



**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, October 07, 2024
Council Chambers & Hybrid
5:30 PM**

Agenda Item

15. Approval of Amendment via Change Order to Contract Number C22183580 with MP Nexlevel of California, Inc. in the Amount of \$1,650,000 for the Fiber-to-the-Premise (FTTP) Pilot Project inclusive of \$150,000 in contingency funding for a Revised Total Not-to-Exceed Amount of \$11,347,390 From March 21, 2022 Through April 30, 2025; Authorize the City Manager to Execute Change Orders Not-to-Exceed \$150,000 for FTTP ; CEQA Status – Council action on this item is within the scope of the Final Initial Study and Mitigated Negative Declaration (IS/MND) for the Fiber-to-the-Premises Project, adopted on June 17, 2024. *Consent Questions*



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: October 7, 2024

Report #:2408-3368

TITLE

Approval of Amendment via Change Order to Contract Number C22183580 with MP Nexlevel of California, Inc. in the Amount of \$1,650,000 for the Fiber-to-the-Premise (FTTP) Pilot Project inclusive of \$150,000 in contingency funding for a Revised Total Not-to-Exceed Amount of \$11,347,390 From March 21, 2022 Through April 30, 2025; Authorize the City Manager to Execute Change Orders Not-to-Exceed \$150,000 for FTTP ; CEQA Status – Council action on this item is within the scope of the Final Initial Study and Mitigated Negative Declaration (IS/MND) for the Fiber-to-the-Premises Project, adopted on June 17, 2024.

RECOMMENDATION

Staff recommends that the City Council:

Approve and authorize the City Manager or their designee to execute Change Order No. 1 to contract C22183580 with MP Nexlevel (Attachment A) for the installation of fiber optic cable and fiber hut site preparation in support of the FTTP Pilot Project, in an amount not-to-exceed \$1,650,000, inclusive of \$150,000 in contingency funding, for a revised total contract not-to-exceed amount of \$11,347,390 through April 30, 2025; and

Authorize the City Manager to execute change orders not-to-exceed \$150,000 for FTTP for related but unforeseen work which may develop during the FTTP pilot.

EXECUTIVE SUMMARY

The City contracts with MP Nexlevel for the provision of substructure installation and trenching services with a \$9.8 million three-year contract. Approval will increase these services to make the necessary capital improvements for the Phase I Pilot area of FTTP in the amount of up to \$1.65 million. Specifically these funds will provide for the installation of fiber optic cable and fiber hut substructure site preparation.

BACKGROUND

On December 19, 2022, City Council directed staff to proceed with the Fiber Expansion Plan to implement the Fiber Rebuild project and Phase 1 of the FTTP Project. In Phase 1, FTTP would be built out in selected areas of the city and expanded gradually ([Staff Report ID 14800¹](#)).

Construction of the fiber backbone in the Fiber Rebuild project and last mile infrastructure to provide FTTP broadband internet to the community in the FTTP project will be a significant undertaking for the City.

On June 19, 2023, the City Council approved the FY 2024 CIP Budget with the new FTTP Project, and Grid Modernization for Electrification Project, as described above.

On December 18, 2023, staff informed Council that a pilot area would be used to evaluate how alignment of the FTTP and Grid Modernization Projects may help control project costs, minimize construction impacts to the community, and prevent major delays. Additionally, the FTTP project completed its California Environmental Quality Act (CEQA) review, resulting in a mitigated negative declaration ([Staff Report ID 2403-2713²](#)). Specific to the pilot area, the preliminary construction work for the Grid Modernization Project has already begun, and staff is now ready to begin the work for the FTTP Project.

