

1 **TOBACCO REGION REVITALIZATION COMMISSION**

2 701 East Franklin Street, Suite 501

3 Richmond, Virginia 23219

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7 **Research and Development Committee Meeting**

8 Wednesday, May 17, 2017

9 5:00 o'clock p.m.

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13 Appomattox County Community Center

14 Appomattox, Virginia

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1 APPEARANCES:

2 The Honorable Kathy J. Byron, Chairman

3 The Honorable James W. Morefield, Vice Chairman

4 The Honorable Charles W. Carrico, Sr.

5 Ms. Mary Rae Carter, Special Advisor For Rural Partnerships

6 Ms. Rebecca Coleman

7 Ms. Kathy Lowe

8 The Honorable Daniel W. Marshall, III

9 Mr. Dale Moore

10 The Honorable Edward Owens

11 The Honorable Frank M. Ruff

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13 COMMISSION STAFF:

14 Mr. Evan Feinman, Executive Director

15 Mr. Christopher E. Piper, Deputy Executive Director

16 Mr. Timothy S. Pfohl, Grants program Administration Director

17 Ms. Sarah K. Capps, Grants Program Administrator -

18 Southside Virginia

19 Ms. Michele Faircloth, Grants Assistant

20 Southside Virginia

21 Ms. Sara G. Williams, Grants Program Administrator -

22 Southwest Virginia

23 Ms. Jessica Stamper, Grants Assistant

24 Southwest Virginia

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1 COMMISSION STAFF *(Continued)*:

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3 Mr. Jordan L. Butler, Public Relations

4 Ms. Stacey Richardson, Executive Assistant

5 Ms. Stephanie Kim, Budget Director

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8 COUNSEL FOR THE COMMISSION:

9 Ms. Elizabeth B. Myers, Assistant Attorney General

10 Richmond, Virginia 23219

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1 May 17, 2017

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DELEGATE BYRON: Evan, if you will please call the

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roll.

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MR. FEINMAN: Delegate Byron.

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DELEGATE BYRON: Here.

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MR. FEINMAN: Senator Carrico.

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SENATOR CARRICO: Here.

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MR. FEINMAN: Rebecca Coleman.

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MS. COLEMAN: Here.

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MR. FEINMAN: Ms. Carter.

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MS. CARTER: Here.

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MR. FEINMAN: Ms. Lowe.

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MS. LOWE: Here.

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MR. FEINMAN: Delegate Marshall.

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DELEGATE MARSHALL: Here.

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MR. FEINMAN: Mr. Moore.

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MR. MOORE: Here.

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MR. FEINMAN: Delegate Morefield.

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DELEGATE MOREFIELD: Here.

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MR. FEINMAN: Mr. Owens.

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MR. OWENS: Here.

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MR. FEINMAN: Senator Ruff.

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SENATOR RUFF: Here.

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MR. FEINMAN: You have a quorum.

1 DELEGATE BYRON: Thank you. Do we have approval
2 of the minutes for 9-20-16? Those are on the website.

3 MR. MOORE: So moved.

4 MR. OWENS: Second.

5 DELEGATE BYRON: Have a motion and a second to
6 approve the minutes. All those in favor? (Ayes.) Opposed? (No
7 response.) The minutes are approved.

8 Very briefly, many of you have talked to myself or
9 other committee members about broadband, and we engaged in
10 that years ago, and then we moved on to other agendas and
11 different missions. Broadband is now very much a part of our
12 daily lives, and being connected in some way for education or
13 economic development is critical to all of us, so we have been
14 asked to revisit this again.

15 I am very pleased that the chair has decided to put
16 the broadband issue in the R&D Committee, so we're going to
17 reopen that discussion and look at some solutions for Last Mile
18 connectivity in the Tobacco Commission region. So, with that,
19 we have a presentation from MBC. Do you want to make some
20 initial comments or wait until Tad is done?

21 MR. FEINMAN: I can't speak for Tad on any issue
22 broadband-related, so I'll yield the floor.

23 DELEGATE BYRON: Tad.

24 MR. DERISO: Thank you, Madam Chairman and
25 members of the Committee. At the last Tobacco Commission

1 meeting, we talked about what the total cost of broadband
2 expansion would be in the Region. I think this talk has been
3 going on since about 2000 when we initially started this out.

4 We contracted with Microsoft and utilized one of their
5 consultants that they use worldwide. They basically take the
6 Pilot Project White Space in Halifax and Charlotte Counties and
7 expanded that scale to all Southern Virginia counties. Then
8 parallel to that, what would be the cost to put fiber to everyone,
9 every single home and business within the Footprint?

