

July 9, 2019

**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: Larry D. Saunders, South District – Chair  
Gary W. Strong – Central District  
Thomas D. Harvey, North District – Vice Chair  
Thomas H. Bruguere, Jr. West District  
Jesse N. Rutherford – East District  
Stephen A. Carter, County Administrator  
Grace Mawyer, Secretary  
Candice W. McGarry, Treasurer  
Susan Rorrer, Director of Information Systems

Absent: None

**I. Call to Order**

Mr. Saunders called the meeting to order at 1:03 PM with all Members present to establish a quorum.

**II. Public Comments**

1. Joe Lee McClellan, Lovingston resident and Owner of Nelson Cable

Mr. McClellan thanked the Board for their efforts in bringing broadband to all the citizens of Nelson County. He stated that he would like the County to retain ownership of the NCBA until all homes and businesses are served with high speed internet in Nelson County, or transfer the network to an entity who will continue to provide service to the County, as the original grant was intended. He noted that therefore, his offer made at the last NCBA meeting still stands.

2. Clay Stewart, SCS Broadband

Mr. Stewart stated that he would like to see the County partner with SCS to fill in the holes that CVEC will not fill in, and also, “to help protect those of our customers, which we calculate to be 1800 citizens, that are not on CVEC, that could be affected by the overtake of the customers that we expect to lose, which is about 300-350 homes, or a total of approximately 1200 citizens.” He noted this is paramount to continue what they started 13 years ago in providing services where it was not available, and there are still plenty of places in this county where it is still not available. He then stated there are places that he would like to see towers and noted Piney River is one of them. He stated this is one example of where CVEC doesn’t have full coverage. He noted he would like to see partnerships like they have done with many other counties, and the partnership would include going after grants. He noted SCS has won 8 grants over the last 18 months. Mr. Stewart stated that SCS still maintains the best solution for the fiber and then noted that there should be a single flat fee for the usage of any ISP and they should have control of their own ONTs.

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Mr. Bruguere asked Mr. Stewart to submit his request in writing.

### **III. Consent Agenda**

#### **A. Resolution – R2019-03 Minutes for Approval**

Mr. Rutherford moved to approve resolution R2019-03 Minutes for Approval and Mr. Strong 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 R2019-03  
NELSON COUNTY BROADBAND AUTHORITY  
APPROVAL OF MEETING MINUTES  
(May 14, 2019)**

**RESOLVED**, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on **May 14, 2019** be and hereby are approved and authorized for entry into the official record of the Broadband Authority meetings.

### **IV. New/Unfinished Business**

#### **A. Network Operations Report**

Ms. Susan Rorrer presented the following report:

#### **I. Operational**

- The network is currently serving 578 customers.
- There are approximately 2 – 5 pending installations with obstacles preventing their completion.

#### **II. Administrative**

- Only two service providers currently have past due balances totaling less than \$10,000. It is anticipated that they will be brought current in the near future.
- Verizon is currently working on the cellular site installation at Martin's Store. AT&T will begin their installation once the Verizon work is complete.
- Information has been submitted to appropriate agencies regarding the proposed network transfer and staff is currently working to answer questions related to the transfer.

#### **III. Financial**

attached

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Ms. Rorrer noted that the number of customers signing up has slowed dramatically, although it has not stopped, as they still get inquiries for quotes and people interested in service.

**B. Treasurer's Report**

Ms. McGarry reported the following:

**Broadband Operations @ 6/30/19**

Beginning Balance 7/1/18	\$ 192,666.56
July -June 2019 Expenditures	\$ (240,580.92)
July-June 2019 Revenues	\$ 629,786.23
<b>Subtotal</b>	<b>\$ 581,871.87</b>
General Fund Transfer 7/1/2018	\$ 100,000.00
Available Balance 6/30/19	<b>\$ 681,871.87</b>

**Accounts Receivable Aging Summary as of June 28, 2019**

Current	\$	66,065.25
1-30 days	\$	1,728.84
31-60 days	\$	7,072.17
* 61-90 days	\$	35,023.65
> 90 days	\$	1,733.93
<b>Total \$</b>		<b>111,623.84</b>

\* 61-90 days includes a tower lease payment due from AT&T. Staff has worked with them to reconcile the payment due and payment is being remitted.

**Broadband Fund Revenues and Expenditures**

**Revenues:**

On a cash basis, YTD revenues at the end of the fiscal year came in \$230,661 higher than budgeted. This is primarily due to \$63,168 in higher than anticipated lease revenue, \$110,348 in higher than anticipated network access charges, and \$57,144 in higher than budgeted amortized installation payments.

