



Solving the Last Mile:

Fall 2014 Municipal Leaders Meeting



High-Speed Broadband Access: **The Last Mile**

The Commonwealth is committed to supporting 45 towns* to extend and accelerate broadband service to residents and businesses



Meeting Goals:

- Update towns on planning and research done to date
- Discuss support available to you in your decision-making
- Provide updated information on the WiredWest regional network proposal
- Discuss timelines and process for local decision-making
- Answer questions and continue open lines of communication

Key Parties

The 45 Towns

and **WiredWest**, an MLP
co-op of most of these towns

The State,
through the MBI

Key Assets

- **Trust of citizens** and understanding of their interests and preferences
- **Borrowing and taxing powers**
- Pent-up demand*

- *MassBroadband 123* network
- \$40 Million in state support
- Experience in network design and construction
- Expertise in legal issues and public finance

The MBI will Support Local Decision-Making

The MBI is prepared to move quickly to:

- Support towns that have identified their broadband preference and are qualified, ready and able to make the financial commitments and investments
- Support towns that want to take time to consider a range of technical options or simply defer a decision

Where We Are Today

- MBI has proposed a preliminary allocation of the available funds (\$40 million). This allocation is not final and is for illustrative purposes only
- As a general matter, MBI prefers solutions that are part of or at least consistent with, a regional network
- MBI has a fiduciary obligation to ensure that State funds are expended in ways that best advance the public objectives of the broadband initiative

Towns Express Support for Advancing WiredWest Proposal

- MBI has received many letters from towns:
 - We are “deeply frustrated by the continuing lack of adequate internet service”
 - We want a regional ubiquitous fiber to the premises network (Fiber Network)
 - We want WiredWest to own and operate the Fiber Network
- MBI and WiredWest both here today to share updated information about costs and risks

MBI's Preliminary Evaluation: A Credible Proposal

- MBI and WiredWest have worked together to review and revise the Fiber Network proposal.
- MBI finds the current WiredWest proposal to be:
 - A high quality solution to address the need for ubiquitous service
 - A credible outline of a sustainable business plan
- **If the towns are prepared to demonstrate their continuing interest, the WiredWest proposal merits further due diligence and the development of a formal business plan**

Towns Will Need to Decide

MBI needs a non-binding, formal public affirmation from each Town's Board of Selectmen by 12/31/14 that they:

- Support the further development of the WiredWest Fiber Network proposal
- Are prepared to work with town officials to seek formal approval of a general obligation bond issue in the Spring of 2015 in an amount sufficient to pay the town's share of the capital costs
- Acknowledge that the business model for operating the regional system is subject to significant risks and the town may ultimately be responsible for its share of operating costs

What's Next?

If a critical mass of towns supports proceeding, MBI will initiate:

- A formal network design and engineering process
- A detailed business plan development process, including:
 - Robust financial and operating models
 - A financing plan, including options for towns with little experience in the bond market
 - Other elements required to support a fully operational regional MLP co-op which advances and protects the public interests

This effort will accelerate the project and result in better* information to support decision making in the Spring of 2015

Other Approaches & Options

MBI will also work with towns that are not prepared to commit right away to a WiredWest regional Fiber Network.

- We have engaged the Franklin Regional Council of Governments (FRCOG) to be available together with WiredWest to work with you in a way that is sensitive to your preferences



Some Observations:

- We recognize this is a “big deal” for the 45 towns
- We want to make sure you are familiar with your options and comfortable with our process
- You will be hearing more about the WiredWest proposal and its potential benefits and costs this evening
- We urge towns to base any decision to proceed on the most conservative cost and revenue assumptions for this important public project

This Broadband Initiative has been supported over the years by a strong political coalition. Please help keep that coalition strong!

WiredWest



"Formed by the towns, for the towns."