10 DELEGATE MARSHALL: Can you explain what the
11 Microsoft project was?

12 MR. DERISO: About a year ago, the Commission
13 jointly funded a project with MBC for some matching funds along
14 with Microsoft. Put in kind of an advanced new type of wireless
15 technology using existing MBC fiber in two counties and building
16 some new towers and basically communicating a new type of
17 wireless broadband signal to households in Charlotte and Halifax
18 that have no connectivity today. Microsoft called that the
19 Homework Gap Project, and we've been having some pretty good
20 success with that. We connected the first 100 families or first
21 100 households with that project, and there is a ribbon-cutting
22 next week, next Tuesday in South Boston to make that
23 announced project.

24 This July, and I can't talk too publicly about it, but let
25 me say this is a major initiative of Microsoft from the CEO level

1 that will highlight Virginia globally with their some new steps,
2 and they're pretty excited about it. In talking about wireless
3 broadband issues for the Last Mile, we thought it would be a
4 good idea to take a look and figure out what that number is. I
5 will have copies of these documents tomorrow for you. It's
6 impossible though to see it on the screen.

7 So, their concept was not to identify where broadband
8 is or is not and not telling you where towers should be or not be.
9 They take an approach where they go into a country or a region
10 and the company will say, okay, tell us what is the total cost of
11 broadband using population and population densities tell us what
12 the number is. This is what they use for their business case
13 planning and a lot of retail stuff that goes along. I think for
14 purposes of what we were looking at, this is an effective way to
15 do this. Following their assumption, were five megabits per
16 second for every household and business. Now, let's go to the
17 next slide.

18 This is some demographic data for the region. The
19 bottom map is probably a little more telling, and the darker areas
20 are where people are, and the light blue areas are where people
21 are not as much. One interesting thing to note, 34 percent of
22 the land mass of Southern Virginia, about 10,000 square miles,
23 34 percent of that has no people, mainly agricultural land, as we
24 all know. And that was excluded from the analysis, and there
25 wouldn't be broadband where people are not.

1 Overall this project created a capital cost estimate
2 where they took some of our findings from our project that were
3 developed locally and looked at whatever it would take to expand
4 that. You can see some of these very large numbers. They
5 looked at the total site cost, which is your towers, separate costs,
6 which is the little radios that go on the towers and connecting the
7 tower back to the network, and CTD costs, that's customer
8 furnished equipment. That's basically a box that sits in the home
9 or business that allows them to connect to the network.

10 This would be great if you could see a printed copy.
11 This is every county and city in the Southern Virginia Footprint,
12 again, about 630,000 people, 17,000 business locations, and
13 about 250,000 households. The bottom number is most
14 important on the right side, that's \$183 million that it would take
15 to cover the entire region. We are just letting you know that's
16 the number from a capital perspective that Microsoft and their
17 consultants have developed.

18 The second part of this equation was looking at the
19 fiber costs, what it would take to connect the fiber to all these
20 various locations. I believe Mecklenburg Cooperative and they're
21 anxious to figure out how do they connect all of their customers
22 on wire solution to make this stuff work. This map was helpful, it
23 gets a little busy, but the, in the Southern Virginia areas of the
24 red and the brown, that's Mecklenburg and Southside Electric
25 Cooperative area, and if you look at their service territory, it

1 covers quite a bit of Southern Virginia. We'll talk a little more
2 about that today.

3 The next slide will show you a different number, that's
4 a little different, that's about \$621 million to connect in the same
5 metrics and same geographics. That cost data was taken from
6 actual fiber to the home projects, and that's another project they
7 have looked at on a cost per person. So, again, this is not a
8 design project, this is not a detailed analysis, just a very high
9 level estimate of what those capital costs are. When you're
10 talking about broadband, the question is what is the real
11 challenge, and this is the number.

12 I'll also say this is for one hundred percent of
13 everyone, again, we did not go through the analysis of taking out
14 people that already have the broadband and where Comcast was
15 already located and things like that. You're down but down a lot.
16 There's a lot of detailed analysis that we can go through and it's
17 available if you need to see it. That's the results of our project.

18 So, any questions at this point?

19 DELEGATE BYRON: Tad, we want to thank you very
20 much for this information, and I hope it won't scare us off, but I
21 think that shows us that we can't do it all at one time and we
22 need to look to identifying areas that we can find some solutions
23 for and start having some success out there. Apparently, there's
24 a lot of different technologies that is available. I just don't think
25 it's going to be a one size fits all. We're going to have a lot of

1 localities that will have different needs.

2 I keep referring back to that one success story that
3 we had in Campbell County and in Altavista years ago when we
4 were just starting in all these different aspects that addressed a
5 population of people and we incentivize by putting some money
6 towards a project and they matched it, and that's still successful
7 today. And maybe we'll get some feedback from CenturyLink. I
8 understand as recently as a couple of weeks ago that that was
9 successful, utilized by customers in the area and that it's
10 sustaining itself. But I think these are the things we want to do
11 in Southside.

