

**RURAL UTILITIES SERVICE'S ("RUS") RECONNECT
PROGRAM GRANT**

Purpose of This Meeting

1. Provide a project update to the Board
 - Notification was received in December that we were awarded funding
 - Staff has spent a significant amount of time pursuing this project
 - 19 separate documents to review/tasks to complete
 - Grant agreement is complex and does not fit our situation
 - Significant risks have been identified
2. Direction – Should we proceed with this project?

Project Status

Original Application

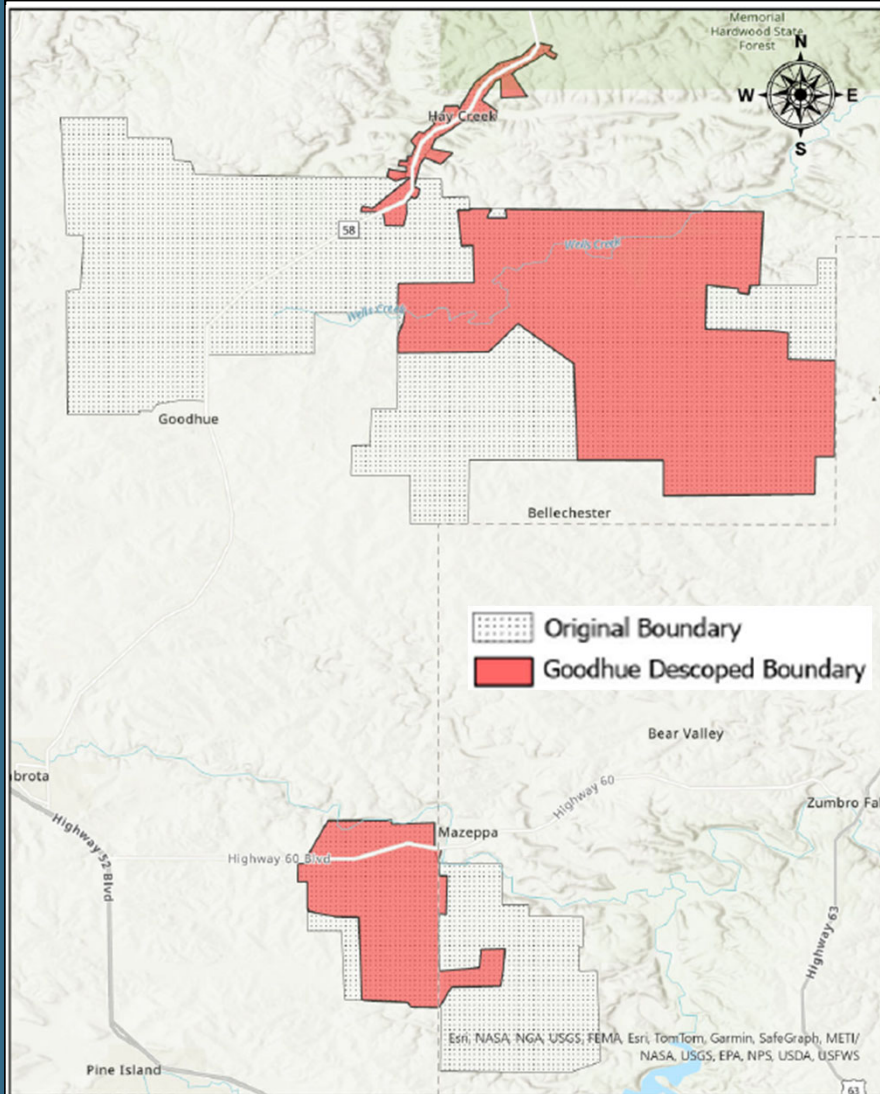
The original project would have provided highspeed internet to over 500 homes.

Project De-Scope

Due to cost increases, the project was redesigned and is now designed as a Fiber-To-The-Premises (FTTP) Network to connect 195 homes.

Legal Agreements/Paperwork

We are currently in the process of completing the necessary paperwork.



Parties to grant: Goodhue County (“Principal Awardee”), Nuvera Communications, Inc. (“Second Awardee”), collectively referred to as the “Co-Awardees” and each individually a “Co-Awardee”, and the United States of America, acting through the Administrator of the Rural Utilities Service (“RUS”)

Purpose of the grant:

The Principal Awardee has been provided Congressionally Directed Spending under the Consolidated Appropriations Act, 2022, Public Law 117-103 (the FY2022 Appropriations”), under which RUS was directed to finance the construction of a broadband infrastructure project to serve rural areas (the “Project”).

Grant Amount: \$3.21 million

Contract/Liability Issues

- The Grant Contract explicitly identifies responsibilities and obligations listed on the following slides.
- The Principal Awardee (Goodhue County) has the sole responsibility of fulfilling these obligations.
- The Principal Awardee (Goodhue County) does not have the ability to meet these obligations without the full, complete, and ongoing cooperation of the Secondary Awardee (Nuvera Communications) as they relate to the construction and maintenance of the lines and equipment.

