

ORIGINAL EMAIL:

*Hi Jeff,*

*Whenever I want to understand a business or potential business expansion/new service line/etc...there are 5 questions that I feel need to be asked in order to gain a holistic overview of the model and to assist in determining further investment. Many times, the answers and evidence can be provided on a single page. The questions start big (#1), drill down and end with some future state #5 (begin with the end in mind).*

*I hope that you and the staff find these helpful. For me, the framework is simple and provides great utility.*

- 1. What problem am I trying to solve? (with the business, expansion, service line- whatever the request is)*
- 2. How is it going to be better than what is currently available?*
- 3. How many winners does it create? (can be defined as new users, beneficiaries, etc.)*
- 4. What is the cost of "winning"? (financially and otherwise)*
- 5. When will we know when we've won (or been successful) or lost (not successful)? (explicit-in time, users, profitability, etc.)*
- 6. What are we going to do about it when we learn the answer to #5? (basically, what are the options and what are willing to plan to do based on the unfolding future data points)*

*Sorry, looks like I have six.*

*Thanks,*

*Beth*

Responses to Beth's questions from the 6/09/2020 council meeting.

a: responses are geared towards the business as a whole

b: responses are geared towards the growth of Velocity

1. What problem am I trying to solve? (with the business, expansion, service line- whatever the request is)
  - a. At the direction of City Council, the problem Velocity Broadband and the underlying fiber infrastructure project is solving would be providing the business community with access to reliable and expandable internet connectivity which is needed to retain and attract economic value. When separated, the fiber infrastructure project of Velocity Broadband is solving the problem of limited investment by the incumbent providers to the business community with fiber-based connectivity. The business aspect of Velocity Broadband is solving the problem of limited competition in the community for high speed internet and voice services that enable businesses to have two or more fiber-based sources.

- b. The expansion of VBB into the home market is an extension of the original problem Velocity broadband is solving and this expansion is providing the residents and their home businesses with reliable fiber internet on a pure demand expansion basis.
2. How is it going to be better than what is currently available?
  - a. This infrastructure and the associated business component are better than what is currently available due to the technical capability of the infrastructure (fiber), the local control and management of the business, the quality customer service provided by the City, and the ability for both units to quickly adapt to the localized changes that can dramatically impact the Hudson community. This improvement is demonstrated by the numerous positive responses and testimonials about Velocity along with the continued increase in sales and economic growth in the Hudson community.
  - b. Same as above. As shown by the retention rate of the customers.
3. How many winners does it create? (can be defined as new users, beneficiaries, etc)
  - a. The winners of the Velocity project would be the entire Hudson community. Velocity was developed under the direction of Council to retain and attract new business to the community which in-turn generates new stable tax revenues and help avoid future tax increases. Those tax revenues can then be used by Council to improve community wide infrastructure such as roads, storm water, and trails as well as support our safety forces. The economic foundation of the community also succeeds by having the improved infrastructure that businesses need to remain competitive. Hudson City School District and Hudson Library are also winners as they financially benefit from business growth and improved property valuations, the base of which has been strengthened by Velocity. The School District also receives a share of the income tax revenue generated by businesses.
  - b. The winners of the expansion of Velocity fiber will be both the end users and the community. Velocity expansion enables more residents to tap into the service, provides an additional resource for home business to access reliable connectivity, provides the framework for improved City services (railroad camera/adaptive traffic signals/public Wi-Fi), and reduces City operational costs.
4. What is the cost of “winning”? (financially and otherwise)
  - a. A portion of the start-up costs were paid by the General Fund (approximately \$257,000). Since being established as an Enterprise Fund in 2019, Velocity has been self-supporting and is projected to continue to do. The General Fund also loaned Velocity \$3,850,000 for the capital buildout. Once the Velocity bonds are sold, the General Fund loan will be repaid and Velocity will repay the bonds with service revenue thereby eliminating the reliance on the General Fund. The additional cost of “winning” is the community not experiencing reduced economic revenues and the impact those revenues have on all city-wide projects.

- b. The financial cost for “winning” is covering the construction investment of each “win” for up to a 3-year period as it is paid off from service revenues. Other costs would include the current community support as growth is limited.
  
- 5. When will we know when we’ve won (or been successful) or lost (not successful)? (explicit-in time, users, profitability, etc.)
  - a. Based on Council direction, we will know we have been successful when economic growth has been fully satisfied and new requests for the services provided are nonexistent. We will also know we won when we generate enough income from Velocity to pay the cost of operations as well as the annual debt service. We will know we have not been successful if no new economic growth occurs, service requests are non-existent, and current customer revenue recedes.
  - b. We know we’ve won as our customers praise and request the service and we will have lost when customers no longer ask for the service and move to a different solution.
  
- 6. What are we going to do about it when we learn the answer to #5? (basically, what are the options and what are willing to plan to do based on the unfolding future data points)
  - a. Based on the statement in #5, Velocity is doing what it should and continuing to service the requests of the entire Hudson businesses community while working with Council to ensure an effective direction. This is demonstrated by the increases in General Fund revenues and VBB Fund revenues the City of Hudson has experienced since the development of Velocity. The options that we work with and intend to leave open would be the ability for other providers to access and use the VBB infrastructure, enabling VBB to strategically grow and continue to increase its revenues, develop new opportunities and services to better provide to the whole community.
  - b. Same as above