

BROADBAND AND THE WORTHINGTON FINANCE COMMITTEE

At our Annual Town Meeting the Finance Committee was not able to provide a recommendation or the projected impacts if the Town were to borrow the 1.8 million that is currently estimated to be the town's share of the cost to bring broadband service to Worthington. Since its inception WiredWest has told the Town that all costs would be paid by the subscribers of the service and not the Town. A few months before the ATM the Town was told that this was not true and that taxpayers were going to be asked to pay. Originally the amount would be 2.3 million, it then went to 3.5 million and by town meeting it was 1.8 million.

This inability to provide recommendations was due to the fact that we could not identify a viable way to borrow this large amount of money. At a joint meeting of WiredWest and the Mass Broadband Institute (MBI) it was suggested that towns could issue *General Obligation Bonds*. Worthington has never issued bonds, as most small towns in this area have not. To issue bonds the first requirement is that a town must have a *bond rating*; something Worthington does not have and only two towns in the 33 towns in WiredWest have. Seeking a bond rating is a long and involved process that could not be completed in time for the ATM and because of the makeup and size of the Town, the result might not be worth the effort. One requirement for a good rating is the financial disclosure requirement of at least three consecutive annual audits. The last audit that Worthington contracted for was done five years ago for Fiscal Year 2010. This deficiency will need to be addressed along with all of the other requirements needed for a good bond rating.

It was also suggested that Worthington could use the *State Qualified Bond Act* in lieu of seeking a bond rating and issuing *General Obligation Bonds*. The Finance Committee determined early on that the Town would not be eligible for *Qualified Bonds* despite insistence that Worthington and other towns would. It now appears that most towns will not. The U.S.D.A. (Rural Farm Development) was also suggested as a source of financing but because of the lack of funding for this program from Washington, at this time it does not appear to be an option.

At a joint meeting of the Finance Committee and the Selectboard prior to the ATM, the Selectboard suggested that the debt authorization be deferred for a year to fully investigate the above. The Finance Committee concurred and voted to defer the article until May 2016. Relative to this, MBI has stated "that towns are not required to vote at their 2015 spring town meetings. The MBI is holding funding (from the state grant) for at least two town meeting cycles. Towns should plan to have the funding authorized by the summer of 2016." A few days before the ATM, town officials had an initial meeting with a financial adviser who confirmed the identified finance options. He suggested as an alternative and even though it brought with it inherent risks, the Town could look into using a series of one year short term notes and eventually and hopefully find a bank that would issue a long term note for the balance. While this suggestion would avoid the need to issue bonds and most of what is involved with their issuance, it certainly will require much scrutiny relative to the risks that are involved.

While the financing of the debt is the first issue that the Finance Committee must be prepared to advise town meeting on, it also appears that there are other options involved in bringing broadband service to town that will require us to be prepared to give additional advice.

MBI, which is the State agency that built the “Middle Mile” is proposing to build the “Last Mile” which is the network that will bring broadband to every residence in town. After the “Last Mile” is built WiredWest proposes to operate it. Prior to the ATM, it became evident to the Finance Committee that there are private companies other than WiredWest that want to be hired to operate the network once it is built such as Axia NGNetworks USA and Crocker Communications. Axia is the operator of the MassBroadband123 network (Middle Mile) and Crocker is the internet service provider for the Town of Leverett’s broadband network. In an effort to better investigate these alternatives, the Finance Committee made a motion at the ATM to form a Broadband Committee. Unfortunately the motion failed. However, the Finance Committee is now investigating those options and will be prepared to give recommendations on who should operate the network once it is built.

With that responsibility in mind the Finance Committee has to date had initial meetings with both Crocker and Axia. Crocker proposes to be the network operator along with being the network service provider. Axia proposes to design and build the network and contribute towards its’ initial cost in exchange for a long term commitment from the Town. This contribution will lessen the burden on taxpayers of the initial cost of building the network. The Committee has also met with the Town of Leverett’s Broadband Committee and learned a great deal about their network operation which is run by the town and employs Crocker Communications as the internet service provider and Holyoke Gas & Electric Telecom as the network operator.

We have also met with the Town of Middlefield’s broadband committee and both committees shared what they have learned about the technology and the financing of a network.

In the upcoming months the Committee plans to fully investigate the financing options including what is needed to secure a successful bond rating as well as to continue to investigate the various options to build and run the finished network. We have also asked the state legislature for help with the debt issuance as it is much too complex for all of the small towns involved to do independently. The Committee plans to be fully prepared to advise the taxpayers at town meeting when it becomes time to vote to authorize the debt and to keep everyone informed of our progress along the way and welcomes public input and participation.