WiredWest Governance

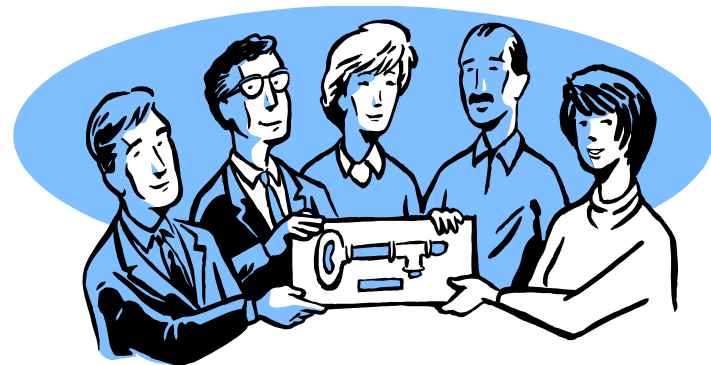
- Operating since 2011 as Municipal Lighting Plant Cooperative (MGL c. 164:47C)
- Unique benefits
- Governance and management

Towns Poorly Served by Broadband



Advantages of Regional Participation

- Economies of scale
- Financing terms / options
- Shared operating costs
- Access to expertise
- Better positioned to respond to market





Role of WiredWest in Proposal

- Consult with MBI on design and construction
- Support town financial/technical assistance
- Assume ownership and operation upon completion of construction and adoption of management plan

As Owner and Operator of Network

- Management of operation
 - Administration and finance
 - Sales and marketing
 - Customer installation and service
- Management of network
 - Network operations
 - Maintenance and repair
- Serve interests of MLP members

Preliminary Pricing and Packaging



PHONE-TV-INTERNET

\$124 - \$149

- 25 Mbps data
- Basic channels
- DVR included



PHONE-INTERNET

\$55 - \$59

- 25 Mbps data
- Basic phone
- Full Phone +\$20



INTERNET

25Mb \$45 - \$49
50Mb \$65 - \$69
1Gb \$105 - \$109

Overview of Town Contribution

Town issues General Obligation (GO) bonds for its contribution

- Requires 2/3 approval at town meeting
- Issued under MGL c.44:8(8) for MLP telecommunications system
 - Amount borrowed exempt from the debt limit of c. 44:10, but cannot exceed 5% of EQV
- May be desirable and/or necessary to pass Prop. 2 ½ debt exclusion referendum so debt service payments are outside tax levy limit

The Upside and the Downside

Upside:

- IF network achieves strong cash flow at upper range of financial model
 - Town makes interest-only payments for first few years
 - Then WiredWest will fully reimburse town for principal + interest
 - Operating surplus may allow retiring bonds before maturity

Downside:

- BUT if network performs at or below low range of the model
 - Then WiredWest will only be able to partially reimburse town
 - Town will remain fully liable for any unreimbursed principal + interest

Signing up and retaining customers is the key!

