

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband Regional Initiatives Branch**

**RESOLUTION T-17858
November 7, 2024**

RESOLUTION

RESOLUTION T-17858: Awards \$50 million in Broadband Loan Loss Reserve Funding to Golden State Connect Authority conditional upon final project list and bond terms.

I. SUMMARY

This Resolution awards \$50 million in Broadband Loan Loss Reserve (BLLR) Funding to Golden State Connect Authority (GSCA) conditional upon submission and approval of a finalized project list and the terms and structure of the bond transaction(s).

GSCA is an affiliate organization of the Rural County Representatives of California (RCRC)¹. GSCA was created in 2021 to address the broadband connectivity needs of its member counties. It is a Joint Powers Authority established to increase access to reliable, affordable, high-speed broadband for all rural Californians. GSCA is an independent public entity and a separate legal entity from RCRC. The organization's governing board is comprised of one elected supervisor from each of the 40 member counties.

GSCA submitted thirty-seven applications² representing thirty-seven of its member counties during the March 12 to April 9, 2024, application window, requesting \$434 million in credit enhancement from the BLLR Program.³

¹ RCRC was founded in 1959 and represents the collective interest of its 40-member rural counties (Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Placer Plumas, San Benito, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yolo, Yuba Counties).

² See Appendix B for GSCA's thirty-seven BLLR applications submitted between March 12 and April 9, 2024.

³ CD removed the City of Fort Bragg's BLLR application from the applicant list because it was incomplete and did not meet submission requirements.

II. BACKGROUND

In July 2021, California Governor Gavin Newsom signed Senate Bill 156 (Chapters 84 and 112, Statutes of 2021) and Assembly Bill 164 (Budget Act of 2021), which, among other things, created a BLLR Fund in the California State Treasury. This included plans for up to \$750 million dollars over multiple years to fund costs related to the financing of broadband infrastructure deployment by local government agencies, nonprofit organizations and Tribal governments.⁴

In March 2022, the assigned Commissioner issued a second amended scoping memo inviting responses to initial questions regarding eligibility requirements, financing terms and conditions, and other considerations for the administration of the BLLR program.

In September 2022, the assigned Commissioner issued a ruling inviting comment on a CD staff proposal for requirements and guidelines to govern staff's administration of the BLLR program.

In June 2023, the assigned Commissioner issued a ruling inviting comment on a revised staff proposal for establishment and administration of the BLLR program.

On November 2, 2023, the Commission adopted the BLLR Program Requirements and Guidelines.⁵ The BLLR provides a credit enhancement related to financing local broadband infrastructure development. It is intended to expand the ability of local governments, tribes, and non-profits to secure financing for building last-mile projects, with an emphasis on public broadband networks. The November Decision initially planned to release the funding over three equal four-month cycles and split each between three tracks: Equity (50%), Tribal (10%), and General Market (40%).

Between March 12 and April 9, 2024, the BLLR program received thirty-seven applications from GSCA and one application from the City of Fort Bragg for \$451 million in credit enhancements.

On June 26, 2024, Senate Bill 109 (Chapter 36, Statutes of 24) revised previous appropriations, specified a \$50 million BLLR program budget, and provided that: "Awards made from the BLLR program shall be issued by December 31, 2024, irrespective of cycles and tracks."⁶

⁴ California State Budget 2021-2022, <http://ebudget.ca.gov/2021-22/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf> (accessed on July 12, 2023), at 26-27.

⁵ See D.23-11-045

⁶ Sen. Bill No. 109 (2023-2024 Reg. Sess.), Sec. 29, item 8660-062-0001, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB109.

On September 12, 2024, the Commission approved Resolution T-17841, which authorizes up to \$50 million in BLLR Funding to be awarded to BLLR applications, irrespective of cycles and tracks in the November 2023 decision.⁷

On September 12, 2004, the City of Fort Bragg received \$10.3 million in FFA funding.

The City of Fort Bragg's application requesting \$17 million from the BLLR program is not ready for award. As a result, the application was not considered for award with the pool of applicants received between March 12 and April 9, 2024.

III. \$50 MILLION IN BROADBAND LOAN LOSS RESERVE CREDIT ENHANCEMENT IS CONDITIONALLY AWARDED TO GSCA

In D.23-22-045, the Commission adopted scoring criteria and a scoring rubric to prioritize applications in the event that the BLLR received applications requesting more than the available funding. The criteria included the percentage of coverage requested, whether the applicant's project aims to benefit unserved locations, whether the provider will offer a generally available low-cost plan, and whether the project will invest in fiber optic infrastructure.