**Expenditures:**

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On a cash basis, YTD Expenditures at the end of the fiscal year were \$310,364 less than anticipated. The installation discount and installation amortization were discontinued during the fiscal year accounting for a cost savings of \$77,632 and \$146,862 respectively. Additionally, \$56,729 less than anticipated expenditures for equipment was realized. The Contingency Reserve of \$25,000 remained unused for the fiscal year.

Mr. Bruguere asked if the Board would have to vote to put the \$100,000 back in the General Fund. Ms. McGarry confirmed. Mr. Bruguere then moved to transfer the \$100,000 that Nelson County gave to NCBA back to Nelson County and Mr. Rutherford seconded the motion. Mr. Harvey noted that he thought they had decided to leave this alone until they further discuss towers and other projects. Mr. Strong then moved that the motion be tabled, and Mr. Rutherford brought back his second. Mr. Bruguere rescinded his motion.

### C. County Administrator's Report

Mr. Carter provided the following update:

Mr. Carter noted that he handed out an email from NTIA staff, Chris Holt, dated July 3<sup>rd</sup>. He stated Mr. Holt is among a couple NTIA staff that County staff have worked with directly for several years. He noted the initial review of the transfer of the network to Central Virginia Services Inc. (CVSI) has been completed by Mr. Holt and other NTIA staff, and the email indicates the next layers of review. In the initial review, County Staff received two emails with two questions each about the transfer documents in the agreement, and Staff immediately responded to those questions, and that was recognized with seemingly no issues. Mr. Carter advised it is moving along and as Mr. Holt indicates, they will work to try to move it along as quickly as possible. He then stated on the Department of Housing and Community Development front, Staff also made a similar submittal of the agreement and supporting schedules. He noted they had funded two innovation grants totaling about \$400,000, which the County had to match, that helped for the initial build of the network and the expansion of the network. To date, the DHCD staff have at least completed a preliminary review and have asked Staff a couple questions to which Staff responded. He stated it is the expectation that, from what they've indicated previously, they will follow the lead of NTIA. He added to date, Staff does not have any concerns to report from the preliminary reviews by either NTIA or DHCD staff. He advised the overall agreement has been signed by all four parties to that agreement.

### D. Proposed FY 2020 Budget Approval

Ms. McGarry reviewed the following Broadband Fund information:

**BROADBAND PROJECT FUND**

BROADBAND FUND					
EXPENDITURE SYNOPSIS -PROPOSED					
Expenditure by Dept.	FY 18-19		FY 19-20		% Change
	Proposed Budget		Proposed Budget	Increase/Decrease	
Network Operations					
Network Operator	\$70,000.00		\$70,000.00	\$0.00	0.00%
Director Fees & Mileage	\$2,865.00		\$2,040.00	-\$825.00	-28.80%
Repair & Maintenance	\$7,400.00		\$8,270.00	\$870.00	11.76%
Professional Services	\$15,000.00		\$15,000.00	\$0.00	0.00%
Advertising	\$0.00		\$0.00	\$0.00	0.00%
Office Supplies	\$300.00		\$300.00	\$0.00	0.00%
Insurance	\$2,600.00		\$2,500.00	-\$100.00	-3.85%
Utilities including locates	\$45,000.00		\$30,000.00	-\$15,000.00	-33.33%
Equipment	\$75,000.00		\$75,000.00	\$0.00	0.00%
Installations	\$315,000.00		\$5,827.00	-\$309,173.00	-98.15%
Service Contracts	\$7,500.00		\$7,500.00	\$0.00	0.00%
Permit Fees	\$750.00		\$0.00	-\$750.00	-100.00%
Tower Lease	\$9,530.00		\$9,530.00	\$0.00	0.00%
Contingency	\$25,000.00		\$253,170.00	\$228,170.00	912.68%
<b>Total</b>	<b>\$575,945.00</b>		<b>\$479,137.00</b>	<b>-\$96,808.00</b>	<b>-16.81%</b>
REVENUE SYNOPSIS -PROPOSED					
Revenues	FY 18-19		FY 19-20		% Change
	Proposed Budget		Proposed Budget	Increase/Decrease	
Network Operations					
Transfer from General Fund	\$100,000.00		\$0.00	-\$100,000.00	-100.00%
Network Access Charges	\$203,000.00		\$278,633.00	\$75,633.00	37.26%
Fiber Leases	\$4,004.00		\$4,004.00	\$0.00	0.00%
Tower Leases	\$83,121.00		\$100,000.00	\$16,879.00	20.31%
Installation Reimbursement	\$109,000.00		\$96,500.00	-\$12,500.00	-11.47%
Year Ending Balance	\$76,820.00		\$0.00	-\$76,820.00	100.00%
<b>Total</b>	<b>\$575,945.00</b>		<b>\$479,137.00</b>	<b>-\$96,808.00</b>	<b>-16.81%</b>

Ms. McGarry noted one of the main differences is that Staff has reduced the expenditures for installations by \$309,173 as they don't foresee there being many more installations in the next fiscal year. She noted that the other big item on the expenditure side is the contingency of \$253,170, which does include the \$100,000 that was transferred over in FY2018-2019 and not utilized.

