



*Your Community-Owned  
Connection to the World*  
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## **Annual Report and Proposed District Budget**

Vermont's Communications Union Districts (CUDs) are obligated to annually "approve and cause to be distributed to the legislative body of each district member for review and comment an annual report of [the district's] activities, together with a financial statement, a proposed district budget for the next fiscal year, and a forecast presenting anticipated year-end results."

Your town is one of 31 members of the **East Central Vermont Telecommunications District**, which does business as ECFiber, and this document is provided to the Selectboards of the district's member towns in conformance with the law. We are also providing a template your municipality can follow to post notice of the public hearing which the district governing board will conduct on the district's proposed budget on Tuesday, November 9, 2021 at 7pm.

### **Report of Activities October 1, 2020 – September 30, 2021**

During the past year ECFiber added almost 1,500 new customers and now serves about 6,500 premises in 23 towns via 1,400 miles of fiber-optic cable. Taken together, there are about 31,500 premises in the district located on almost 2,000 miles of roads.

The main goal of the district today is to complete construction of our network in our 23 original member towns, with the exception of central Woodstock (where all utilities are underground), and then to start building in the 8 new towns which joined the district in 2020.

The global pandemic has, of course, proven beyond any doubt that rural Vermonters need access to world-class broadband, but we need to find our own way forward. ECFiber, originally the brainchild of the leadership of ValleyNet, a non-profit organization which was the Upper Valley's first internet service provider, has demonstrated that this can be accomplished in a cost-effective manner without putting any burden on taxpayers. ECFiber is funded entirely by customer revenues, which in turn back tax-free municipal bonds issued by the district to raise capital to build our infrastructure. This model is now the state's strategy for solving the rural broadband crisis and eight CUDs like ECFiber are working hard to get going. The once-in-a-lifetime ARPA funds the state received for broadband have been put into the Vermont Community Broadband Fund. ECFiber and

ValleyNet leadership were deeply involved in the work of the administration and legislature during the last session and continues to engage with the state and other CUDs in pursuit of the statewide goal of bringing fiber to all homes and businesses on the grid in our state.

The district has not been without problems this year. The difficult labor market has delayed work, the effort of changing our phone provider stressed technical staff that would otherwise have been dealing with installations, a change in our billing and network monitoring software took significant management time, and efforts to expand service in existing areas revealed unknown technical kludges from our early do-it-on-a-shoestring days which simply had to be rebuilt. Add it all up and we are easily a year behind where we hoped to be by now.

Yet, miraculously, we collectively own and operate a fiber-to-the-premises network built without burdening local taxpayers. This world-class network delivers a level of broadband service not generally available outside of large modern cities or dense, wealthy suburbs.

We invite you to visit our website to learn more about ECFiber, access our district map showing member towns and network build status, and access minutes of our governing board meetings.

Just as a reminder, we ask each town to renew its appointments to the governing board each year after town meeting and before the end of April. The regular governing board meetings take place monthly on the second Tuesday, with the May meeting doubling as the annual meeting of the district.

F. X. Flinn  
Chair, Governing Board (Town of Hartford Delegate)  
October 18, 2020  
Quechee, Vermont

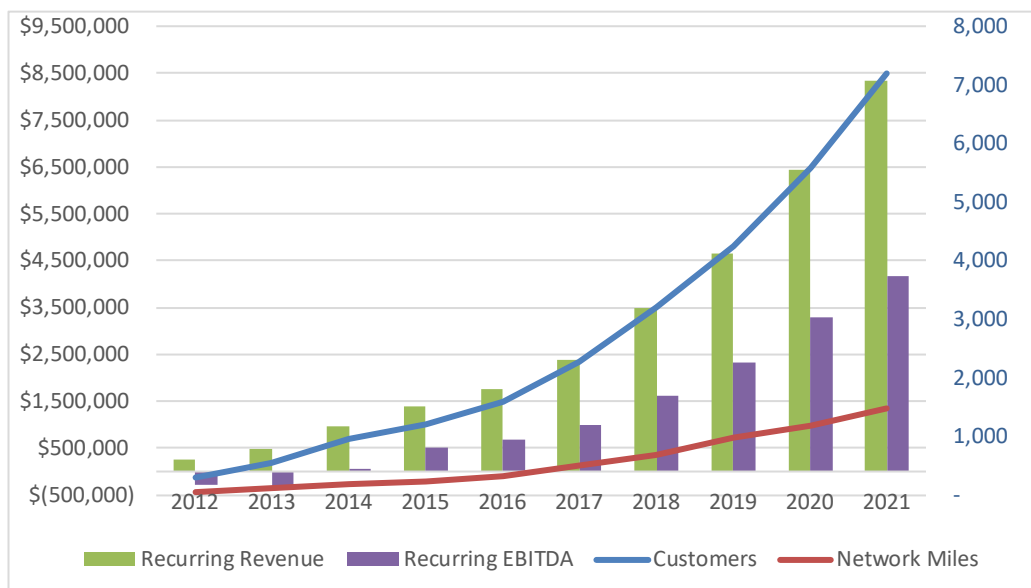
Attachments:

Proposed Budget including Forecast of 2021 year-end results  
Public Hearing Notice Template

## ECFiber 2022 Draft Budget Package October 2021

These figures are based on a nine-year history of very stable operating results and variances to budget. This experience drives revenue, expense and capital expenditure estimates based on inputs such as new/existing miles, new/existing customers, #FTEs, ARPU trends, and CPI increases.

		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		actual	actual	actual/proj	budget
<b>Miles of FTTH Broadband Lines</b>		<b>981</b>	<b>1,189</b>	<b>1,469</b>	<b>1,784</b>
<b>Customers</b>		<b>4,239</b>	<b>5,584</b>	<b>7,200</b>	<b>8,912</b>
	<i>per mile</i>	4.3	4.7	4.9	5.0
	<i>Penetration</i>	29%	31%	31%	31%
<b>added customers</b>		<b>1,024</b>	<b>1,345</b>	<b>1,616</b>	<b>1,712</b>
	<i>ARPU - Residential</i>	\$102.35	\$104.96	\$105.14	\$106.32
	<i>ARPU - Commerical</i>	\$121.73	\$172.00	\$177.86	\$178.60
<b>Revenues</b>					
	Recurring	\$ 4,662,275	\$ 6,453,297	\$ 8,350,122	\$ 10,597,151
	Installation	370,041	560,110	273,311	270,266
	Grants/Misc.	104,605	797,486	3,075,836	5,008,800
<b>Gross Revenues</b>		<b>5,136,921</b>	<b>7,810,893</b>	<b>11,699,268</b>	<b>15,876,216</b>
	Cost of Goods Sold	790,412	986,554	1,220,359	1,528,716
	Labor	925,015	1,043,978	1,514,397	1,921,070
	Other Expense	622,296	1,135,140	1,453,298	2,390,546
<b>Operating Earnings/EBITDA</b>		<b>2,799,198</b>	<b>4,645,221</b>	<b>7,511,215</b>	<b>10,035,883</b>
	<i>EBITDA as % of Revenue</i>	54%	59%	64%	63%
<b>Recurring EBITDA</b>		<b>2,324,553</b>	<b>3,287,625</b>	<b>4,162,068</b>	<b>4,756,818</b>
	<i>Recurring EBITDA as % of Recurring Reve</i>	50%	51%	50%	45%
<b>Other Expenses/Income</b>					
	Interest Income	147,415	45,524	34,143	-
	Interest - New Bonds	(1,760,919)	(2,283,998)	(2,636,001)	(2,962,385)
	Interest - Vehicle Loans	(8,247)	(5,347)	(8,790)	(5,285)
	Issuance Expenses	(219,868)	(235,037)	(180,000)	(180,000)
	Amortization of Note Prepayment Penalties	(122,035)	(122,035)	(122,035)	(98,363)
	Depreciation (30 year)	(822,373)	(1,073,065)	(1,400,000)	(1,800,000)
<b>Net income</b>		<b>13,171</b>	<b>971,263</b>	<b>3,198,531</b>	<b>4,989,850</b>
<b>Debt Service (Principal and Interest)</b>					
5.8%	Series 2016 A Bonds	635,938	633,138	645,138	656,338
6.1%	Series 2017 A Bonds	853,869	1,113,869	1,212,169	1,225,519
5.5%	Series 2018 A Bonds	466,763	466,763	651,763	651,819
4.8%	Series 2019 A Bonds	-	432,045	469,888	669,888
4.3%	Series 2020 A Bonds		-	432,045	511,890
4.8%	Series 2021 A Bonds			-	281,933
4.7%	Series 2022 A Bonds				-
4.7%	Series 2023 A Bonds				
3.3%	Series 2024 Bonds (Refi)				
<b>Total Parity Debt Service</b>		<b>1,956,569</b>	<b>2,645,814</b>	<b>3,411,001</b>	<b>3,997,385</b>
Cash Flow After Debt Service		842,629	1,999,407	4,100,213	6,038,498
<b>*EBITDA Coverage of Parity Debt Svc</b>		<b>1.51</b>	<b>1.77</b>	<b>2.21</b>	<b>2.51</b>
<b>*Revenue Coverage of Parity Debt Svc</b>		<b>2.70</b>	<b>2.97</b>	<b>3.44</b>	<b>3.97</b>