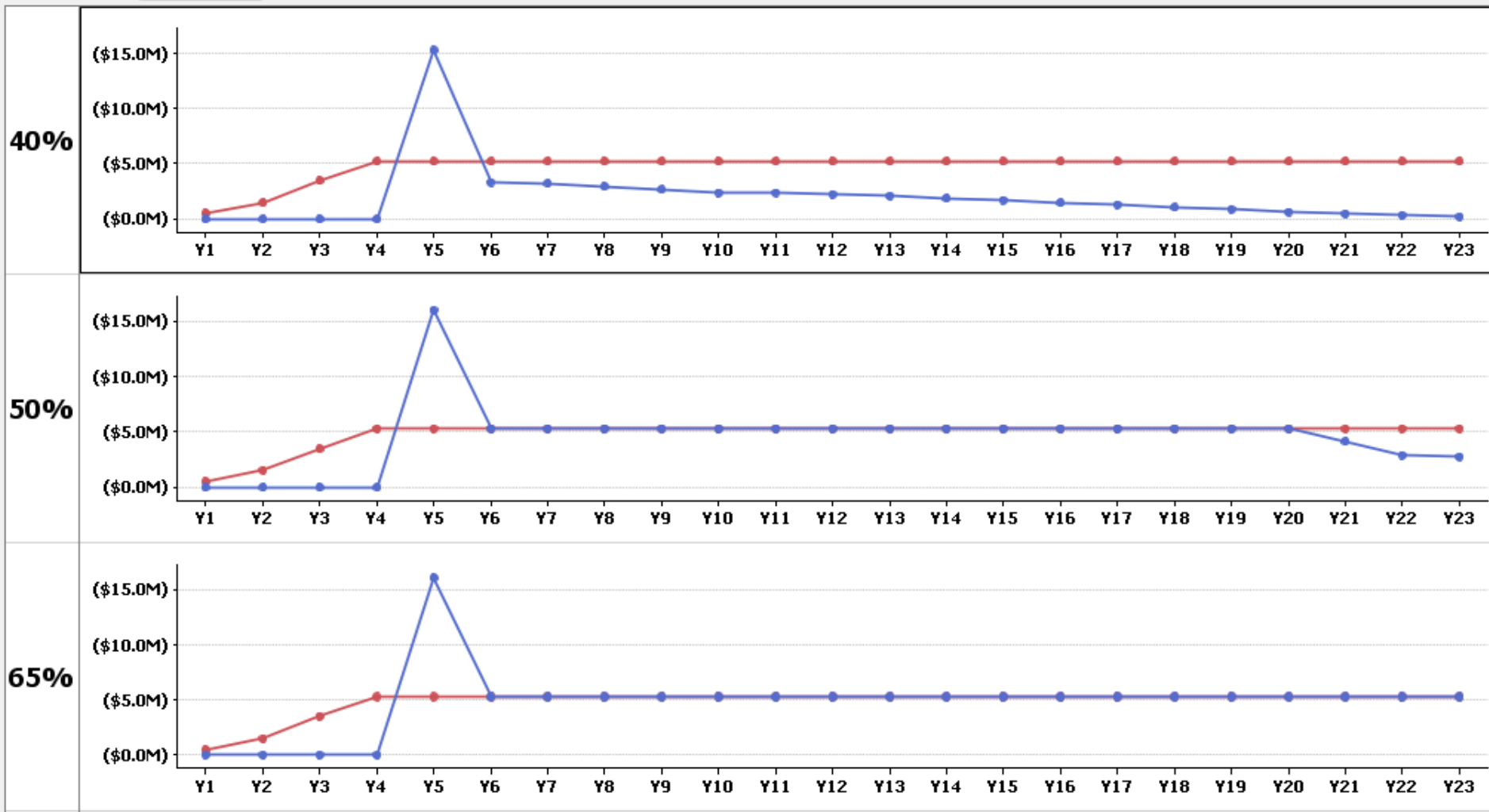


Project Risks

- How many and which towns participate
- Inherent uncertainty of complex projects
- Amount and timing of state funds
- Towns responsible for capex, but not managing construction
- Operating revenue shortfall
- Market and technology competition

WiredWest Distributions for Town Debt Service at Various Take-Up Rates

TOWN DEBT SERVICE v WIREDWEST DISTRIBUTIONS (projected)





Last-Mile Fiber Network Costs

Total current estimated design and construction cost: **\$100 to \$119 million**

- Sources of capital:
 - \$40 million from MBI
 - Balance of \$60-79 million from towns
- Actual cost will depend on detailed engineering and on how many and which towns participate

Allocation of Costs After Grant (in \$M)

