

**Open Work Session
Discussion on Broadband
January 18, 2022**

Mr. John Psota, Acting County Executive, and Mr. John Monar, Director of IT, came before Council. Mr. Psota read the following open statement:

I wish to express and reiterate to the Council on the public effect that effectively addressing internet service to those in this County who are unserved has been and remains a top priority for the County Executive's Office. We are committed to and we will continue to explore all viable and economically feasible options. We acknowledge that this utility is critical to education, telehealth, and economic development. It is also my pleasure to inform you and the public this afternoon of the result of an "RFP" or Request for Proposal offering which requested any qualified vendor providing internet service to respond to our identified the scope of work. That scope of work dealt specifically with the ability of that vendor to deliver broadband internet access to potential rural customers in areas we identified as being unserved. The vendor selected through the established RFP procurement process would be identified as a non-legally binding partner receiving a letter of support indicating the process the County went through and our conclusion. As an executive process, a RFP to identify a partner internet service provider or "ISP" for this State grant requirement is an acceptable method to the Office of Statewide Broadband or "OSB" in determining the vendor which the County selected. A partnership with the local jurisdiction identified in a letter of support is a requirement for a vendor who is applying for this latest State broadband grant. The deadline for the ISP to submit their application to the OSB was this past Friday the 14th by close of business. This is a non-legally binding offer with no Wicomico County matching funds. No funding request is being made by the Executive to the Council for this State grant and there is no contracting for services. The application for grant funding is between the selected partner ISP and the OSB. With that I am pleased to ask John Monar, the IT Director for the County to present to you the details of the RFP, as well as an update on other broadband initiatives the Executive's Office has and is taking regarding the implementation of this emerging important utility.

Mr. Monar said he has a power point presentation prepared for the public and the Council. He reported, for the Connect Maryland FY22 Network Infrastructure Grant, the State of Maryland approved \$97.6 million in the FY22 Budget for the Department of Housing and Community Development to support the Office of Statewide Broadband ("OSB") in its efforts to assist in the expansion of broadband into unserved areas of Maryland. He explained that the funding source for this budgeted expense is the American Rescue Pan Act (ARPA).

Mr. Monar said the OSB will provide grants between 70 and 90 percent of the capital construction costs for major broadband infrastructure projects depending on the project's composition, and projects applied for are expected to serve significant areas of unserved households and businesses. He said the completed applications for grant funding between \$1 million to \$10 million were due to the OSB on January 14, 2022, this past Friday. He explained, for application eligibility, only entities legally organized as one of the following are eligible for funding: (1) A Maryland local jurisdiction, (2) Incorporated organization that is recognized as a partner by the local jurisdiction (this is highlighted on the power point slide because that is the route the County took), and (3) Any other legal entity, including a cooperative, private corporation, or limited liability company organization on a for-profit or not-for-profit bases that is recognized as a partner by the local jurisdiction.

Mr. Monar said, regarding the matching fund requirements for the wired infrastructure project required match, eight households per mile, ten percent of eligible capital construction costs is required, which is the category Wicomico County falls into. He said, for eight or more but fewer than 15 households per mile, 20 percent of eligible capital construction costs is required, and for 15 or more households per mile, 30 percent of eligible capital construction costs is required. He clarified, an exception to the match requirement may be made for applicants applying for federal funding and requesting that the federal funds be considered as a match, but only eligible federal funding may be used as a match. He said it is the applicant's responsibility to ensure that the federal funds may be used for the match for this project and the program's funding source.

Mr. Monar then went over the FY22 Network Infrastructure Grant Scoring Criteria. He said the need for service and project benefits is up to 10 points and this includes the description of the Proposed Funded Service Area (PFSA) community, which is households being serviced, needs, and the benefits to be provided to the community by the project. He said the applicant experience is up to 5 points, which are the qualifications and ability of key personnel who will construct, manage, and operate the broadband system and includes any past experiences and successes of operating a broadband system that is similar to the proposed broadband.

Mr. Monar said local jurisdiction and public participation is up to 4 points. He said, in the grant application it is important to document the local jurisdictional involvement in planning and implementation of the project. He said the application should include other evidence of local public involvement in such activities as community meetings, public forums, and surveys. He said preference will be given to applications that show support from residential, business, and local, state or federal interest shown to be within the PFSA applied for. He said any support letters provided, if any, should be from those located within the PFSA and should address specific needs and benefits the writer believes they will receive from the proposed project.

