



# CITY OF JOHN DAY

mayor  
Ron Lundbom

city manager  
Nicholas Green

secretary  
Chantal DesJardin

council  
Shannon Adair  
Gregg Haberly  
Dave Holland  
Steve Schuette  
Elliot Sky  
Paul Smith

House Committee on Revenue  
Oregon State Capitol  
900 Court Se. NE  
Salem, OR 97301

## **RE: Support for HB 4079 – Rural Telecommunications Investment Act**

Dear Chair Nathanson and Members of the House Revenue Committee,

The City of John Day strongly supports HB 4079 which would expand the Oregon Universal Service Fund (OUSF) to include cell phone users in the fee pool. This will generate additional funds needed to establish a sustainably funded broadband grant program within the newly established Broadband Office. The OUSF was established in 1999 and has never included cell phone users. In 2020, cell phones far and away dominate the telecommunications service but unlike landlines, have not been required to share in the fiscal responsibility for infrastructure that ultimately benefits their industry.

Currently, there is a very real and widening digital divide in Oregon. Communities, primarily in rural areas, are without broadband access. As technology rapidly progresses, they are at risk at being continually left behind. The passage of HB 4079 will:

- Help communities leverage federal funds. Some federal programs require up to a 10% state match to access federal dollars. The Broadband Fund will be one potential source for that match. Additionally, some federal programs, like USDA Reconnect, require that a community have a broadband strategic plan in place to qualify for federal dollars. The Broadband Fund will provide grants for communities to develop broadband strategic plans.
- Prioritize schools and libraries that serve as anchor institutions and bring connectivity to a community. Once broadband has been brought to a place, it is easier to build upon the network.
- Allows school children growing up in smaller rural communities to have the same opportunity in school as those in larger urban areas.
- Create a critical piece of infrastructure for Oregon's small businesses who are becoming more dependent on technology to be competitive.
- Provide a critical healthcare link for people and families who are not close to health services.

The City of John Day has aggressively pursued funding for local broadband initiatives since receiving a state appropriation of \$1.836M in 2017 HB 5006. We were able to use that funding to create the Grant County Digital Network



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Coalition, an intergovernmental agency organized under ORS 190.010. We then structured a public private partnership with Oregon Telephone Corporation and successfully competed for \$6 million in federal funding through the 2019 USDA ReConnect Program, allowing us to create over 80 miles of fiber to connect the unserved frontier communities in our area (Enclosure 1).

This was a key win for Oregon that will expand broadband access to both Grant and Wheeler counties, two of the most socioeconomically disadvantaged regions in the state. However, it required significant planning and preparation and followed two unsuccessful applications to the USDA Community Connect Grant. The City has spent over \$335,000 since FY18 in network planning, grant writing and administration to position itself to win at the federal level. These are highly competitive programs that require detailed engineering, cost estimation and planning to succeed.

State funding as proposed in HB 4079 is essential to ensure the success of these types of partnerships and to maximize the ability of our rural cities and counties to compete for federal broadband funding. Without state assistance, we lack the resources and staff capacity to compete at the national level, causing our rural cities and counties to fall farther and farther behind.

Broadband is a vital component for economic development, education and health. Please help close the digital divide and support HB 4079.

Sincerely,

Nicholas Green  
City Manager

Enclosure(s)



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December 5, 2019

Kate Nass  
Deputy Chief Financial Officer  
Department of Administrative Services  
155 Cottage St NE U10  
Salem, OR 97301-3965

**RE: Annual Progress Report for 2017 HB5006 – City of John Day Broadband Funding**

**EXECUTIVE SUMMARY**

The City of John Day received \$1,836,000 from the Department of Administrative Services awarded through 2017 House Bill 5006. This grant was to expand fiber optic internet access within Grant County, specifically to extend a fiber optic line along US 395 from US 20 to John Day.

This report provides the annual summary of grant expenditures for FY18 and FY19 and recaps expenditures and progress made since the grant was awarded.

**NARRATIVE REPORT**

Grant funds were deposited in the City’s account on December 20, 2017. The City immediately began planning for the proposed broadband route by:

- Establishing the Grant County Digital Network Coalition (“Grant County Digital”);
- Creating professional services agreements with consulting firms to help plan the broadband expansion;
- Establishing partnership and joint-use license agreements with local utility service providers to facilitate the network expansion;
- Identifying federal funding opportunities to assist with the design and construction of the network; and
- Beginning construction of the John Day point of presence (PoP)/co-location facility and outside plant to facilitate local fiber optic distribution for use by Grant County Digital.

