

Building Your Network: Investing in Public & Private Partnership Opportunities

The pandemic has produced new opportunities for broadband financing and P3's — public private partnerships — between governments and the private sector to build broadband infrastructure. Today's discussion looks at unique P3's and collaborations that meet local broadband needs.

OVERVIEW AND INTRO



Joanne Hovis

Moderator: Mike Lynch, Boston

Speakers:

- *Joanne Hovis, CTC president*
- *Tim Scott, City of Boulder, CO*
- *Mike Lockaby, Guynn & Waddell*

Q&A



Tim Scott



Mike Lynch



Mike Lockaby

2021 NATOA Conference Broadband Funding and Partnerships

Joanne Hovis

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ctc technology & energy

engineering & business consulting

The benefits of a partnership strategy

Shape

- Shape broadband investment in your community
 - Use public dollars to attract private capital to areas it wouldn't otherwise go
 - Leverage private capabilities while protecting public policy goals

Increase

- Increase competitiveness of grant applications
 - Public-private collaboration favored in many federal and state grant programs

Mitigate

- Mitigate city/town/county risk
 - Efficiently distribute responsibility, risk, and effort

Partnerships open opportunities for more communities

Expand broadband options beyond the binary of municipal broadband vs. ISP decision-making only

Allow for creative broadband efforts by urban and suburban communities, not only rural

Enable communities with demographics or geographies that don't currently attract private capital to shift that calculus—changing the math on private investment

