

Ordinance No. 122674

Council Bill No. 116178

AN ORDINANCE related to the City's Broadband Initiative; amending a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget in the Department of Information Technology's Office of Electronic Communications Budget Control Level.

The City of Seattle - Legislative Department

4

Council Bill/Ordinance sponsored by: _____
Councilmember

Committee Action:

Eye/Approved ^(E) BH, RC, JG 4/16/08
As Amended

4-21-08 Passed 8-0 (Excused: Licata)

CF No. _____

Date Introduced:	<u>04-07-08</u>	
Date 1st Referred:	<u>04-07-08</u>	To: Energy and Technology (ETC)
Date Re - Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date of Final Passage:	<u>4-21-08</u>	Full Council Vote: <u>8-0</u>
Date Presented to Mayor:	<u>4-22-08</u>	Date Approved: <u>4-30-08</u>
Date Returned to City Clerk:	<u>4-30-08</u>	Date Published: <u>3</u> T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoed by Mayor:		Date Veto Published:
Date Passed Over Veto:		Veto Sustained:

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

Law Department

Law Dept. Review

OMP Review

City Clerk Review

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Indexed

ORDINANCE 122674

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2 AN ORDINANCE related to the City's Broadband Initiative; amending a budget proviso that
3 restricts spending of the amount appropriated in the 2008 Adopted Budget in the
4 Department of Information Technology's Office of Electronic Communications Budget
5 Control Level.

6 WHEREAS, the City, through the Department of Information Technology (DoIT), has been
7 evaluating options for increasing competitive choice and bandwidth capacity of broadband
8 services in Seattle since 2004; and

9 WHEREAS, the City's Task Force on Telecommunications Innovation, established in 2004 pursuant
10 to Resolution 30684, released a report in 2005 which concluded that a fiber to the premises
11 (FTTP) network is the only access network capable of meeting the goal adopted by the Task
12 Force of true broadband connectivity for all Seattle residents by 2015; and

13 WHEREAS, at the direction of the Mayor and pursuant to the Mayor's Broadband Initiative, DoIT
14 issued a Request for Interest (RFI) and arranged for a consultant to prepare a financial
15 feasibility study for a new FTTP network in Seattle; and

16 WHEREAS, as a next step for the Broadband Initiative, the Mayor has requested that DoIT issue a
17 Request for Proposal (RFP) to private organizations interested in participating in the
18 development of a FTTP network in Seattle; and

19 WHEREAS, DoIT presented a progress report to the City Council's Energy & Technology
20 Committee in December 2007, in accordance with the City Council's budget guidance
21 statement, outlining the results of the consultant's financial feasibility study for the
22 Broadband Initiative; and

23 WHEREAS, the 2008 Adopted Budget provides \$213,461 in DoIT's Office of Electronic
24 Communications Budget Control Level to fund two (2) positions that were added by the City
25 Council in 2006 for the Broadband Initiative but have not been filled; and

26 WHEREAS, in adopting the 2008 budget, the City Council approved Green Sheet 92-1-A-2, thereby
27 imposing a budget proviso restricting expenditure of the \$213,461 appropriation in DoIT's
28 2008 Adopted Budget until authorized by a future ordinance; and

WHEREAS, the City Council stated its intent to authorize expenditure of the 2008 Broadband
Initiative funds after DoIT submits a proposal to the City Council for moving forward on the
Broadband Initiative, and the City Council reviews the proposal and gives its direction; and

WHEREAS, DoIT submits a proposal with this legislation entitled "Broadband Initiative: Next Steps
(2008)" (attached hereto as Attachment A) which describes its plan to develop a RFP to be
published by 3rd Quarter of 2008 and includes estimated costs; and

WHEREAS, DoIT wishes to use \$185,000 of the \$213,461 appropriation in DoIT's 2008 Adopted
Budget to develop the RFP and evaluate responses; and



1 WHEREAS, the City Council has reviewed the Broadband Initiative proposal and concurs with the
2 plan to move forward to develop an RFP; and

3 WHEREAS, the City Council believes that a wireless network may hold promise for providing
4 broadband connectivity in Seattle, and therefore has requested that DoIT develop an RFP for
5 a new FTTP network or a new wireless network or a hybrid of the two; and

6 WHEREAS, the City Council wants the opportunity to review and comment on policy issues; NOW,
7 THEREFORE,

8 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

9 Section 1. The restriction imposed by the following budget proviso as adopted by
10 Ordinance 122560 is amended as follows:

Department	Green Sheet #	BCL Name / Code
Department of Information Technology	92-1-A-2	Office of Electronic Communications / D4402

