



STAFF REPORT

Meeting Type: City Council
Meeting Date: October 6, 2025
From: Gregory Brewster, SandyNet Director
Subject: IGA Revision: City of Sandy & Clackamas County; Business ISP Services

DECISION TO BE MADE:

Whether to authorize the City Manager to execute an amendment to the existing IGA to include additional service tiers.

APPLICABLE COUNCIL GOAL:

N/A

BACKGROUND / CONTEXT:

In early 2022, City Council approved an IGA between the City and Clackamas County for SandyNet and the County's broadband department, Clackamas Broadband eXchange (CBX). That IGA allowed both parties to work together and offer business level broadband services to various businesses within Clackamas County. Since the approval of the IGA, SandyNet has 23 active connections where the subscriber is provided with one gig dedicated internet connection (DIA). The existing IGA only offers a single service tier and offers a DIA connection, which is a service that not all businesses require.

Similar to the other IGAs that SandyNet has entered into with CBX, the County owns and operates the fiber optic network, including the physical fiber connection up to the premises of each location.

SandyNet has acted as the ISP and provides the signal across the fiber, and maintains the technical support, billing and relationship with the subscriber. SandyNet is only responsible for the broadband connection, its equipment and dispatching CBX when an issue is identified on their line.

In early September, SandyNet was contacted by a consultant that works under Lumen. Lumen holds the statewide contract for providing internet to all Oregon Lottery sites. Any retail location that offers any traditional or video lottery services has a separate connection to the internet and is managed by Lumen. The State of Oregon has begun an initiative to migrate all of its connections to fiber over the next several years.

Lumen is a large nationwide telephone and broadband provider and Incumbent Local Exchange Carrier (ILEC) that operates several territories in Oregon. Lumen does not have fiber optic business or residential broadband services in many of its Oregon service territories and has chosen to outsource areas that it cannot directly service with fiber to a consultant. That consultant works with other broadband service providers to set up a fiber connection for those Oregon Lottery sites. After speaking with the consultant, SandyNet and CBX have identified 50 locations that it could immediately service

within Clackamas County. Twenty of those sites are within Sandy city limits, most of which already are already existing SandyNet subscribers, or have fiber at the premises. The remaining thirty locations are accessible by CBX using their network.

For all fifty orders, a price was set at \$80 a month for each location. Each order also includes a one-time \$430 turn-up fee. All connections are under the same small-business Service Level Agreement (SLA), that is offered to non-enterprise accounts within city limits. Each order is expected to be placed under a five-year contract. For sites that are already within Sandy City Limits, SandyNet retains the full \$80 a month. For sites shared with CBX, SandyNet retains \$40, and the other half is retained by CBX.

Upon turning up an Oregon Lottery connection at each of the locations, there is also the opportunity to provide broadband service to the tenants of the site. It is likely that fiber optic internet would not be offered by any other provider and SandyNet may have an opportunity to add additional subscribers without the addition of any new hardware costs. Staff is unsure of how many new subscribers we might be able to add to the system. There are 39 locations that are not currently utilizing SandyNet, and nine of those locations are inside city limits. Outside city limits, all thirty sites are currently unserved, and of those thirty, 26 are identified as being potential new subscribers. For most of these locations, they are small businesses or franchises that allow the business to make more independent decisions when it comes to selecting a broadband provider, and not necessarily required to operate under a nationwide contract with a larger provider.

Realistically, SandyNet expects about four of those nine in-city sites to potentially connect, in addition to the Oregon Lottery connection; and about ten of the additional thirty sites outside of city limits are expected to take the additional service if it's offered. Because these smaller businesses do not meet the need for a DIA, the IGA proposes a 500Mbps, half gigabit tier for \$100 a month. Of that \$100, \$52 is retained by SandyNet and the remaining \$48 for CBX, matching the same revenue generated inside city limits for the same service level. Any business that requires a service level beyond SandyNet's standard small business SLA would be placed under the DIA tier of the IGA.

KEY CONSIDERATIONS / ANALYSIS:

SandyNet and CBX already have an existing business IGA, which can easily accommodate the two new service tiers. There are no new responsibilities to either party under the IGA, and the only changes are the addition of the new service offerings to businesses.

The new service tiers and pricing have been evaluated by both parties and determined to be feasible for the proposed number of lottery site connections. Under the existing IGA, back-office hardware and recovery costs are included in the monthly service rates and broken up over five to seven years and spread across all subscribers under the IGA. The one-time installation costs for each of the lottery sites have been calculated and averaged across all the service orders, resulting in the fixed \$430 charge.

Since SandyNet's responsibilities are unchanged for this project, the number of truck rolls for SandyNet to fulfill the lottery sites should be one for setup and initial turn-up. Beyond the installation, a truck roll is only necessary to fix an issue or replace aged equipment after a five-to-seven-year term. SandyNet has analyzed its truck rolls since the beginning of the original IGA, and incorporated changes to help minimize additional or otherwise unnecessary truck rolls for all future business subscribers.

Staff has verified that by entering into a contract to service Oregon Lottery sites, it does not increase any noticeable risk for liability, cyberattacks or prevent any city employee or elected official from participating in the Oregon Lottery.

Because of the number of parties and the structure of the statewide contract, the consultant has requested that SandyNet provide the ability for the consultant to exit the agreement, only in the event that the store or organization offering the lottery services chooses to discontinue its relationship with the State of Oregon Lottery. Historically, this is uncommon, and businesses rarely discontinue lottery services, unless they shut down altogether. In such an event, it is likely that the next occupant would take the service, if that occupant operated in the same or similar industry as the previous occupant. SandyNet and CBX believe this risk to be minimal and acceptable since the installation costs will be fully covered under the one-time cost for construction and turn up.

All SandyNet equipment expenses are expected to be covered under the one-time installation cost for service turn-up. All equipment is expected to last at a minimum of five years before needing any replacement. In the event that the contract with the consultant becomes infeasible after the duration of the five-year term, SandyNet can choose to not renew its agreement, or negotiate a new rate that would make a new agreement feasible.

The identified Oregon Lottery sites will result in an additional 10% utilization across the line cards in the datacenter that offer the last mile service for the Project. The expected load and strain on SandyNet's data center is expected to be less than a 1% increase.

Due to the accelerated timeline of getting the contract in place with the consultant, the IGA is currently being reviewed by both parties but is not expected to substantially change by October 6, 2025.

BUDGET IMPACT:

The costs for electronics and anticipated replacement costs after five years are expected to be less than \$60,000 for the duration of the contract. SandyNet has most of the necessary hardware on hand to perform the turn up for service delivery. Construction and installation costs are not expected to exceed the revenue generated for each of the sites under the one-time installation cost. The anticipated revenue for SandyNet over five years is \$168,000.

RECOMMENDATION:

Staff respectfully requests that City Council review and authorize the City Manager to execute an amendment to the existing IGA between the City of Sandy and Clackamas County to include additional service tiers.

SUGGESTED MOTION LANGUAGE:

"I move to authorize the City Manager to execute the proposed revisions to the IGA between the City of Sandy and Clackamas County to provide business broadband services, as included in the meeting packet."

LIST OF ATTACHMENTS / EXHIBITS:

- Revised Intergovernmental Agreement Between the City of Sandy and Clackamas County for Business Broadband Services