

Vermont Community Broadband Board Meeting

March 14, 12:00pm

AGENDA

Meetings are being held virtually.
Join by video <https://bit.ly/313LwrX>
Join by Phone; +1 802-828-7667,,389833626#

Note: there may be additional executive sessions as needed

- | | |
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| 12:00 | 1) Meeting call to order |
| 12:05 | 2) Approval of the February 28, 2022 VCBB minutes |
| 12:10 | 3) Recommendation: Purchase of Materials via the Preconstruction Grant Program (discussion and motion) |
| 12:40 | 4) Recommended Policy Changes <ul style="list-style-type: none">• Preconstruction Grant Amendments – When Necessary and Approval Policy (discussion and motion)• Domestic Procurement Preferences – Outside Plant Designs and the Construction Grant RFP (discussion and motion) |
| 1:40 | 5) Construction Grant Reviews Discussion <ul style="list-style-type: none">• Proposed checklist to Review Business Plans (discussion and motion)• Should this checklist process be expanded to evaluate: Universal Service Plans, Overbuild, & Other Act 71 Requirements? (discussion) |
| 2:10 | 6) Staff updates <ul style="list-style-type: none">• Legislative• Grants• Contracts• Legal |
| 2:30 | 7) VCUDA update |
| 2:50 | 8) Public Input |
| 3:05 | 9) Parking Lot |
| 3:15 | 10) Agenda for Next Meeting |
| 3:25 | 11) Executive Session - <i>Confidential discussion. Premature general public knowledge would clearly place the public body, or a person involved at a substantial disadvantage (1 V.S.A. 313)</i> |
| 4:00 | 12) Motion to adjourn |

Press inquiries; please contact Rob Fish, Robert.fish@vermont.gov 802-522-2617

Vermont Community Broadband Board Draft Meeting Minutes
Meetings are being held virtually.
February 28, 2022

I. Call To Order – 12:02pm

II. Roll call completed by Patty Richards

Laura Sabilia (Remote)
Holly Groschner (Remote)
Brian Otley (Remote)
Patty Richards, Chair (Remote)
Dan Nelson (Absent)
Christine Hallquist - Staff (Remote) Robert
Fish – Staff (Remote)
Stan Macel – Staff (Remote)
Alissa Matthews – Staff (Remote)

III. Review of Agenda

There was no motion to make changes to the agenda and Patty proceeded with the meeting as indicated.

IV. Approval of Meeting Minutes

The Board discussed the February 14th, 2022 draft Board Meeting minutes. Patty Richards and Holly Grochner asked for changes. Patty Richards moved to approve the minutes as amended. Brian Otley seconded. The motion was approved.

The Board discussed the February 18th 2022 draft Special Board Meeting minutes. Brian Otley asked for a correction. Patty Richards moved to approve the minutes as amended. Brian Otley seconded. The motion was approved.

V. Bond Bank Presentation & Q&A

Christine Hallquist introduced Michael Gaughan from the Vermont Bond Bank. Michael provided a brief overview of the VT Bond Bank's role and an introduction to what municipal bonds are, how they typically work, and presented several topics including: the value of tax-exemption; municipal market overview; benefits of public offering; survey of broadband related security structures; credit analyst approach to broadband; and relevant example case studies.

- Holly Groschner asked how the projected take-rate or the reserve contingency funds, things that project outward get monitored. Michael explained that it is really two questions, how you deal with projected systems or systems that are in the process of being built out. He referenced the project finance ratios from Moody 's example he shared to highlight how investors rating agencies are going to look for higher debt service coverage and projections on things that are subject to revenue growth and the other thing that they're probably going to want to see is some sort of 3rd party independent analysis of the projected revenues that can be included in the offering memorandum as a document for investors to review and that would include an industry expert looking at take rates are going to look like in correspondence with the build out

of the system what they project revenues to be for fact checking. Holly confirmed she understood that as a pricing response, which she can appreciate and rephrased her question to consider what the experience of a CUD might be to understand if there is a covenant in this arrangement that causes you to report performance every year because there is so much unpredictability in these construction markets. Christine Hallquist added that revenue growth is interdependent on getting things built in time, but also depends where you are building – it would be faster in unserved areas but slower in cable overbuild areas, so she wondered what the tolerance is in terms of revenue growth. Michael explained the policing happens by two means, the public disclosure agreement, posting timely financial and operating reports and more often than not the actual covenant reports will be due to the trustee annually or quarterly and on file for review. Once that debt is sold it matters to the extent you want to sell more debt. This is hard debt, the capital markets are not very flexible. He described a variety of bond options with varying returns dependent on what you are willing to pay, but many would be sub-optimal. Michael added that it is important to remember that this is tax exempt debt, and so it starts to look like an equity return and you basically have about two years to capitalize interest. Christine then asked what if they're going to do a bond over 40 years instead of a 30 year period. Michael responded that it depends on the rate environment you are in.

