



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Staff Report
7/18/06

Honorable Mayor and
Members of the City Council

Title: Citywide Wi-Fi Telecommunications Request for Proposals (RFP)

Location/Council District: Citywide

Recommendation: Adopt a resolution authorizing City Manager to issue a Request for Proposal (RFP) for the design, installation and operation a citywide Wi-Fi network in the City of Sacramento and direct staff to bring forth zoning code amendments for the implementation of a citywide wireless network.

Contact: Stephen Ferguson, Chief Information Officer, 808-8600
Dean Peckham, Senior Project Manager, 808-7063

Presenters: Stephen Ferguson & Dean Peckham

Department: Information Technology and Economic Development

Division: Citywide Economic Development

Organization No: 1131 & 4453

Description/Analysis

Issue:

On March 15, 2005 Council directed staff to issue a Request for Proposal (RFP) for the design, installation and operation of Wi-Fi service in the City of Sacramento. At the conclusion of the RFP process, staff recommended and City Council approved negotiating a contact with Mobil Pro, a diversified telecommunications company. Negotiations of the terms of the contract were being conducted under the oversight of a City Council Ad Hoc committee. On June 8, 2006, the City received a letter from Mobil Pro, stating they were withdrawing from negotiations because their business model and the City's business terms were inconsistent. The Council Wi-Fi Ad Hoc Committee has recommended that the City Council direct staff to reissue the RFP because they recognize that Wi-Fi is critical to the economic growth and diversification of the City as well as a vital element needed to bridge the digital divide (the gap between those with regular, effective access to digital technologies and those

without) of the City. Since the City initially issued the RFP in March 2005, municipal Wi-Fi deployment across the world has gained momentum. There are now numerous companies in the market deploying Wi-Fi networks across the U.S. and the world. These experiences will benefit Sacramento and the selected Wi-Fi team.

This report recommends that the City Council adopt the attached resolution that authorizes the City Manager to reissue a Request for Proposal (RFP) for a company or companies to design, install, and operate a Wi-Fi service in Sacramento and directs staff to bring forth zoning code amendments for the implementation of a citywide wireless network.

Following is an outline of the anticipated procurement schedule:

Council staff report:	July 18, 2006
Issue/Post RFP:	July 19, 2006
Mandatory Pre-Proposal Conf:	August 1, 2006
Last day to submit questions:	August 11, 2006
Responses to written questions & issuance of addenda:	August 18, 2006
Written Proposals Due:	September 29, 2006
Interviews/Oral Presentations:	October 2006
Evaluation Committee Recommendation:	November 7, 2006
Contract Negotiation w/ Proposer:	November 2006
Contract Award & Notice to Proceed:	December 5, 2006

Policy Considerations

How the City elects to deploy Wi-Fi could have a number of policy considerations. Staff will fully analyze those policy considerations during the RFP process.

The Wi-Fi Ad Hoc Committee will promote an efficient negotiation of the agreement for consideration by the full Council in the future.

Staff and the Council ad hoc committee have developed an outline of key business terms to be 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

The zoning ordinance currently requires an individual special permit for every

communication antenna installed in the City of Sacramento. The amendment to the zoning ordinance will enable the selected developer of the wireless network to file one "master permit" for a citywide network based upon design and locational criteria to be developed under the zoning code amendments which staff will bring back to the Council for approval.

Environmental Considerations:

The requested action is not a "project" for purposes of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15061(b)(3). Appropriate environmental review will be conducted if an agreement is reached with a successful proposer for consideration for approval by City Council.

Rationale for Recommendation:

Reissuing the RFP in a timely manner reinforces the message that Sacramento believes that Wi-Fi is critical to the economic growth and diversification of the City as well as a critical element needed to bridge the digital divide of the City.

Financial Considerations:

This report does not result in any financial impact to the City.

Emerging Small Business Development (ESBD):

The RFP will be made available on the City's web site, and businesses in this category will be encouraged to respond.

