

February 10, 2015

Virginia:

AT A CONTINUED 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
Thomas D. Harvey, North 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: None

I. Call to Order

Mr. Patrick called the meeting to order at 1:00 PM, with all members present to establish a quorum.

II. New/Unfinished Business

- A. Consideration of Change to Schedule of Rates, Fees, and Charges to Eliminate the Discount of Nonrecurring Charges (**R2015-01 Deferred**)

Mr. Carter introduced the item and noted that a public hearing had been held on the matter at the previous Authority meeting. He noted that at that time, mixed signals were given by the staff on the matter; however he referenced a memo that had since been provided to the members provided in order to clarify comments that were made as follows:

“The purpose of this memorandum is to clarify comments made by County staff at the January 13th meeting of the Nelson County Broadband Authority with regard to the Authority Board s consideration of eliminating the installation discount(s) presently included in the Authority's rate structure. A decision on this subject was deferred due to a) some degree of public comment, b) comment from Board members on considering maintaining the discount but establishing a "sunset" clause following which the discount(s) would thereafter be eliminated and, c) the input from County staff stating that the discount was lost revenue vis a vis another County staff person stating that the discount was recovered, which, seemingly, was the primary reason that a decision on eliminating the discount was deferred.

Assuming the Board's primary question is whether or not the discount(s) is recovered, the answer is no. However, if the Authority decides to credit other revenue to offset the discount loss then the answer can also be yes. To provide some illustration of this, the following examples are offered.

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To begin, however, please recall that the entire installation cost for connection to the fiber network is paid to the Authority's Outside Plant Contractor. If the installation cost is discounted then the customer pays the difference between the total installation costs less the amount of the discount paid by the Authority.

As an example that the discount is recovered, if Customer A's total installation cost is \$1,800 and Customer A opts to take advantage of the discount, including a 5 year service agreement and amortization period, then, Customer A will realize a \$750 discount and will pay the balance of \$1,050 ($\$1,800 - \$750 = \$1,050$) in 60 month payments of \$17.50 per month. If for example Customer A opts for a 25 x 5 MBPS service from Blue Ridge Internet at \$59.95 per month, then Customer A's monthly payment is \$77.45 (\$59.95 retained by BRI and \$17.50 remitted to the Authority by BRI). To provide Customer A with service, BRI will also pay the Authority \$25.00 per month for a circuit on the fiber network. Over Customer A's 60 month service/amortization period, the Authority realizes \$1,500 in revenues from the circuit provided to BRI. This is the point made by County staff that the discount is recovered; the \$1,500 in circuit revenues from the ISP repays the \$750 discount rather than the Authority realizing the entire \$1,500 in circuit revenues if there were no discount

The following information from the County's Director of Finance (D. McCann) denotes the total amount of discounts absorbed/paid by the Authority during FY 14 and year to date (January, 2015) for FY 15:

FY14	\$25,500
FY15 (through Jan. 2015)	\$21,825
Total	\$47,325

Using FY 14 as the example and assuming the entire \$25,500 total is based on a \$750 discount and a 5 year amortization schedule, then there were 34 new connections that received discounts in FY 14. Applying the preceding example of Customer the \$25,500 in total discounts paid by the Authority in FY 14 will then be fully recovered in FY 19 if the Authority accepts the premise that the \$25 circuit fee paid to the Authority by the Internet Service Provider is how the discount is recovered. More specifically, during this five year period the Authority will also receive \$51,000 in revenues from the provision of 34 circuits to serve the above customers. However, under the premise that the circuit revenue is the means to recover the discounted amounts, the net circuit income is then one half of the \$51,000 total or \$25,500. The other \$25,500 is the "recovery" of the installation discount.

Using both the above FY 14 and YTD FY 15 information provided by Ms. McCann, the equivalent number of total connections using the discount is 63. If the discount was discontinued, the Authority would realize \$94,500 in revenues over the FY 14 to FY 19 period ($63 \times \$25 \times 60 = \$94,500$) or \$18,900 per year instead of \$47,250 over the FY 14 to FY 19 period (or \$9,450 per year). The County previously provided the Authority with \$250,000 in funding which is used to pay the total installation expense for new connections/customers that elect to amortize the installation cost. This amount, less any discount, is fully recovered as budgetary revenue over the amortization period (such that it can be reused, assuming there is a sufficient balance available for new connections when a new connection is requested). The discount amount is charged to the budget as an expense but there is not offsetting budgetary revenue (unless the circuit fee is considered to be the offsetting revenue). Additionally, the Authority's FY 14-15 Budget

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includes a \$100,000 allocation from the County (to insure the budget is balanced and the Authority is able to operate). The point being, the Authority is not yet totally self-sufficient (supporting).

