



Legislation Text

File #: 20-0835, **Version:** 2

Broadband Ad Hoc Committee, in coordination with the Chief Administrative Office, recommending the Board:

- 1) Receive and file a presentation from NEO Connect regarding grant opportunities for Broadband implementation in one or more specific priority areas;
- 2) Approve and authorize staff to submit an application for the Economic Development Administration CARES Act Recovery Assistance grant (Funding Opportunity Number PWEAA2020);
- 3) Provide direction to staff regarding how much County match is authorized, and for which priority area(s), choosing among the following options:
 - a) Authorize use of the current set aside in TOT dollars totaling \$450,000 as the match, resulting in a grant of up to \$2,250,000 with a 20% County match.
 - b) Authorize use of more than set aside TOT funds (source to be determined) to come up with the 20% match, resulting in a higher grant amount.
 - c) Authorize use of the current set aside in TOT dollars as a match of less than 20%, based on submission of a letter outlining the financial situation of the County as a result of COVID-19. (As an example a 10% match would result in a \$4,500,000 grant, a 15% match would result in a \$3,000,000 grant).
 - d) Authorize use of more than set aside TOT funds (source to be determined) to come up with less than the 20% match, based on submission of a letter outlining the financial situation of the County as a result of COVID-19, resulting in a higher grant amount.
- 4) If above option c) or d) is chosen, approve and authorize the Chief Administrative Officer to submit a match commitment letter as part of the grant application requesting a waiver of the 20% match and asking for a lower percentage match, based upon relative economic distress of the region, including loss of revenue and affirming that the County has exceeded its borrowing and taxing authority (sample draft letter attached);
- 5) Authorize the Purchasing Agent to execute an amendment to Agreement 4555 with NEO Fiber, Inc. dba NEO Connect, for \$50,882, expanding the scope to include grant preparation and increasing the not to exceed amount by \$30,000 for a new total of \$80,882 to include grant preparation support, contingent upon approval by County Counsel and Risk; and
- 6) Authorize the Chief Administrative Office to include an additional \$30,000 in the Economic Development Division's Fiscal Year 2020-21 Adopted Budget from the TOT Special Projects Designation for the NEO Fiber, Inc amendment.

FUNDING: Designation for TOT Special Projects. \$450,000 has been appropriated in Fiscal Year 2020-21 for a Broadband grant match. If the Board desires to increase this amount in order to qualify for a larger grant, additional funding would need to be identified out of the designated reserves.

DISCUSSION / BACKGROUND

In December 2019, the Board directed staff to continue to pursue Broadband development in El Dorado County, including seeking a partnership with an investor and/or grant opportunities to fund smaller priority areas or projects.

On June 19, 2020, NEO Connect presented various grant options to the Broadband Ad Hoc

Committee/Technical Advisory Group (TAG) and there was interest in applying for the EDA CARES Act Recovery Assistance Grant, formally titled the FY 2020 Public Works and Economic Adjustment Assistance Notice of Funding Opportunity (FY20 PWEAA NOFO). This is a \$1.5B grant in CARES Act funding that was announced in response to the COVID-19 pandemic to provide a wide-range of financial assistance to communities and regions whose businesses and economic situation has been inadvertently impacted by the pandemic. The grant can be used for development of a fiber-optic infrastructure pilot project that enhances telework, telemedicine and skilled workforce training.

The grant provides investments that support construction, planning, and technical assistance for the implementation of economic development strategies that advance creative approaches to advance economic prosperity in distressed communities. Regarding the development of a fiber optic pilot project, funds can be used for planning and technical assistance, design and engineering, and construction of telecommunications and broadband infrastructure, as long as construction is in the public right of way (i.e. not on private land). Funds can be used for publicly-owned telecommunications equipment, but not for equipment installed within homes and/or businesses.

Additionally, the County is able to apply for EDA funds because we are part of the Comprehensive Economic Development Strategy (CEDS) done by Valley Vision and supported by the Board.

The EDA grant does not have a deadline, however the funds are very competitive and it is encouraged that the County apply soon, with a target application date in the July/August timeframe. Allocations are projected to be assigned to grant recipients by the end of the calendar year. The EDA grant does not require proof of Broadband speed like the other grants that are currently available or will become available.

Although the standard match for this grant is 20%, is it possible for an applicant to request a lower match based on relative economic distress of the region. Since the economic impacts of the COVID-19 pandemic are not yet fully known, a sample/draft letter of commitment regarding a lower than 20% match is attached to this board item, however the specifics noted in the letter may change, based on which project areas are chosen.

It should be noted that chances of being awarded the grant are significantly higher if the County applies with the standard 20% match.

As stated in the Notice of Funding Opportunity (NOFO): "In determining whether to fund a project's Federal share above 80%, EDA's Grants Officers in the applicable Regional Office will consider on a case-by case basis whether the circumstances of the proposed project warrant a Federal share in excess of 80%, including whether the applicant has exhausted its effective taxing or borrowing capacity, the extent of the impact of the coronavirus pandemic on the region, or whether the region meets other thresholds for elevated need based on the relative economic distress of the region... The applicant is responsible for demonstrating to EDA that a grant rate above 80% is justified by providing statistics and other appropriate information on the nature and level of economic distress in the region, including information regarding other recovery-related needs facing the region and the level of resources available to address those needs."

