MINUTES OF THE CC COMMUNICATIONS MANAGEMENT

155 N. Taylor St., Fallon, NV 89406
November 4, 2021

Call to Order:

The regular meeting of the CC Communications was called to order at 1:45 PM on November 4, 2021.

PRESENT: Commissioner H. Peter Olsen, Jr.
Commissioner Justin Heath
Commissioner Gregory Koenig
General Manager Mark Feest
Chief Financial Officer Jamie Hyde
Billing & Collection/Customer Service Supervisor Shonda Standen
Administrative Assistant Shelly Bunyard

ABSENT:

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 28th day of October, 2021 between the hours of 1pm and 5pm 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:

Commissioner Justin Heath made a motion to approve the Agenda as submitted. Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

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

A- October 7, 2021

Commissioner Justin Heath made a motion to approve the Minutes of the meeting held on October 7, 2021 as submitted. Commissioner Gregory Koenig seconded the motion, which carried by unanimous vote.

New Business:

A- Consideration and possible action re: CC Communications 4th Quarter Write Offs for FY 2020/2021 in the amount of $4,363.07.

Shonda Standen, CC Communications. I am requesting approval for our 4th Quarter Write Offs for 2020/2021 in the amount as you stated $4,363.07. Are there any questions, that I may answer for you?

Commissioner H. Peter Olsen, Jr. That seems a littler higher than we've had. Is it because of people using Covid excuses and that type of stuff?

Shonda Standen, CC Communications. We are having a significant issue tracking people down for their equipment and also them leaving the area without any forwarding information. 65% of that total is the equipment that we can't get people to return and those that just leave the area without any forwarding information.

Commissioner H. Peter Olsen, Jr. Ok. When we had the cell phones, we used to have pretty high write offs once in a while.

Shonda Standen, CC Communications. We used to write offs of about $10,000.00 per month, before I was here. It is a bit higher this quarter. We are trying to recover equipment.

Commissioner H. Peter Olsen, Jr. made a motion to approve the CC Communications 4th Quarter Write Offs for FY 2020/2021 in the amount of $4,363.07. Commissioner Justin Heath seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: elimination of IPTV services to outlying areas.
Mark Feest, CC Communications. We have approximately 380 IPTV customers residing in the outlying areas with copper plant. I would classify an outlying area as a customer that is outside of Charter's footprint. The customer experience is reduced due to limited bandwidth available to the location, which is used for TV delivery, and thus, unavailable for internet bandwidth. How it actually works is, 7 MBPS per Set Top Box is set aside for the video stream whether the person is watching TV or not, that is just how the technology works. Let's say you get 15 MBPS to the home, and now there is only 8 MBPS for internet. At some copper places even getting 15 MBPS is a challenge. It's problematic in those outlying areas due to both the copper and the loop length. The further you are from the central office on that loop the less bandwidth you are able to get. IPTV on copper is generally problematic due to various technical shortcomings of the medium and trouble tickets are higher. This group of customers averages about 22 trouble tickets per month, 4 of which are repeat trouble tickets.

Why do we want to look at eliminating IPTV to this group of customers? It's because the content costs exceed prices of every IPTV package. In the table of the attachment, the lowest tier package Essentials costs $22.99 and it costs us $30.34 to pay the owners of that content to create that package. Our content prices go up depending on the channel about 5% to 10% per year. Currently, for an Essentials customer we are losing $7.34 each month, Premiere customer we are losing $19.26 each month and for a Variety customer we are losing $5.37 per month. Most of our customers have the Premiere package.

In addition to content costs, the loss increases per customer due to Set Top Box, Remote and Trouble Ticket costs by an average of $7.68 per month. We do charge for the Set Top Box. However, Set Top Box's cost and sometimes a customer leaves and we never get the Set Top Box back.

The average loss per customer across all packages is $17.84, $6,779.20 per month loss and $81,350.40 per year loss. This is on the 380 customers that are on copper. Honestly, the service isn't that great to them anyways.

