

July 11, 2017

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: Allen M. Hale, East District
Thomas H. Bruguere, Jr. West District- Vice Chair
Larry D. Saunders, South District
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: Thomas D. Harvey, North District – Chair

I. Call to Order

Mr. Bruguere called the meeting to order at 1:00 PM with four members present to establish a quorum and Mr. Harvey being absent.

II. Public Comments

1. Gary Scott, Findlay Mountain Road

Mr. Scott stated he had been following the Broadband project and he thought that every citizen should have access. He noted that he had sold software for Telecom and worked for Kansas. He noted that Ntelos had been bought by Shentel and that fiber companies were merging. He noted that since fiber was out there, they should build out to citizens that could be reached and he thought that the point to point network, like what SCS was deploying was the only way to reach the majority of citizens. He added that he did not think that the network would be eventually built out and that citizens had the misguided perception that the County was going to roll out broadband and serve everyone with fiber. He added that better communications with citizens on the various challenges was required.

III. Consent Agenda

A. **Resolution – R2017-05** Minutes for Approval

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

**RESOLUTION R2017-05
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(May 9, 2017)**

July 11, 2017

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on May 9, 2017 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 as follows:

I. Operational

Total Number of Connections on 4/30/17:	330
Installations for May and June:	14
<u>Total Number of Connections on 6/30/17:</u>	<u>344</u>
Pending Installations:	163
Total Customers on 4/30/17:	507

II. Administrative

Drop installation has been completed for approximately 25% of the pending installations noted above. Backbone installations will be completed once VDOT permits are obtained. Pending installations include seven neighborhoods.

In relation to the pending installations, Ms. Rorrer noted that an estimated 50% of drops had been completed and the majority of work to be done was backbone construction. She added that there had been delay in obtaining the VDOT permits. She noted that they had obtained the Woods Mill permit and should bring up 20-25 customers there; with the others coming shortly.

Ms. Rorrer then explained that the County and CCTS obtained the permits, and Mr. Carter added that the County was the applicant, CCTS does the work and the County signs off on it.

Mr. Strong asked about the time between a request for install and getting the install. Ms. Rorrer noted that it was within a week if the plans were submitted correctly the first time; however they had not had much success in getting approval the first time. Mr. Carter noted staff had concerns with CCTS's performance on the permits and have held their checks over it. He noted that he met with CCTS owner and discussed the County's concern about getting permits approved timely; noting there was a significant gap between the initial permit application and when it was submitted again last week.

In response to questions, Mr. Carter noted there being no difference in permits for secondary and primary roads. He added that the County had a universal permit for 500 ft., however beyond that, they had to get other permits. He noted that he had encouraged CCTS to get them timely.

July 11, 2017

Mr. Hale then asked if the plan was for Wide Open Networks to do this part of the report or would Ms. Rorrer continue to do it and Mr. Carter noted it was to be determined but Ms. Rorrer would most likely be involved in pending installations. He added that they may be able to take this on; however they were still in start-up mode and may come to meetings occasionally.

Mr. Strong questioned what CMS stood for in Wide Open Network's report and she noted it was the Circuit Management System located in the shelter at the Courthouse.

Ms. Rorrer commented that the Total Customers number was lower than reported last month primarily due to errors in the calculation for total numbers. She added that she was waiting on numbers from WON from the provisioning side to firm up that number in the next week.

III. Financial

Attached

B. Treasurer's Report

Ms. McCann reported the following:

BROADBAND FUND @ 6/30/2017

OPERATIONS

Beginning Balance 7/1/2016	\$ 406,720 .80
July-August 2016 Expenditures	\$ (60,401.45)
July-August 2016 Revenues	\$ 42,493.00
September – October 2016 Expenditures	\$ (86,536.59)
September – October 2016 Revenues	\$ 58,085.84
November-December 2016 Expenditures	\$ (131,699.99)
November-December 2016 Revenues	\$ 45,729.33
January-February 2017 Expenditures	\$ (143,425.15)
January – February 2017 Revenues	\$ 30,715.07
March-April 2017 Expenditures	\$ (235,280.57)
March-April 2017 Revenues	\$ 84,310.14
May-June 2017 Expenditures	\$ (86,429.61)
May-June 2017 Revenues	\$ 1,825.00 *
Use of Operational Funds for Project	\$ (44,397.50)
Subtotal	\$ (118,291.68)
General Fund Transfer 7/1/2016	\$ 100,000.00
General Fund Transfer 6/13/2017	\$ 100,000.00
Available Bank Balance @ 6/30/2017	\$ 81,708.32 *

*June revenue (other than transfer from General fund) is not reflected in this report pending receipt of June bank statement and network operator revenue reports.

Mr. Carter noted that the financial driver was the ongoing outlay of discounts and amortization which was hurting cash flow. He noted that the transition to Wide Open Networks (WON) should help with billing

July 11, 2017

and financial reporting and he was confident it would get better; however there was not sufficient history to predict cash flow.

