

January 24, 2013

**Virginia:**

AT A REGULAR MEETING of the Nelson County Broadband Authority Board at 6:00 p.m. in the Board of Supervisors Room located on the second floor of the Nelson County Courthouse.

Present: Constance Brennan, Central District – Vice Chair  
Larry D. Saunders, South District  
Allen M. Hale, East District  
Thomas D. Harvey, North District  
Thomas H. Bruguere, Jr. West District – Chair  
Stephen A. Carter, County Administrator  
Candice W. McGarry, Secretary  
Debra K. McCann, Treasurer  
Phillip D. Payne, IV County Attorney  
Andrew Crane, Information Systems Technician  
Susan Rorrer, Director of Information Systems  
Broadband Subcommittee Members  
Baylor Fooks, Blue Ridge Internetworks (Network Operator)

Absent: None

**I. Call to Order**

Ms. Brennan called the meeting to order at 6:07 pm, with all members present to establish a quorum.

**II. Public Comments**

1. Greg Kelly, Nelson County Economic Development Authority

Mr. Kelly noted that he was addressing the Authority Board to deliver a resolution commending them, the Board of Supervisors for their spectacular achievement in the near completion of the broadband project. He then read aloud the resolution as follows:

**RESOLUTION**

**BY THE ECONOMIC DEVELOPMENT AUTHORITY OF NELSON COUNTY,  
VIRGINIA, EXPRESSING APPRECIATION AND COMMENDATIONS TO THE  
NELSON COUNTY BOARD OF SUPERVISORS**

**IT IS RESOLVED BY THE NELSON COUNTY ECONOMIC DEVELOPMENT  
AUTHORITY THAT:**

**WHEREAS,** Nelson County has been blessed with scenic lands and waterways, supporting agricultural and forestall enterprises for its citizens, recreational and tourism opportunities for visitors and new residents, and a healthy and enjoyable quality of life for all; and

- WHEREAS,** Nelson County has made great strides in the effort to provide and improve upon the infrastructure and educational resources that support county enterprise and scholastic achievement; and
- WHEREAS,** The Nelson County EDA targeted and promoted the development of Broadband Internet access as a means of supporting existing business, enhancing educational opportunities and ensuring the competitiveness of Nelson County; and
- WHEREAS,** The Nelson County Board of Supervisors and the County Staff actively supported and participated throughout the multi-stage development process to design and construct an open access, Broadband Backbone, traveling from Colleen to Afton, with additional tower access points throughout the county; and
- WHEREAS,** Nelson County residents and businesses will receive new and increased economic opportunities and educational & health care benefits from the improved access to high speed Internet services;

**NOW, THEREFORE, BE IT RESOLVED** that Nelson County Economic Development Authority does laud and commend the Nelson County Board of Supervisors for their vision, leadership and commitment to provide increased benefits and improved quality of life for the county residents by way of this Broadband Backbone, a most significant rural infrastructure achievement.

Mr. Bruguere thanked him and the EDA for the plaque on behalf of the Board and the Authority.

### **III. Reorganization and Election of Officers**

Mr. Carter noted that this was the annual reorganization meeting of the Authority with four officers to appoint and the establishment of the meeting schedule for 2013.

#### **A. Chair**

Mr. Carter then noted he would take nominations for Chair.

Ms. Brennan moved to nominate Mr. Harvey and Mr. Hale seconded the motion. There being no other nominations, Members voted (4-0-1) by roll call vote to approve the motion with Mr. Harvey abstaining.

#### **B. Vice Chair**

Mr. Carter then noted he would take nominations for Vice Chair.

Ms. Brennan moved to nominate Mr. Saunders and Mr. Hale seconded the motion. There being no other nominations, Members voted (4-0-1) by roll call vote to approve the motion with Mr. Saunders abstaining.