On June 19, 2023, the City Council approved the FY 2024 CIP Budget with the new Grid Modernization for Electrification Project (EL-24000, \$250 million) and FTTP project (FO-24000, \$20 million). Staff is deploying a pilot to determine how to align the grid modernization with FTTP to help minimize utility engineering pole make-ready work, pole replacements, noise disruption, and construction activity in neighborhoods. With hundreds of miles of overhead and underground construction activity between electric grid modernization and FTTP, the purpose of the pilot is to determine the feasibility of engineering designs and construction methods and implement best practices to facilitate the most cost-effective deployment of resources.

On June 10, 2024 and June 18, 2024, staff recommended the City Council approve a series of contract amendments ([Staff Report 2312-2318³](#) and [Staff Report 2403-2714⁴](#)) to leverage existing on-call construction and engineering contracts to perform the engineering design, overhead and underground construction, and installation of power for the pilot area (approximately 409 poles and 1,224 homes), reducing the construction timeline by 6 – 9 months. The pilot area will be treated as a testbed to design and construct both projects in parallel to minimize community disruption and share construction costs. In 2022, the City

¹ Staff Report ID 14800 <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/2022/12-19-2022-id-14800.pdf>

² Staff Report ID 2403-2713 <https://www.cityofpaloalto.org/files/assets/public/v/1/city-manager/fttp-staff-report-june-172024.pdf>

³ Staff Report 2312-2318 <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/2024/06-10-24-sr-2312-2318.pdf>

⁴ Staff Report 2403-2714 <https://portal.laserfiche.com/Portal/DocView.aspx?id=73856&repo=r-704298fc>

executed a three-year task order contract with MP Nexlevel to provide substructure installation and trenching services.

FTTP consists of the construction of a fiber optic backbone and fiber distribution infrastructure to provide communication services throughout the City of Palo Alto. FTTP would provide municipal high-speed internet service to residences and businesses in Palo Alto. Council also approved the purchase of a modular building "fiber hut" including ancillary equipment to house fiber networking equipment and to serve as an aggregation site for FTTP. The MP Nexlevel contract amendment would expand the contract's scope of work to include fiber construction and installation in the pilot area, as well as construction of a concrete pad to support the FTTP Hut.

ANALYSIS

The design of the pilot area strategically covers initial test area plans for grid modernization, and a core portion of the Phase 1 FTTP area. The pilot area is bounded by West Bayshore, Embarcadero Road, Louis Road, and Colorado Ave). The fiber hut required for FTTP will be located near the Colorado power station, with predominantly aerial construction in the grid modernization pilot area. FTTP build-out will be constructed in a manner that provides a pathway from the fiber hut to the areas of higher interest.

The City has been contracting with MP Nexlevel for over the past 10 years for substructure installations, utility trenching, and fiber conduit installations because of the volume and level of construction for CIP projects and customer service connections. For customer-related work, trenching and substructure work are reimbursed by the customers through the customer connection charges. The City does not maintain the staffing resources to provide substructure and trenching services because the amount of work varies year over year and use of contracted services allows for the most efficient and cost effective use of resources for this variable timing. The current Task Order Construction Contract C22183580 with MP Nexlevel of California, Inc., was approved by Council March 21, 2022 in the amount of \$8,815,809 for Trenching and Substructure Installation and Materials and a contingency amount of \$881,581, for a Total Not-to-Exceed Amount of \$9,697,390 over three years. In 2022, MP Nexlevel was deemed the lowest responsible bidder of a competitive solicitation for utility trench and substructure installation ([Staff Report #13953](#)⁵). The performance and quality of work delivered by MP Nexlevel has been satisfactory over the years. As part of the task order completion process, MP Nexlevel's work is inspected and signed off by internal staff.