13 “\$213,461 of the money appropriated for 2008 for the Department of Information
14 Technology’s (DoIT’s) Office of Electronic Communications BCL may not be spent to fund new
15 positions for the Broadband Initiative until authorized by a future ordinance; however, an amount
16 up to \$185,000 may be used to develop a request for proposal (RFP) for a new FTTP network in
17 Seattle or a new wireless network in Seattle or a hybrid FTTP and wireless network, and evaluate
18 responses as described in DoIT’s report entitled Broadband Initiative: Next Steps (2008) (with the
19 addition of consideration of a wireless network), provided that DoIT shall consult with the Council
20 prior to issuing the RFP affording an opportunity for Council review and comment on policy issues.
21 Council anticipates that ((such)) the authority to spend more than allowed in this proviso will not be
22 granted until DoIT provides a report on the RFP results and submits a proposal to the Council for
23 moving forward on the Broadband Initiative, and the Council reviews the proposal and gives
24 direction.”
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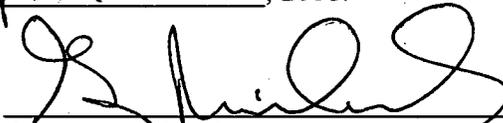
1 Section 2. The Council intends that DoIT hire one or more consultants as outlined in its
2 report entitled Broadband Initiative: Next Steps (2008) to assist in drafting an RFP. The Council
3 requests that DoIT present the draft RFP to the Energy and Technology Committee before it is
4 issued so that Councilmembers can review the policy issues reflected in the draft RFP and comment
5 on them. In particular, the Council will review any proposed provisions in the draft RFP that
6 pertain to the use of City assets and the conditions under which such assets may be used. This
7 review will also provide an opportunity for Councilmembers to confirm that issuing an RFP is the
8 appropriate next step to improve broadband access for Seattle residents, businesses, and institutions.
9

10 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after
11 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
12 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

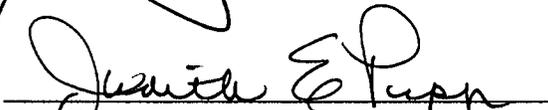
13 Passed by the City Council the 21st day of April, 2008, and
14 signed by me in open session in authentication of its passage this 21st day of
15 April, 2008.

16 
17 _____
18 President _____ of the City Council

19 Approved by me this 30 day of April, 2008.

20 
21 _____
22 Gregory J. Nickels, Mayor

23 Filed by me this 30th day of April 4th, 2008.
24 May

25 
26 _____
27 City Clerk

(Seal)

28 Attachment A: Report to the Council entitled "Broadband Initiative: Next Steps (2008)"





City of Seattle

Gregory J. Nickels, Mayor

Department of Information Technology
Bill Schrier, Director and Chief Technology Officer

Date: February 14, 2008 (corrected April 15, 2008)
To: Seattle City Councilmembers
CC: Regina La Belle; Erin Devoto; Tony Perez
From: Bill Schrier, Chief Technology Officer
Department of Information Technology
Subject: Broadband Initiative: Next Steps (2008)

This memo provides Council with a brief history and overview of the Fiber Broadband Initiative, outlines the next steps, and provides a general timeline and approximate costs for completing the Broadband Request for Proposal (RFP) process as directed by the Mayor.

In preparation for the Comcast franchise renewal process during 2004, the Office of Cable Communications convened a panel of telecom experts to explore recent advances in broadband communications. The goal was to ensure that the City be positioned to exploit opportunities in emerging technologies and retain its standing as a technology leader. Shortly thereafter, the Mayor and City Council adopted Resolution No. 30684 creating the Taskforce on Telecommunications Innovation "to explore and report on the feasibility of using City resources in a network available to the public". Such a network would provide Internet, television and voice service and a platform for other future applications.

1. Actions Taken to Date

A. Taskforce report, May 2005

The report highlighted eight recommendations ranging from "...the City working with private companies to encourage development by the private sector..." to recommending that "City government needs to lead the way and encourage the development of a robust broadband network if the City is to have the broadband infrastructure it needs." The report found a truly long-term, robust, broadband network requires a network of fiber optic cable to each home or business. The report also found Seattle to have little choice in telecommunications and cable. Only two major service providers (Qwest and Comcast) exist and they are essentially a duopoly with little competition and little incentive (or in Qwest's case, ability) to innovate. Consequently, there are high prices for businesses and consumers in Seattle, not unlike other areas of the country.

