

REPORT TO COUNCIL

City of Sacramento

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Staff Report
June 21, 2007

**Honorable Mayor and
Members of the City Council**

Title: Agreement: Public Wireless Internet Services in Sacramento

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** 1) approving the Agreement for the Design, Deployment and Operation of Wireless Broadband Network in Sacramento between the City and Sacramento Metro Connect, LLC (SMC); 2) approving the Anchor Tenancy Service Agreement between the City and SMC for wireless broadband network services to City offices and employees; 3) directing staff to bring to Council for approval zoning code amendments and a revocable permit agreement for the installation and implementation of a citywide wireless broadband network.

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Presenters: Stephen R. Ferguson and James R. Rinehart

Department: Information Technology and Economic Development

Division: Administration/Citywide Development

Organization No: 1341 and 4453

Description/Analysis

Issue/Objective:

On June 15, 2006, the Council WiFi Ad Hoc Committee reaffirmed its commitment to WiFi Broadband deployment and took the initiative to ensure that the City of Sacramento will have the wireless broadband infrastructure necessary for current and future demands in Sacramento. The Council WiFi Ad Hoc Committee also recognized WiFi Broadband as a critical component to the economic growth and diversification of the City as well as a vital element needed to bridge the digital divide (a gap between those with regular, effective access to digital technologies and those without) of the City. On July 18, 2006, City Council authorized staff to reissue a Request for Proposals (RFP) for the design, technology, deployment, management,

operation and delivery of Wireless Internet Service in the City of Sacramento.

At the conclusion of the RFP evaluation process, staff recommended and the Council WiFi Ad Hoc Committee approved contract negotiations with SMC. SMC represents a collaboration of three well-known and diversified telecommunications corporations, an Internet Service Provider, and a non-profit organization. Negotiations of the terms of the contract were conducted under the oversight of the Council WiFi Ad Hoc Committee.

The key business terms specified in the reissued RFP, including City's policy considerations, streamlined zoning ordinance approval process and revocable permit for this project, have been negotiated and outlined in this report.

Policy Considerations

Staff and the Council WiFi Ad-hoc Committee developed key business terms, which are included in the reissued RFP. An outline of the key business terms is provided below and the full discussion is included in the Background Report (Attachment 1)

1. Coverage
2. Service Requirements
3. Advertising
4. Contract Terms
5. System Technology Requirements
6. Permitting
7. Electricity
8. Deployment
9. City Use of System
10. Digital Inclusion

The current zoning ordinance requires an individual special permit for every communication antenna installed in the City of Sacramento. Staff is working with the Zoning Administrator and City Attorney's Office in drafting an amendment to the zoning ordinance that would facilitate the installation of SMC's equipment under a revocable permit agreement. Staff is working with the City Attorney's Office in drafting the revocable permit agreement that would grant SMC non-exclusive rights to attach, at SMC's sole cost and expense, its equipment on designated and approved city-owned buildings and structures, including street light poles, for the purpose of constructing a wireless broadband network to provide wireless internet services to residents, businesses, and visitors located within the City. Said revocable permit agreement will not include the right to utilize historic buildings and structures or Acorn Light/Decorative Streetlight Poles. The revocable permit agreement and any zoning code amendments will be brought back to the Council for approval before SMC begins the deployment.

Environmental Considerations:

The Environmental Planning Services (EPS) staff has determined that the Citywide WiFi Broadband project is exempt from the provisions of the California Environmental

Quality Act (CEQA), pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15061(b)(3), due to the minor nature of the activities proposed. A copy of the Notice of Exemption will be filed with the County of Sacramento Clerk Recorder upon approval by City Council.

Rationale for Recommendation:


Wireless Broadband is fast becoming a crucial infrastructure, for which municipal communications, commerce, content, advertising, interactivity and virtual cooperative development will be increasingly dependent. In addition, a citywide deployment of wireless broadband will increase economic opportunities. This report recommends a privately-owned wireless broadband network by SMC because they meet and exceed City's key business terms specified in the RFP. Moreover, SMC commits to bridging the digital divide in the City via digital inclusion efforts that will enable underserved constituencies to participate in the wireless network.