Principal Awardee (Goodhue County) is solely responsible for the following:

- Construction and operation of the utility
 - Lines must deliver at least 100 Mbps to every premises in service area
 - Must be operated through the end of composite economic life (at least 20 years)
 - Own the assets and be solely liable for the assets and operation of the utility
- Provide RUS evidence that the project is being constructed in accordance with the timeline.
- Obtain written approval of RUS for any changes in the project:
 - Network Design
 - Construction
 - Buildout Timeline
 - Delivery of Service

Cont. responsibilities

- RUS Form 481, "Financial Requirement Statement"
- Provide supporting documentation in accordance with the ReConnect Program Construction Procedures
- Request advances
- Reimburse RUS for any disallowed expenditure plus interest (closeout of the grant will not affect the right of RUS to disallow an expense).
- Quarterly financial statements prepared according to U.S. Generally Accepted Accounting Principles (GAAP). Goodhue County currently reports on a cash basis monthly. The required statements are as follows: balance sheet, income statement, statement of cash flow, and the number of customers taking broadband service.
 - Note Minnesota Counties do not customarily create GAAP financial statements on a quarterly basis as they require significant resources to produce and provide little benefit.
- Annual single audit in addition to current yearly audit

Cont. responsibilities

- Annual Reporting for the following:
 - existing network service improvements and facility upgrades
 - the estimated number of end users who are currently using or forecasted to use the new or upgraded infrastructure
 - progress towards fulfilling the objectives
 - speed and average price of the most subscribed tier of the broadband service offerings in the Project's service area
 - average price of broadband service in the Project's service area
 - annual map reporting
 - updated Approved Project Service Area(s) maps through RUS' online mapping tool showing the areas where construction has been completed and geospatial location of residences and businesses that are receiving new broadband service until the entire Approved Project Service Area can receive the broadband service.
- Close out Report will need to include the accomplishments of the project, description of problems, delays, or adverse conditions that occurred, description of how funds were spent against the original general budget submitted to RUS, final buildout map on the RUS mapping tool

Staff Work to Mitigate Issues & Liabilities

- Staff from Administration, the Attorney's Office, and Finance have expended a significant amount of time identifying issues and developing solutions for how to make the grant contract with RUS work in a practical sense without exposing the County to significant long-term liabilities.
- Staff developed a contract with Nuvera properly identifying roles, ownership of assets created, and assigning responsibilities and liabilities.
- Nuvera indicated that the contract would be acceptable to them.
- Goodhue County was notified by RUS that we cannot enter into a separate agreement with Nuvera without RUS approval of such agreement.
- Goodhue County sent a copy of the agreement to RUS for approval.
- RUS explicitly stated that we cannot enter into an agreement assigning any rights or responsibilities with Nuvera Communications.

- The USDA/RUS contract is inflexible and cannot be tailored to properly assign the responsibilities/obligations to the correct individual organizations as co-awardees.
- Goodhue County is the Principal Awardee and as the contract is written the County is ultimately responsible and liable (assets and costs) for all aspects of the contract.
- The contract creates a significant liability for the County and the taxpayers of Goodhue County for the next 20 – 25 years.
- RUS provided staff with a copy of an agreement that they have allowed in the past, however, it does not mitigate the liability for Goodhue County and requires the County to maintain ownership of the assets until the end of the Composite Economic Life – this is currently estimated to be over 20 years.

Legacy Costs Created with Continuing the Project

Financial costs to Goodhue County (we are unable to transfer them to Nuvera or pay for them out of grant funds)

- Insurance – *MCIT confirmed they do not cover broadband assets or utility operations*
- Bank Fees
- Audit Fees
- Any disallowed expenses plus interest
- Repayment of entire \$3.21 million grant upon default
 - 100 Mbps threshold not met
 - All premises not served
 - Lapse in service
 - This liability will exist for over 20 years
- Potential creation of new department to assume broadband internet operations in event of default
- Increased staff time
 - Grant management
 - Quarterly GAAP Financials
 - Potential new staff in new broadband internet department

Financial Impacts / Ratios

- \$3.21 Million Grant
 - 3% of 2026 Countywide Budgeted Expenditures
 - 8% of 2026 General Fund Budgeted Expenditures
 - 6% of 2026 Countywide Levy
 - 13% of 2026 General Fund Levy
- Default causing a \$3.21 Million reimbursement to RUS would cause a 7.5% reduction in General Fund Ratio as of 12/31/2025.
- Potential Benefit of Project
 - An additional 0.99% of Goodhue County households could get access to broadband internet (195 homes per Project De-Scoping / 19,727 Goodhue County Households [per census.gov])

Staff requests direction from the Board

Options:

1. Sign grant contract with the RUS and move forward with the project with the understanding that Goodhue County assumes all financial and non-financial liability for this project for the next 20+ years.
2. Do not move forward with the project.