B. Request for Interest, April 2006 - October 2006

Pursuant to the Mayor's Broadband Initiative, DoIT advertised a process to attract interested developers. Twenty-eight companies responded and 11 of those were invited to a discussion regarding their ideas for developing a fiber network in Seattle. The firms indicated that the City's non-cash assets (e.g., poles, permitting, land, and population) were of value to a developer interested in building a network, and they were also interested in the possibility of using City Light's substations as nodes. While all firms suggested that the City should commit to being an anchor tenant in a fiber network to attract

Department of Information Technology

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Attachment A to DoIT Broadband Proviso ORD



private developers, others suggested that some level of City funding would be necessary to signal the City's commitment to go forward and perhaps help secure private financing on more attractive terms. None of the firms indicated what size of investment would be necessary by the City.

Incumbent providers (Qwest, Comcast, and Millennium) have indicated that they are not interested in making significant investments to upgrade their networks to fiber broadband in Seattle. Other private firms will not make the investment in Seattle because they do not want to take on the incumbent providers. Other cities throughout the U.S. either have incumbents who are willing to make the investment such as Verizon in Kirkland, Everett, Redmond, and Woodinville, or the cities themselves are making the investments because the electric utilities find a benefit in doing so.

C. Completed Market Feasibility Study, May 2007

The consultant contacted 384 residents by phone. Questions were asked about telephone usage, cable providers and internet service. Not surprisingly, respondents want competition, lower prices, and better service.

D. Completed Financial Feasibility Study, May 2007

As a follow up, in 2007 DoIT completed a financial feasibility study to explore the potential profitability of a fiber broadband network in Seattle and to assess the capital commitment required. Among the findings: the cost to build a fiber broadband network available to all in Seattle would be approximately \$250M with an additional \$250M to connect every home and business to the network.

2. Executive Direction

The Mayor directed DoIT to issue a RFP to solicit proposals from private parties interested in developing a fiber broadband network in Seattle. The RFP will be published in 3rd quarter of 2008. Evaluation of responses and recommendations will be completed by 4th quarter of 2008.

For several reasons, the RFP process was the best of several options ranging from doing nothing to full City financing:

- The costs to build the network are very high. The City should not place its financial capital at risk particularly as the development of fiber broadband networks is in its infant stages and few successful models exist.
- The RFI indicated that there is significant interest among private providers in using the City's non-cash assets to the extent legally and practically possible. It is worth knowing if the private sector can leverage these assets and other resources to bring competition to Seattle.
- The RFP will send a signal to the private sector that the City wants competition and is doing everything that it can to create a favorable climate for private investment.
- The costs for developing an RFP are reasonable (see below).

Requirements of the project and the extent of the City's participation will be identified during the RFP development process. It is expected that several firms or consortia will present compelling proposals that would lead to serious discussions about how best to develop a competitive fiber broadband network in Seattle.

3. Next Steps and Required Funding

To publish a RFP for a FTTP network by the 3rd quarter 2008, DoIT will complete the steps outlined in Table I below. Due to the level and specialized nature of the work, consultants will be needed. DoIT estimates that approximately \$185,000 will be required. As per the accompanying legislation lifting the Council proviso, DoIT needs to reprogram salary savings from the two unfilled Broadband positions towards development of the RFP. The two positions will be required only in the event that the RFP is successful.



TABLE I.		
Next Steps	Timeframe	Estimated Costs
<p>A. <u>Identify, quantify and assign cost values for City assets available for this network:</u> Determine which assets can be used. For example, City Light conduit, SPU water crossings, existing fiber owned by the Fiber Partnership, etc.</p> <p>Determine the conditions, both practical and legal, under which the City's assets may be used and calculate the value of those assets in the context of the telecommunications market.</p>	(1Q – 3Q)	Approximately \$40- \$60k will be needed for consultant assistance (240 hrs @\$250/hr)
<p>B. <u>Address Legal Issues:</u> There are a number of legal issues that relate to the Broadband Initiative. We will need to retain outside counsel for much of this work due to the specialized nature of telecommunications law.</p>	(1Q – 4Q)	We estimate that up to \$70k may be required. (Approximately 230 hrs @ \$300/hr)
<p>C. <u>Permitting Facilitation:</u></p> <ol style="list-style-type: none"> 1. Identify existing permitting processes and define what a competitor would need to do to build a city-wide fiber network. Identify potential cost and time involved. 2. Obtain any recommendations on how to streamline the process. 3. Obtain buy in from respective departments 	(2Q-3Q)	\$5k for Consultant assistance(20 hrs@\$250/hr) working with DoIT staff and staff from relevant departments
<p>D. RFP: <u>Develop/Issue/Evaluate Responses/Make Recommendations</u></p> <p>Other RFP Development Tasks:</p> <ul style="list-style-type: none"> • Technical analysis of proposed network architecture • Create summaries of engineering and market data • Contracting staff time • Developing submission requirements <p>RFP Advertising/Bid Analysis:</p> <ul style="list-style-type: none"> • Evaluation and selection criteria • Selection process • Evaluation of proposals • Interviews • Recommendations 	(2Q-4Q)	Approximately \$50k (200 hrs. @\$250/hr)
Total estimated cost to conduct preparatory work and RFP process		\$185k