Mr. Strong referenced the statements made at the last meeting that there may be some disagreement where Ting owed the County a certain amount of revenues and the County thought it was different. Mr. Carter advised that it would be reconciled during the transition to WON and that Ting had been very cooperative.

Mr. Carter then advised that in the next two meetings, they would have a better history constructed, but that they may have to consider what to do with the discount. He added that it was debatable if those were recovered in the circuit costs and that although the network was gaining customers it was losing money.

Mr. Carter then noted that July – April, there was \$206,271 in discounts expended shown on the budget reports. He noted that staff was proposing to add an additional \$100,000 for FY18 and the NCBA would be in a deficit without it.

Mr. Strong expressed concern that the amortization period was five years, which was a long time, and he suggested that three years or less was more typical. Mr. Carter advised that staff would have to analyze that going forward to see how it contributed to the cash flow problem. Mr. Hale suggested that they needed to take a hard look and reduce the expense. Mr. Carter added that staff was hoping that once the billing was more consistent, the amortization revenues would smooth out. He noted it had been coming in inconsistently.

Mr. Saunders noted the discount had been in place to kick start things and the plan was not to do it forever. Mr. Carter agreed and suggested that it should be looked at.

Mr. Strong then asked how long it took to recover the \$750 discount and Ms. Rorrer noted it took 2.5 years.

Mr. Strong suggested that they consider reducing the term of amortization and reducing the period of discounts coinciding with availability and installation capability; while offering periodic discounts and Mr. Saunders agreed. Mr. Carter suggested that staff would consult with Design Nine and come up with some recommendations. Mr. Bruguere suggested looking at the matter the following quarter after the installations were online. Mr. Carter noted it would be hard to say if doing that would be a deterrent to overall growth of the network.

Mr. Hale then noted that pending installations were 50% of the total which was good; however those people needed to be connected.

Mr. Carter noted that CCTS was an expert company and had done a lot of good for the County's network; however, they were a prime contractor for surrounding counties connecting their schools and that was in process. He added that he was concerned about that and had a frank discussion with Mr. Beam about it.

C. County Administrator's Report

Mr. Carter advised that he had no further report; that the important things had already been reported during the meeting.

D. Draft FY18 Budget

Ms. McCann provided the following overview of the draft FY18 budget:

FY18 NCBA Proposed Budget

The overall budget proposed in FY18 reflects an overall decrease of \$13,863 due to a \$50,000 reduction resulting from the completion of the network expansion project and a \$36,137 increase in operational expenditures.

Highlights of FY18 proposed expenditures:

- 1) The proposed budget includes a decrease of \$11,600 in Network Operator fees. This is due to the anticipated new contract for these services.
- 2) The proposed budget includes no funding for Advertising and marketing the network.
- 3) Utility expense reflects a budgetary increase of \$22,140. Utility expense includes locating services, electric, and VUPS (Miss Utility) costs. The actual expense through April is \$60,497. Staff has currently solicited request for quotes on locate services.
- 4) Equipment expense reflects a budgetary increase of \$30,000 due to the increased customer base. Equipment expense through April is \$94,955.
- 5) Installation expense includes \$25,000 for installations that will be paid upfront, \$100,000 for amortized installations, and \$75,000 for the discounted expense for which the Authority receives no reimbursement (100 installs at \$750 discount per end user). The overall installation expense reflects a budgetary increase of \$24,701. There is currently no remaining funds from the \$250,000 set aside to cover amortized install cost. Since FY15, \$345,145 has been expended for amortized installation cost. Discounts provided from July 2014 through April 2017 total \$206,271. If connections continue to grow, providing for the discount and amortization of install costs will erode the operational cash flow ability of the Authority without other sources of revenue to support the expense.
- 6) In FY17, the budget included \$22,000 for additional work on the network strategic plan. No funding has been included in the FY18 budget.
- 7) The budget includes a contingency of \$65,530.

Highlights of FY18 revenue projections:

- 1) The FY17 budget included a transfer from the CDBG Fund which reflected the remaining grant funds due the county (\$50,423) for the project. As the project is completed, this is no longer a revenue source.
- 2) The Transfer from the General fund includes \$100,000 for operations and an additional \$100,000 to support fronting the amortized installation costs.
- 3) Network access charges are expected to have a budgetary increase of \$26,719. This is based on the current customer base and projects 100 new end user customer circuits (\$25 mo. incrementally throughout year-estimated \$20,000 increase).

- 4) The budget for Tower Leases is anticipated to remain the same. In FY19, AT&T has given notice not to renew their lease on the Martin's Store tower which will result in an annual revenue decrease of \$32,100.
- 5) Installation reimbursement is expected to increase from the FY17 budget amount by \$10,451. The FY17 projected is based on 20 new upfront paid installations (\$25,000) and estimated increase in amortized payments of \$10,451 (80 new installations incrementally throughout year).
- 6) Typically year ending balance represents the anticipated balance of the amortized connection funding. As there is no longer a balance in the set aside, no year ending balance is incorporated into the FY18 budget.