Staff recommends amending the final year of the contract with MP Nexlevel to provide FTTP construction support for the pilot, for an additional \$1,500,000 and \$150,000 in contingency funding, for a new FTTP pilot area Task Order including the following work:

⁵ Staff Report #13953 <https://portal.laserfiche.com/Portal/DocView.aspx?id=59397&repo=r-704298fc>

- Install, lash, splice and test approximately 57,000 feet of aerial fiber optic cable and 2,500 feet of underground fiber optic cable.
- Build underground laterals and pad mounts for six proposed fiber distribution hubs (FDH) which can serve up to 250 customers individually.
- Excavate and construct a 10' x 30' concrete pad to support the fiber hut and emergency generator.
- Install electric wiring, lighting and HVAC inside the fiber hut.
- Install security fencing and features such as locks, alarms, and surveillance cameras at the fiber hut site.

The FTTP pilot will inform the City the best mix of insource (internal staff) and outsource (contractors) to construct and operate the new municipal Palo Alto fiber internet business. The amendment requested will cover the FTTP Phase 1 pilot area only. Once the pilot area is complete and can inform the requirements for a competitive solicitation, staff will be requesting competitive bids for construction of the remainder of the FTTP Phase 1 scope.

FISCAL/RESOURCE IMPACT

Funding for this contract amendment is available in the Fiscal Year 2025 Capital Improvement Plan budget for the Fiber-To-The-Premises “FTTP” Capital Project (FO-24000)

STAKEHOLDER ENGAGEMENT

Staff continues to share updates through the Palo Alto Fiber project webpage⁶, City communications channels such as social media⁷, and Medium.com blog⁸.

ENVIRONMENTAL REVIEW

The FTTP Project, including construction of the fiber hut, has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. A final Initial Study-Mitigated Negative Declaration (IS/MND) that incorporated revisions, as appropriate, based on public comments was adopted by Council Resolution on June 17, 2024 ([Staff Report 2403-2713](#)⁹).

⁶ Palo Alto Fiber Webpage, <https://www.cityofpaloalto.org/paloaltofiber>

⁷ City Social Media Channels, <https://www.cityofpaloalto.org/connect>

⁸ Palo Alto Connect, <https://medium.com/@paloaltoconnect>

⁹ Staff Report 2403-2713, <https://cityofpaloalto.primegov.com/Portal/viewer?id=0&type=7&uid=2b77638f-b16d-43a9-ae2a-4b57a96f813d>

ATTACHMENTS

Attachment A: Contract change order to Contract No. C22183580 with MP NexLevel of California, Inc.

APPROVED BY:

Dean Batchelor, Director of Utilities



CONTRACT CHANGE ORDER

CITY OF PALO ALTO
DEPARTMENT: ELECTRIC UTILITIES OPERATIONS
_____ Project

Contract Change Order

Project Title:	Fiber-to-the-Premises (FTTP) Pilot	Project No.:	FO-24000
Contract Number:	C22183580	Date:	8/29/24
Contractor:	MP Nexlevel of California, Inc.	Change Order No.:	1

Description of Change Order

Background Information:	<p>On December 19, 2022, City Council directed staff to proceed with the Fiber Expansion Plan to implement the Fiber Rebuild project and Phase 1 of the FTTP Project. In Phase 1, FTTP would be built out in selected areas of the city and expanded gradually (Staff Report ID 148003).</p> <p>City is deploying a pilot serving 1200 customers to determine how to align FTTP with grid modernization with to help minimize utility engineering pole make-ready work, pole replacements, noise disruption, and construction activity in neighborhood.</p> <p>The original contract C22183580 was approved by City Council on March 21, 2022 under staff report ID 13953. The original term of the contract was an annual not-to-exceed amount of \$9,697,390 for a total three-year not-to-exceed amount through April 30, 2025.</p> <p>URL Link: Staff Report 13953 (laserfiche.com)</p>
Change Order Justification:	<p>The City does not possess the staffing resources to provide substructure, trenching services and fiber installation because the amount of work varies year over year. These services have been contracted out for approximately 30 years and are required to complete CIP and customer connections in a timely and cost-effective manner. The City has been contracting with MP Nexlevel for over the past 10 years for substructure installations, utility trenching, and fiber conduit installations</p> <p>Staff recommends increasing the task order construction contract by \$1,650,000 which consists of \$1,500,000 for base work and \$150,000 for contingency for the FTTP pilot. The task order contract change order requested will cover the FTTP Phase 1 Pilot only. Staff will be requesting competitive bids for construction of the remainder of the FTTP Phase 1 scope.</p>
Description of Work to be Performed:	<p>As directed by City in a Task Order, Contractor will provide construction work for the installation of fiber optic cable and fiber hut site preparation in support of the FTTP Pilot Project</p> <ul style="list-style-type: none"> • Install, lash, splice and test approximately 57,000 feet of aerial fiber optic cable and 2,500 feet of underground fiber optic cable. • Build underground laterals and pad mounts for six proposed fiber distribution hubs (FDH) which can serve up to 250 customers individually. • Excavate and construct a 10' x 30' concrete pad to support the fiber hut and emergency generator. • Install electric wiring, lighting and HVAC inside the fiber hut. • Install security fencing and features such as locks, alarms, and surveillance cameras at the fiber hut site.
Incorporates Field Order Number(s):	Bid items 1 – 20