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Department of Information Technology	Erin Devoto/233-7937 Tony Perez/386-0070	Matthew Eng/684-8157

Legislation Title:

AN ORDINANCE related to the City's Broadband Initiative; amending a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget in the Department of Information Technology's Office of Electronic Communications Budget Control Level.

• **Summary of the Legislation:**

This legislation amends a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget for the Broadband Initiative. In the 2008 Adopted Budget, City Council authorized \$213,461 to fund two positions for the Broadband Initiative, but restricted spending of this amount until DoIT submitted a proposal for moving forward with the Broadband Initiative, City Council reviews the proposal, and gives its direction. With this legislation, DoIT submits a proposal to Council to use a portion of the 2008 Broadband Initiative appropriation to fund development of a Request for Proposals (RFP) for a private entity to participate in the development of a fiber to the premises (FTTP) network in Seattle and to evaluate the RFP responses. The Council amended the proposed legislation to expand the RFP to include a new FTTP network or a new wireless network or a hybrid of the two. Amendment of the proviso will allow the expenditure of \$185,000 from the amount allocated in DoIT's 2008 Adopted Budget for the Broadband Initiative.

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

The City, through the Department of Information Technology, has been evaluating various options for improving Broadband communications for residents in the City since 2004. The City conducted a Futurist Panel in 2004 and established a Task Force on Telecommunications Innovations (see Resolution 30684). In its 2005 report, the Task Force determined that an FTTP network was the only technology capable of meeting the City's future communications needs and interests, and its goal of true broadband connectivity for all Seattle residents by 2015. Such a network has the potential to provide a number of benefits to the City and its residents, many of which are outlined in the Task Force report, including increased citizen participation in government, increased jobs and City services, reduced traffic congestion by supporting telecommuting, access to the latest technology to communicate with friends and family in new ways, and access to their choice of information and entertainment.

In 2006, the City published a Request for Interest (RFI) to identify potential broadband providers. This effort resulted in 28 responses from private organizations, 11 of whom were interviewed by DoIT to determine potential City requirements to build an FTTP network in Seattle. DoIT then arranged for a consultant to develop a financial feasibility study, including performing 4 specific tasks: 1) investigate market rates; 2) conduct a survey to understand residential demand; 3) conduct an engineering study to arrive at a reliable cost estimate for building a fiber network; and 4) provide an analysis of other costs of providing service and operating a network. The financial feasibility study concluded, among other things, that a new FTTP network in Seattle could potentially be profitable.



As a next step for the Broadband Initiative, the Mayor has requested that DoIT publish an RFP seeking a private organization to participate in the building of an FTTP network in Seattle. The Council has requested that DoIT expand the RFP to include a new FTTP network or a new wireless network or a hybrid of the two. Requirements of the project and the extent of the City's participation will be identified during the RFP development process. DoIT will consult with the Council prior to issuing the RFP affording an opportunity for Council review and comment on policy issues. The RFP is expected to be published in the 3rd quarter of 2008.

In DoIT's 2008 Adopted Budget, \$213,461 was appropriated to fund two positions that were originally added by the Council in 2006. These positions were never filled, due to the need to conduct further research and analysis as described above. The 2008 funds were restricted by a Council proviso, which states that the funds may not be spent until DoIT submits a proposal for moving forward with the Broadband Initiative, Council reviews the proposal and gives its direction. To fund the RFP, DoIT is requesting that \$185,000 of the funds currently appropriated in DoIT's 2008 Adopted Budget (\$213,461) be released for RFP development and evaluation of RFP responses. DoIT provides a proposal with this legislation entitled "Broadband Initiative: Next Steps (2008)," which includes plans and estimated costs for RFP development and evaluation of RFP responses (see Attachment A to the legislation).

DoIT will report to the City Council on the RFP results by 4th quarter 2008 and potentially submit a proposal for funding for, and action on, the Broadband Initiative.

