MINUTES OF THE CC COMMUNICATIONS MANAGEMENT

155 N. Taylor St., Fallon, NV 89406
October 7, 2021

Call to Order:

The regular meeting of the CC Communications was called to order at 1:45 PM on October 7, 2021.

PRESENT:	Commissioner Justin Heath
	Commissioner Gregory Koenig
	General Manager Mark Feest
	Chief Financial Officer Jamie Hyde
	Administrative Assistant Shelly Bunyard
ABSENT:	Commissioner H. Peter Olsen, Jr.

Public Comment:

Chairman Gregory Koenig asked if there was any public comment but there was none.

Verification of Posting of Agenda:

It was verified by Shelly Bunyard, Administrative Assistant, that the Agenda for this meeting was posted on the 1st day of October, 2021 between the hours of 1 pm and 5 pm at all of the locations listed on the Agenda, in accordance with NRS 241.

Consideration and possible action re: Approval of Agenda as submitted or revised:

Mark Feest, CC Communications, advised that from the time the Agenda was posted to the day of the meeting, the dollar amount for Consent Item A had increased from $124,800.00 to $157,660.00.

Commissioner Justin Heath made a motion to approve the Agenda revising Consent Item 7A, Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Approval of Minutes of the meeting held on:

A- September 2, 2021

Commissioner Justin Heath made a motion to approve the Minutes of the meeting held on September 2, 2021 as submitted. Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

New Business:

A- Consideration and possible action re: $5 million Budget Authorization for Elko Phase II Fiber to the Home Project.

Mark Feest, CC Communications. Given that the two board members were not present in July 2020, I wanted to go through a couple of items of how we got here. On July 2, 2020, the minutes reflect the discussion and approval of the Elko Fiber to the home project. Management estimated a cost of $20,181,700.00, to reach approximately 5,000 locations within the footprint of the project. The project was presented as a six-year build contingent upon a competitive environment, 3rd party action, such as Southwest Gas pipeline project, BLM permitting and other then unknown factors that could influence strategy. These have been revealed as inflation and supply chain stress as the two factors that have most influenced the spending pattern of the $20,181,700.00. At that time, approximately $4 million had been approved to establish the central office connectivity in the initial fiber to the home locations along that route. This was called Phase I with five remaining phases. Among other projections sited for approval were, management estimated a number of locations passed and the customers acquired by December 31, 2021. Both of those estimates have been surpassed as of today. Additionally, it was stated that the project would not become EDITBA positive until the end of the third full year and would not become Net Income positive until some point in year five. This projection continues to appear to be accurate.

The issue of cashflow was discussed with the board at the time the project was approved. I stated that at sometime in year three, this project will require financing due to minimal free cashflow compared to how much assets that are being put into the ground. I suggested a better use of the profit transfer that CC Communications makes to the County. If CC Communications can retain the profit transfer, rather than having to borrow the money. At that time, I stated with respect to officially using the resources of the owner, the County, it appears by paying the PILT to the County, who has $59 million in the treasury account, and to have to borrow the money is economically inefficient. The interest rate the County will earn on money sitting in a treasury account is lower than what CC Communications would have to pay to borrow the money. If we are going to spend $21 million to put assets in the ground in Elko to generate revenue to expand our footprint while sending $6.5 million to the County while it is receiving 0.16% interest in their treasury account, yet the $6.5 million we have to borrow we have to pay 3 to 3.5% interest on it, then it makes no sense to me. I am not an expert on what the county finances are. I see us sending the money to the county that is potentially sitting in a very low interest-bearing account and I feel that it is economically inefficient to go out and borrow money at a higher rate. When we look at CC Communications as a business owned by the county, it is economically inefficient for the owner to do such a thing. If the county is not in need of the money CC Communications would transfer, it would be more economically efficient to retain the earnings in CC Communications and convert to equity via fiber to the home build in Elko as well as Churchill County.

Returning to Cash Flow and the Impacts of Contingencies. We have seen upwards of 20% inflation on building materials and 10% inflation on labor, between the time this project was approved, and our construction had gone underway. An example of that is the item in the consent agenda. We made a purchase order for $124,000.00. In the time it took us to turn around the purchase order, two things happened. The first thing that happened was the company said they won't accept the purchase order because our goods are in such a high demand now, you will have to order more product for us to ship it to you. The second thing that happened was the price went up between 5 and 20 percent depending on the type of material. It turned out the material we order the most of had increased 20%. The price increases are going to continue with the infrastructure build as well as the grants that are out there of over a billion dollars already that will be distributed by the end of the year between tribal governments and local governments for broadband specifically. The inflation is going to hit us harder in this industry. It is our hope that this will largely be overcome with the $7.3 million dollar BIP grant that we partnered with Elko County on. We will not know if we get this grant until November 29, 2021. There is $288