- Patty Richards asked what would be considered a technological risk in the broadband industry. Michael responded that he is not an expert in broadband, but likely things like satellite or cell phone hotspots. Christine added that the CUDs would likely have a low technology risk.

Michael then discussed things to consider for future broadband debt

- Globally engage independent registered municipal advisor (“IRMA” or municipal advisor) to develop plan of finance and rating strategy for all CUDs; at time of pricing, can ensure fair price of the bonds as well as fair compensation of underwriter
- Globally engage bond counsel to avoid relearning tax issues in each CUD and standardize documentation to lower transaction costs and develop market
- Consider other shared service contracts and/or pre-qualified pool of bond specific professionals – Ex. independent third-party feasibility and market report to accompany bond offering if substantial amount of the revenues for repayment of the bonds is projected
- Identification of systems and amount of debt that may be substantially supported by a private entity, either through operations, guarantees, or some combination; Infrastructure Bill included expansion of Private Activity Bond authorization to broadband (allowing tax exemption), if following met:
- Qualifying projects provide broadband service to 1 or more census block groups in which more than 50 percent of residential households do not have access to fixed, terrestrial broadband service which delivers at least 25 megabits per second downstream and at least 3 megabits service upstream
- Broadband can be provided to both residential and commercial locations, so long as 90% of such locations did not previously meet the speed criteria
 - New broadband speeds must be not less than 100 megabits per second for downloads and 20 megabits for second for uploads

- Need to identify amount of volume cap that will be needed prior to debt being issued

Christine Hallquist asked Michael to confirm that the transaction costs are fairly high and his recommendation is that we try to combine as many of the CUDs as possible. Michael responded that once the type of debt needed is known, then you can consider different ways to structure it. A pooled loan structure would work if they all need long term financing at the same time, but to the extent you have a resolution or trust indenture for a government entity that is the same in all cases then you can customize that for each CUD rather than creating a new document each time.

Patty Richards asked if it may make sense for VCUDA to be responsible for the bond counsel and other advisors because VCBB will not be getting into the specifics of the debt issuance. Michael said he doesn't see a concern in doing that, his biggest concern would be finding a way to reduce interest payments in a way that is practical.

Laura Sibilgia asked for Michael to walk through how multiple CUDs could be grouped together. Michael explained how the Vermont Bond Bank has a parity structure, but explained that wouldn't work with such few entities, but you could potentially do something where everyone is joint but separate in terms of their payment within a pool loan structure but they would need one global entity whose name is on the debt. This is something an independent registered municipal advisor could advise on the most appropriate and efficient way to raise capital. He added that he wasn't saying this is necessary and that if CUDs are large enough they could access the municipal bond market on their own. Laura asked Michael what is large enough. Michael responded \$8-10 million. Laura then asked Patty Richards to clarify if her preference was for the municipal bond advisor to be handled by VCUDA or the VCBB. Patty confirmed that not necessarily the case for the advisor, but that the bond issuance should not be handled by the VCBB. Laura reiterated her support for hiring a municipal bond advisor. Rob Fish agreed that there is a need for a bond counsel or municipal market advisor as a shared role to supplement the Project Developer position when hired.

Holly Groschner asked Patty if she felt clear that an aggregated offering should not happen through the VCBB or if it was worth having general counsel review the authorization. Patty responded that she would appreciate hearing Stan's opinion on the issue. Brian Otley agreed with Patty that it would be a departure from the Board charter to get involved with issuing debt but he would be curious of the CUDs opinion if the VCBB was even able to take this path.

F.X. Flinn shared that the bond counsel for ECFiber is the same bond counsel for VCUDA so the process is becoming pretty routine. He added that as a perspective investor and as somebody who has done the background work that goes into those bonds, his opinion is that it would become too complicated to have a multi-participant bond shared by the CUDs but if the Bond Bank wanted to get in the business of revenue bonds for this sort of thing it might be a different story.

Stephen Friedman from the Lamoille Fibernet Board agreed with Michael that it would make sense to have a common structure and marketplace developed. Patty asked Stephen if he would support VCUDA getting counsel as an additional common service to provide.

Christa Schute from NEK Broadband added that they would only be interested in bonding independently, but she does agree with the idea of VCUDA providing bond council and a municipal advisor. She is curious on what role the Vermont Bond Bank is purposing that they might play. Michael explained that the hurdle the Vermont Bond Bank faces is that 100% of their existing portfolio has taxing authority so it would potentially raise their traditional borrowers' rates, but they are supportive, and it doesn't preclude something down the line but

they would need to segregate the risk.

Val Davis asked what the logistics would be and the timeframe for getting a revenue bond. Michael explained that there would typically need to be three years of revenue statements depending on the rate you are trying to get.

F.X Flinn added a comment that Jim Anderson has been discussing that ECFiber's success could be used by the CUDs to show how this model works, and municipal revenue bonds could be floated after just a year, and encouraged other CUDs to take advantage of the information that could be provided.

