TO: HONORABLE CITY COUNCIL

ATTENTION: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JULY 18, 2006 CMR: 299:06

SUBJECT: REQUEST FOR FINANCE COMMITTEE REVIEW OF REQUEST FOR PROPOSAL FOR ULTRA-HIGH-SPEED BROADBAND SYSTEM CONSTRUCTION AND MANAGEMENT

RECOMMENDATION
Staff requests that the Finance Committee review and comment on the attached draft Request for Proposal for Ultra-High-Speed Broadband (Attachment 1). In addition, staff requests that the Finance Committee consider the issues outlined in this report, indicating on the Committee’s desired direction. Finally, staff asks the Finance Committee to recommend to the City Council that it grant unanimous approval, via the consent calendar, to move forward.

BACKGROUND
At its January 17, 2006 Council meeting, Council directed staff to issue a Request for Proposal (RFP) for the construction and operation of an ultra-high-speed bandwidth system. The primary goals of that system would be:

- Capability of providing minimum bandwidth of 100 megabits per second symmetric service to the customer;
- Provision of at least data, video, and telephony services; and
- City ownership of the physical system.

Council went on to direct that the RFP shall request the following information from the bidders:

- Proposed financial and other contributions required from the City
- Assessment of financial risk to the City of Palo Alto
- Proposed schedule to achieve the City’s primary goals
- Proposed technologies to achieve the City’s primary goals
- Proposed ultimate ownership of the system’s physical infrastructure
- Whether the proposed system be an “open” system
- Proposed roles of the City versus roles of the responder
DISCUSSION
Attachment 1 is a draft of the RFP described above. In addition to reviewing the draft and providing comment as to whether it meets with the goals and parameters laid out on January 17, 2006, staff requests that the Finance Committee consider the following issues and clarify its intent:

1. The RFP mentions that the vendor could license the City’s dark fiber. Was it Council’s intent as described in the January 17, 2006 Colleagues Memo that the City offer dark fiber capacity at no charge to the vendor? Was it the intent of Council to give “use and control” (hence profit) of some/all of the dark fiber system and its customer base to the bidder as a financial aid in lieu of cash?

2. Council’s direction stated that the City “wishes to own the physical structure.” Staff assumes that means owning the dark fiber itself and not necessarily the head-end, field equipment, etc. Is that assumption correct? Staff believes, due to regulatory and other concerns, it would be advisable to own only the dark fiber.

3. “Universal Service.” Does Council want to require the vendor to provide service to ALL the homes/businesses in Palo Alto, including the foothills? If so, can there be a phased implementation – and within what timeframe would it be acceptable for outlying areas to receive service?

4. “Net neutrality.” The Colleagues Memo specifies an open network preference, but not a requirement. Members of the public are likely to question the fairness/wisdom of allowing even the possibility of a closed network. To what extent is Council willing to consider a closed system in light of probable public opposition?

RESOURCE IMPACT
Resources have already been committed to completing the RFP distribution, evaluation and selection process. Additional City resources required for implementing the high-speed system would be proposed by the RFP respondents and discussed as part of the selection process.

POLICY IMPLICATIONS
This report and the attached RFP are consistent with Council’s policy and program direction provided at its January 17, 2006 meeting.

ENVIRONMENTAL REVIEW
The actions requested in this report do not constitute a project for the purposes of the California Environmental Quality Act.
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ATTACHMENTS
Attachment 1: Draft Request for Proposal for Ultra-High-Speed Broadband System  