Additionally, as Mr. (Baylor) Fooks of BRI has commented *to* the Authority, the ability to amortize the installation expense is an ability that is (from BRI's perspective) more important to retain than the discount. Using another 'comparative' example (which is not intended to be a negative comparison); if no discount was provided for the above \$1,800 installation expense but the customer elected a 5 year amortization period and a 25 x 5 service from BRI at \$59.95 per month, then the customer's monthly expense is \$89.85 (BRI retains the \$59.95 and remits \$30 to the County, which is the total monthly amortized installation cost). For a Plan 4 service from the local WISP entity, which provides 6-8 Mbps download range and 120 GB per month data cap, the current monthly expense to the customer is \$89.95, excluding the installation expense (which is currently \$198).

Using the above comparison, if the average fiber network connection cost is \$1,800 or less, the monthly subscriber cost for the reliability of the fiber network and service at 25 x 5 MBPS is justification alone for eliminating the discount. Why? Once the installation fee is fully the 25 x 5 service at \$59.95 is both excellent and affordable. And, as or more importantly, by realizing all of the ISP circuit revenue(s), the Authority has a greater ability to expand the overall network, both fiber and wireless (wireless service cannot be discarded) and, thereby increase its revenues and ability to further expand the network or, if nothing else, the Authority is in a better position to be financially self-supporting. Lastly, expanding the network may bring additional ISPs, which will result in more competition and, hopefully, better services at an affordable cost.”

Mr. Carter noted that revenue recovery of the discount source was the County and this was recovered through circuit fees collected from ISPs in connecting the customer, that were remitted to the County.

He noted the amount of discount paid through FY14 and FY15 YTD of \$47,325 and added that this revenue over 5 years would be \$95,000 if the discount were eliminated.

Mr. Carter added that when budgeting revenues for the County they stood alone.

Mr. Bruguere suggested maintaining the discount for another year. Mr. Harvey agreed and noted that the network was not where they thought it would be and that they should do the same thing for the wireless providers. He added that their goal was to provide service to as many as they could as quickly as they could. He added that he also had no problem with forgiving the tower leases for a year; noting that it was critical to have internet service and he thought that wireless service was the answer for 80-90% of the County. It was also noted that all connections were in Rockfish and there were basically none from Route 6 from Martins Store to Colleen.

Mr. Carter advised that this was attributable mostly to installation costs even though the discounts had been available for three (3) years. He added that he thought that after three years, the network was successful and they needed to continue to build it out. He noted that the County's network was the envy of the Region at the PDC meetings and everyone else was trying to mimic the County's network.

Mr. Harvey stated that they needed to do whatever could be done to get people covered for internet service.

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Mr. Patrick noted that they needed to let people know what was out there. He added that the network was overall successful; however, the pace of growth was much slower than he would have thought and he was looking for recommendations on how to move it along. He added that he understood it was important at some time to remove the discount; however he thought that for now, he was in favor of continuing it for at least another year.

Mr. Hale stated that he did not think it had been much of an incentive and this would not be a deal breaker for him. He added that the whole system continued to be subsidized by all taxpayers and he was not in favor of continuing the discount and he favored the amortization program. He noted that was not the reason why there weren't more customers and he did not think it was reasonable to ask those outside of the service availability to subsidize those in it.

Mr. Saunders agreed that more marketing of the network was needed and he was more in favor of leaving the discount in place for another year and doing heavier marketing. He added that wireless should be looked at more also. Mr. Hale noted they could do an analysis of how many possible connections there were within 500 ft. of the fiber and he noted that he thought the issue was that there just weren't that many.

