

# QLife Network

## QualityLife Intergovernmental Agency

### AGENDA

#### QLife Regular Board Meeting

Thursday February 17, 2011 4PM  
The Dalles City Hall, 313 Court Street  
2<sup>nd</sup> Floor Conference Room

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of January 18, 2010 QLife Regular Board Meeting Minutes
5. Financial Reports
  - a. January Financial Reports
  - b. List of Disbursements since Last Meeting
6. Action Items
  - a. Scholarship Criteria – note if CGCC receives the funds by March 31, 2011 for the scholarship, they have a dollar for dollar match grant.
7. Discussion Items
  - a. Financial Priorities FY 2011-12
  - b. Fiber to the Home Proposal
8. Reports
  - a. PUC Grants for Strategic Planning/Wasco County Broadband 10 year plan – Keith Mobley
  - b. Aristo Operational Management Report – John Amery
    - i. Status of redundancy/bisector project
    - ii. Other activities/issues
8. Next Meeting Dates:  
  
Budget Committee Meeting March 22, 2011 3pm  
Regular Board Meeting March 22, 2011 4pm
9. Adjourn

# QLife Network

## QualityLife Intergovernmental Agency

### MINUTES

#### QLife Regular Board Meeting

**Tuesday January 18, 2011 4PM**  
**The Dalles City Hall, 313 Court Street**  
**2<sup>nd</sup> Floor Conference Room**

#### Call to Order

The meeting was called to order by Vice Chair Dan Spatz at 4pm

#### Roll Call

In attendance: Scott Hege, Brian Ahier  
Absent: Erick Larson, Dan Ericksen  
Staff: Nolan Young, John Amery, Keith Mobley, Izetta Grossman  
Visitors: Paul Titus, PUD

#### Approval of Agenda

It was moved by Ahier and seconded by Hege to approve the agenda as presented. The motion passed unanimously, 2 absent.

#### Approval of December 21, 2010 QLife Regular Board Meeting Minutes

It was moved by Ahier and seconded by Hege to approve the Minutes of the December 21, 2010 Board Meeting. The motion passed unanimously, 2 absent.

#### Financial Reports

December Financial Reports – Young reviewed the financial reports noting that we have been very busy creating a challenge with the Network Management and the redundancy/bisector project budget line items. We will most likely need to do a budget amendment for these two line items. There are sufficient funds in contingency to transfer. Ahier commented that it was nice to see the letter of satisfaction for one of the loans. Young added that next year the second loan with MCEDD will be satisfied as well.

#### Action Items

Election of Officers it was moved by Ahier and seconded by Hege to reelect the existing slate of officers:

Dan Ericksen, President  
Dan Spatz, Vice President  
Eric Larson, Sec/Tres.

The motion passed unanimously, 2 absent.

#### Discussion Items

- a. Additional Space for QLife Racks at City Hall – Young reviewed with the board the current space and the upcoming needs of potential new customers as well as expansion of an existing customer. Young had talked with the City General Services Manager, determined there is available space, and requested the Boards authorization to proceed with negotiations with the City for the additional cost of the lease expansion and with the customers to expand their space. Spatz asked if this would be a capital contingency cost to remodel the space to fit QLife needs and Young said yes. Amery said he would work with the customers for cost sharing. It was the consensus of the Board for staff to proceed with negotiations.

- b. Survey of Broadband Coverage and Internet Availability- Wasco County Broadband Plan -Development of a QLife 10 year Strategic Plan; Mobley reported there is an opportunity to apply for PUC grant funds, so the timing is good for this project. The intent is to get grant funds to pay for this project at least in part. Young asked if it was the consensus of the Board to have Mobley proceeds with investigating grant opportunities with QLife investing \$10K as matching funds. It was the consensus of the Board for Mobley to bring back timelines and matching needs for the PUC grant.

Reports

- a. Undercrossing Sagging Wire – Paul Titus of the PUD reported that they had completed their work at the undercrossing E of Chenowith at I 84 . The scheduling took some time due to tenant needs of a customer. We can now schedule our wire to be raised. Amery will schedule this work.
- b. Status of Wi Fi RFP – Young reported that the City Council awarded the contract to Gorge Networks. Jim Schwinof is coordinating the project. Amery will be helping with the fiber build out. Mobley is handling the leases with building owners working with Gene Parker. The target completion is August. Titus informed the Board that QLife's current Pole Contract doesn't cover this new project and would like a separate pole contract. Young will check with the City Attorney to clarify if this new contract should be with the City or QLife.
- c. Aristo Operational Management Report – John Amery
  - i. Status of redundancy/bisector project – Titus reported that he had received the Engineers Pole analysis and believed he would be able to check that report by Feb. 9<sup>th</sup>.
  - ii. Other activities/issues – Amery reported that the one month notice that the BPA is requiring causes QLife some challenges working with existing and new customers.

Next Meeting Dates:

Regular Board Meeting February 17, 2011 4pm

Adjourn

Being no further business the meeting was adjourned at 4:55pm

Respectfully submitted by/  
Izetta Grossman, Recording Secretary

Attest: \_\_\_\_\_  
Erick Larson, Secretary/Treasurer

TO: Qlife Board  
 Nolan Young, City Manager  
 FR: Kate Mast, Finance Director  
 RE: Financial Report for QLIFE – **January 2011**

**BANKING:**

QLife monies are deposited into a separate bank checking account. We opened a Money Market Account in December 2008 that we transfer excess funds into when possible to earn interest.