Partnerships
are
increasingly
of interest to
a wide range
of private
companies

Competitive ISPs

Incumbents

Private equity and infrastructure
investors

P3 investors considering expanding to
new asset classes

Electric cooperatives

Partnership business models: Scope



Community-wide



Filling geographic gaps based on
rurality/density



Filling geographic gaps based on
demographics

Partnership business model mechanisms

Private
ownership

Pass-through grant with enforceable commitments

Public
ownership with
multi-party
execution

Locality designs and builds infrastructure

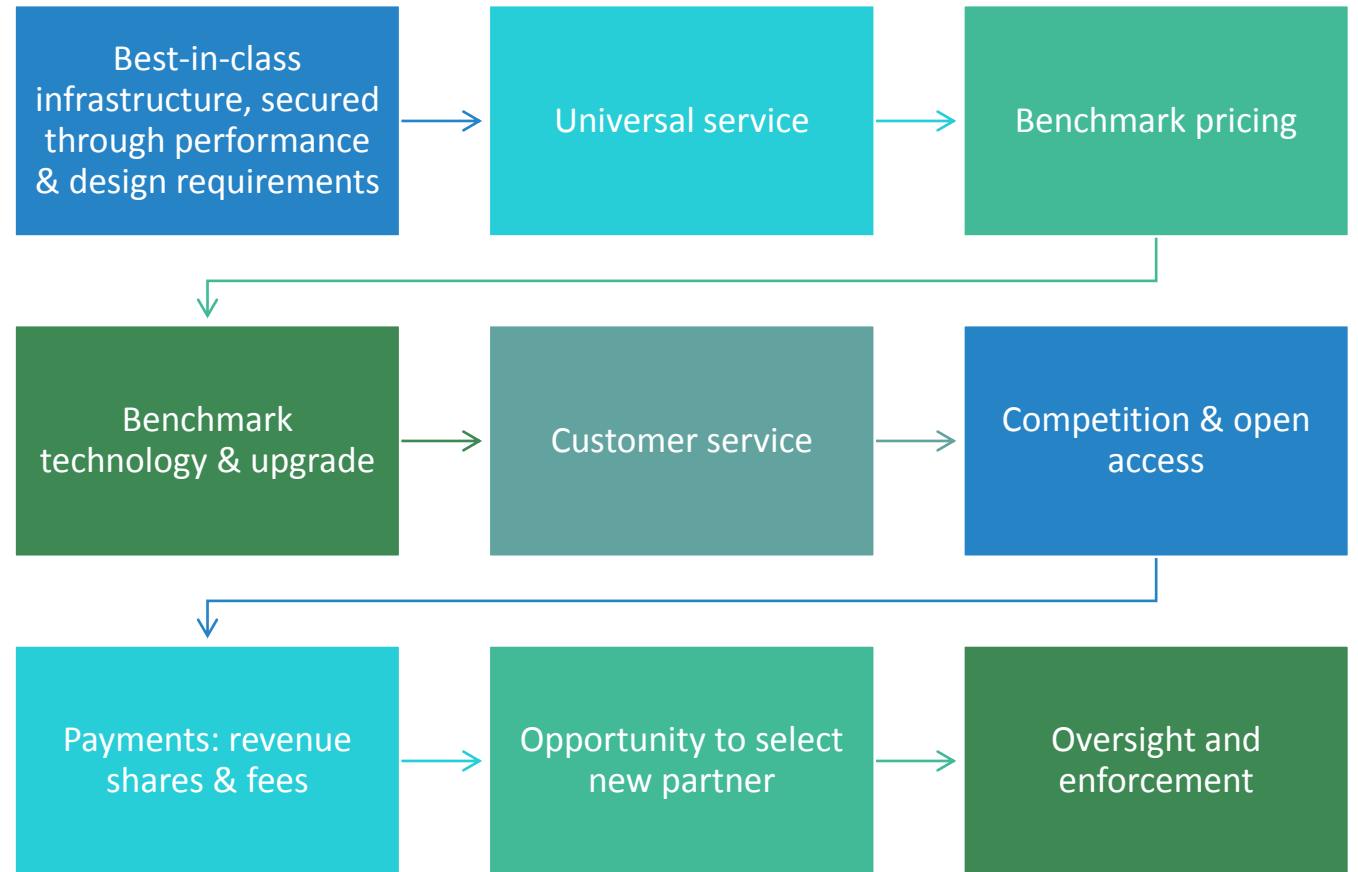
Private partner leases fiber to provide services, with payment to public owner

