



CITY COUNCIL STAFF REPORT

TO: City Council **DATE:** January 26, 2026

DEPARTMENT: Economic Development Department

PREPARED BY: Sarah McCormick, Economic Development Manager

PRESENTER: Sarah McCormick, Economic Development Manager

AGENDA TITLE: Receive Report on City of Fort Bragg Municipal Broadband Utility Project, Provide Direction to Staff, and Consider Approving City Council Resolution Authorizing City Manager to Execute Contract Change Order No. 2 with HP Communications, Inc (Amount Not to Exceed \$11,242,814; Account: 516-4875-0731)

RECOMMENDATION

Adopt City Council Resolution Authorizing City Manager to Execute Change Order No. 2 with HP Communications, Inc. (Amount Not to Exceed \$11,242,814; Account 516-4875-0731)

BACKGROUND

Aligned with the City Council Goals and the [Strategic Plan 2024–2028+](#), broadband deployment is a cornerstone initiative to invigorate economic opportunity, foster community vibrancy, and bridge the digital divide in Fort Bragg. The City's broadband vision prioritizes the development of affordable, reliable, high-speed fiber-optic infrastructure to attract a diverse range of businesses; support online education and telehealth; enable remote work; and connect Fort Bragg to regional, national, and global networks. This vision includes the establishment and management of a municipal broadband utility offering industry-leading speeds, redundant communications during emergencies, direct support for customers, and public Wi-Fi at City facilities to enhance visitation and economic activity.

In support of this initiative, the California Public Utilities Commission (CPUC) awarded the City of Fort Bragg \$479,000 in Local Agency Technical Assistance (LATA) Program funds to advance desktop design and cost estimates for digital infrastructure to construction-level detail (Attachment 1 – Fort Bragg Digital Infrastructure Project, 2021). This grant funded work included the developing a business plan, financing strategy, and construction bid packet.

Following this effort, broadband construction costs were estimated at approximately \$14.7 million. The CPUC subsequently awarded the City \$10.3 million in Federal Funding Account

AGENDA ITEM NO. 8B

(FFA) Program funds to support construction activities. To close the remaining funding gap, NHA Advisors assisted the City in securing debt financing through EverBank. The resulting \$7,879,810 loan was allocated to cover remaining construction costs, as well as some operational and soft costs associated with the acquisition of Mendocino Community Network (MCN).

Simultaneously, City staff coordinated with the California Department of Technology (CDT) on a joint-build project to construct a four-mile segment of the State's 8,100-mile California Middle Mile Broadband Initiative (MMBI) running through Fort Bragg (Attachment 2 – MMBI Map). This project is currently underway, with construction anticipated to be completed by March 2026. The City's estimated pro-rata fair share of costs is approximately \$1,291,500.

DISCUSSION AND ANALYSIS

Through a competitive bid process, HP Communications, Inc. was awarded the construction contract for the broadband project in an amount not to exceed \$9,966,165. Separately, through a competitive procurement, GHD was awarded construction management services for an amount not to exceed \$1,449,467. To mitigate supply chain disruptions and the risk of escalating costs due to potential tariffs, the City elected to directly purchase major construction materials, including the Data Center Hut.

In June 2025, it became evident that the level of required restoration significantly exceeded the project's original budget assumptions. Concurrently, the City Council's FY 2025/26 adopted budget included an investment of \$354,023 for street maintenance equipment. In response, the broadband project pivoted to exploring opportunities to support upskilling Public Works Maintenance staff to perform street restoration work in-house, while contracting out janitorial and landscaping services to increase overall staffing capacity.

On September 24, 2025, City staff were informed by GHD's Construction Manager that the project was approximately \$3,000,000 over budget. When asked to identify how and where the project had deviated from the budget, the Construction Manager was unable to provide an explanation. As a result, staff immediately terminated GHD's Construction Management Services contract, while retaining select contracted services necessary to ensure grant compliance, prevailing wage oversight, and on-site inspections.

