

Date: January 25, 2021

To: Hilary Weeks, Rebecca Coletta, Patrick Williamson (Selectboard, as MLP Board)

C: Broadband Finance Working Group

From: Kimberly Longey and Brian Hawthorne

Re: Mid-FY2021 Progress Report and Proposed FY 2022 Enterprise Fund Budget

Dear Selectboard:

This memo provides a mid-year progress report on Plainfield Broadband's priorities for this fiscal year. It also contains a status report on the Capital Project and our proposed FY 2022 budget for the Broadband Enterprise Fund.

In July 2020, we provided the Selectboard with an overview of our department's goals for the year with the hope and expectation that we'd be held accountable to those goals. **Here's our update on progress:**

Plainfield Broadband FY 2021 Priorities (July 2020 - June 2021)	Progress Report at January 2021
1) Wrap up the outstanding customer drop construction work by September 30, 2020	Substantially Complete: We extended the deadline to 12/31/2020 to allow for one final round of outreach to the 75 premises that had not yet responded to prior outreach efforts. WG+E conducted outreach via phone and email and Kimberly drove around town to hang "door knocker" cards on most of the premises. As of January 2021 we have connected 326 premises out of a total of 397 possible (so 82% build rate). 274 are active subscribers (including 5 town buildings that generate no revenue), 4 customers have disconnected, 2 have temporarily disconnected (SCA/Americorps in Hawley due to COVID), and 46 are "internet ready" with cold drops. 75 premises remain not connected, but 13 of those are dilapidated unoccupied structures; 23 are accessory apartments or outbuildings on a property where the owner has taken service in the primary premise, so may be less likely to subscribe in future; and 2 are utility companies that are unlikely to subscribe. 33 premises will hopefully become subscribers at some point in the future. We have received a few new applications for service as a result of the door knocker outreach and will complete installations ASAP (frozen ground impacting one of them). Our service application portal will remain open at the Whip City Fiber/Plainfield website forever.

<p>2) Close out the EOHEE Last Mile Grant and secure release of \$17,500 balance due to Plainfield - timing TBD and dependent on EOHEE creating the close out process.</p>	<p>Underway: The grant close out process is now underway. Bill Ennen is preparing the necessary paperwork which will trigger release of the final \$17,500 grant disbursement by end of February. Brian and Kimberly have analyzed capital costs and are working with Paula King and Allan Kidston to finalize a report. We are approximately \$90K under the \$2.26M total project cost. A preliminary project variance report is complete, though is subject to change as final invoices come in. We will engage the Broadband finance working group to establish recommended policy for holding back any of the current unused borrowing authorization to cover drop costs for any future applicants.</p>
<p>3) Ensure all ISP/NO agreements and necessary service monitoring amendments are in place by July 31, 2020.</p>	<p>Complete: We have numerous intergovernmental agreements (IGA) with WGE:</p> <ul style="list-style-type: none"> a) ISP/Network Operations - 5 year agreement entered 8/2019, commencement date of 11/2019). This clarifies the scope of work and fees structure for these essential services. b) Hub Monitoring Services - as of 7/29/2020 we amended the IGA so that WGE will retain DAS Alarm services to provide 24/7/364 monitoring of the the fiber hut for abnormalities which may include room temperature, smoke, water, and intrusion; we pay a monthly fee for this service. c) Emergency Restoration Services - as of 8/2/2020 we amended the IGA so that WGE will retain necessary capacity to respond immediately to any emergencies that disrupt our network services. We pay an annual retainer for them to have crews on standby to roll trucks should we have any damage to poles or fiber from wind, ice or snow storms or auto accidents, etc. This annual cost is billed to us in monthly installments. d) DigSAFE/NJUNS services - as of 8/29/2020 we amended the IGA so that WGE manages Plainfield’s enrollment in the DigSafe program (which verifies locations of underground fiber conduit so that it doesn’t get accidentally dug up when a homeowner does work on their property or if we do work on the hub site; and to manage Plainfield’s enrollment in the National Joint Utilities Notification System (NJUNS) so that if there is damage to any pole where our fiber is attached, or if the utility companies owning those poles do any sort of pole repair or replacement, WGE is notified and we can roll trucks to relocate fiber attachments as needed. We pay quarterly fees to be in these systems and the actual costs of deploying staff and trucks into the field.

