



MONTANA BEAD MAIN ROUND FINANCIAL REQUIREMENTS

May 10, 2024

INTRODUCTIONS



Eric Law – Financial SME, Summit

- Leading Today's Presentation
- eric.law@summitllc.us



Rebecca Fairchild-Lewis – Manager – Summit

- Leading Today's Presentation
- rebecca.fairchild-lewis@summitllc.us



PURPOSE AND TODAY'S AGENDA

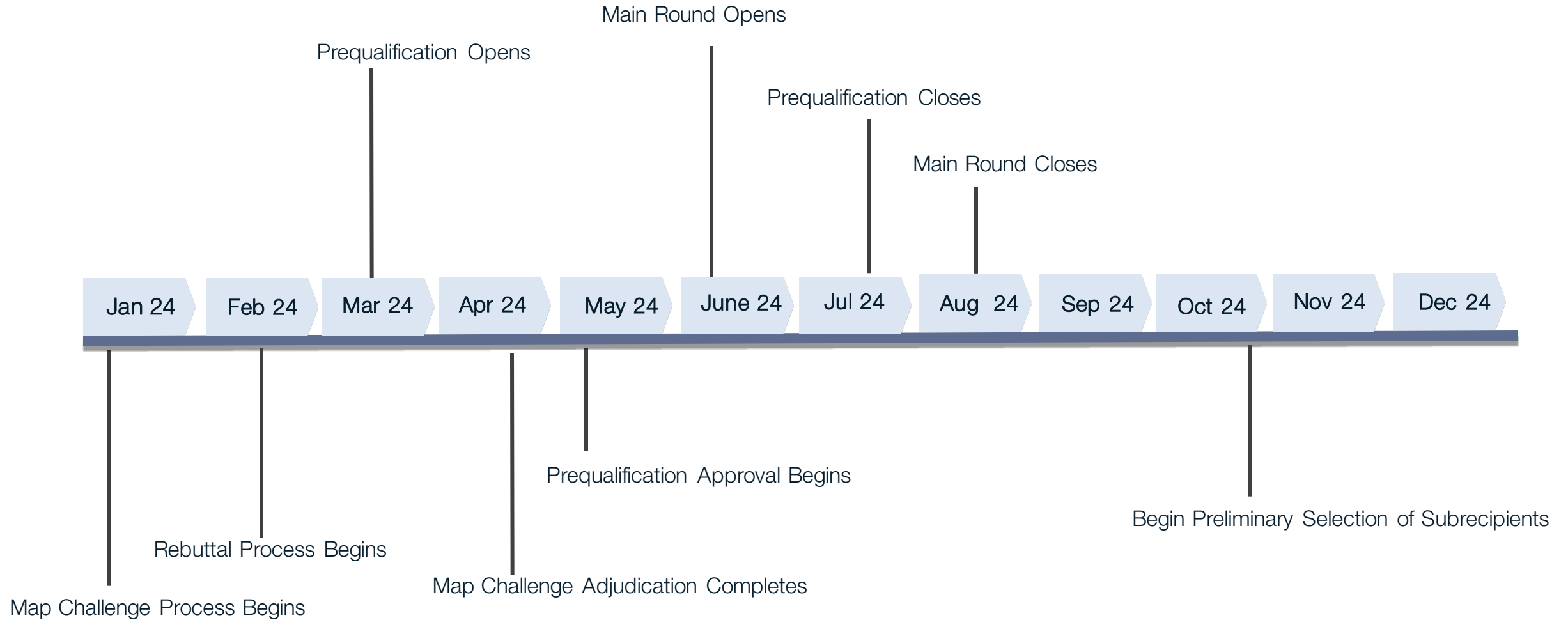
Purpose: To provide an overview of the financial requirements for the Montana BEAD Program and application process with the goal of high-quality submissions.

Agenda:

- High Level Overview of Financial Requirements for MT's BEAD Program
- Application Process and Requirements
- Business Plan
- Project Pro Forma
- ILOC In More Detail
- Other Financial Considerations



PONTENTIAL 2024 PROGRAM TIMELINE



All dates are estimated. They subject to change and NTIA approval



OVERVIEW OF FINANCIAL REQUIREMENTS

PER the NOFO and BEAD Guidance, the State of Montana must determine the following for subgrantees and their projects:

- Have the competence, managerial and *financial capacity* to meet the commitments of the grant and Program, including service milestones;
- Technical feasibility and *financial sustainability* of a project providing broadband service to an unserved location, underserved location, or Eligible Community Anchor Institution;
- Will have available funds for all project costs that exceed the amount of the grant;
- Has and will continue to have sufficient financial resources to cover its eligible costs for the Project until such time as the Eligible Entity authorizes additional disbursements;
- Positive cash flow *within* the 7-yr time horizon of the project pro-forma



APPLICATION CHECKLIST

Prequalification and Main Round Application Rounds – Financial Checklist:

- Signed Executive Authority and Financial Capability Certifications (pre-qual)
- Financial Statements (pre-qual)
- Letter of Credit (main round)
- Business Plan (main round)
- Pro Forma (main round)



BUSINESS PLAN

The Main Round Business Plan:

- Introduction and Executive Summary
- Project Description
- Market Analysis
- Financial Assumptions and Feasibility
- Risk Analysis
- Conclusions and Recommended Next Steps



THE PURPOSE OF A BUSINESS PLAN

- Written narrative supporting the numbers, assumptions, and forecasts in the project pro forma.
- Elaborates on the projected outlook for the business, encompassing growth opportunities, assumptions driving the financial forecasts in the pro forma, such as market trends, pricing strategies, operational efficiencies, and potential risks.
- Speaks directly to the feasibility of the BEAD project and impact on the company's overall financial health (e.g., positive cashflow within 7-year time horizon of the pro-forma)



BUSINESS PLAN OUTLINE

Introduction and Executive Summary:

- Company overview, business model, market opportunities, and financial standing.

Project Description

- Scope, service area, coverage, service plan pricing, and broadband speeds/latency; summary of technical solutions.

Market Analysis

- Evaluates demand for expanded broadband service, market trends, and potential new subscribers.

Financial Assumptions and Feasibility

Risk Analysis

Conclusions and Recommended Next Steps

- Summary of project's strengths and why it will succeed with BEAD funding.



FINANCIAL ASSUMPTIONS AND FEASIBILITY: A DEEPER DIVE

Applicant's written assumptions should include:

- Strategy and implementation
- Project's legal and financial structure (capital stack)
- Operational expenditures (OpEx) post-project
- Other Capital Expenditures (CapEx)
- Inflation rates
- Potential returns
- Expected changes in financial position
- Sufficient revenue to cover expenses
- Sufficient cashflow to cover all debt service obligations
- Schedule of ratios



RISK ANALYSIS: A DEEPER DIVE

Applicant's risk analysis should include:

- Highlights strengths, weaknesses, and opportunities.
- Identifies and mitigates potential areas of risk and uncertainty.
- Analyzes sensitivities to less than expected take rates, lower # of subscribers, revenue reductions, expense increases, construction delays, inflationary pressures, or other meaningful industry variables.



FOUR PART PROJECT PRO FORMA

1. Income Statement
2. Capital Investment Workbook
3. Capital Investment Schedule
4. Debt Summary



THE PURPOSE OF A PRO FORMA

- Assess the project's financial feasibility
- Predict and enhance financial outcomes of capital projects
- Evaluate anticipated impact of the project on the overall financial health of the company
- Analyze financial performance based on certain assumptions and different scenarios.
- Helps answer the question if the project makes fiscal sense to pursue, both for the applicant and the funder
- Secures necessary funding to make a project a reality



CAPITAL INVESTMENT WORKBOOK – PROJECT PRO FORMA

Project Costs and Sources

DEPARTMENT OF ADMINISTRATION
MONTANA BEAD PROGRAM: MAIN ROUND



Uses	Project Cost
Total Project Cost	\$110

Sources	Funds
MT Connect	
a.	\$50
Other Grant Sources	
b. Grant Source 1	\$0
c. Grant Source 2	\$0
Loan Sources	
d. Loan Source 1	\$0
e. Loan Source 2	\$5
Applicant Contribution	
f. Contribution Type 1	\$5
g. Contribution Type 2	\$50

Sum of Sources (MUST Equal Sum of Total Project Costs)	\$110
---	--------------

Requirement (unless Census Block Group is waived)	Check	% of Other Sources
At least 25% of the Total Project Costs have to come from Other Sources besides MT Connect	Requirement Met	55%

Footnotes Connected to Business Plan
Footnote Highly Recommended

Footnotes Connected to Business Plan
Footnote Highly Recommended

Details project uses and sources

Illustrates any potential funding gaps

Clarifies matching funds (including in-kind match)

Documentation of other funds will be required

Total Project Cost can be pulled directly from the Project Plan (technical document; Project Cost

Details subtab – Category Cost Totals)

Should link well with monthly or quarterly project budget reports

Ineligible costs can't be paid with matching funds



CAPITAL INVESTMENT SCHEDULE – PROJECT PRO FORMA

Capital Investment Schedule

DEPARTMENT OF ADMINISTRATION
MONTANA BEAD PROGRAM: MAIN ROUND



Category	Year Installed					Total
	2024	2025	2026	2027	2028	
Total Project Cost						\$ -

Footnotes Connected to Business Plan
Footnote Highly Recommended

- Outlines key milestones and phases.
- Intertwined with cost and revenue projections.
- Ensures timely completion and mitigates construction delay and cost overruns risks.
- The CIS should perfectly match "Project timeline with milestones" from the Project Plan (technical document)
- There is a 4-year deployment and reimbursement timeline for BEAD monies (from date of subaward).