Cost

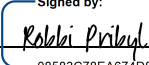
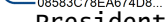
Time

<p>This Change Order will:</p> <p><input type="checkbox"/> No cost change: N/A</p> <p>X Increase cost by \$ 1,650,000.00</p> <p><input type="checkbox"/> Decrease cost by \$ N/A</p>	<p>This Change Order will:</p> <p><u>X Not change time</u></p> <p><input type="checkbox"/> Increase time by ____ days</p> <p> o ____ days Excusable Delay</p> <p> o ____ days Compensable Delay</p> <p><input type="checkbox"/> Decrease time by ____ days</p> <p>The date of completion as of this Change Order is:</p> <p>April 30, 2025 _____</p>
<p>G/L account number (s): 40029512 / 31650</p>	
<p>Basis for change in cost:</p> <p><input type="checkbox"/> Unit price(s)</p> <p><input type="checkbox"/> Lump sum</p> <p>X Time and Materials</p> <p><input type="checkbox"/> Compensation for Compensable Delay</p> <p><input type="checkbox"/> Other: _____</p>	

Contract Change Order – continued

CONTRACTOR CERTIFICATION: By signing below, Contractor agrees that this Change Order constitutes full resolution, settlement, accord and satisfaction with respect to any and all pending or future Claims for cost and extensions of time that were asserted, or that could have been asserted, in connection with the Work covered by this Change Order, as more fully set forth in Article 7 of the Contract General Conditions.

FAILURE TO EXECUTE: If Contractor fails to promptly execute this Change Order after it has been submitted for Contractor's signature, the City may unilaterally approve this Change Order as set forth in Article 7 of the Contract General Conditions. Contractor may dispute the terms of a unilaterally-approved Change Order, in whole or in part, by submitting a Claim in accordance with the Dispute Resolution Procedures set forth herein within fourteen (14) days after the Change Order is approved by the City. If Contractor fails to submit a Claim within that 14-day period, with respect to all or part of the unilaterally-approved Change Order, those portions of the Change Order which have not been disputed by timely submission of a Claim shall be deemed to have the same effect as if the Change Order was fully executed by both parties as set forth above.

Accepted for Contractor:					Accepted for City of Palo Alto:		
By:	Signed by:  Robbi Pribyl				By:		
Title:	 President				Title:		
Date:	9/19/2024				Date:		