- *Please check one of the following:*

This legislation does not have any financial implications. *(Stop here and delete the remainder of this document prior to saving and printing.)*

This legislation has financial implications. *(Please complete all relevant sections that follow.)*

Note: This legislation modifies restrictions on the use of funds that are already appropriated to the Department of Information Technology in the 2008 Adopted Budget.

Please list attachments to the fiscal note below:

None. (See Attachment A to the legislation.)



City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

March 4, 2008

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

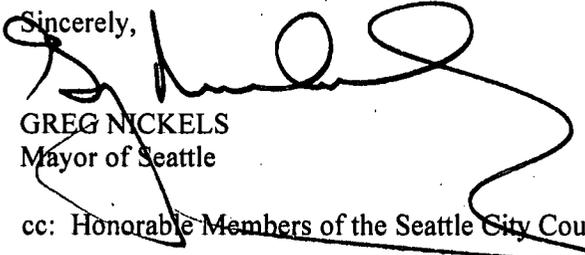
I am pleased to transmit the attached proposed Council Bill that amends a Council budget proviso to release funds appropriated in the Department of Information Technology's (DoIT's) 2008 Adopted Budget. The funds will be used to develop, issue, and evaluate a Request for Proposals (RFP) that will potentially increase broadband competition and services, and meet Seattle's future communications needs.

Increasingly access to information in real time will determine a city's ability to compete globally. Since 2004, City staff have evaluated options to increase competition and improve broadband communications in Seattle, including conducting discussions with industry experts, creating a Task Force on Telecommunications Innovation, issuing a Request for Interest (RFI), and developing a financial feasibility study. Further, I have asked City Light to explore developing its own broadband solution. The RFP to be funded upon passage of this bill represents the next step to ensure Seattle will have a "fiber to the premises" (FTTP) communications network similar to those in other major cities in the United States and around the world.

Specifically, the attached legislation amends a budget proviso that restricts spending of \$213,461 to fund two positions until DoIT submits a proposal for moving forward with the Broadband Initiative. I have attached a report to the City Council which satisfies the intended requirements of the proviso, allowing \$185,000 of the amount allocated in DoIT's 2008 Adopted Budget to be spent in support of the Broadband Initiative.

Thank you for your consideration of this legislation. Should you have questions, please contact Erin Devoto at 233-7937 or Tony Perez at 386-0070.

Sincerely,



GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

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MEMORANDUM

Date: May 21, 2008
To: File for Ordinance 122674 (C.B. 116178)
From: Martha Lester
Subject: **Working Drafts of Council Bill Related to Broadband Initiative Budget Proviso**

C.B. 116178 was introduced on April 7, 2008, as version #3b. On April 16, 2008, the Energy and Technology Committee amended the C.B. and approved version #7, which was then passed by the Full Council on April 21, 2008.

The intervening versions (4 through 6) were internal working drafts, as I developed suggested language for Councilmembers to consider.

ORDINANCE _____

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AN ORDINANCE related to the City's Broadband Initiative; amending a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget in the Department of Information Technology's Office of Electronic Communications Budget Control Level.

WHEREAS, the City, through the Department of Information Technology (DoIT), has been evaluating options for increasing competitive choice and bandwidth capacity of broadband services in Seattle since 2004; and

WHEREAS, the City's Task Force on Telecommunications Innovation, established in 2004 pursuant to Resolution 30684, released a report in 2005 which concluded that a fiber to the premises (FTTP) network is the only access network capable of meeting the goal adopted by the Task Force of true broadband connectivity for all Seattle residents by 2015; and

WHEREAS, at the direction of the Mayor and pursuant to the Mayor's Broadband Initiative, DoIT issued a Request for Interest (RFI) and arranged for a consultant to prepare a financial feasibility study for a new FTTP network in Seattle; and

WHEREAS, as a next step for the Broadband Initiative, the Mayor has requested that DoIT issue a Request for Proposal (RFP) to private organizations interested in participating in the development of a FTTP network in Seattle; and

WHEREAS, DoIT presented a progress report to the City Council's Energy & Technology Committee in November 2007, in accordance with the City Council's budget guidance statement, outlining the results of the consultant's financial feasibility study for the Broadband Initiative; and

WHEREAS, the 2008 Adopted Budget provides \$213,461 in DoIT's Office of Electronic Communications Budget Control Level to fund two (2) positions that were added by the City Council in 2006 for the Broadband Initiative but have not been filled; and

