

Changes from previous Timeline / Budget:

1. Finalized fixed price for Engineering and RFP Development
2. Revised estimate for hourly & expense items
 - a. Managing the RFP process
 - b. Contract negotiations
 - c. PUC Certification
 - d. Pole Attachment Agreement Negotiations
 - e. Pole Attachment Applications
 - f. Pole Owner Joint Ride-out
 - g. Owners Project Manager
3. Itemized tasks associated with determining firm utility pole make-ready costs
4. **Recommend budgeting \$90,000 + \$53,000 = \$143,000 for this year.** This expense will produce a fully engineered plan, construction drawings, bill of materials, as well as firm costs for make-ready and firm bids for construction and operation and allow the Town to finalize bonding costs for the next year's budget.

| Readfield - Municipal-owned Fiber-to-the-Home Network Project - Timeline / Budget | | | | | | | | | | | | | | | | | | | |
|---|--------------------|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Task | Price | Mo 1 | Mo 2 | Mo 3 | Mo 4 | Mo 5 | Mo 6 | Mo 7 | Mo 8 | Mo 9 | Mo 10 | Mo 11 | Mo 12 | Mo 13 | Mo 14 | Mo 15 | Mo 16 | Mo 17 | Mo 18 |
| Engineering - (Fixed Price) | \$80,000 | ■ | ■ | ■ | ■ | ■ | | | | | | | | | | | | | |
| Develop RFP's - (Fixed Price) | \$5,000 | | | | | ■ | | | | | | | | | | | | | |
| Manage RFP Process (estimated hourly & expense) | \$2,500 | | | | | | ■ | ■ | | | | | | | | | | | |
| Contract Negotiations (estimated hourly & expense) | \$2,500 | | | | | | | | ■ | | | | | | | | | | |
| Subtotal Estimated Engineering / RFP costs | \$90,000 | | | | | | | | | | | | | | | | | | |
| PUC Certification (estimated hourly & expense) | \$1,500 | | ■ | ■ | | | | | | | | | | | | | | | |
| Pole Attachment Agreement Negotiation (estimated hourly & expense) | \$1,500 | | | | ■ | | | | | | | | | | | | | | |
| Pole Attachment Applications (estimated hourly & expense) | \$10,000 | | | | | ■ | | | | | | | | | | | | | |
| Pole Owner Joint Ride-out (estimated hourly & expense) | \$40,000 | | | | | | ■ | ■ | | | | | | | | | | | |
| Subtotal Estimated Cost to determine Make-ready costs | \$53,000 | | | | | | | | | | | | | | | | | | |
| Utility Pole Make-ready process (estimate pending pole owner quotes) | \$882,024 | | | | | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Construction (estimate pending RFP bids) | \$1,920,500 | | | | | | | | | | | | | | | | | | |
| Subscriber Turn-up (50% take rate) (estimate pending RFP bids) | \$665,000 | | | | | | | | | | | | | | | | | | |
| Owners Project Manager (OPM) (estimate hourly & expense) | \$129,275 | | | | | | | | | | | | | | | | | | |
| Subtotal Estimated Construction Cost | \$3,882,799 | | | | | | | | | | | | | | | | | | |
| Construction Contingency 10% | \$388,280 | | | | | | | | | | | | | | | | | | |
| Total Estimated Construction Cost | \$4,271,079 | | | | | | | | | | | | | | | | | | |
| Total Estimated Project Cost | \$4,414,079 | | | | | | | | | | | | | | | | | | |

The following changes have been made to the 5-year Financial Pro Forma:

1. 20-year Bond interest rate changed to 2.7%
2. 10% debt reserve eliminated, along with interest earned on the debt reserve
3. Added "Equipment Upgrade Fund" to enable complete replacement of all electronics every 7 years.