Ms. McGarry noted this is a working document and given that Staff is not quite sure when the transfer may take place, if it is approved, Staff went with the information they know currently.

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It was again noted that the \$100,000 transfer from the General Fund from FY19 is still in the contingency for FY20.

Mr. Strong then moved to approve the proposed Broadband Budget and Mr. Bruguere seconded the motion. There being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion.

#### E. Report on Tower Strategy

Mr. Carter noted the first step he took after the Authority's previous meeting given the directive to look into tower expansion was to reach out to Dr. Andrew Cohill, who is the CEO and owner of Design Nine and Wide Open Networks. He noted that Wide Open Networks is the current network operator for the Broadband Authority and also does the billing. Dr. Cohill wrote a brief, two-page report outlining his insights, perspectives, and pros and cons for the Board to consider about additional towers.

Mr. Carter referred to the report included in the Board packets:

### Expanded Wireless Broadband Options for Nelson County

The Broadband Authority is faced with a difficult set of choices as the transition to the CVEC/CVSI fiber to the home plan evolves. Some residents and businesses, located in areas of the county with existing poor Internet service, may have to wait several years to see improvements (i.e. until the new fiber arrives). In the meantime, there will be frustration as those residents see friends and acquaintances receive high speed fiber service.

The County and the Broadband Authority could make improvements on existing County towers and/or construct new towers with the goal of getting a WISP to place equipment on the towers to offer improved broadband wireless service.

Wireless Internet Service Providers (WISPs) will be well aware that eventually CVEC/CVSI will pass approximately 85% of homes and businesses with fiber Internet service. This build out is estimated to take four to five years. So WISPs have a limited window of opportunity to sell wireless broadband services in the county.

WISPs typically need at least twelve to eighteen months to get enough customers on a tower to become income positive, so they could have as little as two and a half years before they start losing customers.

The Broadband Authority could choose to build new towers in areas of the county that currently have limited and/or poor service. However, under the best of circumstances, the opportunity to have tower lease revenue from a WISP is probably only about five years at best, when twenty years or more of tower lease revenue may be required to recover the capital expense of a new tower. Note that if a new tower is constructed, there may be public safety needs that justify the expense, and if so, then WISP lease revenue is less important.

If there are no improvements in wireless broadband service in underserved areas of the county and CVEC/CVSI falls behind on its deployment schedule, there will be many frustrated residents and some businesses that will be falling farther and farther behind in terms of Internet service while nearby friends and neighbors have the CVEC/CVSI fiber Internet.

With respect to encouraging a WISP to expand service during the fiber build out, the Authority could do one or more the following:

- Waive or sharply reduce the tower space lease fee charged to the WISP to help reduce operational expenses for the WISP.
- Offer matching funds to the WISP to help offset the initial capital expense of placing new radio equipment on the tower(s).

Prior to making a decision, it may be necessary to meet with WISP prospects and obtain their input on what would encourage them to expand service in the county.

The table on the next page summarizes some of the scenarios, outcomes, and risks related to these options.

Scenario	Outcomes	Risks
No new wireless investments are made by the County	Continued poor service in many areas of the county waiting for CVEC/CVIS service.	Short term criticism of the situation, but as fiber is deployed, frustration should diminish.
	CVEC/CVIS roll out is delayed beyond the four to five year window.	Criticism and frustration lasts longer than expected and becomes a serious issue because of continued lack of adequate service.
Wireless investments in tower improvements and new towers are made by the County	No service provider is willing to place additional equipment on the towers because it will be difficult to recover costs before customers start leaving for the new fiber service.	Short term criticism of the situation, but as fiber is deployed, frustration should diminish.
	WISP(s) pick additional towers where the likelihood of keeping customers the longest is high.	County and the Authority will get some credit for trying to address the problem and some residents get better service while waiting for fiber. For new towers, the County will not recoup all of the initial expense from tower lease fees.
Wireless investments in tower improvements and new towers are combined with grant opportunities and WISP financial incentives	The Authority increases the availability of tower space in underserved areas and offers WISP(s) matching funds to offset the WISP initial equipment costs. At least one WISP agrees to expand service.	County and the Authority will get some credit for trying to address the problem and some residents get better service while waiting for fiber. For new towers, the County will not recoup all of the initial expense from tower lease fees and matching funds.
	Even with additional tower space and matching funds, no WISP is willing to lease space and offer service.	County and the Authority will get some credit for trying to address the problem, but lack of improved service increases frustration of businesses and residents in underserved areas.