Million Dollars. On October 5th they published the list of those providers who are to be considered for the grant. We are on the list of still to be considered. They did not list how much each company that is being considered will be receiving. What you do know is that you have either been excluded or you're still in. There is a challenge period between October 6th and October 19th, during this time anyone can write to NTIA and advise them why funding shouldn't be sent to a particular company for whatever reason. From October 19th, there will be a ten-day rebuttal period and then a selection will be made on November 29th. If this were to occur, it would ease cashflow issues. We have been forced to order material that will not even be used until later 2022 or even spring 2023, due to lead times. We have ordered material months ago that still have not arrived. This has impacted our build out. There are places we were going to build out in Phase I that we are not able to and have had to move onto Phase II work. Due to long lead times and prices going up daily, we have had to order a lot more today and have had more purchase orders waiting to be processed today, than we would have when we first came to the board and proposed the project. We would not have normally bought materials this far in advance. This is pushing the cash expenditure backwards in time and is creating a potential cash crunch. This reduces cash available for labor costs as well as pushes purchasing for phases two through six forward.

Another contingency that has impacted the six-year plan is the announcement of a competitor that has planned to build and also has some sort of loose partnership with Nevada goldmines. This was not known to us prior starting the project. Once this was known, we made every effort to get out in front of that company, which pushed forward spending on both materials and labor. That company just broke ground a few weeks ago in track 100 of Spring Creek, while we are working in track 200. We have gotten a lot of the micro trenching out of the way. The reason we wanted to push that forward was because we had to do the edge of gutter which is 14 inches down and 2.5 inches wide. Once this is done, then another company can't go along and do another edge of gutter. By pushing that work and expenditure forward in time, we have blocked another company from being able to put their conduit down. We are not overbuilding one another and splitting customers. Logic would indicate that neither company would be inclined to overbuild another's fiber to the home as the cost per customer acquired would be prohibitive. From a strategic standpoint, we should shorten the six-year plan to as fast as we can get our areas done. Again, this pushes expenditures previously projected in years three through six forward and exacerbates that cash flow strain.

Next year CC Communications could borrow money at an interest rate higher than the county earns while holding our annual PILT along with their $59 million dollars plus in a treasury account, is one option. The second option is the PILT could be eliminated during the course of construction, which will allow the county's total equity versus total liability in CC Communications to actually increase. This could be tied to an increase PILT after construction is complete. The third option the county should pay CC Communications for acquisition of the buildings that were bought and maintained by CC Communications that the county wants to now take possession of. We have two buildings that the county wants to use that CC Communications has paid for. We are asked to operate like a business, we can't use tax money and yet we will be giving away assets unless they are appraised, and the county pays for them. I will just note that the county's fund balance is over $8 million dollars, and the treasury balance is $59,183,165.00 which is up less than five months ago from $53,663,495.00. They also received a greater than anticipated federal PILT. Any dollar that sits in a treasury account, at an interest rate at less than what we would have to borrow is economically inefficient.

This request is for a $5 million dollar request, due to the need to place purchase orders so far in advance. That total of these two authorizations would bring us to $9 million dollars and carry us to more than halfway through track 200. This would result in 44.6% of the estimated $20,181,700.00 being spent and get us to about 43% of the estimated 5000 locations. That indicates right there that we are spending more than we said we were going to spend per location.

Commissioner Justin Heath. Is the one company only going to be in track 100, that you know of?

Mark Feest, CC Communications. We don't know where they will be, to be honest. They started in track 100. They said for several years they were going to do something and haven't. After we started building out, they announced they had a loose relationship with Nevada goldmines, and they were going to start building. It took them another 14 months to break ground. They are doing what they call pot holing which is not a drop to every house. They are leaving it so they can come back in the future and drop a house if they get a customer there. They haven't done anything in Elko proper, which is where we do the micro trenching. Right now, we are working in both Elko proper and track 200, because one is plowing in fiber and the other is micro trenching. It's two different kinds of crews.

Commissioner Gregory Koenig. I feel like we are all over the place. The agenda item says to approve $5 million for phase II, then we talked about using the money instead of PILT, then we talked about you wanting money for houses or money for buildings you have. That is not on the agenda today.

Mark Feest, CC Communications. I'm not sure what money for house that we have you're referring to.

Commissioner Gregory Koenig. You just said that we need to reimburse you for building.

Mark Feest, CC Communications. No.

Commissioner Gregory Koenig. You just said you want us to pay you for using the building.

Mark Feest. CC Communications. No, I don't want anyone to pay me. I want CC Communications to be paid. This is just background information for the cashflow issue.

Commissioner Gregory Koenig. Ok. By us approving the $5 million dollar phase II, we are not approving all the other things you said.

Mark Feest, CC Communications. No, that's just approving the $5 million dollar phase II fiber to the home project.

Commissioner Gregory Koenig. That's not telling us where that's coming from or any of that. Commissioner, Justin Heath. That's not doing anything with the PILT at all, right?

Mark Feest, CC Communications. No, not at all. That's coming from our cash, that we have in the company.

