

June 10, 2014

Virginia:

AT A CALLED 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.

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

Absent: None

I. Call to Order

Mr. Harvey called the meeting to order at 1:05 pm with all members present to establish a quorum.

II. FY-15 Proposed Broadband Budget

Mr. Carter noted that there was no requirement for a public hearing on the budget; however the Authority Board needed to review and approve it.

Ms. McCann reviewed the following FY14 budget as compared to projections.

FY14 EXPENDITURE BUDGET COMPARED TO PROJECTED				
Expenditure by Dept.	FY 13-14 Amended Budget	FY 13-14 Projections	Variance Increase/Decrease	% Difference
Broadband Project				
Professional Services	\$0.00	\$0.00	\$0.00	0.00%
Engineering Services	\$0.00	\$0.00	\$0.00	0.00%
Construction	\$0.00	\$0.00	\$0.00	0.00%
Project Inspection	\$0.00	\$0.00	\$0.00	0.00%
Equipment	\$0.00	\$0.00	\$0.00	0.00%
Land, Right-of-way, etc.	\$0.00	\$0.00	\$0.00	0.00%

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Contingency	\$0.00	\$0.00	\$0.00	0.00%
Network Operations				
Network Operator	\$81,600.00	\$81,096.00	-\$504.00	-0.62%
Repair & Maintenance	\$7,400.00	\$1,500.00	-\$5,900.00	-79.73%
Professional Services	\$10,000.00	\$8,000.00	-\$2,000.00	-20.00%
Office Supplies	\$0.00	\$95.00	\$95.00	100.00%
Insurance	\$2,500.00	\$2,281.00	-\$219.00	-8.76%
Utilities including locates	\$10,000.00	\$20,000.00	\$10,000.00	100.00%
Equipment	\$15,000.00	\$35,000.00	\$20,000.00	133.33%
Installations	\$340,000.00	\$126,000.00	-\$214,000.00	-62.94%
Service Contracts	\$5,000.00	\$7,000.00	\$2,000.00	40.00%
Tower Lease	\$3,075.00	\$9,375.00	\$6,300.00	204.88%
Contingency	\$0.00	\$0.00	\$0.00	100.00%
Total	\$474,575.00	\$290,347.00	-\$184,228.00	-38.82%

FY14 REVENUE BUDGET COMPARED TO PROJECTED

	FY 13-14	FY 13-14	Variance	%
Revenues	Amended Budget	Projections	Increase/Decrease	Difference
Broadband Project				
BTOP Award (NTIA)	\$0.00	\$0.00	\$0.00	0.00%
CDBG Fund Transfer	\$0.00	\$2,700.00	\$2,700.00	0.00%
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	\$123,335.00	\$123,335.00	\$0.00	0.00%
Network Access Charges	\$75,440.00	\$61,289.00	-\$14,151.00	-18.76%
Fiber Leases	\$0.00	\$4,000.00	\$4,000.00	-100.00%
Tower Leases	\$12,300.00	\$79,000.00	\$66,700.00	542.28%
Installation Reimbursement	\$13,500.00	\$61,381.00	\$47,881.00	354.67%
Non-Revenue Receipts	\$0.00	\$500.00	\$500.00	100.00%
Year Ending Balance	\$250,000.00	\$0.00	-\$250,000.00	-100.00%
Total	\$474,575.00	\$332,205.00	-\$142,370.00	-30.00%

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Ms. McCann noted that the \$250,000 for installations had not yet been fully expended and this line assumed thirty (30) installs at an average cost of \$3,000 = \$90,000 plus the \$250,000 fund for amortized installations.

Ms. McCann then noted the Utilities and Locates line included electric service, locates, and VUPS; however the expense driver was the locating services. She noted that the original contract for this was \$20 per locate; however that contract was terminated and the new contractor was charging \$75 per locate; which was a substantial increase.

Mr. Carter then advised that there had been a problem with the original locate contractor and they could not let that continue. Ms. Rorrer added that it was CCTS and that they had problems justifying having someone come out to do it; noting there was essentially not enough work. She added that this expense was only related to the fiber and that they were anticipating at least 400 locates. She noted that the average was 50 per month throughout the year.

Ms. McCann then noted that the Equipment line was anticipated to exceed the estimate due to the purchase of electronics to add capacity to the network. She noted that this expense was not passed on to the customer because it was an expansion of the network and served multiple customers. She added that this cost was recovered through the monthly circuit charges paid.

Ms. McCann then noted that for Installations, there was about \$193,000 left in the fund. She noted that the discounted installation expense was projected to be \$36,190 (\$750 per customer that is not recouped), the upfront installation expense was projected to be \$35,250 (17 connections), and the amortized installation expense from the fund was projected to be \$54,560 (34 connections).