Over the past several weeks, City staff and the project team have worked diligently to identify the causes of the cost overruns and to determine the most prudent path forward. Simultaneously, staff focused on identifying and implementing cost-saving measures. One immediate action included replacing one of the GHD inspectors with City staff, resulting in an estimated savings of approximately \$40,000 per month.

Additional cost-saving measures are documented in Change Order No. 1, which resulted in a net contract reduction of \$698,000 and includes the following adjustment:

- Portions of the original scope were removed from the project (Main Street crossing to Mill Site, Airport Drive, etc.), totaling \$26,299.35 in avoided costs.

- Construction methods successfully avoided impacts to pedestrian corners eliminating the need for Bid Item #37 ADA Curb Ramp Improvements, resulting in \$490,750 in avoided costs.
- Restoration performed by Argonaut that overlapped the City's Street Project was added in the amount of \$32,742.
- Rock adder quantities in the amount of \$21,147 were incurred and added.

Despite these measures, full budget certainty for construction has not yet been achieved. Worst-case financial exposure is currently estimated at approximately \$3,000,000. Contributing factors identified to date include insufficient horizontal directional drilling quantities in the Bill of Materials (BOM), conduit installation exceeding design assumptions, and deficiencies in project tracking and cost controls by the former Construction Manager.

On a positive note, MCN operations are currently net positive. A portion of the overall project budget had originally allocated funds for indirect and soft costs that are now being absorbed by MCN operations, thereby freeing up debt-financing capacity. By reallocating project funds from operational and soft costs to construction activities, the budget gap would be closed nearly \$2 million. Staff seeks City Council authorization to move project funds in the amount of \$1,974,629 to construction activities as illustrated in Tables 1 and 2.

Additionally, the Congressional Appropriations Committee has passed the Agriculture Appropriations Bill, which includes \$750,000 for the City of Fort Bragg's Broadband Project, earmarked by Representative Huffman.

Sources of Broadband Project Funds	
Description	Amount
Federal Funding Account Grant Program	\$10,300,000
Debt Financing	\$7,879,810
Congressional Earmark	\$750,000
Total	\$18,929,810

Table 1: Funding Sources

Uses of Funds for Broadband Construction Activities	
Description	Amount
Major Construction Materials	\$1,190,313
Data Hut Center, including HALO design and new electrical service	\$276,789
Contractor: HP Communications, Inc.	\$9,966,1655 CO#1: \$9,268,185 <i>pending CO#2: +/- \$11,242,814</i>
Construction Management: GHD	\$1,1449,467
Core Routers	\$256,709
Optical Line Termination (OLT) and Optical Network Termination (ONT)	\$1,117,411
Fiber to the Premise Drops	\$1,215,327
Operating Support Systems	\$136,500
Engineer Support	\$55,000
MMBI Joint Build	\$1,291,500
Total:	\$16,955,181 <i>Request Pending: \$18,929,810</i>

Table 2: Uses of Funds

We are close to identifying the precise deviation and the point at which it occurred. Once confirmed, the City may consider seeking damages through negotiations and/or litigation. Staff remains focused on ensuring this transformative initiative crosses the finish line – offering our community high speed broadband by a local workforce that is dedicated to not simply provide connectivity, but also the resources needed to use it effectively.

Construction Update

The City's last-mile broadband network is designed around a centralized data center located at C.V. Starr, equipped with core routing, firewall, maintenance switches, and Optical Line Terminal (OLT) equipment. This facility serves as the primary data hub and connects to fifteen (15) Distribution Areas (DAs), which aggregate fiber connections and distribute service through underground conduit and fiber infrastructure. From each DA, fiber extends to local service terminals ("flowerpots"), with final underground service drops installed upon customer request, providing flexibility and responsiveness to user needs.

Many Distribution Areas have completed horizontal boring, conduit installation, vault placement, and flowerpot installation with mule tape. City staff are actively conducting field walk-throughs of each DA to verify that work has been completed satisfactorily and that temporary pavement patches are flush with adjacent surfaces. Upon staff sign-off for each

DA, fiber installation crews will proceed. MCN staff will oversee this phase of construction to gain hands-on, on-site training and operational familiarity.