Commissioner, Gregory Koenig. Ok. I see we were agendized for just this one thing and then we were talking about a whole lot of other stuff that I didn't feel was under the agenda item.

Mark Feest, CC Communications. That was background information for you because when this money is spent, we will then be turning to some other source of funding other than retained earnings.

Commissioner, Justin Heath. That's down the road.

Mark Feest, CC Communications. Yes.

Commissioner Justin Heath made a motion to approve the $5 million Elko Phase II Fiber to the Home Project. Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: motion to move all Cash-Investment Funds to Cash-Operating Funds.

Mark Feest, CC Communications. There is a slight error on the recommended board action. The recommended board action should be motion to move all Wells Fargo Cash-Investment Funds to Cash-Operating Funds. There are other Cash-Operating Funds accounts. In order to pay bills on purchase orders, and really a purchase order probably shouldn't be entered unless the money is there in operating. We need to move the Wells Fargo Cash-Investment that earns 0.16% interest over to the operating cash that earns 0.25% earnings credit. Wells Fargo advised that as long as interest rates are low, we are better off with just moving the money so that we can earn 0.25% earnings credit on the $6,314,367.00.

Commissioner Justin Heath made a motion to move all Cash-Investment Funds to Cash-Operating Funds Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

<u>Consent Items</u>:

A- Consideration and possible action re: PO#18472 Fiber Optic Supply, Inc., $124,800.00 Futurepath microduct purchase for Spring Creek internet installation. NRS 332.115(1)(A)

Mark Feest, CC Communications, advised that from the time the Agenda was posted to the day of the meeting, the dollar amount for Consent Item A had increased from $124,800.00 to $157,660.00.

Commissioner Justin Heath made a motion to approve revised consent item increasing the dollar amount to $157,660.00 as submitted on the record. Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: PO#18495 Calix, Inc., $138,609.00 XGSpon access gear for Elko internet. NRS 332.115(1)(A)

Commissioner Justin Heath made a motion to approve consent item as submitted. Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

C- Consideration and possible action re: PO#18498 Power & Telephone Co., $143,395.34 Splice cases, grommets and trays for Elko internet. NRS 332.115(1)(A)

Commissioner Justin Heath made a motion to approve consent item as submitted Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

<u>Reports: General Manager Report</u>:

1. HR
    a. With the assistance of NTCA, we conducted 9 zoom interviews and selected two individuals to come to Fallon for live interviews. We interviewed those two candidates for the COO position on Friday August 27, 2021.
        i. Both candidates did well.
        ii. Both candidates spent about two days in Fallon with their spouses.
        iii. NTCA VP of Human resources is reaching out to the top candidate regarding a job offer.
        iv. This did not result in filling the position
        v. The search has been rebooted
    b. One CSR has given notice and we are in the process of filling the position.
2. NTIA BIP NOFO / Other Infrastructure Grants
    a. Tribal
        i. Tribal grant proposals were due August 21, 2021
            1. CC Communications was selected to partner with FPST, Yerington Paiute Tribe, and the Walker River Paiute Tribe.
            2. The Inter-Tribal Council of Nevada (ITCN) submitted grant proposals on behalf of the Elko Te-Moak Band and the Yerington Paiute Tribe.
                a. ITCN has not designated who the provider partner would be for Elko Te-Moak Band, but I believe that we are still in the running for this one.

b. Selection is expected by end of 2021

3. In all cases discussions with NTIA, ITCN, OSIT, and selected providers are in the process.

b. Local Government

i. Elko County

1. CC Communications partnered with Elko County on a $7.35 million proposal.

a. This grant application is now in the challenge phase until October 19, 2021.

b. Thereafter, the applicant will have 10 days to rebut any challenge

ii. Mineral County

1. CC Communications partnered with Mineral County on a $5 million grant proposal for Hawthorne.

a. This grant has been rejected.

iii. Selection is expected November 29, 2021

c. Infrastructure Federal/State Pass through

i. It is anticipated the Governor's Office of Science Information and Technology (OSIT) will receive approximately $300 million to pass through for broadband middle mile, last mile, and adoption.

1. Met with OSIT on sight in September.

3. New Building

a. Working with County regarding old shop. Structural engineer should be on-site for evaluation on Tuesday September 7, 2021.

i. Have not heard back from County

ii. ETA for Main BLDG and Training is end of November to mid December

4. Boards and Community Outreach

a. CEDA Bd. Meeting

b. CEDA business council board meeting

c. NTA annual board meeting

d. Oasis Board Meeting

e. Working with CCSD and Oasis on EBB

Public Comment:
Chairman Gregory Koenig asked if there was any public comment but there was none.

Adjournment:
The meeting was adjourned at 2:11 p.m.

APPROVED: ______________________________
Greg Koenig, Chairman

APPROVED: ______ABSENT______________
H. Peter Olsen, Jr., Vice, Chairman

APPROVED: ______________________________
Justin Heath, Commissioner

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Shelly Bunyard, Administrative Assistant

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Mark Feest, General Manager/CEO