The information below is a comparison of budget to actual revenues and expenditures for the month just ended by fund. This information is not audited, but is reviewed by the Finance Department for clarity and budget compliance.

58% of the year has passed.

Each fund exceptions narrative has four possible paragraphs; 1 - is the beginning balance, 2 - is new revenues, 3 - is expenditures and 4 - if present, is budget changes.

**Operations (600):**

BUDGET COMPARISONS

	<u>July 1, 2010 to January 31, 2011</u>			
	<b>Budget</b>	<b>Actual</b>	<b>Percentage</b>	
Beginning Balance	\$ 83,913	\$ 83,450	99.4%	* see below
Revenues	\$ 554,850	\$ 281,081	50.7%	
Expenditures	\$ 312,686	\$ 74,434	23.8%	
Transfers to Capital/Debt Fund	\$ 326,077	\$ 207,504	63.6%	
Cash at Month End	\$ 49,712.28			

Exceptions:

- 1) Beginning Balance: \* *The Beginning Balance figures used here have been audited. The actual audited beginning balance is slightly less than budgeted, but we have sufficient contingency to cover the shortfall.*
- 2) Revenues:
  - a. Customer user fees are at 57.3% for the year.
- 3) Expenditures:
  - a. E-Rates in the amount of \$3,064.32 have been received and paid out to date this fiscal year.
  - b. In order to track capital project costs more accurately, we are posting design and engineering costs related to projects that will result in additions to our capital assets

to the Capital Outlay line items so that those costs can be included in the valuation of those capital asset additions. We have moved those specific engineering costs (\$3,291.25) out of the QLife Agency Fund (600) Materials & Services category and into the Capital Outlay category in the QLife Capital Fund (601) in accordance with this new asset tracking process.

- 4) Budget Changes: No budget changes have been made to this fund this fiscal year.

**CAPITAL (601):**

**BUDGET COMPARISONS**

	July 1, 2010 to January 31, 2011		
	<b>Budget</b>	<b>Actual</b>	<b>Percentage</b>
Beginning Balance	\$ 145,576	\$ 138,832	95.3% * see below
Transfers In	\$ 326,077	\$ 207,504	63.6%
Revenues	\$ 71,000	\$ 58,762	82.8%
M&S / Capital Outlay / Other	\$ 350,704	\$ 52,821	15.1%
Debt Expenditures	\$ 191,949	\$ 127,717	66.5%
Cash at Month End	\$ 224,558.69		

**Exceptions:**

- 1) Beginning Balance: *\* The Beginning Balance figures used here have been audited. The actual audited beginning balance is less than budgeted, but we have sufficient contingency to cover the shortfall.*
- 2) Revenues:
  - a. We received the \$50,000 enterprise payment in January 2011.
- 3) Expenditures:
  - a. In order to track capital project costs more accurately, we are posting design and engineering costs related to projects that will result in additions to our capital assets to the Capital Outlay line items so that those costs can be included in the valuation of those capital asset additions. We have moved those specific engineering costs (\$3,291.25) out of the QLife Agency Fund (600) Materials & Services category and into the Capital Outlay category in the QLife Capital Fund (601) in accordance with this new asset tracking process. We have also moved specific engineering fees (\$6,821.00) out of the Materials & Services category of the QLife Capital Fund (601) and into the Capital Outlay category.
- 4) Budget Changes: No budget changes have been made to this fund this fiscal year.

City of The Dalles

FUND 600 QUALITYLIFE AGENCY FUND

ACCOUNT	DESCRIPTION	***** ESTIMATED	***** CURRENT ACTUAL	***** %REV	***** ESTIMATED	***** YEAR-TO-DATE ACTUAL	***** %REV	***** ANNUAL ESTIMATE	***** UNREALIZED BALANCE
300	BEGINNING BALANCE								
300 00 00		6,992	.00		48,944	83,450.11	171	83,913	462.89
300 **		6,992	.00		48,944	83,450.11	171	83,913	462.89
300 ***		6,992	.00		48,944	83,450.11		83,913	462.89
340	CHARGES FOR SERVICES								
341	GENERAL GOVERNMENT	0	.00		0			0	.00
341 **	GENERAL GOVERNMENT	0	.00		0			0	.00
344	UTILITY SERVICES	35,483	34,310.00	97	248,381	243,785.00	98	425,800	182,015.00
10 00	UTILITY SERVICE CHARGES	5,500	5,500.00	100	38,500	33,000.00	86	66,000	33,000.00
15 00	LSN CREDITS	187	450.00	241	1,309	900.00	69	2,250	1,350.00
20 00	CONNECT CHARGES								
344 **	UTILITY SERVICES	41,170	40,260.00	98	288,190	277,685.00	96	494,050	216,365.00
340 ***	CHARGES FOR SERVICES	41,170	40,260.00		288,190	277,685.00		494,050	216,365.00
360	OTHER REVENUES								
361	INTEREST REVENUES	66	49.38	75	462	331.65	72	800	468.35
361 **	INTEREST REVENUES	66	49.38	75	462	331.65	72	800	468.35
369	OTHER MISC REVENUES	0	.00		0			0	.00
00 00	OTHER MISC REVENUES	5,000	.00		35,000	3,064.32	9	60,000	56,935.68
20 00	E-RATE REIMBURSEMENT								
369 **	OTHER MISC REVENUES	5,000	.00		35,000	3,064.32	9	60,000	56,935.68
360 ***	OTHER REVENUES	5,066	49.38		35,462	3,395.97		60,800	57,404.03
390	OTHER FINANCING SOURCES								
392	SALE OF FIXED ASSETS	0	.00		0			0	.00
00 00	SALE OF FIXED ASSETS								
392 **	SALE OF FIXED ASSETS	0	.00		0			0	.00
390 ***	OTHER FINANCING SOURCES	0	.00		0			0	.00
FUND TOTAL	QUALITYLIFE AGENCY FUND	53,228	40,309.38		372,596	364,531.08		638,763	274,231.92