WHEREAS, in adopting the 2008 budget, the City Council approved Green Sheet 92-1-A-2, thereby imposing a budget proviso restricting expenditure of the \$213,461 appropriation in DoIT's 2008 Adopted Budget until authorized by a future ordinance; and

WHEREAS, the City Council stated its intent to authorize expenditure of the 2008 Broadband Initiative funds after DoIT submits a proposal to the City Council for moving forward on the Broadband Initiative, and the City Council reviews the proposal and gives its direction; and



1 WHEREAS, DoIT submits a proposal with this legislation entitled "Broadband Initiative: Next
2 Steps (2008)" (attached hereto as Attachment A) which describes its plan to develop a
RFP to be published by 3rd Quarter of 2008 and includes estimated costs; and

3 WHEREAS, DoIT wishes to use \$185,000 of the \$213,461 appropriation in DoIT's 2008
4 Adopted Budget to develop the RFP and evaluate responses; and

5 WHEREAS, the City Council has reviewed the Broadband Initiative proposal and concurs with
6 the plan to move forward with the RFP; NOW, THEREFORE,

7 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

8 Section 1. The restriction imposed by the following budget proviso as adopted by
9 Ordinance 122560 is amended as follows:

Department	Green Sheet #	BCL Name / Code
Department of Information Technology	92-1-A-2	Office of Electronic Communications / D4402

13 "\$213,461 of the money appropriated for 2008 for the Department of Information
14 Technology's (DoIT's) Office of Electronic Communications BCL may not be spent to fund
15 new positions for the Broadband Initiative until authorized by a future ordinance; however, an
16 amount up to \$185,000 may be used to develop a request for proposal (RFP) for a new FTTP
17 network in Seattle and evaluate responses as described in DoIT's report entitled Broadband
18 Initiative: Next Steps (2008). Council anticipates that ((such)) the authority to spend more than
19 allowed in this proviso will not be granted until DoIT provides a report on the RFP results and
20 submits a proposal to the Council for moving forward on the Broadband Initiative, and the
21 Council reviews the proposal and gives direction."
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1 Section 2. This ordinance shall take effect and be in force thirty (30) days from and
2 after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10)
3 days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2008, and
5 signed by me in open session in authentication of its passage this ____ day of
6 _____, 2008.

7 _____
8
9
10 _____
11 President _____ of the City Council

12 Approved by me this ____ day of _____, 2008.

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14 _____
15 Gregory J. Nickels, Mayor

16 Filed by me this ____ day of _____, 2008.

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18 _____
19 City Clerk

20 (Seal)

21
22 Attachment A: Report to the Council entitled "Broadband Initiative: Next Steps (2008)"
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City of Seattle

Gregory J. Nickels, Mayor

Department of Information Technology

Bill Schrier, Director and Chief Technology Officer

Date: February 14, 2008
To: Seattle City Councilmembers
CC: Regina LaBelle; Erin Devoto; Tony Perez
From: Bill Schrier, Chief Technology Officer
Department of Information Technology
Subject: Broadband Initiative: Next Steps (2008)

This memo provides Council with a brief history and overview of the Fiber Broadband Initiative, outlines the next steps, and provides a general timeline and approximate costs for completing the Broadband Request for Proposal (RFP) process as directed by the Mayor.

In preparation for the Comcast franchise renewal process during 2004, the Office of Cable Communications convened a panel of telecom experts to explore recent advances in broadband communications. The goal was to ensure that the City be positioned to exploit opportunities in emerging technologies and retain its standing as a technology leader. Shortly thereafter, the Mayor and City Council adopted Resolution No. 30684 creating the Taskforce on Telecommunications Innovation "to explore and report on the feasibility of using City resources in a network available to the public". Such a network would provide Internet, television and voice service and a platform for other future applications.

1. Actions Taken to Date

A. Taskforce report, May 2005

The report highlighted eight recommendations ranging from "...the City working with private companies to encourage development by the private sector..." to recommending that "City government needs to lead the way and encourage the development of a robust broadband network if the City is to have the broadband infrastructure it needs." The report found a truly long-term, robust, broadband network requires a network of fiber optic cable to each home or business. The report also found Seattle to have little choice in telecommunications and cable. Only two major service providers (Qwest and Comcast) exist and they are essentially a duopoly with little competition and little incentive (or in Qwest's case, ability) to innovate. Consequently, there are high prices for businesses and consumers in Seattle, not unlike other areas of the country.