4. Doubled "Outside Plant Maintenance" expense, effectively increasing the contingency.
5. Taxes modeled to cover capital expense of construction only.
6. Operating expenses to be covered by subscriber revenue only.
7. Simplified Pricing / Market share Analysis below.
8. Recommend service price of \$70 initially. Can be adjusted downward if market share exceeds 40%.
9. Need to discuss 1st year operating loss treatment.

| Pricing / Marketing Analysis | | | | | |
|------------------------------|----------|----------|----------|----------|----------|
| Marketshare | | | | | |
| Monthly Price | 1st Year | 2nd Year | 3rd Year | 4th Year | 5th Year |
| \$80 | 25% | 30% | 35% | 40% | 45% |
| \$75 | 30% | 35% | 40% | 45% | 50% |
| \$65 | 35% | 40% | 45% | 50% | 55% |
| \$60 | 40% | 45% | 50% | 55% | 60% |
| \$57 | 45% | 50% | 55% | 60% | 65% |
| \$54 | 50% | 55% | 60% | 65% | 70% |
| \$51 | 55% | 60% | 65% | 70% | 75% |
| \$48 | 60% | 65% | 70% | 75% | 75% |
| \$47 | 65% | 70% | 75% | 75% | 75% |
| \$47 | 70% | 75% | 75% | 75% | 75% |
| \$47 | 75% | 75% | 75% | 75% | 75% |
| \$70 | 40% | 40% | 40% | 40% | 40% |
| \$65 | 45% | 45% | 45% | 45% | 45% |
| \$61 | 50% | 50% | 50% | 50% | 50% |
| \$57 | 55% | 55% | 55% | 55% | 55% |
| \$54 | 60% | 60% | 60% | 60% | 60% |
| \$51 | 65% | 65% | 65% | 65% | 65% |
| \$49 | 70% | 70% | 70% | 70% | 70% |