Scope of Work

PCO No.	ASI	FO	COR	CO	Description	Amount	Reason for Change
1					Foreman	\$298,242	FTTP Pilot Project
2					Laborer	\$572,355	FTTP Pilot Project
3					Equipment Operator	\$25,121	FTTP Pilot Project
4					Truck Driver Class A	\$16,695	FTTP Pilot Project
5					Qualified journeyman worker to perform conduit intercepts in an energized duct bank	\$3,938	FTTP Pilot Project
6					Concrete Finisher	\$17,798	FTTP Pilot Project
7					Core Driller with operator	\$2,927	FTTP Pilot Project
8					Concrete Saw with operator	\$2,678	FTTP Pilot Project
9					Foreman's Truck	\$25,830	FTTP Pilot Project
10					Crew truck, with Hand Tools, and Gas-Powered Cutoff Saw	\$38,745	FTTP Pilot Project
11					Compressor and Jackhammer	\$793	FTTP Pilot Project
12					Backhoe	\$7,271	FTTP Pilot Project
13					Ramhoe	\$2,977	FTTP Pilot Project
14					Bobtail Truck	\$67,410	FTTP Pilot Project
15					End-Dump Truck	\$90,956	FTTP Pilot Project


16					10-wheel Dump Truck	\$13,230	FTTP Pilot Project
17					Boom Truck with Flatbed	\$1,323	FTTP Pilot Project
18					Directional Boring Rig	\$3,701	FTTP Pilot Project
19					Arrow Board	\$133	FTTP Pilot Project
20					Vac Trailer – 800 Gallons	\$10,584	FTTP Pilot Project
21					Mini Excavator	\$23,100	FTTP Pilot Project
22					Bobcat Skid-Steer	\$1,061	FTTP Pilot Project
23					Equipment Trailer	\$5,985	FTTP Pilot Project
24					A/C Roller	\$861	FTTP Pilot Project
25					Estimator	\$5,618	FTTP Pilot Project
26					3-5 Yard Dump Truck	\$1,454	FTTP Pilot Project
29					Box Shoring	\$2,150	FTTP Pilot Project
30					Message Board	\$1,355	FTTP Pilot Project
31					Pipe Fusing (100')	\$5,355	FTTP Pilot Project
32					Pipe Grouting	\$41,738	FTTP Pilot Project
33					2200 Gallon Vacuum Truck	\$149,032	FTTP Pilot Project
34					Large Bore Rig	\$59,588	FTTP Pilot Project
					Total for this Change Order	\$1,500,000	

Contract Change Order – continued		
Summary of Amounts Payable Under Contract (For Internal Purposes Only)		
Original Contract Sum:	\$	9,697,390.00
Previous Change Orders	\$	0.00
This Change Order	\$	1,650,000.00
Revised Contract Sum:	\$	11,347,390.00
Compare to:		
Original Contract Authorization:	\$	8,815,809.00
Contract Amendment Authorizations	\$	0.00
Contingency Authorizations:	\$	0.00
Total Authorized Funding:	\$	8,815,809.00
Contingency:		881,581.00
Contingency added:		0.00
Used to date		(0.00)
Balance remaining		0.00
Change Orders shall not be initiated for Council-approved contracts if the revised Contract Sum exceeds the total authorized funding amount.		

Document Preparation	
By:	Dave Yuan
Title:	Utilities Strategic Business Manager
Date:	August 29, 2024

City Approval – Division Head	
Signature required on all Change Orders	
By :	
Title :	Tomm Marshall Assistant Director, Electric Engineering and Operations
Date:	

City Approval – Department Head	
Signature required when any individual Change Order exceeds \$10,000.	
By:	
Title:	Dean Batchelor Director of Utilities
Date:	