Once fiber installation is complete, customer service drop construction will begin. This work will be performed by MCN staff as part of system activation and operational readiness. The California Middle Mile Broadband Initiative (MMBI) network is currently anticipated to be available for interconnection in December 2026; however, opportunities exist to connect earlier should the Director of Municipal Broadband determine that early interconnection is advantageous. As previously noted, construction of the four-mile MMBI segment serving Fort Bragg is expected to be completed by March 2026, however we will remain an island until Hwy 20 build is complete.

Given the recent budget uncertainties, and condition of patching after heavy rains, staff has directed contractors to prioritize vault placement and surface restoration activities rather than extended horizontal bore runs. That said, construction remains fully mobilized, and boring activities must advance in the coming days to maintain schedule and contractual obligations. Staff therefore recommends continuing construction in order to fulfill the requirements associated with Federal Funding Agreement (FFA) obligations.

This project represents an ambitious and transformative investment in Fort Bragg's future—one of which the City should be proud. At the State level, Fort Bragg is widely regarded as a quintessential example of Governor Newsom's historic investment to connecting all Californians, regardless of geography or income. The City's ability to strategically align project timing with competitive funding opportunities is a significant accomplishment, though it has also contributed to an accelerated implementation schedule. Despite these challenges, staff has identified a clear path forward supported by a solid implementation plan.

Accordingly, staff seeks City Council authorization to move project funds in the amount of \$1,974,629 to construction activities. Staff will bring update to Council at next meeting with actual overage cost, and if necessary, a plan to close an additional funding gap up to \$1,025,350.

FISCAL IMPACT/FUNDING SOURCE

The City of Fort Bragg received \$10.3 million of Federal Funding Account Program grant funds, Congress authorized \$750,000, the City debt financed \$7,879,810, towards the broadband utility project. Please see Table A and Table B.

ENVIRONMENTAL ANALYSIS:

Construction will impact sidewalks and streets citywide, impeding access and placement of temporary patching. These impacts are temporary in nature.

STRATEGIC PLAN/COUNCIL PRIORITIES/GENERAL PLAN CONSISTENCY

1D. Develop and maintain affordable and reliable high-speed fiber-optics infrastructure to support and attract diverse businesses, online education, and remote employment that will connect Fort Bragg to the world.

- Construct, manage, and maintain a municipal broadband utility that provides citywide access to underground networks with industry-leading speeds to provide secondary communications during emergencies and support businesses.
- Consider establishing a broadband Joint Power Agreement with the County to expedite connectivity.
- Provide free Wi-Fi downtown to encourage visitation, support local businesses, and accommodate remote workers

COMMUNITY OUTREACH

Staff communicates major construction updates through press releases, social media posts, and announcements at City meetings. Staff also corresponds with numerous community members via email and phone calls.

COMMITTEE REVIEW AND RECOMMENDATIONS

In 2019, Mayor Novell appointed the Broadband Ad-Hoc Committee to explore opportunities for improving broadband connectivity within the community. Since that time, the Committee and City Council have conducted multiple public meetings related to the project, including discussions on the strategic plan, grant awards, requests for proposals, contract awards, debt financing, acquisition of Mendocino Community Network, participation in the California Middle Mile Joint Build, and other related actions

ALTERNATIVES:

City The City Council understands there is an alternative option to leverage this asset by offering open-access service. While this approach would provide the fastest return on investment and eliminate the need for a dedicated Broadband Department, it would not ensure affordability for community members. The current path forward is financially viable and allows the City to offer affordable pricing while supporting a local workforce that provides quality customer service and earns living wages.

ATTACHMENTS:

1. Resolution No XXXX-2026
2. 2021 Fort Bragg Digital Infrastructure Plan
3. Map of CA MMBI Network

NOTIFICATION:

1. Notify Me E-subscriber Lists: Economic Development Planning; Blue Economy; Finance and Budgeting; Street Construction