| Fiber-to-the-Home Financial Proforma | | | | | | |
|---|------------|--------------------|-------------------|---------------------|---------------------|---------------------|
| | | Year 1 Total | Year 2 Total | Year 3 Total | Year 4 Total | Year 5 Total |
| Revenue | | | | | | |
| Potential subscribers | 1,331 | | | | | |
| Market share end of 1st year | 40% | | | | | |
| Market share end of 2nd year | 40% | | | | | |
| Market share end of 3rd year | 40% | | | | | |
| Market share end of 4th year | 40% | | | | | |
| Market share end of 5th year | 40% | | | | | |
| Subscribers added by month | | 532 | - | - | - | - |
| Subscribers disconnected by month | 0% | 0 | 0 | 0 | 0 | 0 |
| Subscribers in service, net of disconnects | | 532 | 532 | 532 | 532 | 532 |
| Monthly recurring revenue | \$ 70 | \$ 242,242 | \$ 447,216 | \$ 447,216 | \$ 447,216 | \$ 447,216 |
| Non-Recurring Installation Charge per subscriber | \$ 500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Revenue | | \$ 242,242 | \$ 447,216 | \$ 447,216 | \$ 447,216 | \$ 447,216 |
| Cumulative Revenue since Inception | | \$ 242,242 | \$ 689,458 | \$ 1,136,674 | \$ 1,583,890 | \$ 2,031,106 |
| Operating Expense | | | | | | |
| Expense Inflation per year | 3% | | | | | |
| <i>Cost of Goods Sold</i> | | | | | | |
| IP Transit (Internet Capacity) - minimum amt | \$ 2,044 | \$ 24,726 | \$ 26,833 | \$ 26,833 | \$ 26,833 | \$ 26,833 |
| IP Transit (Internet Capacity) - % of MRC | 6% | | | | | |
| Pole quantity | 2,205 | | | | | |
| Annual Pole & conduit license | \$ 20.00 | \$ 44,100 | \$ 45,423 | \$ 46,786 | \$ 48,189 | \$ 49,635 |
| Utilities / Fuel | \$ 300 | \$ 3,600 | \$ 3,708 | \$ 3,819 | \$ 3,934 | \$ 4,052 |
| Outside Plant Backbone Mileage | 66.8 | | | | | |
| Outside Plant Maintenance per mile per month | \$ 50 | \$ 40,080 | \$ 41,282 | \$ 42,521 | \$ 43,796 | \$ 45,110 |
| Insurance per month | \$ 4,000 | \$ 48,000 | \$ 49,440 | \$ 50,923 | \$ 52,451 | \$ 54,024 |
| <i>COGS subtotal</i> | | \$ 160,506 | \$ 166,686 | \$ 170,882 | \$ 175,203 | \$ 179,655 |
| <i>Gross Margin</i> | | \$ 81,736 | \$ 280,530 | \$ 276,334 | \$ 272,013 | \$ 267,561 |
| | | 34% | 63% | 62% | 61% | 60% |
| <i>Sales / General / Administrative</i> | | | | | | |
| Network Operator - Base Management Fee | \$ 98,400 | \$ 98,400 | \$ 101,352 | \$ 104,393 | \$ 107,524 | \$ 110,750 |
| Network Operator - Fee per subscriber | \$ 15.87 | \$ 54,920 | \$ 101,390 | \$ 101,390 | \$ 101,390 | \$ 101,390 |
| Admin | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 |
| Postage | \$ 500 | \$ 500 | \$ 515 | \$ 530 | \$ 546 | \$ 563 |
| Truck Maintenance | \$ 3,000 | \$ 3,000 | \$ 3,090 | \$ 3,183 | \$ 3,278 | \$ 3,377 |
| Equipment Upgrade Fund | \$ 19,014 | \$ 19,014 | \$ 19,585 | \$ 20,172 | \$ 20,777 | \$ 21,401 |
| Contingency | \$ 10,000 | \$ 10,000 | \$ 10,300 | \$ 10,609 | \$ 10,927 | \$ 11,255 |
| Annual Accounting / Legal | \$ 5,000 | \$ 5,000 | \$ 5,150 | \$ 5,305 | \$ 5,464 | \$ 5,628 |
| Bad debt (per month) | 2% | (\$4,845) | (\$8,944) | (\$8,944) | (\$8,944) | (\$8,944) |
| Total Operating Expense | | \$ 351,495 | \$ 404,274 | \$ 412,824 | \$ 421,630 | \$ 430,701 |
| EBITDA | | (109,253) | 42,942 | 34,392 | 25,586 | 16,515 |
| | | -45% | 10% | 8% | 6% | 4% |
| Cumulative EBITDA | | (\$109,253) | (\$66,311) | (\$31,919) | (\$6,333) | \$10,182 |
| New Subscriber Installation Cost (CAPEX) | \$ 1,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cumulative Cash Flow | | (\$109,253) | (\$66,311) | (\$31,919) | (\$6,333) | \$10,182 |
| Annual Bond Payment | \$ 277,560 | \$ 277,560 | \$ 277,560 | \$ 277,560 | \$ 277,560 | \$ 277,560 |
| Annual Mil Rate allocated to FTTH (Construction) | | 0.0010 | 0.0010 | 0.0010 | 0.0010 | 0.0010 |
| Property Tax Impact | | | | | | |
| Assessed Property Value | \$ 200,000 | | | | | |
| Annual Property Tax Impact | | \$ 192 | \$ 192 | \$ 192 | \$ 192 | \$ 192 |
| Monthly Property Tax Impact | | \$ 16 | \$ 16 | \$ 16 | \$ 16 | \$ 16 |
| Subscriber Pricing | | | | | | |
| Monthly Service Price | | \$ 70 | \$ 70 | \$ 70 | \$ 70 | \$ 70 |
| Total Subscriber Service Cost (Monthly Price + Monthly Tax Impact) | | \$ 86 | \$ 86 | \$ 86 | \$ 86 | \$ 86 |