Christine Hallquist made the recommendation that VCUDA obtain municipal bond counsel and make a grant request to the VCBB to cover those services. Rob Fish added that the Board has not clearly made a decision on whether they could provide a grant to the Association. Will Anderson added that they do already provide services and he could see this being a shared service but that it would need to be paid for by the VCBB. Patty Richards added that her interpretation of Act 71, Section 8087 is that we have a mechanism to grant funds for centralized resources, but the route to move forward needs to be decided by the CUDs.

VI. Material Default (materials included, discussion)

Christine explained VCBB staff have started to revise the document on material default as requested by the Board at the last meeting. Stan Macel presented a summary of the feedback received from the questions posed to the CUDs, which included a request for longer than a 30-day correction period and to consider other factors in addition to bond covenants and financial agreements when considering material breach.

Holly Groschner commented that we have posed a lot of questions to the CUDs and that staff should consider other default procedures used in construction or other municipal grants. She agreed 30 days was not enough time to fix some types of defaults, and a longer remedial period is often needed. Stan agreed to review other State grants for default provisions and to come back to the Board at the next meeting. Patty Richards agreed that the State must have some examples to reference.

Christine added that perhaps instead of a period in which to fix the error and perhaps we could have a deadline to develop a corrective action plan. Holly explained that the need is to establish what materiality means on a legal basis and identify specifically those triggers.

VII. Letters of Commitment (materials included, discussion and motion)

Christine Hallquist provided background regarding the long lead time for sourcing supplies and sees Letters of Commitment as a way to help CUDs pre-purchase materials.

Stan Macel presented a memo that he drafted based on conversations with Guidehouse and clarified that these would be Letters of Intent to address concerns raised by the Board at the last meeting regarding risk of legal obligation. The Letters would only be issued after eligibility screening and invitation to submit a full proposal. In the case the Board declines to issue a grant then there would be a thorough justification of denial.

Holly Groschner explained that this feels like we are pre-authorizing the entire project, and would urge the Board to not only require a screening, but also identify what exactly the funds are being used for.

Christine clarified that this process was always intended to assist CUDs in accessing specific materials. Rob Fish added that this would be used to help CUDs start conversations with

providers and vendors for materials that are known to have a significant lead time.

Laura Sibilgia asked what the Board's obligation is once these letters are issued. Stan clarified that there is no legal obligation. Christine explained that in conversations with Guidehouse, this is considered a tool in negotiating in good faith.

Holly asked if the grant applications for construction include specific bolts and parts so we can identify where the urgency exists. Christine responded that they do not include an entire bill of materials but provided the example that if there is a hold up of getting a single bolt it could hold up construction for a year or more.

Patty Richards wants to review the memo and table the action. Laura Sibilgia agreed and added that she continues to question the legal obligations. Holly commented that she understands the need but stated there is not an administrative process in place to handle something like this. Patty added that in the electric sector a letter of intent is written with several caveats and is explicitly a non-binding. Christine confirmed that staff thoroughly reviewed this with Guidehouse, and that this is not binding. Holly asked if it would meet the need to issue a generalized letter that recognizes the organization as a CUD and explains the Board has a specific grant allocation it anticipates awarding up to a certain amount to each CUD. Patty, Laura, and Brian agreed, if that is enough to aid the CUDs. Holly suggested that Stan draft something and take it to a relevant vendor and if they reject it then we know it is not enough.

VIII. Staff Updates

Christine Hallquist shared that staff testified on two Legislative items last week. House and Energy asked us to present needs of the VCBB, and Christine continued to defend the need for \$350 million over a three year period. She explained that accompanying the discussion for need for revenue is the cell tower discussion. Laura Sibilgia commented that it should not be an issue the VCBB should expect to get pulled into. Christine was also asked to comment on S.166, the housekeeping bill, she did but not much to report back.

Christine also added that the VCBB submitted the ACT 71 changes that were approved by the Board have been submitted to Senator Cumming and it will be attached to a broader tax bill that looks like it is moving forward. Laura suggested staff keep an eye on the bill and confirm where it is headed.

Rob Fish commented that staff have started to investigate a more robust Grant Management System since this program will assist as more funds become available over the next several years. Alissa Matthews added that the GIS Atlas is being built, and staff are working closely with Stone Environmental to develop templates and dashboards that will be used with and by the CUDs and that the Board can expect a presentation from Stone Environmental in a future March meeting.

Rob shared that the Fiber Optic Engineer contract is nearly executed so work will start with that consultant soon and responses are starting to come in for the two RFPs for outside legal services. Rob added that the VCBB continues to do outreach for the Project Developer position and is accepting additional applications, but that the VCBB is also looking holistically at staff to consider all options and that there may be a need to identify certain skills that could be sourced through additional outside consultants.

