

NELSON COUNTY BROADBAND AUTHORITY

P.O. Box 336 • Lovingson, VA 22949 • 434-263-7000 • Fax 434-263-7004

MEMBERS

Thomas H. Bruguire, Jr.
Jesse N. Rutherford
Thomas D. Harvey
Larry D. Saunders
Gary W. Strong

OFFICERS

Grace E. Mawyer, Secretary
Candice W. McGarry, Treasurer

AGENDA NELSON COUNTY BROADBAND AUTHORITY JULY 13, 2021

**THE MEETING CONVENES AT 1:00 P.M.
IN THE GENERAL DISTRICT COURTROOM
OF THE COURTHOUSE IN LOVINGSTON, VIRGINIA**

- I. Call to Order**
- II. Public Comments**
- III. Consent Agenda**
 - A. Resolution – R2021-03 Minutes for Approval**
- IV. New/Unfinished Business**
 - A. Treasurer’s Report**
 - B. County Administrator’s Report**
- V. Other Business (As May Be Presented)**
- VI. Adjournment**

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**RESOLUTION R2021-03
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(April 13, 2021)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on **April 13, 2021** be and hereby are approved and authorized for entry into the official record of the Broadband Authority meetings.

Approved: July 13, 2021

Attest: _____, Secretary
Nelson County Broadband Authority

April 13, 2021

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: Jesse N. Rutherford, East District – Chair
Gary W. Strong, Central District – Vice Chair
Thomas D. Harvey – North District
Larry D. Saunders – South District
Thomas H. Bruguere, Jr. – West 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. Rutherford called the meeting to order at 1:01 PM with five (5) Members present to establish a quorum.

II. Public Comments

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

III. Consent Agenda

A. Resolution – R2021-02 Minutes for Approval

Mr. Harvey moved to approve resolution **R2021-02** 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 R2021-02
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(January 12, 2021)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on **January 12, 2021** be and hereby are approved and authorized for entry into the official record of the Broadband Authority meetings.

IV. New/Unfinished Business
A. Proposed FY 2022 Budget Approval

Ms. McGarry reviewed the following Broadband Fund information:

BROADBAND FUND 4/5/2021

BROADBAND FUND					
EXPENDITURE SYNOPSIS -PROPOSED					
Expenditure by Dept.	FY 20-21		FY 21-22		
	Amended Budget		Proposed Budget	Increase/Decrease	
				% Change	
Network Operations					
Network Operator	\$9,600.00		\$3,600.00	-\$6,000.00	-62.50%
Director Fees & Mileage	\$1,650.00		\$1,700.00	\$50.00	3.03%
Repair & Maintenance	\$4,000.00		\$4,000.00	\$0.00	0.00%
Professional Services	\$5,000.00		\$1,500.00	-\$3,500.00	-70.00%
Advertising	\$0.00		\$0.00	\$0.00	0.00%
Office Supplies	\$200.00		\$0.00	-\$200.00	-100.00%
Insurance	\$1,000.00		\$1,000.00	\$0.00	0.00%
Utilities including locates	\$4,000.00		\$4,000.00	\$0.00	0.00%
Equipment	\$7,500.00		\$7,500.00	\$0.00	0.00%
Installations	\$0.00		\$0.00	\$0.00	0.00%
Service Contracts	\$7,500.00		\$0.00	-\$7,500.00	-100.00%
Contribution to Industry-CVSI	\$0.00		\$1,250,000.00	\$1,250,000.00	100.00%
Permit Fees	\$0.00		\$0.00	\$0.00	0.00%
Tower Lease	\$10,674.00		\$10,674.00	\$0.00	0.00%
Contingency	\$933,317.00		\$106,070.00	-\$827,247.00	-88.64%
Total	\$984,441.00		\$1,390,044.00	\$405,603.00	41.20%
REVENUE SYNOPSIS -PROPOSED					
Revenues	FY 20-21		FY 21-22		
	Amended Budget		Proposed Budget	Increase/Decrease	
				% Change	
Network Operations					
Transfer from General Fund	\$0.00		\$0.00	\$0.00	0.00%
Network Access Charges	\$28,000.00		\$27,000.00	-\$1,000.00	-3.57%
Fiber Leases	\$4,004.00		\$12,119.00	\$8,115.00	202.67%
Tower Leases	\$142,212.00		\$100,925.00	-\$41,287.00	-29.03%
Installation Reimbursement	\$95,000.00		\$0.00	-\$95,000.00	-100.00%
Year Ending Balance	\$715,225.00		\$1,250,000.00	\$534,775.00	100.00%
Total	\$984,441.00		\$1,390,044.00	\$405,603.00	41.20%



The FY22 Broadband Fund budget is balanced at \$1,390,044; an increase of 41.20% from FY21; largely attributed to \$1,250,000 in fund balance being used as a contribution to industry (CVSI) for fiber expansion projects in the County that will contribute to 100% broadband coverage county-wide.

