MINET UNDERSTANDS rural Oregon's needs high speed data. In fact, 3 rural towns in Oregon now have gig speed data because MINET was conceived to get broadband to unserved populations.

SMALL COMMUNITIES ARE OVERWHELMED by attempting to put together talent and funding to court the large loan and grant dollars needed to make broadband a reality for them.

YOU KNOW THE STATISTICS ALREADY: of the 241 cities in Oregon, 196 of them have a population of under 10,000. 137 communities – over half - have populations of under 2,500. Cities of 2,500 have, at best, a staff of 7 or 8 people. Staff counts decline with population numbers; many small cities rely heavily on volunteers.

WHAT CAN THOSE SMALL CITIES DO to find the manpower, the budget, and the hours to organize grant or loan applications, to research what they need to bring broadband to their town, or to even advise their councils on how to proceed?

BARRIERS TO SMALL CITIES WHO NEED AND WANT HIGH SPEED BROADBAND

1. Introduction of a test city
2. Broadband Funding for Falls City
    A. Cost of Infrastructure and Connection
    B. What does USDA require for a loan/grant application?
    C. Other forms of funding and requirements
3. Conclusions

Sources:

- *USDA ReConnect Grant Application, a power point presentation by USDA, May, 2019*
- *American Fact Finder, US Census information online*
- *Oregon Secretary of State*
- *City of Falls City Website*

Introducing Falls City Oregon

Falls City is in northwest Oregon, in Polk County
It is approximately 10 miles from Dallas, Oregon
Population of Falls City: 1,047
(2018 Census estimate)
Housing Units: 389
(2018 Census estimate)
Median Income in Falls City:
$35,5-00 (2018 Census estimate)

Percentage of population living at or below the poverty rate: 30%
(2018 Census estimate)

City of Falls City FTE employees: 6.45
Staff consists of:

City Manager 1 FTE
Public Works Director. 1 FTE
Public Works Worker 2: 1 FTE
Code Enforcement Officer: .5 FTE
City Clerk 1 FTE
Public Works Worker 2: 1 FTE
Utility Biller: .75 FTE
Fire Administrator: .2 FTE

Source: City of Falls City website

City of Falls City Budget, 2019-2020:
Income totals: $565,180
Includes $69,800 in grants; $50,450 in franchise fees, and $23,500 from Polk County Development Fund
Expenses: $378,189
Contingency: $60,000
Ending Fund Balance: 126,991

Source: City of Falls City website

Falls City residents are
highly motivated to secure high speed broadband.

30%of their residents live in poverty. The median income in Falls City is $35,500 per year. Their school district's state report card shows that student progress from grades 3-8 is "low." They have a falling graduation rate at 71%.

The community firmly believes that reliable access to high speed broadband would give Falls City an economic and educational boost that is badly needed.

Financially, they have about $180,000 per year income over expenses in the city budget.

OREGON AT-A-GLANCE DISTRICT PROFILE

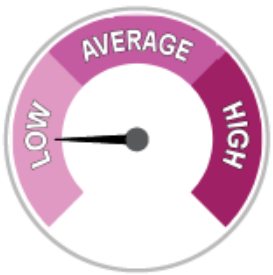
Falls City SD 57

SUPERINTENDENT: Art Houghtaling | 111 N Main St, Falls City 97344 | 503-787-3521

Academic Progress

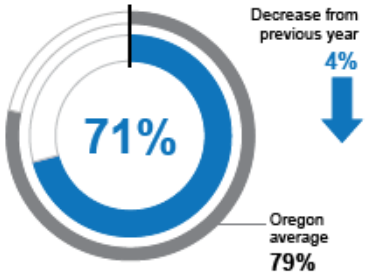
Grades 3-8
INDIVIDUAL STUDENT PROGRESS

Year-to-year progress in English language arts and mathematics.



Grade 12
ON-TIME GRADUATION

Students earning a diploma within four years. Cohort includes students who were first-time ninth graders in 2014-15.



What will it take for Falls City to bring high speed broadband to their residents?

MINET is located in Monmouth, Oregon. That is just over 12 miles away from Falls City. MINET powers fiber to the home and business service in Monmouth, Independence, and Dallas. MINET is capable of delivering broadband to Falls City. Already, there is a significant savings for Falls City—they will not have to construct their own head end.

Falls City could have high speed broadband if they are able to build the infrastructure that would deliver fiber to residents and businesses. For this report a per-property estimate for infrastructure and connection is $2,500.

MINET would not only power a system with TV, phone and data for Falls City, but also operate the business end of installation and billing. Falls City would not need hire staff or secure an office location.

Rough cost estimate:

389 homes

There are 60 businesses in Falls City, some of which are home businesses

Calculating for 450 structures in Falls City:

450 x $2,500 (cost of infrastructure/connection to an address) = $1,125,000

Falls City needs to find $1,125,000 in funding to have broadband

Falls City may choose to float a General Obligation Bond Using the same cost basis as above, residential and business tax rates would increase by $10/month, or $120/year. This option would be driven by popular vote.

There are both grant and loan funds available through federal sources. For purposes of this report, the USDA ReConnect Grant/Loan program will be used. The scope of application requirements are well detailed.

Here is a breakdown of what Falls City would need to have for a plausible grant/loan request:

Falls City's best option would be a grant that would not require repayment. USDA ReConnect II offers grants of up to $25,000,000, against which Falls City would have to match—with cash only—25% of the total request, or $281,250. Falls City does not have $281,250 in their budget, even combining contingency and beginning fund balance. They options, then, are a loan/grant or loan only request.

