
Current Year Revenue Exceeds Expense by	\$ 115,838.51

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<u>EXPANSION PROJECT</u>	
Beginning Balance 7/1/2015	\$ 38,957.00
July-September 2015 Expenditures	\$ (137,192.00)
July-September 2015 Revenues	\$ 138,188.80
	\$ 39,953.80
<u>SUMMARY OF FUND BALANCE</u>	
Project Funds	\$ 39,953.80
Amortized Installation Fund	\$ 111,915.53
Operational Funds	\$ 410,200.34
Available Bank Balance @9/30/2015	\$ 562,069.67

Ms. McCann reviewed the Broadband Fund balances as of September 30, 2015 and noted that the expenditures related to the expansion project were for project materials. She also noted that the Revenues consisted of the \$100,000 local match for the project and drawn down grant funds.

She 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 – September) of \$79,119.71 for Network Operations, with there being an unencumbered balance of \$363,285.29 and a Contingency Reserve remaining of \$55,195.00. The Revenue Summary for Network Operations showed year-to-date revenues of \$44,958.22 and a balance of \$175,891.78 expected for the remainder of the year. Ms. McCann Noted that transfers showed \$150,000 that was a contribution from the General fund and \$138,188.80 that was a contribution from the CDBG Grant fund for a total Y-T-D revenue amount shown of \$333,147.02.

Ms. McCann then reported that the \$165,707 appropriated year ending balance shown on the revenue report was the amount set aside for amortized installations and upfront costs.

V. Other Business

A. County Administrator's Report

Mr. Carter reported the following:

- 1. Current Customer Base:** 136 Connections with 1 Connection in Process = 137 Total Connections.
- 2. Financial Report:** The FY 15-16 year to date summary of revenues and expenditures is included in the agenda document. D. McCann, Director of Finance and HR, will summarize this report to the Authority on 10-13.
- 3. CDBG Grant/County Funded 8 Mile Expansion Project:** Construction start up (Phase 1 – Routes 151 & 6 to Routes 151 & 664) has been delayed due to VDOT permit requirements. Revised drawings and specifications (from the project contractor) will be submitted to VDOT by October 9th or early in the week of October 12th. A ten week build is projected and will be followed by the two additional phases (Rt.

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151 at network's current norther terminus to County line on Route 151 and, Rt. 151 & 6 to Route 6 and intersection of Saddleback Farm). An end of year project completion is still possible albeit the project may now extend into early 2016.

Mr. Carter noted he thought the final set of drawings were ready to submit to VDOT. He added that the VDOT requirements and comments were more editorial and if need be, he would go speak to the Lynchburg District Director about it.

Mr. Patrick related that when he went to the Regional Broadband meeting in Charlottesville, the one goal was that when a project crossed locality boundary lines, things should be consistent and VDOT needed to find some way to resolve that issue.

Mr. Carter then assured the Board that staff was focused on getting this done and that the County was stuck in the middle between the outside plant contractor and VDOT. He added that Staff had reached out to VDOT to note how important the project was and that to be helpful, VDOT staff had come over and spent the day with CCTS looking at the route.

4. Nelson County Public Schools: A five year dark fiber lease (2 strands) is being completed with Shentel to enable the company to provide greater bandwidth to the public school's local area network (from NCHS/NMS to both Rockfish and Tye River elementary schools and to the central administration office within the Courthouse). The dark fiber lease will be revenue generating, approximately \$20,000 additional income per year, than the current revenue from leasing of circuits from the network to serve the school division.

5. Additional Service Providers: County staff has had recent meetings with Shentel and Lumos (Residential Small Business – RSB Division) staff to discuss the two companies becoming service providers on the NCBA network. While Shentel provides services to the NC School Division it does not utilize the local network beyond this service. Lumos provides service to the County's local government but is not an ISP on the local network. Final decisions by both companies are pending.

6. Meeting with Ting: County staff will meet with representatives of Ting (which purchased Blue Ridge Internetworks within the past year) on 10-22. The purpose of the meeting will be to discuss possible changes in Ting's services as Network Operator to the NCBA network and Ting's interest in providing 5/5 and symmetrical gigabit plans services to end users (customers), which may require revision to the Authority's rate schedule(s) to accommodate these service levels.