12 So, any questions for Tad?

13 Thank you very much. We might call you back up to
14 answer any questions.

15 So, you want to help us get started here?

16 MR. FEINMAN: Following some discussions between
17 you and me, we, at the Executive Committee, determined that
18 the scope of the R&D Committee's initiative to be broadened to
19 include pilots for Last Mile Broadband Solutions. The idea here
20 being, as you just saw, it's good to get a sense of the scope of
21 the project, not just for Southside, but Southwest, and they face
22 even greater challenges in terms of deployment of Last Mile
23 Broadband. It's a necessary event, and what we have learned
24 that if you want to attract any sort of business these days, it's
25 going to be necessary that you need this broadband just like

1 water and electricity. It's becoming necessary if you're going to
2 ask anybody to settle in a location and you have to have that to
3 bring in jobs. If you're going to hire 100 folks, people aren't
4 going to come unless you have it, it's just not going to happen.

5 So, what we need to do is to come up with, is what we
6 can do to move the ball further down the field. It's not
7 necessarily the entire 180 million or 600 million dollars for the
8 Southside. So, I think what this Committee needs to do is to
9 decide what the first step is going to be down that road. I
10 remind you that after a year of work over on the classic R&D
11 division, side of the agenda, and we've set out the SBIR
12 program, the deadline is 10 July, 27. We're going to be doing
13 that, and those projects will be before you at the September
14 meeting. The question is how do we want to work in this second
15 mission of the Committee?

16 DELEGATE BYRON: One thing I want to mention also
17 to the Committee just so you have an understanding. I serve on
18 the Broadband Advisory Council, and Senator Ruff, as well,
19 Senator Carrico, I don't think there's anyone else on this
20 Commission who serves on that. So, we've been looking at
21 different solutions and the state budget had money set aside for
22 grants. And there's a model from that design and seems to be
23 off to a good start, and we're talking about maybe modeling it
24 after that, which I think there are some details on, you may have
25 that written down.

1 But as we continue to look at all different solutions in
2 the area, we just have determined that just as important as
3 water and sewer and all the other things that we were doing,
4 that we need to start finding ways that we can address areas
5 that are not served in our Southside Region. I think this is going
6 to be a successful way to start putting out pilots. And as we see
7 the successful stories from them, then we can analyze and
8 determine what type of additional investments that we may or
9 may not want to make.

10 Delegate Marshall, did you want to say something?

11 DELEGATE MARSHALL: I would like to also see if we
12 could figure out a revenue stream, that instead of just giving a
13 grant for these projects, if they can afford it, is how can the
14 Commission get a revenue stream so that we own part or
15 whatever part we invest in and get some of that money back in
16 time.

17 If you look at our budget, our budget is going down,
18 down, down, so this might be a way that we could look at
19 bringing some of that revenue back to the Commission.

20 DELEGATE BYRON: That's the first I've heard of that,
21 but what I want to say is I'm really not sure how to address a
22 revenue stream. The most important thing, I think, is that I
23 don't think we're just giving grants out, we're talking about
24 matching grants that would incentivize a business plan that will
25 sustain itself and be able to continue to operate when the

1 Tobacco Commission sets aside, a lot of the, and while I agree
2 that we need to look at ways to try to earn on our investments, I
3 don't think we have money coming back from water or sewer
4 projects, or some other investments that we've made in the
5 infrastructure. We may have some infrastructure like towers and
6 other things that localities own that maybe would be able to see
7 ways.

8 I also think that there are some ways with MBC, and
9 they've brought some funding to the table, too, and they're
10 shaking their heads.

11 Evan, maybe you could talk about the model that
12 we're referring to.

13 MR. FEINMAN: We do have a broad long-term issue.
14 We have stopped the bleeding, so to speak, with the
15 announcement of the most recent strategic plan, but it's not
16 going to be released from the hospital. However, we do need to
17 generate revenue in some form or another, and I think it could
18 involve a variety of broad issues. I think maybe we could put
19 together a working group over the summer to work on that,
20 specifically and not directly with this project.

21 Though I suspect it's not impossible that these sort of
22 projects is an area where we can probably capture upping the
23 revenue stream. Once the capital has been expended,
24 operations are somewhat profitable, particularly if you don't have
25 to borrow the or put the thing up. There may be a number of

1 partners that might be willing to share some of the revenue. Of
2 course, we can work out what the specifics of all those are.

3 I did have a very good meeting actually yesterday in
4 preparation for this meeting with the VCPA, and there's a model
5 that they worked with on a, for a deployment of the Last Mile
6 broadband. The model they have, while it doesn't perfectly align
7 with what we want to do, I think it's pretty close, and DHCD is
8 trying to spread a million dollars over the whole state and still
9 trying to be meaningful, and I understand politics. But if we wait
10 for a million dollars to slowly trickle in here year by year in our
11 portion of the state and you can see what that would do. But the
12 best thing may be hear a little bit more about this program.