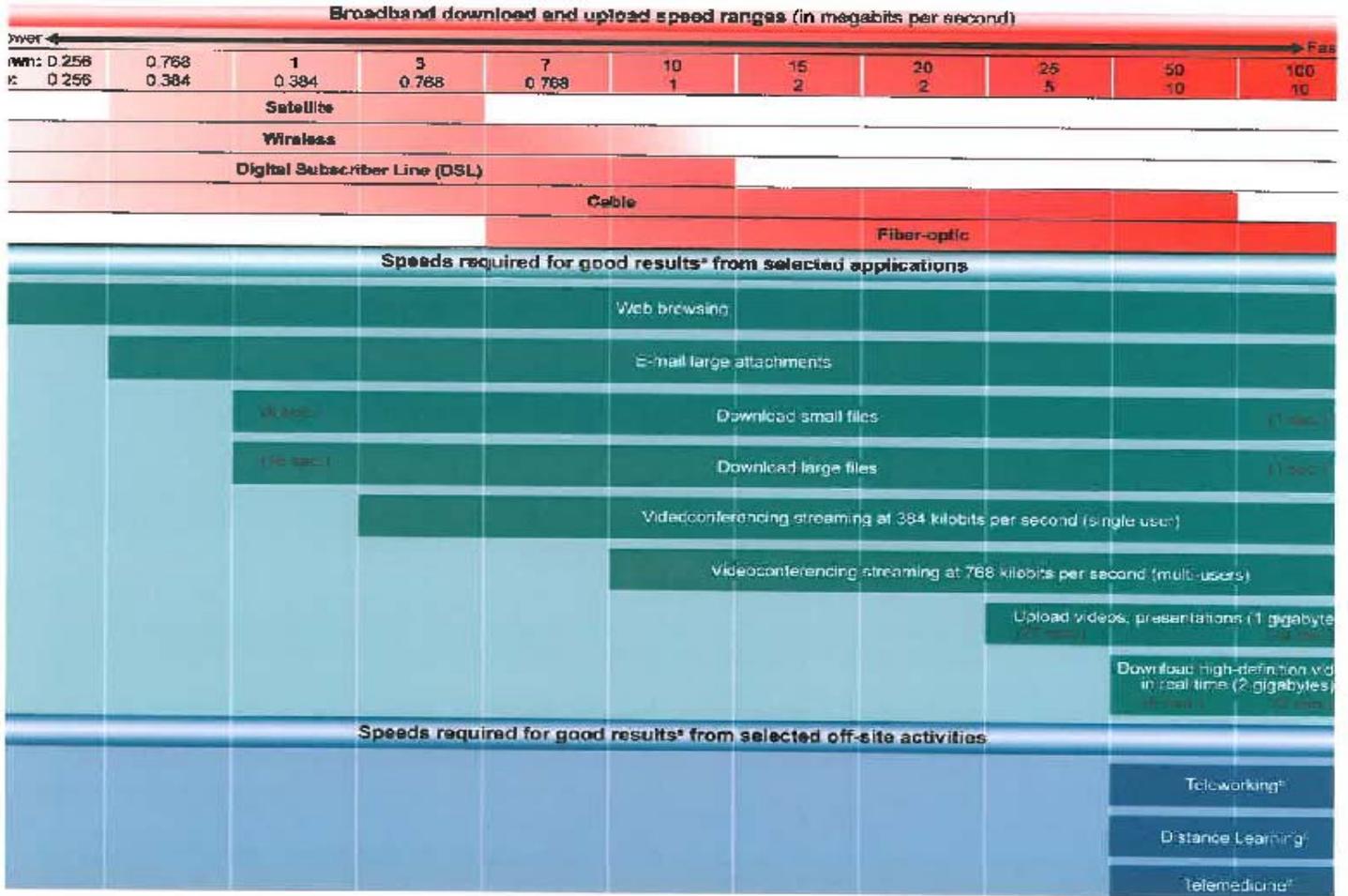
Mr. Harvey then noted that he thought that it was necessary that someone in house developed subdivision proposals for expansion and he cited Edgehill as an example.

Following discussion, Mr. Harvey moved that the discount was not changed right now and that it be re-looked at in one year. Mr. Bruguiere seconded the motion and Members voted (4-1) by roll call vote to approve the motion with Mr. Hale voting No.

