Oconee County Council advances $6.3M broadband deal

BY STEVEN BRADLEY
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WALHALLA — A contract to cede management of Oconee's broadband network to a local telecommunications company would allow the county to recoup more than $6 million within the first decade of the deal.

County council unanimously passed second reading of an ordinance Tuesday to turn over control of its Fiber Optics Creating Unified Solutions broadband project to OneTone Telecom of Seneca.

In exchange for the lease of network assets and other considerations, OneTone will pay Oconee lease fees for 19 years, totaling $6.3 million over the term, beginning with an initial down payment of $200,000 on Sept. 1.

Tuesday's reading was the first where a copy of the contract had been available, as first reading passed last month in title only.

Dubbed a "Network Master Agreement," the ordinance calls for the county to transfer "overall network management obligations and benefits" to OneTone. As part of the transfer, Oconee would lease network assets to OneTone in exchange for a lease fee.

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.

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.

A five-year total of the FOCUS project's financials compiled by The Journal in April revealed an additional shortfall of more than $900,000, on top of nearly $5 million it has been advanced from the county's general fund budget, bringing the total net loss for the history of the project to $5,863,456.

The project's biggest shortfall came in fiscal year 2012, when the majority of the investment into building out the project came — about $9.5 million, which was offset by $6.5 million in grant funding for a total loss of about $3 million.

BROADBAND: Third and final reading scheduled for Aug. 16

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But even once the build out was done, the project continued to lose money; it has operated at a total net loss of more than $1 million each of the last two years.

The Network Master Agreement provides for OneTone to provide broadband to the School District of Oconee County and all county government locations, including fire stations — more than 100 total locations — for a fee of $75 per month, per location.

The contract also requires that "to facilitate the development of last-mile services in the county and surrounding areas," OneTone must make capital investments for network infrastructure expansion totaling no less than $1 million over the first three years of the deal.

The scope of the services offered by OneTone, as required by the contract, are direct fiber services, wireless services, voice services, rack space, redundant connections and email services.

The deal also states OneTone will execute a strategic sales and marketing plan with a local sales force as described in its request For proposals response.

"In particular, a local sales team will focus directly on last-mile fiber construction and services, targeting neighborhoods and business clusters located close to existing and newly constructed fiber routes," the contract reads.

Upon the effective date, the county will assign its existing customer agreements to OneTone, and OneTone will assume all such agreements, including payment terms, for the duration of their contracts or until those customers elect to enter into different contracts with OneTone.

Except for "force majeure" events, if OneTone fails to perform its obligations under the terms of the agreement, the county would inform OneTone of its default in writing, after which OneTone will have 60 days to affect a cure.

The county may agree to extend the time for OneTone to cure for a reasonable period of time, provided that OneTone acts diligently to affect a cure and such period does not exceed 90 days.

Following the "cure period," or upon notification of OneTone's insolvency or filing of a petition for bankruptcy, the county may terminate the agreement, "pursue any remedy available to it under law or equity" and have the right to reclaim possession of the network.

One county resident, Bob Graves, who said he is the president of the Hidden Harbor Homeowners Association, spoke at public comment and said his neighborhood was in a "dead zone without service."

Graves said he was appreciative that the council was taking the matter of delivering broadband service to rural communities seriously.

He said a recent survey of the Mountain Lakes Community Association membership revealed about 40 percent of the lot owners said that they did not have broadband service, and he himself had struggled with getting private telecommunications companies to provide solutions.

"OneTone was the only internet service provider that expressed any interest, gave us some hope, and so I'm here to thank you for that," he said.

Council will hold a public hearing ahead of third and final reading of the ordinance at its 6 p.m. meeting Aug. 16.

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