## Discussion of Assumptions

### Miles of Lit Fiber-to-the-Home (FTTH) Broadband

Assuming 1,469 lit miles by YE 2021 (280 new), we assume 1,784 lit miles in 2022 (315 new).

### New Build

		2022		2023	
			cabled		cabled
Hartford	156	156	156		
West Fairlee	21	21	9		
Fairlee	35	35	20		
Bradford (W)	29	29	-		
Corinth	74	74	7		
Windsor (W)	10			10	-
Newbury	106			106	51
Topsham	72			72	-
Washington	58			58	6
Bradford (E)	42			42	42
Windsor (E)	40			40	40
	643	315	193	328	139
make ready		315	193	328	139

Washington Electric Cooperative (WEC) is contemplating providing ECFiber with leased distribution fiber in its service area (199 miles in our towns), but it is unclear if they will be able to do so in a timely manner (i.e., we don't anticipate any of their fiber being lit in 2022 and probably only a portion in 2023). We have not included a WEC lease in these projections.

### Customers/Average Revenue per Unit (ARPU)

The key assumption as always is the number of customers – we hope to end 2021 with 7,200 customers (4.9 per mile), 1,616 new customers. In 2022 we assume 1,712 added customers, ending with 8,912 customers (5.0 per mile). ARPU has been stable since price adjustments in 2020 and will trend down gradually as fewer customers take phone service.

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
	actual	projected	projected	projected	budget			
<b>Customers</b>								
Res	5,498	5,815	6,320	6,860	7,195	7,575	8,055	8,522
ARPU	\$107.69	\$107.69	\$107.69	\$107.69	\$107.19	\$107.19	\$107.19	\$107.19
Bus	313	322	330	340	355	375	395	390
ARPU	\$178.41	\$178.41	\$178.41	\$178.41	\$175.00	\$175.00	\$175.00	\$175.00
<b>Total</b>	<b>5,811</b>	<b>6,137</b>	<b>6,650</b>	<b>7,200</b>	<b>7,550</b>	<b>7,950</b>	<b>8,450</b>	<b>8,912</b>
<b>added</b>	<b>227</b>	<b>326</b>	<b>513</b>	<b>550</b>	<b>350</b>	<b>400</b>	<b>500</b>	<b>462</b>
<b>Miles</b>								
	1,304	1,360	1,435	1,469	1,784	1,619	1,669	1,784
<b>added</b>	115	56	75	13	100	50	50	115
<b>FTEs</b>								
	27.00	27.75	28.50	29.50	31.50	32.50	32.50	34.50

### Cost of Goods Sold

We hope to institute private lines to Boston and Albany where we can buy bandwidth more cheaply, but we have not budgeted those potential savings in 2022, so it remains stable at 14% of service revenue.

### Staffing/Vehicles

Two New Installation Technicians (for a total of 9) will be added in 2021/2 to cover increased installation volume as well as increased tech service requirements of the expanding customer base. One new Customer Service Rep/Admin Assistant (for a total of 7) will be added. A key new position of Controller will be added this year to assist with internal accounting procedures. Salaries will increase by approximately 5-15% (CPI has been running at 6% and we are paying much higher salaries to recruit new help and retain existing employees).

We will add one outside plant technician for a total of 5 to account for frequent turnover. Two bucket trucks should continue to handle +/- 800 drops and minor repairs. We will place an order for two additional bucket trucks for 2023 (lead times are > 1 year) – one for maintenance and one as a replacement for the 2013 truck; contractors will continue to provide crews for drops immediately following construction, major repairs as necessary, and installations as necessary.