Public
ownership with
turnkey
execution

Private partner designs and builds with public funds

Private partner operates and provides service with payment to public owner

Considerations for your partnership



Public funding considerations

2021: \$20B in capital

- Capital Projects Fund
- Fiscal Recovery Funds

2021: \$10B in fee subsidy

- Currently sustaining and expanding operations to new users

Potential: Long term low-income subsidy

- Potential means of sustaining operations

Potential: Infrastructure bill with \$45B for broadband

- Primarily distributed and structured by states

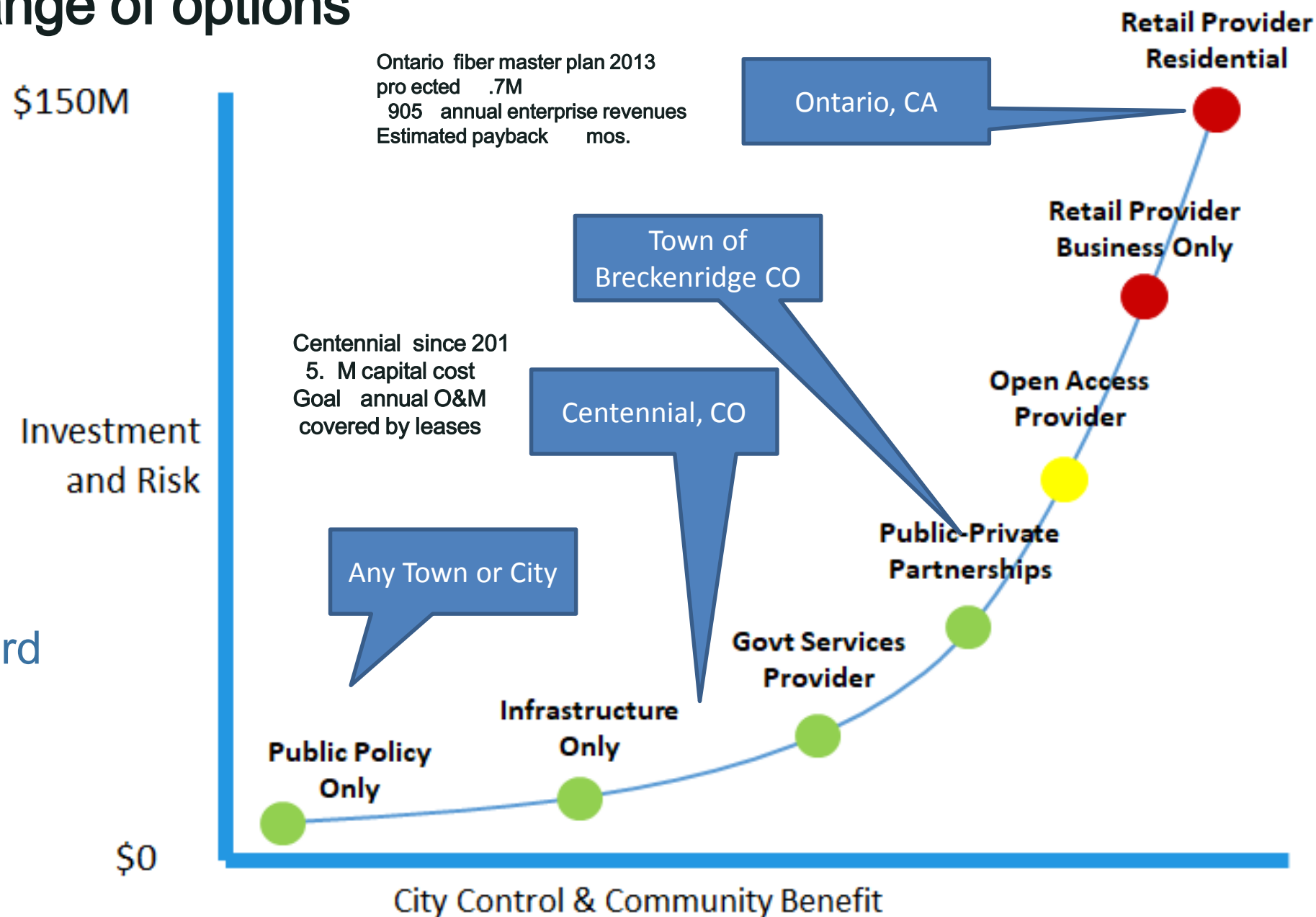


CENTENNIAL **FiberWorks**

Tim Scott – Independent consultant
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What is the range of options