You might ask, why are we selling this in the first place. In 1996, cable companies got the right to sell telephones. IPTV was actually invented by AT&T in the 70's, but they didn't have the regulatory authority to deploy it and they also didn't have the desire to do it. In 1996, when telecommunications said that a cable company can do anything a phone company can do, the phone companies started offering cable products, so they didn't lose any customers to the cable companies. CC Communications then went into the cable business and has done it for a while under that premise. Since it is bundled with internet, there is a net revenue. Each time I tell you there is a $7.84 loss per month, per customer on the video portion, but we make money on that customer in the internet portion. When that is netted together, those customers where the TV portion is $17.84 in the hole, it nets out to a $6.74 positive customer per month or $2,561.20 per month net revenue on those 380 customers. The premises if we stop offering the video product, they are going to leave us and possibly take their internet and phone and go to another provider. These outlying customers are outside the footprint of Charter. When considering whether to discontinue the IPTV service in outlying areas, we must estimate how many customers will discontinue internet if IPTV is no longer available to them in a bundle.

The next table on the attachment shows you customer count and the bundle, which is TV and internet or internet only, the net revenue per month and the net revenue annual. If we continue to do what we are doing with those 380 customers, we will have a net revenue of $2,561.20 per month. If 95 of those customers stay with us after we discontinue TV, which is 25%, our net revenue will be $2,335.10. As soon as we get our rate increases for next year of 5% to 10% which will go up to over $2,500.00, it will be about a wash if we can hold about 25% of the customers. If we were to hold about 50% of the customers, we would have $4,670.20 revenue per month. If we can hold 75% of the customers, we would have $7,290.30 revenue. If we can hold 100% of the customers, we will have $9,340.40 per month revenue or $112,084.80 net revenue annually.

Content is just going to keep going up and more and more people are leaving subscriber television and going to over-the-top. We will have to make an investment in new equipment to keep our headend running and continue to offer this product long term. There is some concern if you lose enough customers and they take their internet away, we will have a net loss. I have spoke with other companies who have left the IPTV market. Interestingly to date, I have not found a rural company that left the IPTV market that competes with a national cable provider. In speaking with these other rural companies who do not compete with a national provider, I was told that zero was their loss when they eliminated TV. They held every single customer with the elimination of IPTV because they didn't have any place to go for a bundle TV / Internet package.

I think we need to look at discontinuing IPTV to those hardest to serve customers we serve with a product that is most degraded because it's over copper. The advantage to doing this is helping these people to transition them to Over-The-Top Services. We would have an FCC requirement to give them 90 days' notice. During that time we would create a transition plan and an education outreach for what is available on Over-The-Top, how do you get it and what are your options to get the same channels you have now. One option is direct stream, which is a product of AT&T and Direct TV. It is an Over-The-Top service that looks like satellite, but you don't actually have a satellite. It only uses 3 MBPS per channel, where ours uses 7 MBPS. If one of our customers with 15 MBPS went to Direct Stream, they would have 12 MBPS for internet and 3 MBPS for Direct Stream as opposed to 7 MBPS for TV and only 8 MBPS for internet.

I see our options as: 1. discontinuing IPTV services in outlying areas; 2. Raise prices 35% - 40% on Essentials and Premier, and 10% - 15% on Variety; and 3. Continue to suffer losses of $25,000 to $80,000 per year and growing on just that 380 customers.

It's a pretty big undertaking for limited resources at our company to create a whole transition package and outreach at this time. If I bring a transition package before the board on the same day as I bring this item before the board, and the board doesn't want to eliminate IPTV in the outlying areas, the time spent on the transition package would have been wasted. The transition package wouldn't be put together unless the board votes on this matter today.

Commissioner Justin Heath. Is it just copper that you're talking about, because I live down Allen Road and I don't have Charter? Even at Commissioner Olsen's dairy there is no Charter that is out that way. It is only CC Communications, is all that these people have when you go out that way. Is it only the copper wire?

Mark Feest, CC Communications. The list produced for me is 380 customers on copper.

Commissioner Justin Heath. Is it just copper, because if your saying Charter, Charter stops pretty much at Sheckler but we do have fiber as you head south of town? There is a lot more people than just 380. When you talk about the copper line, are you talking far outside of town? Don't say where Charter ends because there could be a lot more homes involved. Where does the copper end and where does the fiber begin?

