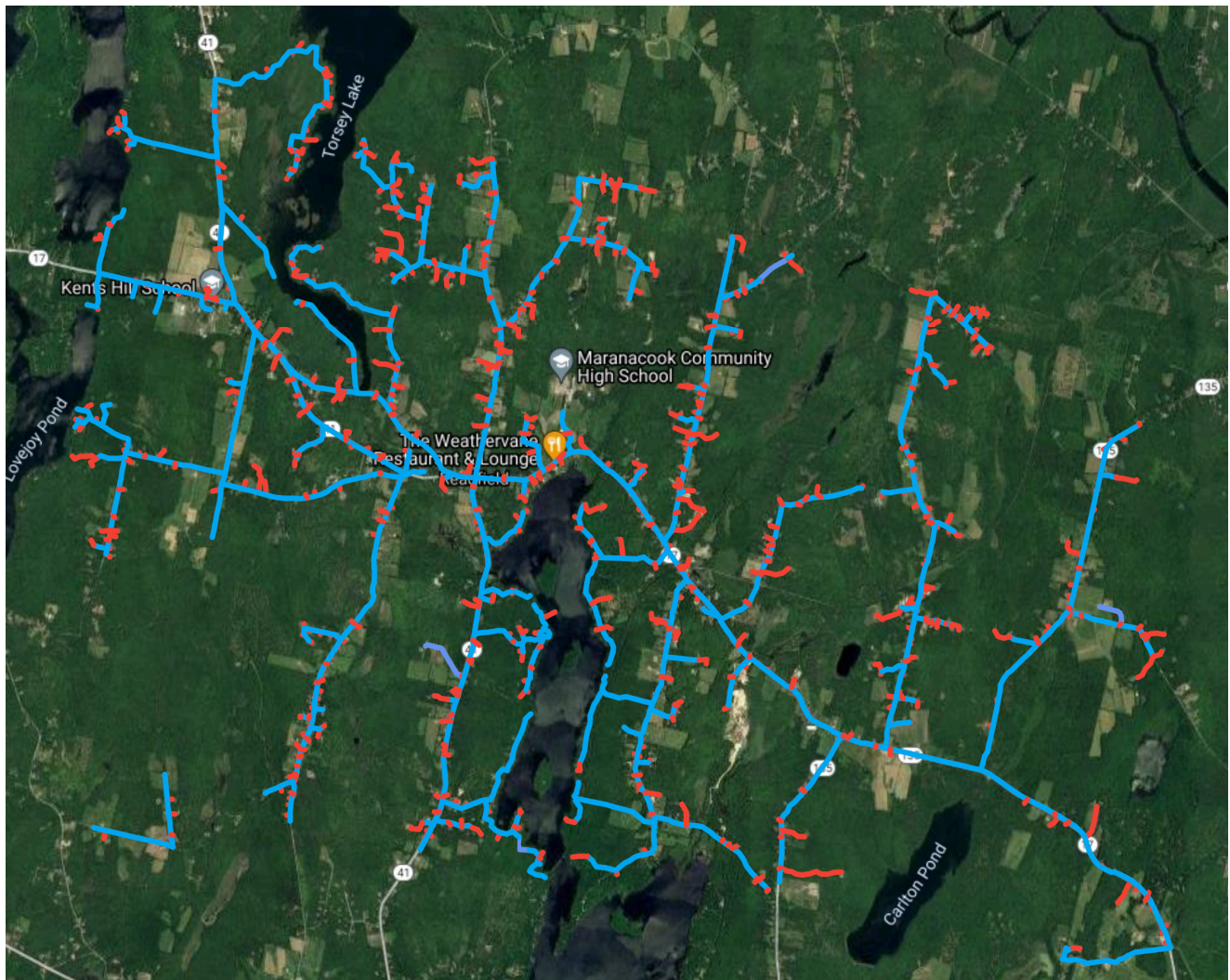




Readfield Fiber-to-the-Home Financial Pro Forma

Engineering & Construction CAPEX Estimate
5-Year Financial Operating Pro Forma
Bond Financing & Annual Tax Impact
Potential Grant Funding
Schedule