Expenditures:

FY22 Expenditures are proposed to be \$1,390,044 with a Contingency Reserve of \$106,070. The primary expenditure being a contribution to industry (CVSI) of \$1,250,000. Not including the Contribution to Industry or the \$106,070 in Contingency, operational expenditures are anticipated to be \$33,974.

The Contingency Reserve of \$106,070 is the amount of anticipated FY22 Revenues > FY22 Expenditures.

Revenues:

FY22 Revenues are proposed to be \$1,390,044, utilizing a Year-Ending Balance of \$1,250,000. This is comprised of Broadband fund balance committed to be utilized as a Contribution to Industry on the expenditure side.

Network Access charges for fiber are anticipated to decrease by (\$1,000) or -3.57%. Fiber lease revenue is expected to increase by \$8,115 or 202.67% from the budgeted amount of \$4,004; which is projected to be \$6,659 more than budgeted in FY21. Tower Leases (including colocation charges) are expected to decrease by (\$41,287) or -29.03% primarily due to a reduction in tower lease revenue from SCS Broadband. Not including the Year-Ending Balance, FY22 operational revenues are anticipated to be \$140,044.

Mr. Bruguere asked if CVEC has drawn down their money, yet, and Ms. McGarry stated they have not. She noted that Staff has not heard when CVEC might start utilizing those funds, adding that hopefully, it will be after July 1st. Mr. Rutherford asked that Staff pose this question to CVSI and get a report from Mr. Wood. He also asked for Staff to get an update from CVSI on the fiber buildout.

Mr. Bruguere then moved to approve the proposed FY22 Broadband Budget as presented and Mr. Harvey seconded the motion. There being no further discussion, Members voted unanimously (5-0) by roll call vote to approve the motion.

B. Treasurer’s Report

Ms. McGarry reported the following:

Broadband Operations @ 3/31/2021

Beginning Balance 7/1/20	\$ 1,157,367.28
July -March 2021 Expenditures	\$ (44,669.53)
July-March 2021 Revenues	<u>\$ 192,013.46</u>
Subtotal	\$ 1,304,711.21
General Fund Transfer 7/1/2020	<u>\$ -</u>
<u>Available Bank Balance at March 31, 2021</u>	<u>\$ 1,304,711.21</u>

Accounts Receivable Aging Summary as of April 2, 2021

Current	\$ 4,788.45	
1-30 days	\$ 850.00	<u>\$ 5,638.45</u>
31-60 days	\$ -	
61-90 days	\$ -	
> 90 days	\$ -	<u>\$ -</u>
Total	<u>\$ 5,638.45</u>	<u>\$ 5,638.45</u>

Note: \$5,638.45 is Current to 30 days and \$0 is >90 days

Revenues & Expenditures

On a preliminary Cash Basis, through March 31, 2021 Revenues, excluding amortized installation payments exceeded expenditures by \$75,689. Including amortized installation payments, revenues exceeded expenditures by \$147,343 YTD. On March 1st, the Authority received the annual tower lease payment from ATT for Martin's Store for \$34,479.

C. County Administrator's Report

Mr. Carter provided the following update:

April 13, 2021

Mr. Carter noted that County Staff is monitoring the American Rescue Plan, and the County is going to receive just under \$2.9 million. He added that Staff is waiting on Department of the Treasury guidance on how the funds can be expended. He noted that if there are opportunities for the Authority to somehow continue to partner with CVSI or other entities to apply for any grant funding or other available funding, Staff would apprise the Board of that.

Mr. Rutherford noted that there could potentially be an opportunity to swap the Authority's expense of \$1.125 million and utilize the American Rescue Plan funds. Mr. Carter noted that the minutes state that the funds have already been allocated, however, the budget as presented shows it as contingency funding, adding that this is a possibility. He added that then, the Authority could give the County back \$900,000.