B. Definition of Broadband (**R2015-03**)

Mr. Patrick noted the changing definition of Broadband by the Federal Communications Commission (FCC) noting that the FCC had changed definition for the Connect America fund - requiring 10 mbps down and 1 mbps up. He added that since then, the FCC came out with a benchmark for performance measurement of 25 Mbps down and 3 Mbps up.

He then referenced the graph below that showed different types of internet activities and the associated required bandwidths to achieve good results with various technologies



He noted that teleworking, distance learning, and telemedicine required speeds that were quite high at 50 Mbps or greater.

Mr. Patrick then noted that he thought that it was important for the Authority to define Broadband and to use a definition that fell in line with the federal definition; so that people knew what they were getting and providers could relate this to customers. He added it was just as important to know what was not broadband.

Mr. Patrick recommended going with the 25 Mbps down/3 Mbps up definition and noted that this would not be restrictive to ISPs but rather would be a standard.

He then read aloud the proposed resolution **R2015-03** for the 25 Mbps down/3 Mbps up definition as follows:

WHEREAS, The Nelson County Broadband Authority was established to operate an open access network over County owned broadband infrastructure (fiber, copper, towers) that enables Service Providers to provide broadband services to the rural residents and businesses of Nelson County; and

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WHEREAS, as of January 29, 2015 the FCC updated its broadband benchmark speeds to 25 Mbps for downloads and 3 Mbps for uploads (25 Mbps/3Mbps) after determining that the previous standard of 4 Mbps/1Mbps set in 2010 is dated and inadequate as a benchmark:

NOW, THEREFORE, BE IT RESOLVED, that in an effort to keep pace with developments at the federal level and to eliminate inconsistencies in the use of the term broadband, the Nelson County Broadband Authority defines the term broadband as it applies to fixed (fiber, copper, wireless) internet services as having a minimum speed of 25 Mbps for downloads and 3 Mbps for uploads; and

BE IT FURTHER RESOLVED,

- That the Nelson County Broadband Authority shall reevaluate its official definition of broadband on an annual basis to ensure that its definition meets or exceeds the official federal definition of broadband.
- That all Service Providers offering fixed broadband services on the Nelson County owned infrastructure (fiber, copper, towers) shall provide a minimum tier 1 broadband service that meets or exceeds the Nelson County Broadband Authority's official definition of broadband: a minimum speed of 25 Mbps for downloads and 3 Mbps for uploads.
- That all Service Providers advertising the provision of telecommunication services on the Nelson County owned infrastructure (fiber, copper, towers) shall clearly communicate the Nelson County Broadband Authority's official definition of broadband (a minimum speed of 25 Mbps for downloads and 3 Mbps for uploads) to its customers in all forms of advertising, including but not limited to, print and multimedia, and shall not advertise as "broadband" services of slower speeds than that contained in the definition.
- That all Service Providers offering fixed services on the Nelson County owned infrastructure (fiber, copper, towers) may offer services that do not meet the Nelson County Broadband Authority's official definition of broadband, however, services that offer speeds less than those contained in the Nelson County Broadband Authority's official broadband definition shall be clearly labeled as not meeting the Nelson County Broadband Authority's official broadband definition.
- That the foregoing definition and the disclosure requirements shall be made a term of new or renewed Service Provider contracts.

Mr. Patrick then moved to approve resolution **R2015-03**, defining broadband as 25 Mbps down and 3 Mbps up.

Mr. Bruguere clarified that ISPs could offer lower speeds but this would not be called Broadband. Mr. Patrick confirmed and noted that if it were defined, it would be clear and everyone would know what broadband was considered to be. He added it would not impact any current ISP contracts and he understood that all of the current service providers offered an option that met both of the proposed definitions.

Mr. Harvey noted that he thought it needed to be studied and thought about and then brought back in April.

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Mr. Hale noted that most consumers did not understand having one or the other and Mr. Harvey noted that consumers should still have the option to have lower speeds. Mr. Patrick agreed and reiterated that this was the case and was stated; noting the resolution just defined the term "broadband".

Mr. Patrick referenced an email from John Taylor, former Broadband Advisory Committee member that noted that stated that broadband technology was rapidly moving and broadband should be defined and the definition should be monitored as it changed. He added that it did not restrict ISPs service provisions since they could offer slower options for less cost; but it would just not be considered broadband.