The thirty-seven GSCA applications were determined to be complete and evaluated using the scoring rubric because the \$434 million in BLLR applications was greater than the available funding. Each of the thirty-seven applications scored 110 points. Thus, all GSCA applications are assigned equal priority for a BLLR award. Additionally, all GSCA applications are for projects that are identified as publicly owned broadband projects.

In accordance with D.23-11-045, CD will further review the applicants' technical and operational viability with an updated list of projects and bond terms.

IV. \$50 MILLION LOAN LOSS RESERVE AWARD CONTINGENT ON SUBMISSION AND APPROVAL OF GSCA FINALIZED PROJECT LIST AND TERMS AND STRUCTURE OF THE BOND TRANSACTION(S)

The Commission's BLLR credit enhancement award to GSCA is contingent upon CD evaluating a finalized list of applications/projects and the terms and structure of the bond transaction(s) from GSCA.

GSCA will finalize a list of applications/projects from the original thirty-seven applications submitted between March 12 and April 9, 2024. The total request for credit

⁷ Resolution T-17841: Approves at least \$50,000,000 in Broadband Loan Loss Reserve Funding to be available to be awarded to Broadband Loan Loss Reserve applications, irrespective of cycles and tracks (September 13, 2024).

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enhancement in the final list is not to exceed \$50 million. The list should include up-to-date information on why the projects are financially sound, strategically structured, and aligned with the objectives of the BLLR program, including protecting against the depletion of the BLLR Fund.

A. Finalized Bond Terms and Structure

GSCA will provide CD with (1) finalized bond terms and structure, including (2) form of guarantee documents, and (3) bond deal risk analysis, as detailed in Appendix C.

This information should include finalized legal/disclosure documents and estimated debt service, sources and uses, capitalized interest, and construction fund schedules together with estimated revenue and debt service coverage schedules along with all underlying assumptions for each bond transaction for which BLLRF support is requested.

GSCA will provide CD with electronic copies of the complete final transcript, upon sale and closing, for each approved BLLRF credit enhancement.

V. COMPLIANCE REQUIREMENTS

Grantees are required to comply with all the guidelines, requirements, and conditions associated with the BLLR as specified in D.23-11-045, Resolution T-17841 and this Resolution. Such compliance includes, but is not limited to, those requirements listed in the Appendices.⁸

VI. SAFETY CONSIDERATIONS

There are no adverse safety considerations identified by CD. The projects which are planned to be implemented by the work products in these applications have the potential to improve communications availability, resiliency or hardening, and redundancy.

VII. COMMENTS

In compliance with Public Utilities Code Section 311(g)(1), a Notice of Availability of this draft resolution was e-mailed on October 01, 2024, informing all parties on the R. 20-08-021 Service List of the availability of the draft of this Resolution, and of the opportunity to comment, at the Commission's website at <http://www.cpuc.ca.gov/>.

Comments were received on October 21, 2024, by GSCA and The Utility Reform Network (TURN).

⁸ See D.22-02-026, Appendix 1 for a full list of Local Agency Technical Assistance program requirements and guidelines.

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GSCA's Comments

GSCA requests two clarifications to ensure the terms of the award are clear to both the Commission and the awardee. First, GSCA requests clarification, to be consistent with the BLLR Program Requirements and Guidelines, that the repayment obligation be limited to broadband system revenues, i.e., that GSCA will not be expected to guarantee repayment with other funds generally and that repayment will be subordinate to current debt service. Second, GSCA requests that the fee language reflects a cap on the origination fee of no more than 50 basis points, clarify whether it is a one-time fee payable on closing of the Debt Service Reserve Reimbursement Funding Commitment (DSRRFC) supported bonds, and clarify that the origination fee may be paid from the bond proceeds.

TURN's Comments

TURN requests that the Commission modify the Resolution to require a subsequent resolution indicating the specific applications and funding amounts approved for BLLR Funding.

CD Responses to Comments

The appendix is modified in response to GSCA's comments: Appendix C Guidance to Staff on Bond Terms and Structure, Form of Guarantee, and Bond Risk Analysis to clarify that repayment obligations are limited to only broadband revenues of the issuer and the percentage of the underlying DSRRFC does not exceed 50 basis points as a one-time origination fee in section 2 Commitment Funding Agreement.

Regarding TURN's comments, the Resolution awards funds conditionally. The final list of projects and funding details will be published before a final award.

