

Missteps in Municipal Broadband BVU Authority Case Study

In the early years, Bristol, Virginia's municipal broadband network was hailed as the shining light of the government broadband movement.¹ Today, the authority, now known as BVU, is under the cloud of a federal criminal investigation with several leaders either convicted or facing charges of serious crimes.

BVU started with good intentions. Originally, the fiber-optic network was designed to connect eight utility substations,² and later expanded to connect schools and other municipal offices. Some city leaders, however, had a bigger vision: to create a broadband system that would compete with established providers in the open market by soliciting city and county residents as paying customers. BVU originally envisioned an open access network open to all broadband providers, but interest was weak. Despite concerns expressed by residents and business leaders about the risks Bristol would take on with its own municipal system, City Council moved forward and issued the city-backed bonds needed to deploy the network. In 2003, Bristol launched OptiNet, which offered a suite of services to businesses and residents. Within the first decade, the region had invested

more than \$120 million to build its network, including:

- \$13.6 million in local taxpayer funds
- \$27 million in local bonds
- \$24 million in federal grants
- \$28.4 million in federal stimulus dollars
- \$34.5 million from the Virginia Tobacco Commission

Scandal soon rocked the organization in what Judge James P. Jones described as an "Epidemic of Corruption." BVU's Board Chair, President, CFO and Chief Legal Counsel were all convicted of federal crimes that included charges of fraud and money laundering. "So far, nine former executives, board members, and contractors for the Bristol Virginia Utilities Authority have pleaded guilty or been convicted in wide-ranging – and in some cases unrelated corruption schemes."³ BVU's unsteady reputation was soon cited in the November 2015 Fitch Bond Rating Report⁴ which stated:

"...the extent to which the recent legal proceedings will reduce the authorities rate flexibility and strain future financial performance remain uncertain."

BVU is now trying to escape from the debt and has agreed to sell OptiNet for less than half of what the government invested to create it. BVU's President recently admitted that OptiNet currently has an operational deficit of \$1.1 million.⁵

Today, BVU finds itself isolated in a community that once saw it as the answer to economic growth, which has yet to come to fruition, in the region. According to the latest job statistics from Bristol, the size of the workforce, the number of employed and the unemployment rate remain consistent with those found in 2005.⁶ Regional economic development investments and one-time federal grant dollars designed to drive economic growth were either misspent by a corrupt administration or used to create a network that now faces rising costs and millions of dollars in debt burden. All serve as indications that BVU has become the latest in a host of discredited municipal broadband systems that have struggled to fulfill the promises of a strong broadband network.

¹ <https://www.govloop.com/community/blog/benefits-municipal-broadband-areas-least/>

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- ² <http://www.nyls.edu/advanced-communications-law-and-policy-institute/wp-content/uploads/sites/169/2013/08/ACLP-%E2%80%93-Bristol-Case-Study-%E2%80%93-June-2014.pdf>
- ³ http://www.roanoke.com/news/bristol-virginia-utilities-shows-culture-of-corruption-entitlement-and-greed/article_5ef651bc-4629-5554-a45e-8b35a815daa7.html
- ⁴ <https://www.fitchratings.com/site/fitch-home/pressrelease?id=994042>
- ⁵ <http://www.wcyb.com/news/bvu-optinet-sale-proving-costly/39207816>
- ⁶ http://data.bls.gov/timeseries/LAUMT47287000000004?data_tool=XGtable