

QLife Network

QualityLife Intergovernmental Agency

AGENDA

QLife Regular Board Meeting

Thursday, March 17, 2016 6:30 pm
The Dalles City Hall, 313 Court Street
2nd Floor Conference Room

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of the February 25, 2016 Meeting minutes
5. Discussion Items
 - a. Insurance Coverage and rates
 - b. Financial Priorities and Capital Improvement Plan

6. Executive Session (as necessary) In accordance with:

An executive session may, in the discretion of the presiding officer, be called based on one or more of the following: ORS 192.660(2)(a) Consider employment issues; (2)(e) Real property; (2)(f) Consider exempt records or information; (2)(g) Competitive trade or commerce negotiations; (2)(h) Consult with counsel re litigation; (2)(m)(D) & (E) Discuss information regarding security of telecom systems and data transmission.

7. Next Meeting March 31, 2016 6:30 pm
8. Adjourn

QLife Network

QualityLife Intergovernmental Agency

MINUTES

QLife Regular Board Meeting

Thursday, February 25, 2016 6:30 pm
The Dalles City Hall, 313 Court Street
2nd Floor Conference Room

Call to Order

The meeting was called to order by President Larson at 6:31 pm

Roll Call

In attendance: Erick Larson, Scott Hege, Taner Elliott

Staff in attendance: Administrator Nolan Young, Secretary Izetta Grossman, Technical Manager John Amery, Attorney Keith Mobley

Approval of Agenda

It was moved by Hege and second by Elliott to approve the Agenda as submitted. The motion carried unanimously, 2 absent.

Spatz arrived at 6:33

Approval of the January 21, 2016 and February 9, 2016 Meeting minutes

Hege noted that Dan Bubb from Gorge.net had been in attendance at the January 21 meeting and had asked clarifying questions regarding the rate structure that should be reflected in the minutes. It was moved by Hege and seconded by Elliott to approve the minutes of the January 21, 2016 meeting as amended and the February 9, 2016 meeting as presented. The motion carried unanimously, 1 absent.

Financial Reports

Young reviewed the Financial Report saying customer revenue will meet projection. Spatz asked about the Capital Outlay line item being higher than actual. Young said that was due to cost sharing with customers for line extensions.

Hege asked what the interest rate was on the LGPI account. Young said he believed it was 0.55%.

Hege asked if QLife was being reimbursed for the work done as a result of the BPA transformer move. Young said QLife would bill the transformer mover for reimbursement. Grossman said there were outstanding bills not reflected in the report.

Hege noted that Administration line item was almost expended, with \$900 left. Young said the Maupin project transfers had not been done yet.

Discussion Items

Capital Improvement Young thanked Eric Orton of Commstructures and John Amery of Aristo for the work done on the Capital Improvement Plan. Young said he would recommend holding off on the Downtown Bypass project until the City determines the Granada Block Redevelopment plan and streetscape. He said the East Bisector project requires engineering.

Young said the East Bisector project was out a year or two. He said he felt the plan met the board goal of having a long term Capital Improvement Plan in place.

Amery recommended that electronics be upgraded as needed.

Spatz said he felt Big Eddy was the best colocation plan.

Larson asked about the lack of support from EdgeCore on the electronics in the past.

Amery said the reseller had great customer service, but there had been a challenge with the manufacturer. He said the issue had been resolved just not in a timely manner. He said he liked to keep a spare on hand and the price had been great.

Larson wondered if the company would be around long term.

Larson said MCMC had a cabinet that might be helpful for the East Bisector project

In response to a question Amery said that regen customers don't service people in the area, they come in to regenerate signal. He said it might be possible to have them move from City Hall to Big Eddy colocation.

Hege asked about the Downtown Bypass. Amery said the system was reaching capacity, and remote connections can free up capacity by moving from City Hall. Hege asked about maximum capacity. Amery said 144 fiber went east and looped west. Amery said lit fiber service could serve multiple customers. Larson said a strand instead of a pair was possible.

Hege asked about cost benefit, return on investment of \$300,000 colocation. Amery said preparation for growth. Young said there was a customer coming from the east. Young said there are two approaches, build in anticipation or wait for specific need.

