

AGENDA and NOTICE OF MEETING  
CITY OF HIGHLAND  
TELECOMMUNICATIONS ADVISORY BOARD

CITY HALL

1115 BROADWAY

MONDAY, February 11, 2013

7:00 P.M.

ROLL CALL:

Members present: Chairman George Marron, Vice Chairman Jon Boulanger, Board Member Sharon Rusteberg

Additional attendees: City Manager Mark Latham, HCS Director Dan Kennedy, Director of Electric Dan Cook, Councilman Neill Nicolaides, City staff members Tracey Robinson and Kathleen Mulcrone

CALL TO ORDER:

Chairman Marron called the meeting to order at 7:03 p.m.

MINUTES:

Board Member Sharon Rusteberg stated at the bottom of the first page, Section A, second paragraph, first sentence, "of" should be removed between the words 'average' and 'revenue.' On the second page, third sentence, Rusteberg noted that the word 'out' should be removed between the words 'into' and 'how.' On the second page, Section B, seventh sentence (9 rows down), the word 'to' should be removed between 'totaled' and '\$6 million.' Also, on the second page, Section C, second sentence, the word 'firm' should be added between the words 'telemarketing' and 'in.' Finally, on the third page, Section C, second paragraph, eighth sentence, the words "to allow" should be added between the colon and 'HCS.' Mulcrone noted the changes in the January 14, 2013 Telecomm Meeting Minutes. Rusteberg made a motion to approve the changes. Boulanger seconded the motion; all in favor.

REPORTS:

A. List of Customer Sign Ups and Installs

Director Kennedy reported that HCS has 1,154 sign ups. Per HCS' billing system report, HCS is billing approximately \$80,000 per month. Rusteberg noted that February's billing increased by roughly \$20,000 since December. Kennedy stated that HCS conducted an internal audit last month. The audit revealed unbilled revenues and various discrepancies. As a result, HCS is now auditing every customer and service. In addition, while transferring over to the new billing system, HCS discovered errors in the

data. These errors were noted and corrected in the system. Kennedy stated that through the audit, HCS was able to recover licenses in the system. Now, HCS has the ability to recoup licenses so that they can reuse the existing licenses. HCS found roughly 70 licenses which can be re-used; at \$37 per license, this is a cost savings.

#### B. Update on Gigabit Initiative Grant

Kennedy reported there is no news on the Gigabit Initiative grant. Latham stated that he made some inquiries about the grant to a few state representatives. Latham contacted Senator McCarter to look into the status of HCS' application. So far, Latham hasn't heard back from Senator McCarter.

#### C. Customers Active-831

Kennedy reported 831 active billed customers. Kennedy: "In the next 6 weeks, HCS will focus on the deployment of HCS services to rental properties in the community." Kennedy mentioned that HCS will not be installed in all of the properties because several of the rental units are located in unserviceable areas. Kennedy stated that by solidifying business relationships with community rental property developers, he feels confident that HCS will hit their goal of 1,200 subscribers by the end of April 2013.

#### D. Budget

##### a. Budget Options for 2013/14

Kennedy reported that City staff will review HCS budget options this week. Kennedy stated that for fiscal year 2013/14, HCS funds will be very limited without the assistance of the Gigabit Initiative Grant funds. Kennedy: "The goal was for the grant to help assist with costs and would be the push to put HCS in the black sooner."

Unbilled city department revenues will also be defined and discussed at the budget meeting. Kennedy explained that these revenues are items HCS is currently not billing to other city departments based on the services HCS is providing to them. However, moving forward, HCS will start charging for these services. Kennedy stated that, "At some point, we will have to start to catch up in terms of pricing. Right now, there is an average 10% increase on costs on video content. In the future, HCS will have to look into ways to deal with the increase of costs. Right now, we are fine."