Mark Feest, CC Communications. If you want to make a motion to approve this, you can state it as the elimination IPTV to outlying copper areas. I guess this would address your issue. Right?

Commissioner Justin Heath. Right, because when they say just outlying areas and where Charter ends, there's going to be a lot more than 380, because when you head south of town there is no Charter.

Mark Feest, CC Communications. I asked our Outside Plant and Inside Plant for a list of copper customers who are outside Charter's footprint. They returned back to me 380 customers. That is the intentions.

Commissioner Justin Heath. Are all of those 380 customers still in Churchill County?

Mark Feest, CC Communications. Yes.

Commissioner Justin Heath. If they go with that Direct Stream, how much is that going to cost them now? If they do the Internet from CC Communications and then Direct Stream?

Mark Feest, CC Communications. There are various packages with them. They have a $59 and a $69 package.

Commissioner Justin Heath. Do you think they will keep their internet with CC Communications?

Mark Feest, CC Communications. I do, because these are copper customers that have an internet option from us or a wireless option. Their internet will actually improve by us not having to reserve 7 MBPS per channel at their location.

Commissioner Justin Heath. As you get the sky link and stuff that comes online where you start getting the satellite online or you have oasis online where they have their internet. I don't know how far it extends, but you do think these people will stay with us for the internet.

Mark Feest, CC Communications. I do think the majority of them will stay with us for the internet.

Commissioner Gregory Koenig. I would like to explore a little bit, if you would raise the prices to match it, so you're not losing money on them. What is huge negative on that? Ideally you want them to drop off, but raising the prices they might drop off and then for some people they might like where they are at and don't want to change and pay the $10.00 more.

Mark Feest, CC Communications. It's not $10.00 more. We are under water.

Commissioner Gregory Koenig. On the Essentials Package you're only losing $7.34, so if you raised it $10.00, you're making $2.50 more.

Mark Feest, CC Communications. No. $7.34 is a content cost. We are losing another $7.06 on Set Top Box, remote and trouble ticket cost. It's $14.33, $26.32 and $12.43, that's this year. The history is every year, there is a 5% - 10% increase in content cost. Even if rates are raised this year, next year we will be in the hole again.

Commissioner Gregory Koenig. So, you raise the rates again.

Mark Feest, CC Communications. Customers get very upset about repeated rate increases. I personally think going out and telling someone content is purchased in bundles there is no negotiation we pay to much for that content to produce a product at a reasonable price.

Commissioner Justin Heath. When you buy the content if you live in town or on Allen Road it's the same. It's the cost of the maintenance.

Mark Feest, CC Communications. It's the reality of the market. When someone receives a letter in the mail telling them their bill is going up $26.00 per month and they can change to Charter with their internet and TV, they will do it. When they can't, maybe they will pay the extra money or just get rid of the TV. My personal opinion is these are rate increases that are unstainable to do year over year. It is also such a big number that we are better off explaining to people other options for Over The Top.

Commissioner Justin Heath. It comes down to when you explain it to these people. People will look at someone who lives here and someone who lives there and ask why does it cost them more because they live there, and content is the same costs. It is actually the maintenance cost.

Mark Feest, CC Communications. That's a good point. The longer the loop is the more the maintenance cost is. We do not price discriminate, we rate average. We have discussed internally if we should rate discriminate, because it does not cost as much to serve someone on Keddie as it does at your house. Should we be charging two different prices? We feel that it's one community and it would be offensive to do such a thing.

Commissioner Justin Heath. If we do vote on this, that's where you let them know. Don't go into all that content stuff, because they are not going to understand that. They are going to think content is all the same. They get ABC and I get ABC, why am I paying more. You have to go about the cost of the maintenance going through the copper.

Mark Feest, CC Communications. The large amount of the focus will be about here is where you can pick up these channels Over The Top.

Commissioner Justin Heath. When they come to me now and say CC Communications cut my cable. I have to be able to explain to them why that happened. I can tell them it's because you're on copper and it costs too much to maintain it. That's what you're saying, I think.

Mark Feest, CC Communications. That is part of it, yes.

Commissioner Justin Heath. Content is content and if you go that way, they will not understand it. It's because they are on copper wire, and it costs more money and there are more service calls that have to happen.