Loan/Grant: $1,125,000 total must be split equally between loan and grant. Therefore, loan = $562,500 and grant = $562,500. Falls City's cash match for the grant portion would be $140,625. This would deplete their ending fund balance and about 25% of the contingency fund.

Loan only: A $1,125,000 loan requires no match, and would result in an annual debt service payment of approximately $55,000. This amount would be the best fit in Falls City's current budget.

Considering that a loan could be the best option for Falls City, the following pages are dedicated to the breadth and depth of information that must be provided.

It is our opinion that USDA grant/loan requirements may present a "worst case scenario" to an applicant. It is also our opinion that no small city would be, on their own, equal to the task of producing all of the requested data.

Applying for a USDA Loan

Eligible Costs that can be covered by a USDA Loan:

- Construction of broadband facilities, including buildings & land
- Improvement of broadband facilities, including buildings & land

Ineligible Costs:

- Operating costs
- Costs incurred prior to submission of application
- Costs associated with acquisition or merger w/an affiliate; facilities or equipment of an affiliate; costs relative to a system previously funded by RUS
- Vehicles not used for construction
- Costs associated with purchase of spectrum
- Cost associated with operating leases of broadband facilities
- Mobile service facilities
- A system that provides sufficient access to broadband (???)
- Cost of refinancing any outstanding debt

The Reality:

Falls City is small, and it has a limited budget.

Falls City employs a city staff of 6.45 FTE. To do the application work as detailed in the upcoming pages, Falls City could turn to their staff to take on all or the project. If Falls City is working with a provider like MINET, *some* of required information may already be at hand. However, if there is insufficient time and talent for the staff to complete the grant request, Falls City must find the funding—which will not be an expense that can be covered by financing to be secured—to hire outside source or sources.

USDA ReConnect Application Requirements

Engineering:

- A network design
- Must include: proposed technology used to deliver services; existing network if applicable; proposed network. Network design and supporting documentation must ensure enough development for performance of a cost estimate.
- A network Diagram
- Must provide a way to map connections of a network
- Diagram submissions include existing network diagram, if applicable, and proposed network diagram, including core elements, distribution network elements, access elements
- Project costs and buildout timeline
  All of the above must be certified by a professional engineer

Financial:

Capital Investment workbook & Schedule, which must include:

- Proposed funded service areas
- Non-funded service areas
- Unadvanced prior loan funds

Unqualified, audited financial statements
A financial pro forma
Project asset category
Project asset type

- For the service areas and common network facilities, include Cost projections needed for each of the assets input as part of the capital investment schedule

Environmental:

- Construction map
- Environmental questionnaires

Key Submissions from Applicants

- Financial Performa Budget for 9 year period
- Four years of historical data
- Current year financials
- Five years of projections
- Capital investment workbook and schedule
- Audited financial statements for 2 years prior to submission date

Applicants must demonstrate financial feasibility and sustainability, as determined by USDA, as follows:

- Sufficient revenue to cover expenses
- Sufficient cash flow to cover all debt service obligations as they come due
- Positive ending cash balance for each year in the forecast period
- And at least 2 of the following: Minimum TIER requirement of 1.2x, minimum DSCR requirement of 1.2, minimum current ratio of 1.2x
- For loans, tangible equity to total assets must be at least 20% at end of the calendar year starting in the 3rd year of the forecast period through remainder of forecast period

USDA ReConnect Application Requirements, continued

Required application materials:

- Financial Pro Forma 5 year projection from first advancement
- A capital investment workbook and schedule
- Unqualified, audited financial statements
- Supporting financial information, which may include
- Audited financial statements for previous 2 years
- Evidence of Equity Infusion
- Federal/State Grant documents
- Funded Debt Instruments
- Statements of affordability
- Alternative Household supporting data
- Cost consultant certification
- UCC-1 form
- Lines of credit
- Competitive analysis
- Bank account statements
- Income statement
- Balance Sheet
- Statement of Cash Flow

Applicants must demonstrate:

Proposed Funded Service Area:
Applicant must show , for loan or loan/grant, that 90% of households do not have sufficient broadband access (25/3), or for grants, that 100% of the households do not have sufficient access.

Project Asset Categories:

- Outside plant—conduit systems
- Buildings—new construction, pre-fab huts
- Towers—guyed towers, tower improvements
- Customer premises equipment—smart meters
- Network and access equipment—Routing equipment
- Non-depreciable assets—right-of-way procurement
- Support assets—construction vehicles
- Professional services—Engineering, environmental
- Other expenditures

Construction Map Interface, which includes answers to these questions:

- Is the proposed route located or does it cross Tribal Lands?
- Is the proposed route located on or does it cross Federally Managed Lands?
- Is the route new or upgrading/ rebuilding existing telecom facilities
- Is the route in a previously developed existing right-of-way?

Resolution:

All applicants have to submit an Authorized Representative Request and a resolution to have access to the Online Application System. Examples are given.

Reconnect Program Network Design Certification (by Engineer) is required

Recap

Small Oregon communities firmly believes that reliable access to high speed broadband would give them an economic and educational boost that is badly needed.

Small City = Small Staff. A small city could turn to their staff to produce and deliver all the requirements for a grant/ loan application. If a small city was working with MINET, *some* of required information might already be at hand. But what if there is insufficient time and talent in the small city? Funding would have to be found, and it would not be a reimbursable expense.

It is MINET's opinion that USDA grant/loan requirements may present a "worst case scenario" to an applicant. It is also our opinion that no small city would be, on their own, equal to the task of producing all of the requested data.

MINET UNDERSTANDS rural Oregon's needs high speed data. In fact, 3 rural towns in Oregon now have gig speed data because MINET was conceived to get broadband to unserved populations. But, **SMALL COMMUNITIES ARE OVERWHELMED**