	<p>The agreements we have with WG+E for professional services for network design, engineering and construction project management are coming to a close as the project wraps up.</p>
<p>4) With WCF, and as a requirement of CAF-II funding, launch and promote the Lifeline subsidy program—timing TBD, ideally by September 30, 2020.</p>	<p>Delayed, Underway: WCF is still in the process of vetting the complex and bureaucratic Universal Service Administration Center (USAC) customer application system, as well as billing, collection systems. We believe there are up to 28 households in Plainfield eligible to receive the \$9.25 credit on their phone or internet bills. We “beta-tested” the Lifeline application system - 4 Plainfield residents applied, 2 were accepted and 2 were denied. We still need to work through how the credits will be applied to customer bills, how Plainfield will receive the \$\$ from USAC and how we will comply with annual requirements for both customers and Plainfield to certify compliance with all the rules and regs of this program. We hope to be able to widely promote the availability of Lifeline in February. Note: Lifeline is a federal program begun in 1984 under the Reagan Administration, it is funded by a small fee paid by all telephone subscribers on monthly bills. In 2018 the program expanded to include broadband service and mobile phones. A household can only claim one credit for one service (not one for each). This federal telecommunications program is not to be confused with the Lifeline medical alert service offered by Phillips - a private company, that provides in-home devices to alert someone if you fall and can’t get up.</p>
<p>5) With WCF, launch the “phone only” service offering, and use this to market to the 81 premises in town that have not yet responded to any prior marketing efforts. (this service is also a CAF-II requirement).</p>	<p>Partially Complete: In December we went live with the phone only service offering for \$49.95 a month. This service requires a customer to sign up, receive an in-home installation of necessary wiring and equipment. This service does not include a router, and the bandwidth is only enough to power the VOIP phone; it is not enough to run any other devices. We have not actively promoted this service yet, but will do so once the Lifeline program is ready to roll out. After discussion with WCF we understand there is not strong market demand for this service. Just one customer in Rowe has signed up for “phone only” in all the hilltowns so far.</p>
<p>6) Maintain compliance with pole attachment agreements and pole licenses.</p>	<p>Ongoing/Perennial: We have paid the required annual pole attachment fees, a total of approx \$11K a year between the two utility companies (billed by Verizon in July and January of each year, and billed by Eversource in January of each year) as well as the pole bonds provided by Hanover Insurance (to comply with our attachment agreements with VZ and ES, and at a cost of \$3K per bond, one for each company). Relatedly, we are</p>

	<p>working up an operational procedure to document the necessary flow of information from Paula to our department and to WCF whenever VZ or ES petition to install new utility poles in the right of way in Plainfield.</p>
<p>7) Maintain necessary plant insurance coverages.</p>	<p>Ongoing/Perennial: We secured fiber plant insurance through the Massachusetts Interlocal Insurance Agency (MIIA) that covers the overhead fiber along all of our roads as well as the overhead customer drop fiber. We’re insured for \$1,102,474 for the “fiber plant” and \$100K of any newly installed fiber in future, and \$5K of debris removal expenses and \$10K of pollutant clean up or removal. There is a \$10K deductible on this policy (\$25K for floor or earthquake). There is a co-insurance/co-pay of 20% of repair/replacement costs. The annual premium is \$6,681 and will likely increase a bit on renewal in June 2021. Our telecommunications hub and the electronics contained in the hub are insured through a separate policy that covers all town owned structures and the contents of those structures. That insurance cost is charged to the Broadband Enterprise Fund as an Indirect cost (approx \$1,100) because it is paid from the general fund.</p>
<p>8) Ensure WCF’s timely collections from broadband customers.</p>	<p>Ongoing/Perennial and an area for improvement: WCF is adhering to their billing and collections policy. Per guidance from the broadband finance working group we <u>are</u> shutting off service for customers who fail to pay on time. WCF did shut off service for 3 customers in September 2020 and 5 customers in early January 2021 (some overlap in these groups). In each instance customers paid in full, sometimes within a few hours of the service termination, and service was restored. Relatedly - we have worked hard to promote availability of the Plainfield Mutual Support Network and Mary Lyons Foundation so that Plainfield subscribers can avoid service termination. We know of at least 2 instances where subscribers received substantial financial support from these sources. WCF will begin putting this info, along with the Lifeline application info as a “P.S.” at the bottom of all subscriber monthly bills. We are also working (through Kimberly’s job at Free Press) to push for additional federal subsidies for households who have been negatively impacted financially because of the COVID-19 pandemic and will promote those resources when they become available. <i>An area for improvement is Treasurer’s revenue reconciliations between WCF, the Stripe Account, the Bank Account and info flows between the Treasurer, Accountant and MLP Manager. Ideally these revenues will be reconciled monthly, so we can record revenue in the Broadband Enterprise Fund records monthly. Another area for improvement is WCF’s adherence to</i></p>

