



Montana BEAD Main Round Financial Requirements

September 6, 2024

BEAD PROGRAM OVERVIEW

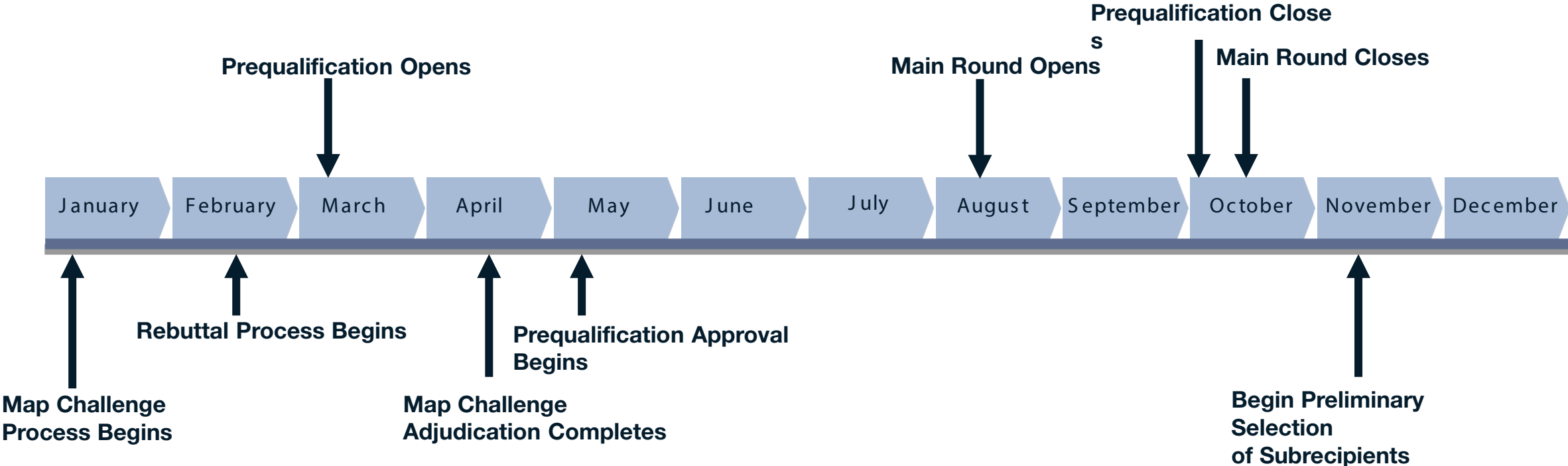
- The Broadband Equity, Access, and Deployment Program is designed to expand high-speed internet access by funding planning, infrastructure deployment, and adoption programs across the country.
- The state of Montana (MT) was awarded close to \$629 million in BEAD funding to connect all unserved and underserved locations in the state with reliable and affordable broadband. The ConnectMT Broadband Office will execute the subgrantee selection process across three phases:
 - Map Challenge Process: Nonprofits, ISPs, and local governments can submit challenges to the broadband map.
 - Prequalification: Applicants will submit materials for prequalification to meet the BEAD minimum eligibility requirements.
 - Main Round Application: Once prequalification is completed, applicants will be invited to submit proposals for projects as part of

BEAD Program Dates:

- BEAD Main Round opened Tuesday, August 13, 2024.
- BEAD Prequalification Application closes Tuesday, October 1, 2024.
- BEAD Main Round Application closes Tuesday, October 15, 2024.



2024 BEAD PROGRAM TIMELINE



MAIN ROUND OVERVIEW

- The purpose of the Main Round Application is to allow prequalified applicants to submit detailed project proposals for consideration under the BEAD program.
- **Subgrantee Eligibility Requirements:** To receive BEAD funding, subgrantees must:
 - Meet mandated financial requirements;
 - Demonstrate capability to provide broadband service in MT;
 - Propose a project that will provide 100/20 service to all locations within service area within timeline; and
 - Certify ability to comply with all requirements mandated by NTIA and the State of Montana.

Please Note:

- To begin the Main Round application, users must first provide information in the Prequalification section of the application.



MAIN ROUND REQUIREMENTS

- Eligible Applicants:
 - Eligible applicants for a BEAD subgrant include cooperatives, nonprofit organizations, public-private partnerships, private companies, public or private utilities, public utility districts, or local governments.
- Eligible Program Areas:
 - The ConnectMT Broadband Office has opted to allow applicants to define their proposed broadband project areas consisting of existing Census Block Groups (CBGs).
- Eligible Program Costs:
 - The BEAD NOFO (Notice of Funding Opportunity) defines eligible uses of funding in connection with last-mile broadband deployment projects.

Please Note:

- Applicants must propose to provide service to all unserved (less than 25 Mbps) and underserved (between 25/3 Mbps and 100/20 Mbps) Broadband Serviceable Locations (BSLs) in any CBGs they offer.



