



Capital Connections

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RURAL TELEPHONE FINANCE COOPERATIVE

Texas Telephone Co-op Launches Latest Expansion with Funding from RTFC

Peoples Telephone Cooperative (PTC) began in 1952 as a dream to link one neighbor to another. Today, the Quitman, Texas-based provider has evolved to connect rural citizens of East Texas to the global communications network—and RTFC is financing the company’s latest technology upgrade.



Steven Steele

“As a cooperative with a longstanding relationship with RTFC, we feel we have a true partner with our financing institution,” explained PTC General Manager and CEO Steven Steele. “Just like all rural companies in our industry, RTFC has a genuine concern for the success of Peoples and the well-being of our communities.”

The loan will be used to improve the quality of life in some of the small towns served by PTC’s independent local exchange carrier (ILEC), upgrading subscribers’ homes and businesses from a copper-based digital subscriber line network to fiber-to-the-home service in phase one of a multi-part endeavor.

“The improved broadband speeds will allow our members to continue remote working and distance learning as well as transitioning more of their entertainment to a streaming platform,” Steele said, adding that the enhanced quality of a fiber network will reduce reliability issues and service calls. “As for the impact on our overall territory, I believe

fiber deployment is as necessary as roads, sewer and electricity for economic development and continued community growth.”

PTC’s footprint spans 19 counties, providing telephone, internet, home security and more through its ILEC and competitive local exchange carrier territories. The company has close to 3,500 miles of network that employs diverse technology offerings, including fiber, copper and fixed wireless.

Its service area is well known for a series of lakes that dot the area and attract “weekenders,” which creates a blend of rural and urban customers. “In 2010, we were awarded a Broadband Technology Opportunities Program grant requiring 300 miles of fiber cable to be built that loops around Northeast Texas connecting both commercial entities and anchor institutions. This laid the foundation for the current Tier 2 network

Peoples operates today,” said PTC Chief Financial Officer Scott Thompson, who will assume the CEO post at PTC when Steele retires at the end of this year.



Scott Thompson

strategy has focused on overbuilds that would impact as many subscribers as possible. “In addition to density, we reviewed the percentage of members subscribing at their maximum attainable speeds,” he said.

Like many rural providers, PTC has to overcome the challenge of serving a subscriber base that is spread far and wide. Thompson explained that PTC’s fiber deployment

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Annual Meeting Set; Look for Mail Ballots in January

RTFC’s 34th Annual Membership Meeting will take place February 1 at 9 a.m. at RTFC headquarters in Dulles, Virginia. Members will vote to fill one open position in District 4 on the RTFC board.



All voting members will receive a packet of information about the meeting in early 2022. It will include the candidate profile and mail-in ballots. Completed ballots must be received at RTFC headquarters by January 25 to be counted.

The call for director candidates was mailed to RTFC voting members in District 4 in November. The RTFC Nominating Committee then presented the following candidate for consideration:

Allen Hoopes, chairman and CEO of Silver Star Communications in Wyoming.

Additional candidates may be added to the ballot by completing the petition process described in the RTFC bylaws. Any questions can be directed to Senior Vice President and Chief Corporate Affairs Officer Brad Captain at 703-467-1646 or brad.captain@nrucfc.coop.

Banking Veteran Alex Knapp Joins RTFC Account Manager Team

RTFC members have a new account manager to help with their financial needs. Virginia native Alex Knapp joins the team as an associate vice president, bringing 13 years of financial experience to the role.



Alex Knapp

“I look forward to learning more about the telecom industry and engaging in discussions with our members to better understand their needs and how I can be a trusted resource to assist them,” Knapp explained.

Prior to joining RTFC, Knapp was a senior credit analyst with Banner Bank in California. He also was with Access National Bank in Virginia for nine years, serving as assistant portfolio manager, credit analyst and consumer portfolio

manager. He graduated from James Madison University with a degree in economics and also earned a diploma from the Virginia Bankers School of Management.

Knapp was attracted to RTFC by the opportunity to work in a new niche from what he had been doing at community banks. He also has former colleagues who work for RTFC and its affiliate—National Rural Utilities Cooperative Finance Corporation—and recommended the organization.

“This is the first time I’ve worked for a cooperative, so it’s nice to know that my ‘clients’ are our members who remain involved in the organization and also get rewarded for their business,” he said.

When not working, Knapp enjoys hiking and boogie boarding. He’s also learning to speak Portuguese in hopes of traveling to Brazil where his mother has family. *Boa sorte, Alex! //*

Texas Telephone Co-op Launches ...

Continued from Page 1

The last 18 months have created other hurdles as well. “With more members working and learning remotely, we rolled up our sleeves and condensed our original five-year fiber deployment plan by half,” Thompson explained. “Many small, rural schools in our footprint had students, just like their urban counterparts, who needed connections for remote learning—and they needed it quickly.”