Ms. McCann then noted that the Service Contract Expense line was relative to Calix equipment and the hosted fiber management system, which was not anticipated in the original budget.

On the revenue side, Ms. McCann reported that Tower Lease payments were the 25% of lease revenues for the RVFD tower and that \$9,375 was 25% of the current contract on the towers. Ms. McCann noted that the revenues were expected to be \$332,205 and included a transfer of \$123,335 from the County's General Fund. Outside of the transfer, operating revenues were budgeted at \$101,240 which included the Network Access Charges, the Tower Leases and Installation Reimbursements. She added that they anticipated to receive \$205,670.00 which significantly exceeded the budgeted amount.

Ms. McCann then reviewed the Broadband Fund balance as follows:

BROADBAND FUND BALANCE

Broadband Fund Balance @7/1/2013	\$ 312,912.52
FY14 Transfer from General Fund for operations	\$ 123,335.00
FY 14 Receipts (July-May & estimated June)	\$ 208,370.00
FY14 Expenditures (July-May & estimated June)	<u>\$ (290,347.00)</u>
Estimated Fund Balance @ 6/30/2014	\$ 354,270.52

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Fund Balance Detail:

Remaining Balance Amortized Installation Fund	\$ 193,634.00
Remaining Balance Operational Funds	\$ 160,636.52
	\$ 354,270.52

FY15 60 Day Operational Fund Requirement	\$ 83,284.00
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Mr. Hale then inquired as to the need for a General Fund transfer if there was a fund balance and Ms. McCann noted that the transfer is included because staff had not analyzed the whole budget at the time. She noted that the current year revenues had a small contingency and that the fund balance would be used if they did not make the transfer. Mr. Carter then added that the goal of staff as well as the Authority was to end the subsidy as soon as possible.

Ms. McCann then reviewed the FY15 proposed budget as follows:

EXPENDITURE SYNOPSIS -Proposed				
Expenditure by Dept.	FY 13-14 Amended Budget	FY 14-15 Proposed Budget	Increase/Decrease	% Change
Broadband Project				
Professional Services	\$0.00	\$0.00	\$0.00	0.00%
Engineering Services	\$0.00	\$0.00	\$0.00	0.00%
Construction	\$0.00	\$0.00	\$0.00	0.00%
Project Inspection	\$0.00	\$0.00	\$0.00	0.00%
Equipment	\$0.00	\$0.00	\$0.00	0.00%
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	\$81,600.00	\$0.00	0.00%
Repair & Maintenance	\$7,400.00	\$7,400.00	\$0.00	0.00%
Professional Services	\$10,000.00	\$10,000.00	\$0.00	0.00%
Office Supplies	\$0.00	\$300.00	\$300.00	100.00%
Insurance	\$2,500.00	\$2,500.00	\$0.00	0.00%
Utilities including locates	\$10,000.00	\$34,000.00	\$24,000.00	240.00%
Equipment	\$15,000.00	\$35,000.00	\$20,000.00	133.33%
Installations	\$340,000.00	\$256,134.00	-\$83,866.00	-24.67%
Service Contracts	\$5,000.00	\$10,000.00	\$5,000.00	100.00%
Tower Lease	\$3,075.00	\$9,375.00	\$6,300.00	204.88%

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Contingency	\$0.00	\$50,950.00	\$50,950.00	100.00%
Total	\$474,575.00	\$497,259.00	\$22,684.00	4.78%

REVENUE SYNOPSIS -Proposed				
Revenues	FY 13-14 Amended Budget	FY 14-15 Proposed Budget	Increase/Decrease	% Change
Broadband Project				
BTOP Award (NTIA)	\$0.00	\$0.00	\$0.00	0.00%
CDBG Fund Transfer	\$0.00	\$0.00	\$0.00	0.00%
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	\$123,335.00	\$100,000.00	-\$23,335.00	-18.92%
Network Access Charges	\$75,440.00	\$70,000.00	-\$5,440.00	-7.21%
Fiber Leases	\$0.00	\$4,000.00	\$4,000.00	-100.00%
Tower Leases	\$12,300.00	\$83,625.00	\$71,325.00	579.88%
Installation Reimbursement	\$13,500.00	\$46,000.00	\$32,500.00	240.74%
Year Ending Balance	\$250,000.00	\$193,634.00	-\$56,366.00	-100.00%
Total	\$474,575.00	\$497,259.00	\$22,684.00	4.78%

Ms. McCann noted that most changes to the proposed budget were made based on FY14 history. Ms. McCann noted that the Installation expense assumed 30 installs at \$750 each discounted (\$22,500), assumed \$40,000 in paid upfront installations that was offset on the revenue side, and assumed a balance in the amortized connection fund \$193,634.

Ms. McCann noted that the Service Contracts line contained expenses related to the fiber management system. She noted that the Tower Lease line expense was based on the current tower lease arrangement with RVFD and that there was a contingency of \$50,950.

