

October 14, 2014

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: 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: Thomas H. Bruguire, Jr. West District

I. Call to Order

Mr. Saunders called the meeting to order at 1:10 pm with three members present to establish a quorum, Mr. Harvey joining the meeting at 1:40 PM and Mr. Bruguire being absent until 1:55 PM.

II. Public Comments

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

III. Consent Agenda

Mr. Hale moved to approve the consent agenda and Mr. Patrick seconded the motion. There being no further discussion, Members voted unanimously (3-0) by roll call vote to approve the motion and the following resolution was adopted:

A. Resolution – R2014-03 Minutes for Approval

**RESOLUTION R2014-03
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(July 8, 2014)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority's meeting conducted on **July 8, 2014** be and hereby are approved and authorized for entry into the official record of the Broadband Authority's meetings.

IV. New/Unfinished Business

A. Network Operator Report - Blue Ridge Internetworks

Mr. Fooks reported that there had been sixteen (16) installs last quarter and some related to the LOCKN Festival were complicated. He noted that the most time was spent developing return on investment (ROI) studies in anticipation of submitting the application for the DHCD grant. He added that he had also worked with Ms. McCann on year-end financial information. He then noted that receivables were not much of an issue and he reviewed the following reports:

I. Operational

Q3 Installations:

July	5
August	7
September	4

Active Circuits:

Blue Ridge	80
Shentel	3
Nelson Social Services	1
TOTAL	84
Pending Installations	1

II. Administrative

Mr. Fooks noted that they had developed ROI studies for the proposed expansion projects.

III. Financial

Nelson County Broadband Authority
A/R Aging Summary
As of September 30, 2014

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
BRI	14,352.97	0.00	0.00	0.00	0.00	14,352.97
Lumos	437.50	437.50	0.00	0.00	0.00	875.00
Shentel	4,368.00	0.00	0.00	0.00	0.00	4,368.00
Social Services	0.00	250.00	0.00	0.00	0.00	250.00
Stewart Computer Services	<u>0.00</u>	<u>-454.58</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-454.58</u>
TOTAL	<u>19,158.47</u>	<u>232.92</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>19,391.39</u>

Mr. Fooks noted that there were currently no problems with people paying within thirty (30) days.

October 14, 2014

Nelson County Broadband Authority
Income Statement by Item
Accrual Basis July through September 2014

	<u>Jul 14</u>	<u>Aug 14</u>	<u>Sep 14</u>	<u>TOTAL</u>
Service				
Collo 2RU (Collocation: 2 Rack Units, 20A)	150.00	150.00	150.00	450.00
Collo Full Rack (Collocation: 19" Rack, incl 20A DC)	350.00	350.00	350.00	1,050.00
Collo Power \$250 (Collo Power Fee)	250.00	250.00	250.00	750.00
Collo Power 10A (Collocation: Additional Power, 10A)	437.50	437.50	437.50	1,312.50
Dark Fiber (Dark Fiber Lease)	1,000.95	0.00	0.00	1,000.95
Tier 1 25x5 (Tier 1 25x5 Access Circuit)	1,519.38	1,665.32	1,763.33	4,948.03
Tier 1 50x10 (Tier 1 50x10 Access Circuit)	233.87	250.00	250.00	733.87
Tier 2 100x100 (Tier 2 100x100 Access Circuit)	300.00	387.10	-2,400.00	-1,712.90
Tier 2 25x25 (Tier 2 25x25 Access Circuit)	150.00	150.00	150.00	450.00
Tier 3 1G (Tier 3 Private WAN 1 Gbps)	3,120.00	4,368.00	4,368.00	11,856.00
Tier 3 25M (Tier 3 P2P WAN 25 Mbps)	250.00	250.00	250.00	750.00
Tower Lease (Tower Lease, Monthly)	<u>1,195.00</u>	<u>1,195.00</u>	<u>-529.58</u>	<u>1,860.42</u>
Total Service	8,956.70	9,452.92	5,039.25	23,448.87
Other Charges				
CF Amort (Construction Fee Amortized Pmt)	1,076.12	1,283.24	1,381.18	3,740.54
CF Std (Construction Fee One-Time Pmt)	<u>0.00</u>	<u>10,700.00</u>	<u>2,000.00</u>	<u>12,700.00</u>
Total Other Charges	<u>1,076.12</u>	<u>11,983.24</u>	<u>3,381.18</u>	<u>16,440.54</u>
TOTAL	<u>10,032.82</u>	<u>21,436.16</u>	<u>8,420.43</u>	<u>39,889.41</u>

