

Broadband Internet Service

Goshen, NH.

January 2021

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Topics to be discussed

- Why is broadband service being pursued?
- Do we need broadband services?
- Public benefit
- Bond
- Warrant article
- Impact on taxes
- Services and pricing (by CCI)
- Community Questions
- FAQs

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Introduction

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How did we get here?

- Community members brought concerns to the attention of multiple boards (e.g., Select Board)
 - Concerns had been voiced for the last couple of years, the pandemic brought forth more concerns.
 - Concerns included remote learning, medical care, medical equipment, and more.
- In May 2020, Goshen began to pursue CARES Act funding in response to the COVID-19 pandemic. Goshen did not qualify to apply for this funding for multiple reasons:
 - Timing (funds had to be spent by December 31, 2020)
 - The process (RFI/RFP) of identifying a provider had not yet begun.

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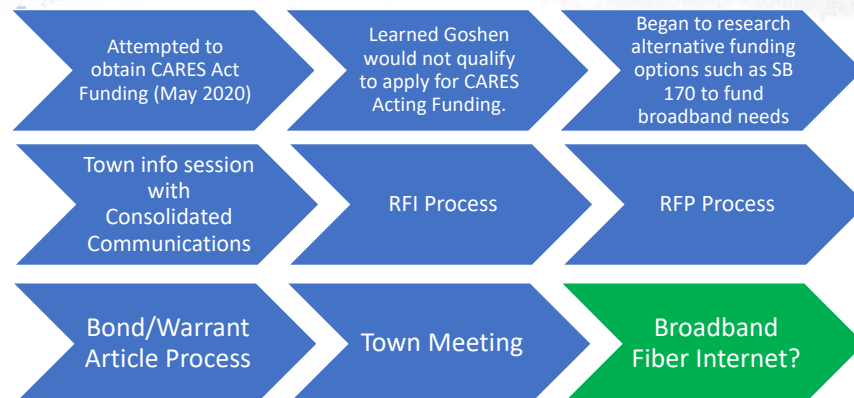
How did we get here? (cont'd)

- Requests for Information (RFI's) sent to seven potential providers (Comcast/Xfinity, Consolidated, Eversource, Liberty Utilities, NH Electric CoOp, TDS, and Until).
- Received three responses to the RFI.
- 100% of the RFI responders received a Request for Proposal (RFP).
- The Town received one town-wide solution, Consolidated Communications, Inc. (the provider).

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Timeline of Events



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How was the provider chosen?

- Following the NH SB 170 guidelines
 - Sent out a Request for Information to determine % of town that was underserved (25/3Mbps).
 - Sent out a Request for Proposals after responses to the Requests for Information were received.
 - Of the proposals received, one provided a town-wide solution.

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Public Benefit

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Increased Value to the Town

Broadband Speed Available	Number of Locations	% Effect on Prices	Total Property Value Change
0 to 20 Mbps	316	3.3%	\$2,741,562.91
25 to 45 Mbps	167	1.4%	\$614,669.55
50 to 100 Mbps	41	0.7%	\$75,453.45
100 Mbps and higher	0	0.0%	\$0.0
TOTALS:	524		\$3,431,685.91

Mean home value in 2017: \$262,904*

<http://www.city-data.com/city/Goshen-New-Hampshire.html>

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Impact on town taxes?

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Will increased value increase my property tax?

- Not necessarily...
 - Property tax is calculated based on expenses, revenue, and valuation of the town.
 - Here is the equation:
 - Voted Appropriations (minus) All Other Revenue (divided by) Local Assessed Property Value = Rate*
 - Rate (multiply by) 1000 = Tax Rate/Mil Rate*
 - Fun fact: Mill comes from the Latin word *Millesimum* which means thousandth. Hence the multiplier of 1000.**

*<https://www.nhmunicipal.org/town-city-article/property-tax-understanding-math-dispelling-myths>

** <https://www.investopedia.com/terms/m/millrate.asp>

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Will increased value increase my property tax? (cont'd)

- Looking at the tax rates for 2019 & 2020 here is what we see:

	Municipal Tax Effort	Municipal Valuation	Municipal Tax Rate	County Tax Effort	County Valuation	County Tax Rate	Local Education Tax Effort	Local Education Valuation	Local Education Tax Rate	State Education Tax Effort	State Education Valuation	State Education Tax Rate	Total Tax Effort	Total Tax Rate
2019	\$684,513	\$72,770,087	\$9.41	\$205,528	\$72,770,087	\$2.82	\$988,933	\$72,770,087	\$13.59	\$146,345	\$71,065,337	\$2.06	\$2,025,319	\$27.88
2019+VC	\$684,513	\$76,201,773	\$8.98	\$205,528	\$76,201,773	\$2.70	\$988,933	\$76,201,773	\$12.98	\$146,345	\$74,497,033	\$1.96	\$2,025,319	\$26.62
													Overall rate is lowered:	-\$1.26
2020	\$697,428	\$82,975,721	\$8.41	\$208,549	\$82,975,721	\$2.51	\$853,623	\$82,975,721	\$10.29	\$141,964	\$80,482,381	\$1.76	\$1,901,564	\$22.97
2020+VC	\$697,428	\$86,407,407	\$8.07	\$208,549	\$86,407,407	\$2.41	\$853,623	\$86,407,407	\$9.88	\$141,964	\$83,914,067	\$1.69	\$1,901,564	\$22.06
													Overall rate is lowered:	-\$0.91
Value Change:		\$3,431,686												

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What costs will the town incur for this process?

- Upfront there is \$0 impact on the tax rate and \$0 impact on the taxpayer.
- The provider begins paying back the bond with principal & interest, from the day the bond is released, even if that is before building occurs.
- The provider is paying back the bond through a recovery fee to the subscriber.
- Legal fees are being paid by the provider.
- Costs for infrastructure paid by provider as part of installation and repaid through the bond recovery fee.

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Bond

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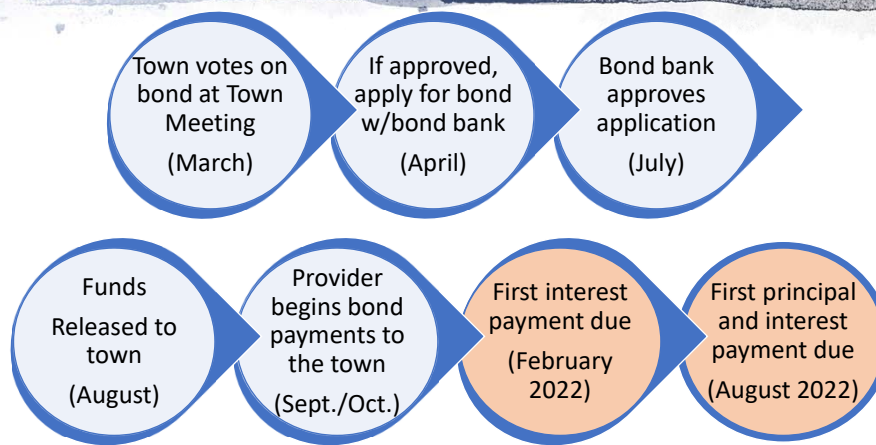
Bond Details

- The requested amount for the bond principal is \$780,125
- To be repaid over time up to 20 years
- Monthly payments are not expected to have a tax impact; \$0 on the mil rate
- The bond will be requested through the New Hampshire Municipal Bond Bank
- In 2020 the NHMBB bond rate ranged from 1.67% to 2.15% for 20-year bonds
- The New Hampshire Municipal Bond Bank (NHMBB) interest rate as of January 2021 is 1.58% for a 20-year bond.
 - Bond rates are reissued twice per year, so the rate for our bond could be different.
 - Bond rates are fixed; they do not increase or decrease over time.
- Read more about municipal bonds at: <http://www.nhmbb.org/>

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Bond Details (cont'd)



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If the provider is paying, why are we requesting a bond?

- The provider does not directly pay for this type of project cost. This is an internal business decision made with many factors that are not necessarily exclusive to Goshen.
- The bond is to cover the costs of the project and allows the provider to begin work more quickly than if they had to budget for the project over a number of years.
- The bond allows for a lower interest rate over a longer time period; lower budget impact.
- **The town becomes responsible for the debt if the provider fails.**
 - This means the Town can have another provider take over the project, maintenance, infrastructure, and possible repayment.
 - It also means a tax impact, more on that later

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How will the bond be paid back?