Larson said level local customers at City Hall and move long haulers to Big Eddy makes sense.

Young said the generator at City Hall was maxed out, and there was \$100,000 in the budget to purchase one. If the colocation space was created there would not be a need for the generator.

Larson asked if Hege would be more comfortable if a financial evaluation was done prior to moving forward. Hege said he would like to see the project fleshed out first.

Young said the draft budget was being fleshed out, not enough time to give that kind of detail. Young said choices were to work on Capital Improvement Plan or hang on to reserves. He said one capital project could be done each year over a number of years.

Amery noted that there was a lot of activity in the industry and it would be difficult to get splicers in this year.

Action Items

Approve Administration Plan : Hege reported that the City and County had met and the County agreed to take on the Administration and Secretarial duties of QLife. He said the County was working on a plan and hoped to be ready when Nolan finished up at the end of March. He said he felt the Board could act as project managers for the Maupin project. Young said Eric Orton would be managing the buildout.

Hege said the County was beefing up their IT staff and could manage QLife.

Hege said the financial part would stay with the City.

Appoint Budget Officer

It was moved by Spatz to appoint Kate Mast Budget officer as of April 1. The motion died without a second.

It was moved by Spatz and seconded by Hege to appoint Kate Mast as Budget Officer, contingent on approval of the City Manager. The motion carried unanimously.

Executive Session:

Larson recessed the meeting into Executive Session at 7:25 pm

The meeting was reconvened to Open Session at 8 pm

It was moved by Spatz and seconded by Hege to direct staff to sign a contract with Commstructures to proceed with design work on the Maupin project in an amount not to exceed \$69,862, contingent on acceptable and adequate letters of intent from customers for the project. The motion carried unanimously, 1 absent.

Reports

Aristo Operational Management Report Amery reported that the issues with the core switch were remedied with a reboot. A customers customer had an issue, it was determined the issue was not with QLife systems.

Next Meeting Dates:

Special Maupin Project update Meeting March 17, 2016 at 6:30 pm
Regular Board Meeting March 31, 2016 6:30 pm

Adjourn

Being no further business the meeting was adjourned at 8:15 pm

Submitted by:
Izetta Grossman
City Clerk

Signed: _____
Brian Ahier, Secretary/Treasurer

AGENDA STAFF REPORT
QUALITYLIFE INTERGOVERNMENTAL AGENCY

TO: QLife Board of Directors
FROM: Nolan K. Young, Administrative Staff
DATE: March 11, 2016

ISSUE: Property Insurance for outdoor plant.

BACKGROUND: The Board had previously asked that we investigate purchasing insurance to cover our overhead and underground fiber lines. Currently we only cover our equipment. Attached is the estimate. The total property insurance would cost \$6,218 for the year.

The total value of our assets is about \$5.4 million. The insured value is \$2,953,000. The reason the replacement value on this quote is less than the \$5,379,290 estimated value is because they do not include the engineering cost, contingency, pole costs or excavation costs. They will pay replacement value in the event of a loss up to the limit. Below is a summary of the proposed insurance.

City Hall increased business personal property value and premium – \$189,932 replacement value limit, \$226 annual premium, \$500 deductible (includes \$27,602 for Electronic Data Processing Equipment and Media)

St. Mary's business personal property– \$86,110 replacement value limit, \$128 annual premium, \$500 deductible

Overhead Fiber Lines – 57.9 miles, \$1,521,000 replacement value limit, \$2,765 annual premium, \$25,000 deductible

Underground Fiber Lines – 5.8 Miles, \$1,432,500 replacement value limit, \$3,099 annual premium, \$5,000 deductible

The current policy has property coverage for:

City Hall business personal property – \$119,974 replacement value limit, \$142 annual premium, \$500 deductible (includes \$27,602 for Electronic Data Processing Equipment and Media)

BUDGET IMPLICATIONS: If we purchased the coverage for this year we would need to transfer \$6,218 from the operating fund contingency and budget the same amount for FY2016-17.

