

CITY OF ADAIR, IOWA

Fiber-to-the-Home Project Executive Summary

Abstract

The City of Adair, Iowa will build a fiber-to-the-home network to provide advanced broadband services in conjunction with Casey Mutual Telephone based in Casey, Iowa

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Summary

The City of Adair, Iowa proposes to build a fiber-to-the-home network within the city limits of Adair, Iowa. The fiber access network will utilize active ethernet topology with each premise connected with its own fiber, allowing for ultimate flexibility and bandwidth to each end user. The fiber network will be financed with revenue-backed debt and owned by the citizens of Adair.

Adair will enter into a public/private partnership with Casey Mutual Telephone to serve as the initial and primary operator of the network as well as the service provider for internet, pay TV, and telephone.

Public/Private Partnership Model

The City of Adair and Casey Mutual Telephone are finalizing a partnership agreement for operation of the network and provision of services. While the agreement itself is still in the development phase, the following terms are expected to be part of the agreement.

City of Adair

City of Adair obligations and commitments under the partnership agreement will include the following considerations:

- 1) City enters into a wholesale customer contract for municipal communications utility to provide access to their dark fiber network infrastructure with Casey Telephone.
 - a. Contract term aligns with term of debt issuance (i.e. 20 years).
 - b. Agreement with Casey Telephone is not exclusive (any other operator must be offered reasonably similar terms).
- 2) City secures financing for proceeds to build fiber infrastructure in City limits.
 - a. Communications utility issues Taxable Communications Utility Revenue Bonds – secured solely by telecommunications utility revenues – source of revenues is agreement with Casey Telephone.
 - b. Taxable General Obligations Bonds may be issued (as necessary) and would be payable with property taxes in the event contract revenues are not sufficient.
- 3) Contract for engineering plans and specifications with Oak Hill Consulting.
- 4) City to take public bids for construction of dark fiber infrastructure.
 - a. Distribution network
 - b. Drops to premises
- 5) City to issue RFP for ongoing maintenance and repairs for fiber infrastructure.
 - a. As part of Casey contract (most likely); or
 - b. As part of City staff responsibility.

Casey Mutual Telephone

Casey Mutual Telephone obligations and commitments under the partnership agreement will include the following considerations:

- 6) Casey enters into contract with City's municipal communications utility to access the City's fiber network infrastructure within City as a wholesale customer licensed to provide retail services.
- a. Contract would ideally align with debt payments City needs to make on related financing of the fiber infrastructure.
 - i. Fixed monthly charge of 65% of City's monthly debt service.
 - ii. Per active customer premise at a maximum rate equal to 35% of City's monthly debt service.
 - iii. Payments in excess of 100% of annual debt service incurred by City of Adair are credited back to Casey Telephone; pay cash for any amount in excess of 25% of next month's fees due.
 - iv. Ability to pre-pay fees equal to any debt to be redeemed early by City of Adair, with no additional fees due until original debt maturity date is reached.
 - b. Agreement with City is not exclusive.
 - i. City legally needs to offer reasonably similar terms to another interested operator).
 - ii. Upon issuing a second (or more) access agreement, monthly fees are to be evenly split between all providers.
 - iii. Casey Telephone to receive per-rata credit for fixed monthly charges paid for the unused portion of the network. Example:
 1. Operator 2 negotiates to operate on the network
 2. Casey Telephone has a take rate of 45% at the end of Year 3
 3. Unused portion of the network represents 55% of the market
 4. Operator 2 pays City of Adair an upfront access fee equal to 27.5% (55% / 2 network providers) of 3 years of fixed monthly charges paid by Casey Telephone in years 1, 2, and 3; City credits Casey Telephone this same amount for future network access fees due in future years.
- 7) Casey to provide all equipment to provide retail services, including transport, and connect customers (ONTs and customer installations, except for drops).
- 8) Casey may bid on construction of dark fiber infrastructure.
- 9) Casey to contract to maintain and repair City's dark fiber infrastructure as part of access agreement.

Agreement

- 10) Addresses the following items:
- a. Term of agreement – aligns with projected debt issuance (20 year max).
 - b. Access to City's dark fiber infrastructure.
 - c. Non-compete for retail customers by City of Adair.
 - d. Ownership of subscribers (Casey Telephone).
 - e. Payments to City – fixed, per subscriber, cap, floor, etc.
 - f. Maintenance/repairs.
 - g. Termination.

- h. Two 10-year renewal options (i.e. Casey Telephone's option to renew) at monthly rate not to exceed an annual 3.5% return on initial debt issued by City of Adair (Est. \$40,425 annually)

Financing

11) Taxable Communications Utility Revenue Bonds

- a. Issued after agreement is mutually approved by City and Casey Telephone.
- b. Set/hold public hearing with not-to-exceed amount.
- c. Secured by revenues likely from single wholesale customer (Casey Telephone).
- d. Debt payments aligned with term and payments due from Casey Telephone.
- e. Potential for make whole call provision or early redemption (for flexibility).

12) Taxable General Obligation Bonds

- a. Up to \$400,000 allowable under general corporate purpose authority (subject to reverse referendum).
- b. Security of property tax revenues would allow for lower interest rate.
- c. Potential impact to property owners even if not subscribers.
- d. Use to lower costs (to match negotiated revenues from Casey) and/or to assist with credit quality in marketing to investors (equity contribution consideration).
- e. Annual appropriation clause.

Project Timeline

April 2019:	Broad terms of the partnership agreement are agreed to.
May 2019:	Final partnership agreement developed and signed by both parties
June 2019:	Fiber project engineering and design begins
August 2019:	Fiber project engineering and design completed. Bid documents are prepared and proposals accepted for outside plant construction, electronics, and other materials.
September 2019	Bids are opened and contracts awarded.
October 2019	Construction begins.
December 2019	Construction ends for season, depending on weather
Spring 2020	Construction resumes and is completed
Summer 2020	Casey Mutual Telephone begins offering services over City of Adair facilities