

Georgetown Broadband Project

Selectboard Presentation

1/14/2020



Georgetown Broadband Network

Broadband Project Recap

- **Pre-2015** Citizen group convinces Consolidated to invest in DSL for the island, previously only dial-up available
- **2015** volunteer group of Arrowsic & Georgetown residents recognizes DSL insufficient for future needs, band together to investigate options to bring high speed internet service to the two communities
- 2016
 - Initial technology evaluation and provider discussions focus group on building an all fiber network
- 2017
 - Island Institute supports planning efforts by group (and other towns across Maine)
 - Group pulls funding together from Island Institute, three towns, Derecktor Robinhood & other citizens for feasibility study
 - Axiom responds to RFP and completes analysis of project including preliminary costs
- 2018
 - Share study and issue conclusions to communities
 - Committee issues RFI for network construction and ISPs. Three companies respond.

2017 – 2019 – Georgetown comprehensive plan completed. Broadband identified as a top need.



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Broadband Project Recap continued

- 2019
 - Committee evaluates RFI's and make initial conclusions
 - Maine legislature passes legislation to reduce make-ready costs for Municipal broadband project
 - USDA issues rules and deadlines for new \$600 million program addressing rural broadband
 - Committee focuses on pursuing USDA funding
 - Engage a grant writer
 - Prepare a full business model with costs for submission to USDA
 - Joint committee prepares an application for the USDA ReConnect program. Arrowsic submits completed application.
 - Georgetown and Arrowsic citizens approved town warrants authorizing select boards to support efforts for funding broadband – including USDA application
 - Committee starts developing alternative funding plans & approaches local banks including Bath Savings
 - Arrowsic is awarded 50/50 grant/loan in December



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Project Evolution

2017 – June 2019

Committee anticipated creating a new entity – 3BI - owned by the towns of Arrowsic, Georgetown and Southport that would own the infrastructure, be governed by an inter-local agreement and contract with an ISP to operate the network.

Post USDA Award: Towns will pursue separate funding, but coordinate operations where possible

Arrowsic will

- Use the grant/loan to build and own the infrastructure for the broadband network
- Contract with an ISP to operate the network
- Create a structure (likely a committee) to manage the relationship with the ISP and make decisions about investment or cash flow

Coordination with Georgetown

- Arrowsic project includes funding for hanging additional fiber on poles on rt 127 during construction for future use by Georgetown
- Arrowsic and Georgetown committee members anticipate choosing same ISP to operate both networks



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Recap: Broadband in Maine

Resources and momentum has improved substantially over last five years but reality is:

- No substantial state funding for broadband construction
- No efforts from incumbents – Consolidated or wireless providers – to increase investment
- Dozens of planning efforts in towns (not counties) but **funding remains the issue**
 - Individual Communities have completed projects:, Cranberry Islands, Calais/Baileyville, Isleboro
 - New USDA awardees – Roque Bluffs, Monhegan
- State Initiatives:
 - Heather Johnson, former head of ConnectME, top economic official in Mills cabinet
 - Bond funding for ConnectME in last legislature, rejected by Senate Republicans: No new state funding for broadband in 2020
 - Broadband Coalition – state wide consortium sharing resources

Maine communities are still on their own



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USDA ReConnect Program

- Federal program administered by the USDA aimed at bringing broadband to rural communities – almost all of Maine qualifies as rural
- New program – initial round in 2019 of \$600 million divided across three funding options
 - Grant
 - Grant/Loan
 - Loan

Major change in eligibility in this round makes Georgetown eligible for the Grant and Grant/Loan program

- **Standard only 90% of homes in service area need to have access to only 10/1 service or less.**

Info at <https://www.usda.gov/reconnect>



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Grant vs grant/loan program

Grant

- 75% of project cost covered by grant
- 25% matching funds from applicant

Town Involvement

- Town would need to finance the 25% match
- Town needs to provide adequate assurance of those funds to USDA for application

Pros

- Lower borrowing costs = lower take rate threshold, lower potential subscription rate
- Town determines how to finance match

Cons

- Burden of match falls directly on town

Grant/Loan

- 50% of project cost covered by grant
- 50% from a low interest loan issued by USDA, 23 year term

Town Involvement

- Town has to accept responsibility for the loan
- Loan would be reported on town books as a liability

Pros

- Covers 100% of project cost
- Lowest cost borrowing possible

Cons

- Long term obligation, will sit on town's books



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Grant vs. Grant/Loan

Two Important questions guiding decision:

1) **Question:** *Are we more likely to receive an award from the Grant or the Grant/Loan program?*

- **Answer:** Uncertain, but current thinking is the small size of our project and the political strength of Maine's congressional delegation makes our application attractive regardless of program we choose.

