Scott County Telephone Cooperative

Central Appalachian Broadband

Budget Narrative for Middle Mile Grant (MMG) Project

Applicant Name: Scott County Telephone Cooperative

Applicant Type: Telephone Cooperative

Proposed Period of Performance: Four years

Total Project Costs: $30,502,000

Total Federal Grant Request: $20,350,934.40

Total Matching Funds (Cash): $0

Total Matching Funds (In-Kind): $10,151,065.60

Total Matching Funds (Cash + In-Kind): $10,151,065.60

Total Matching Funds (Cash + In-Kind) as Percentage of Total Project Costs: 33.28%

Total Dollars per SF-424 is $30,502,000 for the Scott County Telephone Cooperative Middle Mile Grant (MMG) project. Scott County Telephone Cooperative (SCTC) is requesting Federal Funds in the amount of $20,350,934.40 and will bring an in-kind match of $10,151,065.60 which is 33.28% of the total dollars.

The costs proposed for this grant program are deemed to be reasonable, allowable, allocable, and necessary to the supported project, Central Appalachian Broadband (CAB). SCTC has applied 2 CFR Part 200 for applicable administrative requirements and cost principles as noted below. Also, SCTC has referred to the Notice of Funding Opportunity (NOFO) for program objectives as well as specific allowable and unallowable costs and activities.

Each cost is listed below as SCTC provides the breakdown of each cost, a description of each charge including what it is, who will be doing it (if applicable and if known), and how it relates to the project objectives. SCTC will be providing an in-kind match in this cost category, which is noted and explained below including the justification of each proposed cost.

Total Federal Funding for the Central Appalachian Broadband MMG Project

The total federal funding and grant request is $20,350,934.40. SCTC will bring an in-kind match of 33.28% which is $10,151,065.60. The grand total cost is $30,502,000. The in-kind match will be provided by SCTC and will be 705 sheath miles X 2 fibers = 1,410 miles @$30 per mile =$42,300 per month X 240 months =$10,152,000. The NTIA system on Form 424-C caused

rounding difference and so the match and request amounts were changed for rounding to comply with NTIA requirements. Specifically, the match as shown on the form is now $10,151,065.60 and the request is $20,350,934.40 - this reflects a rounding difference of $934.40 due to the match % calculation on NTIA's form SF-424C. This is available immediately to the project.

SCTC has prepared Pro-Forma financial projections (See Pro-Forma upload) that shows this project is fiscally sustainable. SCTC projects positive EBITDA and Cash from Operations by year 4 and positive net income by year 6. SCTC will keep costs down by leveraging off of its considerable current employee and systems resources as well as its existing network. In regard to the existing network, SCTC is providing a substantial in-kind match noted above. Also, SCTC has used conservative forecasts for revenue for middle mile services as discussed in the assumptions tab of the Pro-Forma upload. Even at these conservative revenue estimates, SCTC projects to hit the above mentioned EBITDA and Net Income milestones.

The remaining budget narrative addresses the required classifications per the SF-424:

1. **Administrative and Legal expenses $0**

There are no Administrative and Legal expenses that are included in the federal funding grant request or the match amount. SCTC has projected costs for this category in the Pro-Forma but has not included any costs in this request.

There are no, post-NOFO, pre-application expenses included in this grant request or the match.

2. **Land, structures, rights-of-way, appraisals, etc. $4,025,000**

There are 23 new and 11 donated existing structures for housing electronics for the CAB. These are listed in detail below:

Pennington Gap	$175,000.00
Jonesville	$0.00
Thorn Hill	$175,000.00
Big Stone Gap	$175,000.00
Appalachia	$175,000.00
Norton	$175,000.00
Wise	$175,000.00
Coeburn	$175,000.00
Pound	$175,000.00
Clintwood	$175,000.00
Sneedville	$0.00
Harrogate	$175,000.00

Surgoinsville	$0.00
Castlewood	$0.00
Haysi	$175,000.00
Honaker	$175,000.00
Rosedale	$175,000.00
Grundy	$175,000.00
Vansant	$175,000.00
Oakwood	$175,000.00
Richlands	$175,000.00
Lebanon	$175,000.00
Sandy Ridge	$0.00
Bristol 1	$0.00
Bristol 2	$175,000.00
Abingdon	$175,000.00
Hansonville	$175,000.00
Duffield	$0.00
Gate City	$0.00
New Tazewell	$0.00
Kingsport	$175,000.00
Boones Creek	$0.00
Johnson City	$0.00
Cranks	$175,000.00

Each new structure will cost $175,000 which is a grand total of $4,025,00 This is based on current pricing. Also, SCTC is donating an additional 11structures as listed on the budget form. No additional amount is included in the grant request or match for these 11 structures.

3. **Relocation expenses and payments $0**

   There are no Relocation expenses and payments that are included in the federal funding grant request or the match amount.

4. **Architectural and engineering fees $775,000**

SCTC proposes the following architectural and engineering fees related to construction to include start-up services and the preparation of project performance work plan.

Detail:

Total Architectural and Engineering Fees	$5,000	155 Miles	$775,000

Design, Staking, and Permitting ($775,000) – The CAD design will be completed by a consultant using a computer-based design program in AutoCAD for the construction, permits, and cable location records. The time is estimated at constructing 155 miles at $5,000 per mile over the four-year period of performance. This amount is based on engineering consultant contract and is comparable to costs similarly situated in the region and industry for engineering services.

