

**Minutes of the Meeting of the Finance and Legal Committees of Council
Held in the Council Chambers of the Municipal Building
On Monday, February 7, 2022**

Brian Fischer, Council President and Member of the Legal Committee, called the meeting to order at 6:32 P.M.

Finance Committee Members Present

Chairman, Councilwoman-at-Large Tammy Holtzmeier
Ward 3 Councilman Tony Moore; Ward 2 Councilman Dennis McBride

Legal Committee Members Present

Chairman, Ward 2 Councilman Dennis McBride
Ward 1 Councilwoman Jennifer Demaline; Council President Brian Fischer

Others in Attendance

Clerk of Council Barbara Brooks; Law Director John Gasior; Ward 4 Councilman Scott Radcliffe; Councilman-at-Large Craig Witherspoon; City Engineer Ryan Cummins; Planning/Economic Development Coordinator Pam Fechter; John Sullivan, Lit Communities; Resident Bill Leimkuehler; Aaron Jenkins, IT Coordinator; Dave Corrado, CEO, Medina County Fiber Network; Joel Michael, Millenium; Ben Hodge, Supt. of Avon Schools; Bill Fishleigh, Director of Operations, Avon High School; Tom Corrigan, Westlife; Finance Director/Acting Mayor Bill Logan; Safety/Service Director Duane Streator

Discussion of Fiber Network Options - Presented by Medina County Fiber Network and Lit Communities

Bill Leimkuehler, 1691 Pine Drive, stated that the City of Avon is serviced by one broadband provider, which is Spectrum. Service can be questionable at times so over the summer he started working with some of the members of Council, Mayor Jenson, IT Coordinator Aaron Jenkins and the staff here at City Hall trying to identify options for improving internet access for Avon's residents. With the Mayor's blessing, he went out and talked to a number of different cities in Ohio that have looked at different types of municipal networks or community networks and he got connected with Dave Corrado, the CEO of the Medina County Fiber Network. Medina has built out its own network and he learned a lot from Mr. Corrado about how they did that and the public/private partnership that they worked with through a company called Lit Communities. The idea is that Lit Communities would come in, fund a private network that would be built here in Avon; it would be fiber to the home which can be a thousand to a million times faster than internet that you have today, basically an unlimited capacity with what we know. They are willing to fund it with an opportunity for the City to contribute either financial or physical assets. The idea is that anything the City would contribute, the City would also get a revenue share for participating in the network. So the more the City can bring to the table, the more the City would get out of it in addition to having a fiber network built out to all the residents and businesses in Avon.

Mr. Radcliffe asked for clarification that Mr. Leimkuehler is just a resident, with no affiliation with these companies and Mr. Leimkuehler said, yes, he has no financial interest in anything here but he just realized over the summer that we have no prospects here in Avon of better internet and so if we do not do something about it, we are probably going to start losing residents because we just do not have good connectivity.

Dave Corrado, CEO of Medina County Fiber Network, 144 N. Broadway, Medina, Ohio, said that he appreciated the time to speak with the Committees this evening. Before beginning, he just wanted to

give them two terms that can be very confusing at times: “Medina County Fiber Network” is a reference to the network which he has managed for the last nine years. It is a 150-mile county-wide network that was built specifically for medium to large size businesses. Later they will hear John Sullivan from Lit Communities talk about “Medina Fiber”. Medina Fiber is the name of Lit Communities doing business as Medina Fiber in Medina County. Although they (Medina County Fiber Network and Medina Fiber) are two separate companies, they have come together in a public/private partnership for Lit Communities to handle the investment and bill off from the network of Medina County Fiber Network to handle small business and residential.

Mr. Corrado said that he was going to touch on just how Medina County Fiber Network plays into Lit Communities and Medina Fiber but the gist of the entire presentation tonight will really be on Lit Communities. And you can call them any name you want as they come into your area; what they will normally do is to set up an LLC and take a name that makes sense to your geography. So there are two separate entities, one a community network owned by Medina County Port Authority, and the other a private entity that has put together a public/private partnership.