Mr. Monar said the network deliver speed is up to 10 points, and projects that propose speeds at or above the minimum network speeds as required will receive additional points. He said points will be awarded for proposed networks meeting the following criteria: At least 100 Mbps downstream by 20 Mbps upstream speed (required) – 0 points; at least 100 Mbps downstream and at least 100 Mbps upstream speed- 3 points; at least 1 Gbps downstream and greater than 100 Mbps upstream speed-5 points; greater than 1 Gbps downstream and at least 1 Gbps upstream speed – 10 points.

Mr. Monar said affordability and service limitations is up to 4 points, and projects providing equity programs such as low-cost service options will receive additional points. He said projects that do not impose data caps or other subscriber limitations, such as speed reductions based on data usage, will receive additional points. He explained, the low-cost equity programs are 2 points and no data or usage penalty based on service consumption is 2 points.

He said readiness to build, operate, and maintain the project is 2 points, which is the demonstration of the applicant's readiness to build as evidenced by the engineering and design contained within the system design portion of the application, provided construction cost estimate, secured financing, if required, other approvals secured or in the process, such as environmental, historic, FCC, etc., and a thorough and complete project schedule.

Mr. Monar said, regarding the status of the Rural Broadband Grant, over the past year Wicomico County began the process of collecting mapping data from various resources with the goal of creating a

Countywide map identifying areas that do not currently have access to wired broadband internet service, and a map of target areas totaling more than 2,100 primary structures was developed. He said the County, to the best of its ability, determined that these target areas are unserved, i.e., lacking broadband speeds capable of providing at least 25/3 Mbps level of service. Through extensive research that involved, among other things, (a) speaking with Internet Service Providers (ISPs) with and without a presence in the County, (b) analyzing existing broadband lines in the County, (c) signing a Non-Disclosure Agreement to obtain information on whether these locations were unserved, (d) reviewing various mapping data such as mobile W-Fi hotspots mapping information from the Wicomico Board of Education, Federal Communication Commission broadband mapping, County Pictometry maps, and (e) receiving input from various citizens in unserved areas.

Mr. Monar said, on October 25, 2021 the OSB released the application package for the Connect Maryland: FY22 Network Infrastructure Grant. He said Wicomico County then issued a Request for Proposal "RFP" on November 19, 2021 to form a non-legally binding partnership with an ISP in order to support their applications for grants. He said responses to the RFP were received from Bloosurf, Choptank Fiber, Mediacom, Simple Fiber, and Talkie Communications, and they were opened on December 10, 2021. He said, after evaluation, Talkie Communications was selected as the non-legally binding partner for grant applications and the County issued a letter of partnership/support on January 5, 2022. He said, in collaboration with the County, Talkie Communications submitted two grant applications to the OSB for the Connect Maryland: FY22 Network Infrastructure Grant Program for \$20 million in potential funding, and the OSB confirmed receipt of the application on Friday, January 14, 2022. He said Talkie will use the FCC's Rural Digital Opportunity Fund (RDOF) Grant they were awarded to supplement many of the fiber-optic broadband projects in Wicomico County as part of the 10 percent match required for the Connect Maryland: FY22 Network Infrastructure Grant. He said the FCC announced in December that they completed the long-form review of Talkie Communications and are ready to authorize funds for the RDOF grant. He said the potential grant funding from the OSB combined with the FCC's RDOF Grant award would allow for more than 300 miles of fiberoptic cable to be made available to more than 2,100 primary structures that are currently unserved in Wicomico County.

Mr. Monar said the Maryland Broadband Cooperative received State funding for the buildout of middle-mile fiberoptic to the Deer Creek neighborhood on the east side of the County. He said Talkie Communications will be constructing this middle-mile fiberoptic and making broadband internet service available to the residents along Morris Road from Route 50 on the way to the Deer Creek neighborhood and its residents. He said Choptank Fiber, utilizing MdBC's middle-mile fiberoptic, is now providing service to The Plantations and Webster Estate neighborhoods on the west side of the County, and Bay Country Communications is finalizing the fiberoptic broadband internet project in and around the Salisbury Airport, which includes the Airport Business Park. He said Comcast recently completed broadband internet expansion to the businesses in the Westwood Commerce Park, and SpaceX's Starlink low orbit satellite service continues to be an option for rural broadband as there are County residents and businesses using this service with very good results. He said some residents who have signed up for the Starlink service are placed on a waiting list, which is partially due to the worldwide chip shortage, but this is expected to improve in mid-2022.