The expedited timeline for the fiber deployment resulted in a strain on the resource allocation of labor and supplies. Like the rest of the world, PTC has also had to contend with supply chain shortages, which have affected deployment schedules.

PTC’s fiber upgrades will continue through 2024. The goal is to enhance fiber connectivity throughout the ILEC territory as soon as possible. “The hard truth is rural communities without fiber often lack the broadband connections to attract new businesses and residential growth, which typically drives the fiber network deployment in their area. This results in a vicious cycle—communities need growth and yet growth demands broadband,” Thompson said. //



Don't Miss RTFC at RTIME

RTFC will be a part of the upcoming NTCA 2022 RTIME taking place online and in person February 13-16 in Dallas. RTFC Vice President of Economic Research John Suter will be making his first appearance at the conference as he delivers an update on the state of the economy.

Following his talk, RTFC-sponsored speaker Keelan Leyser will take the stage virtually. Leyser is a digital illusionist and technology magician who delivers an exciting and interactive show remotely. Attendees can prepare to be entertained and amazed by his virtual magic and mentalism.

If you plan to be in Dallas, please take some time to speak with RTFC staff about preparing for your telco's future. RTFC account managers will be available for private meetings to discuss financing options for upcoming projects. Connect with our staff today to set up a meeting time and learn more about how we're ready to help with your financing needs. Call 800-346-7095 or e-mail your account manager directly.

ECONOMIC ANALYSIS

Industrial Production Sparks

U.S. industrial production bounced back in October after the lingering effect of Hurricane Ida was a significant drag in September. The indicator posted a 1.6 percent increase in October, almost doubling the market consensus forecast of 0.9 percent. In addition, total capacity utilization rose 1.2 percentage points to 76.4 percent. Manufacturing capacity utilization was up to 76.7 percent from 75.8 percent.

Supply-chain issues are limiting the recovery in manufacturing output, but there are tentative signs that conditions have leveled off. However, expect the bottlenecks to extend through the second half of 2022. The issue is exacerbated as businesses double or triple their orders in anticipation that there won't be a noticeable improvement for a while, which puts even more pressure on goods shipments. The recovery could be cut short by inventory imbalances that might lead to a correction if businesses are caught with excess inventories in a couple of years as they over-order today to compensate for the delays, which has caused recessions in the past and is a symptom of a boom-bust cycle.

Homebuilders Still Confident

Homebuilder confidence edged up 3 points to 83 in November. Extremely low inventories and strong demand pushed up the National Association of Home Builders (NAHB) Housing Market Index, which remains well above the 50-point threshold that marks positive building conditions. Builders will have to contend with lot, material and labor shortages in the short term. Lot availability is at a multi-decade low, forcing new construction farther away from large population centers. NAHB estimates the industry has more than 330,000 open positions. Labor shortages are limiting the number of projects companies can take on. Lumber prices have dropped considerably from their all-time high earlier this year but remain above the historical average.

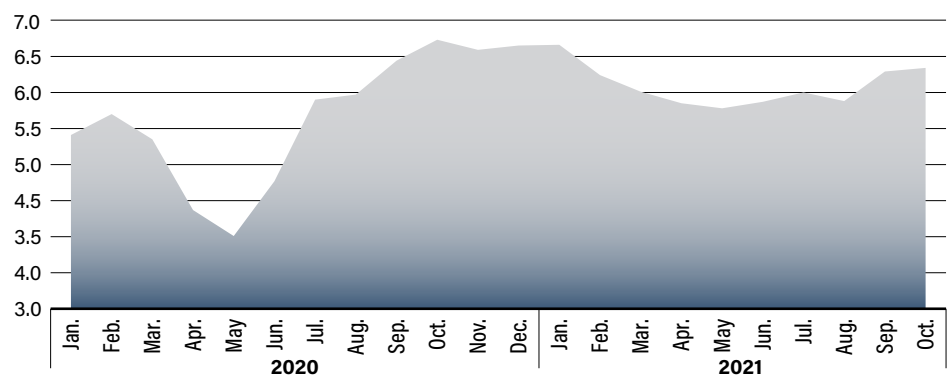
Existing-Home Sales Surprise Market with Jump

Sales of previously owned U.S. homes rose unexpectedly in October to the highest level since January, pointing to healthy demand as more buyers take advantage of stronger job growth and low mortgage rates. While the monthly pace of sales has settled back after reaching a 14-year high a year ago, it's well above pre-pandemic levels. Sales are on track to exceed 6 million this year, which would be the strongest showing since 2006. The median selling price rose to \$353,900, which is more than 13 percent higher on a year-ago basis. September's median selling price was \$351,200.