Financial Considerations:

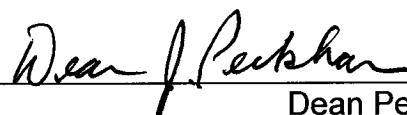
No additional funding is requested. SMC pays for all costs incurred for the design, installation, support and operation of the Wireless Broadband Network. At this time, no expenditure authorization is requested under the Anchor Tenancy Agreement. Any future purchase of services from SMC will be done in accordance with City policies and procedures. These costs will either be included in future budgets approved by City Council or will be brought to Council for approval as separate items.

Emerging Small Business Development (ESBD):

The RFP P071311001 was advertised on the City's website for seventy (70) calendar days. City staff contacted several local small businesses in this category for participation. Due to the large scale deployment and the nature of this service, only one qualified ESBD Proposer responded to the RFP but that entity did not meet City's business terms. Sacramento Metro Connect LLC is not a qualified ESBD at this time. The project will include the installation and maintenance of over 2,000 wireless access points citywide. SMC plans to establish a few Network Concentration Points locally to support the network. SMC also agrees to engage local academic institutions and hire local students and small businesses in network build-out, service and maintenance.


Respectfully Submitted by: 

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IT Project Manager

Respectfully Submitted by: 

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Senior Project Manager

Approved by: 
James R. Rinehart
Citywide Economic Development Division Manager

Approved by: 
Stephen R. Ferguson
Chief Information Officer

Recommendation Approved:


don 
Ray Kerridge
City Manager

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Attachment 1**Background**

On June 15, 2006, after MobilePro Company withdrew from contract negotiations with the City, the Council WiFi Ad Hoc Committee reaffirmed their commitment to WiFi deployment, worked with staff to address several key business terms, and recommended these business terms be included in the revised RFP.

On July 18, 2006, City Council authorized the City Manager to release a revised RFP for the design, installation and operation of a Citywide WiFi Network in Sacramento that includes the following ten (10) key business terms:

1. **Coverage**
 - a. Initial deployment downtown (Sacramento River on the west to 16th St on the east, H St on the North to R St on the South)
 - b. Citywide within 2 years of approval (guaranteed coverage for 95% of the area on the exterior of buildings and 90% coverage through 1 wall on the 1st and 2nd floors.
 - c. Taller and denser buildings will require property owner to purchase compatible "Customer Premise Equipment"
 - d. Proposer developed deployment schedule that is economically and ethnically balanced between diverse neighborhoods and Council Districts
2. **Service Requirements**
 - a. Citywide free basic service at 300 Kbps (KiloBytes Per Second) or greater
 - b. No time or login limits for free service
 - c. Subscriptions for higher speed service (subscription rates to be determined by Proposer)
3. **Advertising**
 - a. Proposer may elect to sell advertising at the "free service" level to support such service. Proposer may propose alternatives to advertising supported free service.
4. **Contract Terms**
 - a. Initial 5 year contract with two, 5-year renewal options
5. **System Technology Requirements**
 - a. Basic technology requirements – Industry standard equipment that meets all appropriate FCC regulations
 - b. Proposer to upgrade network as technology changes, including WiMAX deployment at no cost to the City

- c. City will lease city owned dark fiber where available to the Proposer for network backhaul use
6. **Permitting**
- a. City shall amend zoning ordinance to allow for a single permit application for citywide deployment
 - b. City shall waive local permit and encroachment fees
 - c. Proposer will meet city's requirements for an aesthetically pleasing design. The City's guidelines will be available to Proposers during the RFP process
7. **Electricity**
- a. Developer shall pay all cost of electricity at the City's rate for electricity usage based upon average per unit usage rates
8. **Deployment**
- a. City buildings, other facilities and light poles will be available to the Developer for deployment. The following qualifications apply:
 - i. 95% of City streetlights are gang-switched lights (no power present in the light arm when light is off).
 - ii. Many of the City's streetlights are ornamental and/or too short for deployment. In some cases there are neighborhoods that have no streetlights. The developer will be responsible for identifying a deployment strategy in these areas.
9. **City Use of the System**
- a. City will be entitled to use the system for its own business needs free of charge for the term of the agreement. Terms of use include:
 - i. On a priority basis at 1Mbps or greater
 - ii. On a separate and dedicated SSID (Service Set Identifier)
 - iii. The city is willing to consider proposals where the City could become an "anchor tenant" to support its use of the system. The Proposer may offer multiple "anchor tenant" scenarios for the City to select from.
10. **Digital Inclusion**
- a. If the Proposer elects to use advertising to support the free service (see #3 above), then 7% or greater of gross advertising revenue will be used to fund or support qualifying 501(c)(3) nonprofit organization. The Proposer may offer alternative approaches to funding Digital Inclusion, for example:

Funding from the 7% of gross advertising revenue or another alternative may be used to create or partner with a qualifying 501(c)(3) to provide the following:

 - i. Subsidize accounts for low income residents
 - ii. Purchase computers

- iii. Create additional free access points in schools, libraries, community centers, etc.
- iv. Provide technical services to qualified households.

On July 19, 2006, staff incorporated the above business terms in the RFP P071311001 and advertised the revised RFP on City's Website for seventy (70) calendar days.

On Sept. 29, 2006, staff received four (4) proposals from AT&T/MetroFi; Sacramento Metro Connect; Ubiquity/Fire2Wire/Nortel; and Blue Horizon/GTE.

A multi-jurisdictional team from City staff, SMUD, Sacramento State University, Los Rios Community College District, Sacramento Regional Transit District, and Smart Capitol Venture Network reviewed the responses. Upon completion of the evaluation, one proposal was determined non-responsive due to the Proposer's inability to meet several key business terms specified in the RFP. The evaluation team also elevated two Proposers, AT&T/MetroFi and Sacramento Metro Connect, to the next level for more clarifications and solution presentations.

On November 9, 2006, staff briefed the Council WiFi Ad Hoc Committee and obtained approval to begin further discussion with the two finalists.

Both finalists were invited to the City to present information on their proposals and to allow staff to ask questions about their solutions. At the conclusion of the presentations, the evaluation team unanimously recommended that the City begin contract negotiations with Sacramento Metro Connect.

I. WIRELESS NETWORK AGREEMENT HIGHLIGHTS

- SMC, at its sole cost and expense, will design, furnish, install and operate the wireless broadband network in Sacramento.
- Free access at 1Mbps with no time limit and no credit card required to register.
- Deployment of the network will be economically and ethnically balanced between diverse neighborhoods and Council Districts that cover the entire City within two (2) years of start of the initial phase of deployment.
- Deployment for the initial phase will commence no later than 90 days from contract approval.
- Open access of the network to other Internet Service Providers (ISP) based on a wholesale model
- SMC will allocate 7% of gross advertising revenue on a monthly basis on the free service to digital opportunity efforts.
- A Digital Inclusion Advisory Board will be appointed by the City Council to make

recommendations and provide advice to the Council and City staff as the City considers allocation of 7% of gross revenue from advertising on the free service, state and federal grants, and any philanthropically raised funds.

- SMC agrees to the following compensation formula for use of City-owned assets:
 - \$36.00 annually per pole used in the network to community reinvestment efforts towards the city's digital inclusion program
 - SMC to allocate applicable grant funds and philanthropically raised funds to subsidize Customer Premise Equipment acquisition for up to 200 community organizations within a low cost loan to own programs
 - SMC will discuss and confirm with the Digital Inclusion Advisory Board allocation of funds to support access to Assistive Technology solutions to include, more specifically, broadband access solutions for low income families, senior residents and business owners over the age of 65 in the City of Sacramento

Staff also negotiated with SMC for the City to become a major participant in this wireless network as an anchor tenant.

II. ANCHOR TENANCY AGREEMENT HIGHLIGHTS

- The City receives a bulk discount, minimum of 30% from retail pricing, based on the aggregate number of connections or the total aggregate monthly revenue, whichever generates the higher discount, from the City and other public agencies in the City of Sacramento
- Affordable internet services to subscribers/businesses starting from \$15/mo
- Hourly/daily/weekly access pass for transient professionals and visitors in the City
- The City and the other public agencies will be designated up to fifty (50) secured Virtual Local Area Network (VLAN) connections
- Quality of Services will be implemented to prioritize Public Safety and/or critical City services over the air and onto a wired backbone network
- SMC offers both concurrent license and named license with separate and dedicated Service Set Identifier (SSID) for City use
- SMC will construct the network in such a manner so that public bandwidth can be shifted quickly and securely to the Public Safety connectivity in the event of a disaster or emergency

