Last Mile Town Cash Flow Summary

# Background

The *Last Mile* project is intended to bring broadband services to 45 underserved towns in western Massachusetts.

The Project Cost Model estimates that a complete network build for all forty-five towns would cost $112.5M. MBI has allocated up to $40M to the overall project – up to $18M for Planning, Design and Construction Management and up to $22M for Construction. The towns will need to fund the remainder of the project costs. The Executive Committee of the Massachusetts Technology Collaborative’s Board and the MBI Board approved the Town Allocation methodology at their January 29, 2015, meetings.

For those towns that choose to participate in a regional network design and construction project, MassTech plans to develop, manage and oversee the regional network design and construction and will contract directly with a design and engineering firm as well as the construction firms that will build out the regional network. The towns will be expected to pay MassTech their portion of the project costs. For those towns that choose not to participate in the regional network design and construction but plan to construct a broadband project independently or through a public/private partnership, subject to certain requirements, MassTech may award a grant to the town for the construction portion of its Last Mile Funding Allocation.

Each of these will result in different contractual arrangements and cash flows. All cash flow provisions will be documented in the resulting contract, and in general will follow these guidelines.

# Town Cash Flow

## Grant Only

Under this type of arrangement, the town will have opted to move forward with the construction of their network without the benefit of MBI professional services. Under this arrangement, the town would be requesting that MBI provide a grant for an amount up to the construction allocation amount. This would be payable to the town:

1. In milestone payments, tied to key deliverables, such as make ready application or execution of construction contract.
2. OR, cash in advance of project, should the town require this in order to provide commitments to vendors

## MBI Construction project

Under this arrangement, the town will work with MBI throughout the process of construction. MBI will manage all the vendors and related payments. As a result the town will need to make payments of their contribution of the project to MBI. The timing of contributions from the towns is as follows:

1. 30% of town’s contribution due at Make Ready Application;
2. 35% of town’s contribution due at construction contract execution;
3. Remaining 35% of town’s contribution due 120 days from construction contract execution;

The towns’ contributions will be held in the Project Account to be used as project expenses are incurred.

Once construction has been completed and the network turned over to the town, true-up will be performed. At that time an adjustment will be done. If MassTech has spent more than its stated contribution, it will send a final invoice to the town and if the amount collected from towns exceeded the amount needed, MassTech will process a refund.

### Construction cost Reporting

On a quarterly basis MassTech will provide the town with a report that outlines the costs incurred to date, the categories of costs incurred, the amount funded by MassTech and the amount funded by the town, as well as the balance of any funds held on town’s behalf. See attached sample report.

# Definitions

### Construction costs

The allocation for Construction Costs is currently $22M, and the estimated town portion is $95M. This includes costs such as make ready applications; make ready work; and all material and installation costs associated with the fiber, huts and equipment used on the network. This also includes all costs associated with the integration, testing, and turnover of the network. As construction costs are incurred, MBI and the towns shall each fund their proportional share.

### Town Project EstimatE

The towns’ portion of the Last Mile project will be the difference between the Last Mile Project Costs and the MBI Last Mile Project Funding. The towns that participate in the regional network build will pay their portion of the project costs to MBI, and MBI will directly contract with, manage and pay all design and construction vendors. Assuming the total project were to cost $112,521,004 (the Project Cost Model estimate) and that each town’s costs were to equal the estimate for that town in the model, the towns’ costs would be: the Project Cost Model, the current town’s project estimate is listed in the table below.

| **Town** | **Town Project Estimate** |
| --- | --- |
| Alford |  830,000  |
| Ashfield |  2,300,000  |
| Becket |  3,750,001  |
| Blandford |  1,760,000  |
| Charlemont |  1,710,000  |
| Chesterfield |  1,510,000  |
| Colrain |  2,250,001  |
| Cummington |  1,370,000  |
| Egremont |  1,870,000  |
| Florida |  1,060,000  |
| Goshen |  1,379,999  |
| Hancock |  1,390,000  |
| Hawley |  1,020,000  |
| Heath |  1,420,001  |
| Hinsdale |  1,770,000  |
| Lanesborough |  2,500,000  |
| Leverett |  2,675,000  |
| Leyden |  1,070,000  |
| Middlefield |  1,010,000  |
| Monroe |  750,000  |
| Monterey |  1,960,000  |
| Montgomery |  950,000  |
| Mount Washington |  800,000  |
| New Ashford |  420,000  |
| New Braintree |  1,190,000  |
| New Marlborough |  3,020,000  |
| New Salem |  1,390,000  |
| Otis |  3,100,000  |
| Peru |  1,150,000  |
| Petersham |  1,650,000  |
| Plainfield |  1,110,000  |
| Princeton |  2,850,000  |
| Rowe |  860,000  |
| Royalston |  2,010,000  |
| Sandisfield |  2,380,000  |
| Savoy |  1,110,000  |
| Shutesbury |  1,570,000  |
| Tolland |  1,820,001  |
| Tyringham |  900,000  |
| Warwick |  1,610,000  |
| Washington |  770,000  |
| Wendell |  1,170,000  |
| West Stockbridge |  1,830,001  |
| Windsor |  1,320,000  |
| Worthington |  1,790,000  |
|  |  |
| **Totals** |  **72,125,004**  |

The Project Costs and the Towns’ Project Estimate are subject to change based on changes in (for example) the attributes of the project, final design, actual construction costs, inflation, and any other project refinements that have an impact on costs.  MBI and Towns will review these modifications and cost impacts as needed throughout the project and any changes to a Town’s Project Estimate will be adjusted in project agreements through an amendment process.