Demographic trends should prop up short-term housing demand. The bulk of millennials are entering their prime first-time home buyer age. Additionally, the 30-year fixed mortgage rate remains very low, reducing costs associated with buying a home. However, after more than a year of double-digit price growth, some home buyers are getting sidelined due to affordability issues. Potential buyers will continue to find it challenging to find a home that meets their budget and needs. Furthermore, the new-home market is lending little support. New-home construction cannot keep up with demand and has pushed up prices.

— John Suter

Existing-Home Sales (Seasonally Adjusted Annual Rate, in Millions)



Source: Bloomberg

RECENT ECONOMIC RELEASES

INDICATOR	PRIOR PERIOD	CURRENT PERIOD (FORECAST)	CURRENT PERIOD (ACTUAL)
Industrial Production (Oct.) (MoM)	-1.3%	0.9%	1.6%
NAHB Housing Market Index (Nov.)	80	80	83
Existing-Home Sales (Oct.) (SAAR)	6.29M	6.20M	6.34M

Source: Bloomberg

KEY INTEREST RATES

	11/29/2021	8/23/2021	CHANGE
Fed Funds	0.25%	0.25%	- - -
1-mo. Libor	0.10%	0.08%	0.02
3-mo. Libor	0.17%	0.13%	0.04
2-yr. UST	0.50%	0.23%	0.27
5-yr. UST	1.16%	0.78%	0.38
10-yr. UST	1.48%	1.25%	0.23
30-yr. UST	1.83%	1.87%	(0.04)

Source: Bloomberg

RATE FORECAST—FUTURES MARKET

	Q4-21	Q1-22	Q2-22	Q3-22
Fed Funds	0.25%	0.25%	0.25%	0.25%
1-mo. Libor	0.10%	0.12%	0.15%	0.20%
3-mo. Libor	0.15%	0.20%	0.25%	0.30%
2-yr. UST	0.60%	0.70%	0.80%	0.90%
5-yr. UST	1.10%	1.15%	1.20%	1.25%
10-yr. UST	1.70%	1.80%	1.89%	1.96%
30-yr. UST	2.20%	2.30%	2.40%	2.50%

Source: INO.com

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INSIDE THE ECONOMY

It's Quittin' Time: The Great Resignation

By John Suter, Vice President, Economic Research

Many believe you shouldn't quit one job until you have a new one. But these days it seems as though it really doesn't matter if you have another job lined up because workers are headed out the door in record numbers as the resignation rate continues to mount in an already-tight labor market.

Some 4.4 million people quit their jobs in September—about 3.0 percent of the workforce, which is the highest percentage since the U.S. Bureau of Labor Statistics started keeping track two decades ago. In fact, quit rates have increased every month since the beginning of the year. The biggest growth was in the leisure and hospitality sectors where working from home is seldom an option and wages are low.

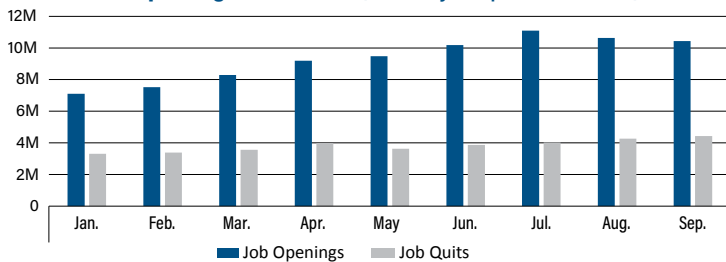
What's even more interesting is the fact that quit rates for service-sector jobs normally tend to occur in dense, urban parts of the country. However, this go-round is seeing more rural states with the highest quit rates. In fact, the rural electric industry is no exception as

cooperatives are losing journeymen linemen to private contractors. CFC has 152 voting member cooperatives in the top five states dealing with quits: Georgia, Kentucky, Idaho, South Dakota and Iowa. Of course, these states also have some of the lowest unemployment rates across all 50 states, averaging just 3.4 percent. Nebraska has the lowest overall unemployment rate at 1.9 percent, while Nevada has the highest at 7.3 percent.

There were 10.4 million U.S. job openings at the end of September—down slightly from July's record high, but still a tremendously high number. This latest movement has been called "The Great Resignation," and it's happening across the country, creating enormous leverage for workers as they seek a better fit. One recent national survey revealed that 52 percent of knowledge workers are likely to quit their job if company values do not align with their own.

The labor market has made great strides since losing nearly 24 million workers during the pandemic. But now there seem to be more job openings than job seekers. Many people just aren't returning to the work force, which makes for a tight, unsustainable labor market. Meanwhile, the employed are less willing to endure inconvenient hours and poor compensation, and they're looking for better opportunities elsewhere. //

Job Openings and Quits (January–September 2021)



Source: Bloomberg

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