PRIORITY VS NON-PRIORITY

- To approach the process holistically, maximize competition, and give the State the most complete view of its service options, priority and non-priority bids will be accepted in tandem in the main round.
- **Priority Application Project:** Applications that will provide service via end-to-end fiber-optic facilities to each end-user premise; these applications will be evaluated first for every project area.
- **Non-Priority Application Project:** Applications that propose a technology solution that does not include a fully fiber solution, which could include HFC, DSL, licensed fixed wireless, or a mix of these technologies.





Main Round Application Financial Components

OVERVIEW FINANCIAL REQUIREMENTS

PER 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

Main Round Application Rounds – Financial Checklist:

- Signed Executive Authority and Financial Capability Certifications
 - Prequalification
- Financial Statements
 - Prequalification
- Letter of Credit
 - Main Round
- Business Plan
 - Main Round
- Project Pro Forma
 - Main Round



BUSINESS PLAN

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

A DEEPER DIVE:

Applicant's written assumptions should include:

- Year Over Year Projected Growth Rates
- 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.
- Analyzes sensitivities to less than expected number of subscribers.
- Analyzes sensitivities to revenue reductions.
- Analyzes sensitivities to expense increases.
- Analyzes sensitivities to construction delays.
- Analyzes sensitivities to inflationary pressures, or other meaningful industry variables.



PROJECT PRO FORMA

The Purpose of a Project 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.**

The four parts of the Project Pro Forma:

- **Income Statement**
- **Capital Investment Workbook**
- **Capital Investment Schedule**
- **Debt Summary**



INCOME STATEMENT – PROJECT PRO FORMA

Project Level Income Statement					
	Future Projections				
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Local Network Services Revenue Access					
Network Access Services Revenue					
Long Distance Network Services Revenue					
Carrier Billing and Collection Revenue					
Other Operating Revenue					
Net Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Specific Operations Expense					
Plant Nonspecific Operations Expense (excluding depreciation & amortization)					
Depreciation Expense					
Amortization Expense					
Customer Operations and Corporate Operations Expenses (overhead)					
Other Operating Expense					
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Income or Margins	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on Project Funded Debt					
Total Fixed Charges	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes					
Extraordinary Items					
Total Net Income or Margins	\$ -	\$ -	\$ -	\$ -	\$ -
Principal Payments on Long-Term Debt and Capital Leases (only for funded project)					
Subscriber Projections					
Existing Subscribers Beginning of Year (network wide)					
New Subscribers (off of existing network or other future CapEx)		0	0	0	0
Served BSLs					
Unserved BSLs					
Underserved BSLs					
New Subscribers (BEAD Project specific)	0	0	0	0	0
Served BSLs					
Unserved BSLs					
Underserved BSLs					
Cancellations (network wide)					
Total Subscribers End of Year	0	0	0	0	0
Average Revenue per User (BEAD Project specific)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Average Revenue per User (network wide)					

- Evaluates the anticipated financial performance of the project and over the build out period of the project.
- Applicant must meet or exceed 1.2x for at least two of the reviewed benchmark ratios—TIER, DSCR, or current ratio by the end of the forecast period.
- For applicants that do not plan to borrow funds and without any current debt, only the current ratio requirement must be met.
- Days cash on hand between 60 and 90 days.
- Key performance measures include new subscribers, take rate, acceptable pricing, and average revenue per user (ARPU).



CAPITAL INVESTMENT WORKBOOK – PROJECT PRO FORMA

Project Costs and Sources

Uses	Project Cost
Total Project Cost	\$600,000

Sources	Funds
MT Connect	
a.	\$300,000
Other Grant Sources	
b. Grant Source 1	\$300,000
c. Grant Source 2	\$0
Loan Sources	
d. Loan Source 1	\$0
e. Loan Source 2	\$0
Applicant Contribution	
f. Contribution Type 1	\$0
g. Contribution Type 2	\$0

Sum of Sources (MUST Equal Sum of Total Project Costs)	\$600,000
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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	50%

- 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 FORM A

Capital Investment Schedule

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

Capital Investment Schedule

- 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).



PROJECT PRO FORM 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 DOA 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."



LETTER OF CREDIT OPTIONS

READ Letter of Credit sample | DRAFT | [August 2024]

1 Illustrative Form of Letter of Credit

[Issuing Bank Letterhead]

IRREVOCABLE STANDBY LETTER OF CREDIT No. [____]

[Subject to Issuing Bank Requirements]

[Name and Address of Issuing Bank]

[Date of Issuance]
[AMOUNT]
[EXPIRATION DATE]

BENEFICIARY

Montana Department of Administration
Attn: Montana Broadband Office
125 N. Roberts Street
P.O. Box 200101
Helena, MT 59620-0101

LETTER OF CREDIT PROVIDER

[Formal Name of Applicant]
[Address]

Ladies and Gentlemen:

We hereby establish, at the request and for the account of [Formal Name of Applicant], in your favor, as required under the Broadband Equity, Access, and Deployment (BEAD) Program's Notice of Funding Opportunity, issued by the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce (DOC) on May 13, 2022, and the State of Montana's Initial Proposal Volume 2 approved by NTIA, our Irrevocable Standby Letter of Credit No. _____, in the amount of [State amount of Letter of Credit in words and figures], expiring at the close of banking business at our office described in the following paragraph, on [the date which is ____ years from the date of issuance or such earlier date as the Letter of Credit is terminated by the Montana Department of Administration (the "Expiration Date")].