presented by

Casco Bay Advisors, LLC
October 3, 2021

***** CONFIDENTIAL & PROPRIETARY *****



Table of Contents

1	EXECUTIVE SUMMARY.....	4
2	ENGINEERING & CONSTRUCTION CAPEX ESTIMATE	5
2.1	NETWORK METRICS.....	6
2.1.1	Subscriber drop strand.....	6
2.1.2	OSP Mileage	6
2.1.3	Total Subscriber Locations.....	6
2.1.4	Network Poles.....	6
2.1.5	Subscriber Drop Poles	6
2.2	FIELD DATA ENGINEERING / RFP PROCESS.....	6
2.2.1	Pole/Strand/Drop/Structure Mapping.....	6
2.2.2	RFP Development.....	6
2.2.3	RFP Process.....	7
2.2.4	Contract Negotiations	7
2.3	UTILITY POLE MAKE-READY PROJECT MANAGEMENT	7
2.3.1	PUC Certification.....	7
2.3.2	Pole Attachment Agreement Negotiation	7
2.3.3	Pole Attachment Applications	7
2.3.4	Pole Owner Joint Ride-out	7
2.4	CONSTRUCTION	7
2.4.1	Utility Pole Make-ready Process	7
2.4.2	Central Office Construction.....	8
2.4.3	Outside Plant Construction	8
2.4.4	Take-rates.....	8
2.4.5	Subscriber Turn-up.....	8
2.4.6	Owners Project Manager (OPM)	8
2.4.7	Builders Risk Insurance	8
2.4.8	Construction Contingency.....	8
3	5-YEAR FINANCIAL OPERATING PRO FORMA	9
3.1	REVENUE	10
3.1.1	Potential Subscribers / Market share	10
3.1.2	Subscribers added by month.....	10
3.1.3	Subscribers in service, net of disconnects	10
3.1.4	Monthly Service Pricing	10
3.1.5	Installation Charger per Subscriber	10
3.2	OPERATING EXPENSES.....	11
3.2.1	Expense Inflation Factor	11
3.2.2	IP Transit.....	11
3.2.3	Annual Pole & Conduit License	11
3.2.4	Utilities / Fuel.....	11
3.2.5	Outside Plant Backbone Mileage.....	11
3.2.6	Outside Plant Maintenance	11
3.2.7	Liability Insurance	11
3.2.8	Property Insurance.....	11
3.2.9	Network Operator.....	12
3.2.10	Admin.....	12



3.2.11	Postage	12
3.2.12	Equipment Upgrade Fund	12
3.2.13	Contingency	12
3.2.14	Annual Accounting / Legal	12
3.2.15	Bad Debt	12
3.3	CASH FLOW ASSUMPTIONS	12
4	BOND FINANCING & ANNUAL TAX IMPACT	13
4.1	PORTION OF PROJECT ELIGIBLE FOR SUBSIDIES	14
4.2	BOND FINANCING.....	14
4.3	ANNUAL TAX IMPACT.....	14
4.4	MONTHLY SERVICE FEE + MONTHLY TAX IMPACT	14
5	SCHEDULE	14



1 Executive Summary

Casco Bay Advisors, LLC (Casco Bay) is pleased to present this Engineering & Construction Capital Budget Estimate, 5-Year Financial Operating Pro Forma, Bond Financing & Annual Tax Impact, Potential Grant Funding and estimated Schedule for consideration and use by the Town of Readfield (Town).

As this Report contains proprietary information and modeling based on industry experience gained by the principal of Casco Bay Advisors, through its relationships with Internet Service Providers and hundreds of client experiences over the last 35 years; we respectfully request this information be kept as confidential as is reasonable, not be posted to the Internet and no attempts made to reverse engineer the modeling results provided.

As we have shared previously, the projections and estimates in this Report are our best estimates based upon our past experience. We have attempted to incorporate recent experiences and the changing market dynamics, such as available grant funding. In order to further refine these results and reduce or eliminate contingency funds, the RFP Process and Make-ready Project Management process will need to be completed before we have firm cost quotes from the pole owners and construction and network operation bids. Only then will you have reliable and credible cost estimates to bring to voters and financing institutions.