Mark Feest, CC Communications. They have a degraded internet service.

Commissioner Justin Heath. You don't have a radius? You don't know where these houses are?

Mark Feest, CC Communications. It goes out at different sections depending on where we have done Fiber to the homes. It's scattered through out the community.

Commissioner H. Peter Olsen, Jr. made a amended motion to approve the winding down of IPTV services to outlying areas with copper. Commissioner Justin Heath seconded the motion, which carried by unanimous vote.

C- Consideration and possible action re: adoption of updated Surplus Personal Property Disposal Policy.

Mark Feest, CC Communications. We currently have disparate methodologies for the disposal of surplus personal property. The update policy brings consistency and ensures compliance with NRS 332.185. NRS 332.185 allows the governing body to designate an authorized representative to carry out the disposal of surplus personal property, and the updated policy designates the CEO/GM as the authorized representative for CC Communications. The policy also requires that CC Communications conduct disposal in a manner allowed by NRS 332.185, as amended.

With respect to current needs, the impending move to the new building has, and will, result in various surplus personal property necessitating timely determination and disposal via authorized means to prevent storage and/or other disposal costs being incurred.

Commissioner H. Peter Olsen, Jr. How much are we talking here, a few thousand for this stuff?

Mark Feest, CC Communications. It's difficult to understand what the market for it is, but in the new building we have new furniture. We have a lot of furniture in the buildings that exist. The NRS allows for us to do that through an open auction process where you have set time frame for people to come in and haul the items away. The last time we had an auction we didn't have many takers, but we had to first make an attempt to recoup money. The items ended up being donated.

Commissioner Justin Heath made a motion to approve the updated Surplus Personal Property Disposal Policy Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

D- Consideration and possible action re: request for donation from Churchill County Arts Center.

Mark Feest, CC Communications. The Churchill Arts Council annually requests a donation of web services, Internet, and phone lines at an annual cost of $1800.00. Our web services group operates in the red and its role within the company is being re-evaluated at this time. More cell phones than people exist in the US, and the donation of a patron phone seems outdated. CC Communications donates over $40,000 per year to various community organizations as well as comping City/County projects and initiatives. As margins on all product lines reduce, and inflation hits our core functions, we need to re-evaluate the donations the Company makes annually. Donations reduce the bottom line of the company, and this one does not appear as needed as the many others we support.

As an alternative, I have listed the board can continue with the annual donation of internet only.

Commissioner Justin Heath. What do you want to do?

Mark Feest, CC Communications. I want to discontinue the donation.

Commissioner H. Peter Olsen, Jr. I didn't quite catch that, discount the donation in the whole.

Mark Feest, CC Communications. Discontinue the donation in its entirety.

Commissioner H. Peter Olsen, Jr. Ok. Is it a cell phone or something?

Mark Feest, CC Communications. They have what they call a patron phone. It's an old landline phone that sits in the lobby that we donate. Website maintenance and hosting that we donate from a group that is losing money and has been losing money. We are currently re-evaluating how the group continues to operate.

Commissioner H. Peter Olsen, Jr. What would just internet alone be?

Mark Feest, CC Communications. Internet alone, would be $720.00.

Commissioner H. Peter Olsen, Jr. Ok, that would be my preference, is to reduce it to internet alone.

Mark Feest, CC Communications. That is fine with me.

Commissioner Justin Heath made a motion to continue with the annual donation of just internet only to the Churchill County Arts Center Commissioner H. Peter Olsen, Jr. seconded the motion, which carried by unanimous vote.

E- Consideration and possible action re: update to out of area fiber projects.
Mark Feest, CC Communications. I wanted to provide you an update to our various out of the area fiber projects and give you an opportunity to ask questions and alert you to changes that are unanticipated occurrences and some opportunities.

The Fernley Business Park that is called The Victory Park Phase I, which sits across from the Banner annex. Our fiber sits on that side of the road. We had anticipated that property being developed some day as an extension of the business park and left our fiber on the other side of the railroad tracks. When we got the permit to go on the southside to Banner as long as we were there we bored under the railroad and were prepared for additional future developing. We are doing the Victory Park Phase I as part of the joint trench infrastructure project with a developer and AT&T.

