

# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** APRIL 24, 2017

**ITEM NO:** 11

**SUBJECT:** EXCEPT THE MAGNOLIA AVENUE FIBER OPTIC CABLE NETWORK PROJECT FROM THE FORMAL PROCUREMENT REQUIREMENTS OF CITY CHARTER SECTION 1109 AND DIRECTLY AWARD A CONSTRUCTION CONTRACT TO ASPLUNDH CONSTRUCTION CORPORATION, IN THE AMOUNT OF \$1,708,489, AUTHORIZE A CHANGE ORDER AUTHORITY IN THE AMOUNT OF 15% OR \$256,000, AND APPROVE WORK ORDER NO. 1719921 IN THE AMOUNT OF \$2,189,489

**ISSUES:**

Recommend that City Council except, by at least five affirmative votes, the Magnolia Avenue Fiber Optic Cable Network Project from the formal procurement requirements required by City Charter section 1109 and directly award a construction contract to Asplundh Construction Corporation in the amount of \$1,708,489, with additional change order authority of 15% or an additional \$256,000, and for the Board to approve Work Order No. 1719921 in the amount of \$2,189,489 for the fiber optic cable network along Magnolia Avenue between Van Buren Boulevard and 1st Street Project.

**RECOMMENDATIONS:**

That the Board of Public Utilities:

1. Recommend that City Council:
  - a. By at least five affirmative votes, except the Magnolia Avenue Fiber Optic Cable Network Project (Project) from the formal procurement requirements required by City Charter section 1109 and directly award a construction contract to Asplundh Construction Corporation in the amount of \$1,708,489;
  - b. Authorize change order authority for additional work in an amount not to exceed 15% of the contract amount, which is \$256,000; and
2. Approve Work Order No. 1719921 in the amount of \$2,189,489 for the Magnolia Avenue Fiber Optic Cable Network Project.

**BACKGROUND:**

Riverside Public Utilities (RPU) operates an advanced broadband fiber optic cable based network to communicate between its substations and control centers for the operation of the electric grid. RPU has many locations and paths throughout the City where it owns excess fiber. This excess fiber is not connected to electronic switches at either end, rendering it "dark". Currently, RPU licenses some of these excess fibers to third parties who install the electronics and "light" the fiber for communication use.

In January 22, 2016, the Board approved Magellan Advisors (Magellan) dark fiber business plan and roadmap for enhanced broadband communications in Riverside. Magellan provided a plan for

enhancement of RPU's business practices and expansion of our dark fiber offerings. The City, through RPU, is not proposing to operate a municipal fiber network and sell internet service to residents, as it does with the water, electric, refuse and sewer utility services that the City provides to residents.

Rather, the City is leasing out unused strands of fiber from its existing broadband fiber-optic cable based network to third parties who have ready access to this existing fiber network. RPU built the network to provide voice, data, electric system protection, and control services to RPU facilities. RPU has many locations and paths throughout the City where it owns excess fiber. This excess fiber is not connected to electronic switches at either end, rendering it "dark". Currently, RPU leases some of these excess fibers to third parties who install the electronics to "light" the fiber for communication use. These businesses can then use the existing fibers to "light" the fiber for internet and communication use. The first phase of this dark fiber leasing program has been funded by revenue from the existing leases for the dark fiber network. Any future expenditures of ratepayer funds for the dark fiber network will be in compliance with Prop. 26.

### **DISCUSSION:**

On December 20, 2016, City Council awarded a Public Works construction contract for Bid No. 7415 – Magnolia Avenue and Market Street Fiber-Optic Signal Interconnect to Asplundh Construction Corporation, Anaheim, California, in the amount of \$2,444,538.

To take advantage of this construction and to expand RPU's dark fiber offerings, RPU is coordinating with Public Works to install a separate fiber optic cable network in the same trench, also along Magnolia Avenue between Van Buren Boulevard and 1st Street. RPU will benefit from significant cost savings by coordinating with Public Works in the following areas: engineering and design, construction and installation, street restoration, traffic management, construction inspection, and project administration and management.

Section 1109 of the City Charter provides the following:

Projects for the construction and/or improvement of any public utility operated by the City or for the purchase of supplies or equipment for any such utility may be excepted from the requirements of this section, provided the City Council so determines by at least five affirmative votes.

The Purchasing Services Manager recommends excepting the Project from the formal procurement requirements required by City Charter section 1109, and directly award a construction contract to Asplundh Construction Corporation.

