

May 9, 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
Thomas D. Harvey, North District – 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: None

I. Call to Order

Mr. Harvey called the meeting to order at 1:15 PM with all members present to establish a quorum.

II. Public Comments

There were no persons wishing to be recognized for public comment.

III. Consent Agenda

A. Resolution – R2017-04 Minutes for Approval

Mr. Strong moved to approve Resolution R2017-04, Minutes for Approval and Mr. Saunders 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 R2017-04
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(March 21, 2017)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on **March 21, 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 2/28/17:	315
Installations for March and April:	15
<u>Total Number of Connections on 4/30/17:</u>	<u>330</u>
Pending Installations:	192
Total Customers on 4/30/17:	522

Ms. Rorrer then noted that the County had issued an RFQ for locator services, had received three (3) responses and CCTS had provided the lowest quote. She noted that she anticipated contracting with them for locates beginning June 2, 2017.

Mr. Strong asked how that compared to the costs for that in the FY17 budget and Ms. Rorrer noted that the costs should be much lower than what has been paid.

Ms. Rorrer then noted where the pending installations were with the majority being in the Rockfish Valley area. Mr. Strong then asked for her impression on whether or not the Rockfish Valley area was being saturated and Ms. Rorrer noted that the buildouts being don were main roads off of Route 151. Mr. Carter added that the most growth was occurring north of Rockfish River Elementary School and there was still a lot that could happen in that corridor.

Ms. Rorrer noted that Adial Road had been built to Monroe Institute and there was interest in building out to Lakeland Subdivision.

Mr. Strong inquired as to progress on Glenthorne Loop and Ms. Rorrer noted that she had not heard any more from them; but that they checked in every so often. Mr. Harvey added that Mr. McClellan has said there was cable there; however he was not sure that was the case. Mr. Carter added that there were several absentee owners that obtained quotes periodically. Ms. Rorrer noted that Beech Grover Road could minimize their costs if they were to get together to get the service. It was then noted that Mr. McClellan had cable up to Devil's Backbone but not up to Tectonics.

Mr. Bruguere then asked if a VDOT permit was needed every time they did work along Route 151 and Ms. Rorrer advised that the district-wide permit was used unless they were installing more than 500 feet from the road.

May 9, 2017

Mr. Harvey then asked about the status of CCTS and VDOT and Ms. Rorrer advised that things were okay; however, VDOT always seemed to need more information. Mr. Harvey then noted he thought they had hired a new young guy who was doing the VDOT permits.

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.

III. Financial

Attached

B. Treasurer's Report

Ms. McCann reported the following:

BROADBAND FUND @ 4/30/2017

OPERATIONS

Beginning Balance 7/1/2016	\$ 406,277.36
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
Subtotal	\$ (35,687.07)
General Fund Transfer	\$ <u>100,000.00</u>
Available Bank Balance @ 4/30/2017	\$ 64,312.93
May-June 2017 Revenues ESTIMATED	\$ 40,000.00
May-June 2017 Expenditures ESTIMATED	\$ 104,799.00
Estimated Cash on Hand @ 6/30/17	\$ 486.07

May 9, 2017

Ms. McCann related that the large expenditure number from March to April was related to equipment purchases and the revenues were from an annual tower lease payment.

Ms. McCann then noted that the Authority may break even or may be in the hole at the end of the fiscal year. She then noted the request to the Board of Supervisors for an additional \$100,000 in order to address cash flow issues associated with amortized installs. She advised that the cushion of funds had been exhausted.

Mr. Strong noted that revenues for repayment of this cost varied and he asked for an average of this per customer. Ms. McCann advised that this was approximately \$4,000 per month overall and there were currently billing issues with Ting that would hopefully be rectified with the transition to the new Network Operator. It was noted that was based on 330 customers and it should improve.

Mr. Carter advised that he had reached out to the VP of Ting on billing issues and they have retained Baylor to get the books straight. He added that staff had also discussed the transition with Wide Open Networks and he thought that once things were reconciled, the revenues should look better than they did now.

Mr. Strong asked if \$4,000 was an actual amount and Ms. McCann noted that was what was coming in on average and it should be more than that; however there may be a backlog of billing. Mr. Carter added that he knew of at least \$15,000 to \$20,000 that had not been billed to the providers. He noted that if the Network Operator contract was approved that day, there should be a sixty (60) day transition period and he noted the sooner the better.

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.

BROADBAND 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		
Broadband Project				
BTOP Award (NTIA)	\$0.00	\$0.00	\$0.00	0.00%
CDBG Fund Transfer	\$50,422.00	\$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%

May 9, 2017

Ms. McCann noted that the revenue numbers were very preliminary and until staff got the reconciliation of accounts, the estimates may not be the best. She noted a budgetary decrease of \$13,863.50 due to the \$50,000 reduction in project funds.

Ms. McCann noted that network access charges should increase; however installations was the great expense. She added that the NCBA should revisit how to work with customers on encouraging connections given that most amortizations was a long time at 5 years and she suggested that they look at the possibility of shortening it. She added that because of cash flow reasons, it may be time to revisit how that worked.

Mr. Carter added that subject was discussed all of the time by staff. Mr. Strong suggested that the NCBA have a prepared session to deal with that and possible alternatives. Mr. Carter noted that the best time to look at that may be once they had transitioned from Ting and Mr. Strong agreed.

Mr. Strong noted there was no opportunity for growth in the budget and he could not see how they could operate rationally without accounting for that. He then questioned aggressively pursuing other areas of the County and noted that finding sparkplugs may be necessary. Mr. Carter noted the catch 22 of the network's success; it had wiped out the set aside funding and it hamstrung the ability to grow the network. He added that it was unknown until they got through the reconciliation to see where cash flow stood.