#### **C. Secretary**

#### **D. Treasurer**

Members agreed to do these two Officers together and it was noted that Ms. McGarry was the current Secretary and Ms. McCann was the current Treasurer. Mr. Carter proposed that the Board retain them and Mr. Hale moved that Ms. McGarry continue to serve as Secretary and Ms. McCann continue to serve as Treasurer of the Nelson County Broadband Authority. Ms. Brennan seconded the motion and there being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion.

**E. Meeting Schedule**

Members then considered the meeting schedule and briefly discussed various options. Following discussion, Mr. Harvey moved that the schedule be changed to meeting each month on the fourth Thursday at 6 pm, in conjunction with the Board of Supervisor's schedule.

Mr. Saunders seconded the motion and there being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion

**IV. Consent Agenda**

**A. Resolution – R2013-01 Minutes for Approval**

Ms. Brennan moved to approve the consent agenda and Mr. Bruguere 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-R2013-01  
NELSON COUNTY BROADBAND AUTHORITY  
APPROVAL OF MEETING MINUTES  
(October 25, 2012 and December 11, 2012)**

**RESOLVED**, by the Nelson County Broadband Authority that the minutes of said Authority's meeting conducted on **October 25, 2012 and December 11, 2012** be and hereby are approved and authorized for entry into the official record of the Broadband Authority's meetings.

**V. New/Unfinished Business**

**A. Broadband Infrastructure Project Update**

Mr. Carter reported that at present the fiber backbone was complete and operational, three of the four towers were in place, and the fourth was to be completed the first week in March. He noted the County was in good stead with NTIA and continued to have every other week conference calls; with the final project report in the works to be submitted this week. He added that the Network Operator was in place and that Blue Ridge Internetworks would report.

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Mr. Carter then noted that the next step was service delivery. He noted that staff was working with a wireless provider and would send a lease agreement to SCS. He reported that after several weeks of meeting, Mr. Stewart had developed a financial scenario that was amenable to the current rate structure. He noted that he would provide an agreement for all four towers but was not sure if he would get on all of them concurrently or in a step manner. He added that he had expressed interest in locating on High Top Tower and the Gladstone Tower and that Staff was favorably inclined to encourage that.

Mr. Carter then noted that he had met with Baylor Fooks and their Marketing Director on the deployment of fiber service and staff has been discussing looking at the rates and hiring a consultant to help with this. He noted that staff was concerned with connectivity out to the customer and then the rates not being affordable to subscribers. He noted that on the other side was that if the rates were revised downward, then there was the question of who pays for the connection and then if that was affordable, would we quickly utilize all of the fiber and not have the ability to put more in and operate the network.

Mr. Harvey suggested that the rates be cut in half for a two year period to encourage customers.

Mr. Carter then encouraged the Authority to hear Ms. Rorrer's and Mr. Fook's input. He noted that they have been studying Rockbridge County's rates and were asking for more time before considering what to do.

Mr. Harvey lamented that the backbone was ready but not yet available and Mr. Carter noted that BRI was able to provide a 10MB service at an affordable rate as compared to a T1 connection. He noted that this was a good opportunity for businesses but may not be affordable for residences. He noted that for example if paying \$700 now for a T1, BRI would be lower with more bandwidth and greater reliability. He added that the County may have to subsidize the Authority in order for operations to pay for itself if the Authority lowered the rates extensively.

Ms. Rorrer recommended that they quickly take a hard look at revenue with the assistance of BRI, develop an operating budget, and then look at rates in connection with that to determine what might be reasonable based on the potential customer base for wireless and wire-line services.

Mr. Carter reiterated that if rates were decreased, the network would have to be subsidized. He added that BRI was working on a DSL solution but the downside to that was that it may be a few months before that were to fall into place. He noted that they could go ahead and market services and if the rates were revised, then they would see the benefit. He added that it was not foreseeable that a lot of homes would sign up for fiber but rather they would sign up for wireless services.

Mr. Harvey then noted that this was no different than the Service Authority and the County subsidizes that. He added that they had to start with something to make it grow.

Mr. Carter noted that staff had certainly thought about this, but would like more time to bring this back. Mr. Harvey noted that he was not in favor of paying someone to study the rates and Mr. Carter noted that staff needed that expertise as they were not rate experts.