13 DELEGATE BYRON: Would you state your name for
14 us, please.

15 MR. LAMURA: I'm Ray LaMura with the Virginia Cable
16 Telecommunications Association. I appreciated the time visiting
17 with you yesterday. The DHCD created an initiative called the
18 Virginia Telecommunications Initiative, and it was actually
19 sponsored in the budget by Senator Ruff. This has been fully
20 vetted by the entire General Assembly and actually being
21 implemented for the first time. And just recently, last month,
22 the Governor made announcements of the first deployments.
23 Utilizes technology that is wide ranging from a cable wireless
24 providers all over the state. So, it's a very good model.

25 It creates and fosters public and private partnerships

1 in unserved areas. So, you spread the risks, and you have the
2 industry willing to make investments in the Commonwealth. It's
3 a very good model that I recommend to you all for consideration.

4 MR. FEINMAN: To build on that, the program
5 requirements of that model are that for any application in served
6 or unserved areas and multiple applicants that they demonstrate
7 financing that complies with the speed definition and would be
8 true broadband, but you have to have usable speed and
9 implement the project on a reasonable timeframe and the
10 applicant has what's termed suitable fiscal management
11 capabilities that you see.

12 MR. LAMURA: Yes, adopted by the FCC, so you have
13 a model already demonstrated that's with the federal dollars, and
14 that is the program that CenturyLink is using throughout the
15 Commonwealth, and they received \$96 million to make those
16 investments.

17 MR. OWENS: So, you go out and identify the state,
18 federal, local, and private sector funds, is that your job or our
19 job?

20 MR. LAMURA: The way this program works is that it's
21 a partnership by locality in the private sector. In many cases,
22 hopefully the locality has prepared themselves and they come
23 through the CIT checklist, and they make themselves shovel
24 ready, so they can identify resources. Now, I do believe under
25 this plan that they do limit different federal funds and other funds

1 that are available for the project.

2 MR. OWENS: So, the first thing would be to find out
3 where these funds are and how much they have.

4 DELEGATE BYRON: Well, technically speaking, the
5 providers know where the monies are. Right now, some funds
6 were already disbursed and I don't know when the next round
7 will be or if they are going to do something federally. The idea
8 was the same as we did in the past to see if that even works.
9 There's a lot of providers that have been putting out press
10 releases about money that they are investing in the
11 Commonwealth and they're looking for cooperation and
12 partnerships in order to do that, to make it a business model.

13 The localities hopefully are doing planning at this
14 stage and going out and identifying a population and trying to
15 figure out some solutions. The localities, some of them, as you
16 know from the Committee, don't have all the funding they need
17 to play an active role in that. So, we're trying to assist, like we
18 do in many other things, to bring some money to the table and
19 then to leverage that and to also have MBC be a part of that and
20 leverage some funds and come up with the same type of scenario
21 like we did in the past. So, it's not reliance on federal money,
22 but certainly if federal money becomes available, we will be a
23 little bit more represented than we were in the past.

24 MR. FEINMAN: The reason I think that is significant is
25 that the DHCD has already developed the process, and there's a

1 set of relationships with providers. It's like when somebody gets
2 an idea, then how are we going to implement it. CIT has a very
3 good relationship and DHCD, we have a very good relationship.
4 We can work within the parameters and we can certainly have
5 conditions to fund this, but we're not going to reinvent the wheel
6 so much. Maybe adopting the DHCD program as far as funding
7 to the extent this Committee wanted to fund it in our part of the
8 world.

9 DELEGATE BYRON: I think the idea was to put some
10 funds out, open it up for the parameters we talked about and see
11 what we get in return and what type of creative applications
12 come forth, so that we can see how many, you know, it doesn't
13 mean we have to approve them. It's just until we get to that
14 point, Tad, I don't know if you want to add anything else to this
15 from the last time.

16 The last time MBC used their engineers and others to
17 help analyze the different applications that came in, and I guess
18 the type of technology that's being used and legitimate sources
19 of connection. Do you want to add anything to that?

20 MR. DERISO: Sure. Real quick, several years ago, if
21 you all remember the Tobacco Commission funded matching
22 grants that MBC was awarded several million dollars over, I
23 think, a two or three year period of time. We allowed our private
24 sector providers to respond to us, and they put in 50 percent of
25 the capital required and we put in 50 percent, and our staff was

1 reviewing those proposals making sure the areas they were
2 proposing were adequate.

3 CenturyLink was one of the largest or in Bark was one
4 of the largest grantees at the time, we had some smaller ISPs
5 that set up some networks, and we had others that we did not,
6 fit well because of sustainability issues. And that was a pretty
7 good program, it seemed to work.

8 I think that's, like Ray said, we really like that DHCD
9 program because you have skin in the game from the private
10 sector. That's the key. A lot of localities would love to work with
11 the private sector, but they have no money to match. I know
12 Halifax had that issue where they can't, or do something if you
13 don't have money, and we all know the metrics behind it. I think
14 it's a great program and would be well received by our
15 customers.

16 MR. FEINMAN: That happens from time to time, you
17 can develop a great program and don't have the funding. And
18 we can see a program like that.