V. Other Business (As May Be Presented)

Mr. Rutherford reiterated that he would like to get a report from Mr. Wood of CVSI to see the status of the fiber buildout as well as when he is looking to do some drawdowns on the allocated money. Mr. Carter advised that the last time he spoke with Mr. Wood, CVSI was not overly concerned about drawing the money down, and they would get to it.

VI. Adjournment

At 1:14 PM, Mr. Saunders 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.

Broadband Operations @ 6/30/2021

Beginning Balance 7/1/20	\$ 1,157,183.08
July -June 2021 Expenditures	\$ (47,304.41)
July-June 2021 Revenues	<u>\$ 231,911.04</u>
Subtotal	\$ 1,341,789.71
General Fund Transfer 7/1/2020	<u>\$ -</u>
Available Bank Balance at June 30, 2021	<u><u>\$ 1,341,789.71</u></u>

Accounts Receivable Aging Summary as of June 30, 2021 (Report Not Yet Recived)

Current	
1-30 days	
31-60 days	
61-90 days	
> 90 days	
Total	<u><u>\$ - \$ -</u></u>

Revenues & Expenditures

On a preliminary Cash Basis, through June 30, 2021 Revenues, excluding amortized installation payments exceeded expenditures by \$112,952 for the fiscal year. Including amortized installation payments, revenues exceeded expenditures by \$184,607 for FY21.

Nelson County Broadband Authority
Sales by Item Summary
June 2021

	Jun 21			
	Qty	Amount	% of Sa...	Avg Price
Service				
Collo Full Rack (Collocation: 19" Rack, incl 20A DC)	2	850.00	22.4%	425.00
Collo Power \$250 (Collo Power Fee)	1	250.00	6.6%	250.00
Collo Power 10A (Collocation: Additional Power, 10A)	7	437.50	11.6%	62.50
WAN Service 100/100 Meg (Tier 3 P2P WAN 100/100...)	1	250.00	6.6%	250.00
Tower Lease (Tower Lease Fee)	1	2,000.00	52.8%	2,000.00
Total Service	12.00	3,787.50	100.0%	315.63
TOTAL	12	3,787.50	100.0%	315.63

--DETAIL--

--DETAIL--

FUND # 114 ***Revenues-Broadband Network***

MAJOR ACCT#	DESCRIPTION	BUDGET AMOUNT	APPR AMOUNT	CURRENT AMOUNT	Y-T-D AMOUNT	BALANCE	% REMAIN
999	***Revenues-Broadband Network***						
1502	***Revenue from Use of Property***						
0020	Fiber Leases	4,004.00	4,004.00	.00	7,660.05	3,656.05	91.30
0030	Tower Leases	142,212.00	142,212.00	2,000.00	126,222.02	15,989.98	11.24
	Revenue from Use of Property	146,216.00	146,216.00	2,000.00	133,882.07	12,333.93	8.43
1620	***Charges for Services***						
0001	Network Access Charges	3,000.00	3,000.00	250.00	4,537.17	1,537.17	51.23
0100	Other Network Charges	25,000.00	25,000.00	1,537.50	21,836.91	3,163.09	12.65
	Charges for Services	28,000.00	28,000.00	1,787.50	26,374.08	1,625.92	5.80
1803	***Charges for Services***						
1899	***Installation Reimbursements***						
0115	Installation Amortized Payments	95,000.00	95,000.00	.00	71,654.89	23,345.11	24.57
	Installation Reimbursements	95,000.00	95,000.00	.00	71,654.89	23,345.11	24.57
	Revenue from Use of Property	269,216.00	269,216.00	3,787.50	231,911.04	37,304.96	13.85
3201	***Grants & Transfers***						
4101	***Non-Revenue Receipts***						
4105	***Transfers***						
9999	***Year Ending Balance***						
0001	Year Ending Balance	715,225.00	715,225.00	.00	.00	715,225.00	100.00
	Year Ending Balance	715,225.00	715,225.00	.00	.00	715,225.00	100.00
	Year Ending Balance	715,225.00	715,225.00	.00	.00	715,225.00	100.00
	-- FUND TOTAL --	984,441.00	984,441.00	3,787.50	231,911.04	752,529.96	76.44