Post-grant activities could include developing an outreach strategy and community education plan including marketing and financial analysis support, planning and implementation of the pilot project and potentially a phased construction approach for further expansion of the pilot project. Additionally,

a competitive process for selection and negotiation of agreements with Internet Service Providers (ISPs), construction companies and potential investment partners will be sought. Other post-grant award activities include meetings with other infrastructure owners of fiber, and negotiations of Indefeasible Right of Use (IRU) and dark fiber lease agreements.

Additionally, the current Agreement 4555 with NEO Fiber, Inc., dba NEO Connect is for Pre-grant activities, including research up to grant application. Staff is requesting the Board approve an amendment to contract 4555 to expand the scope to include completing the grant application. This will increase the contract by \$30,000 for a revised not to exceed amount of \$80,882.

Prior Board Action and past activity related to Broadband:

In December 2019 the Board received an update from NEO Connect with updated financial modeling after a physical ride-out of the County terrain was performed. NEO Connect presented several financing scenarios for County-wide Broadband implementation including 30-40 year bond resulting in a countywide property assessment. At this time staff was directed to continue to pursue Broadband development of smaller priority area/projects, seek a partnership with an investor and look for grant opportunities. Other prior Board actions related to Broadband are too lengthy to note here, but are noted in the Prior Board Action section below.

ALTERNATIVES

The Board could opt to not apply for this EDA grant, thereby saving the \$450,000 that has been appropriated for this purpose and wait for the ReConnect Grant, which is expected to be announced in late fall. However, it should be noted the ReConnect Grant requires proof that Broadband speeds are lower than the Federal Communications Commission (FCC) minimum criteria of 10/1 mbps for 90 -100% of eligible households within the proposed project region. The current FCC data regarding eligibility greatly limits the number of households that meet these criteria.

PRIOR BOARD ACTION

- 16-0006 9/27/16 EDA Grant Acceptance for Feasibility Study
- 17-0442 4/25/17 RFP Award to NEO Connect
- 18-0077 1/23/18 Broadband Update
- 18-0950 6/26/18 Broadband Update
- 18-1289 9/18/18 Broadband Update
- 18-1889 12/18/18 Broadband Update-Next Steps
- 19-1821 12/17/19 Broadband Update-Financing Options
- 20-0288 3/10/20 NEO Connect Agreement 4555 Amendment #1
- 20-0307 3/10/20 Resolution 033-2020 to assign authorized representative for Reconnect Grant

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Economic Development

CAO RECOMMENDATION

It is recommended the Board receive and file the presentation, identify one or more project areas, direct staff to submit an application for the EDA Grant utilizing up to \$500,000 as matching funds, and approve the contract amendment with NEO Connect to provide technical expertise and assist with the grant writing process. By increasing the match amount to \$500,000, it provides the Board with the flexibility to include Rescue or the smaller section of Georgetown assuming a 20% match, or to include Cool assuming a 10% match.

FINANCIAL IMPACT

The financial impact of this item depends upon which option is chosen for the EDA grant match. There is currently \$450,000 set aside in TOT funds for a Broadband grant match in Non-Departmental Expenses from the designation for TOT Special Projects.

If the Board desires to increase the match amount in excess of the \$450,000 already allocated, one-time reserves will be used and the Board should keep in mind there is uncertainty regarding future TOT revenue due to the impacts of the COVID-19. However, considering Broadband has been identified as a priority in the County's Strategic Plan and is a significant barrier in recruiting businesses to El Dorado County, staff is recommending the Board increase the match amount by \$50,000 through the use of designation for fund balance for TOT Special Projects which currently has a balance of approximately \$1.85 million.

The NEO Fiber Inc agreement resides within the Planning and Building Department's Economic Development Division. Staff is recommending that the additional \$30,000 for grant preparation be transferred out of the TOT Special Projects Designation into the Economic Development's Professional and Specialized Services budget. If approved, the Chief Administrative Office will ensure the additional funds are included in the Adopted Budget that will be brought to the Board in September.

Prior Broadband Expenditures:

A \$150,000 budget (\$75,000 EDA grant, \$75,000 General Fund/Economic Development budget) was established for the Broadband Feasibility Study effort. This project is now complete. \$5,381 was spent for on-call consulting and staff support from the Economic Development budget (contract expired 12/18/19), and up to \$34,171 was spent from the Economic Development budget for the high level ride-out performed in last August 2019 (contract expired 5/29/20). Agreement 4555 with NEO Connect is for \$50,882 and includes on-going staffing support and consulting services related to pre-grant Broadband efforts (contract expires 1/29/22). If the Board authorizes this contract amendment the agreement will include grant application efforts related to this grant opportunity.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

Economic Development-Infrastructure to improve and maintain competitiveness
Good Governance-Infrastructure

CONTACT

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