We were named the designated partner for the Yerington tribe grant applications. The ETA from NTIA's decision is December 31, 2021. We are told it is looking very positive. We will be constructing with the grant money paid by NTIA.

We were also designed as the partner for the Walker Paiute Shoshone Tribe and the Fallon Paiute Shoshone Tribe. What appears to have happened, is they had their sum of money. They took all of the applications and determined that they couldn't pay out everyone's ask, because that is more than their pot of money. They are going back to each tribal counsel and discussing how they can pare it back and come within the fund that they have, and everyone gets something. That is the way that OSIT is helping with that negotiation and has explained it to us. It is their anticipation that each one of those tribes will get some portion of what they have asked for. It will be announced by December 31, 2021. The grant should cover 100% of the cost of the deployment and in some cases even pay for 3 to 5 years of service charges for residents on tribal property.

Commissioner H. Peter Olsen, Jr. Is there a profit to us?

Mark Feest, CC Communications. Yes, we put in the prices. It's our standard pricing for it. We will not be paying for the deployment of the network. That Capex will be paid for by a grant. Two out of the three tribes also have monthly reoccurring costs for each of their residents.

Commissioner H. Peter Olsen, Jr. Ok.

Mark Feest, CC Communications. Reconnect Round III is a loan, grant or a loan with grant program. There is some quantity of money that can be lent and some that can be 100% grant and another quantity if you borrow 50% of the money, they will loan you 50% of the money. It's $800 million in total, at least 90% of the PFSA must have less than100/20. PFSA stands for Program Funded Service Area. As an applicant you get to draw your boundaries which is called Program Funded Service Area. You then will make a grant application but the boundaries you draw have to have below 100/20 internet. This is different than what was previously called an RDOF where the government drew the boundaries. They drew the boundaries in such a way, that it was difficult to build anything. Few people built some areas and now they are trying to back out of it for the most part. We didn't apply for that because their boundaries were irrational. This grant gives the opportunity to draw your own boundaries and if more than two companies draw boundaries in the same place, then it becomes competitive. We're evaluating whether or not there are opportunities that align with our network in our future plans. There is the infrastructure plan that still hasn't gone through, and we are continuing to discuss that with OSIT because they will receive the money as it flows through to the state agency assigned to OSIT.

Rural - We've had discussions with one county commissioner and a consultant hired by a rural county that anticipates making application under either Reconnect Round III or and Infrastructure Bill, but they don't want to operate a broadband network. They want to apply for the money, build it and have someone else operate it. They happen to be very close to our fiber that can take them both to Las Vegas, Reno and out to the internet. Their consultant on their own recommended a network design that matches our network design in Elko. It's the same exact equipment and network architecture. It would be a good opportunity if we can make an agreement with them, and they can get it funded. Again, the capex would be paid through the grant they receive and then we can enter into an operating agreement with them.

Partnerships – We're in discussions with a private fixed LTE provider for a joint middle mile funding application. That is the piece of the internet that gets you from neighborhoods back to the internet gateway. We have some common areas that they need to get to towers. We would like to get either redundancy where our own connections, so that we don't have to pay someone monthly for that middle mile. Also, have been discussing with them a joint storefront in the Elko area. They have fixed LTE customers there and creating a transitional product which a customer could be brought online as a fixed LTE customer. It would be a wireless service, which they could do probably a pretty solid 50 MBPS, down not up. The agreement would be that when fiber is available, the customer would transition to be our fiber customer.

I have several things on Elko and Spring Creek. The approved budget to date is approximately $9 million dollars. Expended to date is approximately $7,150,000.00 paid or on purchase order. I had mentioned in the previous meeting, that we have to purchase material in advance, because of limited supplies and supply chain issues. Issues such as a vendor returning to us not only with a price increase but telling use they won't even sell us a quantity we had requested and that we had to order even more of the product. The material we have had to preorder or had to have on hand that hasn't been put in the ground yet is approximately $850,000.00. Actually, the expended amount is dropped down to more like $6.3 million because there is stuff that has been purchased that isn't in the ground yet. I had found a little issue where some people had put some operating expense into capital expense. We will back that out as it should be, that will drop the expended number down.