**B. Network Operator Report - Blue Ridge Internetworks**

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Mr. Baylor Fooks of Blue Ridge Internetworks (BRI) reported the following:

They have completed the configuration and have installed a circuit so they can monitor the network and are monitoring active equipment in the field and collecting data that would be used for SLA issues.

Mr. Fooks then reported that BRI had completed their installation in the Lovington shelter and there were no outages that occurred with the three buildings that were connected.

Mr. Fooks noted that they had set up remote bank deposit capabilities, fiber management software training was to be done the following week and documentation setup was done. He then noted that they had invoiced \$150 and collected \$75. He added that they were lacking billing information for Lumos because of a typo in the contract that needed to be resolved before they were billed.

In response to questions, Mr. Fooks noted that SLA meant Service Level Agreement.

Mr. Fooks then stated that from a Service Provider perspective, they were eager to get started and were prepared to offer 10MB for \$599 per month. He noted that this was a good rate for premium business class service, but was not good for the majority of those that had contacted them for service. He added that Lumos offered this dedicated internet for more and it was not unheard of but not what the constituency wanted in the big picture. He noted that he believed the Authority could use the rule of thumb to charge two times the cost of the circuit and this could be used to revamp the rate card for residents. He added that Danville used 20% of the service providers' revenue and the network would be 50% of the cost basis for retail price. He noted that this was cutting close to the bone with this formula and he noted that service providers had other operational costs etc. that go into their cost of business in addition to the circuit price for last mile.

Mr. Hale noted that using this formula, at \$599, their cost was half of that and assumed their cost from the NCBA was \$270 per month which was the minimum rate approved in July. Mr. Fooks noted that assuming no other costs and that they were not making any money, they would have to charge a minimum of \$270 per month. He noted that he believed some businesses would be willing to pay this, but it would be a small handful.

Mr. Bruguere asked if this included installation costs and would this be passed on to consumers. Mr. Fooks noted that they would pass this on to consumers directly and that he has been told that customers would be willing to pay more up front to have lower ongoing costs. He added that he would encourage that people share in this cost.

Mr. Harvey stated that he thought that they would have very few customers that would be able to afford this as his business was paying less than \$100 per month now.

Mr. Alan Patrick mentioned the option of the hybrid network that was discussed to lower fees. Mr. Fooks noted that BRI has applied for an interconnect agreement with Verizon to use their copper pairs for the last mile to be able to deploy DSL; which would not have large construction costs. He noted that a hybrid active and passive system did help the County by lowering infrastructure costs a little bit and it would depend on how the NCBA chooses to price the options. He noted that the Rockbridge network

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had differentiated service levels and may be using active and passive to deliver this. He added that with passive technology, the Authority could offer lower pricing but the big obstacle was the service drop into the structure. He added that use of passive technology would conserve consumption of the fiber asset.

Mr. Carter reiterated that the network could do active and/or passive deployments. He added that one fiber could be split to serve 32 households that would allow for lower rates and fiber consumption but that providers would have to determine where the density was to be able to do this.

Mr. Fooks confirmed that with passive equipment, they could split the signal in the field and go off from that and that one original strand could feed 64 customers. Ms. Rorrer added that in addition to conserving fiber it made the current rate schedule easier to use, but there would be a higher cost to branch out because the customers were not all right there.

Mr. Fooks then noted that the concentration of interest was better than he thought. He noted that presently construction costs were being passed straight through and if not doing this, they would expect to own the last piece of the network and would have exclusive control of that; which was not the best option for the residents.

In response to questions, Mr. Fooks stated that he thought that NCBA should own the line and that BRI should not be asked to build it. He added that yes different vendors could provide services and they could connect at central locations and they would direct the traffic. He noted that with a passive network, providers could be switched. He then added that the advantage was that there was so much bandwidth; it did not pose a problem.

Mr. Carter then used the Service Authority as an example of connection fees being paid by the property owners but the lateral being owned by County or the Authority.