The basis for such waiver is the following:

1. RPU compared Asplundh's bid to similar bids received on other projects. RPU estimated that the cost for such a project, if bid through a separate formal competitive procurement, would be \$2,607,969. Asplundh's bid is \$1,708,489, meaning that Asplundh's bid is \$899,480 less than RPU's estimate, a cost savings of 34%. This comparison is set forth in the attached Bid Cost Analysis.
2. By coordinating with the Public Works fiber optic project, RPU saves on costs for engineering and design, construction and installation, street restoration, traffic management, construction inspection, and project administration and management. RPU estimated that the costs for such a project, if bid through a separate formal competitive procurement, would be \$3,007,969.58. By coordinating with the Public Works fiber optic project, RPU estimates that its costs would be \$1,933,359, a costs savings of \$1,074,610, or 36%. This comparison is set forth in the attached Bid Cost Analysis.
3. By combining the Project with the Public Works Project, residents will benefit through reduced traffic disruption. By coordinating with the Public Works fiber optic project, RPU's contractor will

work within the same trench and the affected streets will only be dug into once. If the Project was bid through a separate formal procurement, the commencement date of the Project will be after the Public Works project, creating increased street construction, a second “dig-in” to the streets and traffic disruption.

Work Order No. 1719921 includes engineering, design, equipment procurement, construction, installation, testing and commissioning of the fiber optic network. RPU staff will perform engineering, design, and testing. Asplundh Construction Corporation will perform construction and installation of the fiber optic network for the amount of \$1,708,489.

Public Works and RPU will share 50% of the common project costs of \$382,500 for mobilization, storm water pollution control, asphalt pavement restoration and traffic control and access. A deductive change order will be issued in favor of the City by Asplundh to reflect Public Utilities’ payment of such costs.

The project breakdown is proposed as follows:

<b>Project Breakdown</b>	
Engineering Performed By:	RPU
Material and Equipment Procured By:	RPU
Fiber Installation Performed By:	Contractor
Fiber Termination/Testing Performed By:	RPU
Anticipated Start Date:	April 2017
Anticipated Construction Duration:	Four Months
Coordination Required with:	Public Works Dept.

The total capital expenditure for the project is as follows:

<b>Item Description</b>	<b>Sub-total</b>
Asplundh Construction Corporation Purchase order	<b>\$1,708,489</b>
RPU Engineering	\$50,000
Material and Equipment	\$50,000
RPU Field Forces	\$125,000
Contingency	\$256,000
<b>Total</b>	<b>\$2,189,489</b>

#### **FISCAL IMPACT:**

Sufficient funds are available in the Public Utilities’ City Wide Communication Account No. 6130000 – 470664.

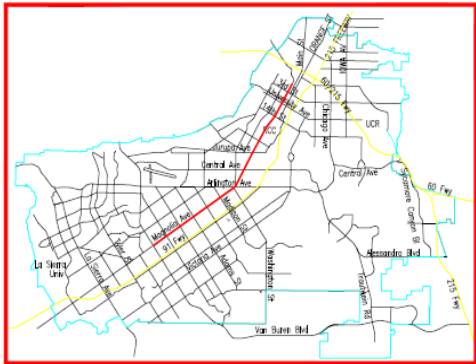
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Approved by: John A. Russo, City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability  
of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

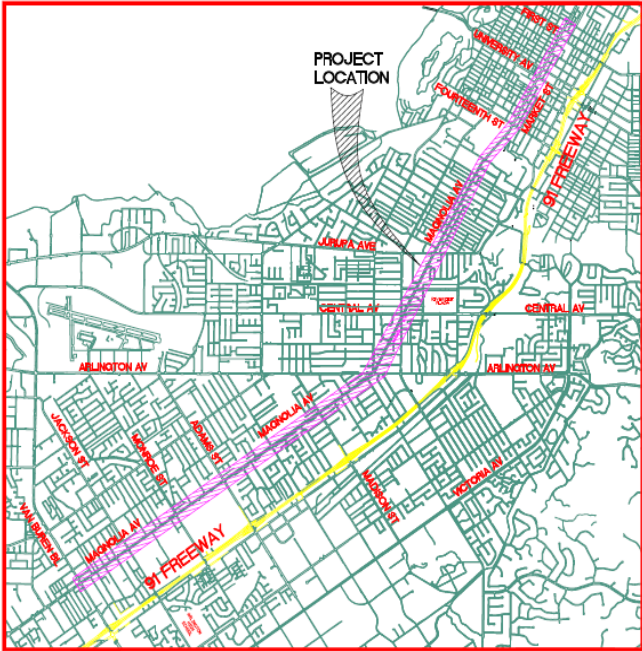
#### **Attachment:**

1. Asplundh Construction Corporation Bid
2. Presentation
3. Agreement for Construction
4. Bid Cost Analysis

CITY  
OF  
RIVERSIDE



CITY MAP



MAGNOLIA AVE  
CONDUIT AND FIBER INSTALLATION  
WORK ORDER NO. 1719921