Ms. McCann then noted that on the revenue side, the General Fund contribution was reduced and primary adjustments were made in tower leases and installation reimbursements. She noted that she used current contracts and a half year of the wireless provider being on the Massie's Mill tower. Additionally, she explained that the Year Ending Balance of \$193,634 was carryover from the installations.

Mr. Hale inquired as to how much the discounted installation amount would be for FY15 and Ms. McCann noted that it was based on thirty (30) connections for a total of \$22,500. She noted that this year they had

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51 connections, of which 34 were amortized and 17 were paid up front. She added that staff was anticipating that connections would drop off a little bit.

Mr. Patrick asked if there was any consideration in the budget for network expansion and it was noted that this would require approval from the Board of Supervisors and that the budget would be adjusted thereafter. It was noted that if things went well, additional revenues could be applied towards this. Staff noted that the State's innovation grant program would require a match and this was not anticipated in the proposed budget.

Mr. Harvey then inquired to see if any surveys had been done in the proposed expansion area of Nellysford to see what was there now and Mr. Patrick noted that most people there had Verizon DSL. Mr. Carter added that BRI did some preliminary analysis of this and they could bring it back to report. Mr. Carter then noted that if they wanted to go for the grant, they would have to have at least \$100,000 and they would need to revisit the cost estimate for installation.

Mr. Bruguere then noted that he thought that Verizon was no longer offering new DSL connections and Mr. Patrick noted that he assumed this was because they were at capacity and were not interested in expanding. Mr. Saunders noted that perhaps then they should look into expanding the fiber into this area.

Mr. Carter noted that staff had been hesitant to pursue this because the Board of Supervisors was previously non-committal; however it could be revisited. He added that the State had encouraged the County to apply for the grant. Mr. Carter noted that Staff would bring this back and update the analysis to see what they thought at the next meeting in July. He added that the County would likely be the applicant.

Mr. Carter then noted that if there was no more discussion on the proposed budget he would suggest the Authority approve it by motion before June 30, 2014.

Mr. Hale then moved that they adopt the Broadband Authority budget for the coming fiscal year as presented and Mr. Harvey seconded the motion.

Mr. Hale then noted that as it has been said many times, the goal was to have the operations be self-supporting and to continue to look at fees and incentives as they may need to tighten up and that they needed to be constantly aware of this.

There being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion and approve the FY15 budget as presented.

III. Other Business (As May Be Presented)

Introduced: General Discussion Regarding Operations

Mr. Carter reiterated that the Authority had changed locate companies and was now working with Emats.

He then noted that the installation company was working with Rockfish Orchard on installation for 11-13 new customer and that the amortization program had been very helpful.

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Ms. Rorrer added that they had been getting one or two more customers per month that were coming online and that another Paul's Creek customer was interested.

Mr. Carter noted that staff had been pursuing use of the High Top tower; however the Nature Conservancy required that whoever located on the tower would pay a commercial rate. He noted that Mr. Payne had sent them the rate structure and was waiting to hear back if these were acceptable or not.

Mr. Hale then inquired as to any more information regarding expansion towards the Faber area and he suggested that staff keep in touch with Mr. Stewart to see how his wireless deployment was going.

Ms. Rorrer noted that she had spoken to him about getting on the Massie's Mill tower and that he was working with Central States Tower on getting on the Gladstone tower site. She added that he could sublet the County's space to him there. She noted that the Faber deployment was dependent on his use of the tower at High Top; however he may have alternative means of getting in there now and a number of things were in the works.

Ms. Saunders then inquired as to any repairs being made on the High Top tower and Ms. Rorrer noted that Mr. Stewart had recommended some repairs to bolts etc. and that something may need to be done there. Mr. Carter added that Mr. Payne was working on an indemnity agreement; however he did not think it was foolproof.

Mr. Bruguere then questioned that the Nature Conservancy wanted the commercial rates paid and staff confirmed that this was part of the lease agreement and there was also a revenue sharing clause included in the lease.

Mr. Harvey noted that staff should check on the Gladstone tower because he thought that Stewart may have rights there. Ms. Rorrer noted that subject to loading, he could sublet the County's space on the tower. It was suggested that Ms. Rorrer call them about it and Ms. Rorrer advised that he just needed to complete the load analysis.

Ms. Rorrer then noted that the Massie's Mill tower lease had not been signed yet by SCS and Mr. Bruguere noted that Mr. Stewart had said he would be on there at the end of May and he had not signed the lease yet. Mr. Bruguere then supposed that High Top tower would benefit Massie's Mill and Roseland as much as the Massie's Mill tower would, based on line of sight.

IV. Adjournment

At 1:40 PM, Mr. Hale moved to adjourn and Mr. Harvey seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.