7. Negotiating Neighborhood Builds to Achieve Expanded Customer Base: Attached are two financial projections (Edgewood Park and Horizons Village) for the Authority's review and approval consideration. The premise(s) of this information is that the NCBA will share in the expense of expanding the local network into residential neighborhoods/subdivisions, as a means of achieving an expanded customer base. The investment by NCBA in the neighborhood build out(s) would be recovered within a five year period and those properties that do not initially participate in the network build would be subject to payment of the same amount of the lateral installation cost (the expansion of the network from the middle mile backbone into the neighborhood/subdivision, excluding the installation of the service connection from the lateral expansion to the end user) at such time as these properties would decide to request service from an ISP provider on the NCBA network.

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To date, County staff has been meeting with representatives of Edgewood Park (Messrs. Dick Averitt and Howard Ellis) and Horizon Village (Gary Strong) to work to incorporate these two subdivisions into the NCBA network. The input from the two residential communities is the NCBA should also share in the cost of expanding/extending the local network in order to increase the Authority's overall customer base. The present concern with the Authority incurring additional expense to share the cost to expand the network into neighborhoods/subdivisions is, simply put, having the financial capacity to do so. Therefore, it is critically important, if the Authority is amenable to the strategy(s) contained in the attached financial analyses that the Authority is able to recover the investment (albeit over time) from revenues realized from the increase in the network's customer base and do so within an appropriate period of time, which at present is "considered" to be no more than five year (this comports to the five year ability of customers to amortize their installation costs). Assuming that the Authority can at minimum recover its financial outlay(s) within five years and have the potential for additional revenue (that would be realized from revenues paid by customers who did not initially agree to establish service through the neighborhood/subdivision expansion project and would, therefore, be subject to pay the same share of the lateral installation cost, which would be additional revenue to the Authority).

The Edgewood Park and Horizons Village neighborhoods are poised to move forward with these two lateral expansion projects, which would result in approximately 34 total new network connections (15 in Edgewood Park and 19 in Horizons Village). Both of these expansions would be completed once the middle mile network is expanded from Martins Store (Routes 6 and 151) to the intersection of Routes 151 and 664, which, as noted, herein, should begin construction later this month (October).

The considerations for the Authority include: 1) Approval of the two lateral expansion projects based upon the projections completed by County staff (which may require modification once the ability to provide service to these neighborhoods is in place). 2) Continuing to approve such lateral expansions on a case by case basis or providing County staff authority to complete such negotiated expansions based upon no net financial loss to the NCBA network. 3) Possibly revising the rate structure or development of a policy that provides specific criteria for the continued expansion of the local network into neighborhoods/subdivisions in which the Authority, as may be necessary, shares the expense of the lateral expansion from the backbone but recovers this cost through revenues realized from an expanded customer base.

Subject to the Authority's review, staff recommends favorable consideration of the two network lateral builds to Edgewood Park and Horizons Village.

Mr. Carter related that staff had met with Mr. Payne that morning and that neighborhood builds had been authorized with the Paul's Creek Subdivision build and Mr. Payne had written a policy on this. He noted that over five years, the Authority would be fully reimbursed for these installations. He added that the amortization fund enabled this to happen and it currently had a balance of \$111,000. Mr. Carter also noted that staff had been discussing what funds to use for this since it would deplete the amortization fund more quickly since funds would be going out faster than they would be coming in.

Mr. Patrick noted that in the proposals, some number of homes were willing to sign up and then there were a number of empty lots with some interested and some not. He noted that the totals included only those that were interested; however those signing up earlier got to take advantage of the present day costs and what was done about that.

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It was noted that Edgewood Park and Horizons Village were different strategies. Edgewood Park would be somewhat subsidized but funds would eventually be recovered and the later connections would be charged the same amount as those that were connecting now. It was also noted that in the latter case, the discount and amortization would not necessarily be available and this should be made known. Mr. Carter added that the Authority was taking future risk and Mr. Patrick noted that in the case of the Rockfish Orchard subdivision, the Homeowners Association took on the build cost. Mr. Carter noted that if the Authority could take on the expansion financially, the growth of the network was important and Mr. Patrick agreed.

Mr. Bruguere then inquired if it would be necessary for Horizons Village to form a COOP and Mr. Carter noted it would be up to them. He added that their build was different because there were more undeveloped lots that were not included in the initial build. Ms. Rorrer added that because of those, the Authority would not just recoup its investment; but rather would earn more over and above that and that would have to be worked out. Mr. Carter noted in using the Horizons Village example, should the NCBA or the HOA be reimbursed. He added that the strategy was to expand the network, not lose money but gain money over time.