BOARD ALTERNATIVES:

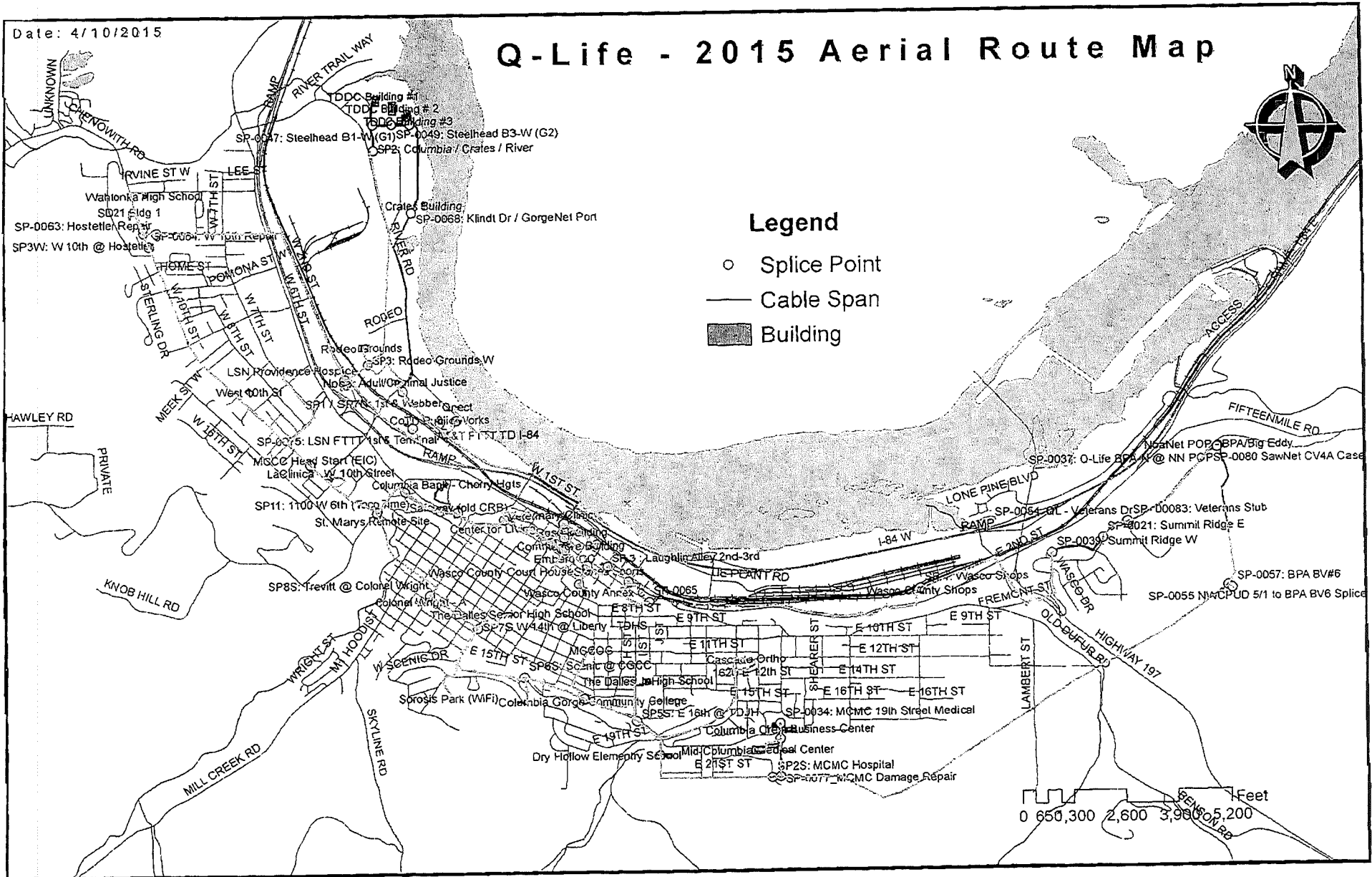
1. **Staff recommendation:** Direct staff to purchase the proposed coverage for \$6,218 and prepare a budget amendment to transfer that amount from contingency and budget the purchase for 2017 in the FY 2016-17 budget.
2. Decline to purchase the additional insurance this year and budget it for purchase in FY 2016-17.
3. Decline to purchase the additional insurance.