Certificate Of Completion		
Envelope Id: E6992DCE08AB40E69B7656AA99CD7587		Status: Completed
Subject: Complete with DocuSign: Contract Change Order - MP Nexlevel for FTTP Pilot.pdf		
Source Envelope:		
Document Pages: 5	Signatures: 1	Envelope Originator:
Certificate Pages: 2	Initials: 0	Kaylee Burton
AutoNav: Enabled		250 Hamilton Ave
Envelopeld Stamping: Enabled		Palo Alto , CA 94301
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		Kaylee.Burton@cityofpaloalto.org
		IP Address: 199.33.32.254
Record Tracking		
Status: Original	Holder: Kaylee Burton	Location: DocuSign
9/17/2024 1:43:50 PM	Kaylee.Burton@cityofpaloalto.org	
Security Appliance Status: Connected	Pool: StateLocal	
Storage Appliance Status: Connected	Pool: City of Palo Alto	Location: DocuSign
Signer Events	Signature	Timestamp
Robbi Pribyl	<div>Signed by:  08583C78EA674D8...</div> <div>Signature Adoption: Pre-selected Style</div> <div>Using IP Address: 96.39.129.44</div> <div>Signed using mobile</div>	Sent: 9/19/2024 4:10:32 PM
rob.pribyl@mpnexlevel.us		Resent: 9/19/2024 6:28:15 PM
President		Viewed: 9/19/2024 6:44:18 PM
MP MP Nexlevel		Signed: 9/19/2024 6:44:35 PM
Security Level: Email, Account Authentication (None)		
Electronic Record and Signature Disclosure: Not Offered via DocuSign		
In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Tony Sturtz	<div>COPIED</div>	Sent: 9/19/2024 4:10:34 PM
Tony.Sturtz@Mpnexlevel.us		Viewed: 9/19/2024 4:11:03 PM
Regional Vice President		
Security Level: Email, Account Authentication (None)		
Electronic Record and Signature Disclosure: Not Offered via DocuSign		
Dave Yuan	<div>COPIED</div>	Sent: 9/19/2024 6:44:36 PM
dave.yuan@cityofpaloalto.org		
Utilities Strategic Business Manager		
Dave Yuan		
Security Level: Email, Account Authentication (None)		
Electronic Record and Signature Disclosure: Not Offered via DocuSign		
Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	9/17/2024 1:47:06 PM
Envelope Updated	Security Checked	9/19/2024 1:42:25 PM
Envelope Updated	Security Checked	9/19/2024 1:42:25 PM
Envelope Updated	Security Checked	9/19/2024 2:30:47 PM
Envelope Updated	Security Checked	9/19/2024 2:30:47 PM
Envelope Updated	Security Checked	9/19/2024 2:30:47 PM
Certified Delivered	Security Checked	9/19/2024 6:44:18 PM
Signing Complete	Security Checked	9/19/2024 6:44:35 PM
Completed	Security Checked	9/19/2024 6:44:36 PM

Payment Events	Status	Timestamps
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Dear Mayor and Council Members,

On behalf of City Manager Ed Shikada, please see staff responses below for questions from Council Member Tanaka on the [Monday, October 7 Council Meeting](#).

Item 9: Authorize the City Manager or their Designee to Exercise the Option to Renew the Lease Between the City of Palo Alto and Steve Nash and Dennis Ryan for 4 Months at 975 Terra Bella Ave in Mountain View at a Monthly Rent of \$35,587.95 for a Total Not-to-Exceed of \$213,527.70 through February 28, 2025; Direct Staff to Explore Purchase of Property to Meet the Future Needs of Grid Modernization and Other Capital Projects; and Approval of an Amendment to Fiscal Year 2025 Budget Appropriation in the Electric Fund; CEQA Status – Categorically Exempt; Sec. 15301.

1. **Given the current volatility of real estate prices in the Bay Area, has the city conducted a thorough risk assessment of how delaying the purchase of 975 Terra Bella could result in significantly higher future costs or the potential loss of the property to another buyer? Furthermore, how does this short-term lease renewal align with our long-term financial strategy when property values are predicted to increase, possibly outpacing the savings from leasing and ultimately forcing the city into a more expensive lease or purchase arrangement later?**

Staff response: 975 Terra Bella has been on the market for over 2 years. Under the lease agreement, the City has the option to purchase the property at a mutually agreeable price. The City also has the first right of refusal if another buyer offers to purchase the property, the City has 10 days to purchase the property under the same terms. The short term lease renewal will allow Staff the time necessary to perform property appraisal, construction cost estimate to make the office ADA compliant, negotiate the purchasing cost and seek council approval on the purchase amount and evaluate other commercial properties.