	<p><i>it's collection policies - there have been two "hiccups" in the past year that have resulted in customers becoming 60-90 past due on bills. As a tiny town-owned network we must carefully track revenues and respond to any situations that threaten to reduce monthly revenues. We are simultaneously tracking expenses at a great level of detail (Kimberly and Brian do this) and periodically reconciled with Paula. We must ensure that our current pricing is covering all costs (it is). Since FY 2019, town accountant staff time at \$5K a year is allocated to the Broadband Enterprise Fund as an indirect cost paid through the general fund to allow for additional hours if needed. I do not believe Allan or Paula's regular work hours have been increased to cover the broadband related work.</i></p>
<p>9) Ensure new applications for service are acted upon by WCF quickly, so additional revenue generating units can be added.</p>	<p>Ongoing/Perennial and an area for innovation: Now that we are substantially complete with the applications for service (with just 2 applications pending, and frozen ground will impact the one with underground installation), we will need to innovate the procedures for WCF to respond to new applications and for the Manager to monitor said applications. Our goal will always be to connect new subscribers ASAP so new revenue can be generated to offset network operating costs. That said, if we end the drop subsidy (which we may wish to do as we close out the capital project), we will need to estimate the costs for each drop, collect payment from the customer in advance of rolling trucks/crews. This is already the policy for any new homes constructed (b/c they were not included in our 2018 network design or the 2019/2020 construction). But any of the existing premises that apply in future will also need an estimate and the costs to be collected, unless we decide to hold back some capital \$\$ and continue with the subsidies on a case by case basis. We know that paying several hundred dollars to get the fiber from the street into the home can be a barrier for subscribers. So, we are thinking this through and will work with the broadband finance working group on this - now that we know our overall project is complete and significantly under budget. (e.g. we are approx 90K under budget and if we held back 40K to cover the likely future applications, we'd still be under budget).</p>
<p>10) Work with the Building Commissioner and area Real Estate Agents to develop marketing/info</p>	<p>Not yet begun.</p>

<p>materials for new home builders and buyers.</p>	
<p>11) Maintain accessible information about Plainfield Broadband on the town website and WCF/Plainfield website.</p>	<p>Ongoing/Perennial and an area for innovation:We maintain website content on both the Whip City Fiber/Plainfield site as well as our department’s page on the town’s website. Both need an update to reflect close out of the active construction project and to focus more on current service offerings, available supports for bill payment during COVID, customer testimonials, tech support tips/resources, etc.</p>
<p>12) Work with Broadband Finance Working Group to create policies and mechanisms for funding replacement reserves, depreciation reserves, and insurance deductible reserves.</p>	<p>In process: the working group met 9/30/2020 to discuss a range of issues including establishing an internal Enterprise Fund stabilization reserve fund, the timing for closeout of the capital fund project, and use of CARES Act funding to offset broadband related costs to expand access to Plainfield households during COVID-19. This meeting was prior to the DOR certification of the Broadband Enterprise Fund FY 2020 retained earnings of \$17,542. We established a target goal of reserves of a total of \$85,000 that would cover the following: 15K for uncollected revenue (5% of annual fees to subscribers); \$20K for extraordinary fiber plant replacement/repairs; \$25K for insurance deductible; and \$25K for depreciation of equipment. We will convene the working group again in February to discuss again, now that the capital project is substantially complete and now that FY 2020 retained revenue is certified by DOR.It is probable we will want to simply retain earnings for the next few years if we are lucky to generate retained earnings and to build up to this internal reserve fund goal, and to continue to allow flexibility to manage Broadband budget as needed (as any stabilization fund requires town meeting vote to create and to use).</p>
<p>13) Maintain strong financial oversight, provide regular quarterly performance</p>	<p>Ongoing/Perennial: We have provided regular reports at Selectboard meetings; and have shared the quarterly reports provided to EOHEd for Q1 2021. EOHEd has suspended the need for a quarterly report for Q2, because we are closing out</p>