ROADBAND PROJECT FUND
BROADBAND FUND EXPENDITURE SYNOPSIS - DRAFT

Expenditure by Dept.	FY16-17	FY17-18	Increase/Decrease	%Change
	Approved Budget	Approved Budget		
Broadband Project				
Professional Services	\$0.00	\$0.00	\$0.00	0.00%
Design Drawings	\$402.00	\$0.00	-\$402.00	-100.00%
Construction	\$47,958.00	\$0.00	-\$47,958.00	-100.00%
Project Inspection	\$0.00	\$0.00	\$0.00	0.00%
Permit Fees	\$1,640.00	\$0.00	-\$1,640.00	-100.00%
Land, Right-of-way, etc.	\$0.00	\$0.00	\$0.00	0.00%
Contingency	\$0.00	\$0.00	\$0.00	0.00%
Network Operations				
Network Operator	\$81,600.00	\$70,000.00	-\$11,600.00	-14.22%
Director Fees & Mileage	\$3,075.00	\$3,215.00	\$140.00	4.55%
Repair & Maintenance	\$7,400.00	\$7,400.00	\$0.00	0.00%
Professional Services	\$15,000.00	\$15,000.00	\$0.00	0.00%
Advertising	\$4,000.00	\$0.00	-\$4,000.00	100.00%
Office Supplies	\$300.00	\$300.00	\$0.00	0.00%
Insurance	\$2,500.00	\$2,500.00	\$0.00	0.00%
Utilities including locates	\$45,000.00	\$67,140.00	\$22,140.00	49.20%
Equipment	\$45,000.00	\$75,000.00	\$30,000.00	66.67%
Installations	\$175,299.00	\$200,000.00	\$24,701.00	14.09%
Service Contracts	\$10,000.00	\$10,000.00	\$0.00	0.00%
Permit Fees	\$0.00	\$750.00	\$750.00	100.00%
Tower lease	\$9,530.00	\$9,530.00	\$0.00	0.00%
Network Strategic Plan	\$22,000.00	\$0.00	-\$22,000.00	-100.00%
Contingency	\$69,524.00	\$65,530.00	-\$3,994.00	-5.74%
Total	\$540,228.00	\$526,365.00	-\$13,863.00	-2.57%

REVENUE SYNOPSIS –DRAFT

Revenues	FY 16-17	FY 17-18	Increase/Decrease	%Change
	Approved Budget	Approved Budget		

July 11, 2017

Broadband Project				
BTOP Award (NTIA)	\$0.00		\$0.00	\$0.00 0.00%
CDBG Fund Transfer	\$50,422.		\$0.00	-\$50,422.00 -100.00%
General Fund Transfer	\$0.00		\$0.00	\$0.00 0.00%
Year Ending Balance	\$0.00		\$0.00	\$0.00 0.00%
Network Operations				
Transfer from General Fund	\$100,000.00		\$200,000.00	\$100,000.00 100.00%
Network Access Charges	\$134,125.00		\$160,844.00	\$26,719.00 19.92%
Fiber Leases	\$4,000.00		\$4,000.00	\$0.00 0.00%
Tower Leases	\$88,521.00		\$88,521.00	\$0.00 0.00%
Installation Reimbursement	\$62,549.00		\$73,000.00	\$10,451.00 16.71%
Year Ending Balance	\$100,611.00		\$0.00	-\$100,611.00 -100.00%
Total	\$540,228.00		\$526,365.00	-\$13,863.00 -2.57%

Mr. Carter advised that the same summary was presented to the Authority in May and he noted that the budgetary change from last year was projected to be a little over \$13,000 less for FY18. He noted that he recommended approval and noted that the budget was a working document. He added that staff would bring back reports and revisions to the Board as they occurred.

Mr. Hale then moved to adopt the FY17-18 Broadband fund budget and Mr. Saunders seconded the motion. There being no further discussion, Members voted unanimously (4-0) by roll call vote to approve the motion.

V. Other Business (As May Be Presented)

Introduced: New Tower Costs

Mr. Hale asked for a rough cost figure used for new towers and Ms. Rorrer noted that for ones similar to what they had, it would cost \$125,000-\$150,000. It was noted that SCS has said that smaller towers strategically located may be better; however the NCBA would not be able to lease to cellular options with those. Ms. Rorrer noted that the costs she noted did not include site acquisition or an associated shelter, it was for the tower only. Mr. Carter then noted that Verizon had donated the shelters for the current towers. Mr. Bruguere inquired as to the height of the Massies Mill tower and Ms. Rorrer noted it was 130 feet tall.

Introduced: First Net

Mr. Strong asked if the County had gotten anything from the Governor’s office on First Net. Mr. Carter noted having seen the Governor’s announcement, however he was unsure of the details. Ms. Rorrer noted that that first Net was a network to be deployed by AT&T and she guessed they would pay to use it. Mr. Carter added that staff was monitoring it and as details unfolded, staff would report back.

VI. Adjournment

At 1:55 pm, Mr. Strong moved to adjourn and Mr. Hale seconded the motion. There being no further discussion, Members voted unanimously (4-0) by roll call vote to approve the motion and the meeting adjourned.