

WiredWest Regional Fiber Network Financing Process for Towns

1. Each town would issue general obligation (G.O.) bonds under MGL c.44:8(8) to fund capex for its Municipal Lighting Plant (MLP)'s share of the project. Authorization requires a 2/3 town meeting vote. Note that money can be raised by an MLP for telecom outside of the regular town levy limits, up to 5% of total town assessed value.
2. Each town would issue its G.O. bonds as it may choose, perhaps acting in concert as a group in a public or private sale.
3. Each town could apply to have the State's Municipal Finance Oversight Board "qualify" the town's bonds under MGL c.44A to enhance the security and lower the rate, but some may not need or be able to.
4. In the case of the "qualified bonds," the towns would agree that the State Treasurer can intercept each town's local aid to make its bond payments.
5. The G.O. bonds might be structured to pay interest only during construction and then amortize principal over approximately 20 years.
6. By agreement with WiredWest acting on behalf of the MLPs, The Massachusetts Broadband Institute (MBI) would design and build the system using the state grant, the town bond proceeds and, possibly, early net operating revenues.
7. As components are completed, WiredWest would assume title and operating responsibility.
8. Bond anticipation notes or other techniques might be used to mitigate net G.O. bond interest costs during construction.
9. Towns would manage their tax levies and other resources to cover debt service on their bonds. If and when WiredWest has available net revenues, it could distribute money to its member MLPs to offset the debt service.
10. In the qualified bond scenario, the towns would set their budgets taking the local aid intercept into account.
11. Based on current projections, the towns would not be able to count on any offsetting revenues coming back through their MLPs, at least for the first several years.
12. The operating results of the WiredWest business over time are speculative and will depend on subscription rates, pricing for various services, operating costs, competition, technology change and many other factors.
13. If WiredWest succeeds, when the towns set their tax levies and budgets in future years, they may be able to rely on distributions from WiredWest to offset the G.O. bond debt service or any local aid intercept in whole or in part.