--DETAIL--

--DETAIL--

FUND # 114 ***BROADBAND PROJECT***

MAJOR ACCT#	DESCRIPTION	BUDGET AMOUNT	APPR AMOUNT	CURRENT AMOUNT	Y-T-D AMOUNT	ENCUMBRANCE AMOUNT	UNENCUMBERED BALANCE	% REMAIN
94100	***Broadband Network***							
94200	***Network Operations***							
1011	Remuneration-Broadband Authority	1,500.00	1,500.00	.00	2,100.00	.00	600.00-	40.00-
3002	Professional Services (Net Op)	9,600.00	9,600.00	300.00	3,600.00	.00	6,000.00	62.50
3003	Professional Services	5,000.00	5,000.00	.00	962.50	.00	4,037.50	80.75
3004	Repair & Maintenance	4,000.00	4,000.00	.00	.00	.00	4,000.00	100.00
3005	Insurance	1,000.00	1,000.00	.00	2,129.00	.00	1,129.00-	112.90-
3006	Utilities Including Locates	4,000.00	4,000.00	343.97	4,339.55	.00	339.55-	8.48-
3010	Installation Expense (Upfront)	.00	.00	.00	6,206.00	.00	6,206.00-	100.00-
3012	Service Contracts	7,500.00	7,500.00	.00	.00	.00	7,500.00	100.00
5401	Office Supplies	200.00	200.00	.00	.00	.00	200.00	100.00
5501	Travel (Mileage)	150.00	150.00	.00	267.45	.00	117.45-	78.30-
7007	Equipment	7,500.00	7,500.00	.00	1,107.41	.00	6,392.59	85.23
8112	Tower Leases	10,674.00	10,674.00	.00	9,530.00	.00	1,144.00	10.71
9201	Refunds	.00	.00	.00	17,062.50	.00	17,062.50-	100.00-
	Network Operations	51,124.00	51,124.00	643.97	47,304.41	.00	3,819.59	7.47
94500	***REFLY FIBER EXPANSION 2021***							
94600	***TRANSFERS***							
	Broadband Network	51,124.00	51,124.00	643.97	47,304.41	.00	3,819.59	7.47
999000	***Contingency***							
9901	Contingency Reserve	933,317.00	933,317.00	.00	.00	.00	933,317.00	100.00
	Contingency	933,317.00	933,317.00	.00	.00	.00	933,317.00	100.00
	Contingency	933,317.00	933,317.00	.00	.00	.00	933,317.00	100.00
	-- FUND TOTAL--	984,441.00	984,441.00	643.97	47,304.41	.00	937,136.59	95.19



9 July 2021

Fiber Network Expansion Update for Nelson County

Firefly Fiber Broadband continues to make progress in Nelson County with its planned expansion. Here is a snapshot of the project halfway through 2021.

CVEC Electric Service Territory: CVEC has completed construction of the Martins Store, Wintergreen and Colleen substations making gigabit speed access available to 6800 of the total 8000 CVEC locations in the county.

The Gladstone substation buildout has been delayed by several river crossings and multiple railroad crossings. We have the river crossings complete but are still awaiting several RR crossings. We have been waiting for the first crossing on the Wingina distribution line since last fall. They have not been able to assign a flagger to give us a date to pull our fiber across the track on the existing poles. It is ridiculous and we are trying multiple avenues to force them to be more responsive. Getting the RR crossing in place will let us reach another 250 locations along the river and near Wingina. We had planned to have this work completed early this year.

We are presently working in our Schuyler substation area completing make ready work on the electric distribution lines. We have also begun the make ready work in the Piney River substations area. It will be close to year end when fiber crews begin placing fiber in these areas which will include the last 1100 CVEC locations in the county to have service available. We are still on schedule to have the CVEC area built out by mid-2022.

CARES Projects: We have completed all of the CARES construction with the exception of the Shipman area west of the railroad tracks. The Shipman project was held up due to the amount of rock we encountered. We have converted that line to overhead and AEP has completed their field design for the work. They anticipate having crews move into the area to perform the make ready construction beginning this week and then we will add fiber to the poles and make connections. The CARES projects make service available to another 400 locations in Nelson.