Overall, we believe these projections, estimates and assumptions are conservative and the results illustrate a viable and sustainable operation with a reasonable and competitive monthly service price.



2 Engineering & Construction CAPEX Estimate

Fiber-to-the-Home Network Project - CAPEX Budget	
Task	Readfield
Subscriber drop strand miles	24.9
OSP Mileage (network strand & duct)	70.3
Total Subscriber Locations	1,525
Cabled Locations <i>(from feasibility study)</i>	1,248
Uncabled Locations <i>(from feasibility study)</i>	83
Total Potential Subscriber Locations <i>(from feasibility study)</i>	1,331
Utility Poles <i>(from feasibility study)</i>	2,320
Network poles	1,899
Subscriber drop poles	825
Potential Subscriber Locations per mile	22
Field Data Engineering / RFP Process	
Pole/Strand/Drop/Structure Mapping - (Fixed Price)	\$45,451
Develop RFP's - (Fixed Price)	\$1,250
Manage RFP Process (estimated hourly & expense)	\$625
Contract Negotiations (estimated hourly & expense)	\$625
Subtotal Estimated Engineering / RFP costs	\$47,951
Make-Ready Project Management	
PUC Certification (estimated hourly & expense)	\$2,250
Pole Attachment Agreement Negotiation (estimated hourly & expense)	\$2,250
Pole Attachment Applications (estimated hourly & expense)	\$48,538
Pole Owner Joint Ride-out (estimated hourly & expense)	\$25,320
Subtotal Estimated Cost to determine Make-ready costs	\$78,358
Construction	
Utility Pole Make-ready process (estimate pending pole owner quotes)	\$683,640
Central Office Construction (estimate pending RFP bids)	\$250,000
Construction (estimate pending RFP bids)	\$1,757,500
Cabled Take-rate	40%
Uncabled Take-rate	80%
Subscriber Turn-up (estimate pending RFP bids)	\$678,720
Owners Project Manager (OPM) (5%) (estimate hourly & expense)	\$117,945
Subtotal Estimated Construction Cost	\$3,487,806
Builders Risk Insurance	\$9,417
Construction Contingency 10%	\$348,781
Total Estimated Construction Cost	\$3,846,004
Total Project Cost Estimate	
Total Estimated Project Cost	\$3,972,313

***** CONFIDENTIAL & PROPRIETARY *****



2.1 Network Metrics

2.1.1 Subscriber drop strand

Calculated mileage from the backbone network to the last pole providing service to each potential subscriber location if the subscriber location is not served directly from a backbone pole.

2.1.2 OSP Mileage

Core fiber network mileage (backbone and laterals). Includes network into Mount Vernon, Manchester, and Winthrop required to reach Readfield locations served by infrastructure from these towns.

2.1.3 Total Subscriber Locations

Total quantity of potential subscriber locations. Includes locations in Mount Vernon, Manchester, and Winthrop that are passed by the OSP Mileage as noted above. These are actual potential subscriber locations identified by the field survey. The quantity is greater than the amounts identified in the previous Broadband Study which relied on publically available datasets and review of aerial imagery.

2.1.4 Network Poles

Quantity of poles required to support OSP Mileage as noted above.

2.1.5 Subscriber Drop Poles

Quantity of poles required to support subscriber drop cables.

2.2 Field Data Engineering / RFP Process

2.2.1 Pole/Strand/Drop/Structure Mapping

Cost to acquire data in the field to generate the Network Metrics described above. *This task has been completed.*

2.2.2 RFP Development

Pro rated cost for development of Request for Proposal (RFP) assuming the Towns of Fayette, Wayne and Vienna jointly participate and share equally in the cost.



2.2.3 RFP Process

Hourly pro rated cost for management of the RFP process assuming the Towns of Fayette, Wayne and Vienna jointly participate and share equally in the cost.

2.2.4 Contract Negotiations

Hourly pro rated cost for contract negotiations assuming the Towns of Fayette, Wayne and Vienna jointly participate and share equally in the cost.