FUND 600 QUALITYLIFE AGENCY FUND		DEPT/DIV 6000 Q/LIFE/		*****CURRENT*****		*****YEAR-TO-DATE*****		*****		ANNUAL		UNENCUMB.	
BA	ELE	OBJ	DESCRIPTION	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBR.	BUDGET	BALANCE	%
SUB	OBJ	SUB	DESCRIPTION	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBR.	BUDGET	BALANCE	EDGT
66			EXPENSE-ACCOUNT										
660	02		FINANCIAL OPERATIONS										
	31	10	MATERIALS & SERVICES	1666	4091.50	246	11662	6906.16	59	.00	20000	13093.84	35
		15	ADMINISTRATIVE	416	.00	0	2912	.00	0	.00	5000	5000.00	0
		20	OUTSIDE PLANT MAINTENANCE	2333	.00	0	16331	750.00	5	.00	28000	27250.00	3
		90	OTHER SERVICES	1666	.00	0	11662	.00	0	.00	20000	20000.00	0
	32	10	AUDIT	483	950.00	197	3381	5600.00	166	.00	5800	200.00	97
		20	LEGAL SERVICES	500	1905.00	381	3500	3135.00	90	.00	6000	2865.00	52
		30	ENGINEERING SERVICES	1000	.00	0	7000	5670.00	81	.00	12000	6330.00	47
		30	NETWORK SYSTEM MANAGEMENT	3833	29493.50	770	26831	31788.30	119	.00	45000	14211.70	69
		50	SPECIAL STUDIES & REPORTS	0	.00	0	0	.00	0	.00	0	.00	0
	43	10	BUILDINGS AND GROUNDS	166	.00	0	1162	.00	0	.00	2000	2000.00	0
		25	NETWORK EQUIPMENT	383	.00	0	2681	1190.00	44	.00	4600	3410.00	26
		40	OFFICE EQUIPMENT	0	.00	0	0	.00	0	.00	0	.00	0
		71	SPLC UTILITY EQUIPMENT	0	.00	0	0	.00	0	.00	0	.00	0
		86	LINE MNTNCE & SUPPLIES	0	.00	0	0	.00	0	.00	0	.00	0
		87	UTILITIES LOCATES	83	.00	0	581	88.56	15	.00	1000	911.44	9
	44	10	OFFICE SPACE RENTAL	261	783.00	300	1827	1565.00	86	.00	3132	1566.00	50
	52	10	LIABILITY	458	5181.00	1131	3206	5181.00	162	.00	5500	319.00	94
		30	PROPERTY	25	.00	0	175	.00	0	.00	300	300.00	0
	53	20	POSTAGE	16	.00	0	112	53.87	48	.00	200	146.13	27
		30	TELEPHONE	40	31.00	78	280	243.00	87	.00	480	237.00	51
		33	LEGAL NOTICES	33	.00	0	231	240.00	104	.00	400	160.00	60
		54	ADVERTISING	83	.00	0	581	403.27	69	.00	1000	596.73	40
	57	10	PERMIT	33	.00	0	231	.00	0	.00	400	400.00	0
	58	10	TRAVEL, FOOD & LODGING	33	.00	0	231	.00	0	.00	400	400.00	0
		50	TRAINING AND CONFERENCES	16	.00	0	112	150.00	134	.00	200	50.00	75
		70	MEMBERSHIPS/DUES/SUBSCRIP	16	.00	0	112	.00	0	.00	200	200.00	0
		80	SCHOLARSHIPS	166	.00	0	1162	.00	0	.00	2000	2000.00	0
	60	10	OFFICE SUPPLIES	16	.00	0	112	.00	0	.00	200	200.00	0
	69	50	MISCELLANEOUS EXPENSES	41	.00	0	287	230.95	81	.00	500	269.05	46
		60	POLE CONNECTION FEES	633	289.08	46	4431	1889.08	43	.00	7600	5710.92	25
		70	RIGHT OF WAY FEES	1064	1000.05	94	7448	6284.25	84	.00	12774	6489.75	49
		80	ASSETS <\$5000	0	.00	0	0	.00	0	.00	0	.00	0
	02	**	MATERIALS & SERVICES	15463	43724.13	283	108241	71369.44	66	.00	185686	114316.56	38
	03	**	CAPITAL OUTLAY										
	74	20	TELECOMMUNICATIONS EQUIP	1666	.00	0	11662	.00	0	.00	20000	20000.00	0
	78	50	FIXED ASSET RECLASS ACCT	0	.00	0	0	.00	0	.00	0	.00	0
	03	**	CAPITAL OUTLAY	1666	.00	0	11662	.00	0	.00	20000	20000.00	0
	05	**	OTHER										
	87	00	DEPRECIATION EXPENSE	0	.00	0	0	.00	0	.00	0	.00	0
	05	**	OTHER	0	.00	0	0	.00	0	.00	0	.00	0
660	**	**	FINANCIAL OPERATIONS	17129	43724.13	255	119903	71369.44	60	.00	205686	134316.56	35
66	**	**	EXPENSE-ACCOUNT	17129	43724.13	255	119903	71369.44	60	.00	205686	134316.56	35