B. Treasurer's Report

Ms. McCann provided the Treasurer's report as follows:

BROADBAND FUND @9/30/2014

Beginning Balance 7/1/2014	\$360,971.37
July-September 2014 Expenditures	\$ (102,340.15)
July-September 2014 Revenues (incl. GF Transfer)	<u>\$ 131,451.82</u>
	\$ 390,083.04
Expenditures under Revenues for QTR/FYTD	\$ (29,111.67)
Remaining Balance Amortized Installation Fund	\$ 145,489.79
Remaining Balance Operational Funds	<u>\$ 244,593.25</u>
Bank Balance @9/30/2014	\$ 390,083.04

Ms. McCann noted the amount of \$360,971.37 in the fund to start the year and stated that approximately \$200,000 was left in the amortized installation fund and \$160,000 in operational funds. She noted that the

expenditures listed were related to installations. Mr. Hale then noted that he would like to see the transfer and operations revenue broken out here on the report.

Ms. McCann then noted that the connection discount was not taken out of the amortization fund because it did not come back. She added that the installation costs were charged there and any payments made on these costs were part of the amortization fund.

C. Proposed Fiber Optic Backbone Expansion Project

Mr. Carter noted that return on investment (ROI) calculations were done in follow up with the authorization to apply for DHCD Local Innovation Grant funds. He noted that the total project cost would be \$300,000, which included the \$100,000 match from the County.

Mr. Carter reported that staff submitted the letter of intent to DHCD at the end of September and the County had just been advised that a letter from them was forthcoming by the end of the week concerning what other conditions the County needed to meet in order to get the funds.

Mr. Carter then described the three planned legs of the project. He noted that there was the south leg from Martin's Store to Route 664, the north leg that would go to Route 250 in order to be able to connect with another fiber build coming down Afton Mountain, and the third leg that was from Route 6 and 151 to the Veritas entrance. He noted that the ROI calculations included all of these legs.

Mr. Fooks noted that the cost of the three expansion legs was \$340,000 of which \$200,000 would hopefully be covered by the grant and the NCBA funds that would be required covered the difference in cost of \$140,000. He added that this would be the fund for service drops, amortization funds and continued discounts.

The following tables that showed data for the project with and without the \$750 discount were then reviewed.

Consolidated, No Discount		Consolidated, Up To \$750 Discount	
Backbone Cost	\$340,000	Backbone Cost	\$340,000
Grant	\$200,000	Grant & Match Applied	\$200,000
NCBA Funds Required	\$379,500	NCBA Funds Required	\$389,538
Break Even Month	39	Break Even Month	47
ROI after 5 Yrs	80%	ROI after 5 Yrs	38%
New customers	227	New customers	227
Cash on hand at 5 yrs	\$275,110	Cash on hand at 5 yrs	\$136,223

Mr. Fooks noted that he was in favor of discontinuing the \$750 subscriber discount. He noted that this would increase monthly payments by \$12 and would still keep the monthly cost of service below \$100. He added that he believed this depleted the Authority's funds and these funds were never recovered. He noted that he did not think this would impact the take rate of services. It was then clarified that the Authority was expensing the discount; which was depleting its funds.

October 14, 2014

Mr. Fooks then advised that they had received a lot of interest in these expansions and moderate interest in the leg toward the County line; which had other benefits such as connecting to more long haul carriers that would provide more competition for backhaul out of the area. He added that leasing conduit space would also be a benefit to the Authority and there was enough space in the conduit for two other carriers. He noted that the RANA network just leased conduit space for a lump sum for 20 years and got six figures for this. He noted that this leg had strategic value even though the customer interest was less in that direction.