AEP Territory Expansion: Last December the Broadband Authority agreed to our plan for universal service in the county and we began the work to reach into the first three areas of the east side of the RR tracks at Arrington and Shipman plus the Schuyler area. These projects will bring service availability to another 625 locations. We coordinated the communications plan with AEP, and then field data collection technicians moved into the area in late winter/early spring. After data collection for Firefly, pole attachment requests were submitted to AEP. AEP has completed most of those design efforts with their field engineers, and we anticipate the final cost estimates coming in by late this month. We have approved all estimates so far to allow them to schedule contractors for construction of the make ready modifications.

After AEP has completed make ready construction, they will turn the area over for us to place fiber. That could come late this year or early next year for these areas. We had forecast a 12-to-18-month period to get this work completed and we will be on the back end of that schedule. We anticipate that our coordination with AEP will improve, and their timeline will get shortened as we begin having more work in the area.

We will begin the field data collection process for several other areas in the next month after communicating the plans to the residents. We have not marketed any of these areas yet but more than 100 people living within the Arrington/Schuyler/Shipman areas have found our website and signed up without being contacted by Firefly. We anticipate the take rates will be near the 60% rate that we have seen for the past year.

After the first three areas are complete, about 1000 other locations on the AEP system will remain. We will get to those as quickly as possible.

There are also about 30 locations on the Dominion system at the top of Afton Mountain. We plan to include those in our Regional Internet Service Expansion (RISE) project we are developing this summer.

RISE Project: Firefly is working on plans for a 12-county project that will bring universal service to all unserved locations across the entire region. Nelson County is way ahead of the curve on this and we will plan our work in a way that assures Nelson continues to get built out as we plan work for this larger project.

The RISE project includes a new Firefly Dominion Energy partnership in which Dominion will build fiber on their facilities in certain areas and then lease it to Firefly, allowing Firefly to serve subscribers and then extend that fiber further along rural taps to assure service to all unserved Dominion electric customers in the area. The small area at the top of Afton Mountain will be included in this partnership build out.

The RISE project will also seek additional VATI funding and funding from all of the other counties to help offset the costs of much higher costs of building on other utility systems. We will NOT be asking Nelson County for additional funding. We will ask that you sign onto the regional project to allow us to include you in the Dominion build and to allow us to seek VATI funds, if available, in the remaining areas of Nelson County to be constructed. We will make this request at one of your regular August meetings. We will work with staff prior to that to review the requested resolution.

Use of Funds: Firefly has sought additional funds to support the fiber project through multiple means at the federal, state and local levels. Those outside support dollars are critical to the ability to provide gigabit speed service over a new fiber optic network built to utility standards across rural terrain. If you recall, our initial business case for the CVEC project forecast it would be 7 years of operating before we reached breakeven on an annual basis, and 11 years before the first years of losses were paid off and the first dollar of profit realized.

Since that first study was done in 2017, cost have increased for labor and materials. Steel costs alone for the strand we place between poles is much more than double the early estimates. Our projected cost for construction on the CVEC system was about \$30,000 per mile, and our actual costs today are over \$40,000 per mile. When we build off system, those costs are estimated to be \$55,000 per mile on the AEP system and \$75,000 per mile on the Dominion system.

Our rates of \$49.99 per month for 100 mbps service and \$79.99 for gigabit service were design to allow us to reach breakeven at 60% take rate and \$30,000 per mile in construction costs. For us to maintain those rates, we need to find enough grants and incentive payments to offset our growing capital costs and keep the Firefly investment to \$30,000 per mile. In Nelson County, Firefly will have 132 miles of construction on AEP and another 4 miles on Dominion, requiring a total of more than \$7.5 million total. Our rates can support the debt service for \$4.1 million in these areas, so we need to find a way to offset the rest of the additional costs. The county broadband authority contribution of \$1.25 million helps offset a portion of that cost. The CARES projects helped offset some of the capital cost on those small projects, which were built using even more expensive underground construction to meet the necessary deadlines. We are hopeful of accessing some additional VATI funds to further help within the RISE project.

There is one other note regarding the outside funds Firefly is accessing. All grant funds we receive are taxable under federal income tax law. The \$1.25 million received from the county is required to be booked as income, which reduces the benefit by well over 20% for all of those funds. This is not a complaint since all for profit ISPs have the same issue. It is a notable impact though.

Firefly is committed to bridging the digital divide and it will find a way to get the construction completed in the county without asking for further county funding. On the other hand, we are making use of every dollar we receive to keep the project moving and keep the rates low.