

PLAINFIELD LIGHT AND TELECOMMUNICATIONS DEPARTMENT

Updates: Feb 2023 Broadband Mid-Year Report and Proposed FY2024 Broadband Budget

Date: February 10, 2023

To: Patrick Williamson, Hilary Weeks, Ben Gillett, (Selectboard)

C: Paula King (Town Accountant), Bob Baker (Finance Committee)

From: Lucas Suarez-Orozco

Re: Feb 2023 Broadband Mid-Year Report (with proposed FY2024 Budget)

Dear Select Board (in your capacity as the MLP Board):

This memo provides an update on the work in process as Lucas continues in the manager role. It also contains a preliminary financial report for FY 2023 and a Proposed Budget for 2024

Team Staffing

Brian Hawthorne stepped down on January 6th, 2023, as Assistant Manager. Kimberly Longey has continued to support Lucas during this transition. Lucas Suarez-Orozco has relocated to Amherst, MA, and is continuing his role as Broadband Manager.

Financial Update for FY 2023

We are half-way through the fiscal year and revenues are trending \$14K below projections, in part due to an error in the FY2023 budget overstating taxes/fees paid by customers (this washes out because expenses are also trending low for these same taxes/fees). Overall Internet Service Provider-Network Operator (ISP-NO) expenses are on target; stipends are trending low because we are not paying for central town staff support as planned because that time has not been available to this department. Other operating costs are trending below budget. Overall, we believe the department will generate retained earnings of at least \$32K by year end. The proposed FY 2024 budget presentation includes a variance report for the current budget year.

Proposed Budget for FY 2024

Budget Documents

Because our Department is an Enterprise Fund, we are required to submit 3 documents as part of the budget approval process:

Budget Presentation: This provides info on the current year approved budget, amounts raised and expended to date (first 6 months of current year), forecasted expenses Jan-June and estimated variances between actuals and budget, with notes. This also presents a side by side comparison to the proposed FY2024 budget. This presentation is required to include direct and indirect costs. Direct costs are covered by enterprise-generated revenues. Indirect costs are covered by general funds.

Budget Recommendation: This is a summarized version of the more detailed presentation, clarifying direct and indirect expenses and the sources that will cover those expenses.

Budget Article: This contains the wording necessary for town meeting warrant with the same summarized data.

Please note that while the department has generated surpluses during each of the 3 prior years we intentionally present a “break even” budget scenario for consideration. Budgets are guides, and actual revenues and expenses will change in real life. Through strong financial and department management practices we will continue to carefully monitor monthly activity so as to avoid any deficit situations.

Budget Assumptions:

- **Revenues \$328,432** User fees are estimated at **\$325,832**. and assume no change in current service pricing. We estimate serving 279 customers, 97% of those are residential subscribers.

Per agreement between Plainfield and Windsor, Windsor reimburses Plainfield Broadband for allocated costs related to 112 utility poles on the west side of town. This is related to a “backbone” of fiber Plainfield constructed on behalf of Windsor to enable Windsor to reach premises in Windsor only accessible through Plainfield. Any extraordinary costs associated with repair or maintenance of that backbone are billed directly if/when they occur. We estimate revenues from Windsor to be \$2,600 in FY2024.

- **Expenses total \$328,432**
 - Staffing, \$12K allowance:
 - We have carried an allowance for up to \$8K for stipends for MLP Manager/Assistant Manager; and up to \$4K for direct payments to centralized town staffing to cover costs related to any work those staff provide to the broadband department. This is an overall \$2K increase from current year budget. The Select Board must approve the actual stipend for the Manager prior to fiscal year start. Manager has discretion over all other stipends.
 - ISP/NO, **\$134,106**, this covers the monthly charges from Whip City Fiber to provide internet and telephone services to subscribers, including taxes and fees on phone service only. This is an approximate \$23K decrease from current levels, primarily attributed to renegotiation of service pricing with Whip City Fiber as part of long term contract renewal which is expected to be in effect by July 2023.
 - Operations, Repairs and Administration **\$168,826**
 - This includes estimated costs for backhaul, pole bonds, fiber and related plant insurance, hub related electricity, propane and generator maintenance, network monitoring and emergency restoration, maintenance/repairs, new customer connections, Lifeline/ACP program

costs, legal, outreach, and office expenses. We have increased this part of the budget due to inflation that is driving up costs of labor and materials, \$7K higher than current year budget and approx 38K higher than likely actual expenses.

- Network repair/maintenance costs are estimated at \$1,500 per mile of our 41 miles of network.
 - Equipment depreciation is estimated at \$1K per month
 - Our current drop policy provides some subsidy to new customers for costs to connect their premise to the network (Plainfield broadband will pay up to \$1K for service). We have assumed \$5K for new subscriber connections this year.
- **Extra/Unforeseen \$13,500**
 - We have carried \$9,000 as contingency for unanticipated network operations costs and \$4,500 for unanticipated broadband department administration costs. This is a \$500 increase over current year contingency level.
- **Indirect Costs, \$70,000**
 - Assumes \$65K principal payment and \$5K interest payment on notes in October 2023). Same as current year and we would like to know if any changes are needed.
 - PLEASE NOTE: This indirect cost does not include any transactions related to the \$430,680 federal CAFII grant to the town of Plainfield to offset costs of debt, and to be paid in 10 installments. We anticipate funds will begin to flow sometime in mid to late 2023 and per prior Select Board policy funds will be used to pay down the principal of the broadband loans.

Broadband Stabilization

May 2021 town meeting voted to establish a broadband stabilization fund. We are striving to set aside \$300,000 in this fund, using annual surpluses generated by broadband department operations. To date, town meeting has approved the following fund transfers from broadband retained earnings to broadband stabilization:

May 2021: \$17,542 (FY2020 retained earnings)

May 2022: \$106,233 (FY 2021 retained earnings)

We have \$83,482 in retained earnings from FY2022; and recommend we seek May 2023 annual town meeting approval to transfer those funds to broadband stabilization.

These retained earnings are a result of slightly higher than anticipated revenues and substantially lower than anticipated maintenance and repairs costs in each of the three prior years. Any retained earnings attributed to FY2023 (we estimate at least \$32K) will require Mass DOR certification and transfer to broadband stabilization can be considered at the May 2024 annual town meeting.

We are seeking the Select Board's approval - in your capacity as MLP Board - of the proposed FY 2024 broadband enterprise budget prior to discussions with the Finance Committee. We are also seeking the Board's approval of the plan to add the available FY2022 surplus to the broadband stabilization fund.

Next Steps:

Our next steps are:

1. Finish security update to the Hub (Still in Progress, waiting for parts)
2. Continue 6-town collaboration to improve resilience and create redundancy of backhaul connections for Plainfield's network (Still in Progress)
3. Lucas is working with Whip City Fiber on an updated ISP/NO contract for the Select Board to review and approve.
4. Lucas and Kimberly will work to revise the current department financial management system, using licensed software such as Quickbooks, to streamline current bookkeeping processes, reduce inefficiency resulting from multiple data-entry steps, and to revise how we process paperwork necessary for department bill paying requests to town accountant. It is our hope that this effort will result in increased efficiency in our budget oversight and management efforts, and could potentially set the stage for centralized town staffing support of our department's administration, thereby limiting redundancy (especially financial, though also procurement and contract oversight).

Lucas is happy to answer questions before, and during the upcoming Select Board meeting on February, 14th.