


Alternatives for Funding Municipal Fiber

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April 10, 2019

Lyndon Township, Michigan

2

- Rural township with 1,100 households.
- Outside Ann Arbor.
- Heavily wooded, 5+ acre residential lots.
- Practically no existing broadband – slow DSL, cellular broadband.

Lyndon Township - Funding

3

- \$7 million bond issue, backed by property tax increase.
- Won referendum with 66% of voters
- Property tax increase of \$2.71 per \$1,000 of appraised value.
- 25 Mbps - \$35; 100 Mbps - \$45; 1 Gbps - \$70
- ISP service provided by local electric coop – Midwest Energy & Communications

Dallas, Oregon

- Population 16,300 in 2017, and growing
- 6,432 passings – 1,337 / square mile
- Bedroom community for Salem, OR
- Incumbents – CenturyLink & Charter
- Positive customer survey – 61% would buy from new provider, 19% might buy.

Dallas, Oregon - Financing

5

- Funded by \$22.5 million private activity bond in July 2018.
- These are pure revenue bonds with no recourse against the City.
- Network owned by a non-profit, making the bonds tax free.
- Private activity bonds 'sponsored' by a government economic development entity in Arizona.

Dallas, Oregon - Financing

- Network operated by MINET, a municipal fiber provider from nearby towns of Monmouth and Independence.
- MINET is operator for hire – no liability for losses.
- Benefit to operator – can allocate costs to new entity. Profit sharing.
- City gets new fiber network with no borrowing, no liability.

Minnesota Counties

- Half a dozen Minnesota Counties have approved the concept of making a direct grant to an ISP willing to build fiber.
- So far the amounts approved range from \$250,000 to \$6 million. One county considering larger number.
- These would be awarded in conjunction with the ISP getting a state Border-to-Border grant.

Contact Doug Dawson

8

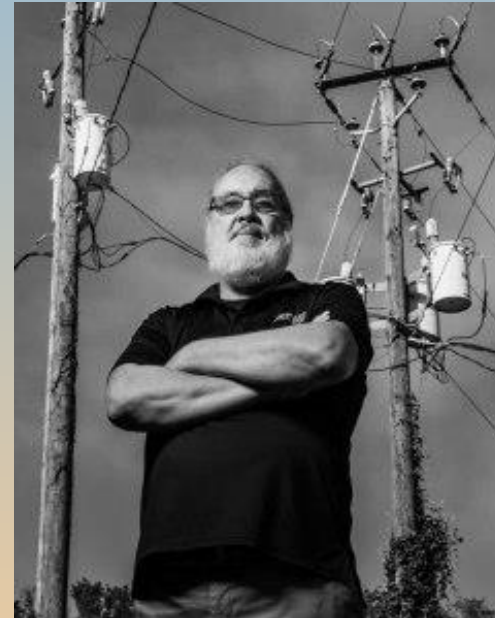
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MUNICIPAL FIBER FINANCING DISCUSSION

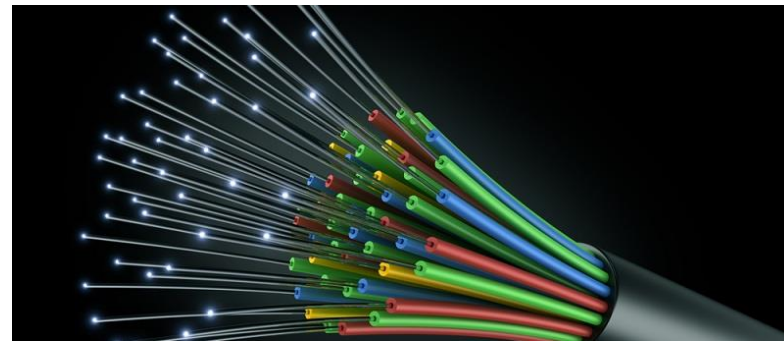
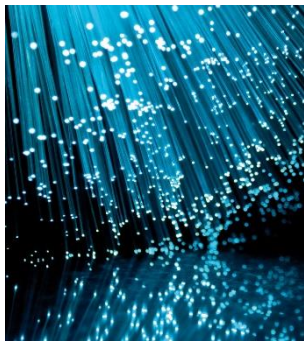
SUCCESSFUL MUNICIPAL FINANCING STRUCTURES

PRESENTED BY: LAURA LEWIS
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APRIL 2019

INTRODUCTION

- LYRB is an independent municipal financial advisor and have assisted in the financing of multiple fiber build projects
- Illustrative Deal Structures:
 - Powell, Wyoming – partnered with local service provider
 - Ammon, Idaho – volunteer assessment area
 - Utah Infrastructure Agency – system revenue bonds



POWELL, WYOMING

- Powell is located in north-central Wyoming with a population of 6,500
- Municipally owned project, open network
- Built entire city-wide project with bonds issued through joint powers board
- City entered into contracts with local service provider to operate and maintain system
- This same local service provider also guaranteed bond payments for a finite period (“guarantee period”) to have exclusive access to network
 - This allowed them to generate a customer base without capital outlay
- After “guarantee period”, any service provider could then provide any service on the network
- City Benefits
 - With no prior fiber experience, the City had a partner in developing, marketing and managing project
 - Professional, experienced team operated & maintained network
 - Minimized financial risk to the City with guarantee from service provider

City of Powell

POWELL, WYOMING (CONT.)