Funds under this Letter of Credit are available to you against your draft in the form attached hereto as Annex A, drawn on our office described below, and referring thereon to the number of this Letter of Credit, accompanied by your written and completed certificate signed by you

1

The Letter of Credit Alternatives:

- Subgrantee Option to Use Credit Unions
- Subgrantee Option to Use Performance Bonds

The ILOC Template can be found on the ConnectMT Website here:

<https://connectmt.mt.gov/IJA/Internet-Service-Provider-Information>



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 STATEMENTS 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.
- Potential subgrantees must provide FY23 financial statements audited by a CPA at the time of the Main Round.



ELIGIBLE AND INELIGIBLE COSTS

Eligible	Ineligible
<p>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.</p> <p>*Existing inventory may be used for an approved project but will be subject to review and approval by MBO. Awardees will need to submit sufficient documentation to justify costs.</p>	Any costs incurred prior to issuance of NTIA's NOFO
Long-term leases (for terms greater than one year) of facilities required to provide qualifying broadband service, including indefeasible right-of-use (IRU) agreements. IRU costs will be limited to the upfront cost for the IRU and three years of the annual maintenance costs.	No profit, fee, or other incremental charge above actual cost incurred by a subgrantee.
Deployment of internet and Wi-Fi infrastructure within an eligible multi-family residential building	Telecommunication equipment from foreign companies as specified under the Secure and Trusted Communications Networks Act of 2019
Engineering design, permitting, and work related to environmental, historical and cultural reviews	<i>Interim or bridge financing costs</i>
Personnel costs, including salaries and fringe benefits for staff (<i>note exceptions per MT DOA's Pre-Award Policy Memo</i>) and consultants, providing services directly connected with the execution and deployment of the BEAD subgrant	Any activities supporting or opposing collective bargaining

Eligible and Ineligible Costs

- 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.



ELIGIBLE AND INELIGIBLE COSTS, continued

Eligible	Ineligible
Network software upgrades, including, but not limited to, cybersecurity solutions	Personal expenses of employees, executives, board members, and contractors, and family members thereof, or any other individuals affiliated with the Subgrantee, including but not limited to personal expenses for housing, such as rent or mortgages, vehicles for personal use and personal travel, including transportation, lodging, and meals
Training for cybersecurity professionals who will be working on BEAD-funded networks	Gifts to employees; housing allowances or other forms of mortgage or rent assistance for employees except that a reasonable amount of assistance shall be allowed for work-related temporary or seasonal lodging; cafeterias and dining facilities; food and beverage except that a reasonable amount shall be allowed for work-related travel; entertainment
<i>Reasonable pre-award costs incurred before the period of performance (please reference MT DOA's Pre-Award Policy Memo)</i>	Expenses associated with: tangible property not logically related or necessary to the broadband infrastructure project or authorized non-deployment use; corporate aircraft, watercraft, and other motor vehicles designed for off-road use except insofar as necessary or reasonable to access portions of the project area not readily accessible by motor vehicles travelling on roads; tangible property used for entertainment purposes; consumer electronics used for personal use; kitchen appliances except as part of work-related temporary or seasonal lodging assistance; artwork and other objects which possess aesthetic value
<i>Legal and Administrative Services (including legal and appraisal services)</i>	Political contributions; charitable donations; scholarships; membership fees and dues in clubs and organizations; sponsorships or conferences or community events not logically related or necessary for the intended use of the subgrant; nonproduct-related corporate image advertising
<i>Easements and land purchases (may be subject to an appraisal and reimbursement limited to an appraised value)</i>	Penalties or fines for statutory or regulatory violations; penalties or fees for any late payments on debt, loans, or other payments

Eligible and Ineligible Costs

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- Applicant must only provide eligible costs within the project cost template.



UPCOMING TECHNICAL ASSISTANCE

Upcoming Webinars		
Topic	Date	Time
Technical Requirements	Tuesday, September 10, 2024	11 am – 12pm MT
Programmatic Requirements	Friday, September 20, 2024	11 am – 12pm MT
Negotiation Process	Friday, September 27, 2024	11 am – 12pm MT
Q&A Part One	Friday, October 04, 2024	11 am – 12pm MT
Q&A Part Two	Tuesday, October 08, 2024	11 am – 12pm MT

Where to find webinar links:

- All webinar dates, times, and links to register can be found at <https://connectmt.mt.gov/Events/Upcoming> .
- All webinars are recorded and posted on the ConnectMT website.

****All dates are estimated and subject to change, please reference the ConnectMT website for any updates and registration****



MAIN ROUND FINANCIAL Q&A



Q & A



PROGRAM RESOURCES

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

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