

Ohio Taxpayers Report

A publication of the Ohio Taxpayers Association & OTA Foundation

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Medina County Fiber Network Will Harm Taxpayers

By Scott A. Pullins, Esq., Chairman

Columbus, Ohio - Recently, a number of friends and supporters of the Ohio Taxpayers Association (OTA) have asked us to become involved in an issue in Medina County known as the **Medina County Fiber Network**. We are happy to do so. In fact, the OTA has a long history of opposition to efforts by public officials to use scarce taxpayer dollars to support the building and operation of broadband networks.

In 2005, the firm Balhoff & Rowe, LLC published a comprehensive, 211 page report entitled *Municipal Broadband: Digging Beneath the Surface*. Following are some important conclusions from the report that I would urge you to consider:

- ***The Financial Performance of Municipal Fiber Operations Has Generally Been Poor.***

Over the last decade, municipal communications operations have posted a financial record that was, at best inconclusive, and most often disappointing. While some communities highlight positive social accomplishments, the financial performance has fall short in terms of penetration, revenues, net profitability and return on investment. In some or many instances, the projected "policy" goals have been supplanted by new policy problems in terms of cross-subsidizations and increased utility rates.

- ***Financial Analysis of Municipal Fiber Models Leads to the Conclusion that Virtually All the Government-Owned Networks to Date Have a Negative Net Present Value.***

The municipal broadband fiber model, using even favorable projections, appears likely to result in significant negative net present value, and those conclusions are verified by historical performance data. The shortfall occurs significantly because municipalities lack the scale enjoyed by larger private-sector operations that are capable of leveraging costly infrastructure and back office operations.

The OTA has respectfully requested that the Medina County Commissioners place this issue on the countywide ballot for voters to decide, as state law requires. As you may know, Ohio Revised Code Section 4582.06(A)(3) requires that bonds or notes guaranteed by taxpayers "...only may be issued pursuant to a vote of the electors residing within the territory of the port authority."

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Additionally, Ohio Revised Code Section 4582.06(1) states that a port authority shall not charge "...less than the charges established for the same services furnished by a public utility or common carrier in the jurisdiction of the particular port authority." This would seem to preclude the central assumptions of the authority's draft business plan.

Unfortunately, it appears that the Medina County Commissioners plan to move forward with this project without a vote of the people, in violation of Ohio law. It is our intention, then, to litigate this matter on behalf of local taxpayers. We would do so in one or more of the following ways:

- We may file an original action in mandamus in the Ohio Supreme Court which would ask for an order requiring the Medina County Commissioners to place this issue on the countywide ballot.
- We may file for an injunction in state and/or federal court to prevent this project from going forward.
- We may bring a taxpayer's suit to prevent the illegal expenditure of funds on this project.
- We may bring a variety of other actions in addition to or in place of the actions stated above.

It is certainly our hope that we will not be forced to take these actions. However, that decision is now in the hands of the Medina County Commissioners. For more information on this issue, please visit www.medinafibernetwork.com.

*The Ohio Taxpayers Report is a column written by the **Ohio Taxpayers Association & OTA Foundation** on important Ohio issues. It is published as needed and distributed to Ohio newspapers and opinion leaders as a public service. The **Ohio Taxpayers Association** is a nonprofit, nonpartisan organization that works to limit Ohio taxes, government spending, regulations, and promote principles of limited government. The **Ohio Taxpayers Association Foundation** is the research and public education arm of the **Ohio Taxpayers Association**. Visit us on the web at www.ohiotaxpayers.com. For a picture of Scott A. Pullins, please email scottpullins@ohiotaxpayers.com*