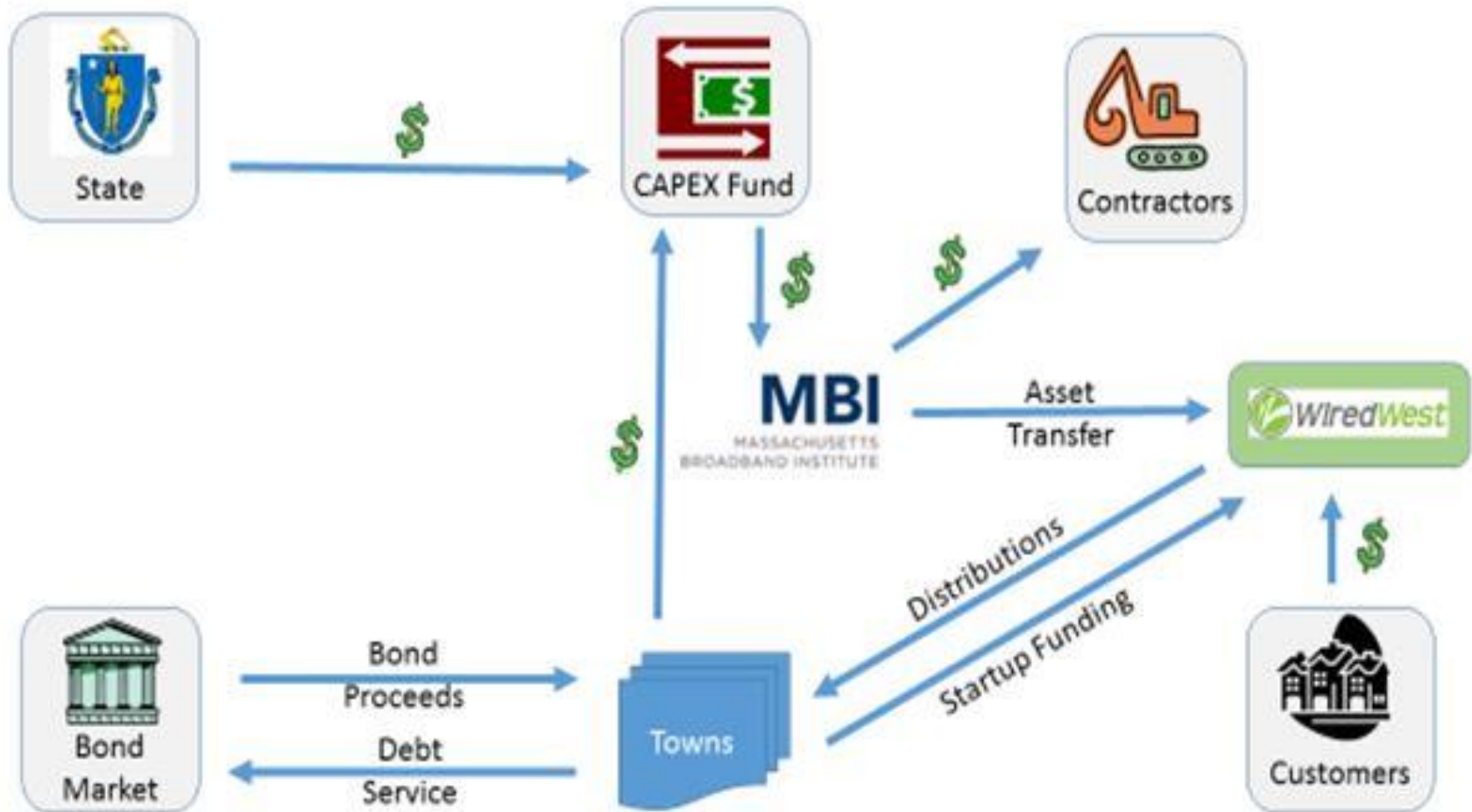
< \$1M	\$1M - \$1.5M	\$1.5M - \$2M	\$2M - \$2.5M	\$2.5M - \$3M	> \$3M
Alford Middlefield Monroe Montgomery Mount Washington New Ashford Tyringham	Washington Hancock Leyden Florida Heath Savoy Plainfield Tolland Hawley Wendell Monterey Rowe Warwick	Chesterfield Cummington Egremont Goshen Hinsdale New Braintree New Salem Shutesbury West Stockbridge Windsor	Blandford Charlemont New Marlborough Otis Peru Royalston Sandisfield Worthington	Colrain Lanesborough Petersham	Ashfield Becket Princeton



Allocation of Costs and MBI Funds

- Costs are allocated on basis of each town's estimated actual costs
- How MBI funds have been preliminarily allocated to towns
 - By assuming participation in the regional Fiber Network
 - Then, by relative share of fiber route miles and total premises
- Allocations are subject to review and adjustment for towns which do not participate in a regional solution
- Allocations are subject to reversion if not used for a qualified broadband initiative within three years

Business and Finance Model



Becoming a WiredWest Fiber Town

1. Select Board: passes a resolution of intent to join
 - see sample resolution available
 - deadline = December 31
2. Town meeting:
 - Town Meeting – 2/3 vote to authorize bonds
 - Town Ballot – consider need to exclude debt service from tax levy limit (town by town decision)
3. Households: 40% sign conditional service contracts
 - WiredWest to conduct sign-up campaigns
 - will require refundable deposit

WiredWest Proposal Timeline

Action	Dates*
Owners Project Manager Selection	Now-February 2015
Select Board Resolution	By December 31, 2014
Towns Pre-Subscription Begins	January 2015
Engineer Firm selection	March 2015
Town Meeting Approves Bond Debt	Spring 2015
Preliminary Design and Pole Survey's	Rolling basis: Spring 2015 through Fall 2015
Make-Ready Process	Rolling basis: Spring 2015 through Fall 2017
Construction Period	Rolling basis: Spring 2016 through Winter 2019
Service Provided	Rolling basis: Spring 2017 through 2019

**Requires utility company and contractor cooperation. Assumes a single, full 44-town project. Timeline for a project of approximately half the size would be reduced by approximately a year. Special efforts being explored to further compress timeline.*



THANK YOU. Questions?