FINDINGS

1. California's multi-year broadband infrastructure investments in Senate Bill 156 (Chapters 84 and 112, Statutes of 2021) and on July 16, 2021, signed Assembly Bill 164 (Budget Act of 2021), created a BLLR Program to facilitate, via credit enhancement, construction of publicly owned broadband infrastructure projects.
2. GSCA submitted thirty-seven applications representing thirty-seven of its member counties during the March 12 to April 9, 2024, application window, requesting \$434 million in credit enhancement from the BLLR Program.
3. On June 26, 2024, Senate Bill 109 (Chapter 36, Statutes of 2024) revised previous appropriations and specified a \$50 million BLLR Program budget.⁹
4. On September 12, 2024, the Commission approved Resolution T-17841 which made

⁹ Sen. Bill No. 109 (2023-2024 Reg. Sess.), Sec. 29, item 8660-062-0001, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB109

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- \$50 million in BLLR funding available immediately to the first application cycles
5. GSCA constitutes 100% of all current and completed applicants received from March 12, 2024, to April 9, 2024.
 6. The Commission, in D.23-22-045, stated that CD will preliminarily review [BLLR] applications for completeness and then apply the scoring criteria"¹⁰.
 7. CD has reviewed GSCA's applications preliminarily and has confirmed the completeness of all GSCA's thirty-seven applications.
 8. CD has reviewed the City of Fort Bragg's application and found it to be incomplete and not ready for award. As a result, the application was not considered for award with the pool of applicants received between March 12 and April 9, 2024.
 9. Each of the thirty-seven GSCA applications scored 110 points based on the BLLR scoring rubric. Thus, all GSCA applications are equally eligible for a BLLR award.
 10. All GSCA applications are for projects that are identified as publicly owned broadband projects.
 11. In accordance with D.23-11-045, CD will review the applicants' technical and operational viability.
 12. GSCA submitted the same thirty-seven BLLR applications to the FFA requesting \$818 million.¹¹
 13. GSCA stated in its application that the BLLR application request is linked with a request to the FFA, which combined would provide enough funding to cover GSCA's total project costs.
 14. GSCA will provide CD with (1) a finalized applicant or project list (2) finalized bond terms and structure, including (3) form of guarantee documents, and (4) bond deal risk analysis, as detailed in the Appendices.
 15. Draft Resolution T-17858 was emailed to the CASF Distribution List on October 2, 2024, in compliance with Public Utilities Code Section 311(g)(1).

THEREFORE, IT IS ORDERED that:

1. The Commission awards \$50 million in BLLR Funding to GSCA subject to conditions, including but not limited to, submission and approval of final applications or project list and bond terms, and structure.

¹⁰ See D.23-11-045 Section 8.2 Application Approval for Bonds

¹¹ See Broadband Grant Portal, <https://broadbandportal.cpuc.ca.gov/s/objection-page>, (accessed September 18, 2024).

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on _____, the following Commissioners voting favorable thereon:

Rachel Peterson
Executive Director

APPENDIX A
California Public Utilities Commission
Loan Loss Reserve Program Guidance to
Staff Regarding
CONSENT FORM
Acknowledgement and Acceptance of Terms

Awardee Name: _____

Key Project Contact: _____

The Awardee identified above acknowledges receipt of the California Public Utilities Commission Resolution or Award Letter and agrees to comply with all grant terms, conditions, and requirements set forth in the Resolution or Award Letter including those in the Broadband Loan Loss Reserve Program Rules. Awards are contingent on available state budget appropriations funding and may be subject to Budget Letter 24-07.¹²

Undersigned representative of _____ [Name of Awardee] is duly authorized to execute this Consent Form on behalf of the Awardee and to bind the Awardee to the terms, conditions, and requirements set forth in California Public Utilities Commission Resolution or Award Letter and those in the Broadband Loan Loss Reserve Program Rules.

Dated this ____ day of _____, 20____.

Signature of Awardee Representative: _____

Title _____

Printed Name _____

Name of Business, Organization, Local Agency or Tribe:

Business Address (include street address, suite/apt. number, city, state, and ZIP Code):

Telephone Number: _____

Email Address: _____

¹² Department of Finance Budget Letter 24-07, “Onetime Appropriation(s) Expenditure Freeze Pursuant to Section 21 of the Budget Act of 2023 (As Amended by Section 74 of AB 106 (Chapter 9, Statutes of 2024)),” available at: <https://dof.ca.gov/wp-content/uploads/sites/352/2024/04/BL-24-07.pdf>.