Ms. McCann then advised that the Broadband Authority fund was an enterprise fund; so the budget was a working document and no appropriation was necessary by Code. She noted that they could approve a preliminary budget as a working document and could fine tune it as they went forward. Mr. Carter added that a public hearing on the budget was not required.

Mr. Harvey then advised that he would show all of the members how the build out in his area had been done. He advised that a community spark plug was needed in order to get stretches of fiber done. He noted that he had community meetings in some cases.

Mr. Saunders noted that Green Acres in Lovington was a large cluster of homes that could connect. Ms. Rorrer noted that they were not connected by Nelson Cable.

Mr. Harvey noted that it was disappointing that nobody was working on this in the County Seat. He added that the profit level for ISPs on the minimum service package was very slim and they hoped customers would upgrade for profitability. Ms. Rorrer noted that the NCBA had a number of fiber customers in the downtown area but not in Green Acres. She added that was probably related to people having DSL there.

Mr. Strong supposed they were pretty close to switch and DSL was not being provided.

Mr. Sam Mazlack in attendance was recognized by the Chair and he noted that he was a resident in the Lakeland Community and nobody coming in could get DSL. He noted he was there to encourage the NCBA to come up from Monroe Institute to Lakeland. He noted that most residents were people doing reasonably well and he thought a high number would hook up. He added that Synchronicity had an independent homes cluster that could connect.

Mr. Harvey advised that they could make it happen by them doing it. Mr. Mazlack noted that they were going to have a community meeting on it. He noted there were 26-27 families in the subdivision and 6-7

May 9, 2017

empty lots in the area. He added that he was there to get information to take to his Board meeting on Thursday.

Mr. Strong suggested that they look at case studies on where these neighborhoods had been done to provide him with information. Mr. Carter noted that staff had just sent a letter to another party that scoped it out well and it could be modified for another neighborhood. Mr. Strong advised that it should be a general paper that everyone has. Mr. Mazlack noted that he had no idea about the amortization and discounts.

Mr. Harvey noted the process to be that the installation contractor comes out to do an estimate on the project costs, then he determines a number on cost of the drops for everyone no matter the length. He added that he could work with smaller number of customers also; however with Tanbark, people paid \$7.50 per month for 5 years in addition to their service charge to get the fiber installed.

Mr. Bruguere then asked about the likelihood of wireless working better than fiber. Mr. Carter advised that revenue had to really increase to implement a tower strategy because they were currently not in a position to build towers. Mr. Harvey stated that they needed to put effort in to places that would never be reached by fiber.

Mr. Harvey explained that the NCBA wanted quality installations, so the installation contractor runs fiber to the ONT and then it is spliced into the router. He added that they owned and controlled what went into the house and were responsible for what went to the ONT.

E. Network Operator Contract – Wide Open Networks (**R2017-05**, Authorization for Execution)

Ms. Rorrer noted that an RFP was issued for Network Operator services and staff had selected a vendor to negotiate with. She noted that a contract had been reviewed by attorneys and she noted a slight revision to one sentence in the pending contract. Ms. Rorrer then added that Mr. Strong had concerns about the original language and Mr. Strong advised that the new language was fine with him.

Ms. Rorrer read aloud the revised sentence and Mr. Strong explained that the old wording put all network deficiencies on the Network Operator.

Mr. Strong then noted the Network Operator fixed fees to be \$62,600 per year and the budgeted amount was \$70,000; which did not leave much for any hourly fees incurred. He then asked what the expectation was for hourly services over the next year. Ms. Rorrer advised that staff was not anticipating the need for hourly services and staff noted that those fees were set in the case that those particular services were needed; which would be very infrequent. Ms. McCann clarified that the budget included a base fee and a certain amount per subscriber. Ms. Rorrer and Mr. Carter then reiterated that there was no expectation to use services that would be billed by the hourly rates.

Mr. Bruguere asked what would happen in the case that the new Net Op takes over and Ting has not remitted all funds. Mr. Carter noted that Ting had committed to fix the issue and he thought that by the July meeting, everything would be in place and reconciled. He emphasized that Adam Eisner from Ting had committed to working through any issues. Ms. Rorrer noted that the billing primarily was at a lag and there were some unique situations; however, things were behind because of the way work flowed when Ting took over. Mr. Harvey advised it was taking 4-6 weeks for account billing to clear payments etc.

May 9, 2017

Mr. Hale then clarified that the language highlighted in yellow replaced what was provided and he noted that they were relying extensively on staff on this matter.

Mr. Hale then moved to approve resolution R2017-05, Authorization to Execute Agreement, Wide-open Networks, Inc. for Network Operator Services and Mr. Strong seconded the motion.

Mr. Hale then thanked Mr. Strong for his extensive review of the contract and noted it to be very helpful.

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 R2017-05
NELSON COUNTY BROADBAND AUTHORITY
AUTHORIZATION TO EXECUTE AGREEMENT
WIDEPEN NETWORKS, INC. – NETWORK OPERATOR SERVICES**

RESOLVED, by the Nelson County Broadband Authority that Chairman, Thomas D. Harvey is hereby authorized to execute the agreement on behalf of The Nelson County Broadband Authority for Network Operator Services to be provided by Wide-open Networks, Inc.

V. Other Business (As May Be Presented)

There was no Other Business considered by the Authority Board.

VI. Adjournment

At 2:05 pm, Mr. Strong moved to adjourn and Mr. Bruguire seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.