

Preparing for Grant and Loan Programs

CAPITALIZING ON CAPITAL OPPORTUNITIES FOR NETWORK BUILDOUTS

Building a broadband network is a time-consuming, capital-intensive endeavor, which requires a considerable amount of planning and analysis to be successful. To be successful, a broadband network must be able to meet a customer's demands both today and into the future. Long-term capital investments such as this can therefore be risky ventures for the broadband provider and their investors.

That is why grant and loan financing for these networks is often critical to their success. These programs are usually competitive, and frequently have short application windows. What can your organization do to be ready?

Whether you are looking at a low-cost loan, a state or federal grant, or other broadband funding, many financing options have common application elements. Be prepared with a plan and a team that can provide the following:

Engineering layouts

Generally speaking, grantors and lenders are providing money to get broadband to unserved or underserved areas. They want to make sure you know what you're doing, and that you can get advanced services out to the areas you say you can. Your **engineering layout** is how you make your case.

Your engineering layout, or network design, relies on proper planning. Where, specifically, do you plan to deploy broadband? How many pedestals? What fiber count? Will it be buried, or aerial on utility poles? Knowing the answers to these questions and having a vision of your network's future is critical to securing broadband grants and loans.

READINESS CHECK:

- Do you have a strategic plan for your network?
- Have you worked with an engineer to develop a network design?

Services that will be offered

As part of your business plan, you will want to know what types of **services** will be offered. It's important to know this when designing your network, as it can impact the way your network will be engineered and the electronics necessary to support the proposed services. It will also influence your marketing research and pricing, which then impacts your financial projections. Finally, you will want to ensure your staffing is adequate to support each service offered.

READINESS CHECK:

- What services do you plan to offer? (broadband, video, voice)

PE Certification

To be a good steward of its resources (public or private), grantors and lenders often ask for a **Professional Engineering certification** on the proposed network designs. This certification ensures that the needs identified can actually be met with the proposed design and within realistic timelines. And because Professional Engineers adhere to strict ethical standards, this certification also provides an additional layer of protection for the financing body. For these reasons, having a Professional Engineer involved in the network planning is a good idea even when not required by a grant or loan program.

READINESS CHECK:

- Has a Professional Engineer been engaged with your network plans?

Financial Projections

Financial projections for your operation should include not only debt service on the capital expenditures, but also operational costs. These include staffing, costs of providing service, equipment costs and maintenance, marketing, insurance, taxes, and professional fees such as legal, consulting, and accounting. Financial Projections will also incorporate planned pricing models and estimated take rates to forecast the financial strength of your proposed network operation.

These projections are not just good for your application but are also a dynamic and valuable resource for your operation on an ongoing basis.

READINESS CHECK:

- Do you have capital expenditures and operating expense estimates for your planned buildout?
- Have you engaged a market study to estimate take rates and pricing models appropriate for your market, as well as conduct a review of the current competitive landscape?
- Have you assessed your staffing resources and needs to operate and support the planned network?

Operational Experience

Many applications require proof of **operational experience**. This is typically a statement indicating that you have been successfully operational for a certain number of years, proving that you can be trusted to operate the proposed network.

In some cases, the program may require proof of a specific type of operational experience – for example, experience operating a voice network. In situations like this one, if your organization lacks the necessary experience, you may look into partnering with a neighboring broadband provider to take advantage of their operational history.

READINESS CHECK:

- Do you have experience operating a broadband network?
- If not, have you explored partnerships that would augment your own experience?

Management Team Experience

Similar to operational experience, proof of **management team experience** ensures that your staff is adequately prepared to operate a successful broadband network.

READINESS CHECK:

- Do you have managerial staff with the necessary experience to support your network?

Timelines

Grant and loan programs frequently have tight deadlines for meeting buildout requirements. It's important to consider these **timelines**, as the penalties for missing deadlines are often severe. For companies unaccustomed to large network buildouts, it's easy to underestimate how long each step takes – for instance, pole permitting applications and fiber lead times. Working with a project manager experienced in projects of similar size will help protect your network from these delays and deadline threats.

READINESS CHECK:

- Do you have a project manager with experience in network buildouts similar in size to your proposed network?

Budget

You will be asked to submit a **budget** that explains where the money for your project will come from (most programs typically require a matching contribution), and where it will go. This will be largely determined by your network layout, including size and scope of the project, phasing and timelines, construction time estimates, and electronics necessary to provide the services proposed.

Community Benefits

Your application should make clear that the grant or loan dollars will benefit the **community** they're targeted to by bringing broadband services to area. Often this includes community anchor institutions such as schools, public safety services, medical facilities, and libraries. Some grant and loans may explicitly require services be provided to these institutions.

READINESS CHECK:

- How does your network plan benefit the community?
- Does your network plan include service to community anchor institutions?

As you go through these steps, keep in mind that you are making an investment for a 30-year plan. If planned and built correctly your network will require minimal maintenance or alterations – providing you with a strong, stable asset and business model, and reliable broadband service to your customers.

Ready to get started? Vantage Point can help every step of the way.

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