<p>reports to Selectboard.</p>	<p>the grant. I will provide that report in February and Hilary will need to sign it as part of grant close out. I was timely in my submission of the requested departmental report for the upcoming Annual Town Report. One note of caution: the financial management of this department is somewhat complex. This work is disbursed between Paula (Accountant), Allan (Treasurer), and me and Brian (Broadband Manager and Assistant Manager). There are several inefficiencies in the weekly/monthly/annual bookkeeping cycles due to the dispersed nature of this work. I am spending quite a bit of time on financial management. In other towns this work is not being done by town financial staff, not department manager.. We should keep watch on these work flows and identify areas for efficiency in the future. This becomes easier to do now that construction/capital projects are coming to a close. But there still is and will forever remain a lot of complexity in the ongoing operations of this Broadband Enterprise. Because of the volume of work expected I am recommending in the FY 2022 budget the continuance of payment of the \$3K stipends to me (as manager) and to authorize me to pay Brian the same \$3K stipend (as Assistant Manager). If financial management work could shift to a town staff position I'd be happy to consider reduction of some of the broadband department stipends.</p>
<p>14 With WCF, provide continued community support to encourage the adoption of broadband and the full use of available services.</p>	<p>Stalled/Ongoing: The plans for monthly in-town “tech clinics” at the library were put on hold in March 2020 due to the COVID pandemic. We are in current discussions with WCF to enact a periodic teleconference meeting to host Plaifield subscribers in a virtual forum to ask/answer questions, share tips and tricks and to “humanize” the provision of customer service and tech support between our Westfield and Plainfield (as municipalities, not big corporate ISPs). WCF also has plans for production of a periodic newsletter with tech support and other features.</p>
<p>15. Respond to the unplanned and unexpected; resolve problems and obstacles quickly and effectively.</p>	<p>Ongoing/Perennial: There is never a dull moment with managing a broadband enterprise, no matter the size of the network or subscriber base. The COVID-19 pandemic presented many unplanned and unexpected problems to solve. While we’ve managed to avert major weather related damage to our network, we have had to work through complexities of the new pole installations planned by Verizon and Eversource so as to ensure we have suitable space to attach our fiber to the new poles if/as needed. We are actively working with WCF to minimize the need for planned service outages due to network maintenance by 3rd party contractors on the MBI Middle Mile, which our network relies upon to get to the world wide web.</p>

	<p>We worked to make best use of CARES Act Funding to ensure subscriber access to the internet during this challenging time when Plainfielders are working from home, home schooling, and engaging in critical activities online so as to maintain physical and mental health. We helped Mohawk School get reimbursed for equipment for remote learning for Plainfield school children. We installed a public access point to boost the internet at the Alden Pavilion which was used by several committees this past autumn to meet and maintain recommended physical distance and air exchange. We have marshalled awareness of resources to help lower income town's people pay their broadband bills. We've negotiated a temporary suspension of service for the SCA/Americorps Compound, reducing their previous \$235 monthly revenue to \$50 while their campus is shuttered due to COVID-19. And we've engaged necessary state and federal officials to intervene in the FCC RDOF issue (reported separately).</p>
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Capital Project Close-out

18 months after White Mountain Cable crews construction began stringing fiber; 2 years after we paid the utility companies to make the poles ready for our fiber; 3.5 years after the award of the first installment of the Last Mile grant; 5.5 years after Town Meeting raised and appropriated the first \$1.13M needed to fund this major infrastructure project; and nearly 10 years after our town created the "municipal light plant" known as the Plainfield Light and Telecommunications Department, we are now substantially complete with the project!

We built a bomb-proof telecommunications shelter with future proof electronics, constructed 47 miles of fiber network on 1,056 utility company poles (and 17 newly installed town-owned poles), connected 280 premises to world-class gigabit internet, and made 46 premises "internet ready". We leveraged an additional \$139K from the state, \$430K from CAFII (for debt reduction) and \$31K from CARES ACT funding to reduce the burden on taxpayers. We secured hundreds of hours from volunteers for land clearing at the hub location, for outreach/education, and for informal tech support. This is a major accomplishment that literally took a village to achieve. We should all be proud.