Rob explained that the VCBB continues to provide technical assistance to various CUDs, and will be engaging more closely with Southern Vermont after learning they did not receive the NTIA grant to build out their whole county. Laura Sibilgia brought up that there had been previous discussions about assistance that may be available from the VCBB, especially for

smaller CUDs. Rob confirmed that is the intention for both Southern Vermont and Otter Creek as they consider ways to increase capacity. Christine added that staff are taking a close look at the financials of those two and other CUDs, and that the VCBB plans to continue to be available to assist where needed.

IX. VCUDA Update

Will Anderson provided an update for VCUDA. He discussed the Southern Vermont CUD not receiving its NTIA grant and that no projects in Vermont were supported by that pool of funding. He will be providing assistance to Southern Vermont to figure out a solution. He added that Otter Creek is making steps to move forward to hire additional staff and contract with a design and construction partner. He has encouraged both of those CUDs to leverage the pre-construction grant funding.

Will commented that support for S.166 is waning and agreed with Christine that it does not seem to be going anywhere. He appreciated the support from Christine in the budget discussion.

Will confirmed that shared services such as the municipal advisor and the bond counsel are needed and the model of providing those services will be evaluated at the next VCUDA meeting. He added that they are attempting to use the as needed model for accounting services.

He confirmed that VCUDA also considered shared marketing services and does not see an avenue for that to be provided statewide at this time, however a new VCUDA website has been created to share information about all of the CUDs as their networks are deployed. Rob suggested that Will follow up with Sean Kio at Northwest Fiberworx to see if he has anything to add to the marketing discussion from his expertise.

Will shared that CUDs are building partnerships, continue make-ready work, and some construction is underway. Will explained that VCUDA is working to make another bulk purchase of hardware and have a lead on a consortium pricing scheme that will hopefully reduce prices and possibly lead times as well. Will has not confirmed whether the suggested Letter of Intent will be sufficient for that supplier but assumes that it will not be enough based on past conversations. Will asked the Board to seriously consider a more formal letter, especially given the demand for these supplies and the threat that the long lead times pose for CUD success. He added that finding a way for the CUDs to utilize their grant funding through an earlier purchase phase for materials could be critical to secure materials.

Holly Groschner questioned if any Letter of Intent would be sufficient. Will responded that although the CUDs would appreciate the Letter of Intent because it would be beneficial brokering certain supplies he has not been able to confirm that. Holly commented that the other solution she heard was to create a faster grant approval process and wondered what that would take to make happen. Holly also questioned why they can't use the same mechanism as they did to purchase fiber. Will confirmed that it is VCUDAs intent to use the same process to purchase hardware but added that it would be beneficial to find any way for the CUDs to access the VCBB funds more quickly.

Patty Richards clarified that the VCBB is trying to balance finding a way to support the CUDs and their need for funds with accountability and demonstration of a viable project. Will would like to explore ways that the CUDs could provide that assurance. He suggested that perhaps a solution could be figured out considering the necessity of the purchases and knowing that a certain amount of materials are needed across the state to successfully reach the VCBB's goals.

Rob Fish shared the options he sees moving forward, including: a form of a pre-grant agreement that could be further explored with Guidehouse; determining what would be needed to provide funds after someone goes through the pre-application process and agrees to certain things; the consideration that hardware are commodities and he wondered if the hardware itself could be the backing of a letter of credit since they could easily be resold on the open market; and exploring a waiver for commodity contracts through BGS to see if VCBB could purchase some of those commodities sooner than later. Christine added that she feels it is the staff's job to come back with a recommendation to present to the Board after circling back with VCUDA following this discussion.

Laura Sibilia asked Will if she understood correctly that CUDs might have varied needs of supplies and for some examples. Will responded that no, in fact all of the CUDs tend to need the same supplies from the same providers and confirmed that a purchasing agreement would allow for some flexibility to pick and choose based on specific needs of each CUDs design plans. Laura then asked about obstacles for purchasing additional fiber. Will identified the uncertainty of specific needs of different strand counts, and the amount of money it takes and commitment it requires to secure it. Rob added that he is not sure of the capacity of the original partners but certainly could be possible to work with additional partners.

X. Public Input

Two members of the public provided input.

- Ray Pelletier from CV Fiber reiterated three things he heard in regards to making purchases – a letter of commitment to take to a vendor to do a bulk buy; letter of intent to take to a bank to get a 2% loan with a grant anticipation note; or a separate grant application for materials. His designers know that 200 miles of fiber will cost \$2 million in materials, so if the VCBB could figure out a way to set up materials grants for \$3-4 million that would expedite the process.
- Steve Huffaker from Maple Broadband shared that they have done similar investigation into sourcing materials with similar results and noted most distributors are claiming force majeure and prices are subject to change. They are less concerned with strand counts, but his biggest concern is working through force majeure to get materials needed.

Holly expressed her appreciation of the practical reality of what is going on in the marketplace and feels that the force majeure piece is something VCBB staff should propose a solution to. Christine agreed that Board Policies are still needing to be established and the VCBB could start with a purchasing policy.