19 DELEGATE BYRON: In this case, it comes back to the
20 Committee for us to be able to see where projects are going.
21 Creating projects out there, I think that the more we're involved
22 in it and we get the counties involved in it, we'll really be able to
23 see what areas we find some solutions for.

24 Question?

25 DELEGATE MARSHALL: Madam Chair, so, once we get

1 these applications in, originally, when we started R&D, we had
2 that group in Richmond and through the partnership. Have you
3 thought that far, how we're going to do this or are we going to
4 do it internally, who's an A or B or C or an F?

5 MR. FEINMAN: What I had considered was that we or
6 the issue with our original vetting process, bringing all these
7 people together, and what we learned, going into this, we have
8 friends, partners, and colleagues, who already have the expertise
9 whether they are in state government or just happened to be
10 folks that want to come to a Commission meeting and talk about
11 it and where we can draw from their expertise.

12 DELEGATE BYRON: Any other questions? Comments?

13 MR. FEINMAN: If the Committee is in favor of it, and
14 what I would appreciate is that you guys have the Staff to set
15 out a deadline that we can manage and to begin accepting
16 applications for this program. And a budget can be the worst
17 thing if you all have a big pot of money that you can deploy at
18 your leisure unlike other committees that, annually.

19 DELEGATE MARSHALL: Getting back to the beginning
20 days of R&D, we set a maximum that an application could be
21 received. I think there was five million at one time or are we
22 going to get five or two million back.

23 DELEGATE BYRON: The model is up to 80 percent,
24 the model at DHCD up to 80 percent.

25 MR. FEINMAN: I don't know that an individual cap is

1 necessary. We know the statewide programs are operating with
2 a one million dollar budget now, but they were able to get a
3 number of projects out of that, which individual projects were
4 funded significantly less than a two million dollar cap you talk
5 about. So, I think if you guys set forth a budget you want for the
6 first time and we just take a number of applications and the
7 applicants know how much money there is available. I think
8 most of our applicants tend to take a look at the budget and
9 tailor their applications to be reasonable in the context of that.

10 DELEGATE MARSHALL: Have you and Evan talked
11 about a number, a million, five million?

12 MR. FEINMAN: We did not.

13 Stephanie, how much is there?

14 MS. KIM: I think it's seventeen million.

15 MR. FEINMAN: Do you have any sense thus far what
16 the SBIR applications are going to look like? So, we don't know
17 what the total of our July requests will look like now, certainly
18 not seventeen million.

19 MR. OWENS: Is there any money de-obligated?

20 MR. FEINMAN: I believe so, yes.

21 MR. PFOHL: There's two, we have two very large
22 grants, multi-million dollar grants that have expired.

23 SENATOR RUFF: Madam Chairman, I would
24 encourage the Staff as they work through this process, figure out
25 whether a reverse auction would be a productive way to save

1 money. Once you decide this is an area that you want to do it,
2 let the world know and say if there's somebody else who wants
3 to try to do this for less money, consider that at the same time.
4 You shouldn't be putting out money just because somebody
5 thinks they want money. We should try to find the best price.

6 MR. OWENS: Madam Chair, before we start accepting
7 applications, shouldn't we have guidelines in place before we do
8 that?

9 MR. FEINMAN: What I suggested is that we, and to
10 the extent that we can, adopt the DHCD guidelines, and their
11 program is well regarded. And what we can do is simply can
12 tailor them to our Staff recommendation. We always take a fresh
13 look at everything that's before us. We do have statutory
14 requirements that need to be met, above and beyond
15 necessarily, those applying to DHCD, but other than that, I think
16 the guidelines should be looking to projects that essentially solve
17 the Last Mile project for an area. We will take a look and in
18 conjunction with our partners can be done the most affordably
19 and effectively. And one thing we could certainly do is get those
20 in and then re-publish the applications and say can anybody beat
21 any of these.

22 DELEGATE BYRON: Another thing is, too, when you
23 think about evaluating the projects, because you're going to want
24 to encourage projects that, and you're always looking at
25 population and mileage, geographically how big an area you're

1 covering to the dollars that are being invested, how many
2 people, which the business model, whoever is coming forward,
3 know the standard business model, they're going to have to be
4 able to handle that work. So, if they're going to be able to tell us
5 all that information, because, otherwise, they won't be making
6 the wrong investments. So, while I think you need to, you can't
7 just stir one pot out there and look for one brand, and I still think
8 we need to look at some kind of initially a cap on that individual
9 money, whether it's a million. If you find somebody that's only
10 going to service a smaller geographic area and it doesn't even
11 allow for that type of investment, I still think the business model
12 would explain itself. Does that make sense?

