



# FORT BRAGG

## DIGITAL INFRASTRUCTURE PLAN "FUNDING GAP" FINANCING APPROVAL

**NHA | ADVISORS**  
Financial & Policy Strategies.  
Delivered.

APRIL 28, 2025

# EXECUTIVE SUMMARY

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- ▶ NHA Advisors (City's Municipal Advisor) and Staff delivered a comprehensive presentation to City Council outlining the details of the Middle-Mile-Broadband Initiative (MMBI) project on November 25, 2024
  - ▶ Project Costs: \$17.23 Million (up from \$14.8 Million estimated in November)
  - ▶ Identified Funding Sources: \$10.3 Million Grant
  - ▶ **Funding "Gap": \$6.93 Million**
    - ▶ NHA and Staff were given direction to evaluating financing options for the remaining \$6.93 million
      - Goals: Low interest rate, flexible terms, expeditious closing schedule, and a structure that provides a path towards the new Broadband enterprise to stand on its own without any General Fund backstop on the debt once the business stabilizes
- ▶ Financing team secured several bids for the loan; one of which met all goals
  - ▶ On March 24th, City Council supported staff and the financing team's recommendation to lock the interest rate with Everbank and move forward with the necessary steps to close the transaction
- ▶ **Tonight's approval of the Resolution and Financing documents** is the next critical step in the process before the transaction can close



# BANK SOLITICATION PROCESS

- ▶ Oppenheimer Bank (Broker-Dealer) solicited over 10 banks
  - ▶ 4 responses given unique nature of start-up Broadband enterprise
  - ▶ **Everbank was selected and the term sheet was signed on March 26, locking the interest rate of 4.85%**

## Lender = Banner Bank

- Term = 20 years
- Rate = 5.03%
- Repayment Structure = gross revenue pledge, supported by revenues of broadband utility and backed up by city general fund revenues
- Amort Structure = interest only for 2 years
- Credit Enhancement = None
- 5-Year Call feature



## Lender = EverBank

- Term = 20 years
- **Rate = 4.85%**
- Repayment Structure = gross revenue pledge, supported by revenues of broadband utility & City GF that **springs to a net revenue pledge on the broadband system only**
- Amort Structure = interest only and/or Capitalized interest for 2 years
- Credit enhancement = cash funded reserve fund

## Lender = Cap One

- Term = 20 years
- Rate = 4.95%
- **Repayment Structure = real property lease purchase financing**
- Amort Structure = Fully amortizing
- Credit Enhancement = Bond insurance

## Lender = Flagstar Bank

- Term = 20 year amortization 15 year fixed rate
- Rate = 5.04%
- **Repayment Structure = real property lease purchase financing**
- Amort Structure = Fully amortizing
- Credit Enhancement = None

# \$7.86 Million Financing - Sources & Uses

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## SOURCES OF FUNDS

Par Amount of Bonds	\$7,864,038.77
Planned Issuer Equity contribution	669,330.64
Other contributions	10,300,000.00
<b>TOTAL SOURCES</b>	<b>\$18,833,369.41</b>

## USES OF FUNDS

Costs of Issuance	175,000.00
Deposit to Debt Service Reserve Fund (DSRF)	669,330.64
Deposit to Capitalized Interest (CIF) Fund	749,038.77
Deposit to Project Construction Fund	17,230,000.00
Additional use of funds 1	10,000.00
<b>TOTAL USES</b>	<b>\$18,833,369.41</b>



# DEBT SERVICE SCHEDULE

- ▶ 2-years of pre-funded interest
- ▶ First payment of \$527K in FY 2028
- ▶ \$672K annual payment from FY 2029 to final maturity in FY 2045