XI. Parking Lot Review

Christine Hallquist reviewed the remaining topics in the parking lot, which include benchmark and the VCBB dashboard, pre-application commitment letters, opportunities for statewide marketing collaboration, and Board policy on material default.

Holly Groschner added that VCUDA asked and answered the question regarding statewide marketing and that it is not preferred route at this time.

XII. Executive Session

Patty Richards made a motion to go into Executive Session where premature general public knowledge would clearly place the public body or a person involved at a substantial

disadvantage (1 V.S.A. Section 313). Laura Sibia seconded the motion. The Board approved the motion and went into executive session.

Patty Richards confirmed that no action was taken in the Executive Session. The meeting was adjourned at 3:14pm.

DRAFT

Vermont Community Broadband Board
Pre-purchasing recommendation
March 14, 2022
Christine Hallquist, Executive Director
Phone – 802-636-7853
Email – christine.hallquist@vermont.gov

During the February 14, Board meeting, a potential solution to enabling the CUDs to pre-purchase materials was discussed. The concept of a pre-approval commitment letter that would provide the certification that the CUDs are the presumed recipient of grant funds. There was an overall concern that this might put a binding commitment on the VCBB.

Staff worked with the CUDs to look at an alternative letter that would have been less binding, such as a Letter of Intent. However, that would not provide enough assurances for vendors to commit. Staff and VCUDA then examined options for solving the specific problem of how to purchase materials impacted by supply-chain issues before the issuance of Construction Grants.

Staff discussed this issue at length with representatives of VCUDA and individual CUDs. Staff then tasked VCUDA with drafting and achieving consensus on a proposal. The result was a proposal to add the purchase of materials as an allowed use of funds under the Pre-Construction Grant Program. The Full proposal is below.

RECOMMENDATION:

Staff supports this proposal to add the pre-purchase of materials under certain conditions to the Pre-Construction Grant Program. In addition, staff recommends that \$4 million previously budgeted for special opportunities for collaboration to be re-allocated to the construction for use exclusively for the purchase of materials.

The VCBB staff will evaluate the pre-purchasing requests on case by case, line-item by line-item basis. To be eligible for using Pre-Construction Funding for the purchase of materials, the CUD must first have secured an invite from the VCBB for submitting a full application to the Construction Program. This requires an ACT 71 compliant business plan and a Universal Service Plan.

Staff will ensure that the CUDs have adequate design work in place prior to approving any pre-purchase allocation request. They can only pre-purchase what is needed for the next 24 months. Based on the design standards, most of the materials can be shared between CUDs. With inflationary pressures as they are, the material will be able to be sold at cost, or higher in the unlikely event any material remains.

To: Vermont Community Broadband Board (VCBB)

From: Vermont Communications Union Districts Association (VCUDA)

Regarding: Necessity for the VCBB to promptly fund materials purchases and payments

Summary

Given difficult circumstances in the market for telecommunications materials, the Communications Union Districts believe the VCBB must create a program to facilitate pre-purchasing of those materials, and payments for when those supplies arrive. Modifications to existing VCBB grant programs can make this happen, within the parameters of Vermont Act 71 and the mission of the VCBB.

Background

CUDs are faced with multiple challenges as the 2022 construction season nears, including network design, make-ready and labor contracting, but perhaps none poses a greater risk to the timely progress of the shared mission of CUDs and VCBB than materials. Between fiber-optic cable and the many pieces of hardware required to construct a broadband network, CUDs are faced with both great cost and extensive lead times, due to a combination of high demand across the country, and global supply chain issues stemming primarily from the COVID-19 pandemic and its economic impact.

In a proactive move last year, the VCBB staff worked with VCUDA and multiple funding partners across the state to secure a purchase of over 2,000 miles of fiber-optic cable from NRTC, to be shared across six of the nine CUDs. Under the arrangements of the purchase, secured with a letter of credit, the fiber will need to be paid for 30 days after its arrival at a given CUD, after which point the letter of credit will be drawn down upon- a worst case scenario for the CUDs financially. The first payments, totaling around \$157,000 across two CUDs, have a projected deadline of May 4th, 2022.

In addition, VCUDA is negotiating a bulk purchase of assorted hardware with a top domestic manufacturer. Lead times for these materials average about 12 weeks, meaning that a prompt purchase will be critical to furnishing the CUDs with the materials they need to stay on track with construction. While it is possible that further letters of credit can be secured and will be sufficient to complete this and other advance purchases, a more streamlined option by which CUDs can guarantee suppliers of their ability to make payments would be extremely helpful in this process, especially considering the widely different purchase orders each CUD will submit, at different points in time.

We believe that both problems can be solved if the VCBB were to modify their grant programs in such a way as to allow CUDs to purchase materials in advance and pay for them when they have arrived. There are multiple avenues the VCBB could pursue to create this funding mechanism for the CUDs.

Proposal

The first such avenue would be to announce that the Preconstruction Grant program is approved for CUDs to request grants, or amendments to grants, to pre-purchase or pay for

materials that are consistent with the network design standards laid out in the Construction Grant. This would be permitted per Act 71, as the law states that the grant can be used to fund “any other costs deemed appropriate by the Board”.