Date: 4/10/2015

Q-Life - 2015 Aerial Route Map



- Legend**
- Splice Point
 - Cable Span
 - Building



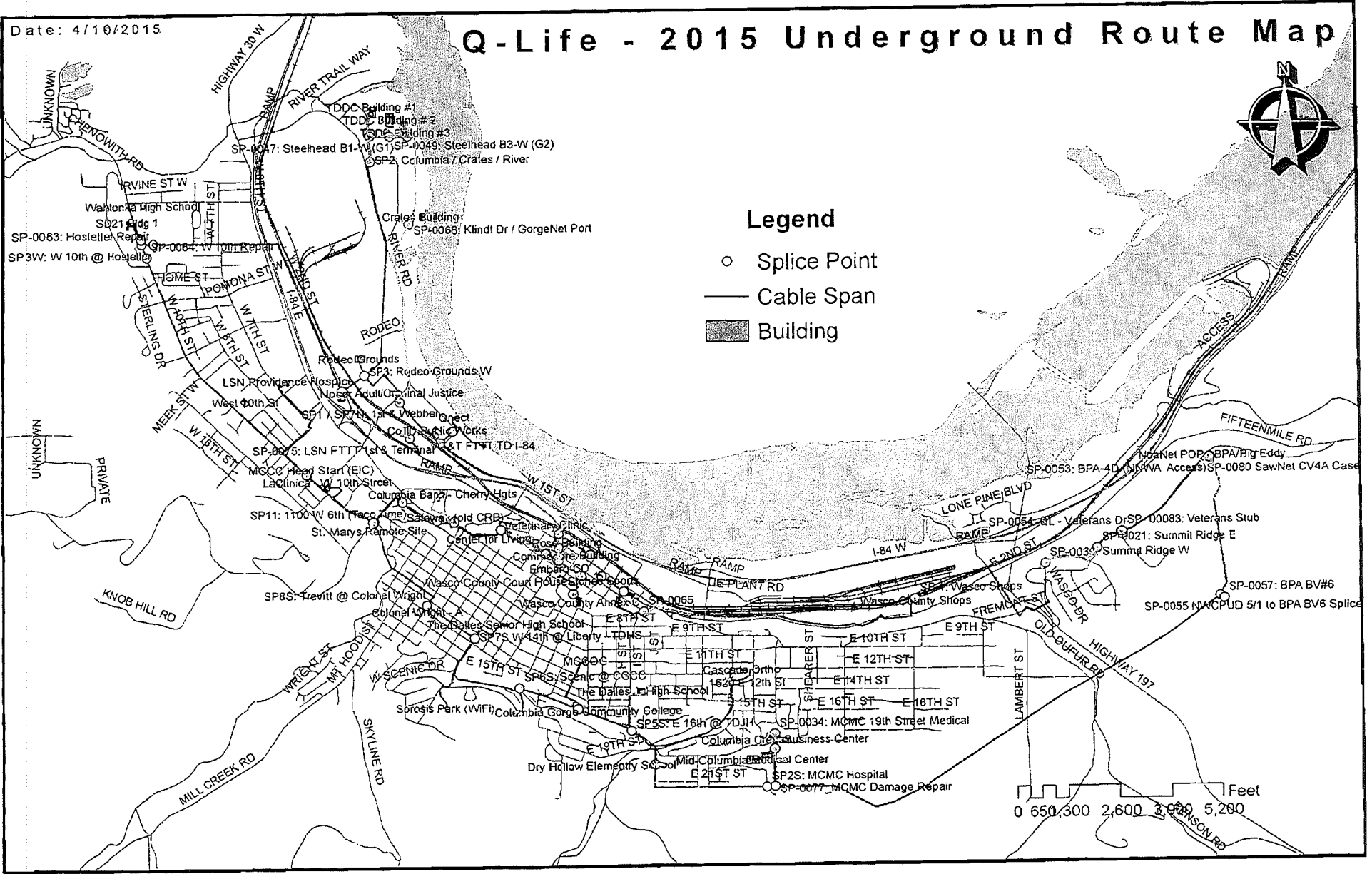
Date: 4/10/2015

Q-Life - 2015 Underground Route Map



Legend

- Splice Point
- Cable Span
- Building



1 Feet
 0 650 1300 2600 3900 5200

AGENDA STAFF REPORT
QUALITYLIFE INTERGOVERNMENTAL AGENCY

TO: QLife Board of Directors

FROM: Nolan K. Young, Administrative Staff

DATE: March 10, 2016

ISSUE: Adoption of Fiscal Year 2016-17 Financial Priorities

BACKGROUND: Each year the Board adopts Financial Priorities to guide the preparation of the Budget. Attached is staff's recommended list.

This year we have used this proposal to prepare a draft budget. The proposed numbers are based on that Budget. We estimate that once we meet the routine costs and recommended contingencies and inappropriate balances that we have \$1,167,584 for discretionary spending: \$844,045 in carry over funds from FY 2015-16 and \$323,539 in new revenue.

We are proposing we budget these funds to the following items. We have provided a brief description and financial analysis of each item. Further detail on the capital improvements can be found in the CIP report distributed with the last packet.

1. New Service Lines (\$40,000): We are proposing to double the \$20,000 we have been budgeting for customer service lines cost sharing to \$40,000 to meet the new policy of paying for line extensions for Participant customers. Typically we recover these investment within the first year.
2. CIP Item #1 Downtown By-Pass project for (\$76,000). This project is needed to allow the system use to grow. If this money was retained it would only earn \$521 per year, about one month's revenue from a single new customer.
3. CIP item #2 is to build additional collocation space near Big Eddy (\$232,000). This will meet the need of a new customer who has confirmed interest and allows us to move our customers using City Hall for regeneration to this site freeing up space for us and customers in our current facility. This project will allow us to cancel the \$100,000 planned for this year to purchase a QLife generator for City