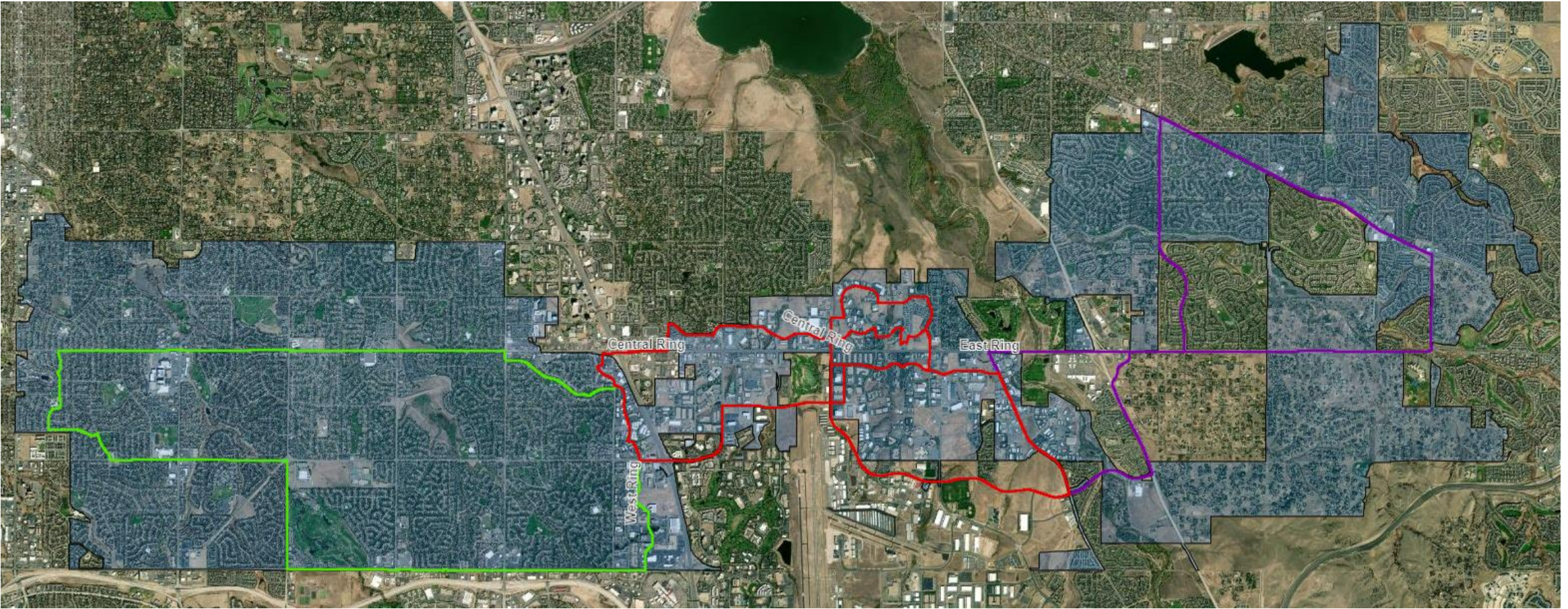
Risk and Reward Tradeoffs



Centennial FiberWorks

- 2013: Centennial residents overwhelmingly supported opting out of SB-152 – allowing for the City to indirectly provide services through competitive and nonexclusive partnerships with private businesses
- 2015: City Council developed goals and adopted a Fiber Master Plan. Established Fiber Commission consisting of Councilmembers and residents to provide governance and oversight.
- 2016: Council allocated \$5.7 million to implement the City's Fiber Master Plan and construct a 50-mile fiber backbone
- 2018: Construction completed