5. Other architectural and engineering fees $0

There are no other architectural and engineering fees, expense or amounts included in this grant request or the match.

6. Project Inspection fees $0

There are no other project inspection fees, expense or amounts included in this grant request or the match.

7. Site work $0

There is no site work expense or amounts included in this grant request or the match.

8. Demolition and removal $0

There is no demolition and removal expense or amounts included in this grant request of the match.

9. Construction $20,612,000

SCTC will have a construction contract with an outside engineering and construction company for the work for the Central Appalachian Broadband project.

Network Area		Cost per Mile	Miles	Total
Highway 421 to Cranks, Ky		$30,000.00	3	$90,000
Highway 33 Bridge to Washburn Meet point		$60,000.00	24	$1,440,000
Thorn Hill to Surgoinsville		$60,000.00	36	$2,160,000
Kingsport to Johnson City		$85,000.00	25	$2,125,000

Abingdon to Bristol		$60,000.00	9	$540,000
Kingsport to Surgoinsville		$60,000.00	33	$1,980,000
Bristol to Johnson City		$85,000.00	25	$2,125,000
In-Kind Fiber Route Match & rounding. See statement on match.		$7,200.00	1,410	$10,152,000

Detail:

Construction ($20,612,000) is done by the segments listed above. The total mileage is 155 miles for everything except the in-kind match which is 1,410 miles. The cost per mile varies based on terrain and access to various local roads. The cost includes make ready (pole change outs), fiber cost, labor, and any associated contractor costs that are directly related to this project. These costs are based on engineering estimates using their current costs for direct labor and materials. The in-kind match that is going to be provided by SCTC is 705 sheath miles X 2 fibers = 1,410 miles @$30 per mile =$42,300 per month X 240 months =$10,152,000. Rounded by $934.40 due to NTIA federal request % calculation on Form 424-c which calculated $10,151,066.60 This connection will provide access for the MMG to the backbone as well as a larger area of impact.

10. Equipment $3,240,000 – These represent costs for Ciena DWDM gear based on current industry quotes.

Network Area	Cost per Item	Quantity	Amount
Pennington Gap	$36,000.00	2	$72,000
Jonesville	$36,000.00	5	$180,000
Thorn Hill	$36,000.00	3	$108,000
Big Stone Gap	$36,000.00	3	$108,000
Appalachia	$36,000.00	2	$72,000
Norton	$36,000.00	3	$108,000
Wise	$36,000.00	4	$144,000
Coeburn	$36,000.00	3	$108,000
Pound	$36,000.00	3	$108,000
Clintwood	$36,000.00	3	$108,000
Sneedville	$36,000.00	3	$108,000
Harrogate	$36,000.00	2	$72,000
Surgoinsville	$36,000.00	2	$72,000
Castlewood	$36,000.00	3	$108,000

Haysi	$36,000.00	3	$108,000
Honaker	$36,000.00	3	$108,000
Rosedale	$36,000.00	3	$108,000
Grundy	$36,000.00	2	$72,000
Vansant	$36,000.00	2	$72,000
Oakwood	$36,000.00	2	$72,000
Richlands	$36,000.00	2	$72,000
Lebanon	$36,000.00	3	$108,000
Sandy Ridge	$36,000.00	3	$108,000
Bristol 1	$36,000.00	2	$72,000
Bristol 2	$36,000.00	2	$72,000
Abingdon	$36,000.00	2	$72,000
Hansonville	$36,000.00	3	$108,000
Duffield	$36,000.00	4	$144,000
Gate City	$36,000.00	3	$108,000
New Tazewell	$36,000.00	3	$108,000
Kingsport	$36,000.00	2	$72,000
Boones Creek	$36,000.00	2	$72,000
Johnson City	$36,000.00	2	$72,000
Cranks	$36,000.00	1	$36,000
Total		90	$3,240,000

These will be placed over the four-year performance period into the structures listed in number 2 above.

11. Miscellaneous

There are no miscellaneous costs included in this grant request or match amounts.

12. SUBTOTAL (sum of lines 1-11)

Total Cost **$28,652,000**

Federal Funds Requested **$18,500,934.40**

Cash Match Amount **$0**

In-Kind Match Amount **$10,151,065.60**

Match Percentage **35.43%**

13. Contingencies

SCTC has budgeted Contingency costs of approximately 10% of the federal funds request for the project. As noted above the federal funds requested is $18,500,934.40 before the calculation of

the contingency. SCTC budgets an additional amount of $1,850,000 for the likely increases in labor and materials that is estimated to be in effect in the coming years during the performance phase of four years.

These costs are allowable and are deemed to be reasonable and consistent with the cost principles, specifically 2 CFR § 200.433. Section 200.433 describes a contingency as that part of a budget estimate of future costs which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. There are no amounts for major project scope changes, unforeseen risks, or extraordinary events that are included.

14. SUBTOTAL

Total Cost	**$30,502,000**
Federal Funds Requested	**$20,350,934.40**
Cash Match Amount	**$0**
In-Kind Match Amount	**$10,151,065.60**
Match Percentage	**33.28%**

15. Project (program) income $0

Per SCTC's review of the project or program income, there are not any incomes expected during the performance period reported in line with 2 CFR § 200.307.

16. TOTAL PROJECT COSTS

Total Cost	**$30,502,000**
Federal Funds Requested	**$20,350,934.40**
Cash Match Amount	**$0**
In-Kind Match Amount	**$10,151,065.60**
Match Percentage	**33.28%**