APPENDIX B
GOLDEN STATE CONNECT AUTHORITY'S
LIST OF THIRTY-SEVEN BROADBAND LOAN LOSS RESERVE APPLICATIONS

Project Number	Project Name	Credit Enhancement Requested	Scoring
1	Alpine County	\$3,660,000	110
2	Amador County	\$9,210,000	110
3	Butte County	\$650,000	110
4	Calaveras County	\$8,475,000	110
5	City of Gonzales	\$5,230,000	110
6	City of Greenfield	\$10,610,000	110
7	City of King City	\$8,390,000	110
8	City of Oroville	\$33,080,000	110
9	City of Soledad	\$10,815,000	110
10	City of Susanville	\$12,285,000	110
11	Colusa County	\$1,810,000	110
12	Del Norte County	\$15,195,000	110
13	Glenn County	\$6,600,000	110
14	Imperial County	\$8,855,000	110
15	Kings County	\$13,305,000	110
16	Lake County	\$17,540,000	110
17	Lassen County	\$2,340,000	110
18	Mariposa County	\$8,950,000	110
19	Mendocino County	\$22,955,000	110
20	Modoc County	\$3,610,000	110
21	Mono County	\$3,740,000	110
22	Monterey County	\$2,665,000	110
23	Nevada County	\$19,155,000	110
24	Plumas County	\$7,135,000	110
25	San Benito County	\$11,535,000	110
26	San Luis Obispo County	\$28,170,000	110
27	Santa Barbara County	\$12,645,000	110
28	Shasta County	\$15,335,000	110
29	Sierra County	\$1,435,000	110
30	Siskiyou County	\$13,920,000	110
31	Sonoma County	\$3,315,000	110
32	Sutter County	\$14,990,000	110
33	Tehama County	\$32,095,000	110
34	Town of Mammoth Lakes	\$33,290,000	110
35	Tuolumne County	\$9,150,000	110
36	Yolo County	\$17,180,000	110
37	Yuba County	\$5,110,000	110

APPENDIX C
**GUIDANCE TO STAFF ON BOND TERMS AND STRUCTURE, FORM OF GUARANTEE,
AND BOND RISK ANALYSIS**

A. Bond Terms and Structure

GSCA shall include, at minimum, the bond terms and structure specified in D.23-11-045, Section 1.6, as well as those listed below.

1. The Commission must consent to any additional debt to be issued that can either be repaid from the same BLLR DSR Guarantee or that materially impacts the revenue repayment source on an existing BLLR DSR Guarantee.
2. The bond trustee shall not be replaced without the consent of the Commission.
3. Bond documents and indentures shall not be revised without the consent of the Commission.
4. Ongoing information such as audited financial information, notices of draws on reserve accounts prior to any withdrawals, notices of defaults, prior redemption/refunding notices, notices of commencement of any bankruptcy proceedings, and any notices (including rating agency-related matters) that go to bond owners/lenders must also be sent concurrently to the CPUC and its representatives.
5. The Commission is a third-party beneficiary of the issuing documentation.
6. Delinquent payments owed to the Commission will be based on the prime rate plus one percent, compounded monthly after the 3-month grace period.
7. Any agreements that materially impact the security or sources of repayment of the BLLR credit enhanced bonds cannot be entered into without the prior written consent of the Commission.
8. Legal opinions supporting the bond documents also must be addressed to the Commission. The indenture cannot be fully discharged until all amounts due to and owing to the Commission have been repaid.
9. The Commission must sign off on the flow of funds, together with all other security features of the transaction documents which are deemed material by the Commission and its advisors to the underlying credit strength available to support repayment of the BLLR under the credit enhancement documentation in the event of draw(s) on the Debt Service Reserve Reimbursement Funding Commitment.
10. Costs/fees/amounts owed to the Commission shall be included in calculations for additional debt to be issued.
11. If, at any time before finalizing the bond issuance, the Commission becomes aware of any additional information that it might require, or terms that might protect the Commission's interest, the Commission may request that information or impose those terms, which will be included as if they were enumerated here.

B. Form of Guarantee Documents

The Form of Guarantee will be a finalized, non-negotiable set of documents that will be updated for each deal depending on the size of the credit enhancement requested.

The Form of Guarantee Documents consist of a Debt Service Reserve Reimbursement Funding Commitment, Commitment Funding Agreement, Form Indenture or Trust Agreement Provisions Regarding CPUC Commitment Requirements, and Closing Documents, described below.