Members then invited ISPs in attendance to comment and the following persons were recognized:

1. Clay Stewart, SCS Broadband

Mr. Stewart noted he thought it was too early to consider this given that the FCC has not finished their work and it was still under review. He added that everyone in the industry believed this would be a legal fight over years. He added that this was brought about by the net neutrality issue and that the FCC knew that with today's technology they cannot do 25 Mbps down/5 Mbps up. He noted that this was all very fast moving and was changing rapidly. Mr. Stewart then added that he has been offered free towers in other counties and a definition was not needed and he did not want advertising to be regulated by this. He added that he had been asking for help and not getting it from the County. He noted he had lost over \$10,000 in leasing funds over the past year and needed the Authority's help in getting on infrastructure not a broadband definition.

2. Joe Lee McClellan, Nelson Cable

Mr. McClellan stated that he was opposed to the definition of 25 Mbps down/3 Mbps up and noted it ought to be 10 Mbps down/1 Mbps up because this was what was required to download Netflix. He added that he thought that a definition of 25 Mbps down/3 Mbps up would give the customer the idea that anything less was not acceptable; when it was and this depended on what the customer's needs were. He noted that he offered service less than this and it was all that the customer wanted. He added that the reason 25 Mbps down was put out by the FCC was so that Telephone companies could apply for grand funding. He noted that they had to raise this so that phone companies could qualify. Mr. McClellan noted that various Associations had been telling them this and he thought that he and Mr. Stewart ought to sit down with staff to exchange ideas on how to make this work.

Mr. Patrick then noted that tabling this until the next meeting had been suggested and Mr. Bruguere agreed, but noted that he thought they needed some sort of definition so people knew what they were getting.

Mr. Patrick noted that it was important to define broadband so that everyone knew what was being discussed when it came to broadband and that it was in line with the federal definition.

Members then agreed by consensus to table the matter until the next meeting.

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C. Comprehensive County Broadband Plan & Regional Broadband Initiative

Mr. Patrick recommended the development of a comprehensive plan for the County and noted that it could be used for marketing the network etc. He added that if a plan was developed, then the Authority and County would be ready to go when other funds became available. He added he would like to look at it comprehensively as a whole and define what technologies could be used where.

Mr. Patrick noted some highlights from the plan and that he thought it was important to look at options for funding it. He added that it would be important to get ISPs involved for their input and to prioritize sections of the County where broadband was most needed and the most access was achievable. He stressed the importance of looking at larger grants that may be combined with loans for funding.

Mr. Patrick then moved that the County move forward with developing a broadband plan.

Mr. Bruguere noted that now was the time to look at this while the County was developing the budget. He added that it would take some time and it may be that not everyone could be served because of the County's topography.

Mr. Harvey noted he thought this was a great idea; however he did not think the Authority needed to adopt anything yet. He added that everyone agreed on what needed to be done and there was good information in the proposal that would assist in that. He noted that it should be thought about and maybe some committees formed that could help with this.

Mr. Patrick added that they needed help with how to market it and get services out to people.

Mr. Hale thanked Mr. Patrick for the work he put into the proposal. He noted that he agreed they should pursue it and suggested that they ask staff to take a close look at it and provide some sort of budget to get it on the way. He added that this did not need a resolution just consensus of the NCBA and it should involve staff and service providers in coming up with the plan.

Mr. Harvey added that the regional planning aspect was a good thought. Mr. Patrick explained that the Planning District Commission would like counties to take a regional approach to get bulk pricing and continuity in hardware etc. He noted that they understand that other counties were now where Nelson was eight (8) years ago and that the county could be helpful.

Mr. Saunders noted that he thought it was a great idea for staff to meet with ISPs and see what was needed and then look at the budget to see what was affordable.

Members then agreed by consensus for staff to move forward with development of the plan and report back to NCBA. Mr. Patrick added that there needed to be some sort performance measures included.

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III. Other Business (As May Be Presented)

There was no other business considered by the Authority.

IV. Adjournment

At 1:50 PM, Mr. Harvey moved to adjourn the meeting. There was no second and Members voted unanimously by voice vote to approve the motion and the meeting adjourned.