Centennial FiberWorks Network



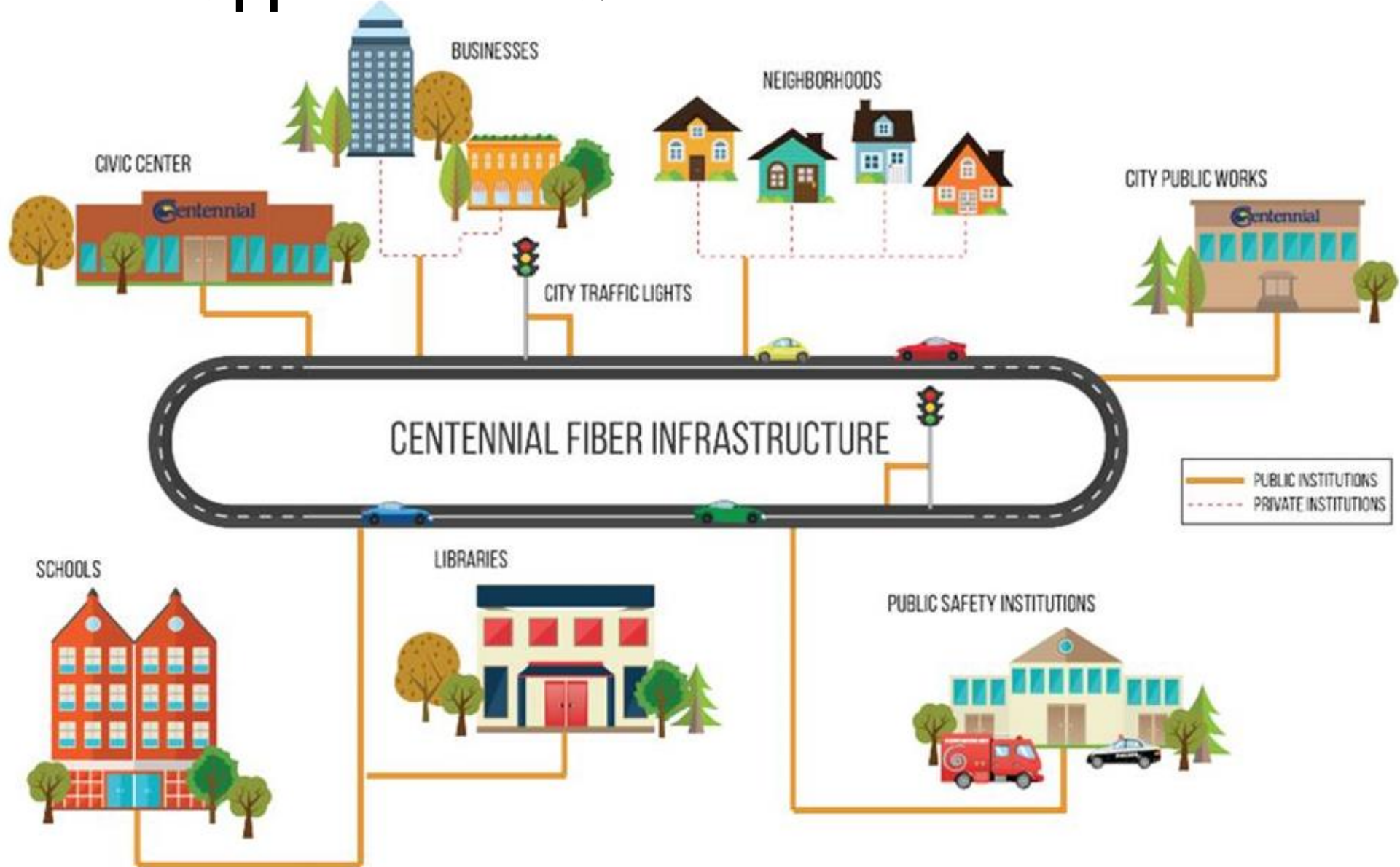
Centennial FiberWorks

- Middle-mile dark fiber network model, 432 fiber count only, dual conduits, focus on quality and documentation
- Conduit collocation policy – City has ability to place shadow conduit when private sector installs 1,000+ ft.
- Network connects intelligent transportation system (ITS)
- Network connects to key carrier and neutral interconnect facilities

FiberWorks Network Users



Opportunities & Decision Points





Broadband Public Private Partnerships

Virginia Association of Telecommunications Officers & Advisors May 19,
2021

Michael W.S. Lockaby, Esq. (Licensed in Virginia)

Basic elements of a P3 are as simple as DBFOM

Mix 'n' match any or all of:

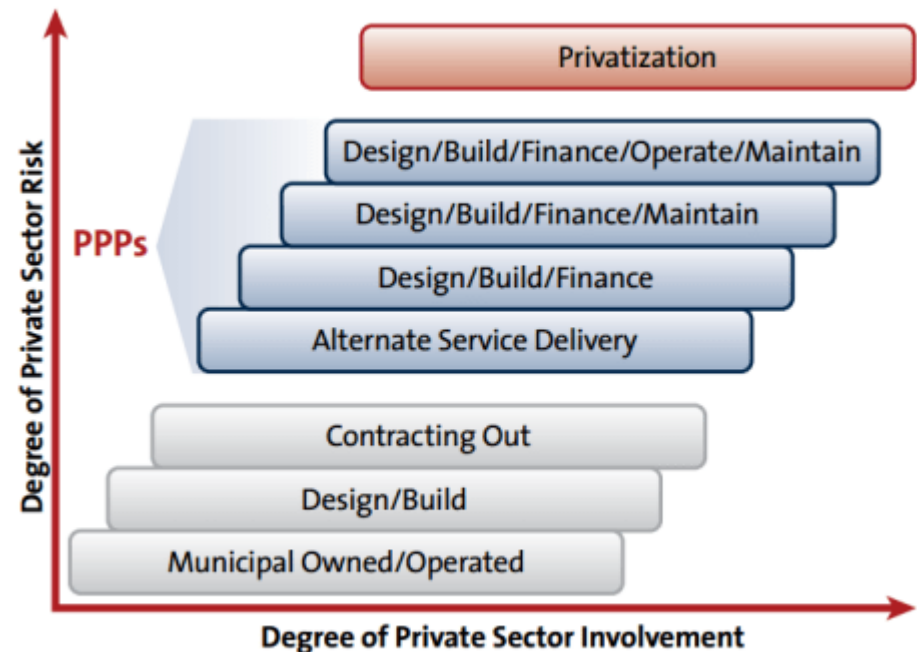
Design – traditional A/E work

Build – traditional construction

Finance – find the money

Operate – market and manage the project or facility

Maintain – keep infrastructure ship-shape



Cost Risk & Revenue Risk

Cost Risk

- Private partner gives guaranteed maximum price (GMP)
- Private partner takes on design/construction cost risk, gets benefit if it comes in under price

Revenue Risk

- Private partner finances, operates, and manages, but takes on risk of no one signing up, and profit if lots of them do.

Obviously there are a lot of possibilities and pitfalls in this structure. If the private partner is saying they will take both risks, you need to find the catch.

Comparison of Types of Capital

Type	Cost	Desired Control
Municipal debt of members	Very Low	High
Revenue debt or secured debt of system	Low	Low
Private equity of private consortium	High	High
Cash from public partner	Zero (effectively negative)	High
State/Federal grants	Zero (effectively negative)	Your guess is as good as mine

Municipal debt for broadband is typically taxable.

Private equity can be quite expensive.

Private equity can be impatient or can be debt in disguise.

If there were a solid business case that the revenue stream would justify the cash outlay, usually someone would already have done it—watch for risk.

Two out of three ain't bad.

How bad do they want you? How bad do you need them?

	Cost	Revenue Risk	Control
Public Partner	0	0	0
			
			
Private Partner	100	100	100

Good engineering and lawyering helps... but only moves the needle so far.

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HELPFUL LINKS

Infrastructure Investment and Jobs Act (H.R. 3684): Passed the Senate; House vote expected by Oct. 1.

www.congress.gov/bill/117th-congress/house-bill/3684/text

Treasury Rules Implementing the State and Local Coronavirus Fiscal Recovery Funds Established in the **American Rescue Plan Act:**

www.congress.gov/bill/117th-congress/house-bill/1319/text?r=1&s=4

The Treasury Department **Interim Final Rules** for use of the funds for broadband infrastructure, providing “flexibility” for state/local decision-makers and allowing use of funds for broadband and digital inclusion projects.

home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf

Treasury has released a series of **FAQs** that provides more clarity on broadband uses.

home.treasury.gov/system/files/136/SLFRPFAQ.pdf

NATOA’s comments are available here: www.regulations.gov/comment/TREAS-DO-2021-0008-0157

Community Broadband Act (H.R. 1631; S. 1460) Introduced by Reps Eshoo and Golden and Sen. Booker; would “remove roadblocks for public-private partnerships and locally-owned broadband systems.”

www.congress.gov/bill/117th-congress/house-bill/1631/text?r=57&s=7