- Joint Powers Board issued \$6.5MM lease revenue bonds via underwriter
- Bonds secured with revenues of the Network along with City Lease
- City eventually purchased the bonds
- Bonds are a variable rate amortized over 20-yrs
- Variable rate nature allows City to increase interest rate over typical investments while providing flexibility to the Project
 - This flexibility is not only for cash-flow, but for prepayments in certain years
- 25-28% take rate was original break-even on project
- Current take rate is approximately 40%



AMMON, IDAHO



- Ammon has staff experienced in developing, deploying and maintaining fiber network
- Instead of issuing one bond for the whole system at one time, City Staff strategically identified a methodical system to deploy the fiber in sections
- City residents volunteered to participate in a assessment area to finance fiber to their homes
- Once an area has sufficient interest, the City builds that section of the network
- The costs are “fronted” by the City
- Once the project area deployment is completed, assessment bonds are issued to repay the City for all costs in building that section
- A lien is placed on the home for the costs of the fiber to secure the bonds
- 2 series of bonds issued to date with the third project area underway

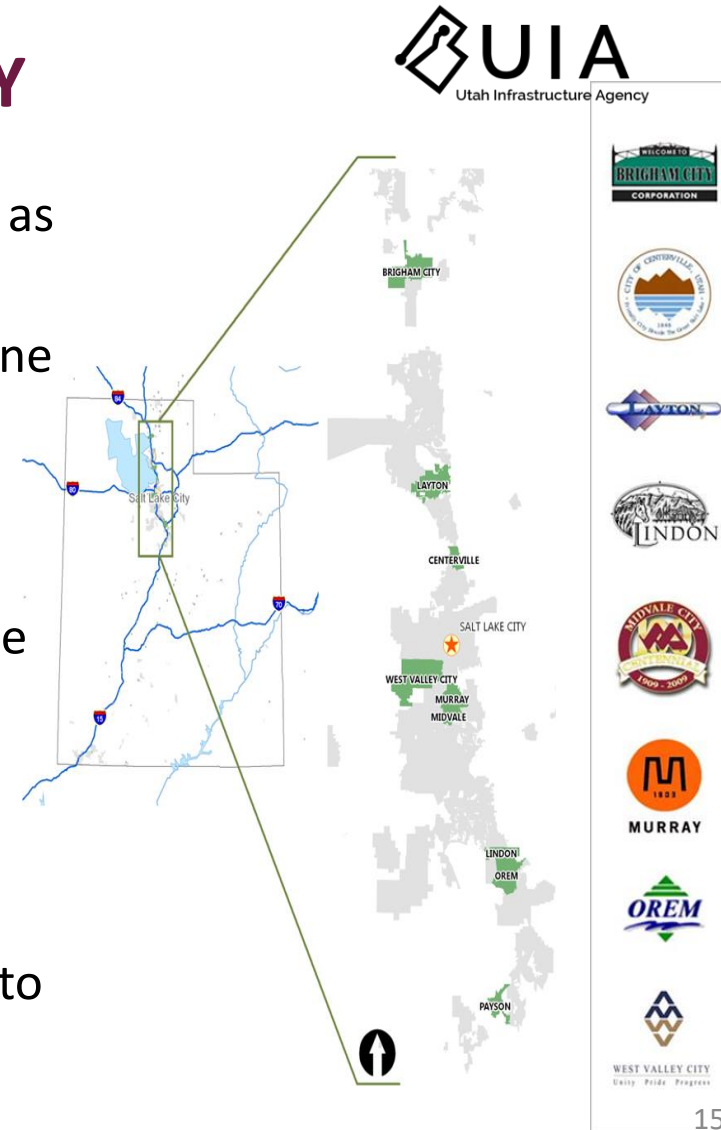
AMMON, IDAHO (CONT.)



- Due to Idaho bond law, assessment bonds are issued on a fixed rate basis with a maximum 20-yr maturity and are non-callable
- To initiate the fiber deployment, the City purchased the first series of bonds in 2018 at \$717,562 at 3.0%
- A second series of bonds were issued via an underwriter (Neighborly Securities) in 2019 for \$570,000 at 4.41%
- The City will continue to chose project areas based on indicative demand and will issue bonds as needed until fiber is deployed to all areas of the City with interest
- The City operates the system as the retail provider and it is not currently open to other service providers
- Customers who agree to the assessment have invested interest in the project. Take-rate compared to total customers that could have signed up is estimated to be between 54-72% and the churn rate is likely to be very low