Brian and I are working with Whip City Fiber to ensure all costs have been invoiced and to ensure our records match Allan and Paula's records. As of now our project is approximately \$90K below the \$2.26M construction cost estimates from March 2019 (the date when costs were firm after major contractor procurement processes and the data we used when we went back to town meeting for another \$400K borrowing authorization). While we have not yet connected 100% of premises (75 remain unbuilt, though only 33 of these are likely to apply for service any time soon), we would still be under budget if all of those 33 premises applied for

service tomorrow. A preliminary (and subject to change) financial snapshot of the project costs is here. We will provide a final update once we sort out some details with Allan and Paula. I am very pleased we've been able to manage this project and keep within cost estimates that were based on labor and materials pricing from 2018, fairly tight, even with winter weather, a pandemic and other construction delays:

Please see the attached preliminary budget/actual/variance report for the broadband capital project.

Proposed FY 2022 Broadband Enterprise Budget

We seek Selectboard approval of the department's FY 2022 budget prior to submission to the Finance Committee by their requested January 31 deadline. We expect revenues from subscribers to offset fixed and variable costs of delivering internet services and maintaining the network. We do not expect to raise monthly service fees beyond the \$85 for internet and optional \$12.95 phone service. We have included \$6K in stipends (\$3K each for the Manager and Assistant Manager) in this budget, this is level funding from prior 2 fiscal years. The workload and complexity of this enterprise is changing from construction project management to maintaining the health of the fully operational network financially and physically and to continue expanding the subscriber base. While we think some of the work we each do could be consolidated to other town staff positions and doing so many create some efficiencies, we understand that as of now town's overall staff capacity is limited.

Please note that we are still pinning down the costs that will be allocated to the broadband enterprise as "indirect costs" coming from the general fund (debt service, insurance on the hub and contents, and any centralized staffing costs).

We are continuing to expect surpluses from revenues generated by subscribers (or from underages in operational expenses, such as network maintenance and repair). Our plan is to retain those surplus revenues so we can build up internal reserves of at least \$85K to provide capital to deal with uncollected debts, extraordinary maintenance or repairs, insurance deductibles or equipment maintenance. If we are accurate with our projections for the current year which show potential for \$26K in retained earnings in FY 2021 we can add those to the \$17K in retained earnings and we will be about 50% of the way toward that \$85K reserve goal.

A year to date budget/actual/variance report for FY 2021 is attached. This information is the basis for our budget assumptions for FY 2022, which include:

1. Assumptions of \$6K in stipends for the two MLP staff
2. Assumptions of fixed operational costs at current rates plus an assumption of 2% inflation.

3. Assumptions of variable costs staying the same or decreasing (as WCF adds more customers and the ISP/NO costs decrease per customer as their regional customer base volume goes up).
4. Assumptions that indirect costs may increase.
5. Assumptions that subscriber revenue will remain constant with no substantial increase in subscribers in FY 2022.

We need more time to develop the detailed direct and indirect costs of the Enterprise Fund budget, but would like the Selectboard to re-confirm these core concepts and to conceptually approve an Enterprise Fund budget that will be similar to FY 2021.

We will return to the Selectboard with our final proposed budget recommendations after consultation with Allan Kidston and the finance committee.

Summary and Next Steps:

Our near term next steps are:

- 1) Discuss this report with you at the January 26 Selectboard meeting and gain approval to move ahead with submission of budget as conceived to finance committee
- 2) Submit the preliminary FY 2022 budget to the finance committee by January 31
- 3) Continue to work with Allan Kidston and Paula King to a) close out the capital project financials and b) refine the indirect cost allocations for FY 2022 budget
- 4) Submit final project report and grant closeout information to Bill Ennen by January 28, get approval from Bill on the draft and bring that to Selectboard for February 9 meeting (and Hilary's signature). This will trigger release of the \$17,500 remaining grant funds.
- 5) Convene broadband finance working group - in February - to discuss how best to handle capital project close out (in terms of holding any of the borrowing authorizations open for a while, or not) and other policy matters

Happy to answer questions before, during or after the meeting.