I want to provide some reminders from when this was first presented to the board, as far as expectations on projections. Year one had a projected net loss of $500,000.00 and a capex expenditure of $4 million. Year two had a net loss of $550,000.00 and a capex of $4 million. Year three had a net loss of $441,000.00 and a capex of $3.5 million. Year four had a net loss of $215,000.00 with a capex of $3,500,000.00. Year five had a net income of $12,535.66 with a capex of $3.5 million. Year six had a net income of $491,633.00. The years one through six are malleable from the standpoint of waiting on Southwest gas and materials. The best way to look at this is, instead of looking at December 31st of this year as the end of year one. It's really a matter of capex and revenue as a function of units passed which would be a location passed and services available and units acquired. It would be how much are we spending and how much are we making. I picked a month based upon how many available units we have. Currently, we have available homes passed that are equal to August 2022 projections. We have 70% of the customers we projected we would have by August 2022. Both pre-signups and penetration varies greatly between neighborhoods. The neighborhood we built out first, took between 75 and 100 days to get to 90% penetration rate which well exceeds our estimation rate for that neighborhood. We've passed the homes we projected for August 2022, but we are only at 70% of the penetration rate. I think that is largely because of the lag. Judgment on penetration rate should be withheld until about 75 to 100 days after a neighborhood is live.

Revenue is at 65.2% for the August 2022 projections. I would attribute this as a lag, due to the first month free promotion and refer a friend promotion. Since we found these people who were on wireless plan contracts that were low costs, we introduced some promotions that were not accounted for that was a discount for your first month. That revenue for that customer in that first month ends up lagging.

Commissioner H. Peter Olsen, Jr. Quick question. Where are in the relation to the projections for today, as far as penetration?

Mark Feest, CC Communications. Our projections for today. We are 22% above the number of customers we said would have today.

Commissioner H. Peter Olsen, Jr. Perfect. You're doing great and you're further than you said you were. You have more customers that you said you were. You're telling us the lag; you will get there.

Mark Feest, CC Communications. That is true, but we had to push forward costs in time because we have to order those things further out. We try to be very aggressive.

Commissioner H. Peter Olsen, Jr. When you weigh out what your burn is per year as you build out, that capex you have, and I don't know what your amortization you put on it 12 to 15 years on that.

Mark Feest, CC Communications. Depends on the item, 20 on cable and 10 on some other things.

Commissioner H. Peter Olsen, Jr. That stuff in a 20-year horizon is this much against your…

Mark Feest, CC Communications. That's correct. It is also a reason why pushing NNE to getting as much in the ground as possible. It goes back to when you set a cabinet and it costs you $600,000, that's for your first 200 customers and then you set another cabinet.

Commissioner H. Peter Olsen, Jr. Good job. You guys are where you said you were going to be.

Mark Feest. CC Communications. It is important to know were ahead of where we said we were going to be on spending. That's been approved though.

Commissioner H. Peter Olsen, Jr. Noticed.

Mark Feest, CC Communications. I want to note, unforeseen challenges, inflation, and the pandemic had not started when this was approved. When the pandemic started, I didn't know that I expected inflation was going to be the result of a pandemic on construction materials. I would also like to note minimum order requirements, lead times and competitor strategy. We always knew there was another company saying they were going to build in Elko/Spring Creek also. They started saying it before we said we were going to start building there. I assumed that once they started building, they would stay away from us. There are thousands of homes in Elko/Spring Creek area. They appear to however, be building right on top of us. They have just started building. Everywhere they build, it's like they are following us. It's a very aggressive strategy, that forces you to compete on prices very early. I don't understand this strategy.

Commissioner H. Peter Olsen, Jr. Is this the outfit that is all talk and no go?

Mark Feest, CC Communications. Yes.

Commissioner H. Peter Olsen, Jr. Now they're going.

Mark Feest, CC Communications. Yes, now they're going. They are not only building on top of us, but they have also changed their color scheme to match ours on their billboards. It's very bizzarre. We think they are actually generating traffic to us, because we have the better website domains. We track where customers find us, and someone had mentioned from a sign that isn't our sign. Their strategy is different than what I had anticipated.