Mr. Corrado stated that in December, 2010, Medina County Port Authority floated approximately \$15 million dollars in bonds to build an entire backbone network structure of 151 miles throughout Medina County. The drive behind it was twofold: one was to bring choices to businesses and eventually to residents. Before the network came onboard, it was strictly commercial and there were only a couple of carriers. The second piece in the economic development was not only the attraction of businesses into Medina County but it was to keep businesses that were looking elsewhere because they were unable to connect around the world as we are in a global economy today. In the last five years we have done about \$1 billion dollars of economic development in Medina County. \$615 million of that economic development has been in the form of companies who use Medina County Fiber Network and have added to their companies, generating about 2,000-3,000 more jobs and building out their existing asset structure. So we definitely are seeing what we wanted to see and from the point of having choice, think of us as a large railroad and we are the tracks; instead of us selling internet and voice under our own names, we have what is called an “open architecture” where we have 14 carriers that connect to our networks at various points of the network and we are actually selling Medina Fiber’s internet, voice, and data center services to the ATT &Ts, the Crown Castles, and the First Coms, and we invoice the carrier for that. That is an open architecture network but it is going to be a little different on the residential side. So those are the two things that we wanted to get to in Medina County. We have about 250 large customers but four years ago, we said we really needed to start looking at residential and small businesses. There are roughly 5,000 small businesses of less than five employees in Medina County

Mr. Corrado said that he wanted to give them a quick chronology because when he is presenting around the State, many times people will say they have heard about the early years of Medina County Fiber, that the County was paying the bonds and the network was not. Well, there was one big challenge Medina County did before he arrived; they built out the entire network and then started selling it rather than building in what are called “fiberhoods” like Medina Fiber does, which is to bring the revenue on and then go to the next one and the next one, etc. So what happens when you take the \$15 million dollars out – you capitalize the interest for maybe the first year and then you have the \$1.2 million dollar a year bond payment. And companies take time to get going so if the network cannot pay for any of the bond debt the County is the backstop and that is how the bonds were sold. The Port Authority owns the network, the County is the financial backstop, and the bonds sold were based on their rating. Now of course the newspapers like to make a big thing out of this and say that the bonds built this network and it is not even happening here. The company that was running the network made no effort in adding more carriers, there was slow growth, and they did not manage it like a community network. You cannot have a

commercial carrier that is not specialized in community networks running that network for you. So in 2014, when Mr. Corrado arrived, they turned everything around, they rebuilt parts of the network but most importantly, they started to bring in more carriers with more services and choices and that is when they started to look into the residential and small business. They knew they were missing a piece at that point. And just for the record, the County money does receive interest so any money that is used by the County for the bond debt is kept in our financials, they are paid interest every year on it but interest accumulates so they are getting a pretty good return if you are looking at a fixed annuity so the money is not lost. It was not taxable income that was used from any proceeds from the citizens; it was all from revenue-based instruments that were non-taxed instruments. Today with 250 medium to large-size customers, we are the largest network in the County. When we have a company come in, say from France, one of the top three questions is, do you have a community network and how many different carriers can you get us for diversity? So we have gone from basically not being part of conversations of economic development to being in the first conversations for economic development.

Mr. Corrado said, so that is sort of the background and he thought that the last thing he should answer is why he was helping to present for Lit Communities. Part of the public/private partnership, as Mr. Leimkuehler alluded to, is that you can put money into the project or you can put assets into the project if you have a network that you would want to leverage. In their case, they pledged fiber and then they gave a grace period for 18 months for Lit Communities, dba Medina Fiber, to get going, to get revenue coming up, etc. The third piece, too, is that you can help out with public marketing and government advocacy and that is what he is doing.

Mr. Fischer asked if this is something that will go forward, how long would this take and what is the process of putting it in? Mr. Corrado said that the time frame usually starts when contracts are completed between the City and Lit Communities. They are doing two American Rescue Plan Act projects in Medina County and there are roughly 6,500 homes in the two areas. The geography is probably 20% larger than Avon and it has been scheduled as a 24-month project. The network assessment is what will get the exact details of the project and the timing all depends on the scope.