2.3 Utility Pole Make-Ready Project Management

2.3.1 PUC Certification

This is required before the pole owners will negotiate a pole attachment agreement. This is a fairly simple filing. There is a public notice period where entities can intervene in the process, but at this point, it is rare for that to happen. In total, the process will take 30-45 days.

2.3.2 Pole Attachment Agreement Negotiation

Once PUC Certification has been acquired, the pole owners will provide their pole agreement template for review. There will be a separate agreement required from CCI and from CMP.

2.3.3 Pole Attachment Applications

Cost to create applications (*200 poles per application per town*).

2.3.4 Pole Owner Joint Ride-out

Cost for pole owners and Town representative to visit each pole to determine tasks and costs necessarily to make the pole ready for a new attachment.

2.4 Construction

2.4.1 Utility Pole Make-ready Process

Estimated cost charged by pole owners to make the network backbone poles ready for a new attachment.



2.4.2 Central Office Construction

Estimated cost for central office space, power and environmental.

2.4.3 Outside Plant Construction

Estimated costs to construct backbone fiber network.

2.4.4 Take-rates

Assumed maximum market share in each Town separated by quantity of locations that already have cable TV infrastructure and those that do not. This percentage drives the cost calculation and equipment required for the subscriber turn-up estimate below.

2.4.5 Subscriber Turn-up

Estimated labor and equipment cost for fiber optic drop cable from backbone to subscriber and optical-electronics required to serve subscriber.

2.4.6 Owners Project Manager (OPM)

Estimated cost for project manager to represent the Town and oversee construction and other activities during the construction and subscriber turn-up phase.

2.4.7 Builders Risk Insurance

Estimated at 0.27% of the overall estimated construction cost.

2.4.8 Construction Contingency

Estimated at 10% of the overall estimated construction cost. Can be reduced significantly once make-ready costs are known and RFP process has been completed.



3 5-Year Financial Operating Pro Forma

Readfield Fiber-to-the-Home Financial Proforma							
			Year 1 Total	Year 2 Total	Year 3 Total	Year 4 Total	Year 5 Total
Revenue	Cabled	Uncabled					
Potential subscribers	1,248	83					
Market share end of 1st year	20%	60%					
Market share end of 2nd year	25%	65%					
Market share end of 3rd year	30%	70%					
Market share end of 4th year	35%	75%					
Market share end of 5th year	40%	80%					
Subscribers added by month			299	67	67	67	67
Subscribers disconnected by month	0%		0	0	0	0	0
Subscribers in service, net of disconnects			299	366	433	499	566
Monthly Service Pricing	\$60		\$ 116,766	\$ 241,523	\$ 289,439	\$ 337,355	\$ 385,271
Non-Recurring Installation Charge per subscriber	\$500		\$ -	\$ 33,275	\$ 33,275	\$ 33,275	\$ 33,275
Total Revenue			\$ 116,766	\$ 274,798	\$ 322,714	\$ 370,630	\$ 418,546
Cumulative Revenue since Inception			\$ 116,766	\$ 391,564	\$ 714,277	\$ 1,084,907	\$ 1,503,452
Operating Expense							
Expense Inflation per year	3%						
<i>Cost of Goods Sold</i>							
IP Transit (Internet Capacity) - minimum amt	\$2,044		\$ 24,528	\$ 24,528	\$ 24,528	\$ 24,528	\$ 24,528
IP Transit (Internet Capacity) - % of MRC	4%						
Pole quantity	2,724						
Annual Pole & conduit license	\$15		\$ 40,860	\$ 42,086	\$ 43,348	\$ 44,649	\$ 45,988
Utilities / Fuel	\$250		\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377
Outside Plant Backbone Mileage	70						
Outside Plant Maintenance per mile per month	\$50		\$ 42,180	\$ 43,445	\$ 44,749	\$ 46,091	\$ 47,474
Liability Insurance (year 1)	0.550%		\$ 21,848	\$ -	\$ -	\$ -	\$ -
Liability Insurance (subsequent years)	0.110%		\$ -	\$ 4,370	\$ 4,501	\$ 4,636	\$ 4,775
Property Insurance	0.313%		\$ 12,413	\$ 12,786	\$ 13,169	\$ 13,565	\$ 13,971
<i>Sales / General / Administrative</i>							
Network Operator - Base Management Fee	\$12,000		\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113	\$ 13,506
Network Operator - Fee per subscriber	\$25		\$ 48,653	\$ 100,634	\$ 120,599	\$ 140,564	\$ 160,529
Admin	\$5,000		\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Postage	\$1,331		\$ 1,331	\$ 1,371	\$ 1,412	\$ 1,454	\$ 1,498
Equipment Upgrade Fund	\$2,443		\$ 2,443	\$ 2,516	\$ 2,592	\$ 2,669	\$ 2,749
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%		(\$2,335)	(\$5,496)	(\$6,454)	(\$7,413)	(\$8,371)
Total Operating Expense			\$ 226,920	\$ 262,290	\$ 285,575	\$ 308,989	\$ 332,535
Cash Flow Before Interest, Taxes, Depreciation and Ammortization			(110,154)	12,507	37,138	61,640	86,010
			-94%	5%	12%	17%	21%
Cumulative Cash Flow			(\$110,154)	(\$97,647)	(\$60,509)	\$1,132	\$87,142