Grant County Digital (<https://www.grantcountydigital.org/>) was created on April 10, 2018. Grant County Digital is an intergovernmental agency organized under Oregon Revised Statute 190.010 and operated by the city of John Day (the “City”) as its lead agency, in conjunction with the city of Seneca and the Grant County Court as members. The Oregon Secretary of State certified the agency on May 16,

2018 (file number AG2018-0003). Grant County Digital is operated by a five-member board of directors, consisting of one member appointed by each of the three agencies that are party to the agreement, plus two at-large members appointed by the standing members. The board appointed John Day City Manager Nick Green as its Executive Director on August 21, 2018. The board formally adopted its bylaws through Resolution No. 2019-01 on November 19, 2019.

The City established professional service agreements with four firms to assist in the development of the fiber optic network. These firms assisted Grant County Digital in planning the network expansion, grant writing, and negotiations with local internet service providers. They are:

- Commstructure Consulting, a technical consulting services company based in Oregon City, Oregon, specializing in communications outside plant (OSP) infrastructure design and project management;
- CTC Technology & Energy, a woman-owned consulting firm based in Kensington, Maryland, that provides network strategic planning, broadband financial analysis, and business planning;
- Fiber Channels Inc., a Colorado corporation specializing in fiber optic pricing and acquisitions;
- Cohen Law Group, a law firm based in Pittsburg, Pennsylvania that specializes in cable, telecom and wireless industries.

The City executed non-disclosure agreements (“NDAs”) with CenturyLink and Oregon Telephone Corporation (OTC) on February 1, 2018. The purpose of these NDAs was to allow the City to negotiate with these internet service providers on behalf of Grant County Digital in order to secure joint use agreements and/or license agreements to jointly invest in new broadband infrastructure. Both companies own and operate broadband networks in Grant County. Negotiations with CenturyLink were initially productive but ultimately proved unsuccessful. OTC committed to a Memorandum of Understanding (“MOU”) to jointly invest in infrastructure and services and partnered with the City on three federal grant applications. The City also signed a license agreement with the Oregon Trail Electric Consumers Cooperative (OTECC) on August 30, 2018 to allow the City, doing business as Grant County Digital, to use OTECC’s power poles needed to complete the network.

The City, acting for Grant County Digital, applied for three federal grants to aid in the network expansion. In FY18, the City applied for a USDA Community Connect grant, which was not awarded. In FY19, the City re-applied for the USDA Community Connect grant. The City also partnered with OTC to apply for the USDA ReConnect Pilot program, a new grant program introduced in 2019 to facilitate rural broadband expansion in underserved areas.

Grant County Digital completed the construction and installation of a PoP in John Day that will serve as a co-location facility to connect local internet service providers to the Grant County Digital network, and vice versa. The agency also constructed two fiber optic segments in 2019 to connect public facilities to the network, one from the PoP to Grant Union High School, and a second from the PoP to the John Day City Hall and Police Department. The service provider for these segments is the Grant Education Service District (“ESD”). ESD will service the public agencies on Grant County Digital’s network.

## **FINANCIAL REPORT**

Grant funds from 2017 HB5006 were used for administration, materials and services and capital outlay related to creating Grant County Digital and building the network (Table 1).

Table 1. Summary of Program Expenditures

Expenditure Category	Amount (\$)	Percent of Grant	Purpose
Capital Outlay (FY18)	0	-	
Materials and Services (FY18)	77,067	4%	Network planning, grant writing
Personnel Services (FY18)	16,549	1%	Grant administration, management
<b>FY18 Total</b>	<b>93,616</b>		
Capital Outlay (FY19)	165,264	9%	Network construction
Materials and Services (FY19)	31,958	2%	Network planning, grant writing
Personnel Services (FY19)	44,603	2%	Grant administration, management
<b>FY19 Total</b>	<b>241,825</b>		
<i>Total Expenditures</i>	<i>335,441,35</i>	<i>18%</i>	

In FY18, five percent of grant funds were expended for administration, grant writing and network planning. In FY19, an addition 13 percent of grant funds were expended. The IT Fund earned \$19,284 in interest in FY18 and \$43,111 in interest in FY20. Interest earned was on grant funds invested in the City’s money market account with the local government investment pool and accrues to the City’s IT fund, which is used exclusively for the management of Grant County Digital. As a result of interest earned, at the conclusion of FY19 the IT Fund balance was \$1,562,954, with 85% of grant funds remaining for completion of the project. A detailed expenditure report is also enclosed (Table 2).