The VCBB would have to decide, potentially on a case-by-case basis, as to how funding would be distributed should the Preconstruction Grant scope be expanded. Naturally, CUDs that have funding remaining in their initial allotment ought to be able to utilize that money to purchase materials. For those that have the need but not the resources left over, the VCBB ought to consider shifting additional funding into the Preconstruction program, either from the Construction grant, or from the \$4,000,000 fund reserved that was set aside for opportunities and interagency coordination.

The VCBB could also maneuver the Construction Grant program to solve this problem. The two steps that would be required for this to succeed would be the clarification (and likely simplification) of business plan and universal service plan requirements, to pre-qualify CUDs for the program per Act 71. Then, the VCBB would need to announce that material pre-purchasing and payments would qualify as a construction phase for which CUDs can seek grant funding.

The Question of Accountability

Based on discussions that have taken place in past meetings of the VCBB, it seems inevitable that an argument will arise against this concept- that until a CUD can prove full viability and planning for their network, they should not receive funding to proceed with a bill of materials. This argument has the potential to become a self-fulfilling prophecy of CUD failure. If the Districts are not able to secure materials in a timely fashion, the 2022 construction season will slip away, causing a loss of momentum that will result in untold costs being completely sunk. The lead times and delays the CUDs are faced with have the potential to make this worst-case scenario a reality if action cannot be taken quickly and comprehensively on material purchasing.

In addition, the VCBB can only benefit its own mission by facilitating purchases of materials. By setting its standards for network design, and only approving materials grants that fall within those parameters, the VCBB will be guaranteeing that those materials will be coming to Vermont, at the lowest possible price given the steady increases observed from all suppliers. In the unlikely event of a CUD folding, those assets would revert to the state of Vermont, and the VCBB would be able to sell, redistribute or otherwise deploy those materials in a way that furthers its goal of universal service. In other words, by putting a measure of trust in the Communications Union Districts when it comes to purchasing in advance, the VCBB would be certain to benefit itself and the state of Vermont.

RECOMMENDED POLICY CHANGES

In today's (Thursday, 3/10) meeting with Guidehouse and the Administration, VCBB staff learned of greater flexibility that is being enabled by changes to the Treasury Final Rules. Namely, a loosening of domestic purchasing requirements. We also learned that we have flexibility in terms of the grant budget line items.

Staff recommends the Board formally adopt the following proposals:

1) Proposal: Approvals required for adjustments to H315 and Act71 PreConstruction Grants

The VCBB has received several amendment requests to grants issued via the H315 or Act 71 PreConstruction Grant Programs. Staff proposes the policy below to govern how the VCBB addresses the requests. We recommend the Board approve the following approach. Staff will amend the grant agreements as necessary to align with the approach.

- Increases in the total amount of a grant require Board Approval and a formal grant amendment to be executed.
- Changes to the allocation for an individual item already included in the scope and budget that have been previously approved or itemized as eligible expenses for the preconstruction program (see below) do not require Board or Staff Approval or individual amendments. All changes must be noted in the monthly grant report.
- Requests for approval to engage in the purchasing of materials, contracting of labor, or performing make-ready can be approved by the Staff and then reported to the Board as long as the expenditure does not cause the total budget to exceed the value of the approved Pre-construction grant, otherwise see bullet 1.

Items eligible for preconstruction expenditures

Note: With the exception of "x", these items are included in the contingency section of most of the preconstruction grant agreements.

- (i) Feasibility studies
 - (ii) Business plans,
 - (iii) Pole data survey(s),
 - (iv) Engineering planning and design,
 - (v) GIS services in support of construction decision making including design and build sequencing, and cost mitigation associated with construction choices,
 - (vi) Make ready work (*with permission of staff to proceed*)
 - (vii) Engineering and construction consulting fees,
 - (viii) Legal, accounting/bookkeeping, and audit fees,
 - (ix) Administrative expenses of the Grantee, including but not limited to office equipment, administrative staff, application fees, dues, and memberships,
- Procurement of materials or the contracting of labor (with the permission of staff to proceed)

2) Proposal: Updates to the Outside Plan Design Standards and Construction Grant RFP

With the issuance of the Treasury Departments Final Rules for the State and Local Fiscal Recovery Plan (SLFRP), the VCBB requested updated clarification from Finance and Management and Guidehouse on issues related to domestic procurement. We recommend the Board approve the following clarification to the Outside Plan Design Standards and the Construction Grant RFP.

- Revise and clarify the domestic procurement standard from requirement to preference, to reflect updated information.

The Final Guidelines call for a domestic preference consistent with the Uniform Guidance (see below). While price differences regardless of the amount are not a reason for a waiver, the need to secure materials for the short Vermont construction seasons to allow a project to proceed within the ARPA performance period would be an eligible exception and reason for a waiver if properly documented via the procurement process.