CD will specify the Form of Guarantee documents and continue to finalize the terms, which will be provided to the awardee's bond counsel and must be included in the applicant's closing bond documentation.¹³

The following list identifies the minimum set of documents that CD recommends for inclusion in the applicant's closing bond documentation for its underlying debt transaction:

1. Debt Service Reserve Reimbursement Funding Commitment (DSRRFC).
The DSRRFC is the guarantee or formal insurance policy document that commits funding to the bond trustee's debt service reserve fund.
 - i. The DSRRFC is executed only by the Commission and will primarily be issued to and held by the third-party trustee as a part of the "Debt Service Reserve Fund" of an indenture or trust agreement for an underlying debt transaction.
 - ii. The key provisions of the document are that upon its issuance to a trustee, the Commission confirms that it has received its necessary consideration (i.e., fees, payments (the commitment costs)) and that the Commission unconditionally and irrevocably agrees to pay or instruct the Commission's fiscal agent to transfer amounts to the bond trustee to replenish the trustee's debt service reserve fund for draws made upon it by the bondholders when the underlying debt has come due but was unable to be paid from broadband project revenues.
2. Commitment Funding Agreement (CFA)
The CFA is a multiparty agreement among the issuer, the Commission, the Commission's fiscal agent, and possibly the underlying borrower and trustee as well.
 - i. The primary function of the CFA is to obligate the issuer to apply broadband revenues to repay the Commission, through its fiscal agent,

¹³ D.23-11-045, Appendix A, Section 8.2.

for amounts drawn under the DSRRFC. The CFA provides the terms of repayment from broadband system revenues in accordance with Section 6.1.2 of the BLLR Program Requirements and Guidelines, including default interest provisions. In addition, the CFA provides a provision that the Commission may impose a one-time origination fee of up to a certain percentage of the underlying DSRRFC, not to exceed 50 basis points (0.50% of the DSRRFC amount). The origination fee shall be payable upon successful closing of the DSRRFC-supported bonds, and may be paid from bond proceeds.

- ii. The CFA requires the issuer to provide the Commission with copies of any notices or other information provided to the underlying debt holders, as well as information regarding the underlying broadband project. Finally, the CFA addresses the consent required for any amendments to the underlying debt documents and other Commission requirements outlined in D.23-11-045 and specified in Appendix C.

3. Form Indenture or Trust Agreement Provisions Regarding CPUC Commitment Requirements, (the Underlying Provisions)

The underlying provisions contain the typical rights and obligations required by a credit enhancer, such as the Commission, to support a debt transaction.

- i. The Underlying Provisions are meant to be included in the transaction documentation (i.e., the bond indenture or a trust agreement) that the debt is issued pursuant to. The Underlying Provisions will be the same for every transaction and, once finalized by CD and its advisors, are not intended to be further negotiated. The Underlying Provisions currently require the issuer to hire a consultant under specified circumstances indicating a risk of insolvency or non-repayment to the Commission under the DSRRFC, though these provisions have not been finalized.

4. Closing Documents

Closing Documents will be executed on or before the actual issuance of the underlying debt to be supported by the DSRRFC. Currently, the documents include the following:

- i. The Commission's Counsel's opinion as to the legal status of the Commission and the validity of the issuance of the credit enhancement documents,
- ii. A closing certificate that certifies that there are no defaults of the Commission under its obligations and that the information in the underlying investor documentation is accurate for federal securities law purposes,
- iii. Specific certifications required for the underlying debt to qualify for tax-exempt status.

C. Bond Deal Risk Analysis

To identify potential risks in the bond deal and to protect the BLLR Fund from default

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risk, CD will subject GSCA's bond deals to stress tests to evaluate how those bond deals perform under various adverse economic scenarios.

GSCA must provide estimates on take rates, credit enhancement coverage ratios, fee structures with vendors, and information regarding pledged system revenue as it relates to additional bond tests. In addition, GSCA must provide, at a minimum, information on the following:

1. Priority of lien on broadband revenues
2. Flow of funds and timing of deposits to the underlying debt accounts
3. Rate covenants
4. Other covenants of the issuer
5. Debt service coverage requirements
6. Establishment/maintenance of various operating and/or rate stabilization reserves
7. Additional parity bonds test
8. Non-subordination language (no agreements senior to Bonds/BLLR Fund can be entered into so long as Enhanced Bonds/BLLR Fund remain outstanding)
9. Remedies upon default (both covenant and payment defaults) and cure periods, including the requirement of a Commission-approved broadband consultant being required to be hired to assist in the turnaround of the underlying system/cashflows
10. Eligible investments for the required Debt Service Reserve Fund and/or other funds held to secure the Bonds and/or BLLR Fund
11. Commission rights on parity with underlying bondholder rights in the event of outstanding draws
12. Definitions to the extent that they impact any of the above areas of interest
13. Restrictions on broadband system/asset sales while payments owed to the Commission and otherwise