####  TOWNS PROJECT OBLIGATION

Once all the project costs are known, the towns’ final obligation will be calculated. This will be the difference between the actual Last Mile Project Costs and the MBI Last Mile Project Funding.

#### True Up

The True Up will be a reconciliation process done once construction is complete and all costs have been invoiced. It will be a final accounting of the total project costs and the town’s final contribution. At this point it will be determined if there are any funds due from the town or refundable to the town. This process will start once the network, or an appropriate cluster, has been completed and turned over.

#### Project Account

The Project Account is a segregated cash account that will house funds from the towns for the Last Mile Project. MassTech will use these funds to pay the towns’ portion of the construction costs.

### ACCOUNT REPORTING GROUPS

MassTech shall categorize all costs associated with the Last Mile efforts into one of the following accounts categories. MassTech will use these categories for reporting both internally and to the towns.

#### Make Ready

Make Ready costs include the pole-license application fees charged by utilities as well as the costs paid to pole owners to make a pole ready for fiber installation.

#### Outside Plant

Outside Plant costs are the materials and labor costs for the physical cabling, associated hardware, and supporting infrastructure such as conduit, poles, and fiber.

#### Huts

The Hut costs include materials and labor to build a hut housing the network equipment.

#### HUT Equipment

Hut Equipment includes the cost of equipment in the hut and the labor to install, configure and test.

#### Premise Equipment

Premise Equipment includes the cost of equipment located at a customer’s premise and the labor to install, configure, and test.

#### Distribution/Core/Service Layer Equipment

Distribution/Core/Service Layer Equipment is the cost of equipment, materials and labor to connect two or more towns together and to the MB123 Network. This would include equipment for the backbone and for backhaul.

#### Cash Held on Behalf of Town

Cash Held on Behalf of the Town is the town’s portion of a segregated cash account holding all funds received from towns for the Last Mile Project that have not yet been expended for project costs. Interest earned on the account will be allocated to each town based on the town’s portion of the cash on the last day of the month.  Interest earnings shall be added to the Town’s Contribution and the Cash Held on Behalf of Towns but shall not reduce the contribution requests.  Any adjustments resulting from interest earned will be part of the final True-Up.

#### Town COntribution

The total amount the town has contributed to date to MBI for the Last Mile Project, plus any interest allocated (see above paragraph).

# Sample Town Report

|  |
| --- |
| **Massachusetts Broadband Institute** |
| **Last Mile** |
| **Town Report** |
| **Town Example** |  |  |  |
|  |  |  |  |
| **Total *Construction Estimate*** |  **$1,094,000.00**  |  |  |
|  |  |  |  |
| **Costs Incurred to Date** |  |  |  |
|  |  |  |  |
| Capital Grant - Construction |  -  |  |  |
| Pole Surveys |  52,000.00  |  |  |
| Make Ready |  275,000.00  |  |  |
| Outside Plant |  -  |  |  |
| Huts |  -  |  |  |
| Hut Equipment |  -  |  |  |
| Premise Equipment |  |  |  |
| Regional Network Equipment |  -  |  |  |
| **Total Construction** |  **327,000.00**  |  |  |
|  |  |  |  |
| **Remaining Project Costs (est)** |  **767,000.00**  |  |  |
|  |  |  |  |
|   |   |   |   |
| **Project Budget Summary** |
|  | **Budget** | **Actual** | **Remaining** |
| MBI |  264,000  |  78,910  |  185,009  |
| Town |  830,000  |  248,090  |  581,910  |
|  |  |  |  |
| Total |  **1,094,000**  |  **327,000**  |  **767,000**  |
|   |   |   |   |
| **Construction Estimate Allocation** |
|  | $ | % |  |
| MBI |  264,000  | 24% |  |
| Town Example |  830,000  | 76% |  |
|  |  |  |  |
|   |   |   |   |
| **Town Funds Used** |
| Cash Received to Date |  249,000  |  |  |
| Spent to Date |  248,090  |  |  |
| Funds held by MBI on behalf of Town Example |  910  |  |  |
|  |  |  |  |
| **Billing Schedule** |
|  | **Estimated Due** | **Scheduled** | **Paid** |
| Trigger 1: Submitted Application for Make Ready | 10/1/2016 |  249,000  |  249,000  |
| Trigger 2: Executed contract with construction firm | 11/30/2017 |  290,500  |  |
| Trigger 3: 120 days after construction firm contract execution | 6/30/2017 |  290,500  |  |
|  |  |  |  |
|  |  |  **830,000**  |  **249,000**  |