FUND 600 QUALITYLIFE AGENCY FUND		DEPT/DIV 9500 OTHER USES/ *****CURRENT*****		*****YEAR-TO-DATE*****		*****		*****		*****	
BA ELEM OBJ	ACCOUNT	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBR.	ANNUAL BUDGET	UNENCUMS. BALANCE	% BDDT
SUB	DESCRIPTION										
60	QLIFE FUND	0	.00	0	0	.00	0	.00	0	.00	0
81	62 IF PMT TO OTHER FUNDS	27173	29643.36	109	190211	207503.52	109	.00	326077	118573.48	64
83	10 ESD E-RATE	5000	.00	0	35000	3064.32	9	.00	60000	56935.68	5
05	** OTHER	32173	29643.36	92	225211	210567.84	94	.00	386077	175509.16	55
06	CONTINGENCY / UAFB										
88	00 CONTINGENCY	3916	.00	0	27412	.00	0	.00	47000	47000.00	0
89	00 UNAPPROPRIATED ENDING BAL	0	.00	0	0	.00	0	.00	0	.00	0
06	** CONTINGENCY / UAFB	3916	.00	0	27412	.00	0	.00	47000	47000.00	0
600	** ** OTHER USES	36069	29643.36	82	252623	210567.84	83	.00	433077	222509.16	49
60	** ** QLIFE FUND	36089	29643.36	82	252623	210567.84	83	.00	433077	222509.16	49
DIV	9500 TOTAL *****	36089	29643.36	82	252623	210567.84	83	.00	433077	222509.16	49
DEPT	95 TOTAL *****	36089	29643.36	82	252623	210567.84	83	.00	433077	222509.16	49
FUND	600 TOTAL *****	53218	73367.49	138	372526	281937.28	76	.00	638763	356825.72	44

City of The Dalles

ACCOUNT	DESCRIPTION	***** ESTIMATED	***** CURRENT ACTUAL	***** \$REV	***** ESTIMATED	***** YEAR-TO-DATE ACTUAL	***** %REV	***** ANNUAL ESTIMATE	***** UNREALIZED BALANCE
300	BEGINNING BALANCE								
300 00 00		12,131	.00		84,917	138,832.34	164	145,576	6,743.66
300 **		12,131	.00		84,917	138,832.34	164	145,576	6,743.66
300 ***	BEGINNING BALANCE	12,131	.00		84,917	138,832.34		145,576	6,743.66
330	INTERGOVERNMENTAL REVENUE								
331 90 00	FEDERAL REVENUES	0	.00		0	.00		0	.00
	FEDERAL GRANTS-MISC								
331 **	FEDERAL REVENUES	0	.00		0	.00		0	.00
330 ***	INTERGOVERNMENTAL REVENUE	0	.00		0	.00		0	.00
340	CHARGES FOR SERVICES								
344 20 00	UTILITY SERVICES	1,750	.00		12,250	8,761.25	72	21,000	12,238.75
	CONNECT CHARGES								
344 **	UTILITY SERVICES	1,750	.00		12,250	8,761.25	72	21,000	12,238.75
340 ***	CHARGES FOR SERVICES	1,750	.00		12,250	8,761.25		21,000	12,238.75
360	OTHER REVENUES								
369 00 00	OTHER MISC REVENUES	0	.00		0	.00		0	.00
10 00	ENTERPRISE ZONE PAYMENT	4,166	50,000.00	1200	29,162	50,000.00	172	50,000	.00
369 **	OTHER MISC REVENUES	4,166	50,000.00	1200	29,162	50,000.00	172	50,000	.00
360 ***	OTHER REVENUES	4,166	50,000.00		29,162	50,000.00		50,000	.00
390	OTHER FINANCING SOURCES								
391 40 00	OPERATING TRANSFERS IN	0	.00		0	.00		0	.00
90 01	IF PMT FROM OTHER FUNDS	27,173	29,643.36	109	190,211	207,503.52	109	326,077	118,573.48
	QLIFE OPERATING FUND								
391 **	OPERATING TRANSFERS IN	27,173	29,643.36	109	190,211	207,503.52	109	326,077	118,573.48
393 10 00	PROCEEDS- LT LIABILITIES	0	.00		0	.00		0	.00
	LOAN/BOND PROCEEDS								
393 **	PROCEEDS- LT LIABILITIES	0	.00		0	.00		0	.00
390 ***	OTHER FINANCING SOURCES	27,173	29,643.36		190,211	207,503.52		326,077	118,573.48
	FUND TOTAL Q LIFE CAPITAL FUND	45,220	79,643.36		316,540	405,097.11		542,653	137,555.89



SUB	SUB	DESCRIPTION	BUDGET	ACTUAL	%EXP	BUDGET	ACTUAL	%EXP	ENCUMBER	ANNUAL BUDGET BALANCE	UNENCUMBER. BALANCE	% BDT
60	05	QLIFE FUND										
600	05	OTHER USES										
	84	15 RSRV FOR SYS IMPROVEMENTS	8333	.00	0	58331	.00	0	.00	100000	100000.00	0
	20	RSRV FOR CO EXPANSION	1666	.00	0	11662	.00	0	.00	20000	20000.00	0
	05	** OTHER	9999	.00	0	69993	.00	0	.00	120000	120000.00	0
600	**	** OTHER USES	9999	.00	0	69993	.00	0	.00	120000	120000.00	0
60	**	** QLIFE FUND	9999	.00	0	69993	.00	0	.00	120000	120000.00	0
66		EXPENSE-ACCOUNT										
660	06	FINANCIAL OPERATIONS										
	88	00 CONTINGENCY / UAFB	1143	.00	0	8001	.00	0	.00	13717	13717.00	0
	89	00 UNAPPROPRIATED ENDING BAL	0	.00	0	0	.00	0	.00	0	.00	0
	06	** CONTINGENCY / UAFB	1143	.00	0	8001	.00	0	.00	13717	13717.00	0
660	**	** FINANCIAL OPERATIONS	1143	.00	0	8001	.00	0	.00	13717	13717.00	0
66	**	** EXPENSE-ACCOUNT	1143	.00	0	8001	.00	0	.00	13717	13717.00	0
DIV	9500	TOTAL *****	11142	.00	0	77994	.00	0	.00	133717	133717.00	0
DEPT	95	TOTAL *****	11142	.00	0	77994	.00	0	.00	133717	133717.00	0
FUND	601	TOTAL *****	45216	35708.46	79	316512	180538.42	57	.00	542653	362114.58	33