2) **Question:** *What will the USDA consider as proof that we in fact have the required 25% match in hand?*

- From USDA site: "The source of funds must be clearly identified. If matching funds are provided by a third party, a serious commitment from the third party must be submitted indicating that the funds will be available at the closing of the award if approved. "
- Arrowsic- provided a resolution from the selectboard approving the town's application, and a separate letter from Sukey pointing out that the ultimate decision to accept the award (and the debt obligation) would be at a Town Meeting – per Maine law
- **Answer:** The hope is we could provide a Selectboard resolution, similar to what Arrowsic wrote, approving the application, any supporting letters for third party commitments – ConnectME or town residents, and a letter from the Selectboard outlining our support and the town meeting process



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Financials – Base Assumptions

Demographic Data: (Comp plan)

Households in Georgetown	1,044
Occupied	469
Seasonal/Vacant	575
Businesses (comp plan)	33

Subscription rates:

- Three speed tiers
- Range from \$68.99 to \$109.99
- **No seasonal rate**

Note these rates can be reduced depending on financing, operational cash flow and tolerance for risk.

Project Cost: FOR USDA APPLICATION

Licensing Application	\$69,471
Make Ready (est.)	\$342,450
Pole Replacement (est.)	\$228,300
Central Office w/equipment (12x15)	\$228,660
MacMahan link	\$20,950
CPE/Cust installs (518 customers)	\$142,450
Construction of system	\$2,181,953
Project management (proposed)	\$90,000
TOTAL	\$3,327,064

- Builds enough capacity to serve every home
- Project starts at Back River bridge



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Subscriber Overview

Incumbent Providers:

Consolidated Communications:

Residential INTERNET ONLY \$32 to \$48 for 7/1 to 10/1, not guaranteed - ultimate speed dependent on distance to RT. \$2X for 2X speeds

Business: \$63 business for 10/1

NOTE: Consolidated is out of switches

Spectrum (Southport):

Internet (1 yr. promotional rate) \$49.99, Bundled w/cable up to \$144.99

LCI:

50 mbps \$49.95, 100 mbps \$69.95

DishTV:

\$59.99 – 94.99

Municipal Broadband Projects:

Isleboro:

1 Gps \$30 a month, paid once a year to town

Levrett, Mass:

1 Gps symmetrical \$83.89

EC Fiber, Vermont:

25 mbps \$66, 100 mbps \$91

Cranberry Isles

Cliff Island



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Financial Summary

Grant/Bank Financed Loan						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	358,341	393,012	428,022	463,374	499,068	2,141,817
Expense	<u>(213,101)</u>	<u>(224,364)</u>	<u>(238,178)</u>	<u>(261,487)</u>	<u>(278,475)</u>	<u>(1,215,606)</u>
Operational Cash Flow	145,240	168,648	189,844	201,887	220,593	926,211
Financing Exp	<u>(33,000)</u>	<u>(170,500)</u>	<u>(165,000)</u>	<u>(159,500)</u>	<u>(154,000)</u>	<u>(682,000)</u>
Net Cash Flow	112,240	(1,852)	24,844	42,387	66,593	244,211
5 Yr Cash Flow	244,211					
Grant/USDA Loan						
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Financing Exp	<u>(49,500)</u>	<u>(49,500)</u>	<u>(49,500)</u>	<u>(132,000)</u>	<u>(132,000)</u>	<u>(412,500)</u>
Net Cash Flow	95,740	119,148	140,344	69,887	88,593	513,711
5 Yr Cash Flow	513,711					



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Scenario 1: Grant/Loan, 23 yrs