Mr. Monar then displayed on the screen a map showing the Broadband Target Areas in Wicomico County and said the map shows ten target areas that are unserved that Talkie Communications has listed in their applications to the Office of Statewide Broadband for \$20 million dollars in potential funding. He said this includes Cross Road, Athol Road, Royal Oak Road, Whitehaven, Allen, Whiton, Mt. Pleasant, Powellville/Mt. Hermon Rd., North Pittsville, and South Fruitland.

Mr. Monar then showed a matrix of the RFP responses for each respondent that includes the number of proposed premises covered, the proposed project costs/grant funding, estimated cost per premise, percentage of taxpayer funding requested to cover the 10 percent match requirement of the grant, entry level residential monthly fee, entry level package speed and basic consumer install fee, which is a one-time fee that a customer signed up for the service would pay to get hooked up.

Mr. Monar said the \$20 million for Talkie Communications was broken out in two \$10 million dollar grant applications for funding. He said, for the entry level residential monthly fee many ISPs participate in the Affordable Connectivity Program which will subsidize up to \$30 per household if qualified by the FCC, and the State of Maryland is also matching an additional \$15 if they qualify.

Mr. McCain said Mr. Monar pointed out that Talkie Communications submitted the application for \$20 million dollars, but the proposed project cost is \$23.25 million. He then asked who is responsible for the \$3.25 million gap, to which Mr. Monar responded, the responsible party would be Talkie Communications and would have to fund the gap of \$3.25 million.

Mr. Psota said Talkie Communications is allowed to use the RDOF grant award to offset that cost, to which Mr. Monar responded, they are going for \$20 million, two \$10 million dollars applications, so they still have \$3.25 million to cover plus 10 percent of \$20 million dollars, which is \$2 million. He said Talkie Communications was awarded RDOF funding by the FCC, which he believes \$1.6 million they are using as part of the match requirement, which is allowable in this grant.

Mr. McCain asked if there is a funding requirement from the County, to which Mr. Monar responded, there is no funding requirement from the County. Mr. Psota then clarified with Mr. Monar that the County put in the RFP that there would be no grant funding from the County, to which Mr. Monar responded, the County would not be providing any matching funding as that is the responsibility of the ISP submitting the proposal, and eventually the application to the State.

Mr. Davis asked, if the County is not giving them any money and there are other broadband companies already operating in the County, why does the County need to go through Talkie Communications, and why did the County enter into an agreement with them if the companies can come in and put broadband in, to which Mr. Monar responded, anybody can come and put in broadband in the County if they want to pay for all of it themselves. Mr. Davis then asked if that is what the other companies are doing and if they are getting their money from the same place, to which Mr. Monar responded, he does not know where they are getting their money from. He said they are either funding it themselves or some of them are using Maryland Broadband Cooperative's backbones, but right now he is not aware of any grant money that other ISPs are using to install broadband in the County. Mr. Davis asked, if those companies do not need the County's permission to operate broadband, why did Talkie Communications, to which Mr. Monar responded, those companies do not need the County's permission. Mr. Davis then asked why the County is making an agreement with them, to which Mr. Psota responded, it is not an agreement, it is a letter of support that is non-legally binding. He clarified, it is just a requirement that the State grant requires as part of the application process, which is still ongoing. He explained, the procurement process is still ongoing, and the letter of support happens to be part of it. He said the ISPs that are applying for the State grant money have to comply with the process.

Mr. Monar said he has it highlighted on the power point slide that an incorporated organization is recognized as a partner by the local jurisdiction. He explained, Talkie Communications, through the RFP,

has been selected as the partner by Wicomico County to be the applicant to the State for this particular grant. Mr. Psota said this is where they are finding the free market system, as they have always had the ability to provide service to those who are unserved; however, it just has not been economically feasible to do so until now with these grants to help offset the cost.