QLIFE - LISTING OF FINANCIAL TRANSACTIONS

FUND: OPERATING 600

FISCAL YEAR: 2010-11

PERIOD DETAIL FROM: 1/14/2011 TO: 2/14/2011

Revenue:	Billed as of	<b>1/20/2011</b>	connection chgs	450.00
	QLife Monthly Billings		BILLING DONE ON THE 20TH	34,310.00

TOTAL: **34,760.00**

Expenditures:				
Gorge.net		Phone		31.00
NWCPUD		Pole Contracts		5,949.20
Aristo		Retainer August-December		10,000.00

TOTAL: **15,980.20**

FUND: CAPITAL 601

FISCAL YEAR: 2010-11

PERIOD DETAIL FROM: 1/14/2011 TO: 2/14/2011

Revenue:

TOTAL:

Expenditures:				
Columbia River Bank		Commercial Loan/Interest		11,494.11
Mt. Hood Econ Alliance		Loan Payment		3,683.30
Commstructures		Bisector/Redun		16,847.75
JJ & L Excavation		19th Street - conduit		5,206.50
Aristo		Bisector/Redun		16,847.75

TOTAL: **54,079.41**

LSN CREDITS

5500

# QLife Network

QualityLife Intergovernmental Agency

INVOICE SUMMARY	1/20/11	
TOTAL CUSTOMERS INVOICED		17
TOTAL AMOUNT INVOICED	\$34,310.00	

# QLife Network

QualityLife Intergovernmental Agency

INVOICE SUMMARY	1/20/11	
TOTAL CUSTOMERS INVOICED		1
TOTAL AMOUNT INVOICED	\$450.00	

# QUALITYLIFE NETWORK INTERGOVERNMENTAL AGENCY POLICY

## Financial Priorities for Fiscal Year 2011-12

*DRAFT*

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### Purpose:

The purpose of this policy is to establish a prioritization of expenditure of funds for the QualityLife Network Intergovernmental Agency prior to each Fiscal Year's budget preparation.

### Primary objective

The primary objective is to provide general direction for the QLIFE Budget Committee in establishing the annual budget and to make public the general intentions of QLIFE in regard to potential monetary reserves of the Agency.

### Section I.

#### Policy

It is the policy of the QLIFE Board that expenditures of revenue not *specifically* committed to another purpose through grant or loan agreements or other contractual obligations shall be budgeted in the following priority:

1. Normal maintenance and operating costs of the QLIFE Agency as determined appropriate through the budgeting process.
2. Amounts needed for annual debt retirement responsibilities of the Agency incurred through formation of the Agency or by the construction of the original plant, or any expansions of that plant.
3. Up to \$20,000 for upgrading and replacement of the electronics of the system to always maintain agreed-upon capacity for QLife customers.
4. A cash reserve or contingency equal to one month's customer billing to maintain a minimum cash balance in the operating fund.
5. Up to \$15,000 for unexpected system plant repairs or alterations. Budgeted in Outside Plant Primary-
6. Up to \$20,000 to assist new customers with build out of connection. Budgeted in Outside Plant Secondary.
7. Create a reserve for future expansion, modernization, or replacement of system
8. ~~Hire marketing and sales consultant to expand the business.~~
98. The creation of a reserve to engineer and extend fiber optic service to other parts of Wasco County.
109. Develop a reserve equal to 1 year's loan payment (\$138,000)



~~- \$46,000 per year to create a reserve in three years~~

~~- \$34,500 per year to create a reserve in four years~~

~~- \$27,600 per year to create a reserve in five years~~

10. An amount to retire additional debt of the Agency not yet due.
11. The creation of a local Technology grant programs for public and non-profit organizations. The rules for expenditures from this fund will be established by the Board, subject to the approval of all partners to the agreement.
12. ~~Develop a reserve equal to 1 year's loan payment (\$138,000)~~  
~~\$46,000 per year for three years~~  
~~\$34,500 per year for four years~~  
~~\$27,600 per year for five years~~

## **Section II.**

### **Amendment of this policy**

This policy may be amended at any time by action of the Board.

## **Section III.**

### **Conflict with annual budget process**

If anything in this policy conflicts with the annual budget process as outlined in the Intergovernmental Agreement (IGA), the IGA will take precedence. The partners to this agreement may approve an initial budget and work scope or an amended budget and work scope that varies from this policy by an affirmative majority vote of the Boards of all partners.