Mr. Patrick noted he thought it was good to do as long as it was fair to all and that those that chose not to connect now should have to pay their fair share later. Mr. Carter agreed and noted that they would at some point. He added that unless there was a concern or issue, the plan was to complete the CDBG project and proceed with the two builds in these neighborhoods. He added that the referenced policy gave guidance on how these were to be handled.

Mr. Patrick then questioned how in Edgehill, the build began before the permitting process was complete. Ms. Rorrer explained that the construction that had been completed was outside of the VDOT Right-Of-Way, in utility easements or on private property. She noted that CCTS did the installation. Mr. Carter elaborated that where the contractor could complete an installation without VDOT permits, it was done. Ms. Rorrer added that in an effort to keep things moving along, CCTS went ahead and started. She noted there was the potential risk that they would not get the permit; however she thought they would and it was a matter of logistics.

Mr. Bruguere asked if it would be worthwhile to engage legislators on the VDOT issues and Mr. Carter noted it was not necessary right now and the first step would be to speak with the District Administrator. He noted there were problems on both sides of the equation and Ms. Rorrer added that there had been a change in personnel with VDOT, they were having to adjust to something new, and that the level of detail required had changed.

8. Network Expansion Plan and NCBA Planning Session: A Request for Proposals (RFP) is pending completion. Staff has discussed the tasks, which are multifaceted, that would be included in the planning project but this work is pending completion but will be accomplished within FY 15-16 (and as soon as possible). A pending decision is the \$30,000 planning grant funding request made to VA-DHCD. It is anticipated that the Department will decide on the County's grant application within the ensuing several weeks. If successful (which is very uncertain) the total available funding for the network planning project would be \$80,000, all of which may or may not be required.

With respect to the Authority's request to conduct a session to discuss short and long range planning, staff's recommendation is to schedule this meeting later in FY 15-16 (perhaps in December) to enable

many of the subjects that are presently in process to either be concluded or brought to a point in which the Authority's participation is required. Staff's consideration in this position is that Authority will be better positioned to discuss the status, present and future, of the NCBA in the ensuing months of FY15-16 rather than at present (there are many things in process that when outcomes are final will better position the Authority to have a more meaningful planning session).

9. Letter from Nelson County Community Cablevision: The letter from the local cable company is included under correspondence in the agenda document. Staff (S. Carter) has not responded to the letter and staff does not concur with the statements made in the letter. Staff can provide comment, as may be necessary, to the Authority on the company's correspondence, and is prepared to respond to the letter if the Authority deems it necessary.

Mr. Carter noted that he did not see where the County could reverse course on the project now; which could hurt future funding opportunities and it was too far along. Mr. Patrick agreed and Mr. Carter added that the project was funded through an innovation program and was for job creation and he did not want to give that up.

10. Other: Input, questions, etc. from the Authority or from staff (at the meeting on 10-13).

Thank you for your consideration.

Attachments: Edgewood Park Neighborhood Build & Horizons Village Neighborhood Build

Edgewood Park Neighborhood Build

22 Developed Lots (Homes)

Assuming a Take Rate of 70% (15 customers)

Total Lateral Build Cost:	\$25,124
Total Per Customer Share of Lateral Build Cost:	\$1,142

Edgewood Park neighborhood gets connection agreements from 15 customers.

15 customers initially connect and pay \$17,130 of the total build cost.

NCBA invests \$7,994 in completing the neighborhood build.

It is assumed that NCBA will eventually recover most, if not all, of its investment as the remaining 7 customers connect to the network and are charged an equal share (\$1,142) of the total lateral build cost.

In addition, NCBA begins receiving \$25.00 per customer (from the service provider) in revenue upon connection of the customer.

Even if no new customers connect to the network in this neighborhood:

- NCBA recovers the maximum out of pocket expense for the discount offering (\$750 per customer) in 2.5 years.
- NCBA recovers the \$7,994 investment in an additional 21.3 months.
- All NCBA investment is recovered through revenue in 51.3 months or 4.3 years.

Total Cost of Installation to the Customer (does not include the monthly fee for services):

Share of Lateral Installation Cost:	\$1,142
Customer Drop Installation Cost:	\$1,284
Total Installation Cost Per Customer:	\$2,426

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Total Installation Cost Less \$750 NCBA Discount: \$1,676 (**\$750 discount currently requires 5 year contract with Service Provider.)

