CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM:
Declaring an Investment in Conduit Network Infrastructure
as the Preferred Expenditure Category for
Federal American Rescue Plan Act (ARPA) Funds

DATE: January 24, 2022

FINANCIAL IMPACT: Declaring intended use of the $7,670,870 of American Rescue Plan – Coronavirus State and Local Fiscal Recovery Funds to the Digital Enterprise Urban Renewal Area project.

BACKGROUND:

In March of 2021, President Biden signed into law the American Rescue Plan Act (ARPA) which guaranteed direct relief to cities, towns, and villages across the United States. (Sec. 9901: Coronavirus State and Local Fiscal Recovery Funds). The Treasury Department is responsible for all matters related to the execution of these dollars and until recently, was operating under an interim rule related to the allowable uses of these funds and the deadline by which to expense these dollars.

On January 6th, a final rule was made available which more clearly defined the use of these funds and expanded the deadline to December 31, 2024 for allocation of the funds and December 31, 2026 for actual expense of dollars.

West Des Moines received the first tranche, $3,835,436 on May 21, 2021. Its anticipated that we will receive an identical amount in May of 2022, for a total of $7,670,872. So far use of the funds have been discussed internally and at a Finance & Administration subcommittee meeting on April 7th and April 21st, 2021. While no funds have been expensed thus far, it was discussed that utilizing the City's Coronavirus SLFRF for assisting in the Digital Enterprise conduit network construction project would be consistent with allowable use and in the best interest of the City at this time.

The U.S. Department of the Treasury specified the use of broadband dollars within its Final Rule documentation; "The Coronavirus State and Local Fiscal Recovery Funds may be used to make necessary investments in broadband infrastructure, which has been shown to be critical for work, education, healthcare, and civic participation during the public health emergency. The final rule broadens the set of eligible broadband infrastructure investments that recipients may undertake. Recipients should adhere to the following requirements when designing a broadband infrastructure project:

(1) Identify an eligible area for investment. Recipients are encouraged to prioritize projects that are designed to serve locations without access to reliable wireline 100/20 Mbps broadband service but are broadly able to invest in projects designed to provide service to locations with an identified need for additional broadband investment. Recipients have broad flexibility to define need in their community. Examples of need could include (a) lack of access to a reliable high-speed broadband connection, (b) lack of reliable service, (c) lack of affordable broadband,
(2) Design projects to meet high-speed technical standards. Recipients are required to design projects to, upon completion, reliably meet or exceed symmetrical 100 Mbps download and upload speeds. Treasury encourages recipients to prioritize investments in fiber-optic infrastructure wherever feasible and to focus on projects that will achieve last-mile connections. Further, Treasury encourages recipients to prioritize support for broadband networks owned,

operated by, or affiliated with local governments, nonprofits, and co-operatives.
(3) Require enrollment in a low-income subsidy program. Recipients must require the service provider for a broadband project that provides service to households to either: (a) participate in the FCC's Affordable Connectivity Program (ACP), (b) provide access to a broad-based affordability program to low-income consumers that provides benefits commensurate to ACP.

The City of West Des Moines' use of ARPA funds for the Digital Enterprise would meet these necessary guidelines and criteria.

It is very important that the Digital Enterprise project get back on schedule and stay on schedule. Bid lettings and order construction paused while we worked on our design and added additional users to the conduit network. Now is the time to purchase materials and get ahead of similar projects, not just in Iowa but across the nation. Below is a brief explanation of the timeline issues which Staff are hoping to avoid, by ordering conduit materials now, with our ARPA funds.

- Supply chain issues have caused a delay in getting materials delivered in a timely fashion, we believe this problem will only get worse as we look at the high-volume of stimulus dollars dedicated to rural broadband use in the months to come.
- The City has agreements with our conduit network tenants which contain deadlines that if not met, mean the City will incur delay penalties for each day the project is delayed.
- Currently the lead time on materials is several weeks. Suffering a material delivery delay could push these lead times into an overlap with active construction activities. Staff believes it is more efficient to use the current winter months to cover material delays rather than months which would otherwise be used for active construction activity. Additionally, if contractors do not have materials available and on-site at the time of conduit installation, they will likely increase bid costs to account for a necessary return trip, just for vault installation. We are hoping to avoid this potential Change Order by utilizing ARPA funds, ordering our materials now, and having them on-site and available for install.
- As always, Staff's goal is to put the City in the best position possible to receive the most affordable bids. In the case of this project, that means we should not bid more than one segment of the project at the same time or on the same agenda. Doing so leads to "bidding against ourselves". As such, we have scheduled the bidding activity so that only one segment or portion of the project is bid at a time. Because these Order Constructions are carefully staggered and scheduled on separate dates, pushing one Order Construction to a later date means pushing them all back, and then risking missed deadlines and late penalties. Staying on schedule is very important to this project, so the schedule is carefully organized to meet our obligations. Bidding on time and as early as possible also puts the City in a position to hopefully receive multiple bidders per segment before contractor's line up other projects and become unavailable.

OUTSTANDING ISSUES (if any): In addition to utilizing ARPA Corona virus State & Local Fiscal Recovery Funds, the City will also set a public hearing date to complete the borrowing which was intended for this project and began on July 3, 2020. This public hearing date will be set at the next regularly scheduled council meeting.

RECOMMENDATION: Approval of the use of American Rescue Plan Act and the Coronavirus State and Local fiscal Recovery Funds to purchase supplies and equipment necessary for construction of the Digital Enterprise conduit network project.

Lead Staff Member: Jamie Letzring, Brian Hemesath

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	RTJ

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee	Finance & Admin		
Date Reviewed	1/19/2022		
Recommendation	Yes	No	