- Documentation Required: A memo outlining the following:
 - A detailed narrative explaining the procurement process for seeking the materials (RFP process)
 - Results of the procurement process that demonstrate the material to be procured is not available from a domestic provider in the timeframe necessary to allow for the completion of the project within the Vermont construction season and/or ARPA performance period.
 - Impact on the project if the materials cannot be procured within the construction timeframe. This section should include how the purchasing timeframe need aligns with securing labor, approvals, etc.

Note: *This revision does negate the prohibition on the purchase of materials from Russia or specific Chinese companies.*

§ 200.322 Domestic preferences for procurements.

(a) As appropriate and to the extent consistent with law, the non-Federal entity should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

(b) For purposes of this section:

(1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

(2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Construction Grant Review Discussion - ACT 71 COMPLIANT BUSINESS PLAN – CHECKLIST

"Act 71 Compliant Business Plan "means a business plan for the proposed Universal Service Plan.

Assumptions:

The VCBB assumes that a business plan is a living document.

The VCBB assumes that a business plan produced under the Broadband Innovation Grant Program requires updating before being deemed compliant with Act 71.

Initial Questions:

Were the business plans produced via a PSD Broadband Innovation Grant? ___ Yes ___ No

Who produced the business plan?

Has it been independently signed off on by a financial institution?

Has the business plan been updated since? ___ Yes ___ No

When?

By Whom?

Checklist:

Does the business plan include a Universal Service Plan?

This plan must detail the Eligible Provider's approach for providing service to Access to Broadband capable of 100/100 Mbps to every Unserved Location and Underserved Location with electric utility service in a Town or Communications Union District. The approach may be phased and must contain binding commitments to provide or cause to be provided Access to Broadband to every Unserved Location and Underserved Location with electric utility service in a Town or Communications Union District.

Does the business plan include the following?

High-level engineering and design plans

___ Yes ___ No

___ Concerns with Assumptions or Comments?

___ Follow-up questions for applicant

Market analysis

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Take-rate assumptions

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Cash flow positive date (as relevant)

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Expected Loan payoff date(s)

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Financing models

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Pro forma financial projections

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Estimated construction costs

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Ideal operational models

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Does the Business Plan evaluate the following risks:

Labor needs and availability

Yes No

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Supply-chain contingencies for equipment and materials

Yes *No*

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Make-ready work

Yes *No*

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Additional other relevant capital and operational expenses.

Yes *No*

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Contracting management including safety and house-keeping

Yes *No*

Concerns with Assumptions or Comments?

Follow-up questions for applicant

Vermont Community Broadband Board
Analysis of Marketing Budgets
March 14, 2022
Christine Hallquist, Executive Director
Phone – 802-636-7853
Email – christine.hallquist@vermont.gov

Background

This analysis was requested as part of the evaluation of a Pre-construction grant request from Maple Broadband for \$315K as a marketing budget during the February 14, 2022. The Board approved the request and asked staff to research what other telecommunication companies spend on Marketing.

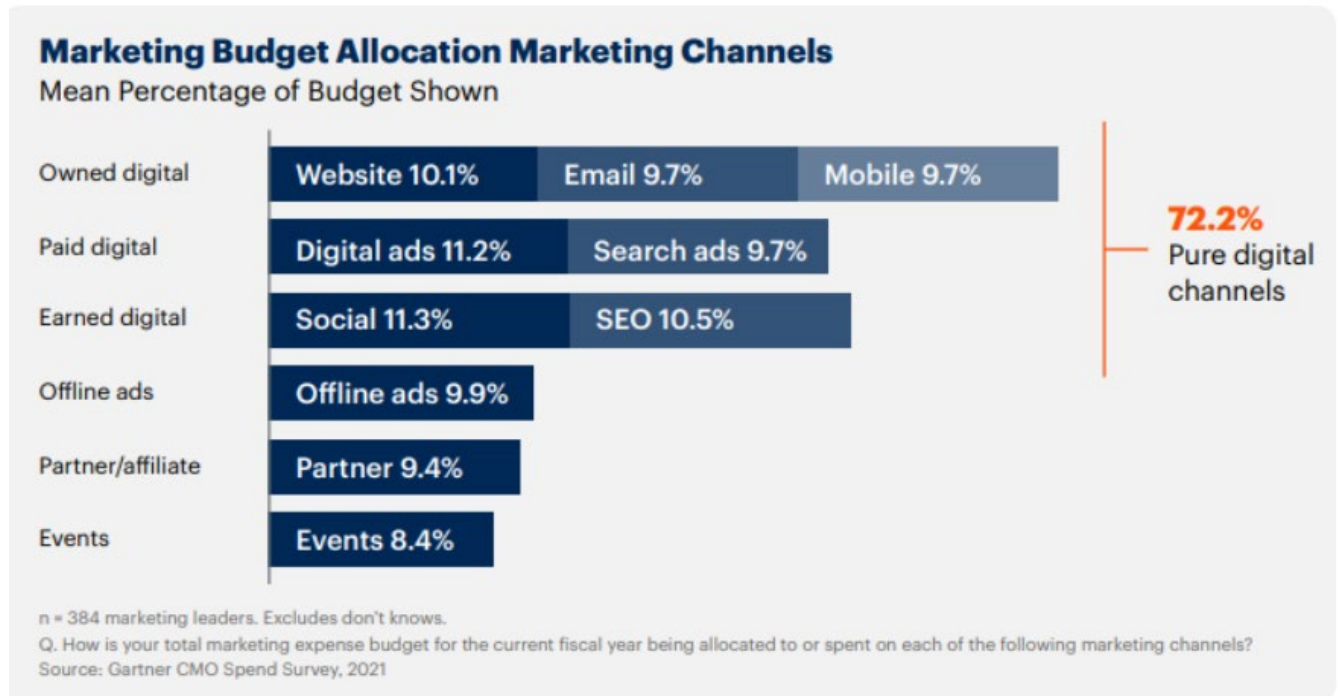
Duke University in partnership with Deloitte has been running a CMO survey for fourteen years on marketing budgets. The information provided in this response comes from the latest (2021) survey published in February of 2020.