DEBT SUMMARY FOR PROJECT AND RELATED PROJECTS

[illegible]

- Must include all existing debt
- If applicable, include matching debt assumptions for the MT BEAD project
- Should also estimate debt for all other capital projects that the subgrantee or its affiliates are undertaking or have committed to undertake at the time of application and, additionally, whose debt schedule starts within the next five years
- Letters of commitment and term sheets should be provided as basis for debt assumptions

PRO FORMA INSTRUCTIONS

Further Guidance

DEPARTMENT OF ADMINISTRATION
MONTANA BEAD PROGRAM: MAIN ROUND



Feature	Feature Instructions
Tooltips	Many line items have associated tooltips which the Applicant may look at for guidance on what encompasses a certain line item. These are visible when the cursor is on the cell which contains the name of the line item. If these don't show up, please contact the DOB and a detailed list will be provided. There are also tooltips associated with some of the footnotes to the right of each sheet.
Business Plan and Project Plan (technical document) Footnotes	These are the right-most columns in each sheet. The Applicant may use the format "see page X, paragraph Y of the business plan" to show how the projected figures in this pro forma connect with written assumptions in the business plan. The recommendation is that the Applicant should footnote any financial and technical line items which are tied to assumptions in the business plan. It is recommended that the Applicant refer to their business plan and technical documents as much as possible through these footnotes, and there are some sections labeled "Footnote Highly Recommended".



FOUR LETTER OF CREDIT ALTERNATIVES

- Subgrantee Option to Use Credit Unions
- Subgrantee Option to Use Performance Bonds
- Subgrantee Option for Alternative Initial LOC or Performance Bond Percentage
- (post award) Reduction of LOC/Performance Bonds Upon Completion of Milestones



EXECUTIVE AUTHORITY

- During Prequalification you assigned an authorized organization representative (AOR)
- If you would like to change your AOR you can submit an updated Executive Authority:
 - They need the authority to certify their capability to fulfill project obligations
 - Confirm availability of funds to cover costs exceeding the grant amount. Mandatory compliance with all Program requirements, including service milestones.
 - If funding is disbursed upon task completion, ongoing financial capability must be certified to cover project costs until further disbursements are authorized.



HISTORICAL FINANCIAL STATEMENT REQUIREMENTS

- During Prequalification, Potential subgrantees must submit:
 - Completed audited financial statements from the most recent year (unqualified).
 - Unaudited interim financial statements for the current year to date.
- If unqualified audited financial statements from the most recent year are unavailable:
 - Submit qualified audited financial statements from the previous year.
 - Include a narrative explaining why unqualified statements were unavailable.
 - Provide unaudited interim financial statements for the current year to date.
- If audited financial statements for the previous year are unavailable:
 - Potential subgrantees must provide financial statements audited by a CPA before signing a contract for a subgrantee award.



ELIGIBLE AND INELIGIBLE COSTS

Eligible	Ineligible
Construction, improvement, and/or acquisition of facilities and telecommunications equipment required to provide qualifying broadband service, including infrastructure for backhaul, middle- and last-mile networks, and multi-tenant buildings.	No more than 2% of administrative costs
Long-term leases (for terms greater than one year) of facilities required to provide qualifying broadband service, including indefeasible right-of-use (IRU) agreements	Any profit, fee, or charge greater than actual cost
Deployment of internet and Wi-Fi infrastructure within an eligible multi-family residential building	Supporting or opposing collective bargaining
Engineering design, permitting, and work related to environmental, historical and cultural reviews	Telecommunication equipment from foreign companies as specified under the Secure and Trusted Communications Networks Act of 2019
Personnel costs, including salaries and fringe benefits for staff and consultants providing services directly connected to the implementation of the BEAD Program (such as project managers, program directors, and subject matter experts)	
Network software upgrades, including, but not limited to, cybersecurity solutions	
Training for cybersecurity professionals who will be working on BEAD-funded networks	
Workforce development, including Registered Apprenticeships and pre-apprenticeships, and community college and/or vocational training for broadband-related occupations to support deployment, maintenance, and upgrades	

- Applicants must provide a project cost estimate
- Needs to demonstrate an understanding of the proposed project and its associated estimated costs
- Applicant must only provide eligible costs within the project cost template



FINANCIAL REQUIREMENTS Q&A



Q&A



PROGRAM CONTACTS

BEAD Program Information: <https://connectmt.mt.gov>

Initial Proposal Volumes 1 and 2: <https://connectmt.mt.gov/IIJA/Funding>

Frequently Asked Questions: <https://connectmt.mt.gov/IIJA/FAQ>

Technical Assistance Email: ConnectMTTechAssistance@mt.gov

Maria Jackson - Grants Contracts Coordinator

- Representing the State of Montana
- maria.jackson2@mt.gov
- 406.444.4099

Moriah Keller - Broadband Coordinator

- Representing the State of Montana
- moriah.keller@mt.gov
- 406.444.4099