Mr. Radcliffe asked if Mr. Corrado had had any discussion with Lorain County and Mr. Corrado said that actually Lorain County contacted him about five years ago. He said that coming from Medina County, they have four rural electric and Lorain/Medina Rural Electric has about 4,500 homes in the western part of Medina County. We are working with them in a three-way partnership where it is going to be a community network, a rural electric, and a privately owned Lit Communities. We are also speaking with Sandusky where the whole area up around the amusement park and those borders are also up for ARPA money so the plan would be to come from Medina straight up to Sandusky, float back along the coast, come down through Avon and then back down to Medina through that area.

Mr. Moore noted that he had talked with Mr. Corrado in the summer and he asked if all the residential homes in Medina were on this fiber now. Mr. Corrado said, no, they had just begun seven months ago; they have built roughly 3,500 homes but we will be building closer to 60,000 homes over the next three to five years. Mr. Moore asked if they were doing service underground and Mr. Corrado said that they follow the utility right-of-way so if a development is underground then it goes from the street utility right-of-way to the house underground. If it is aerial, then they follow aerial. Mr. Moore then asked if all the businesses are now on the fiber and Mr. Corrado said that they have about 8,000 businesses and of the medium to large employers, they now have 8 of the 10 largest employers on the ring and about 225 of the largest businesses. They have just signed up 8 small businesses which are on the Medina Fiber ring that they are using for residential and small businesses. Mr. Moore asked who is doing the service for it; is it handled by Medina County Fiber Network or by Lit Communities? Mr. Corrado said that is a good

question because they do have two different networks and with larger customers the day to day support is a lot different than with the resident or small business. The reason that the name, Medina Fiber, was chosen was to do a dual branding campaign between Medina County Fiber Network and Medina Fiber and to bring an economy to scale for billing, operations, fiber maintenance, etc. so today he has his own crews and Medina Fiber has their own crews. In three to five years, they hope to bring that all together to just one company.

Mr. Moore asked about the speeds and the cost for the residential and Mr. Corrado said that Mr. Sullivan will address all that but he would give the low one. The lowest one is 250 meg up by 250 meg down for \$49.99/month and that can run a small business easily.

John Sullivan, Lit Communities, 3500 Blue Lake Drive, Suite 225, Birmingham, Alabama, thanked the Committees for giving him the opportunity to speak here. He stated that Lit Communities builds fiber networks and it is all about that private/public partnership that Mr. Corrado mentioned earlier. What they are really about is serving under-served communities beyond the definition right now that the FCC has because they do not look at it as just small pockets here and there. They know every community has small pockets of unserved and under-served but another way that communities are under-served is through competition so they might be locked into a single carrier and it sounds like that is one of the potential problems here in Avon. What they really focus on is trying to find ways to work with these communities to develop fiber networks by looking at an alternative way to one that has traditionally been done by incumbent carriers. Right now in most communities, any fiber or cable provider can come in, access the right-of-way, do the permitting process, and what happens is they tend to go for just the density. They go just for what they can justify to their shareholders or CEO, etc. They have metrics that they need to work with and those metrics and drivers are very different than those of a community itself.

Mr. Sullivan stated that, as a community, you are interested in economic development and in keeping your residents here. You have very different motivations and what that has led to is communities that have not been able to have choice and/or they have large underserved pockets that could otherwise be served through getting creative. And he will talk a little more in a bit about how they get creative and it is really about partnering with the community. As Mr. Corrado mentioned, they do have investors that they work with to come in and those contributions do not need to be financial. Every community needs fiber and sometimes it is just about getting creative to do that. And so they were formed with that in mind. Lit Communities is an "open application" network, which is really thinking beyond internet because there are all sorts of things now that require the internet and what they are building towards are networks that are taking into consideration not just the connectivity to do school and work from home, which is a very fundamental and first step, but also looking and becoming a part of those communities to help them serve their 5 – 10 year strategic plans and help to understand how having access to high speed broadband can help them do that. Lit Communities was founded in 2019 but their team is made up of folks that have been working together for years and we came together to serve this need and so we are experienced in building networks, servicing customers and this is where we add to the gap between those who are looking to invest dollars and communities like Avon which is potentially looking for more options in their community.