Total Monthly Installation Payment per Customer: \$27.93 (Assumes 5 year contract.)

Horizons Village Neighborhood Build

24 Developed Lots (Homes)

19 Letters of Intent to Connect to the Network (80%)

16 Vacant Lots

Total Lateral Build Cost: \$36,097

Total Per Customer Share of Lateral Build Cost: \$1,504

Horizons Village neighborhood gets connection agreements from 19 customers.

19 customers initially connect and pay \$28,576 of the total build cost.

NCBA invests \$7,521 in completing the neighborhood build.

It is assumed that NCBA will eventually recover most, if not all, of its investment as the remaining 5 customers connect to the network and are charged an equal share (\$1,504) of the total lateral build cost.

In addition, NCBA begins receiving \$25.00 per customer (from the service provider) in revenue upon connection of the customer.

Even if no new customers connect to the network in this neighborhood:

- NCBA recovers the maximum out of pocket expense for the discount offering (\$750 per customer) in 2.5 years.
- NCBA recovers the \$7,521 investment in an additional 15.8 months.
- All NCBA investment is recovered through revenue in 45.8 months or 3.8 years.

Total Cost of Installation to the Customer (does not include the monthly fee for services):

Share of Lateral Installation Cost: \$1,504

**Average Customer Drop Installation Cost: \$1,814

Total Installation Cost Per Customer: \$3,318

Total Installation Cost Less \$750 NCBA Discount: \$2,568 (**\$750 discount currently requires 5 year contract with Service Provider.)

Total One-time Payment: \$68.00 (Amount in excess of \$2,500 max for amortization)

Total Monthly Installation Payment per Customer: \$41.67 (Assumes 5 year contract.)

**Distance for drops varies between 200 and 1300 feet. How cost will be allocated per customer is to be determined.

B. Correspondence – Nelson County Cablevision Corporation

This subject was discussed under item #9 of the County Administrator’s Report.

C. Introduced: Strategic Plan and Status of Wireless Deployment

Mr. Patrick then questioned what the Broadband Authority could do to support the strategic planning effort and he suggested forming a subcommittee or having an outside contractor work with staff. Mr. Carter

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noted that staff intended to put together an RFP to hire an outside company to assist with the strategic plan. He added that there were so many things to be looked at: build out, last mile cost, and operations to name a few and it would be best to have someone in the industry help look at all of that.

Mr. Patrick noted that at some point, this would get complicated and he would like to appoint some ex officio officers or have someone preset to discuss and answer the more technical questions they would have. Mr. Carter advised that the County should know soon if it was going to get the \$30,000 planning grant for this. He noted that they could always appoint a citizens committee or a combination of the two. He added that part of the plan could be to look at how to work better with Nelson cable, relooking at the rate structure and a better way to do business.

Mr. Bruguere noted that if the planning grant was awarded and the County hired a consultant, they would be reporting on what was feasible or not. Mr. Carter agreed and noted that there were so many things currently at play such as Shentel and Lumos may want different dynamics in order to work with the Authority and staff would be on this mission.

Mr. Patrick inquired as to what was happening with wireless in the County and Mr. Carter noted he had not heard anything from Mr. Stewart and knew he was working in several other counties. Mr. Carter then advised that the strategic plan would also help with what to do about wireless services. He added that Shentel had related that they may have a wireless interest as well. Mr. Carter then cautioned the members that it was unsure as to whether or not Shentel and Lumos would become internet service providers on the network; however staff was talking with them.

Mr. Bruguere noted that Stewart Computer Services was working in the area and had done work for them recently. He added that he supported getting as many ISPs as possible on the network; however he thought lack of density was an issue. Mr. Saunders noted he had seen Mr. Stewart a few weeks back and noted he had made some personnel changes and was working with other counties. He had noted that he was expanding out where he could as he could.

Mr. Joe Lee McClellan was recognized by the Chair and he advised that Mr. Stewart was expanding as fast as he could and he was not attending the Authority meetings because he did not feel like the County was trying to help him do anything. He added that the County needed to figure out a way to work with him and he used the Massies Mill tower as an example; if he were charged by customer then he would use the tower.

Mr. Carter advised that Mr. Stewart has been paying for the space on the Massies Mill tower and not serving anyone from it.

VI. Adjournment

At 1:58 PM, Mr. Saunders moved to adjourn and Mr. Bruguere seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.