3.1 Revenue

3.1.1 Potential Subscribers / Market share

Potential subscriber locations are divided between those currently served by a cable TV system and those that are not. Market share assumptions are different for each, with cabled locations significantly less than uncabled. The monthly service price is set to insure positive cash flow after the 1st year and rising evenly until the 5th year, which we believe to be very conservative.

3.1.2 Subscribers added by month

We assume subscribers will be added by the same amount month over month.

3.1.3 Subscribers in service, net of disconnects

We have not factored in subscriber disconnects, which will occur, rather we are assuming any disconnects will be replaced the same month by a new subscriber.

3.1.4 Monthly Service Pricing

The monthly service price is set at an amount to generate a positive cumulative cash flow in year five, by an amount equal to pay back the principal and interest on a short-term (5 year) loan to cover the negative cash flow in the 1st year of operation. The intent with this arrangement is to illustrate that no tax dollars will be required to subsidize the operation of the network if the market share by the end of year two is achieved. If the negative cash flow in year one is covered by taxes, the monthly service price could then be reduced in year 3 and onward.

3.1.5 Installation Charger per Subscriber

As an incentive for subscribers to “presubscribe” for service during the construction phase, we recommend no installation charge be assessed for those who presubscribe. As such, we reflect zero installation charge revenue in year one. A \$500 installation charge is then assessed for any subscribers who sign up for service in subsequent years. The \$500 is intended to cover the cost of labor for the new installations. The cost for the fiber drop cable and optical-electronics is covered in the initial construction budget.



3.2 Operating Expenses

3.2.1 Expense Inflation Factor

We assume that all expenses contracted for a year or less (*plus the Network Operator base management fee*) will increase by 3% per year. Those expenses subject to the inflation factor include: annual pole license fees, utilities, fuel, outside plant maintenance, insurance, admin, postage, equipment upgrade fund, contingency, accounting and legal.

3.2.2 IP Transit

IP Transit is the cost of the backhaul capacity to the Internet.

3.2.3 Annual Pole & Conduit License

Annual license fee charged by the pole owners. This is calculated to cover all network and drop poles.

3.2.4 Utilities / Fuel

Utilities for the central office and fuel for generators.

3.2.5 Outside Plant Backbone Mileage

Estimated mileage of backbone network that drives annual maintenance estimate.

3.2.6 Outside Plant Maintenance

Cost to maintain the fiber optic cabling due to damage from storms (*insurance provides coverage, but deductibles will need to be covered*), as well as for transfers to new poles as poles are replaced, roads widened, etc.

3.2.7 Liability Insurance

Liability insurance is high during the first year as construction is completed and then declines to @1/5th the amount for subsequent years.