Mr. Fooks added that the take rate looked at was higher closest to the network since those installation costs were the least. He advised that 50% had been used for those within 500 ft. or less of the fiber, 40% for those within 1,000 ft. or less, and 25% for those in close proximity to the fiber. He stated that these may be ambitious; however they did not impact the ROI study greatly. He reiterated that the overhead of the expansions was covered by the grant and then the service drops to the houses which was dictated by the take rate would not have an effect. He noted that they projected to gain 117 customers who were within 500 ft. of the fiber, 97 who were within 1,000 ft., and 13 who were in close proximity for a total of 227. He pointed out that most customers fit in the less than 1,000 feet from the backbone. He added that he thought the take rate from Rt. 151 south to Rt. 664 would have the highest take rate seen on the network. He then noted that he thought they would have success with DSL customers and would only overlap with DSL in the Nellysford area since the fiber would not be going into Stoney Creek where there was DSL.

Mr. Fooks was asked if there was any issue with going beyond the county line to Route 250 and Mr. Fooks noted that he did not think so since the County had a regional permit with VDOT. Mr. Carter added that he did not see any issues and the Governor has encouraged VDOT to be cooperative with broadband expansion. He then noted that a Company called Lighttower was putting in fiber coming down Interstate 81 to Route 250 to Albemarle and if the County network intersected this, it could mean cheaper bandwidth for the Authority and he thought this was a good opportunity.

Mr. Fooks reiterated that there was interest in people using the conduit and there being no connection between Route 250 and the beginning of the network had been a deterrent. Ms. Rorrer added that one backhaul provider for the network was not obligated to continue providing it after three (3) years and the County could then be left with one provider. Mr. Fooks reiterated that intersecting with Lighttower would be a good dark fiber leasing opportunity and the availability of dark fiber to get out of the area would become important.

Mr. Hale inquired as to whether or not the ROI calculations reflected this benefit and Mr. Fooks noted it did not and was solely based on: acquiring 227 new customers, all would choose lower priced service, and they would choose amortization.

Supervisors then asked for a timeline for acquiring the grant funds and construction and Mr. Carter noted that the County should get a letter from DHCD by the end of that week and would work through their conditions in 60 days. He noted that the County would have to do two public hearings and that if the County met all of these conditions, it was likely it would get the funding. He noted that construction could go sooner; however staff needed to refine the construction cost estimate and be more certain of this. He noted that the Authority was positioned to make a good return on investment and move forward.

October 14, 2014

Mr. Hale then inquired as to there being any consideration of putting a tower up to reach those not close to the fiber. Mr. Carter advised that it was not being presently considered; however once the Authority realized some funds from the network, they could develop other strategies for other expansion areas.

Mr. Harvey noted that he thought smaller conduit than the County's was being run down Afton Mountain to Route 250 and that they had already gone under Route 250 towards Nelson. Mr. Fooks added that Lighttower had gone from Norfolk, to Roanoke, to Waynesboro etc. and that they would install all of the conduit and then run the fiber all at once. He noted that they did switch from underground to aerial in places.

Mr. Patrick then inquired as to what was needed from the Authority on the discount issue. Mr. Carter noted that staff would like a reaction today and if they County was successful with the grant, they could have a called meeting to get the Authority's official consent needed to amend the rate schedule. He noted that the larger question was the additional funds required and realizing that this would come back if it worked as laid out. He noted that the outside plant contractor had not included conduit in his initial cost estimate so it had increased from \$300,000 to \$340,000.

Mr. Carter noted that his thought was to present this, get a reaction, and then come back to the Board to decide on what the project would be. He added that they had a breakdown of what the three legs cost and staff was looking at each of the builds individually. He then asked if on the surface, the Authority was amenable to doing all three legs. Mr. Hale then suggested that the Authority's first direction was to discontinue the discount.

Mr. Hale then moved to discontinue the discount and Mr. Bruguiere seconded the motion. Mr. Carter then suggested that the motion be in the form of a resolution and upon Mr. Hale's agreement and there being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion and resolve to discontinue the discount.

Mr. Hale then noted that he did not want to agree on all three expansion legs until they could see each leg individually. Mr. Carter suggested that the Authority could have a called meeting ahead of the Board of Supervisors November meeting in order to go through it all. There was no consensus from the Authority on this and no action was taken.

It was then noted that the amortization program would have to be assessed when the project was started and there was approximately \$145,000 in that currently. This was not fully looked at to know the funds needed to be available to cover the amortization; which had allowed a lot of people to connect to the network.

V. Other Business (As May Be Presented)

There was no other business considered by the Authority.

VI. Adjournment

At 2:00 PM, Mr. Hale moved to adjourn and Mr. Bruguiere seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.