

California's BEAD Financial Requirements

January 9, 2025



California Public
Utilities Commission

Welcome

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BEAD Program

Agenda

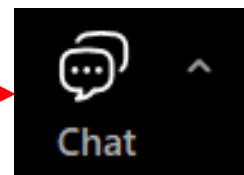
1. Welcome
2. Overview of financial requirements
3. Next steps



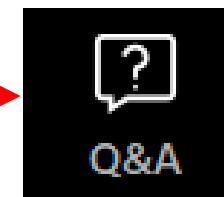
Housekeeping

Tips for getting the most out of this webinar

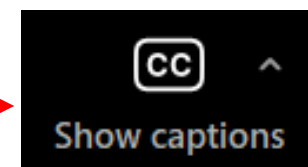
Chat: Keep an eye on the chat because we will use it to share useful links



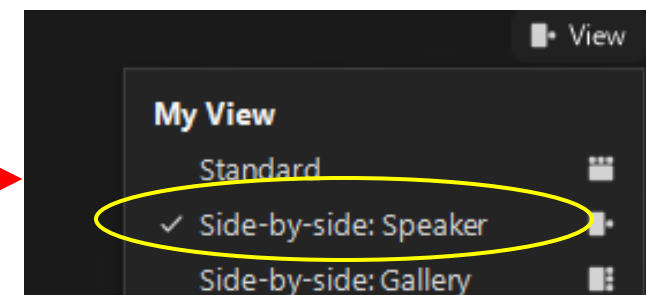
Q&A: Type your questions in the Q&A



Closed Captions: English closed captions are available. Select "Show captions" on your toolbar. (Click the small arrow on the 'Show captions' button for more settings or to see a full transcript)



Select Side-by-Side: Speaker Mode for the best viewing experience when slides are shared.



Overview of financial requirements

Tenets of financial capability

Qualifications and attributes that applicants must certify in the application

Applicants must certify they have:

1

Financial qualifications and capabilities to comply with all program requirements and successfully participate in the program

2

Sufficient resources to support project costs, provide pledged matching funding, and complete the proposed project

3

Understanding of the BEAD Program requirements, rules, and the reimbursement model

Summary of financial requirements

The BEAD NOFO requires that states collect financial information to qualify applicants for funding. California's requirements can be found in the Initial Proposal Volume 2 ([IPv2](#)) and are as follows:



Applicant financials

- Audited financial statements



Certifications

- Signed statement by an officer or director certifying the applicant's general financial qualifications and accuracy of submitted documents



Project financials

- Pro forma business case analysis
- Project budget and narrative
- Qualified financial institution's irrevocable standby letter of credit or performance bond

Audited financials

- During the Application Phase, applicants will be required to submit **audited financial statements from the prior fiscal year**. These financials must be **audited by an independent certified public accountant** and conform to industry standards.
- Financial statements should be **“unqualified”** and the subject of a clean financial audit. If the submitted statements contain “qualifications” by the auditor, the potential subgrantee **must describe and explain the qualification, the reason for the qualification, and the measures taken by the company to address the qualification**, if applicable.

Alternatives to audited financials

1. If an applicant does not have audited financial statements, it must **describe the circumstances and reasons for the lack of audited financials** and provide **financial statements from the prior fiscal year** that contain substantially the same level of detail and information. The applicant must also certify that it will **provide audited financials within 12 weeks of submitting its application**.
2. Other entities that may have **alternative financial reporting requirements**, such as **public entities**, will be allowed to submit **relevant and applicable financial documentation** that provides **substantially similar information** and that will allow the CPUC to substantiate the financial qualifications and capabilities to participate in the program. A **certification by an officer of the entity** and a **narrative explanation** by the public entity must accompany the submitted financial documentation.

Third-party guarantees of letter of credit or performance bond

1

Applicants **must provide a letter of commitment** from an authorized institution containing:

- A commitment that it stands ready to issue a letter of credit or performance bond
- The specified amount (the “up to” value)
- A statement that it has reviewed the model letter of credit and is prepared to comply with it
- A description of the financial institution

2

If selected, subgrantees must provide a letter of credit or performance bond for an amount that meets BEAD requirements (at least 25% of subaward for letters of credit and 100% of subaward for performance bonds, with alternatives as described in the following slides)

Letter of credit options

Letter of credit:

- Must equal at least 25% of subaward
- Option to reduce in stages at milestones
- Applicant submits letter of commitment with application
- Bankruptcy opinion letter required as condition of final award

Financial institution:

- Must meet the eligibility requirements in 47 CFR 54.804(c)(2)
- Or, if it is a credit union, it must:
 - Be insured by the National Credit Union Administration
 - Have a safety rating of B- or better issued by Weiss

Alternative:

- Option to provide letter of credit equal to at least 10% of subaward
- Reimbursement for periods of no more than six months
- CPUC implements subgrantee accountability measures as set in NOFO
- Must maintain letter of credit until completing the buildout of 100% of locations served by the project or the period of performance ends, whichever occurs first

Performance bond options

Performance bond:

- Issued by a surety company on the Department of the Treasury's list
- Must equal 100 percent of subaward
- Option to reduce progressively in stages at milestones

Required letter:

- Issued by a company holding a certificate of authority as an acceptable surety
- Must include dollar amount

Alternative:

- Option to provide performance bond of at least 10% of subaward
- Reimbursement for periods of no more than six months
- CPUC implements subgrantee accountability measures as set in NOFO
- Must maintain performance bond until completing the buildout of 100 percent of locations in the project

A resource for applicants: California Loan Loss Program

A program to assist with letter of credit or performance bond requirements

- The Loan Loss Program (LLP) is a state program for **local governments, nonprofits, and Tribal entities to help them satisfy the BEAD letter of credit requirements.**
- It provides **payments of costs of debt issuance, credit enhancements, and debt service guarantees** on bonds and other forms of debt issued to eligible entities for the program.
- The credit enhancement mechanism is designed to **reduce the risk** associated with debt incurred for a funded project, which should **reduce costs and free up capital** for local governments, nonprofits, and Tribal entities to **qualify for and obtain the letter of credit or performance bond.**
- BEAD projects qualify for LLP support, but entities **must apply** and commit to meeting LLP standards and requirements.

Financial sustainability

Applicants must submit a proposed buildout budget, budget narrative, and pro forma using the provided templates:

- The **proposed project budget** will contain standard categories corresponding to cost categories in the budget narrative.
- The **budget narrative** will provide a breakdown of standardized categories and descriptions of each charge, the entity responsible for it, and how expenditures relate to project objectives.
- The **pro forma business case analysis** will present financial projections to demonstrate sustainability and include relevant assumptions, operating expenses, cash flow, and capital expenditures over 10 years.
- These project details are **only required for the 100 percent coverage proposal**. Applicants will be allowed to submit proposed BEAD request and match amounts for proposals of 90 percent coverage as well but will not be required prior to initial awards.

Proposed project budget

The CPUC will provide a template that incorporates **the estimated buildout costs of the proposed project**; it is required by NTIA for each application.

The project budget presents estimated buildout costs of the project and includes:

- Management of the applicant's internal staff or third-party contractors,
- Items pertaining to the design of the applicant's proposed project,
- Costs and fees associated with permitting,
- Purchase of any land or infrastructure to facilitate the network deployment,
- Deployment of the proposed network (excluding components exclusive to subscriber activations),
- Purchase of network electronics and active equipment,
- All cost associated with the connection of subscribers,
- Contingency costs the applicant anticipates, and
- Any costs not captured by the other categories.

Budget narrative

The application budget narrative template will require applicants to provide:

- A detailed breakdown of the expected budget for standardized expense categories.
- A description of each expense, the entity or team responsible for that budget expense (if applicable and if known), and how each expense relates to the project objectives.
- Explanation of cash or in-kind match if provided in a cost category, including a break-down of the grant and match share of each proposed cost.

Pro forma requirement

The purpose of the pro forma is to provide a view into the cash flows of the proposed project. It is required by NTIA for each application.

Applicants provide key financial metrics that demonstrate the long-term sustainability of the project and:

- Include estimated capital and operating expenditures (such as labor, materials, and regulatory costs),
- Assume a maximum four-year buildout, per the BEAD NOFO (unless the applicant has committed to a faster buildout schedule), and
- Provide figures for 10 years of financial projections and assumptions regarding take-rates, churn, revenue per user, operating expenses, cash flow, and capital expenditures over the course of the construction and start-up operations.

Pro forma template

The template will ask for information on cash flow and expenditures, such as:

- Revenues and subscriber fees;
- Operating expenses including plant, network equipment, and customer premises equipment maintenance; internet peering; and customer support;
- Capital expenditures such as physical plant and subscriber drop construction; core network electronics, distribution/access electronics, customer premises equipment, core and distribution electronics refresh;
- Grant draws;
- Loan proceeds and loan payments;
- Annual net cash flows; and
- Annual ending cash balances.

Next steps

Upcoming webinars

Webinars are open to all who wish to attend.

Additional topics and registration links will be posted on the [BEAD events page](#).

DATE/TIME	TOPIC
Tuesday, January 14 1:00 - 2:00 pm PT	BEAD Technical Requirements
Thursdays, January 16 to May 8 1:00 - 2:00 pm PT	Office Hours

Questions?

Please contact us at:

BEADgrant@cpuc.ca.gov



For more information visit:

[California Broadband Equity, Access, and Deployment \(BEAD\) Program](#)





California Public Utilities Commission