2. **With property values in Mountain View rising unpredictably, how has the city factored in the financial risks of delaying a decision to purchase 975 Terra Bella? Specifically, what contingency measures are in place if property prices rise beyond our current projections, and how would such an increase affect our overall budget and operational costs? Is the city prepared for the potential of overpaying for a property that could have been secured at a lower cost, or worse, losing access to this critical storage site?**

Staff response: Staff needs time to perform our due diligence before we make a purchase offer. Staff has hired land appraisers to estimate the as-is market value of the property. The existing offices on the property have been deemed as non-ADA compliant and non-permissible for use. Staff needs to obtain construction cost estimates for rehabilitation or building of a new office. Staff has factored in the purchase of 975 Terra Bella into the FY

2026 Electric budget and rate forecasts. Staff is also considering including the property purchase as part of the grid modernization debt financing plan.

3. **The staff report mentions the risk of increased contractor pass-through costs if the city does not secure a permanent laydown yard but fails to detail any strategies to mitigate these rising costs during the lease period. How does the city plan to manage the financial impact of this ongoing reliance on external contractors, and what steps are being taken to reduce the long-term operational inefficiencies that come with outsourcing storage needs rather than securing a stable, owned facility?**

Staff response: The Geng Road site has been an ideal laydown yard due to its proximity to the MSC and low leasing costs. Staff has been exploring a permanent laydown yard for the past several years including rezoning unused open space land and building a laydown yard at a substation. Since vacant commercial properties in Palo Alto are scarce and expensive, staff is also evaluating properties outside of Palo Alto.

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1. **Considering the upfront financial commitment, what specific data or projections demonstrate the expected adoption rate of this fiber network, and how has the city calculated the break-even point? If the adoption rate is significantly lower than anticipated, what alternative strategies are in place to ensure this investment doesn't become a long-term financial burden on the city budget?**

Staff response: Based on the citywide broadband survey, the projected take rate or subscription of Palo Alto Fiber ISP is between 37% - 42%. The minimum take rate for revenues to exceed expenses is between 25% - 30%. Council adopted a phased approach using fiber reserves without debt financing. The pilot allows the City to build expertise on construction and providing the new ISP service. We have the flexibility to modify our approach in subsequent phases. If the adoption rate is significantly low, the City can invest more in sales and marketing; improve time to market; rescope the buildout; and/or reduce planned expenditures.

2. **Given the rapid advancements in technologies like 5G and satellite internet, how has the city ensured that this investment in fiber will remain relevant and competitive over the next 10 to 20 years? What provisions have been included to allow the city to pivot or adapt if future technologies outpace fiber in terms of cost, speed, or reliability, preventing this project from becoming outdated?**

Staff response: The City is building a new fiber backbone with 432 counts of fiber compared to 144 count in the existing backbone. Of the 432 fiber count, we have approximately 150 spare fiber for future City needs or leasing services. The fiber network architecture is scalable requiring only equipment upgrades.

3. **While the focus has been on the initial construction costs, what specific projections have been made regarding long-term maintenance and operational expenses for the fiber network? How will the city ensure that these ongoing costs are covered, especially if revenue from subscriptions falls short of expectations? What is the plan if the city is forced to allocate additional funds in the future to sustain this network?**

Staff response: The City has developed a 10 year proforma which includes operating, maintenance, and replacement costs (i.e. staffing, data center, vehicle, software, legal, marketing, administrative). With the phased construction and outsourcing approach, the City has the flexibility to accelerate or decelerate the FTTP build out. After the pilot, staff will return to Council with key metrics such as take rate, cost per passing, and customer satisfaction along with funding options for subsequent phases.