- The provider will pay the town a monthly payment that includes the bond's principal and interest payment.
- The provider recovers the cost through a "bond recovery fee" added to the subscriber's monthly bill.
 - If you not subscribing to the service, you do not pay the fee.
- If the town pays back the bond, this paid through the tax rate. (More on this later)

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Bond Recovery Fee

- The fee will not exceed \$13/month
- Only charged to subscribers
 - If you are not using the service, you will not pay this fee
- If you did the simple math, like I did:
 - 300 subscribers * \$13/month for 20 years = \$936,000 (hmm?)

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Bond Recovery Fee (cont'd)

- The bond cannot be repaid early*
- The provider reviews the bond recovery fee every-other-year with the board of Selectmen
- The fee can and will be adjusted down if there is a surge in subscribers which drives up the amount collected through the fee
- Once the fee is adjusted down, it cannot be adjusted up again.

*<http://www.nhmbb.org/index.php/faqs>

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So, what is the catch?

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How will this affect my taxes?

- If the provider fails to pay the bond, then the tax rate is impacted.
- The bond payment will be come the responsibility of the town and absorbed into the budget.

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What will the tax rate look like if we pay back the bond?

- Looking at the tax rates for 2019 & 2020 here is what we see:

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2019+VC+bond	\$738,755	\$76,201,773	\$9.69	\$205,528	\$76,201,773	\$2.70	\$988,933	\$76,201,773	\$12.98	\$146,345	\$74,497,033	\$1.96	\$2,025,319	\$27.33	Rate increases: \$0.75
2020	\$697,428	\$82,975,721	\$8.41	\$208,549	\$82,975,721	\$2.51	\$853,623	\$82,975,721	\$10.29	\$141,964	\$80,482,381	\$1.76	\$1,901,564	\$23.97	Rate is lowered: -\$0.91
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Value Change: \$3,431,686 Bond Principal: \$780,125 Average bond rate for 2020: 1.953% Straight Bond Repayment (annual): \$54,242

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I heard some providers were providing installation for free and not requiring a bond. Why not us?

- 1) CCI's proposal was the only proposal to promise town-wide coverage.
- 2) NHEC's currently has no published timeline and roll out is at their discretion. *
- 3) CCI has successfully built out the FTTP network in Chesterfield and its construction is nearly complete in Westmoreland (in less than one year). Competition is good, but proven performance and commitment is important.

*<https://www.nhec.com/broadband/>

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I heard some providers were providing installation for free and not requiring a bond. Why not us?
(cont'd)

- 4) The Town of Goshen will own the Town Funded Network facilities; CCI will have an exclusive right to operate them for the benefit of our residents for 20 years at contracted prices which will be fixed for 5 years. Afterwards, the Town may enter a contract with any other entity to operate the network. NHEC will own the FTTP network that they build, and their pricing is at their discretion.
- 5) Finally, engaging CCI does not place a roadblock on NHEC's rollout. Both providers can compete in the Goshen market and competition is good.

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Warrant Article

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Bond/Warrant Article

- DRAFT:** Article TBD. To see if the Town will vote to raise and appropriate the sum of Seven Hundred Eighty Thousand One Hundred Twenty-Five Dollars (\$780,125) for the purpose of engaging a broadband provider, for the upgrade, installation, and maintenance of broadband services meeting at least the minimum F.C.C. standards of 25 download/3 upload Mbps in the Town of Goshen, New Hampshire; Seven Hundred Eighty Thousand One Hundred Twenty-Five Dollars (\$780,125) of such sum to be raised through the issuance of bonds or notes under and in compliance with the Municipal Finance Act, RSA 33:1 et seq., as amended; to authorize the Selectmen to apply for, obtain and accept federal, state or other aid, if any, which may be available for said project and to comply with all laws applicable to said project; to authorize the Selectmen to issue, negotiate, sell and deliver said bonds and notes and to determine the rate of interest thereon and the maturity and other terms thereof; and to authorize the Selectmen to take any other action or to pass any other vote relative thereto. (Recommended by Board of Selectmen [and Budget Committee]).

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Frequently Asked Questions & Questions directly from the community

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Are we at risk for the selected provider creating a monopoly?

- No. Here is why:
 - A monopoly is defined by the Oxford Learners Dictionary as, “**monopoly (in/of/on something) (business)** the complete control of trade in particular goods or of the supply of a particular service; a type of goods or a service that is controlled in this way”.*
 - The agreement with the provider does not exclude other providers.
 - The provider is pricing their services the same as they do with any other town or city in NH.
 - Lack of competition will not drive up the service prices.
 - The NHEC is planning to bring internet services to their customers in Goshen; this is competition.