Latham suggested finding ways to increase the amount billed per (existing) customer as another avenue for revenue. Kennedy agreed: "If we add services /upgrades for each customer, that's an additional \$5/month per customer. The potential revenue for this is a minimum of \$20,000/year." Rusteberg asked what a customer could receive for \$80/month. Kennedy explained that an individual could purchase all 3 services for \$60/month. However, HCS has noticed that a lot of customers purchase larger bandwidth internet packages and then subscribe to Netflix. Kennedy noted that there are simple add-ons, such as customers upgrading to HD or purchasing movie channel packages, which could increase the average customer monthly bill by \$5 or more. Kennedy plans to start selling services/upgrades to existing customers soon.

After last month's meeting, Kennedy spoke with the City Attorney about City Council approving the Telecommunications Advisory Board's recommendation for HCS to utilize incentives. The City Attorney stated that City Council won't have to pass a resolution to do so. However, the HCS will have to document their decision to approve incentives and detail the types of incentives that the Board approved.

Kennedy mentioned that HCS has been receiving requests on providing virus protection. Kennedy looked into a company which offers this service; however, he will have to do additional research.

Marron asked whether HCS would be able to offer a cloud service for data backup. Kennedy stated that the company he researched regarding virus protection also offers cloud service. Kennedy: "The good news is this service is not limited to only HCS customers. We could provide this service to everyone." Kennedy is looking into options with small cost-adding services and low operational costs.

In terms of HCS' budget, Kennedy projected that HCS will lose money over the next 4 years, if the project doesn't grow. Kennedy recommended that by adding another 600 customers (which would take HCS to 1,800 customers); there would be a lower cost to HCS to accomplish that task. Kennedy: "If we can steadily add approximately 50 customers per month, this would allow us to meet that point where HCS would come to cash flow." Kennedy noted that his budget projections reflect the inclusion of making bond payments.

There was some discussion about municipalities who have implemented similar telecommunication systems. One of them is located in Crawfordsville, IN. They are currently looking for buyers. Kennedy stated that their staff has discussed visiting HCS to ask for advice on how to reduce some of their costs. Rusteberg asked whether this was the telecommunication service that the Telecomm Advisory Board visited that was falling apart and having marketing problems. Boulanger responded that it was the same organization; the department had a lot of competition and not a lot of city support. Kennedy reported that: "Despite all of these setbacks, Crawfordsville has continued to grow 10% each year. Even without the use of marketing, they have roughly 2,500 customers. Their average RPU is \$51 and they don't have voice service. If they added voice service, it would put them pretty much over the top. But they didn't make those decisions."

Kennedy spoke with Scott Bowles today who said that the telecommunication service in Auburn, IN is doing well. The service has a good engineering staff and they are also using their building as a data center for storage. Rusteberg asked Kennedy whether HCS has considered looking into something similar. Kennedy stated that HCS has approached a couple of companies about taking rack space in HCS' facility. Kennedy approached a group out of Chicago (that has a service similar to Groupon) which is looking for space that isn't downtown St. Louis, MO. Kennedy believes HCS would be a good fit for them since HCS offers the same services/functions and located 30 miles from St. Louis.

Kennedy explained that, in the past, HCS has had issues with AT&T regarding fax services and card readers. Approximately 6 weeks ago, with the help of Big River, HCS was able to determine that AT&T has been dropping HCS' voice service traffic by roughly 20%. At first, AT&T denied that this was happening. Kennedy took his concerns to the highest level possible at AT&T. Kennedy saved a voicemail

from AT&T confirming that they are aware that they have been dropping HCS' traffic; even though, at first, they denied this. AT&T also stated there is nothing they can do about the problem right now. Kennedy reported that HCS is asking for monetary compensation from AT&T. Kennedy believes this is very fair because AT&T denied any wrongdoing at first and HCS has spent a considerable amount of time in terms of troubleshooting, testing, using overtime hours, etc.

Rusteberg asked Kennedy whether he had found a company which could help customers forward their old email address to new ones. Kennedy stated that, since the last meeting, he has researched the market and could not find a service that has these capabilities.

#### E. RF Overlay

Kennedy reported that work on the RF Overlay is complete.

#### Adjournment

Boulanger entertained a motion to adjourn the meeting. Rusteberg seconded the motion. All in favor. The meeting adjourned at 7:37 p.m. Next Telecomm Advisory Board meeting will be March 11, 2013.