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Mr. Carter noted that if the Board is very interested in proceeding with the strategy for tower installation, then what we'll need to do is procure engineering services to site towers in the County in relation to other facilities and bring that back to the Board with cost estimates.

Mr. Strong noted that some of the risk side involves the timing if new towers were to be constructed and then not long after, other opportunities would be made available. He referred to discussion from several meetings ago about what APCO might do with respect to following the lead of CVEC. Mr. Carter stated that to date, he knows that CVEC/CSVSI staff have had at least preliminary discussions with AEP staff about partnerships and use of AEP's infrastructure, but as CVEC staff has indicated to County staff, their priority is still to build their network first unless something happens in the interim of course that would prove to be beneficial to further expand out to the AEP areas while they're under construction with the CSVSI network. He added that the State did have a requirement coming out of the General Assembly session for the utilities, such as AEP and Dominion, to do pilot studies for broadband deployment, and he knows there has been some discussion between the Co-op and AEP staff about this. Mr. Carter noted he reached out to our contacts with AEP and asked about facilitating a meeting, and they indicated they were very amenable to that. He added that we related that to CSVSI staff, and we're sort of waiting for them to follow up with us. There's a potential for further discussion and maybe meaningful discussion, but it's just hard to say at this point. Mr. Carter stated that the larger utilities do have this requirement to do pilot studies, and we asked AEP to use the County for their study, but he believes they may do it somewhere else.

Mr. Bruguier noted that he called Gary Wood with CVEC a few days ago to see what they plan to do in regard to APCO, and he said he didn't think they are going to do anything and even after their buildout in 3 or 4 years, that's a long time away and APCO was doing a pilot study in Grayson County. He stated it does not look like APCO will have fiber unless we put it there or somebody else does.

Mr. Carter stated that he can't say he strongly recommends this tower strategy, at least not yet, because from a budget perspective, the expense of one tower would cost between \$125,000 and \$150,000 if we install a tower similar to the 3 that were built during the construction of the network. He noted that ability is limited, and those towers are unlikely to generate any revenue from return on investment for the construction of the towers or for maintaining and operating them. He added that we could integrate a strategy to look at where SCS is deployed throughout the county and try to fill in the gaps, but it's a financial question from his perspective. The County is limited in its ability to build new towers and then not assured of any take rates to get new customers and there's no real assurance there will be a revenue stream from it because as Mr. Stewart and Dr. Cohill indicated, should you waive the fees for the WISPs to get on the towers or help them with equipment to facilitate, but how are you going to do that?

Mr. Carter then brought up the idea that perhaps a better strategy would be to try to partner with AEP and negotiate using their infrastructure to hang fiber like the Co-op is doing or do a study to see if that would be a better route than building towers. Mr. Strong noted that may be an appropriate topic for a three-way meeting between APCO, CVEC, and the County. Mr. Rutherford suggested including the WISPs to a degree.

Mr. Rutherford noted that the idea of waiting 4-5 years to get any reasonable amount of high speed internet is going to be, in today's world, very difficult to function. He agreed with Mr. Strong's idea of having a meeting with APCO, CVEC, and the WISPs. He then asked how much it typically costs to do an engineering study for towers in the interim. Mr. Carter stated it could easily be \$100,000.

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Mr. Strong asked how many of these people who are APCO served have Verizon telephones. Ms. Rorrer stated probably the mass majority.

Mr. Carter noted that the next step could perhaps be a study that looks at the AEP and Dominion areas and where Stewart is located in relation to those areas. Then, we could look at a strategy of either tower deployment or working to hang fiber on their infrastructure and cost compare it. He added the problem that we will run into is that there's no funds coming in and we will run out of cash if we build capital items that don't support themselves.

Mr. Rutherford noted that infrastructure growth is not necessarily about revenue but instead about making sure that people are getting the things they need to function in the 21<sup>st</sup> century, and internet is one of those things. Mr. Carter noted that we would have to depend on the County to subsidize the network.

Mr. Rutherford echoed the suggestion of having a conversation with APCO, CVEC, and the WISPs. Mr. Strong agreed and noted it does not have to be a formal meeting.

By consensus, the Board decided to have a joint meeting with APCO, CVEC, and the WISPs within 30 days if appropriate. They also decided to include 2 representatives from the Board: Mr. Strong and Mr. Rutherford. Mr. Carter noted that he would reach out to the parties to figure out a date that can work.

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

There was no other business considered by the Board.

#### **VI. Adjournment**

At 1:46 PM, Mr. Rutherford moved to adjourn and Mr. Strong seconded the motion. There being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion and the meeting adjourned.