Then of course there are those existing service contracts. We are finding from businesses either they want our service or a couple months later they will tell us they are still in a contract for a year. If they tell us they are in a contract for a year, they end up calling a few months later because they hear from their fellow businesses how much better their internet is. We saw on the news this month that Frontier Internet was out in Elko, and it's right where were building.

The result for these unforeseen challenges, is early cash spend. We will need a cash management strategy that the board supports. In the previous, approval of this project, I had said it would be sometime around year three, we will need to borrow money in order to retain enough cash for operations. That day is going to come sooner unless we were to slow our construction, or we do still have the Elko County grant proposal hanging out there for $7.35 million dollars. Currently, NTIA published a list of companies and census blocks that the application was adequate. They said we have fifteen days if we already provide service in that census block to object to the application. After the fifteen days is up NTIA will provide ten days to the applicant to rebut. We have heard noting about it and there is nothing on their website. I sent them an email last Friday. I received a response advising that NTIA will not be publishing the objections. If the applied for census block receives an objection, you will be contacted and you will have the opportunity to rebut. The grant is supposed to be awarded on November 29, 2021. It's been fifteen days since objections. We may still be contacted if there was an objector. It is my firm belief there is no bonified objector to us. I have discussed it with Elko County. If that is awarded, it will certainly be an impact on our cash management strategy and push out or even obviate the need for a borrowing.

I do think we need to make some strategic decisions to react to the evolving environment, which is this company building right on top of us. It's something that would have to be resolved with confidentiality, but also with the boards support. It highlights the struggle sometimes of these meetings and my struggles in communications because this meeting is streaming. People are watching it and I don't know who is watching it. Delivering strategic information is just not optimal. I do have many ideas on how to combat what their strategy is, but I don't want to reveal it to them which is what we do in a public meeting. I can speak to a single commissioner to get feed back and stay within the budget that is approved and move forward. If a commissioner would like to have that one-on-one conversation, a commissioner can do that.

We have made adjustments already, in order to slow down cash burn. We're doing something called flower potting. As we go up the road, if you have not pre-signed up, we will not do a drop to you at this point. We have gotten much more aggressing on outreach, walking the neighborhoods, talking with the people. We will say if we go by you and you have signed up, we will come back when we come back, and your drop may not be free. We have never charged anyone for a drop on that size of a lot, but we're saying, and your drop might not be free. It's $800 to go from the street to their house. We're leaving it so, it can, we call it a flowerpot. You leave the hole there, so you can get back in and dig sideways. It saves $800 for each one that you pass. It delays an install of a customer.

We're working on partnering with that LTE provider in order to create that better funnel as we get to neighborhoods by doing the transition from LTE to us when the fiber gets there. We've enhanced our webpage to promote pre-signups more efficiently allowing people to do searches of their address. We've created various promotions and have enhanced the digital social media outreach, which has really created a buzz. Every time we have a new contact, we are tracking to see if they found out about us through a radio ad, billboard, construction sign, word of mouth, etc. We are focused on our outreached. We are also not micro segmenting neighborhoods. We are marketing in a different way to different neighborhoods in order to make the best use of the 75 to 100 days after service becomes available to new neighborhoods.

Commissioner H. Peter Olsen, Jr. What's the feedback from the people walking the neighborhoods?

Mark Feest, CC Communications. It is positive. I have personally walked three different neighborhoods there. I wanted to hear exactly what people say. One people don't answer their doors, and there is a lot of walking. As far as feedback, people do not like Frontier at all. If they can get Rise, they think it's a solid connection, but they might have a problem with the speed. Some neighborhoods can't get Rise at all. We created a new package to address the Rise package for people that are less than power users. We didn't expect we needed to design that package, but we have designed that package for that group of people. There is a lot of people that are excited the internet is coming to them and they sign up quickly. Then there is a lot of people who say they are, and you spend two months trying to contact them. For example, Summit Estates, the first neighborhood we were fully in and in 75 to 100 days we get to 90% penetration. We played a lot of phone tag with people.

Commissioner Justin Heath. Are you leaving a door knocker?

Mark Feest, CC Communications. Yes. We have a door knocker and there's actually a system with the door knocker and how the offer gets better over time both by door knocker and mailer.