Hall. If we do not spend the additional \$132,000 for this project these funds would earn an annual interest rate of about 0.6866% or \$906. The first year customer revenue would be 10,200 (\$400/mo for collocation and \$450 for fiber access). The new facility could be use for at least 10 additional racks for an additional \$48,000 or a total of \$58,200 per year. The \$132,000 investment could be recovered in just over 2 years

4. CIP Item #3 Downtown Metro Loop (\$120,000). Project may go over into FY 2017-18. This project will allow us to use the new alternative pricing model. One loop could bring in \$19,200 per year. Once we sell just over 6 loops for a year we would recover our investment. The interest earnings if we do not invest in this infrastructure would be about \$824.

5. Reserve for System Improvements (\$540,000). These are the funds not currently needed for QLife operations, Debt retirement Contingencies or special projects in CIP. We propose that we reserve an amount, and 10% of the estimated replacement cost of the outdoor plant. Any amount beyond that is considered available for Distribution to the QLife sponsors

Total FY 2016-17 Available Reserve.	\$699,456
Reserve equal to 10% of current system value (\$5.4 M)	\$540,000

6. Potential distribution to Partners **\$159,456**

OPTION #2

Reserve includes next year's CIP projects

Reserve equal to 10% of current system value (\$5.4 M)	\$540,000
FY 2017-18 CIP: East Bisector Project	\$186,000
Sub-Total	\$726,000
Short by	\$26,544

BUDGET IMPLICATIONS: The proposed financial priorities create a balanced budget.

BOARD ALTERNATIVES:

1. **Staff recommendation:** Adopted the proposed Financial Priorities.
2. Amend and the adopt the proposed Financial Priorities
3. Delay action to allow for further research.

QUALITYLIFE NETWORK INTERGOVERNMENTAL AGENCY POLICY Financial Priorities for Fiscal Year 2016-17

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.

Maupin Broadband System:

The Maupin Broadband System will be budgeted in a separate self-sustaining fund and will not be covered by these Financial Priorities. It will have its' own Financial Priorities.