13 MR. FEINMAN: When you put a cap on, you tend to
14 get a bunch of requests for the cap.

15 DELEGATE BYRON: Not if you do the reverse thing,
16 then you get a certain cap, other people compete for that.

17 MS. LOWE: Madam Chair, what's the amount that's
18 going to come back to the Commission?

19 MR. PFOHL: Don't hold me to this, but it should be
20 between four and six million dollars.

21 MR. LAMURA: Madam Chair, one thing I would like to
22 add about the DHCD model was that while they have a pot of
23 funds, I think they were hoping that a applicant would not take
24 that entire pot and they'd rather have multiple projects to be
25 successful. I would take that into consideration as you consider

1 your plans. Some people will have several projects going on at
2 the same time to create successive wins as opposed to putting all
3 your eggs in one basket.

4 DELEGATE BYRON: The question is what is the
5 amount of the initial investment that we put out?

6 MR. FEINMAN: I think that's the first question. And
7 the second question is when do you want to hear these, it is
8 possible, but will still be tough to do them, to accept them over
9 the summer and do them ahead of the September meeting, but if
10 you go beyond that, I think it's very doable to accept them over
11 the fall and do it in the January meeting. We can get them by
12 September if the Committee wants that. It's really the amount
13 of applicants, are they the only people in the room?

14 DELEGATE BYRON: Well, we may not get that or get
15 what we're looking for, so if you put something at least
16 worthwhile, that doesn't mean that we have to approve it if it
17 doesn't feel right.

18 SENATOR RUFF: I would say we could set aside ten
19 million dollars.

20 MR. OWENS: I would second that. The question is
21 what is the match number, 50/50, 80/20?

22 DELEGATE BYRON: The DHCD want it up to 80 for the
23 match, but they did not, I guess it depended on the project.

24 MR. FEINMAN: We can't go over 50/50, that would be
25 the most generous we could be.

1 SENATOR RUFF: If we did the reverse auction, then
2 that drives the price down.

3 DELEGATE BYRON: The reverse auction really creates
4 competition in the market.

5 MR. FEINMAN: That might actually be the way to do
6 it. If we publish the program and put some guidelines out,
7 accept applications over the summer, and then re-publish those
8 applications for the purposes of reverse auction and say to the
9 world, here are all the applications we received, who can beat
10 any of these? And then begin a competition for each area with
11 an eye towards a January decision.

12 MR. DERISO: The only thing I would offer as a
13 recommendation on the reverse auction is that if there's some
14 way to keep that stuff confidential, because what you're going to
15 have is companies are going to invest a lot of time and resources
16 to develop a project that will not be the incumbent carrier, like
17 Verizon, and they will put it out there, and there's a potential
18 that, let's say it's a million dollars for County A, and you could
19 run into a situation where Verizon would say, oh, look at that
20 \$800,000, and then put in the requirements that they have to do
21 that, and I would urge you to make sure that's part of your
22 process, keeping the details confidential, but I think listing the
23 price and what's going to happen, it could be, I know some of
24 our customers would be challenged to put a lot of effort into that
25 with the chance that somebody may just come in and say I'll do

1 it for ten percent cheaper.

2 MR. FEINMAN: I think we would certainly say an
3 applicant is offered to cover this many people in this region for
4 this amount of money, and that would be the total amount. Like
5 all our other grants, there'll always be a fallout provision. So, if
6 somebody comes in and says we're going to get a hundred
7 thousand people broadband accessed by Year X, if they don't get
8 that done, we'd have a clawback of whatever percentage they
9 failed to accomplish.

10 DELEGATE MARSHALL: Just thinking about that in
11 Pittsylvania County, so, the low-hanging fruit, if you're going to
12 do that, you could go to the subdivisions that's not, that have
13 broadband there, you could get that low-hanging fruit quite
14 easily, or the person that lives out in the rural Virginia may not
15 get that, and that could be a problem.

16 DELEGATE BYRON: Maybe that is the case, I don't
17 know, the thing that I keep hearing is they would be there if the
18 costs were reasonable to do so. Apparently, we're not talking
19 about something that is going to just, be a community that
20 somebody hasn't gone to because there hasn't been any Tobacco
21 Commission funding there, I think it's going to be a much deeper
22 decision in regards to providers are concerned.

23 MR. FEINMAN: When I think about this problem,
24 there are really three categories of people who need service.
25 There are people for whom capital is a problem, and by and

1 large, those people's needs have been met by the private sector,
2 and you charge them, of course, for the broadband services.

3 There's a set of people for whom it would be cost
4 productive to provide service where the capital costs are too
5 great, to get service to them. That seems to me to be a very
6 clear space where somebody like the Commission can build it
7 once and considering the capital costs and then the private
8 sector can then sustainably continue to provide those people with
9 access.

10 Then there's a third set of people who are challenged,
11 and I'm not sure we can meet here where capital costs are either
12 so great or they're not capable of sustaining and considering
13 service fees and the costs to run it. I would suggest it really only
14 exists in some of the most remote parts and largely in Southwest
15 Virginia where you've got people many, many, many tens of
16 miles away from their nearest neighbor in geography.