Project P&L - 10 years										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Households	1,044	1,049	1,054	1,060	1,065	1,070	1,076	1,081	1,086	1,092
Growth rate		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Subscribed Households	365	404	443	482	522	562	602	643	684	726
Take rate (% of total households subscribing)	35%	39%	42%	46%	49%	53%	56%	60%	63%	67%
Average Monthly subscriber cost (3 speed tiers)	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95	\$ 74.95
Businesses	25	25	25	25	25	25	25	30	35	40
Average Monthly business subscriber cost	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00
Subscription Revenue (Households)	\$ 328,641	\$ 363,312	\$ 398,322	\$ 433,674	469,368	505,409	541,798	578,539	615,634	653,085
Subscription Revenue (Businesses)	\$ 29,700	\$ 29,700	\$ 29,700	\$ 29,700	\$ 29,700	\$ 29,700	\$ 29,700	\$ 35,640	\$ 41,580	\$ 47,520
Network Operating costs and Maintenance	\$ (213,101)	\$ (224,364)	\$ (238,178)	\$ (261,487)	\$ (278,475)	\$ (295,521)	\$ (312,624)	\$ (325,681)	\$ (343,252)	\$ (360,882)
Operating Cash Flow	\$ 145,240	\$ 168,648	\$ 189,844	\$ 201,887	\$ 220,593	\$ 239,588	\$ 258,874	\$ 288,498	\$ 313,962	\$ 339,723
Annual Interest and Principal Payment	(49,500)	(49,500)	(49,500)	(132,000)	(132,000)	(132,000)	(132,000)	(132,000)	(132,000)	(132,000)
Net Cash Flow	95,740	119,148	140,344	69,887	88,593	107,588	126,874	156,498	181,962	207,723
Total Operating Cost per sub	\$ (45.49)	\$ (43.59)	\$ (42.42)	\$ (42.96)	\$ (42.43)	\$ (41.96)	\$ (41.52)	\$ (40.31)	\$ (39.76)	\$ (39.25)
Subscriber Rebate Calculation:										
Net Cash Flow per sub per month	\$ 21.83	\$ 24.58	\$ 26.41	\$ 12.08	\$ 14.15	\$ 15.95	\$ 17.55	\$ 20.27	\$ 22.15	\$ 23.84
Average sub rate after rebate	\$ 53.12	\$ 50.37	\$ 48.54	\$ 62.87	\$ 60.80	\$ 59.00	\$ 57.40	\$ 54.68	\$ 52.80	\$ 51.11



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Grant w/825k bank loan, 7 yrs, 5%, 1 yr interest only

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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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Subscriber Rebate Calculation:										
Net Cash Flow per sub per month	\$ 25.60	\$ (0.38)	\$ 4.67	\$ 7.33	\$ 10.63	\$ 13.51	\$ 16.03	\$ 37.38	\$ 38.22	\$ 38.99
Average sub rate after rebate	\$ 49.35	\$ 75.33	\$ 70.28	\$ 67.62	\$ 64.32	\$ 61.44	\$ 58.92	\$ 37.57	\$ 36.73	\$ 35.96



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Breaking down the Match

Sources of Funding:

1) Connect ME

- Goal: More than zero. New board meets in February, first decision will be matching grants for this round of Reconnect applications. Largest grant to date \$200k

2) (Tax deductible?) Donations to the town by private citizens

- Goal: More than zero.
- Commitments to be saved in town fund, returned if project not approved
- Campaign to start ASAP, continue after deadline to town meeting

3) Town borrowing to be repaid out of network operations

- Clear guarantee (pending town meeting) of support to USDA in application
- Final amount borrowed will be the net of grants and private donations.
- Town can choose how they want to finance and pay off.



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2020 Timeline

Arrowsic

- 1/22 - Special town meeting to accept award
- February - select partner
- March - September pole applications
- September – construction begins

Georgetown

- 1/31 - 3/16 USDA application window
 - Confirm construction costs
 - Business plan including rates
 - Town support letters
 - Resolution from Selectboard
 - Submit application
- April
 - Alternate funding option – bank financing, ConnectME grant, private money
 - Public meetings
 - Warrant – USDA, should mirror Arrowsic
 - Warrant – Alternate funding
- May
 - Public presentations
- June
 - Town meeting

USDA response – anytime between June and August



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In Conclusion

Opportunity to build vital infrastructure in manner consistent with Town's wishes

- Majority of construction funded by feds
- Cash match manageable within town finances (less than \$825 a household)
- How the cash is handled is within the town's management/imagination
- Allows for citizen participation
- No long term obligation by town
- Smart management opens opportunities for leveraging the asset as a tool for town goals – such as low fees to attract families

Ask from Selectboard

- Do what is necessary to satisfy match requirement
 - Resolution
 - Discussion with lender
 - Selectboard letter
- Support and provide input into application efforts – financials and structure would be helpful