Respectfully Submitted by: Stephen R. Ferguson
Stephen R. Ferguson
Chief Information Officer

Dean Peckham
Dean Peckham
Senior Project Manager

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

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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ATTACHMENT 1**BACKGROUND:**

On October 25, 2004, the City Manager's Office received an unsolicited written proposal from a local developer (Plaza 555) to create a public-private partnership that would analyze the potential and feasibility of installing a Wi-Fi network in Downtown Sacramento.

The proposal recommended that the City Redevelopment Agency and Plaza 555 enter into an exclusive three (3) year negotiated Development Agreement for the design, installation and operation of the Wi-Fi network. The area proposed for initial coverage ran from the Sacramento River on the west to 16th Street on the east, and I Street on the north to O Street on the south. In discussions with Plaza 555, they indicated a desire to expand the network citywide within two years.

The City Manager's Office, City Attorney's Office, Economic Development and Information Technology Departments all participated in the evaluation of the Plaza 555 proposal. Staff concluded that a Wi-Fi project in the City would be of great interest and had potential benefit for economic development and to provide more inclusive community access to the Internet. The City Manager's Office and City Attorney's Offices determined that it would not be in the City's best interest to enter into such an exclusive agreement without first conducting an open and competitive process to solicit the best proposer/proposal from the wide range of companies in the business of providing such services.

At the Council meeting of March 15, 2005 Council directed staff (Resolution # 2005-163) to issue an RFP to solicit proposals for the design, installation and operation of a Wi-Fi network.

The RFP was issued and City received three proposals from SBC, Motorola and Mobil Pro. A diverse interview panel recommended that the City negotiate a contract with Mobil Pro after SBC withdrew from the process. Staff returned to Council on September 20, 2005 to inform Council that Mobil Pro had been recommended by the interview panel. By Resolution #2005-681, the City Council authorized staff to negotiate the agreement with Mobil Pro/NeoReach to establish a City-wide Wi-Fi network.

Staff had been in negotiations with Mobil Pro representatives since October 2005 when the Council Ad Hoc committee was formed to provide policy input to staff during negotiations and ultimately, to the City Council during its consideration of the contract.

The Council Ad Hoc Committee had been diligently advising staff and met with Mobil Pro representatives to address key policy issues of concern in the contract. On June 8, 2006, the Council received a letter and press release from Mobil Pro, informing the City that it was withdrawing from negotiations (Attachment 3). A subsequent meeting with

the Council Ad Hoc Committee on June 15, 2006 reaffirmed their commitment to Wi-Fi deployment and reissuing the Request for Proposals (RFP). The Ad Hoc also addressed several key business terms that they recommended be addressed and included in the revised RFP. These business terms are as follows:

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 300KBPS 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 shall sell advertising at the "free service" level
- b. 7% or greater of gross advertising revenue to fund or support qualifying 501(c)(3) nonprofit organization
- c. Developer may either create or partner with qualifying 501(c)(3) to provide the following
 1. Subsidize accounts for low income residents
 2. Purchase computers
 3. Create additional free access points in schools, libraries, community centers, etc.
 4. Provide technical services to qualified households.

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 Wi-Max deployment at no cost to the City
- c. City will provide city owned dark fiber where available for the proposer to use for network backhaul

6. Permitting

- a. City amends zoning ordinance to allow for a single permit application for citywide deployment
- b. City to 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 pays all cost of electricity at the City's rate for electricity 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

Based upon direction provided by the Council Ad Hoc Committee, staff has already modified the RFP that was initially issued in 2005 incorporating the above business points. When the responses to the RFP are evaluated, staff will be able to analyze the costs of the various proposals. Financial issues will be presented to the ad hoc committee for policy direction necessary to make a recommendation to the City Council.

Attachment 2

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION AUTHORIZING CITY MANAGER TO ISSUE A REQUEST FOR PROPOSALS (RFP) FOR THE DESIGN, INSTALLATION AND OPERATION OF A CITYWIDE WI-FI NETWORK IN THE CITY OF SACRAMENTO AND DIRECT STAFF TO BRING FORTH ZONING CODE AMENDMENTS FOR THE IMPLEMENTATION OF A CITYWIDE WIRELESS NETWORK

BACKGROUND

- A. On October 25, 2004, the City Manager's Office received an unsolicited written proposal from a local developer (Plaza 555) to create a public-private partnership that would analyze the potential and feasibility of installing a Wi-Fi network in Downtown Sacramento.