Mr. Sullivan said that the motto of Lit Communities is, "it is always feasible" and we look at it as three steps. The first step is the key step and it is one of their key differentiators, which is making the plan. One of the most important parts of building an efficient network that actually serves and meets the needs of the community is building a community action plan. That happens through our community investment process and it really about learning what is unique in your community, the unique challenges, the unique needs. The traditional model worked very well for internet service providers for decades but we are at

the point where we need to finish and fill in all the gaps as well as offer competition so residents are not forced into a corner. There are options available, it is just about how to get creative and make those options work for your community and so the first thing that we do is a community assessment process which starts with looking at what has been done to date. Have you sought any sort of State or Federal funds, do you own any assets, do you have some sort of community network, do you have your anchor institutions on some sort of small network, what are the plans of your educational system, what are the relationships between the businesses, the various entities, the various divisions of government, etc. So it is really about coming in and looking at what is there, what are the desires of the community, and then coming up with a plan that involves the community. Again, this is where we are different from what was traditionally done; the community has a part in the process and a voice in that process. So after we come up with that plan together, then we build the network and a big part of building that network is helping connect with financial partners and make that investment work both for our investors and also for the communities and that involves helping to create income or revenue for your community. The third step is dealing with the ISP, the internet service provider.

Mr. Sullivan said before he goes further, he just wanted to point out some of the things about “last mile impact”. They are the ones connecting all the small businesses and homes off from the network and he was sure they knew some of the value of having last mile network, especially in the advent of the pandemic, with people working from home and students doing school from home. Download speeds and upload speeds have become much more important and that is exactly why all of the American Rescue Plan money has this symmetrical speed built in. Symmetrical speed means that your download and upload speeds are consistent and the same and that is something that has been a challenge. Part of what the federal government realized is that we need to scale to the future and build solutions. Bridging the digital divide in your community, offering more access, affordability, and more options is a way to attract new residents. Not only that but having high speed broadband increases the value of homes and is a way of attracting new businesses and another part of this is, it is not just work from home and doing school from home, but also aging in place and the ability to have telemedicine and health care, the quality of life that brings for someone to be able to visit their doctor via the internet and that is something that is only possible if you have high speed broadband to do that.

Mr. Sullivan continued by saying, so Lit Communities is the parent company and because we are very focused on the communities that we are part of, it is really about integrating into these communities to the point where we hire within the communities. In Medina, anybody who is answering the phones is all based right there in the County; they understand the geography, the neighborhood, the people that call in, the mentality; there is no disconnect. We realize that in order to fully integrate yourself into a community, you cannot just brand yourself for the community but you have to have presence in the community as well as hiring people from the community, which helps bring economic development to the community itself so we actually like to be part of those communities.

Mr. Sullivan stated, a little more about Media Fiber itself, we are around \$60 million in costs, 450 miles of fiber, and we have been working on this for quite some time officially. We got all the financing, etc. figured out just last year and connected our first residents in September of last year. The network will be about a 48-month total build and we are hoping to expand into adjacent and surrounding communities and leverage what we have already been doing there to make it even more economical by having this local expertise to help grow and develop into other markets. As Mr. Corrado said, our minimum package is 250 by 250, which just to give you an idea, the current definition of high speed broadband is 25/3, so we are significantly higher in speed there at comparable cost. Also to give you an idea, the American Rescue Plan Act is asking for 100 x 100 so we are more than twice what the federal government is requiring.

Mr. Sullivan said that Mr. Corrado went over the history of Medina County Fiber Network but what he wanted to reiterate is that they formally formed a partnership in 2017 and created Medina Fiber, the entity to serve last mile customers and small businesses off from Medina County Fiber Network. Since March of 2021, we have crossed nearly 4,000 households between Seville, Westfield Center, Montville and Medina. The majority of those being in Seville and Westfield Center. We opened our first demonstration center in Seville, which is our experience center where residents can come and learn about high speed broadband. We also host weekly streaming classes, we have a deal with a local hospital system to offer telehealth services and we will offer classes about how to do telehealth. It is really about helping the community understand what the benefits of high speed broadband are and how they can use it.

Mr. Sullivan said that the networks can be branded however a community wants. This could be on a neighborhood homeowner association level, a city level, a county level, whatever makes the most sense because in every community there is a sort of a logical division where you know best in your community and that is a part of the process and even though it is branded local, it is backed by Lit Communities, backed by our expertise and our investors. This is to emphasize how community-focused we are. When you have members of the community that know it is about the community and it is not just working for a faceless, nameless corporation but it is the ability to develop that with your community, we believe that it allows us to connect better with the community and eventually when we come into your community it is our community as well because we have our skin in the game as members of the community.