B. Request for Interest, April 2006 - October 2006

Pursuant to the Mayor's Broadband Initiative, DoIT advertised a process to attract interested developers. Twenty-eight companies responded and 11 of those were invited to a discussion regarding their ideas for developing a fiber network in Seattle. The firms indicated that the City's non-cash assets (e.g., poles, permitting, land, and population) were of value to a developer interested in building a network, and they were also interested in the possibility of using City Light's substations as nodes. While all firms suggested that the City should commit to being an anchor tenant in a fiber network to attract

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private developers, others suggested that some level of City funding would be necessary to signal the City's commitment to go forward and perhaps help secure private financing on more attractive terms. None of the firms indicated what size of investment would be necessary by the City.

Incumbent providers (Qwest, Comcast, and Millennium) have indicated that they are not interested in making significant investments to upgrade their networks to fiber broadband in Seattle. Other private firms will not make the investment in Seattle because they do not want to take on the incumbent providers. Other cities throughout the U.S. either have incumbents who are willing to make the investment such as Verizon in Kirkland, Everett, Redmond, and Woodinville, or the cities themselves are making the investments because the electric utilities find a benefit in doing so.

C. Completed Market Feasibility Study, May 2007

The consultant contacted 384 residents by phone. Questions were asked about telephone usage, cable providers and internet service. Not surprisingly, respondents want competition, lower prices, and better service.

D. Completed Financial Feasibility Study, May 2007

As a follow up, in 2007 DoIT completed a financial feasibility study to explore the potential profitability of a fiber broadband network in Seattle and to assess the capital commitment required. Among the findings: the cost to build a fiber broadband network available to all in Seattle would be approximately \$250M with an additional \$250M to connect every home and business to the network.

2. Executive Direction

The Mayor directed DoIT to issue a RFP to solicit proposals from private parties interested in developing a fiber broadband network in Seattle. The RFP will be published in 3rd quarter of 2008. Evaluation of responses and recommendations will be completed by 4th quarter of 2008.

For several reasons, the RFP process was the best of several options ranging from doing nothing to full City financing:

- The costs to build the network are very high. The City should not place its financial capital at risk particularly as the development of fiber broadband networks is in its infant stages and few successful models exist.
- The RFI indicated that there is significant interest among private providers in using the City's non-cash assets to the extent legally and practically possible. It is worth knowing if the private sector can leverage these assets and other resources to bring competition to Seattle.
- The RFP will send a signal to the private sector that the City wants competition and is doing everything that it can to create a favorable climate for private investment.
- The costs for developing an RFP are reasonable (see below).

Requirements of the project and the extent of the City's participation will be identified during the RFP development process. It is expected that several firms or consortia will present compelling proposals that would lead to serious discussions about how best to develop a competitive fiber broadband network in Seattle.

3. Next Steps and Required Funding

To publish a RFP for a FTTP network by the 3rd quarter 2008, DoIT will complete the steps outlined in Table I below. Due to the level and specialized nature of the work, consultants will be needed. DoIT estimates that approximately \$185,000 will be required. As per the accompanying legislation lifting the Council proviso, DoIT needs to reprogram salary savings from the two unfilled Broadband positions towards development of the RFP. The two positions will be required only in the event that the RFP is successful.

TABLE I.		
Next Steps	Timeframe	Estimated Costs
<p><u>A. Identify, quantify and assign cost values for City assets available for this network:</u> Determine which assets can be used. For example, City Light conduit, SPU water crossings, existing fiber owned by the Fiber Partnership, etc.</p> <p>Determine the conditions, both practical and legal, under which the City's assets may be used and calculate the value of those assets in the context of the telecommunications market.</p>	(1Q – 3Q)	Approximately \$40- \$60k will be needed for consultant assistance (240 hrs @\$250/hr)
<p><u>B. Address Legal Issues:</u> There are a number of legal issues that relate to the Broadband Initiative. We will need to retain outside counsel for much of this work due to the specialized nature of telecommunications law.</p>	(1Q – 4Q)	We estimate that up to \$70k may be required. (Approximately 330 hrs @ \$300/hr)
<p><u>C. Permitting Facilitation:</u></p> <ol style="list-style-type: none"> 1. Identify existing permitting processes and define what a competitor would need to do to build a city-wide fiber network. Identify potential cost and time involved. 2. Obtain any recommendations on how to streamline the process. 3. Obtain buy in from respective departments 	(2Q-3Q)	\$5k for Consultant assistance(20 hrs@\$250/hr) working with DoIT staff and staff from relevant departments
<p><u>D. RFP: Develop/Issue/Evaluate Responses/Make Recommendations</u></p> <p>Other RFP Development Tasks:</p> <ul style="list-style-type: none"> • Technical analysis of proposed network architecture • Create summaries of engineering and market data • Contracting staff time • Developing submission requirements <p>RFP Advertising/Bid Analysis:</p> <ul style="list-style-type: none"> • Evaluation and selection criteria • Selection process • Evaluation of proposals • Interviews • Recommendations 	(2Q-4Q)	Approximately \$50k (200 hrs. @\$250/hr)
Total estimated cost to conduct preparatory work and RFP process		\$185k