The City Manager's Office and City Attorney's Offices determined that it would not be in the City's best interest to enter into an exclusive agreement without first conducting an open and competitive process to solicit the best proposer/proposal from the wide range of companies in the business of providing such services.

- B. At the Council meeting of March 15, 2005 Council directed staff (Resolution # 2005-163) to issue an RFP to solicit proposals for the design, installation and operation of a Wi-Fi network.
- C. At the Council meeting of Sept. 20, 2005 the City Council authorized staff (Resolution # 2005-681) to negotiate the agreement with Mobil Pro/NeoReach to establish a City-wide Wi-Fi network.
- D. At the Council meeting of April 11, 2006, the Council formed the Wi-Fi Ad Hoc Committee to provide policy input to staff during negotiations and to the City Council during its consideration of the contract.
- E. On June 8, 2006, the Council received a letter and press release from Mobil Pro, informing the City that it was withdrawing from negotiations (Attachment 3).
- F. On June 15, 2006 the Council Wi-Fi Ad Hoc Committee reaffirmed their commitment to Wi-Fi deployment and reissuing the Request for Proposals (RFP).
- G. On June 15, 2006 the Council Wi-Fi Ad Hoc Committee directed that the following business terms be included in the RFP:

The City Council Ad Hoc Committee has determined that the following business terms

best meet the needs of the City, and that they should be clearly spelled out in the new RFP:

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 300KBPS 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 shall sell advertising at the "free service" level
- b. 7% or greater of gross advertising revenue to fund or support qualifying 501(c)(3) nonprofit organization
- c. Developer may either create or partner with qualifying 501(c)(3) to provide the following
 1. Subsidize accounts for low income residents
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- a. Initial 5 year contract with two, 5-year renewal options

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- b. Proposer to upgrade network as technology changes, including Wi-Max deployment at no cost to the City
- c. City will provide city owned dark fiber where available for the proposer to use for network backhaul

6. Permitting

- a. City amends zoning ordinance to allow for a single permit application for citywide deployment
- b. City to 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

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- a. Developer pays all cost of electricity at the City's rate for electricity 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:
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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
On a separate and dedicated SSID

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

Section 1. The City Manager is hereby authorized to release a Request for Proposal (RFP) for the design, installation and operation of a Citywide Wi-Fi Network in Sacramento that includes the nine key business terms.

Section2. Staff is directed to prepare and bring forth zoning code amendments for the implementation of a citywide wireless network.



EXHIBIT A

June 8, 2006

Stephen Ferguson
 CIO City of Sacramento
 1000 I Street Suite 120
 Sacramento Ca 95814

Re: Contract Negotiations for Sacramento Wi-Fi Network

Dear Mr. Ferguson,

We are in receipt of the City of Sacramento's (the "City") counter-offer of May 16, 2006 in response to our "best and final" offer that was conveyed to the City verbally by Jay Wright, Martin Levetin and I on April 25, 2006. We regret to inform you that the City's counter-offer is inconsistent with our business model and contains proposed terms and conditions that we believe would make this project economically unviable for our company, thereby jeopardizing what we believe could have been a successful business endeavor.

For this reason, MobilePro Corp. and its subsidiaries, NeoReach, Inc. and Kite Networks, Inc. ("MobilePro") hereby reject the City's counter-offer. To the extent that our previous offers have not been expressly withdrawn or withdrawn as a matter of law by the City's counter-offer, such offers are hereby expressly withdrawn. Given that the negotiations are far beyond any economic model that we consider viable, Mobile Pro hereby elects to withdraw from any further negotiations.

We appreciate the opportunity to work with the City of Sacramento and wish you the best of luck moving forward with this project.