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:

A. Routine Costs:

1. Normal maintenance and operating costs of the QLIFE Agency as determined through the appropriate budgeting process.
2. Amounts needed for annual debt retirement responsibilities of the Agency.
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. \$18,000 for annual pole line audit, associated repairs and tree trimming
6. Up to \$15,000 for unexpected system plant repairs or alterations in addition to contingency. Budgeted in Capital Fund: Outside Plant Primary

B. Discretionary Costs:

7. Up to \$40,000 to assist participants and new customers with build out of new connection (budgeted in Capital Fund: Outside Plant Secondary).

8. CIP Item #1 Downtown By-Past project for. (\$76,000)
9. CIP item #2: build additional collocation space near Big Eddy. (\$232,000)
10. CIP Item #3 Downtown Metro Loop. Cost estimate. (\$120,000)
11. Reserve for future expansion, modernization, or replacement of system equal to 10% of current \$5.4 million replacement value of outdoor plant. (\$540,000)
12. Financial distribution to City and County of equal amounts (Estimated at \$159 K)

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 17, 2016

Erick Larsen, QLife President

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Beginning Balances ¹	1,014,461	730,400	736,112	741,995	748,055	754,297	760,726	767,348	774,168	781,193	788,429
Local Line Charges	675,380	695,641	716,511	738,006	760,146	782,951	806,439	830,632	855,551	881,218	907,654
Misc. Revenues	34,800	35,844	36,919	38,027	39,168	40,343	41,553	42,800	44,084	45,406	46,768
Total Revenue	710,180	731,485	753,430	776,033	799,314	823,293	847,992	873,432	899,635	926,624	954,423
Insurance	15,372	15,833	16,308	16,797	17,301	17,820	18,355	18,906	19,473	20,057	20,659
Maintenance/Operation	140,085	144,288	148,616	153,075	157,667	162,397	167,269	172,287	177,455	182,779	188,263
Tech Management	68,000	70,040	72,141	74,305	76,535	78,831	81,196	83,631	86,140	88,725	91,386
Administration	66,200	68,186	70,232	72,339	74,509	76,744	79,046	81,418	83,860	86,376	88,967
Total Operating Expend.	289,657	298,347	307,297	316,516	326,012	335,792	345,866	356,242	366,929	377,937	389,275
Funds Available	1,434,984	1,163,539	1,182,245	1,201,512	1,221,358	1,241,798	1,262,852	1,284,538	1,306,874	1,329,880	1,353,577
Contingencies	128,400	132,252	136,220	140,306	144,515	148,851	153,316	157,916	162,653	167,533	172,559
Unappr. Ending Balance	62,000	63,860	65,776	67,749	69,782	71,875	74,031	76,252	78,540	80,896	83,323
Debt Service	-	-	-	-	-	-	-	-	-	-	-
CIP Projects	448,000	206,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
System Reserve	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000
Total Reserves²	159,584	221,427	340,249	353,457	367,061	381,073	395,505	410,370	425,681	441,451	457,695

Notes: After "Total Revenue" Insurance are line .52-10; Management is line .34-30; Administration is lines .31-10 thru .31-20 and .32-20; Maint./Operations is all other lines in Material and Service under "Debt Service" System Expand/Rplc. are lines (601) .34-10 thru .43-86 and .76-20 thru .76-30 and (600) .74-20

QLife Administrative Projects

(March 7, 2016)

I. Current Administrator's Projects and Tasks to March 31st.

Project 1: Maupin Regional Solutions (RS) Project:

Task #1: Develop New Project Concept and Business Plan with LSN for Board approval (March 17th)

Task #2: Obtain letter of intent from Gorge Networks (March 17th)

Task #3: Sign contract for and start final design and construction documents (March 17th)

Task #4: Sign Agreement with LSN for Project (March 31st)

Task #5: Pole Contact Agreement with Waco Electric Cooperative (March 31st) (Keith)

Task #6: Finalize Use Agreements with ISPs (March 31st)

Task#7: Sign ROW agreement with City of Maupin for QLife's Middle mile (March 31st)

Project 2: FY 2016-17 Draft Budget (March)

Task #1: Prepare Draft Financial Priorities with new CIP Projects (March 17th)

Task #2: Prepare Operational/Business justification for each CIP Item (March 17th)

Task #3: Prepare Draft Budget numbers. (March 31st)

Task #4: Prepare Draft Budget Document (March 31st)

Project 3: Consider policy regarding balance between system reserves and potential distribution to partners.