Table 2. Detailed Expenditures for FY18 and FY19

Expenditure Category (FY18)	Amount (\$)
Administration	16,549.34
Legal	11,032.50
Commstructure	34,299.10
CTC Technology	14,967.50
Other Engineering	1,481.87
Fiber Channels	14,700.00
Misc.	586.04
<b>FY18 Total</b>	<b>93,616.35</b>
Expenditure Category	Amount
Administration	44,603.00
Legal	8,055.00
Commstructure	87,010.80
CTC Technology	38,107.50
Blue Mountain Telecom	44,924.28
Misc. (servers, website, branding, meetings, attachment fees, etc.)	19,124.42
<b>FY19 Total</b>	<b>241,825.00</b>

## **PROGRAM HIGHLIGHTS**

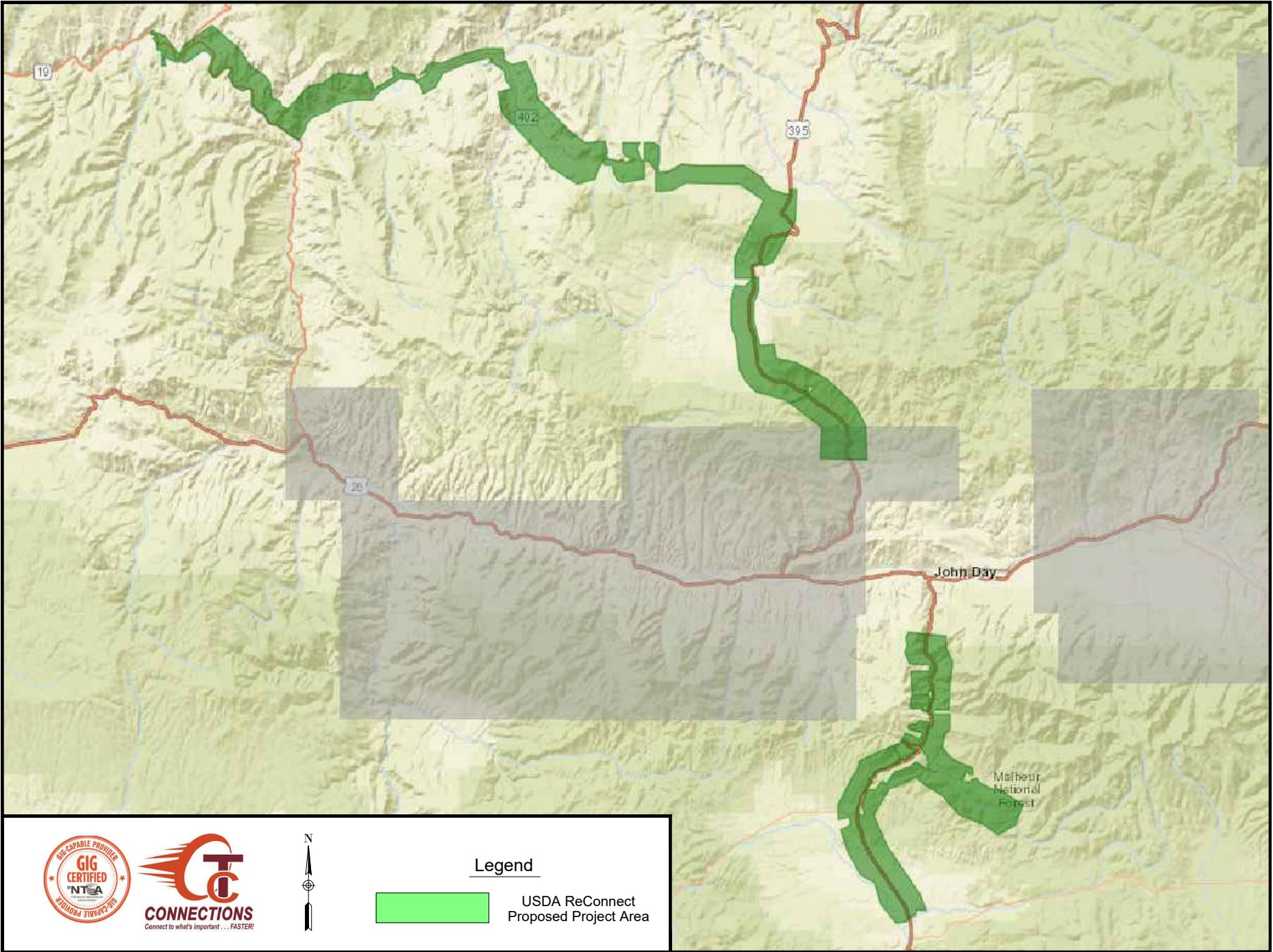
On December 3, 2019 the USDA announced the award of \$6 million in grant funding to OTC to help build the network. The USDA ReConnect grant will build approximately 80-miles of fiber optic infrastructure to service rural communities in Grant and Wheeler counties (see Press Releases, enclosed). The City committed up to \$1 million from its state broadband grant as matching funds on this project, in exchange for a license agreement for a portion of the network for public agency use.