The CMO Survey collects and disseminates the opinions of top marketers in order to predict the future of markets, track marketing excellence, and improve the value of marketing in organizations and in society. Founded in 2008, it is the longest running non-commercial survey for and about the field of marketing.

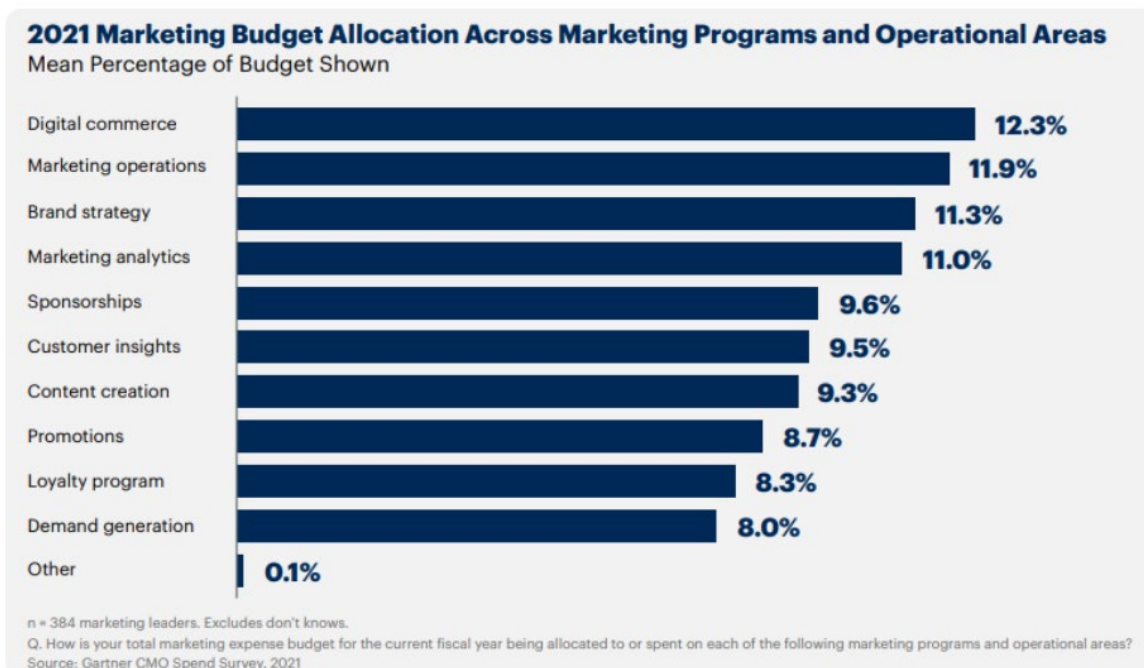
How the money is spent

- A breakdown of marketing budget across channels illustrated the dominance of digital spending, with 72.2% of investment going to digital channels according to Gartner's survey.
- The CMO Survey found digital spending to be dominant, but slightly less so, with 57.9% of marketing budget devoted to digital marketing activities.
- Owned digital channels garnered the highest budget allocation, with 29.5% of budget going to website, email and mobile channels. Earned digital was the second highest category, representing spending on social media and SEO.
- Online video has represented the highest growth category, with anticipated investment more than doubling between 2016 and 2021
- Social media advertising investments has continued to grow, with a 17% compound annual growth rate from 2016 to 2021.
- Mobile marketing has grown to a point that it's no longer tracked separately in the forecast and it's presumed to be considered across all channels

How marketing funds are ultimately allocated is driven by the nature of the business, the competitive marketplace, and how target customers respond.



From a different perspective here's how marketing budgets were divided among marketing programs and operational areas.



Bottom Line

Here is what various industry sector spend on marketing based on their overall revenues.