17 DELEGATE BYRON: I also would hope that this would
18 encourage localities to even work together so that they can
19 identify areas and maybe have a structure that they have already
20 out in place, that they can bring to a particular project, so we can
21 create a lot of unique and different types of innovative ways to
22 bring Last Mile solutions.

23 DELEGATE MARSHALL: You know, it's really not just
24 the Last Mile that's affordable, and I think that has to be part of
25 this equation, also, is that we can offer it there, but some people

1 can't afford it.

2 MR. FEINMAN: I think that's a fair part of the
3 equation for us to hold the grantees to, but that'll be part of their
4 problem.

5 DELEGATE BYRON: The other part of the business
6 plan is that if this is not affordable, they're not going to get
7 anybody to buy it. I think everybody realizes it's going to have
8 to be affordable. I think the part that is not affordable is the
9 \$3,000 to get to their driveway and there's a tremendous
10 expense going into just getting some type of wire laid versus
11 another type of innovation that's out there. Once again, it has to
12 be something that is sustainable, and I think that would probably
13 be addressed already, and those that are making the huge
14 investments, and I think the ones that are going to come to the
15 table are going to be prepared to invest a lot more than we're
16 giving them.

17 MR. FEINMAN: So, why don't, if I can make a
18 suggestion, why don't we get these folks to look at their
19 programs and develop some guidelines we could put out. We
20 could then say to the world we are considering deploying ten
21 million dollars into these programs and we can give you all an
22 update the September meeting. Then if you guys are happy with
23 the program and applications would be gotten and then engage
24 in our reverse auction over the course of the fall and with an eye
25 toward getting some money deployed starting in January.

1 DELEGATE BYRON: That's the motion?

2 DELEGATE MARSHALL: You're going to send that
3 information out. Then maybe we could ask Staff to look at those
4 localities inside the Footprint, and that could kind of give us a
5 low-down on what it costs, is it going to cost ten million dollars,
6 is it going to cost twenty million dollars, or what?

7 MR. FEINMAN: We know that for Southside the total
8 cost for wireless, it would be 180, and for wire, it would be 600.

9 DELEGATE BYRON: That was for White Space, was it
10 not? We had this discussion, so that will bring you education and
11 speed that will go a little bit beyond that, but it's not necessarily
12 going to bring everything that you may want irregardless to
13 higher speed.

14 MR. DERISO: Correct. So, the one hundred and
15 eighty some odd million dollars was for wireless, TV White Space
16 type of system, which was five megabits. As technology
17 progresses, that could get a little bigger, but it's not going to
18 give a hundred, the six hundred and some odd million was for
19 fiber to the home.

20 DELEGATE MARSHALL: The map that I saw, I thought
21 I saw that it was all the way to Virginia Beach, so is that just the
22 Footprint?

23 MR. FEINMAN: Just Southside.

24 MR. OWENS: But haven't they done a lot of these
25 analysis already and whether it's worthy of deploying?

1 DELEGATE MARSHALL: You mean like Verizon and
2 others?

3 MR. OWENS: Yes, haven't they done all this analysis?

4 MR. DERISO: Yes. I don't mean to speak for Verizon,
5 but they had said publicly many times that they are not investing
6 in rural, it's not their fault, I mean they make money in the
7 wireless world, but that's what it is, and they make money in the
8 real world.

9 MR. OWENS: They've done the costs, I suppose?

10 MR. DERISO: I'm sure they have figured all of this
11 out.

12 DELEGATE BYRON: However, and just wait a minute.
13 Each year, we keep hearing of new technology that's coming on
14 the horizon that's addressing different geographic issues.
15 There's also, just like CenturyLink just got close to a hundred
16 million dollars this year to put out areas, in rural areas that are
17 unserved. So, they're working in rural areas. So, I think that
18 there are new technologies, and some of this small, looking at on
19 the state level, that there's new technologies that are driving
20 them to revisit and just bringing incentives like this to expand.

21 MR. FEINMAN: But you have to remember these tech
22 partners are not going to invest in a losing deal. And really the
23 only thing we can find out is that if there's an area they're not
24 serving where it's a marginal question in terms of costs, can we
25 by putting some resources out there for capital expenditure push

1 that from the margin into the profitable space so that they'll
2 serve those folks. And that's really just tilting the economic
3 playing field in favor of our people. It won't serve everybody,
4 there'll always be somebody, but it'll serve more folks and will do
5 it in a way where we're not responsible for ongoing maintenance
6 of it. It goes into the private sector, and then they have to
7 maintain the service and stuff.

8 DELEGATE BYRON: So, we actually have a motion on
9 the floor, I believe, through all that discussion and it's been
10 seconded to set aside \$10 million for this grant cycle. Was there
11 more to that motion?

12 MR. FEINMAN: I was going to offer a friendly
13 amendment. You might also direct Staff to develop guidelines
14 and publish those guidelines as soon as possible so that we can
15 begin accepting preliminary applications.

