

# Broadband Business Plan Feasibility Analysis Checklist

T.C.A. § 7-52-601 et seq.

Last Revised: Oct 2022



<b>Analyst</b>				
<b>Entity Name</b>				
<b>Yes</b>	<b>No</b>	<b>N/A</b>		<b>Request Submission</b>
			1.	Request letter with contact information signed by the CEO of the municipal electric system (MES) requesting review of the Broadband Business Plan (Plan)
			2.	Resolution from MES board indicating approval of the Plan and its direction to submit the Plan to COT – If no, request one.
			3.	Plan
			4.	The latest audit for the MES has been submitted and is on file with COT's Division of Local Government Audit.
<b>Yes</b>	<b>No</b>	<b>N/A</b>		<b>The Plan</b>
			1.	<p>Assertions of compliance with the following statutory conditions (T.C.A. § 7-52-601):</p> <p>(a) The planned area of service does not have a privately-held Broadband Service Provider that in total serves 6,000 or fewer subscribers over one or more cable systems.</p> <p>(b) The planned area of service does not have an existing telephone cooperative that has been providing Broadband Service for not less than ten (10) years under the authority of the Federal Communications Commission.</p> <ul style="list-style-type: none"> <li>If no, request assertions; however, if the above criteria are not actually met, the Plan cannot be reviewed because a system not meeting these conditions cannot provide Broadband Services.</li> </ul>
			2.	Assertion that the MES's accounting and record-keeping system for the broadband service will be sufficient to accurately reflect the financial operations of the division and will be structured in such manner as to provide sufficient control against cross-subsidization of revenues/expenses of the proposed services by the electric system.

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			3.	Explanation of why broadband services are being proposed in the form of a statement from the chief operating officer of the MES pertaining to the following issues: <ul style="list-style-type: none"> <li>• reasons for establishing the proposed Broadband Services;</li> <li>• comparison of the proposed system to any incumbent system currently serving the area, including comparisons of charges, equipment, systems, customers, etc.; and</li> <li>• description of the advantages subscribers will experience in choosing the MES's program over an incumbent provider's program.</li> </ul>
			4.	3-year cost benefit analysis that (at a minimum) identifies and discloses the total projected direct cost and indirect cost of revenues to be derived from providing the proposed services. <ul style="list-style-type: none"> <li>• A longer than 3-yr period may be reflected if it is considered helpful in determining the feasibility of the plan.</li> <li>• The analysis should identify each of the revenue producing programs included in the plan and should indicate the number of customers expected under each program and the fees to be charged for the services provided in each program.</li> <li>• The analysis should also indicate any indirect costs being allocated between the electric system and the service(s) proposed in the business plan, and the method used in calculating such costs. This should include items such as management, shared personnel resources, shared physical resources, information systems, supplies, communications, etc.</li> <li>• If there are no indirect costs identified, it will be assumed that all costs will be directly accounted for.</li> </ul>
			5.	A description of the quality and level of services to be provided.
			6.	Pro forma financial statements <ul style="list-style-type: none"> <li>• This should include prospective income statements and cash flow statements for a minimum of three years. (More than three years may be submitted)</li> <li>• Pro forma financial statements which serve as prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and cash flows.</li> </ul>

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			7.	Detailed financing plan <ul style="list-style-type: none"> <li>• Prepared either by a financial advisor or by personnel of the municipality familiar with the issuance of municipal debt,</li> <li>• Type of debt to be issued (revenue, GO, or revenue &amp; GO),</li> <li>• amount of debt to be issued,</li> <li>• use-of-proceeds analysis,</li> <li>• amortization schedule indicating annual principal and interest requirements during the life of the debt,</li> <li>• projected interest rates on the debt,</li> <li>• source used in determining interest rates, and</li> <li>• a comparison to the interest rates for the most recent debt issued by the electric system and by the municipality.</li> </ul>
			8.	Marketing plan <ul style="list-style-type: none"> <li>• The Detailed Marketing Plan should include a description of methodology and assumptions with some type of statistical analysis.</li> </ul>
			9.	Take rate <ul style="list-style-type: none"> <li>• The Plan should show in conjunction with the results of the Detailed Marketing Plan how the Take Rate was developed with the methodology and assumptions.</li> </ul>
			10.	Rate structure <ul style="list-style-type: none"> <li>• This should include a summary projection of the rates to be paid by subscribers at each level of service—basic, expanded, premium, pay-per-view, limited use, unlimited use, etc. This should be provided for each year included in the cost-benefit analysis.</li> <li>• This should also include a comparison the rates of any privately-held Broadband Services in the MES’s area of service to the projected rates at each level of service.</li> </ul>
			11.	Analyses <ul style="list-style-type: none"> <li>• Breakeven Analysis</li> <li>• Payback Analysis for the use of debt</li> <li>• Market Share Sensitivity Analysis performed at take rates equal to 5%, 10%, and 15% less than the take rate assumption upon which the plan was developed.</li> </ul>
			12.	Pole Charges <ul style="list-style-type: none"> <li>• A statement concerning the most recent pole charges paid by any incumbent provider of these services and a comparison of these to similar charges included in the business plan, as required by law.</li> </ul>

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			13.	Payments-in-lieu-of-taxes (PILOT) <p>(a) A statement concerning any in-lieu-of taxes to be paid from revenue of the proposed Service(s) by the telecommunications division representing excise taxes, franchise taxes, sales taxes, and local privilege taxes, as required by law, and a comparison of these to similar taxes paid by any incumbent provider of these services.</p> <p>(b) A statement concerning tax-equivalent payments to be paid from revenue of the proposed Service(s) made by the broadband division to the municipality, as required by law, and a comparison of these to tax payments made by any incumbent provider of these services.</p>
			14.	The name, address, and telephone number of the office in the MES where an interested party could go to examine the business plan.
			15.	Any other information requested by COT that may be necessary to complete our review of the Plan.
Yes	No	N/A		<b>Evaluate the Plan</b>
			1.	The assumptions of the Plan appear reasonable and supportable (evidence).
			2.	The methodology for revenue projections and other assumptions appears reasonable and support conclusions.
			3.	Consider breakeven point and payback period in evaluating feasibility. <ul style="list-style-type: none"> <li>• The shorter the period the more likely the Plan is feasible.</li> <li>• The less money borrowed to establish system the more likely the Plan is feasible.</li> </ul>
			4.	Consider stakeholder input when evaluating Plan.
			5.	Discuss the Plan with the general manager for the electric system in regard to taking on a new business venture – specifically related to knowledge, skills, and ability.

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Yes	No	N/A		Conclusion
			1.	Based upon your review of the plan, the methodology and assumptions of the Plan appear reasonable and the Plan appears reasonable. <ul style="list-style-type: none"><li>• If no, address in report</li></ul>
<b>Done</b>		<b>N/A</b>		<b>COT Written Analysis on Feasibility</b>
			1.	Draft report on feasibility as either feasible, unable to determine feasibility, or not feasible after submission of a complete Plan.

Notes	