County broadband contract up for final reading

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WALHALLA — A measure that would turn over management of Oconee's 250-plus-mile broadband network to a local company in hopes of recouping about $6 million in losses will come before county council for third and final reading tonight.

A public hearing on the ordinance, which would approve the award of the contract to OneTone Telecom of Seneca and execute a network master agreement between the county and company, will also be held at the 6 p.m. meeting.

In exchange for the lease of network assets and other considerations, OneTone will pay Oconee lease fees for a 20-year period, totaling $6.3 million and beginning with an initial down payment of $200,000 on Sept. 1.

After the initial down payment, the next payment wouldn't be due until the fourth year of the agreement, at which point OneTone would make the first of six annual payments of $316,000 over years four to nine.

The largest payment would be $4.1 million due in the 10th year, which would bring the cumulative total at that point to $6.2 million put back in the county's coffers.

OneTone would then pay $10,000 annually in lease fees over the next decade before finishing the deal with a $1 final payment in 2035.

Asked why the lease fee schedule was structured as such — with no payment due until the

SEE **CONTRACT,** PAGE **A5**

FROM PAGE A1

fourth year after the initial down payment and a single payment of more than $4 million due in year 10, as opposed to flat $315,000 annual payments — county administrator Scott Moulder declined to respond "because (the questions) are too intimate with the proprietary matters of the contract."

OneTone Telecom president Scott Loggins also declined to comment.

"I think that until the contract is finalized I will respectfully defer any comments to Mr. Moulder and (council chairman Paul) Cain," Loggins said in an email.

Cain did not respond to a message seeking comment.

A five-year total of the Fiber Optics Creating Unified Solutions project's financials compiled through audits and obtained by The Journal in April showed a shortfall of about $900,000 on top of the nearly $5 million the project has been advanced from the county's general fund budget.

The total net loss for the history of the project is $5,863,456.

The total asset expense — i.e. the total cost of the project — reached almost $14.7 million. Grant funds covered about $9.75 million, meaning the county shelled out a more than $4.9 million investment to fund the network.

The broadband project's most successful year in terms of operating expenses versus operating revenue came in fiscal year 2013, when it generated just more than $900,000 in revenue.

But while the project turned a profit in terms of operations that year, the county still laid out more than $1.2 million more in asset expense — investment made into the actual project — than it received in grant funds, thus the project still operated at a total net loss of $354,396. That still marks its best year to date financially.

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