III. DIGITAL INCLUSION ADVISORY BOARD

In early 2007 the Council WiFi Ad Hoc Committee solicited input from SMC and local nonprofits regarding digital inclusion, including the possible formation of a Digital Inclusion Advisory Board. The Council WiFi Ad Hoc Committee envisioned that such an Advisory

Board would provide guidance to the Council regarding the allocation and expenditure of the 7% of gross advertising revenues to address issues of digital inclusion across the community.

Based upon direction from the Council WiFi Ad Hoc Committee, staff will return to the Council with the appropriate ordinance to establish a Digital Inclusion Advisory Board. The primary objective of the Digital Inclusion Advisory Board will be to make recommendations and provide advice to the Council and City staff as the City considers the expenditures of such funds, including any applicable grant funds and philanthropically raised funds, and the formulation of City policies and procedures relating to digital inclusion programs and opportunities. It is envisioned that the Advisory Board will be comprised of representatives from different community groups, such as businesses, nonprofits, and a representative of SMC. City staff from various city departments will serve as staff to the Advisory Board. Staff will conduct community outreach to interested neighborhood groups, business groups and nonprofits.

Staff also anticipates leasing city owned dark fibers, where available, to SMC for its network backhaul use to implement a citywide wireless network in Sacramento.

Tentative Schedule

June 21, 2007:	Master and Anchor Tenancy Agreements presented to City Council for approval
July 2007:	Sacramento Metro Connect LLC begins site survey
July 2007:	Staff submits any proposed zoning code amendments, a revocable permit agreement and, if applicable, a fiber lease agreement for Council's approval
August 2007:	Sacramento Metro Connect LLC submits initial network design plans to the City
September 2007:	Sacramento Metro Connect LLC starts initial deployment in Downtown Area
October 2009:	Sacramento Metro Connect LLC completes citywide deployment

Attachment 2

RESOLUTION NO.

Adopted by the Sacramento City Council

ESTABLISH AN AGREEMENT WITH SACRAMENTO METRO CONNECT LLC FOR THE DESIGN, TECHNOLOGY, DEPLOYMENT, MANAGEMENT, AND OPERATION OF A CITYWIDE WIFI BROADBAND WIRELESS NETWORK IN SACRAMENTO.

BACKGROUND

- A. On July 18, 2006, City Council authorized the City Manager to issue a revised Request for Proposal (RFP) for the design, installation and operation of a Citywide WiFi Network in Sacramento that includes the following ten (10) key business terms: Coverage, Service Requirements, Advertising, Contract Terms, System Technology Requirements, Permitting, Electricity, Deployment, City Use of System, and Digital Inclusion.
- B. A multi-jurisdictional team from City staff, SMUD, Sacramento State University, Los Rios Community College District, Sacramento Regional Transit District, and Smart Capitol Venture Network formed the evaluation team that reviewed the proposals. The evaluation team elevated two Proposers, AT&T/MetroFi and Sacramento Metro Connect LLC, to the next level for more clarifications and solution presentations.
- C. On November 9, 2006, staff briefed the Council WiFi Ad Hoc Committee and obtained approval to begin further discussion with the two finalists. The two finalists were invited to the City to present information on their proposals and to allow staff to ask questions about their solutions. At the conclusion of the presentations, the evaluation team unanimously recommended that the City begin negotiating an agreement with Sacramento Metro Connect LLC.
- D. On January 16, 2007, staff presented evaluation results and recommendations from the evaluation team to the Council WiFi Ad Hoc Committee and received direction to begin contract negotiations with Sacramento Metro Connect LLC.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Agreement for the Design, Deployment and Operation of Wireless Broadband Network in Sacramento between the City and Sacramento Metro Connect, LLC is hereby approved.
- Section 2. The Anchor Tenancy Services Agreement between the City and Sacramento Metro Connect, LLC for wireless broadband network services to City offices and employees is hereby approved.

Section 3. Staff is directed to bring to Council for approval zoning code amendments and a revocable permit agreement for the installation and implementation of a citywide wireless broadband network.