Mr. Bruguere then supposed that once the signal was split off to 32 people, it would be advantageous to service providers to be the only one there and Mr. Patrick noted that the competition was limited. Mr. Fooks noted that Verizon could decide to provide DSL in rural areas and that customers could pay an installation fee up front or spread it out over a couple of years. Mr. Harvey noted that the Service Authority brought lines to people with the costs being recouped. Mr. Fooks noted that he thought that neighborhoods could band together and the installation costs could be split among them.

Mr. Fooks then reiterated the two main problems with utilization, the construction costs and the rate structure.

Ms. Rorrer then noted that she had gotten quotes for installation for two businesses, one was \$1700 not including the \$300 ONT and the other was \$1800 with the locations sitting within a couple hundred feet of the backbone.

Mr. Carter then suggested that staff work with Mr. Fooks and the committee in order to bring something back on the rates for the first meeting in February. Mr. Bruguere noted that staff needed to find out how much it would cost to operate the network and Mr. Hale added possibly putting together a budget to see if they were able to address this. He then noted his agreement that the current rates would not work.

Mr. Carter then reiterated that the three challenges facing the authority were: build out, rates, and the cost of operations. He then noted that staff has made comments on the pending RUS program and that Mr. Jenkins could come in to report in February.

Mr. Harvey then inquired as to how many of the anchor institutions were being served now or will be served and Mr. Carter noted that once their existing contracts expired, he expected them to connect as BRI can provide them with cheaper and more bandwidth than what they have. Ms. Rorrer then noted that there were some that could not currently afford it and the connection would sit idle until something more affordable came along. Ms. Brennan then noted she would like an accounting of all of the anchor institutions and their status. Mr. Harvey suggested that they be provided with a report on the interest that BRI has received.

## **VI. Other Business (As May Be Presented)**

*Introduced: Clay Stewart, SCS*

Mr. Stewart noted that SCS was ready to move forward with providing wireless internet and VOIP services in Afton and Avon. He noted that he would also get on the Massies Mill tower and the Colleen tower and was looking at Gladstone also. He added that he was excited for Nelson County and would begin when he got a final lease agreement in place, equipment in place, and the end switch was lit up.

Mr. Stewart then noted that his T1s were \$650 each and their new equipment and services were now hooked up at Lovington Veterinarian with a cost of \$150 per month and four times the speed they were getting.

Mr. Harvey then asked his opinion on cutting the rates in half for a two year period in order to see how many customers got on. Mr. Stewart noted that was up to the NCBA and that he wanted to move forward and get started. He related that he noted to Mr. Carter that he would work with open books; however the adoption rates in reality may differ than projected. He added that he welcomed all cooperation with NCBA and the County.

Mr. Saunders asked what his estimated timeline to provide services was and Mr. Stewart noted that he was in final lease negotiations and then once this was done, he would immediately authorize an equipment purchase and would have a fiber connection in hand to light at the NOC or would use two other options. He noted that his current provider would take two weeks and the equipment would take two weeks so he was looking at a range of 3-7 weeks. He added that marketing would start immediately.

Mr. Bruguire asked if once he was on the County's towers would his service be faster and Mr. Stewart noted it would and he was in the process of bumping up speeds now. He added that he had tested speeds at 20 MB at Ligon's from seven miles away at Naked Mountain. He noted that he would step up his equipment so he could monitor it as he was upgrading. He added that he was at 70% usage of the fiber he currently had and would buy more when it got over that and this drives his costs.

Mr. Harvey confirmed that the towers currently had nothing on them and Mr. Carter noted this was the case; however the objective was to complete negotiations with SCS quickly so they could move forward.

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**VII. Adjournment**

Members and staff then discussed continuing the meeting and Mr. Hale moved to continue the meeting until 1:00 pm on February 12, 2013 in the Board of Supervisors Room. There was no recorded second and Members voted unanimously by voice vote to approve the motion and at 7:10 pm, the meeting adjourned.