

**OFFICE OF THE CITY COUNCIL
CITY OF PALO ALTO**

M E M O R A N D U M

TO: City Council

FROM: Vice Mayor Kishimoto and Councilmember Beecham

DATE: January 17, 2006

SUBJECT: Issuance of an RFP soliciting proposals for the development, construction and operation of a City-wide ultra-high speed bandwidth system.

RECOMMENDATION

We recommend that the Council adopt the following motion.

MOTION: Council directs staff to issue a Request for Proposal for the construction and operation of an ultra-high speed bandwidth system. Primary goals for this system are:

- 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.

The RFP shall request information from the responders on the following parameters:

- Proposed financial and other contributions required from the City. City contributions may include assigning, with operational and other limitations, use and control of the City's dark fiber ring and the City's existing trial network;
- Assessment of financial risk to the city;
- 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;
- Will the proposed system be an "open" system, i.e. with all qualified service providers having equal access to the system? If not, what types or timeframes of limited access are proposed?
- Proposed roles of the City versus roles of the responder.

SUPPLEMENTAL DISCUSSION

Financial risk: The Council wishes to minimize its financial exposure for the development, construction and operation of a City-wide ultra-high speed bandwidth system. However, the Council recognizes the need to contribute or guarantee financial or other assets to the project to achieve the primary goals. Responses to this RFP should include City financial risk mitigations such as "off-ramps" at increments of \$5 million of City risk. The financial risks assumed by the responder should also be detailed regarding quantity and timing.

Schedule: The City understands the system rollout may not be simultaneous throughout the City. Responders may propose a variety of schedule phasing to minimize risk. Such phasing may be based on geographic or demographic considerations to maximize early revenue versus capital expenditures. Responders may propose other phasing they feel appropriate.

Technologies: Among existing technologies, optical fiber appears most certain of providing the City's bandwidth goal of 100 Mbps symmetric service. However, the City's goal is performance-based, not technology-based. Responders may propose other technologies in conjunction with or in place of optical fiber. The responder should be able to demonstrate the ultimate capacity of the proposed system.

Wireless: Wireless internet access is becoming widely available, most often at or along specific sites (such as along Palo Alto's University Avenue). City-wide deployments are also possible. Wireless internet access has a typical asymmetric bandwidth of about 1 Mbps maximum download (1% the City's goal in this RFP). As such, wireless internet access by itself does not presently achieve the goals of this RFP. The Council supports pursuit of city-wide wireless service, but not as a substitute for the City's goal of 100 Mbps symmetric service.

Ownership: The City desires to own the system's physical infrastructure. The City understands that the timeframe and limitations of such ownership may be dependent on the City's financial contributions to the project. Responder should clarify the relationship between City investment/risk and City ownership.