

**MINUTES OF THE CC COMMUNICATIONS MANAGEMENT**

**155 N. Taylor St., Fallon, NV 89406  
April 1, 2022**

**Call to Order:**

The regular meeting of the CC Communications was called to order at 9:00 AM on April 1, 2022.

PRESENT: Commissioner H. Peter Olsen, Jr.  
Commissioner Justin Heath  
Commissioner Gregory Koenig  
General Manager Mark Feest  
Chief Financial Officer Jamie Hyde  
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 March 2022 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:**

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.

**New Business:**

**A- Consideration and possible action re: Presentation of the 2022 - 2023 Fiscal Year Budget Workshop.**

Mark Feest, CC Communications.

Telephone Access Lines - I'm starting with this slide first because everything we do in the budget is based upon what happened here. The history on CC Communication is important as we look at what we will do in the future and how we budget. The slide only goes back to 2017. You see the core business that we had for one hundred plus years is gone. There won't be any revenue someday from that. Our investments and strategies have to address it. It's not just the revenue, at one time in our history 94% of people were able to get a phone from one place, which was by monopoly and federal law. We are now in a much different environment and that competition is what in large measure drives all of our decisions.

Commissioner H. Peter Olsen, Jr. That number was 9500 when I was first on the board in 2010.

Mark Feest, CC Communications. Yes. It has continued to decline after 2005. Next Slide

2022-2023 Budget Process – We really look at our competition and our target market and what we can do to make the complete transition away from the telephone company and dependent on those types of revenues for our budget.

Significant Factors Impacting Budget Process – These are in the order of importance.

A. Our development of Elko and Spring Creek revenue opportunities which then has our budget issue of our demand on cash.

B. Continuation of the Consumer Only Broadband Loop Support regulatory regime, which is stand alone broadband. CBOL has allowed the company to reverse internet losses and compete with the cable company. There is a further slide you will see that shows a big dip, prior to us being able to strip the telephone off.

C. Finalizing our Fiber-To-The-Home (FTTH) buildout, which is necessary to fully provide the stand-alone broadband service and competition and customer preference.

Significant Factors Impacting Budget Process From 2022-2023 Budget: TEL – From the Standpoint of TEL,

A. There is continued capital requirements for out of area FTTH projects. This impacts TEL because it's a pool of cash between all of the funds. We are now down to our last 5% of homes that are passed with copper. That demand on cash inside the county has been reduced. You will see that later in the TEL Capital Budget projects.

B. Continued customer preference for CBOL.

C. New Building Move

D. Changes to the regional long-haul landscape. A few years back when TRIC first opened, we were the first ones to get fiber into that data center because we were the only ones with fiber near the data center. That data center has driven all of the national carriers to now come in. That's why I'm bringing up changes to regional long-haul landscape.

E. Staffing requirements. Just coincidentally, if you look at our employee board, there is an overwhelming amount of people who are about to retire. It does impact our budget in TEL, because those technical employees are paid out of TEL and then the Broadband fund pays for those services.

Commissioner H. Peter Olsen, Jr. Where do we stand staffing wise? Are we shorthanded? I know you're identifying a seniority issue. Are we shorthanded on top of that?

Mark Feest, CC Communications. Yes, we have had job postings for Inside Plant Engineering for two solid years. In two solid years, we have never received an outside applicant. If you go to the NTCA website, which is the largest trade association that has over 750 rural companies, you will see their job board is loaded with Inside Plant Engineer job posting. The position needs to be developed in-house. It is probably a 5–7 year curve of us paying for training and not having a fully productive employee because they are in training.

Then the issues because of the pandemic, that promoted the great resignation. We have seen this occur and recently one employee that is a year into that training has resigned. Yes, we are shorthanded in those technical positions.

Commissioner H. Peter Olsen, Jr. Ok.

Mark Feest, CC Communications. E. Move of capital projects from TEL to CBB. Also, upcoming that is not in this budget, because it hasn't been created, but we are going to create another fund for the out-of-area service. That will then take on that capital expense budget for that out-of-area service. We are seeing now since we put that capital expense into CBB, the previously approved budget for Elko.

Mitigation: TEL – What have we been doing over the years to mitigate the telephone issue?

A. Efforts to increase revenues are to focus on Elko/Spring Creek; Partially grant funded projects and expanded marketing, especially digital advertising and social media. Just to note, this month we had a 25% increase in revenue from the Elko project. It requires massive, continued investment into that area, if we want to continue to see the revenue growth. For the last couple of months, revenue has been exceeding operating expenses.

B. Transition to CBOL to mitigate Local Service and Access revenue decreases. This will still continue. We are now at about 50% of our customers who are with Broadband only. From a regulatory perspective, they have created some incentives for when people do move to CBOL. There is a time lag for when you get those incentives.

Accomplishments –

A. We were the only company in Nevada to be awarded the NTIA BIP Grant. It was \$980 million dollars total pool. We are the only company in the state of Nevada that received a portion of that grant.