The proposed network will extend broadband from Seneca to John Day in southern Grant County, and from the Mt. Vernon area north and west to Long Creek, Monument, Kimberly and Spray in northwest Grant County and Wheeler County. The network will be capable of delivering gigabit speed internet and will extend broadband across a 242-square-mile area that includes 418 households, 22 businesses, 22 farms, 3 schools, and 2 fire stations. Nearly 650 new customers can receive reliable access to high-speed internet services as a result of this win. This grant will construct 50 percent of the network proposed in the 2017 HB 5006 scope of work – the portion from John Day to Seneca (see map, enclosed).

## **NEXT STEPS**

The 2019 Community Connect grant would complete the network build from Seneca to Highway 20. A decision on this grant is expected by January 2020. If awarded, the project proposed in HB5006 will be completed and fully operational within three years. If the Community Connect grant is not awarded, the City will reapply in April 2020 for funds to complete this portion of project.





Legend

 USDA ReConnect Proposed Project Area



## USDA Provides \$6 Million to Expand Broadband Infrastructure for Two Rural Oregon Counties

Contact: [Erin McDuff](#)  
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JOHN DAY, Oregon, December 03, 2019 — The U.S. Department of Agriculture (USDA) Rural Development is providing \$6 million to expand high-speed broadband infrastructure that will provide e-connectivity for nearly 650 new customers in rural Grant and Wheeler counties, announced State Director John Huffman today. This is one of many funding announcements nationwide in the first round of USDA's [ReConnect Pilot Program](#) investments.

"Internet access is no longer an amenity; it is an essential component of daily life, as important as it was for rural communities to gain access to electricity a century ago," Huffman said. "Small, remote communities, however, face unique challenges in connecting homes, farms, and businesses to this vital resource. We are proud to announce today significant funding to expand high-speed internet access in two frontier-designated Oregon counties."

Oregon Telephone Corporation (OTC) will use the ReConnect Program grant to deploy 89 miles of fiber to serve some of the most remote areas of the continental United States. The new broadband infrastructure will provide network speeds ranging from 30 megabits per second (Mbps) to 1 gigabyte per second (Gbps). The network will allow Voice-Over Internet Protocol (VoIP) and video services to be delivered to each customer.

Currently, many areas around the town of John Day lack internet service faster than 1.5 Mbps. In a public-private partnership with John Day in its capacity as the leader of the intergovernmental Grant County Digital Network Coalition, OTC is working to provide the fastest internet access to as many residents at the lowest price possible. Under the partnership, OTC will build a fiber network and deliver broadband service to residents and businesses while leasing infrastructure to John Day to provide service to public agencies.

The first new fiber route will be located northwest of John Day. It will connect the towns of Long Creek, Monument, and Spray. The second route will start at the northern edge of the town of Seneca and continue to Canyon City, just south of John Day.

Overall, this expanded fiber optic network will extend broadband across a 242-square-mile area that includes 418 households, 22 businesses, 22 farms, 3 schools, and 2 fire stations. Nearly 650 new customers can receive reliable access to high-speed internet services, improving the quality of life for those who live and work in these remote, rural communities.

### **Background:**

In March 2018, Congress provided \$600 million to USDA to expand broadband infrastructure and services in rural America. On Dec. 13, 2018, Secretary of Agriculture Sonny Perdue announced the rules of the pilot program, called [ReConnect](#), including how the loans and grants will be awarded to help build broadband infrastructure in rural America.



USDA received 146 applications between May 31, 2019, and July 12, 2019, requesting \$1.4 billion in financing across all three ReConnect Program funding products: 100 percent loans, 100 percent grants, and loan-grant combinations. USDA is reviewing applications and announcing approved projects on a rolling basis. Additional investments in all three categories will be made in the coming weeks. Funding is contingent upon the recipients meeting the terms of the loan and grant agreements.

These grants, loans, and combination funds enable the Federal Government to partner with the private sector and rural communities to build modern broadband infrastructure in areas with insufficient internet service. Insufficient service is defined as connection speeds of less than 10 Mbps download and 1 Mbps upload.

USDA Rural Development provides loans and grants to help expand economic opportunities and create jobs in rural areas. This assistance supports infrastructure improvements; business development; housing; community facilities such as schools, public safety and healthcare; and high-speed internet access in rural areas. Learn more at [www.rd.usda.gov/or](http://www.rd.usda.gov/or).

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USDA is an equal opportunity provider, employer, and lender.

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