### Customer Accommodations and Equal Access Fund

Customer accommodations are budgeted at \$60,000 plus \$12,000 per month for the expense of \$178 per month (difference between wicker business and residential basic) for 65+ municipal locations (about \$12,000 per month)

We are again including \$100,000 in Q4 to fund the 501c (3) Equal Access to Broadband, which makes connections to public subsidies and in some cases provides private subsidies to qualifying households.

### Other

**RDOF** – We assume \$208k per year in RDOF support going forward

**ECF District Expenses** – The district board will have access to \$200,000 for legal fees, treasurer/asst. treasurer compensation, consulting services and other governance expenses.

**Marketing** – We have increased marketing from a \$90,000 budget in 2021 to \$335,000 in 2022. ValleyNet will have in place a mechanism for spending these funds efficiently by YE 2021.

## Contingency

Usual expense contingencies of 1.5% of Revenue (excl. Grants) and a capital contingency of 5% of Capital Expenditures are added.

## Coverage Ratio (EBITDA plus Interest Income over Revenue Bond Debt Service)

Coverage (including grants) is projected to be 2.21X in 2021 and 2.51X in 2022. Excluding grants coverage is 1.31X/1.26X.

## Capital Expenditures

Capex is budgeted at \$15.9M for 2022, our highest ever thanks to increased construction costs and increased make ready costs in cabled areas (vs uncabled areas). The per mile cost of construction has increased by at least 25% since 2018. Overall cumulative per mile costs (including drops) are projected to increase from \$34k in 2021 to over \$40k in 2025 (due to increased construction costs and increased take rate resulting in more premises drops, which are capitalized and not made a customer charge).

	Capex Detail/Uses	\$M
	Application/Survey/Make Ready	3.590
	Fiber Pass - Design/construction	7.730
	Customer Drops incl CPE and Capitalized Labor	2.530
	Network Operating Center and Hubs	1.040
	Other incl Replacement Electronics/Easement Relocates	1.010
		15.900
	<b>Sources of Funds</b>	
	Recurring EBITDA/Installation	5.030
	less Debt Service	(4.000)
	Grants and Other	5.010
	Cash YE 2021*	6.310
	2022 Rev Bonds (net)	5.730
		18.080
	* includes q4 21 pre-construction grant \$2.9M AND \$6M 2021 Rev Bond	
	2022 YE Cash	1.790

## Financing Assumptions

We assume a pre-construction grant of \$2.9M in 2021 and construction grants of \$4.8M/\$4M in 2022/23 for new towns.

We will also need financing for the Hartford build and portions of the new towns not covered by grants, a \$6M closing this December with interest rate/amortization same as 2020 4.8%/ 28 yrs. Two more offerings of \$6M and \$7M will be needed in 2022/2023 to complete network and connections throughout district.

Projections show that if, by 2024, ECFiber can:

- 1) Build out all towns (for 2,186 network miles total), achieve roughly 5.8 customers per mile (only 34% penetration but over 12,000 customers),
- 2) get a credit rating, and
- 3) refinance the first 4 years of revenue bonds at rates below 4%, then a rate cut of \$5 to \$10 across the board could be possible in 2025.

# NOTICE OF PUBLIC HEARING

## East Central Vermont Telecommunications District (d/b/a ECFiber)

### Proposed Budget for 2022

The East Central Vermont Telecommunications District will hold a public hearing on Tuesday, November 9th, 2021 at 7 pm in conjunction with its regular monthly board meeting.

The purpose of this hearing is to consider the proposed district budget for 2021. Copies of the meeting agenda, proposed budget, annual report, and financial statements can be reviewed online at

<https://www.ecfiber.net/meeting-agendas-minutes/>

or are available upon request in written or electronic form.

The meeting will be held virtually, via Zoom, rather than at a single physical location. However, anyone wishing to attend physically at a public location within the District should contact the Secretary at least one business day in advance for accommodation.

### Zoom details

Phone: (646) 558-8656

Meeting ID: 847 6554 6170

Passcode: 593730

<https://us06web.zoom.us/j/84765546170?pwd=ZWp3dVF4N2p4L05aUi92cHJNR1Erdz09>

Contact:

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