B. Chosen to partner with 52% of all tribal locations in the Tribal NTIA Grant. That accounts for 57% of the Nevada funds that will come to the state under the NTIA Tribal Grant. We were chosen as that partner. The other 48% and 43% of the funds and locations are divided between three companies. CC Communications was selected for approximately 3.5 times more locations and dollars than any other company. This shows where our strategy to mitigate these TEL losses is working and where money is going when we make capital investments.

Going back to your questions about staffing, Dave Tilley and I have worked 45 straight days, because of these grants and what's going on in Elko. We do have a candidate coming in, to add to the sales engineering group on April 10<sup>th</sup>. We've decided to have him come in for four days. He's been zoomed interviewed. This is more than just an interview. We will show him what the job is going to be. He will be shadowing Dave and will shadow the people who work in that department. We are really going to make sure we are making a good hire. There will be many Grants, something called BEAD, Reconnect 3 and Reconnect 4. The state will be spending their ARPA money in September. Over the next 3 to 5 years, Dave and I will not be working every single day of the year. Dave has already mentioned he will be retiring. Going back to staffing, it is a major issue.

Accomplishments (1) –

A. There is this program that WNDD is putting out there. The flyers are being sent to schools, etc. They are saying to go to this website to figure out what the speeds are in all of the counties. On the Statewide Speed Test, our customers are currently testing at more than twice the average speed of any provider in Elko; more than twice the speed of Charter in Fallon and Churchill County and is the highest speed recorded in Reno. Our average speed in Reno is 3x the

speed of Charter and 2.8x the speed of AT&T Business Fiber. We don't have a lot of customers in Reno. We have a few business customers in Reno because our point of presence is there. We can make drops around us without putting in any facilities really.

Accomplishments (2) –

A. On the Statewide speed tests, we have the highest speed in Yerington and it's 2x as fast as charter. Outside of Las Vegas, CC Communications is the only company with a returned speed test above 800 MBPS. We have been talking about becoming a broadband company, and it's happening. It will continue to require massive investments of money.

In Yerington we have fiber to the hospital, school, Wabuska and to the Onion Plant. Our fiber goes basically from the hospital out to Wabuska. The Yerington Paiute Tribal grant will serve both the colony and there is other property that is out towards Wabuska.

Commissioner Gregory Koenig. Do you do drops down Main Street?

Mark Feest, CC Communications. We do not install drops down Maine Street. It's just business customers on that route.

B. We are working on moving people over to CBOL. 50% of our customers are now on CBOL.

C. Revenue exceeds operating expense in Elko.

Mitigation: (TEL) (2) – This isn't really mitigation in the past. We have always tried to do expense control. It's not that we've abandoned it all, we have abandoned hope of expense control being anything more than deminimus. We will reopen COLA negotiations and see a significant upward of wage pressure with the Communications of America next month regarding their cost-of-living increase. Significant inflation specific to key inputs which obviously is fuel, because in construction you have a bunch of 6 mile per gallon vehicles pulling equipment all over the place and labor. Microprocessors have hit us really hard. They increased 28% from the time we received a quote and then we had to wait to purchase until the contract was signed. The fiber price has increased. The bigger issue with fiber is lead time and volume. You have to buy a massive volume, or the company will not assign that order to you. You end up spending a lot of money that would have previously been broken up into six-month chunks of spending. Conduit is the same as fiber on the ordering.

Significant Factors Impacting Budget Process: Broadband –

A. Broadband only plans taking off.

B. Anticipation of CAP Fund. We will have what we call the CAP fund. We will take out everything out of broadband and deregulated TEL and create a new enterprise fund that is out of area revenue and expense. It will be moved into a CAP fund which will make it clearer to look at and know how the revenue and expenses are flowing.

C. Staffing requirements. ISP Engineering will turn over 100% of current employees in 18 to 24 months.

D. Content cost increases in Digital Television.

E. Competition and downward pricing pressure.

Internet Growth – This slide shows internet growth. It’s a much better slide than telephone. You see in the start of graph a huge dip, that is when Charter, for the first time, walked neighborhoods. They knocked on every door repeatedly and offered a 12-, 24- or 36-month price lock. We figured out what to do to combat that, but part of it was that downward pricing pressure where we had to lower our prices. Since then, we have seen that upward trend. When we started Elko, that’s where you see a real upward trend.

Digital TV Growth – This will continue just like every place; subscription television and cable television will slowly go down.

Mitigation: Broadband –

- A. Developing and maximizing fiber assets outside of Churchill County.
- B. Enhancing the broadband customer experience.
- C. Move customers to higher bandwidth packages.
- D. Reduce trouble ticket labor through remote tools and training. This allows use to clear a ticket quicker and saves us money.