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S
05/01/2026	-	-	367,632.89	367,632.89	-	(367,632.89)	-
05/01/2027	-	-	381,405.88	381,405.88	-	(381,405.88)	-
05/01/2028	145,222.47	4.850%	381,405.88	526,628.35	-	-	526,628.35
05/01/2029	301,095.27	4.850%	370,755.55	671,850.82	-	-	671,850.82
05/01/2030	315,875.45	4.850%	355,975.36	671,850.81	-	-	671,850.81
05/01/2031	331,381.16	4.850%	340,469.65	671,850.81	-	-	671,850.81
05/01/2032	347,648.03	4.850%	324,202.79	671,850.82	-	-	671,850.82
05/01/2033	364,713.39	4.850%	307,137.42	671,850.81	-	-	671,850.81
05/01/2034	382,616.47	4.850%	289,234.35	671,850.82	-	-	671,850.82
05/01/2035	401,398.37	4.850%	270,452.45	671,850.82	-	-	671,850.82
05/01/2036	421,102.24	4.850%	250,748.58	671,850.82	-	-	671,850.82
05/01/2037	441,773.33	4.850%	230,077.49	671,850.82	-	-	671,850.82
05/01/2038	463,459.12	4.850%	208,391.69	671,850.81	-	-	671,850.81
05/01/2039	486,209.44	4.850%	185,641.38	671,850.82	-	-	671,850.82
05/01/2040	510,076.52	4.850%	161,774.30	671,850.82	-	-	671,850.82
05/01/2041	535,115.18	4.850%	136,735.63	671,850.81	-	-	671,850.81
05/01/2042	561,382.95	4.850%	110,467.86	671,850.81	-	-	671,850.81
05/01/2043	588,940.15	4.850%	82,910.66	671,850.81	-	-	671,850.81
05/01/2044	617,850.09	4.850%	54,000.73	671,850.82	-	-	671,850.82
05/01/2045	648,179.14	4.850%	23,671.66	671,850.80	(669,330.64)	-	2,520.16
<b>Total</b>	<b>\$7,864,038.77</b>	<b>-</b>	<b>\$4,833,092.20</b>	<b>\$12,697,130.97</b>	<b>(669,330.64)</b>	<b>(749,038.77)</b>	<b>\$11,278,761.56</b>