Amended and approved by QLife Board March 15, 2011

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Dan Ericksen, President

# Qlife FTTH Overview

## Fiber To The Home Study

By John Amery

Aristo Networks LLC

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# What is FTTH

FTTH (Fiber To The Home) is a term used when bringing Fiber Optic cable all the way to a house for residential services. Usually the fiber is terminated at the house and then either copper cabling or wireless is used throughout the house to provide services to different devices and rooms throughout the house.

## Purpose of this Whitepaper

The purpose of this whitepaper is to provide a better understanding of both the benefits and challenges of a QLIFE FTTH project.

Also, it is my personal opinion that we can develop a successful FTTH project for The Dalles. However, in order to do so we need to think outside the box.

If we are successful in creating a successful FTTH project, the benefits to residents extend far beyond simply faster Internet. I believe that we will develop services that benefit our local schools, local government, and most importantly will bring additional jobs to the area.

## **Why use Fiber instead of Copper?**

The main reason to bring fiber all the way to the house is because you don't have the distance/loss characteristics that you have with copper. You also have "unlimited" capacities with fiber. Okay, there are limits, however, it will likely take many years before our needs surpass a 1 gigabit connection. Also, when this day does come, you can simply plug in a different optic at each end and wallah, you have 10 gigabit services.

Services such as DSL and Cable that run over copper lose throughput capacity the further their distance.

Also, services that run over cable use electrons, while fiber uses light. Light is not affected by things like RF signals, so (assuming you properly built your fiber plant without sharp bends or poor splices) you have a true guaranteed level of service because you control all the elements. With cable products, you can not control things like rogue RF Interference and moisture.

Utilizing normal CAT5e Ethernet cabling, you can typically run up to 300 feet for a gigabit connection. This is why it makes sense to run fiber to a home, and then run CAT5E (copper) cabling throughout the home (similar model to how businesses typically wire their network plant).

## **Why use Copper instead of Fiber?**

This is simple.... Because it is already there.

If we were starting from scratch today, without any infrastructure, it would be silly to install Cable Plant. The basic installation costs of installing fiber vs copper cable are very similar. However, because we already have existing copper plant in place, the incremental cost of additional services over copper versus the cost of brand new fiber plant are very different.

# **Competitive Products**

## ***Understanding DSL***

Most residential DSL services utilize ADSL (Asymmetric Digital Subscriber Line). This means that the download speed to the customer is much faster than the upload speed back from the customer. This makes sense in most situations as an end consumer will usually download much more data than they upload. For example when watching a movie online you download the entire movie, however, you only upload a small amount of data (protocol and tracking information which allow the movie service to operate properly). However, there are situations where a home consumer might want to upload large amounts of data. For example, video conferencing.

DSL technologies have been improving immensely over the last couple of years. Theoretically, using the new ADSL2+ standard, DSL can serve up to 24 mb/s download speed over 1.25 miles, and possibly even further with extenders. However, in reality, these theoretical limits are usually not met due to other real world factors (connection points (punch blocks), cable diameter, moisture etc.).

## ***Understanding Cable***

Compared to DSL, cable broadband does not experience the severe constraints regarding distance and bandwidth, but still is not as good as fiber. In fact, fiber is often used throughout cable plant to extend the systems capacities to neighborhood nodes. One of the challenges of cable is that local regions share resources, thus the network activities of your neighbor (the bandwidth hog next door) could affect the ability for you to stream your latest netflix movie.

Cable technologies have also been improving immensely over the last few years. DOCSIS 3.0 is the latest standard which allows bonding of channels for considerable bandwidth capabilities. As of the end of 2010, the fastest deployment in North America is expected to be Videotron's announced 120 Mbit/s download / 30 Mbit/s upload service in Quebec City (per wikipedia).

## ***Understanding Wireless***

Similar to Cable, Wireless shares network resources for a neighborhood. However, due to FCC regulations, open spectrum wireless capacities fall very short of Cable capacities. Wireless is a competitive product in the 3 megabit range, but as customer expectations rise, wireless capacities will fall short. The ability for wireless to even provide a 10 megabit service to many customers at once (Point to Multipoint) is quite hampered, and will definitely fall short against the 24 megabit capacities of DSL or the 120 megabit capacities of Cable.

## ***Municipal FTTH Projects***

How does it pan out financially??? This is a loaded question that I will go into more detail further on. However, the short answer is that it just plain doesn't.

There are many different estimates for average cost per house in a FTTH project. The reality is that these estimates vary widely from \$1200 to upwards of \$10,000. There are so many factors in these estimates that it really requires an in depth study to truly determine a good estimate per house.

I will say this however, The Dalles has a number of things going for it that should make our cost per household reasonable compared to other areas:

1. Qlife... Since we already have a fiber optic loop in place and operational, the basic core of our network is already there (and paid for).
2. Overhead lines vs underground. Overhead lines are immensely less expensive to deploy FTTH projects than underground services. While The Dalles does have areas of underground only services, the majority of our areas are serviced by utility poles.
3. Recent improvements on installation methods. There have been great improvements on FTTH installation materials over the last few years. You can now pre-build cable drops that are stored in the air. When it is time to hook up that cable, a less skilled installer can simply extend the fiber plant over to a house without any splicing required.

Because of these factors I am going to guesstimate our Cost Per Household at \$2,500. In reality, if we are really serious about FTTH, we need to perform a detailed analysis in an effort to firm up this number.

There are primarily two models for Municipal owned FTTH projects:

1. Wholesale Model
2. Full Service Provider Model

### ***Wholesale Model***

If a municipality does not want to compete with the local providers (ISPs), they will use a Wholesale Model.

Under a wholesale model, Qlife would own (and pay for) the fiber to each household. Providers would then be allowed to use this fiber to deploy their services to the end customer. The problem with a basic wholesale model is that it just doesn't pan out financially.