2021-2022 Annualized Compared to Budget – Telephone – Revenue and expense is up slightly. The revenue in TEL that is up, is not really TEL if you think about it clearly. Revenue in anything TEL goes down. Inside Churchill County we use the telecommunication system to provide broadband. Broadband has an expense that pays into TEL, that makes the revenue when you sell CBOL. More shows up here because it is offset in the broadband fund by the expense for paying TEL for using its network. It doesn’t indicate that the telephone business itself is healthy. It indicates the broadband business is healthy. If you didn’t get the CBOL money of \$1.5 million dollars, then \$1.5 million would be subtracted and you would see that TEL is actually going down.

Expenses are up less than revenue. We will project a net income increase. You will see a dramatic reduction in capital expense in TEL. That will be more than made up in broadband, in the new CAP fund. The PILT, which is the payment in lieu of taxes. When you look at the net income loss number, it is based upon additional transfer of prophet eliminated from expense regulated and deregulated.

Commissioner H. Peter Olsen, Jr. Why are we spending so much in capital in telephone?

Mark Feest, CC Communications. That was budgeted for last year. It’s a comparison and it was all fiber-to-the-home construction costs.

Commissioner H. Peter Olsen, Jr. Ok.

Mark Feest, CC Communications. All that’s left in fiber-to-the-home construction costs this year is a total of \$1.1 million dollars. That would be construction and electronics.

Commissioner H. Peter Olsen, Jr. That was buried in the TEL budget.

Mark Feest, CC Communications. Yes, it’s always in the TEL budget. That’s why broadband

purchases the service from TEL. It's an old regulatory thing. If we were a different type of entity, for instance a closely held corporation, we would have formed another corporation which was the broadband company as a subsidiary. It just because of the way our enterprise fund is.

2021-2022 Annualized – 2022-2023 Budget All Companies – The budget of all companies just shows you the projected increase in revenue and not a terribly high expected increase in expenses. It is all pretty much just a labor increase. The building bond is not put into the income statement. That is the payment on a loan. When you look at that net income on our balance sheet, you will have the debit. You have the debit on the balance sheet, but it doesn't reflect bond payments for the building or the bond that will become before the board for further expansion in Elko. From a cash flow perspective, it's not \$2.4 million but more in the neighborhood of \$1.4 million. Capital projects doesn't include previously approved items in Elko. This is just the budget to be approved today.

Estimated Income Current Budget Year 2021-2022 – This is just the estimated income of the current budget year.

Revenue by Company Budget Year 2022 – 2023 – This just shows you the revenue by company for the budget year. This is distorted because of the way the money paid over to TEL. We used to see before that was changed in our regulatory accounting before CBOL, TEL would shrink, and broadband would increase. The next year, when it was changed, we paid the money over to TEL and it went back to how it looked previously.

Capital Planning – This just tells you how we go about planning. The most important is the impact on cash that impacts our capital planning in our budget overall.

Telephone Capital Budget – This slide just breaks down the expenses in the telephone budget for capital. The central office is the electronic equipment that comes back and is plugged into. Underground fiber cable is the big difference because we are not doing that construction very much anymore.

Plans and Programs – We are going to continue to do the out of area deployment, in order to make sure the broadband trend line continues up. Churchill County is amazingly saturated with good broadband compared to Elko where they have no one that is offering over 20 MB. This is a very saturated market and the only opportunity for growth and has been for the last decade is getting customers from our competitor.

I do want to highlight the shift to digital media. We have someone who is working on the digital media for us now. I really like this because you can see how many people are clicking where. You can see if a particular digital media generated more clicks or did another one. We will be doing this a lot more, especially in Elko.

Summary – Revenue mix will continue to change from the activity and capital expense that generates it, will be a broadband item. We plan to focus on fiber-to-the-home in capital expenditures outside of the county. We will continue to refine broadband and TV offerings. We will increase in inter-group planning and communications. We will continue with our ongoing

planning to improve expense control and staff utilization. The biggest focus is staff utilization. This is the one thing I expected, when moving to one single building, was the opportunity to not make assumptions, but actually see. I think my assumptions were correct. We still have some areas questioning if the people are in their right places. Should we be incentivizing or in some way driving people to want to move into technical positions, since we are not getting applicants from the outside. Now that we have customer service sitting next to the NOC and IT & Engineering, we will have a much better flow transitioning into a technical position, which might take 5 to 7 years the employee to become fully competent.

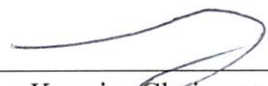
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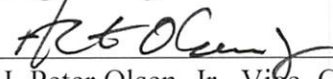
**Public Comment:**


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

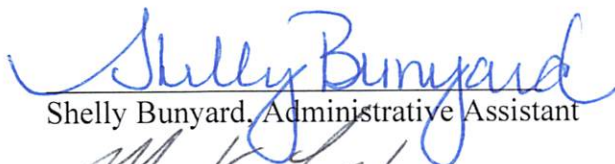
**Adjournment:**

The meeting was adjourned at 9:31 a.m.


APPROVED:   
Greg Koenig, Chairman

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

APPROVED:   
Justin Heath, Commissioner



Shelly Bunyard, Administrative Assistant

  
Mark Feest, General Manager/CEO