* https://www.oxfordlearnersdictionaries.com/us/definition/american_english/monopoly#:~:text=%2Fm%C9%99%CB%88n%C9%91p%C9%99l%2F,a%20monopoly%20on%20the%20market.

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Are we at risk for the selected provider creating a monopoly?

- Also:
 - Pulled directly from the FCC’s Restoring Internet Freedom Order:
 - “The Federal Trade Commission **will police and take action against Internet service providers for anticompetitive acts or unfair and deceptive practices.** The FTC is the nation’s premier consumer protection agency, and until the FCC stripped it of jurisdiction over Internet service providers in 2015, the FTC protected consumers consistently across the Internet economy.”*
 - “A critical part of Internet openness involves Internet service providers being transparent about their business practices. That’s why the FCC has imposed enhanced transparency requirements. **Internet service providers must publicly disclose information regarding their network management practices, performance, and commercial terms of service.** These disclosures must be made via a publicly available, easily accessible company website or through the FCC’s website.”*

* <https://www.fcc.gov/restoring-internet-freedom>

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Will I be able to keep the service I have right now if I don't want to sign up for the new service?

- Yes!
 - And you will **not have to pay** the Broadband Recover Fee either.
 - There will be **no change** to your current monthly bill.
 - There will be **no change** to your current service package.
 - If you are receiving service from another provider, you can still receive that service with no impact from CCI.

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How much will the new service cost? Are prices guaranteed as part of the agreement?

- It is expected that cost associated with the purchase of services will be significantly lowered.
- Also, it is expected that a subscriber can jump up two tiers in service without an increase to their current bill.
- The provider will be rolling out a pricing schedule.

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What happens if the technology is obsolete in 10 years instead of 20 years?

- This is a fiber network that the provider doesn't see changing over the next 20 years.
- The equipment the provider will be installing will be able to grow with demand over time. For example, last year it was 1G, this year they will most likely will be moving to 2G, in a couple of years it could be 5G, etc.
- This model works (zero cost to town) because the provider believes there is longevity in the technology that will be used.

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What happens if the technology is obsolete in 10 years instead of 20 years? (cont'd)

- Fiber is defined by the FCC as follows (pulled directly from FCC website):
 - *"Fiber optic technology converts electrical signals **carrying data to light** and sends the light through transparent glass fibers about the diameter of a human hair. Fiber transmits data at speeds far exceeding current DSL or cable modem speeds, typically by tens or even hundreds of Mbps.*
 - *The actual speed you experience will vary depending on a variety of factors, such as how close to your computer the service provider brings the fiber and how the service provider configures the service, including the amount of bandwidth used. The same fiber providing your broadband can also simultaneously deliver voice (VoIP) and video services, including video-on-demand.*
 - *Telecommunications providers sometimes offer fiber broadband in limited areas and have announced plans to expand their fiber networks and offer bundled voice, Internet access, and video services.*
 - *Variations of the technology run the fiber all the way to the customer's home or business, to the curb outside, or to a location somewhere between the provider's facilities and the customer."**

*<https://www.fcc.gov/general/types-broadband-connections#fiber>

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What happens if the technology is obsolete in 10 years instead of 20 years? (cont'd)

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 - *"Fiber optic technology converts electrical signals **carrying data to light** and sends the light through transparent glass fibers about the diameter of a human hair. Fiber transmits data at speeds far exceeding current DSL or cable modem speeds, typically by tens or even hundreds of Mbps.*
- The statement about "carrying data to light" is important. That is speaking to the speed of light and there are no faster speeds than the speed of light. Except maybe Tachyons, but that is the extent of today's physics lesson.

*<https://www.fcc.gov/general/types-broadband-connections#fiber>

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How long will network construction take and which areas of the town will be connected first?

- It is in the best interest of both the Town of Goshen and the provider that the network is built as quickly as possible. A timely build brings fiber subscribers on to the network which begins paying the bond recovery fee.
- As a reminder, CCI will begin paying the bond (principal & interest) from the day the bond is released, even if that occurs before building begins.
- Goshen can expect to see from the time construction begins 26 to 38 weeks of build time, with everyone that wants fiber service receiving the service by week 38.

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Are the board or committee continuing to look for alternative funds?

- Yes, we are continuing to look for additional funding that would remove or reduce the need for a bond.
- We are hopeful the newest federal aid package will open opportunities for funding.

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