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Department of Information Technology	Erin Devoto/233-7937 Tony Perez/386-0070	Matthew Eng/684-8157

Legislation Title:

AN ORDINANCE related to the City's Broadband Initiative; amending a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget in the Department of Information Technology's Office of Electronic Communications Budget Control Level.

• **Summary of the Legislation:**

This legislation amends a budget proviso that restricts spending of the amount appropriated in the 2008 Adopted Budget for the Broadband Initiative. In the 2008 Adopted Budget, City Council authorized \$213,461 to fund two positions for the Broadband Initiative, but restricted spending of this amount until DoIT submitted a proposal for moving forward with the Broadband Initiative, City Council reviews the proposal, and gives its direction. With this legislation, DoIT submits a proposal to Council to use a portion of the 2008 Broadband Initiative appropriation to fund development of a Request for Proposals (RFP) for a private entity to participate in the development of a fiber to the premises (FTTP) network in Seattle and to evaluate the RFP responses. Amendment of the proviso will allow the expenditure of \$185,000 from the amount allocated in DoIT's 2008 Adopted Budget for the Broadband Initiative.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

The City, through the Department of Information Technology, has been evaluating various options for improving Broadband communications for residents in the City since 2004. The City conducted a Futurist Panel in 2004 and established a Task Force on Telecommunications Innovations (see Resolution 30684). In its 2005 report, the Task Force determined that an FTTP network was the only technology capable of meeting the City's future communications needs and interests, and its goal of true broadband connectivity for all Seattle residents by 2015. Such a network has the potential to provide a number of benefits to the City and its residents, many of which are outlined in the Task Force report, including increased citizen participation in government, increased jobs and City services, reduced traffic congestion by supporting telecommuting, access to the latest technology to communicate with friends and family in new ways, and access to their choice of information and entertainment.

In 2006, the City published a Request for Interest (RFI) to identify potential broadband providers. This effort resulted in 28 responses from private organizations, 11 of whom were interviewed by DoIT to determine potential City requirements to build an FTTP network in Seattle. DoIT then arranged for a consultant to develop a financial feasibility study, including performing 4 specific tasks: 1) investigate market rates; 2) conduct a survey to understand residential demand; 3) conduct an engineering study to arrive at a reliable cost estimate for building a fiber network; and 4) provide an analysis of other costs of providing service and operating a network. The financial feasibility study concluded, among other things, that a new FTTP network in Seattle could potentially be profitable.

As a next step for the Broadband Initiative, the Mayor has requested that DoIT publish an RFP seeking a private organization to participate in the building of an FTTP network in Seattle. Requirements of the project and the extent of the City's participation will be identified during the RFP development process. The RFP is expected to be published in the 3rd quarter of 2008.

In DoIT's 2008 Adopted Budget, \$213,461 was appropriated to fund two positions that were originally added by the Council in 2006. These positions were never filled, due to the need to conduct further research and analysis as described above. The 2008 funds were restricted by a Council proviso, which states that the funds may not be spent until DoIT submits a proposal for moving forward with the Broadband Initiative, Council reviews the proposal and gives its direction. To fund the RFP, DoIT is requesting that \$185,000 of the funds currently appropriated in DoIT's 2008 Adopted Budget (\$213,461) be released for RFP development and evaluation of RFP responses. DoIT provides a proposal with this legislation entitled "Broadband Initiative: Next Steps (2008)," which includes plans and estimated costs for RFP development and evaluation of RFP responses (see Attachment A to the legislation).

DoIT will report to the City Council on the RFP results by 4th quarter 2008 and potentially submit a proposal for funding for, and action on, the Broadband Initiative.

- *Please check one of the following:*

This legislation does not have any financial implications. *(Stop here and delete the remainder of this document prior to saving and printing.)*

This legislation has financial implications. *(Please complete all relevant sections that follow.)*

Note: This legislation modifies restrictions on the use of funds that are already appropriated to the Department of Information Technology in the 2008 Adopted Budget.

Please list attachments to the fiscal note below:

None. (See Attachment A to the legislation.)