Mr. Sullivan said that he brought Joel Michael from Millenium tonight, who is their partner and runs their warehouse operations in Medina. As you can imagine, a big part of building a fiber network these days is being able to get the materials when you need them and making sure that these operations go smoothly because there are networks like this being built all over the country. Although we are experts in building and creating these networks we realized it was wise to go to a partner like Millenium where all they do is get materials and make sure that they can stage these materials properly.

Joel Michael of Millenium, stated that he is a resident of Avon Lake and said again that they are partners with Lit Communities and Media Fiber. He said that they are a broadband resource group and from their inception, they are materials providers. That is still their bread and butter, although they have a lot of other offerings now. A picture was displayed of the 10-acre lot on the corner of Jaycox Road and Mills Road, which Millenium purchased in 2021, long before any of these discussions came about, Mr. Michael said. He noted that they have sixteen warehouses across the United States and are adding five this year, and are planning on being here in Avon regardless. Mr. Michael said that he is often brought along to these presentations because materials are at the top of mind for any kind of project like this. If anyone has any direct questions about materials or materials concerns, he would be happy to answer those.

Mrs. Holtzmeier said Mr. Sullivan had mentioned Seville and asked him if they had a relationship right now with Westfield and their data center and their operations center. Mr. Sullivan said that they have talked to them although that is not their main data center. Mr. Corrado asked Mrs. Holtzmeier if she was talking about the data center of Westfield Insurance and Mrs. Holtzmeier said, yes, and their move to Seville. Mr. Corrado said that Westfield Bank moved to Seville; Westfield Insurance is still in the village of Westfield Center and they are on the network of Medina County Fiber Network Enterprise services.

Mrs. Holtzmeier stated that she wanted to talk about the financial piece of this project, particularly the pledge that Mr. Corrado had mentioned for fiber that Medina County Fiber Network has provided to the communities. She wanted more information from him about that pledge. Mr. Corrado said, in their situation, they already had a rather large bond debt and the County Port Authority was not interested in obtaining additional debt for doing the residential on their own so what we had was an asset that could

be leveraged. We are fiber rich; we built a very large backbone with plenty of overcapacity fiber. In these cases you lease what is called an IRU, an indefeasible right of usage, to a carrier for 20 or 30 years and normally the dollar amount is paid up front but you can also have it on monthly or annual payments. We did not want to go that route because as we looked at it, we thought that that opened up possible competitive situations. Instead what we did was we said we will give you x number of fibers all the way around the ring to connect your fiberhoods and what we would like is a certain dollar amount per home that you connect and again, we will give you an 18-month period before we start collecting any revenue. In this way, we are still marketing and selling to the large enterprise companies. If we come across a small company, we put it in the data base and then we get with the Medina Fiber team and vice versa. If they are building past a large company that is in 1,000 ft. of our backbone and they happen to establish a relationship with that company, then they send it over to us. So we leveraged that asset. In addition to fiber we also had some community buildings for what are known as access nodes. Think of access nodes as gas stations for taking the laser or light that is going around the network. These access nodes basically give the light a boost. We also pledged some locations that were County buildings and worked with some other places like Hinckley Fire Dept. or Hinckley Police Dept. which have 24-hour access with generator backup and again, part of the County's pledges so there are many different types of assets that you can leverage toward the project.