Task #1: Develop information on historic trends for 5 years. (March 17th.)

Task #2: Develop alternative models. (March 31st)

Project 4: New Collocation Space:

Task#1: Prioritize Options presented to Board; Big Eddy area selected as preferred option. **DONE**

Task #2: Identify interest of potential tenants (March 17)

Task #3: Develop business case and present to Board (March 17th)

II. New Administrator's Projects and Tasks.

Project #1: Maupin Regional Solutions (RS) Project:

Task #1: Handle all Grant administration and draw downs for State of Oregon grants in Coordination with Maupin...

Task #2: Monitor Engineering for Design and Construction.

Task#3: Final design and construction documents (Erik Orton by April 2016).

Task #4: Build system. Erik Orton Project Management (May – Sept. 2016).

Project 2: Consider policy regarding balance between system reserves and potential distribution to partners. (April)

Task #1: Review work done by prior Administrator.

Task #2: Review alternatives and make recommendation to Board.

Task #3: Board adoption Policy that is used to help set financial priorities for Budget

Project 3: Develop a capital improvement plan (CIP) that looks at equipment replacement, system weaknesses and opportunities for expansion. (April/May)

Task #1: Prioritized CIP presented to the Board. **DONE**

Task #2: Review timing and value of each improvement through budget process.

Project 4: New Collocation Space: (April)

Task#1: Prioritize Options presented to Board; Big Eddy area selected as preferred option. **DONE**

Task #2: Identify site options with budget

Task #3: sign interested tenant to letter of intent

Task #4: Design new POP

Task #5: Construction new POP

Project 5: Final Approved Budget.

Task #1: Amend draft budget in response to projects 2, 3 and 4 (May 2016).

Task #2: Budget committee approval (May)

Task #3: City and County Approval (June)

Task #4: Board Adoption (June 23rd)

III. Optional Project:

Project #1: Review current Policies and bring in line with new Mission Statement, Values and pricing models.

QUALITYLIFE INTERGOVERNMENTAL AGENCY
doing business as
“QLife Network”
Budget Process for 2016-2017 Fiscal Year
Budget Schedule
as of February 26, 2016

<u>Activity</u>	<u>Date</u>
Board appoints Budget Officer and Committee member(s) as needed	January 28, 2016 (Th)
Board reviews and considers amendment of current Financial Priorities Policy	February 26, 2016 (Th)
Publish First Notice of Budget Committee Meeting – 2 nd notice on website (not less than 8 or more than 14 days prior to Public Hearing)	April 16, 2016 (Sun) (submit by Wed)
Budget Officer sends out proposed 2016-2017 Budget	April 17, 2016 (Th)
Budget Committee meets <u>12:00</u> PM and:	<u>April 28, 2016</u> (Th)
1. Reviews, amends and approves the proposed 2016-2017 Budget.	
2. Forwards the approved Budget to the City of The Dalles and Wasco County for review and comment.	
3. Sets a public hearing on the budget document in compliance with ORS 294-920. <u>Set for May 26, 2016 – 4th Thursday in May.</u>	
County Commission approval QLife Budget at their regular meeting prior to QLife Board Public Hearing on budget – 9:30 AM	May 4, 2016 (W)
City Council approval of QLife Budget at their regular meeting – 5:30 PM	May 9, 2016 (M)
Publish Notice of Budget Hearing (not less than 8 or more than 14 days prior to Public Hearing)	May 15, 2016 (Sun) (submit by Wed)
Public Hearing at <u>12:00</u> PM on budget document before QLife Board of Directors (QLife IGA, section 1.3.7) and enact resolution adopting budget for period July 1, 2016 – June 30, 2017.	May 26, 2016 (Th)
File copy of adopted budget with County Clerk and OR Dept of Revenue together with copies of before July 15, 2016 required notices and adopted resolution (ORS 294.930 (2)) <i>(Optional)</i>	

NOTE: All meetings are at 12:00 PM (noon) unless otherwise stated.