

April 9, 2013

**Virginia:**

AT A CONTINUED MEETING of the Nelson County Broadband Authority Board at 1:00 p.m. in the Board of Supervisors Room located on the second floor of the Nelson County Courthouse.

Present: Larry D. Saunders, South District – Vice Chair  
Allen M. Hale, East District  
Thomas D. Harvey, North District – Chair  
Stephen A. Carter, County Administrator  
Candice W. McGarry, Secretary  
Debra K. McCann, Treasurer  
Susan Rorrer, Director of Information Systems

Absent: Constance Brennan, Central District  
Thomas H. Bruguiera, Jr. West District

**I. Call to Order**

Mr. Harvey called the meeting to order at 1:10 pm, with three Members present to establish a quorum and Ms. Brennan and Mr. Bruguiera being absent.

**II. Public Comments**

1. Clay Stewart, Arrington, SCS

Mr. Stewart noted that he understood that the lease agreements for the towers were to be discussed by the Authority Board. He then distributed a complete equipment list for attachment to his pending lease agreement with the Authority. He noted that one sheet per tower was included. Mr. Stewart then explained that he intended to build out the towers in two phases. He noted that in phase 1, he would do the minimum necessary to get people going with internet and phase 2 was full build out over time. Mr. Stewart then noted that the Addendum listed all of the equipment to be used for wind load calculations; however he noted that this would be dynamic as things were always changing with equipment in the wireless industry.

Mr. Stewart then advised the Authority that the tower pricing did not represent market rates and that it was not feasible for him to use the Authority's towers as they were currently priced. He distributed information he had collected denoting rates charged by other tower companies that he had contacted. He reiterated his belief that the towers should be priced by location and noted that he could not afford to get on all seven towers at once. He then asked the Board to set reasonable rates and allow him to lease the towers separately instead of all at once. He added that he did not think that the County's project was adhering to the goals of the stimulus funds in using these rates.

Mr. Stewart then expressed concern that the County was subsidizing his competitor and yet was holding him to the pricing. He then noted that he was looking for a solution from the NCBA to the issues that he had presented.

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Mr. Harvey then noted that Mr. Stewart had previously reported that his first year profitability was 4% and his second year profitability was 40% with him utilizing the NCBA towers.

Mr. Stewart did not speak to this but rather replied that his recent Afton deployment had affected his projected adoption rates for the Avon and Afton towers.

Mr. Hale then summarized Mr. Stewart's concerns as the NCBA should lower the cost of using the towers and he could not use the towers unless the rates were lowered.

## 2. Greg Richardson, SCS Director of Operations.

Mr. Richardson noted that he has advised Mr. Stewart that SCS did not need the NCBA towers; however Mr. Stewart wanted to work with the NCBA. He noted that he did not like that the NCBA was subsidizing their competitor and that SCS could connect six houses for the cost of subsidizing one fiber connection.

Mr. Saunders then noted that running a business at 4% profit was the risk of doing business. Mr. Stewart then noted that the numbers provided that day represented gross profit before overhead and Mr. Saunders noted that he would be a happy businessman operating at 17% gross profit.

Mr. Richardson then concluded his remarks by reiterating that his recommendation to Mr. Stewart was that they did not need to be on the NCBA towers.

Mr. Carter then advised Members that staff has been working on the lease agreement document to use for anyone wanting to use the towers as a wireless internet service provider (WISP) and he thought it was a good document. He then related that when staff last met with SCS staff, they thought Mr. Stewart was ready to sign the agreement. He noted that the impasse seemed to be the rates and if the Board wanted staff to work on these, it could be done; however the rates were reviewed by two nationally known experts on this and they both said the rates were attractive even with the access fees included.

Mr. Carter then addressed the issue of the perceived subsidy to BRI. He noted that there was a discount for the installation of fiber from the backbone to a customer which was graduated by the length of contract and was in the rate structure before BRI became a service provider. He added that this was in place as an incentive to connect to the fiber rather than as a subsidy. He reiterated that this was done to assist those wanting fiber and not to hurt WISPs. He noted that the cost to connect to the network was very expensive for fiber and this was addressed by ICON in developing the rates with this discount. He then advised that this was a matter of direction by the NCBA on how to address this.

Mr. Harvey then noted that in light of Mr. Stewart not needing the NCBA towers there were other markets out there to be pursued.

Mr. Carter noted that staff had been given financial information by Mr. Stewart in December and that staff would need more details to be able to give any perspective on their numbers; however the profit margins presented were not bad. He reiterated that the problem was that the rates were not acceptable to them.

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Mr. Hale inquired as to the subsidy being discussed and Ms. Rorrer noted that this was the discount that has always been in the rate structure and was aimed at getting fiber customers to connect. She added that the other subsidy presented by staff was something additional and was not approved by the Board. Mr. Payne added that the County would own the fiber lateral connections to customers.

Mr. Saunders then clarified that nothing had changed at the last NCBA meeting or before that and staff confirmed that the fiber installation discount had been in place since July 2012.

Mr. Carter then noted that he and staff were not being critical of Mr. Stewart, but that they were not in agreement about the rates.

### **III. New/Unfinished Business**

#### **A. Tower Lease Agreement(s), Stewart Computer Services (R2013-05)**

Mr. Harvey noted that there was no need to consider this item as they were not at a point of closure on the lease with SCS.

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

There was no other business considered by the Board.

### **V. Adjournment**

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