3.2.8 Property Insurance



Provides insurance for central office, optical-electronics and fiber optic network. Assumes that the insurance coverage would cover $\frac{1}{4}$ of the overall network construction cost since the odds of the entire network needing replacement is incredibly slim.

3.2.9 Network Operator

Costs to contract with a network operator for day-to-day operation of the network in all respects (marketing, sales, customer service, billing, collections, repair coordination, etc.)

3.2.10 Admin

Miscellaneous administration costs incurred by the Town for oversight of the Network Operator.

3.2.11 Postage

Assumes one mailing by the Town per year to each potential subscriber location.

3.2.12 Equipment Upgrade Fund

Funds accrued to replace optical-electronics every 7 years.

3.2.13 Contingency

Contingency fund for unforecasted expenses.

3.2.14 Annual Accounting / Legal

Funds for accounting and legal expenses incurred by the Towns.

3.2.15 Bad Debt

Uses industry average of 2% per month.

3.3 Cash Flow Assumptions

See “Monthly Service Pricing” section above.



4 Bond Financing & Annual Tax Impact

Bond Financing		
2020 Real Estate Tax Commitment		
		Readfield
Total RE Assessed Value		\$ 288,933,228
Total RE Taxes Collected		\$ 4,524,694
Mil Tax Rate		0.01566
Bond Financing		
Portion of Project eligible for subsidies (<50/10)		6%
Assumed subsidy percentage		7%
Total Project Cost Estimate		\$ 3,972,313
Assumed subsidy amount		\$ 260,000
Construction Funds Needed after subsidies		\$ 3,712,313
Debt Service Reserve	0.00% of Bond Issue	\$ -
Cost of Issuance Financed	2.00% of Bond Issue	\$ 75,761
Total Bond Issued		\$ 3,788,075
Maturity		20 years
Bond Yield		2.700%
Monthly Payments		\$ 20,444
Interest returned on Debt Reserve		\$ -
Net Monthly Payment		\$ 20,444
Annual Payment		\$ 245,331
Percent Tax Increase		5.4%
Mil Rate Increase		0.00085
Annual Tax Impact		
Assessed Property Value - Annual Property Tax Impact	\$100,000	\$85
	\$200,000	\$170
	\$300,000	\$255
	\$400,000	\$340
	\$500,000	\$425
Monthly Service Fee + Monthly Tax Impact		
Monthly Service Pricing		\$60
Assessed Property Value - Monthly Service Fee + Property Tax Impact	\$100,000	\$67
	\$200,000	\$74
	\$300,000	\$81
	\$400,000	\$88
	\$500,000	\$95

***** CONFIDENTIAL & PROPRIETARY *****

4.1 Portion of Project Eligible for Subsidies

We assume that any uncabled potential subscriber locations will be eligible for subsidies. We have assumed the subsidies received will be one-half of that amount, or greater if that amount is less than the local municipal ARPA funding received by the Town. We have subtracted the subsidy amount from the Total Project Cost Estimate to determine the amount of funding subject to bond financing.

4.2 Bond Financing

We assume bond financing with a 20-year term and an interest rate of 2.7%.

4.3 Annual Tax Impact

Using the current assessed value for the Town, we then calculate the Mil Rate increase required to cover the bond principal and interest. The Annual Tax Impact table illustrates the tax impact for each \$100,000 of assessed value for the Town.

4.4 Monthly Service Fee + Monthly Tax Impact

For those who subscribe to service, the effective rate will be the monthly service pricing derived from the Pro Forma, plus the monthly tax impact and is illustrated for each \$100,000 of assessed value for each Town.

5 Schedule

Timeline																		
Task	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
RFP Process																		
Develop RFP's	█																	
Manage RFP Process		█	█															
Contract Negotiations				█														
Make-Ready Project Management																		
PUC Certification		█	█															
Pole Attachment Agreement Negotiation				█														
Pole Attachment Applications					█													
Pole Owner Joint Ride-out						█	█											
Construction																		
Utility Pole Make-ready process								█	█	█	█	█	█					
Central Office Construction									█	█	█	█	█	█	█			
Construction																		
Subscriber Turn-up																		
Owners Project Manager (OPM)																		