16 MR. OWENS: That was my second. One quick
17 question?

18 DELEGATE BYRON: Yes, Mr. Owens.

19 MR. OWENS: We're going to set aside ten million
20 dollars out of the seventeen million, and are we going to wait
21 until we get the other six?

22 MR. FEINMAN: Four to six.

23 SENATOR RUFF: You don't have to spend it all.

24 SENATOR CARRICO: The ten million is for Southside,
25 correct?

1 DELEGATE BYRON: Yes.

2 MR. FEINMAN: We asked about the Southside needs
3 so that we could get a sense, we asked Tad to come up with the
4 Southside so that we could get a sense of what we are facing
5 here, because that's where MBC operates.

6 DELEGATE BYRON: Did that answer your question?

7 SENATOR CARRICO: A little bit. I still feel like --

8 MR. OWENS: Isn't there some money being set aside
9 to do the Last Mile already in Southwest?

10 MR. FEINMAN: We have the ability to direct,
11 assuming everything is finalized, we're working towards
12 finalizing, the results from the BVU, off of that sale and clawback,
13 we did receive a commitment to be able to direct \$3.5 million of
14 Sunbelt Digital's funds, for Last Mile connections in Southwest
15 Virginia. The difference there being, here you'd be able to take
16 all, and perhaps initiate an auction, but there, whatever the costs
17 are there, when you try to get an answer on the costs, it's their
18 money, it's their customers, we would merely tell them, in other
19 words, until the 3.5 is expended.

20 SENATOR CARRICO: Is that 3.5 already there?

21 MR. FEINMAN: We're getting six million cash from the
22 clawback with BVU, and above and beyond the six million cash,
23 we get to direct connections in Southwest that amounts to an
24 additional 3.5 million spending on the Sunbelt. The money might
25 be in our account.

1 DELEGATE BYRON: Okay, so, Evan, if you would
2 please restate the, unless Frank wants to, restate the motion.

3 MR. FEINMAN: The motion is, I believe, to set aside
4 within the R&D budget ten million dollars for broadband and
5 direct Staff to, as soon as possible, to publish guidelines for
6 applicants, private sector applicants, to offer to cover residents of
7 the Tobacco Commission with broadband service, with the
8 expectation that Staff will report back to this Committee what
9 we've gotten and what we've done at the September meeting.

10 DELEGATE BYRON: What are you reporting back in
11 September?

12 MR. FEINMAN: Reporting where we are.

13 DELEGATE BYRON: I thought you meant the criteria.

14 MR. FEINMAN: Criteria out the door as soon as
15 possible.

16 SENATOR RUFF: Madam Chair, this is very much like,
17 public, private partnerships. An entity makes an offer to a
18 county or city to do something, and then it's put out who wants
19 to match this.

20 DELEGATE BYRON: I just wanted to make sure I
21 understood this. The meeting is in September, but our
22 committee will meet prior to that. Is that what you're saying?

23 MR. FEINMAN: Yes. And I do think it's worth taking
24 the whole summer at least basically to collect applications,
25 because this is a new program and, you know, every time we

1 send out a reminder, we get a lot of correspondence from them.
2 We just wanted to get all this information and think through it. I
3 know you wanted to take action as soon as possible, I think
4 though to take good action, it just really would be very, very,
5 very hard to make towards in September.

6 MR. PFOHL: Madam Chair, I don't want to start
7 drafting guidelines here, but we've always required private
8 beneficiaries of our grant funds to have an eligible applicant.
9 When you say expectations, we would have counties in
10 partnership with private Last Mile providers.

11 DELEGATE BYRON: And MBC is also, I think that's
12 how we get the one in Altavista was MBC, and that. So, when, I
13 just want to try to follow your guidelines, when would we have
14 the actual approval of the applications take place?

15 MR. FEINMAN: I think that would be at the January
16 meeting. I think what we would be able to do is get the program
17 out there as soon as we could, and I don't know how long that'll
18 take, because I haven't really entered into this thing with CIT
19 and DHCD.

20 Then we can update you as to our progress in
21 September with an expectation that we would be able to assess
22 applications in September and then engage in a reverse auction
23 over the fall. If all this works well, we don't want to hit the
24 brakes, but I don't want to agree with a timeline that's not
25 achievable.

1 DELEGATE BYRON: All right. Frank, do you agree
2 with that motion?

3 SENATOR RUFF: Yes.

4 DELEGATE BYRON: The second was Mr. Owens.
5 All those in favor, say aye. (Ayes). Opposed? (No
6 response).

7 Are there any other comments or questions? If not,
8 public comment? All right, there's no public comment. We're
9 adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Virginia Region Revitalization Commission, Research and Development Committee Meeting**, when held on Wednesday, May 17, 2017, at 5:00 o'clock p.m., at the Appomattox County Community Center, Appomattox, Virginia.

I further certify this is a true and accurate transcript, to the best of my ability to hear and understand the proceedings.

Given under my hand this _____ of June, 2017.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

MY COMMISSION EXPIRES: October 31, 2018.