Mr. McCain asked if the unserved areas have access to the Maryland Broadband backbone, to which Mr. Monar responded, in some cases, yes, Maryland Broadband Cooperative has middle-mile backbone that is reaching out close to those areas to a point, and those backbones will certainly be utilized in getting broadband service to rural areas.

Mr. Cannon said the County is not going to be talking about broadband unless they talk about some kind of funding. He then asked how much funding they are talking about that will be coming to Wicomico County for the benefit of the constituents based on what is in the RFP that Talkie Communications is saying they are going to commit to? He said there is some kind of cash reserves that Talkie Communication will have to prove. He then asked what numbers they are talking about as far as what will be coming to Wicomico County either through Talkie Communications or the federal government, to which Mr. Monar responded, the overall project that Talkie Communications proposed is \$23.25 million dollars, so if the State provides funding on the two \$10 million dollar applications, that would be \$20 million dollars from the State plus the difference from Talkie Communications and the ADOF funding from the federal government. He clarified, all of the grant funding is from the federal government, and the State infrastructure grant is funded by ARPA, so it is federal money going to the State, who put the grant together and is accepting applications.

Mr. Cannon said the maximum grant is \$10 million per application. He then asked if the County is receiving the maximum, to which Mr. Monar responded, they do not know yet as the process is going on now. He clarified, the grant application is between the State and Talkie Communications, and the State will go through its competitive review process, and then at some point they will announce funding awards. Mr. Psota said he knows it gets confusing, but if they look at the chart it clarifies that they put out an RFP with a map of nine areas, and they subsequently added a tenth area. He said they came up with the ten unserved areas using FCC information, Board of Education information, in-house data collection, Maryland Broadband, as well as ISPs that provided where their trunk lines are located. He said, based on this research they identified 2,200 properties in Wicomico County and then asked the ISPs how they can best address these 2,200 houses, and this chart shows the responses. He said they had five ISPs respond, and one said they can take care of 132 houses, one said they can take care of 190, another said they can take care of 367, one said 487 houses, and Talkie Communications said 2,120 houses. He said this is a good snapshot as to the results they got with the costs associated with it.

Mr. Cannon asked how they explain the huge difference between four of the five ISPs saying they are going to make a minimal commitment of a few million when Talkie Communications is saying they are going to do \$23 million? He further asked how that happens, and what is it that Talkie Communications can bring to the table with \$20 million and the four other ISPs said they can only do \$5 million, and why is there such a difference? Mr. Monar responded, the County asked for coverage of over 2,100 primary locations, and Talkie Communications' response was we can meet that. Mr. Cannon asked if he is saying the four ISPs are saying they can do it with only \$2 to \$5 million, and Talkie Communications said they need \$20 million, to which Mr. Psota responded, no. He clarified, the County put out an RFP saying they want 2,200 houses served, and the majority of them said this is what they can do. Mr. Monar said the ISPs' responses are what they are willing to do. He clarified, maybe they could do more, he does not

know, but that is what they are willing to do. Mr. Psota said it is what they can do economically, feasibility wise.

Mr. Cannon asked, how can there be such a disparity between one ISP and four other major ISPs, to which Mr. Monar responded, that is a good question, but when they look at Talkie Communications they also have to take into consideration their RDOF grant funding they received. He explained, they went through a long formal review process with the FCC that was very in-depth, and the FCC looked at everything and said they are good to go. He said it is a significant amount money, it is a lot more than \$23.5 million to do buildouts and not just in the State of Maryland, but in Delaware, but he thinks they felt they could do the project. Mr. Psota said, taking into account the estimated costs per premise they see those in thousands. He said, looking at the economic model without any kind of grant money, that is the kind of money that an individual ISP is looking at per residence to eventually make back once they provide service to that location. He said that is why they have so many unserved areas in the rural areas as it just has not been economically feasible in the past for ISPs to address.

Mr. Cannon said, with the RDOF funding, no other ISP in the State of Maryland can compete with Talkie Communications, to which Mr. Monar responded, he would not say that, as there are other projects going on in the County and there are other ISPs continuing to build. He said the RDOF funding that Talkie Communications won in a reserve auction helps them supplement buildouts across the State. He clarified, it does not cover all the costs, it just supplements a percentage of it, but he does not know the exact percentage.