# BROADBAND ENTERPRISE

## Updated Pro-Forma

	Transition Period				Normalize					
Fiscal Year End ----->	2025	2026	2027	2028	2029	2030	2031	2032	2033	
<b>Revenues</b>										
FB-BB: 1-10 Gbps Service Offering	\$ 20,111	\$ 382,117	\$ 864,791	\$ 1,347,466	\$ 1,679,304	\$ 1,689,360	\$ 1,689,360	\$ 1,689,360	\$ 1,689,360	\$ 1,689,360
FB-BB: Voice Services (w/911)	\$ 547	\$ 10,397	\$ 23,530	\$ 36,662	\$ 45,691	\$ 45,965	\$ 45,965	\$ 45,965	\$ 45,965	\$ 45,965
FB-BB: Low Income Service Offering 500 Mbps	\$ 2,017	\$ 38,316	\$ 86,715	\$ 135,115	\$ 168,389	\$ 169,398	\$ 169,398	\$ 169,398	\$ 169,398	\$ 169,398
MCN Revenues:										
MCN: Fusion (Blended view of Res and Bus)	\$ 249,755	\$ 801,844	\$ 486,364	\$ 170,885	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Fusion Equipment	\$ 7,381	\$ 23,696	\$ 14,373	\$ 5,050	\$ (0)	\$ -	\$ -	\$ -	\$ -	\$ -
MCN: Open Air	\$ 62,809	\$ 227,532	\$ 189,606	\$ 151,681	\$ 134,299	\$ 134,299	\$ 134,299	\$ 134,299	\$ 134,299	\$ 134,299
MCN: Digital Voice	\$ 53,816	\$ 194,827	\$ 162,129	\$ 129,431	\$ 114,444	\$ 114,444	\$ 114,444	\$ 114,444	\$ 114,444	\$ 114,444
MCN: Email Hosting	\$ 45,205	\$ 163,653	\$ 136,187	\$ 108,721	\$ 96,132	\$ 96,132	\$ 96,132	\$ 96,132	\$ 96,132	\$ 96,132
MCN: WebHost Domain	\$ 34,314	\$ 124,226	\$ 103,377	\$ 82,528	\$ 72,972	\$ 72,972	\$ 72,972	\$ 72,972	\$ 72,972	\$ 72,972
<b>Total revenues</b>	<b>475,955</b>	<b>1,966,609</b>	<b>2,067,074</b>	<b>2,167,538</b>	<b>2,311,231</b>	<b>2,322,569</b>	<b>2,322,569</b>	<b>2,322,569</b>	<b>2,322,569</b>	<b>2,322,569</b>
<b>Expenditures</b>										
Telecom and IT Services	196,456	666,829	444,939	244,049	142,044	142,044	142,044	142,044	142,044	142,044
Operations and Maintenance	29,661	106,192	129,491	152,890	168,931	169,397	169,434	169,471	169,510	169,510
Personnel and Benefits	251,846	727,280	745,462	764,099	783,201	803,252	824,756	845,375	866,510	866,510
General and Administrative	131,144	336,111	284,034	231,957	205,918	203,748	203,748	203,748	203,748	203,748
MCN Acquisition Payment (\$50K/YR)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
<b>Total expenditures</b>	<b>659,106</b>	<b>1,886,413</b>	<b>1,653,926</b>	<b>1,442,994</b>	<b>1,350,094</b>	<b>1,368,441</b>	<b>1,389,983</b>	<b>1,410,639</b>	<b>1,431,812</b>	<b>1,431,812</b>
<b>Revenues over (under) expenditures</b>	<b>(183,152)</b>	<b>80,196</b>	<b>413,147</b>	<b>724,544</b>	<b>961,137</b>	<b>954,128</b>	<b>932,586</b>	<b>911,930</b>	<b>890,757</b>	<b>890,757</b>
Estimated debt service payment	-	-	-	526,628	671,851	671,851	671,851	671,851	671,851	671,851
<b>Revenues over (under) expenditures less DS</b>	<b>(183,152)</b>	<b>80,196</b>	<b>413,147</b>	<b>197,916</b>	<b>289,286</b>	<b>282,277</b>	<b>260,735</b>	<b>240,080</b>	<b>218,906</b>	<b>218,906</b>
<b>Coverage</b>				<b>1.38</b>	<b>1.43</b>	<b>1.42</b>	<b>1.39</b>	<b>1.36</b>	<b>1.33</b>	<b>1.33</b>



Debt service coverage above 125% <sup>6</sup>

# FINANCING DOCUMENTS TO BE APPROVED

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## ▶ Installment Purchase Agreement

- ▶ Pursuant to the IPA, the City and the Authority are entering into an arrangement whereby the Authority has agreed to purchase the Project from the City with funds provided by EverBank, N.A. (the “Lender”), and the City agrees to use the funds to fund the remaining portion of the costs necessary to complete the Project by entering into an Installment Purchase Agreement. The IPA also sets forth the interest rate the Lender is charging, the requirement that the Lender be paid from gross revenues of the broadband system until net revenues are sufficient, and other terms and conditions of the financing.

## ▶ Assignment Agreement

- ▶ Pursuant to the Assignment Agreement, the Authority assigns certain of its rights under the IPA to the Lender, including its rights to payments under the IPA and enforcement rights under the IPA.

## ▶ Project Fund Agreement

- ▶ Pursuant to the Project Fund Agreement, the City, EverBank as Lender and EverBank as depository bank agree to establish certain deposit accounts where funds will be held and disbursed by the Bank for the Project and in which has certain security interests in.



# NEXT STEPS

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City Council  
Approval: **April 28<sup>th</sup>**

Closing: **May 14<sup>th</sup>**

City of Fort Bragg  
Joint Powers  
Authority Approval:  
**May 12<sup>th</sup>**