Mrs. Holtzmeier asked, and in the example for Lit Communities, what would be the dollar value of those points that you pledged for them? Mr. Corrado said that if you were looking strictly at just the fiber, the IRU for the fibers we are using in our area would be worth between \$5 and \$7 million, and again, the intangibles are hard to put a value on today. Mrs. Holtzmeier said, and lastly, when he was talking about his work with the rural electric cooperatives that put forth a vision to her that he does work in tandem with his partners and within that, she wanted to ask him about the capitalization requirements. For the City or another entity to come in, what are we really talking about from a financing perspective to be that capitalized partner? Mr. Corrado asked, for Medina Fiber's investment? Mrs. Holtzmeier said, both for Medina Fiber and ourselves. Mr. Corrado said for that you really need to run a network assessment. What they are doing for the roughly 6,000 homes in rural areas where some of the townships only have 10 homes per mile, is costing \$22 million dollars so maybe you can position that. Avon is a high density area, probably 40 homes per mile, so you could say maybe somewhere between \$15 –\$20 million. And again, once the network assessment is done the density might be high enough that the finances might show that the paths per home or per premise are within the financial model of the investors for the communities and there would be no money and if there were no money available, that does not mean that Avon could not partake in this. It just means that there would not be any type of revenue stream coming back. So that is how we have the dollar amount per home; we had an asset to leverage in addition to other pieces that we put on there. But to make it clear, you do not have to have a network in place. The network assessment brings out the financials and exactly what the cost is; it is very detailed and it breaks it right down to basically dollar per foot.

Mr. Moore asked, with the residents, how does Lit Communities decide where to start? If you start on one side of town, the other side may have to wait five years for the internet to come to them. What is the process and how did they decide where to start? Mr. Corrado said there is one very big piece when you are starting with the investors. You want to be able to have your project at the lowest expense possible. Seville owns their own poles and we had a very good relationship with the Mayor who basically said they would charge us no make-ready on the poles, they would allow us to go up and tack up our fiber and move the other carriers on our own and would only charge us \$4.00 per pole. We wanted to go from Lodi all the way over to Wadsworth, but the whole thing was about showing a good decision at the beginning of the project so the investors would keep the money flowing and one of the best ways is to minimize your cost of build. Since Seville was able to offer that and Westfield was very close and

connected with our fiber, it made sense and there was very little competition down there. So that is where we went to start with that area and there was only one carrier down there and they did not have many different packages to offer to the people in that area. So it also made sense to get to those people who did not have a lot of choices in the past.

Mr. McBride asked how long it would be from planning to serving the first customer? Mr. Corrado said that the network assessment is separate from the contracts you have in place to build the network so once the assessment is done, it depends on available fiber. There is one thing that Medina Fiber and Lit Communities does that most other residential carriers do not do; they build redundant rings. They are called "protect-mode rings" so you cannot just jump from one neighbor to the next because they are in a ring to connect them. Other carriers that have been around for years just run a cable down the street any which direction and if that cable breaks at an intersection, it takes out all those homes. But in the ring technology, if a cable breaks somewhere on that ring, the ring reroutes itself. It is the same technology we use on the large enterprise side.

Mr. Radcliffe asked, so if we were interested in learning more about what you can do for us and an assessment would take place, how does that get started? Mr. Sullivan said that, as Mr. Corrado mentioned earlier, the assessment is separate and that usually takes between 4 and 6 months. Mr. Sullivan stated that he is in charge of their community assessments so he can follow up and within a week let them know what the next steps would be. He would provide them with a walk-through of what the assessment would look like and all of the steps including the timing and any cost that would be associated with doing the actual assessment. They could then set a follow-up meeting because it is a very detailed assessment with operating costs, capital expenditures, etc. So if they are interested, the next step would be himself providing them with further information within a week.

Mr. McBride stated that with the assessment, he was assuming some of that is proprietary information on their part. Mr. Sullivan said, yes, it is built from years of experience. The backbone of it really is the financial modeling and those metrics just come from their team doing it for a very long time. Mr. McBride said that the reason he asked is because he wondered if they need an Executive Session if they come back, although there will be details that by Ohio law have to be public. Mr. Sullivan said they appreciate that; there is some proprietary information there but their deliverables really are yours and explain the details of the financial modeling.

Mr. Fischer thanked them very much and said that the Committees appreciate their coming in and making the presentation. Mr. Corrado stated to give him a call if anyone ever wants to come to Medina to see the data centers, or how things are set up physically. They can take them over to the demonstration center, and they could see the supply chain that Millenium is running for them on Rt. 13, the warehousing and how it works, etc. Mr. Corrado added, and to Mr. McBride's point, they do have an Executive Session in every Port Authority meeting that has been established by their legal counsel. That does not go around the Sunshine laws for discussion of financials and trade secrets so that is definitely within the arena of government discussing these type of numbers.

Mr. Fischer adjourned the meeting of the Finance and Legal Committees at 7:39 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council