



Request for City Council Committee Action

Date: August 28, 2006

To: The Honorable Paul Ostrow, Chair

Referral to: Ways & Means Committee

Subject: Community Benefits of Broadband Wireless Initiative

Submitted by Karl Kaiser _____, 673-3910
Chief Information Officer

Approved by Steven Bosacker _____
City Coordinator

Prepared by: Bill Beck, Minneapolis Deputy Chief Information Officer

Recommendation:

Approve the selection of US Internet to provide Broadband IP Data Access services to the City of Minneapolis and authorize appropriate City officials to execute a ten year contract with US Internet for Broadband IP Data Access services.

Previous Directives:

Adopted – July 28, 2006

Approve the adoption of Wireless Minneapolis Digital Inclusion Task Force Final Report of July 17, 2006 as a basis for Wireless Minneapolis contract negotiations.

Adopted - November 5, 2004

W&M/Budget – Your Committee recommends concurrence with the recommendation of the City's Chief Information Officer (CIO) request for authorization to initiate a program that will provide Citywide Broad Band Wireless Internet Services to all residential, commercial and institutional users, by proceeding with the following activities:

- (a) The Business Information Services Department is directed to initiate a Citywide Broad Band Wireless Internet Services project;

- (b) The proper City officers are authorized to issue a Request for Proposals (RFP) to deploy, manage and administer ubiquitous Citywide Broad Band Wireless Internet services;
- (c) Development of a Citywide Broad Band Wireless Internet services business case based on a public/private partnership and responses to the RFP. Further, the initiative will be funded by a public/private partnership, with the private sector partner being responsible for all acquisition, design and implementation costs and management of the network going forward; the City will recover all soft costs expended from the project planning through network completion from the partner upon contract execution.

Permanent Review Committee **(PRC)** Approval – Not Applicable

Policy Review Group (PRG)

Approval ____ Date of Approval ____ Not Applicable X

Presenter in Committee: Bill Beck, Deputy Chief Information Officer

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

Action requires an appropriation increase to the ____ Capital Budget or Operating Budget.

Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

Business Plan: ____ Action is within the plan. ____ Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Funding sources for the current services (aircards, other wireless devices, as well as some T1 lines) that will be replaced are from customer departments. These departments will continue to pay for services to help off-set this new initiative. A payment schedule will be created at a later date.

BIS will receive an increase of \$2.2 million in appropriation into 6400-880-8870-880WIRE6 and an increase in revenue budget in 6400-880-8870-3455 by \$2.2 million.

Community Impact (use any categories that apply)

Access for individuals, capacity building for non-profit organizations, content and applications development, taken together, constitutes a comprehensive strategy for bridging the digital divide. The Wireless Minneapolis initiative serves the important function of building the infrastructure upon which we can develop strategies for greater social and economic inclusion. Parallel to this universal access strategy, we need efforts that promote the development of relevant content for residents, businesses and visitors and innovative applications that can support the work of community based organizations focused on promoting equity and, economic, social and cultural benefit for the residents, businesses, visitors and employees of City of Minneapolis.

Financial Impact (use any categories that apply)

The City will pay \$ 2,200,000.00 in advance for City acquired services (Advance) and will agree to a minimum annual commitment for the first 10 years of the contract to pay not less than \$1,250,000, less credit for a portion of the Advance as set forth below. The City will have the ability to carry forward annual commitments for contract volumes based on overall contract life calculations. Credit for unused portions of commitment will be applied to future periods. The City will provide a 10 (ten) year contract with two, 5 (five) year renewals, which requires a minimum annual payment commitment by the City for Wireless services and USIW Integration services as follows:

- 10 Year Option:
- Prepayment credit over Initial Term
 - Years 1-7 = \$ 100,000
 - Years 8-10 = \$ 500,000

Explanation: USIW is requesting a base commitment from the city in annual services and integration services of \$ 1,250,000 per year. USIW is also assuming that the \$ 2,200,000 prepayment will be distributed over the initial 10 year term, the first 7 years will have \$ 100,000 offset on the commitment, bringing the payment down to \$ 1,150,000 per year. After year 7; years 8, 9, 10 will allow \$ 500,000 of the commitment to be used, bringing the required payment per year down to \$ 750,000 due.

Background/Supporting Information Attached

The City of Minneapolis is currently engaged in a number of closely linked initiatives that are focused on enhancing Public Safety (implementation of new E-911 and Computer Aided Dispatch systems); improving City of Minneapolis services for residents, businesses and visitors; streamlining processes associated with City of Minneapolis service delivery (311 and Remote Inspector programs); reducing costs for all City of Minneapolis departments; and improving communications to and within all workgroups of City of Minneapolis government (upgrade of the City-wide telecommunications system). To support City of Minneapolis goals, challenges and initiatives, Public Safety personnel and other institutional department workgroups require ubiquitous access to reliable, high-speed, high-performance fixed and mobile broadband IP data connectivity services. These services will be deployed to optimize the cost-effectiveness of City of Minneapolis operations and to improve overall service delivery to constituents.

Minneapolis is the first city to use our position in the market to compel business to provide a service to everyone. The BIS broadband team originally considered a city-owned system but after seeing the financial burden, legal entanglements and operational challenges experienced by other municipalities BIS recommended a public-private partnership. In doing so the city is avoiding legal battles with industry providers who claim that tax-subsidized wireless service is unfair competition.

As directed by Council, in May of 2006 Business Information Services established The Wireless Minneapolis "Digital Inclusion Task Force" (DITF) to directly engage City residents and businesses in developing a formal community technology agenda. The recommendations the Digital Inclusion Task Force were used as a base of reference for contract negotiations to ensure that all residents benefit equally from Wireless Minneapolis technology initiatives.

U.S. Internet and Earthlink submitted detailed proposals in response to the City's RFP that were strong on technology, creative in application, had solid business models for providing cost effective solutions to meet the City's needs; reasonably priced service to businesses and residents and contain attractive components to address the digital

divide in meaningful ways. BIS entered into negotiations with both US Internet and EarthLink with the goal of executing a contract with one provider to deliver Broadband IP Data Access services to the City of Minneapolis.

BIS has negotiated contract with US Internet ensures that USI assumes the risk of ensuring their technology solutions are reliable; the system is continually updated to keep up with emerging technology and industry standards; that they work effectively with other ISPs and content providers, as well as operate this network as a profitable venture.

Additional information can be found in the US Internet Contract Term Sheet.