Let's say the average installation costs \$2,500. How much is Qlife going to charge the providers to use their fiber?

Consider the following:

1. You can get high speed Internet (1.5 – 3 mb/s) starting at around \$30 / month.
2. You can get high speed Internet and Voice starting at around \$55 / month.
3. You can get a triple play service for around \$90 / month.

Thus, to really incentivize the current providers to use qlife fiber instead of their current infrastructure (Wireless, DSL, and Cable) we need to charge a very low rate (say \$20 - \$25), and even then, providers are going to use their own infrastructure when ever they can.

But at \$25 / month, we might not even cover the interest on our loans.

### ***Full Service Provider Model***

Because of the obvious financial implications of the wholesale model many municipalities have instead chosen the Full Service Provider Model.

Under the Full Service Provider Model, the municipality would sell (Triple Play) Internet Services, Voice Services, and Video Services (TV) in competition to the current providers.

The theory goes as follows:

Since the municipality is offering services over fiber optics instead of copper, their services will be that much better (More HDTV Channels, Faster Internet, and better quality VOIP) such that they will pick up the bulk of the market share making their FTTH project profitable.

The problem is that these municipalities did not consider how the other service providers would respond. Do you think that large cable Companies and Telcos (companies that have been in this business for many years) are going to just pack up and leave? Not a chance!!!

These municipalities have been plagued with legal challenges and price wars. Remember the current providers already have infrastructure in place, so it is much cheaper for them to offer basic services.

Most Municipalities that have chosen the Full Service Provider model have found their market penetration to be considerably lower than originally estimated. And as such, most of these systems are struggling financially.

### ***The problem with most FTTH Implementations***

I believe the reason that all these Municipal FTTH projects are failing is because the Municipalities never understood the real benefits of FTTH.

I personally have two Internet connections at my house. I have a 3 mb/s connection from one provider and an 8 mb/s connection from another. While working off my 3mb/s connection, I am sometimes disappointed with my ability to accomplish things on line, but with my 8 mb/s connection, I rarely am disappointed. Over an 8 mb/s connection I can stream videos faster than my computer (an older laptop) is capable of processing it.

So, this begs the question ***Why do I need a gigabit connection into my house when an 8 megabit Internet Connection is plenty fast?***



The answer to this question lies in thinking "Outside the box". The real question you need to ask yourself is ***"What could we do if we had a gigabit connection in every household of The Dalles?"***

You see the problem with all the failed municipal FTTH programs is they thought like "Corporate America" instead of thinking like a Municipality. They assumed that the only thing you need a Fiber Connection into your house for is for "Triple Play" services.

What these municipalities failed to realize is that there is a fourth product. Let's call this product "Local Community".

# What Could we do if we had a gigabit Connection in every household of The Dalles

These are some of the things I came up with:

- Parents could view their children live in the school room
- MCMC could deploy "Wellness" Channels
- Radio Stations could move to a visual media
- We could watch live high school sporting events
- Home At Last could develop an Adopt a Pet Channel
- Realtors could have Housing Market Channels
- Plumbers could have plumbing Channels
- The College could offer online courses

Okay, you get the idea... But wait there's more

What about Tele-commuting (I know this sort of thing can be accomplished with a VPN or Citrix, but it would work so much better if we had fat pipes into every household)

- Doctors could look at MRI's or log into Medical Records from Home
- Business Owners could log into their book keeping systems at work

And What about Kids

- High Speed Gaming Networks

New Business Ventures

- 2 way video medical diagnosis
- 2 way Checkups with elderly people

As you can see, if you have a gigabit connection into every household, it does not have to be used just for Internet.

# **What Qlife could do to make our FTTH Project successful**

## ***Quick Time Streaming Server***

I believe a key component towards a successful FTTH project is installing a platform that others can build upon.

If QLIFE put a video streaming server in place such that others in the community could easily use, I believe we would see all sorts of local content coming up through the woodwork.

It should be noted that there are two types of Video servers. "Real Time Streaming" and "VOD (Video On Demand)". With a Real Time Streaming server you do not store the video content. All data is "live" data. Thus, the costs of deployment are very small. With a VOD server, you store all the video files. Users can select archived video files on demand, and the costs of implementation and operations are considerably higher.

With all the infrastructure in place, it would be easy for others in the community to create local "high resolution" channels with a basic video camera and home grade computer (mac).

With a Community Video streaming server, local residence could simply access streaming "channels".

## ***Develop a good Incentive Plan for providers to use Qlife's FTTH***

The absolute key to a successful FTTH project is setting up the project such that current service providers can make money over it.

The first thing we need to understand is how our current service providers think. After all, each provider has different plans and capabilities:

## **Current Service Providers in the Area**

### **Charter Communications**

Technologically speaking, Charter Communications is in a very good position right now. They are the only provider currently servicing the "Triple Play"

solution over their own network. They also have the ability to serve the highest residential bandwidth Internet Connections. However, this technology has not come without financial challenges. In November 2009 Charter's bankruptcy plan was approved. As such, they are probably in better financial position to move forward today than they were a couple of years ago, however, I believe that finances are still a challenge for them.

Convincing Charter Communications to utilize Qlife fiber will be quite a challenge. They would like to own their own fiber (and overlying network) so that they can control how things operate. They would also not like to invest in anything that might give their competitors a chance to technologically catch up. Charter Communications is also a National Provider which means that they already have a corporate plan in place that includes much more than just The Dalles. It is challenging for them to operate "Out of the Box" as it requires changing their Standard Operating Procedure for just The Dalles area.

