



# STAFF REPORT

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**Meeting Type:** City Council Meeting  
**Meeting Date:** 12/6/2024  
**From:** Gregory Brewster  
**Subject:** IGA Approval: On-Call Construction for SandyNet/CBX Colorado and Gunderson Road Fiber Project

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## **DECISION TO BE MADE:**

Whether to enter into an intergovernmental agreement (IGA) with Clackamas County to provide on-call construction service for remaining pending drop construction under the SandyNet/CBX Colorado and Gunderson Rd Fiber-to-the-Home Project (Project).

## **PURPOSE / OBJECTIVE:**

The objective of this IGA is to help complete the backlog of planned drop construction that has resulted from the Project. CBX must allocate its remaining American Rescue Plan Act (ARPA) funds by the end of the 2024 calendar year, and currently has no other bidders lined up to complete its remaining work. The SandyNet department has fifteen active requests under the Project for service. SandyNet is currently waiting on fiber optic construction from CBX to be completed before those requests can be fulfilled.

## **BACKGROUND / CONTEXT:**

In 2022, Sandy City Council approved an IGA between the City of Sandy's SandyNet department and Clackamas County's CBX department to be an Internet Service Provider (ISP). The Project IGA was a modification of an already existing pilot project IGA from 2019, where SandyNet operated as an ISP and offered internet to cabins on forest service roads 29, 31, 35, 35 A&B near Rhododendron.

Under each IGA, CBX has acted as the fiber owner and operator, and SandyNet has acted as an ISP that has provided the internet service to individual premises. CBX operates an open access network, and SandyNet has acted as one of many potential ISPs that can provide service in CBX project areas.

In 2022, the State of Oregon offered counties and cities funds from ARPA, which were aimed at providing relief and stabilization during and after the coronavirus pandemic. CBX received funding to help close gaps in broadband access within Clackamas County. A portion of those funds went towards the current Project. Those funds must be allocated by the end of the 2024 calendar year.

CBX has entered into several on-call contracts to complete the fiber optic work for the Project. To date, there are 15 unserved sites still needing fiber optic brought up to the house. CBX is unable to advertise and enter into any new on-call contracts before the ARPA allocation deadline. CBX reached out to the City to ask if SandyNet would be interested in helping complete 8 of the remaining 15 locations. Under

the existing IGA, SandyNet is strictly an ISP, and has no business engaging in construction for the Project. However, SandyNet has the opportunity to act as a contractor on behalf of CBX and perform construction for the remaining 8 sites.

## **KEY CONSIDERATIONS / ANALYSIS:**

Staff has negotiated an IGA with Clackamas County that would allow SandyNet to construct the remaining drops for CBX. This IGA has been approved by both parties' attorneys, and both parties have agreed to all terms and costs for the agreement.

### Rationale for Entering into the IGA

The IGA provides the opportunity for SandyNet to generate additional revenue from the project as a one-time project. Alternatively, if the City does not enter into this IGA, the outstanding work will likely fall to CBX to complete in-house. There is no current timeline for CBX to complete that in-house construction. Staff estimates that the timeframe would be between six months to a year to complete the remaining 8 sites. CBX funds for hiring another contractor would not come from any ARPA funds, given the allocation deadline. The likelihood of CBX hiring another contractor is low given that the work would be unfunded.

The two main considerations for Staff's desire to enter into this contract are: first, to finish the backlog of orders. Most of the remaining drops to be constructed are long distance drill shots, and many of the remaining orders have been in place between one and two years. While CBX is the fiber owner and operator, the poor experience perceived from slow construction has been difficult to separate between County and City. Staff has struggled to explain delays on behalf of the County. This issue has lessened over the past four months as contractors have completed their drop lists, however the issue may resurface if the work falls back on the County to complete in-house. Staff believes that it can help manage expectations better and provide a better experience if the City were to take on the extra work. The second consideration regards the revenue that would be generated under the Project. Completion of the entire backlog would generate over \$160,000 in revenue to the City.

### Use of County Equipment

The City has negotiated a lower price for the construction work, in exchange for utilizing different pieces of CBX equipment, most notably their Directional Drill which is twice as powerful than the one owned by SandyNet. Included in that reduced bore price is the removal of wear/tear and depreciation on SandyNet equipment. There is also additional cost savings since the CBX directional drill is capable of drilling twice as far as SandyNet's drill, reducing setup/teardown time and excavation between each drill shot.

The City would only be placing conduit for the project. The County will provide plans, materials, equipment and inspect, pull, and splice any fiber necessary to make the drop ready for an internet installation.

### Right to Decline Work

It is important to note that the City reserves the right to reject any and all work presented by the County. If any work is cost prohibitive or otherwise not in the interest of the City to complete, the City can simply reject the work.

**BUDGET IMPACT:**

The project calls for 5180ft of drilling. Based on prior drill work performed at similar distances, SandyNet expects the entire project to take 276 hours of work (two months). The project will require 2.5 FTE. After including expected costs, like fuel and wear and tear on vehicles, the expected expenses for SandyNet to complete this work are less than \$50,000. The reimbursement for SandyNet services is represented under Exhibit A of the proposed IGA. The maximum revenue generated per the IGA is set to not exceed \$160,000.

**RECOMMENDATION:**

With consideration to the time constraints for ARPA allocation, the 2:1 profit/expense ratio, the reduced risk to the City as is defined under the IGA, the usage of equipment sharing, and finally the virtual guarantee that SandyNet will be the ISP for each constructed site, Staff believes that this project is financially feasible, and in line with the departments prior agreements and interests.

The SandyNet Advisory Board endorsed this IGA after reviewing during the November 21<sup>st</sup> meeting.

Staff respectfully requests that Council sign into an IGA with Clackamas County for on-call construction services for the Colorado and Gunderson Rd. Project.

**SUGGESTED MOTION LANGUAGE:**

"I move to authorize the City Manager to execute an intergovernmental agreement with Clackamas County to provide on-call construction services for the Colorado and Gunderson Road project, as provided in the meeting packet."

**LIST OF ATTACHMENTS / EXHIBITS:**

- Intergovernmental agreement between Clackamas County and the City of Sandy
- List of drops to be completed