Mr. Hastings said this is all complicated. He said Talkie Communications can provide the service because they won the RDOF funding from the auction. He then asked why the County would not work with other ISPs. He said the County picked one ISP in this process, and some of the other Counties have provided letters of support to support the work that other ISPs were doing. He then asked how they can compete when they have already gotten this money, and, second, can they compete? He said he saw an article that was put out for Worcester County that said they contracted with Talkie, but then they came back and said they cannot actually afford it. He said he only mentions it because a couple of years ago at a Tri-County Council meeting it was asked who Talkie Communications is and if they really have the ability to get things done. He then asked if Talkie Communications has done any projects in Wicomico County, or is this the first time, to which Mr. Monar responded, so far they do not have any projects in Wicomico County, but the first one will be the Deer Creek buildout on the east side of the County, but they do have buildouts in Worcester County, Kent County, and Queen Anne's County. Mr. Hastings asked, how many houses do they have with the RDOF funding, to which Mr. Monar responded, he does not know the exact numbers in Wicomico County. Mr. Psota said, in his conversations with Mr. Monar, quite a few of those areas identified had already been identified by Talkie Communications in the original RDOF grant. He added, this particular grant speeds up the process of the original RDOF grant with a six-year buildout as this particular grant is a three-year buildout.

Mr. Psota said, to Mr. Hastings' point, he saw the article and if there are overruns, which there are always naturally overruns in projects, all the more reason for there not to be County matching funds because the responsibility for those overruns then would be on behalf of the ISP. Mr. Monar said he agrees that Talkie Communications has somewhat of an advantage having those RDOF funds available to use as a match for this particular grant, and it is his understanding that once they are used for a particular grant, they cannot be used for another grant, so they have to pick where they want to use them and be strategic in that selection. He said, as far as costs, Mr. Hastings mentioned the article, which he read, and he thinks anybody in the fiberoptic or ISP business knows that certainly in the last

year to two there have been increases in everything - material, labor, etc., has all increased, so he does not think that is new information in the field as that is common knowledge. Mr. Hastings said 30 percent is significant, to which Mr. Monar responded, yes, but he sees that in his Department. He explained, some items they purchase regularly are twice as expensive as a year ago, so he would anticipate when budgeting for something two years ago or even a year ago, the numbers are definitely going to increase.

Mrs. Acle thanked Mr. Monar for putting together the presentation and said it is a very nice graphic organizer. She said she was looking at the map and noticed that the Waterview-Nanticoke area is not prioritized. She then asked if this is part of the FCC, as they have found other pockets that the FCC has said are not priority areas, but they are here, to which Mr. Monar responded, looking at the map, there are some darker green shaded areas, which are the RDOF areas, so they are areas that will eventually be buildout by Talkie Communications. He said Comcast is in that area, and since they knew that Maryland Broadband is currently building middle-mile fiber all the way down into that area, it is not a huge priority. He said, with this particular grant, they also had to look at areas that did not have anything, no middle-mile or anything. He said they also considered the mapping information they received from the Board of Education on where they handed out Wi-Fi hot spots to students and teachers and, if he recalls correctly, he does not remember that being an area that was handed out a lot, and some of these other areas were more significant.

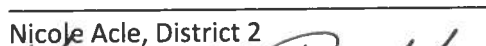
Mrs. Acle said the reason she mentions that area is because there is no cell reception in that area, so the hotspots did not work, to which Mr. Monar responded, he thinks the predominant cell coverage in that area is AT&T, and he does not know what carrier was handed out. He said AT&T hotspots would work better than Verizon all the way down in that area, but that is the reason. He said some of those areas might be shaded green already, so they are probably a RDOF funding area and they may be on the six-year timeline with the RDOF grant funding. Mrs. Acle said the cell tower issue in that area and possibly getting one out there is a different conversation separate from broadband.

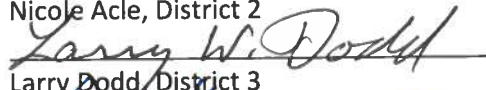
There was no further discussion.


John T. Cannon, President, At-Large


Ernest F. Davis, Vice President, District 1

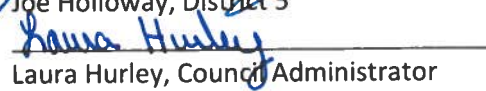

William R. McCain, At-Large


Nicole Acle, District 2


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Josh Hastings, District 4


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Laura Hurley, Council Administrator