Thus, I believe that Charter Communications will not be one of the first service providers to convert to Qlife fiber.

### **Century Link**

Century Link is the current ILEC for The Dalles region. They are also a national provider with corporate plans that include much more than just The Dalles area. Century Link is currently partnering with DirectTV to provide VOD services. I believe that they will eventually move towards a model that provides their video over DSL rather than through a satellite dish. Century Link has the challenge of not being able to technologically keep up with Charter Communications in terms of potential future Internet Speeds simply because of the DSL vs Cable technical reasons listed previously. If left on their own, Century Link would probably put FTTH on a case by case scenario just to competitively keep up with (or surpass) Charter Communications.

I believe that Century Link will be the most difficult provider to convert to Qlife fiber.

### **Gorge.net**

Gorge.net was really the first local ISP in The Dalles. As such, they have a very large and faithful following. Gorge.net currently offers the following services to home consumers:

- VOIP
- Wireless Internet
- DSL Internet

The challenge for Gorge.net in the future will be competing against the VOD projects of Charter and Century Link.

I believe that Gorge.net would be very interested in partnering with Qlife if we can put forth a model that would help them to be successful.

Partnering with Qlife would future proof Gorge.net for many years to come.

### **QNECT.net**

QNECT.net is a relative newcomer into the Service provider arena. They offer the VOIP as well as Internet Services. However, their entire service offerings are over wireless infrastructure, and as such I believe will have difficulties competing in the future with the higher bandwidth requirements.

I believe that in order for QNECT to be successful in the future, they need to find solutions such as a QLIFE FTTH project. Thus I believe they will be very willing to partner with QLIFE.

### **Volume pricing structure**

One of the keys towards a successful incentive plan is to reward the companies the most that support you the most. i.e. Volume discounts. One possible solution might be:

- 1<sup>st</sup> 50 customers at \$50 / Month
- Next 50 customers at \$45 / Month
- Next 50 customers at \$40 / Month
- Next 50 customers at \$35 / Month
- Next 50 customers at \$30 / month
- Next 50 customers at \$25 / month
- Each additional customer at \$20 / month

Following this model a service provider would have to have 300 FTTH customers before they reached the lowest rate of \$20 / month, and they would be bringing a total of \$11,250 / month of revenue to Qlife before they reached that lowest rate.

### **Payment for local Installation Costs**

One way to design a FTTH project is to pre-build all the fiber terminations on Utility poles, and when it is time to hook up a new customer, you simply send a bucket truck out to the new customer's house, and connect that already spliced through fiber to their house.

Qlife has four options for who could perform this last leg of work:

1. A contractor from Portland
2. A Full Time Qlife Employee
3. A new local Contracting company
4. The Service Provider who is installing the new customer.

I believe we could develop a plan where Qlife actually paid the Service Provider for the last leg of the Installation. We have to pay someone to do this work, and Service Providers already have an infrastructure in place to roll out technicians on-site for residential customer hookups.

This payment could offset some of the Service Providers costs for a new customer, thus, providing additional incentive to use Qlife's FTTH.

## ***Develop a new Class of Service Provider***

Currently we think of Service Providers as entities that provide Internet, Voice, and Video. However there is an entirely different type of Service Provider available to Qlife. This new Service Provider would be "Local Businesses".

Would Google be willing to pay \$50 / month for an employee to have a gigabit connection into their plant (or possibly the Internet)?

Would MCMC be willing to pay \$50 / month for an employee to have gigabit connections into their network?

Would a small business be willing to pay \$50 / month to have gigabit connections into their office?

I believe the answer is yes to all of the above.

If you think about it, this model is identical to the current Qlife model. We could simply charge \$50 / month for a vlan connection into a household.

Perhaps this would be a deciding factor for companies such as Insitu to set up shop in The Dalles.

## ***Shared CDN Services***

Another factor that would help Service Providers utilize a Qlife FTTH project would be a shared CDN (Content Delivery Network) service.

Companies such as Akamai, Digital Island, Cidera, Ibeam, and Loral offer services to large ISPs to reduce the network requirements on those Large ISP's backbones.

They do this through the use of Proxy Caching Servers and Satellite Dishes.

Consider the following. Every time a user watches a Netflix movie, the ISP is required to pay for that user's bandwidth to their upstream provider. Now, if 100 users have watched the same movie, that means the ISP was required to pay for the same data 100 times. Instead, if the ISP could have made a local copy of that data stream, they could have saved the costs of 99 additional downloads.

The challenge is that the costs of setting up these caching services are expensive, and as such, companies that perform these services really only work with the Largest ISPs.

I believe that if we could leverage all of the ISPs in The Dalles (or even possibly the Gorge) region, that we could possibly develop some CDN services over Qlife.

If we could accomplish this, then it would be much easier for ISPs to provide higher speed services over Qlife, and as such, the residents of The Dalles would be the primary benefactors.

## ***Intelligent Phased Build-out***

It should be noted that the cost per unit of putting FTTH into an apartment building is much lower than the cost of putting FTTH into a house.

Also, as previously mentioned, the costs of deploying FTTH on overhead utility poles is much lower than deploying underground.

A smart build-out plan could include "cherry picking" the easier areas. Once an established working system is in place, some homeowners in harder to reach areas might be willing to help out with the additional installation costs.

## **In Summary**

In summary I believe that the community of The Dalles is the true winner if Qlife successfully deploys a FTTH project. However, it requires thinking outside the box, and not just focusing on "High Speed Internet".