UTAH INFRASTRUCTURE AGENCY

- Political subdivision of the State referred to as an Interlocal Cooperative
- Created in 2010 to serve provide FTTH to nine communities in Utah
- Works in partnership with the Utah Open Infrastructure Agency
- Open Infrastructure platform with 25 service providers
- UIA partners with UTOPIA to operate the system
- 1Gig fiber connections are available to residential customers with 10 Gig available to commercial customers



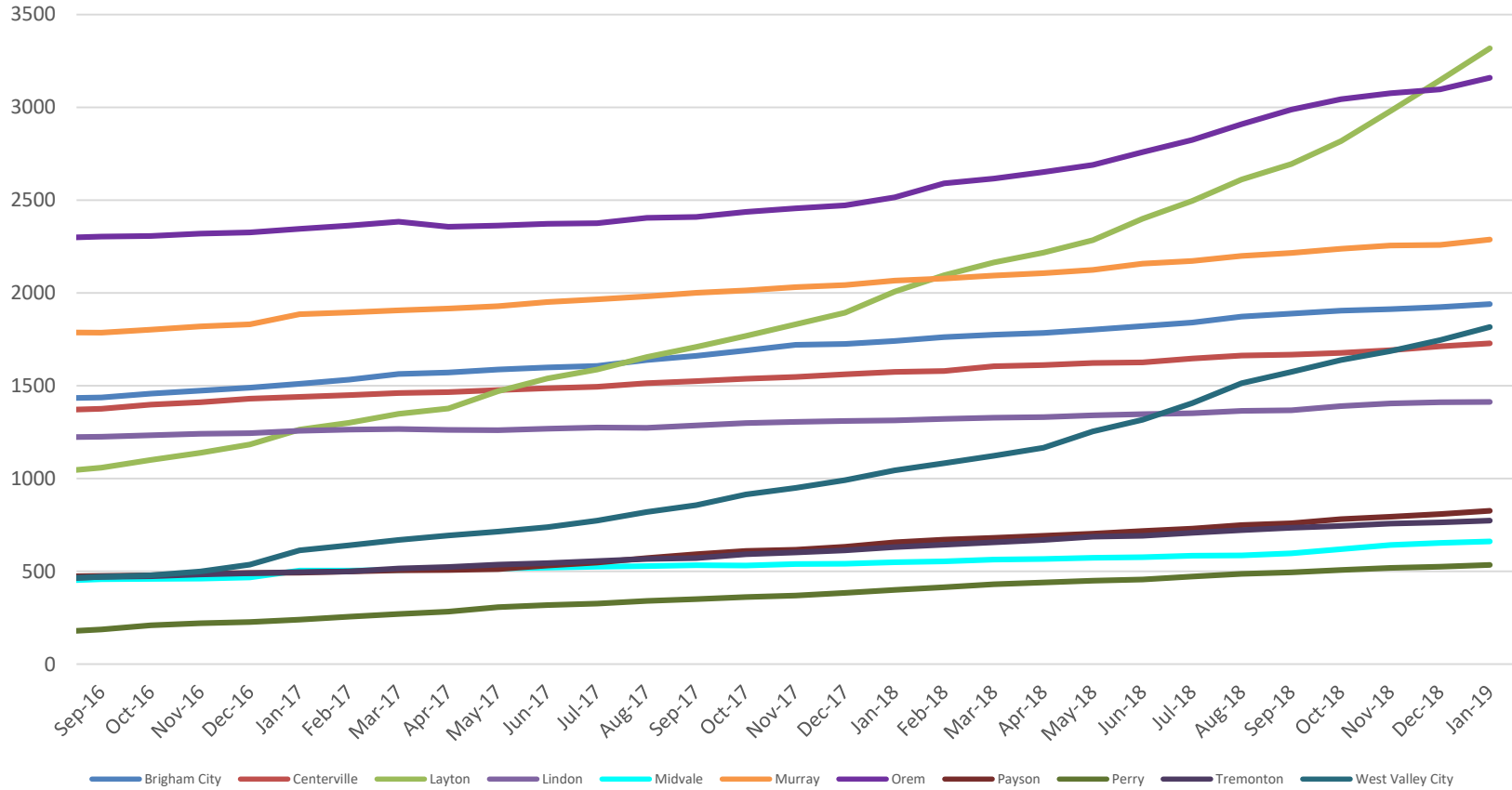
UTAH INFRASTRUCTURE AGENCY



- Approximately \$120,000,000 in UIA bonds have been issued to date
- Bonds are secured by fiber system revenues with approximately 80% of the debt backstopped by agreements with the UIA cities to utilize franchise fee revenues to pay the bonds if necessary
- Bonds have a ~25 year maturity with 2 to 3 years of capitalized interest built in to provide time to construct and get customers on the system
- Fixed rate True Interest Cost (TIC) has ranged from ~3.85% to 4.35%
- Current take rate is approximately 30% on average across all areas where service is “orderable” and exceeds 50% in some areas

UTAH INFRASTRUCTURE AGENCY

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