Commissioner H. Peter Olsen, Jr. How does it get better over time?

Mark Feest, CC Communications. We have an unadvertised intro rate plan.

Commissioner H. Peter Olsen, Jr. If you don't get a response, you hang another one on the door.

Mark Feest, CC Communications. Correct. We target our 250/250 package which is a good package for a family with children. Our other packages include 500, 150 and an unadvertised 100.

Potential adjustment. We are revaluating our deployment strategy, which is by location. Should we be going out there, now that we are seeing a competitor start on top of us in this area, should we go four miles in that direction. Will they really follow us out that away? We are re-evaluating our location strategy.

Required pre-signups minimums. This means we break down Elko by neighborhoods and target the neighborhood by saying we need to get 50% of the neighborhood pre-signed up before we break ground in your neighborhood.

There are two ways to look at it, which provider is first to their door with a product that can be used. I'll note their product can't be used yet. They have done a lot of construction, but they are not tied into the internet. Once we saw that they started pulling permits and doing locates, we took a position to be first to the door. There is a second option through encourage churn introductory price offers, meaning slow your construction and don't worry about being first to the door. They don't have contracts and we don't have contracts. It's the Charter methodology and that is to encourage churn through introductory offers. We've never taken that approach but under the topic of potential adjustments, we are evaluating what that best course of action is. The second approach is better for reducing cash burn.

Broader consideration for opportunities. There are several broadband support mechanisms in the pipe that we need to know whether we should look at. Many will require some amount of cash match cost even to create applications. We may need to commit to partners such as tribes and local governments in the future. We may want to have a discussion next month on the cash report position and we will know if we got the grant and the boards feeling on the extended borrowing for new opportunities.

Factors that impact whether or not we are in the game for opportunities. It's really cash and cash management that is impacted by PILT, borrowing and assets that can be converted to cash as well as whether or not we get the grant.

That sums it up for this item.

Commissioner Justin Heath. Do you have to move anything for the traffic lights they are constructing in Fernley or are the boxes safe where they are at?

Mark Feest, CC Communications. I do not anticipate having to move anything for those lights.

Informational Only

Reports: General Manager Report:

1. Currently conducting review of non – core services and whether they align with future plans for CC Communications.
2. Switch Update evaluation:
    a. Cloud Switch
    b. New Soft Switch
    c. Switch as a service
3. Working with SO re: request for ALI database maintenance and operation
4. Evaluating OTT options, including DirecTV Stream product
5. HR
    a. Hired new Elko Tech

b. Hired new CSR due to employee departure

c. COO search has been rebooted. 1st round zoom interviews are being set up for three candidates.

6. New BLDG

   a. ETA on Certificate of Occupancy – November 18, 2021

      i. Employees that occupy 1750 W. Williams will move 19-21

      ii. Customer service, NOC, and Business Development are scheduled to be operating from new building on Monday November 22, 2021.

   b. Disposition of 50 W. Williams and Drumm BLDG outstanding

7. Cash Flow

   a. Eliminated $56,400/year in external marketing consult

   b. Eliminated $25,000 -$80,000 IPTV loss from outlying areas?

      i. If approved, next steps:

         1. Transition of outlying customers pursuant to FCC requirements and CX

         2. Evaluation of IPTV services to remaining customers. Potential additional $100,000 -$360,000 per year positive change to net income.

   c. Actively reviewing maintenance contracts for savings

      i. Commsoft

      ii. Juniper

   d. Actively reviewing software systems contracts for savings

      i. Connectwise Ticketing

      ii. Syniverse SS7 services

   e. Scrutinizing donations requests for savings

   f. Seeking options to retain create more value with respect to surplus property disposal

   g. Flower potting in Elko

   h. Re-evaluating remaining FTTH in Churchill County

Public Comment:

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

Adjournment:

The meeting was adjourned at 3:00 P.M.

APPROVED: ______________________

Greg Koenig, Chairman

APPROVED: ______________________

H. Peter Olsen, Jr., Vice, Chairman

APPROVED: ______________________

Justin Heath, Commissioner

Shelly Bunyard

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Shelly Bunyard, Administrative Assistant

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Mark Feest, General Manager/CEO