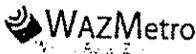
Sincerely,

MOBILEPRO CORP.

By:

Michael Johnson
 Regional Manager

c.c. Jay Wright
 Martin Levetin
 Jerry Sullivan



Neoreach, Inc.
 a Division of Mobilepro Corporation
 1225 South 48th Street, Suite 3, Tempe, AZ 85281
 480 / 736 2875 • FAX 480 / 736 2878
 www.neoreach.com



PRESS RELEASE

FOR RELEASE Friday, June 9, 2006

MobilePro Withdraws From Sacramento Wi-Fi Project

*Company Says City Council's Desires Are Incompatible With
Financial Viability of Project*

Bethesda, MD June 9, 2006 -- MobilePro Corp. (OTC Bulletin Board: MOBL), a leading broadband wireless services company, announced today it has elected to no longer pursue a project to establish a wireless broadband network for the City of Sacramento. Last year MobilePro won a competitive bid and later conducted a successful pilot project in the city's downtown area that provided outdoor public Wi-Fi Internet access and real-time video applications in Sacramento's Cesar Chavez Plaza Park.

MobilePro said that after being declared the RFP winner and going through a lengthy permitting process, the city forwarded MobilePro a counter proposal requiring that the company establish a free high-speed wireless network supported almost exclusively by advertising revenue without the benefit of the city serving as an anchor tenant. Based on the company's successful Tempe, Ariz. model, MobilePro's original proposal provided for limited area, limited bandwidth, no cost service but required higher bandwidth broadband users to pay a monthly fee. MobilePro also offered an alternative designed to close the "digital divide" to the city's low-income quintile of residents, which included the city serving as an anchor tenant, but this proposal was likewise rejected by the city.

MobilePro President and Chief Operating Officer Jerry Sullivan said, "It is our understanding based on the final request of the City of Sacramento that the city would require MobilePro to provide free high-speed wireless Internet service to all residents and have the company rely primarily on advertising revenues for its profits and returns on investment. Based upon MobilePro's research and experience as one of the leading Wi-Fi broadband wireless network service providers to municipalities in North America, MobilePro does not believe that an advertising-supported business case is financially sustainable. At this time, we view such a restrictive economic model as incompatible with our original long-term plans for both the residents of Sacramento as well as the MobilePro stockholders."

Sullivan added, "We appreciate the opportunity to work with the City of Sacramento and wish the city the best of luck moving forward with this project in a manner that fits its needs. MobilePro will continue to actively pursue its access-based revenue business model with other municipalities throughout the United States in the future as we have in the past."

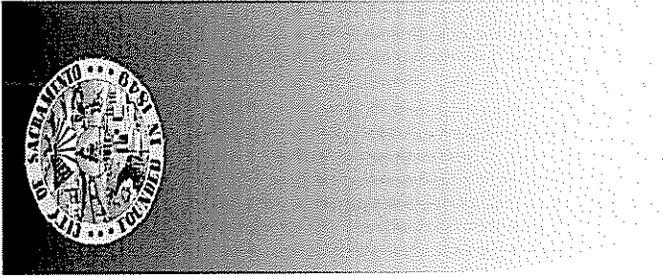
About MobilePro Corp.

MobilePro Corp., based in Bethesda, Md., is one of North America's leading wireless broadband companies. The company serves over 220,000 total customer lines throughout the United States, primarily through its CloseCall America, AFN and Kite subsidiaries.

An investment profile about MobilePro Corp. may be found online at <http://www.hawkassociates.com/mobilepro/profile.php>.

For more information regarding MobilePro, contact Alan Crancer, VP of Marketing at (601) 898-1142. For investor relations information regarding MobilePro, contact Frank Hawkins or Julie Marshall, Hawk Associates, at (305) 451-1888, e-mail: info@hawkassociates.com. Detailed information about MobilePro can be found at <http://www.mobileprocorp.com>. An online investor relations kit including copies of MobilePro press releases, current price quotes, stock charts and other valuable information for investors may be found at <http://www.hawkassociates.com> and <http://www.americanmicrocaps.com>.

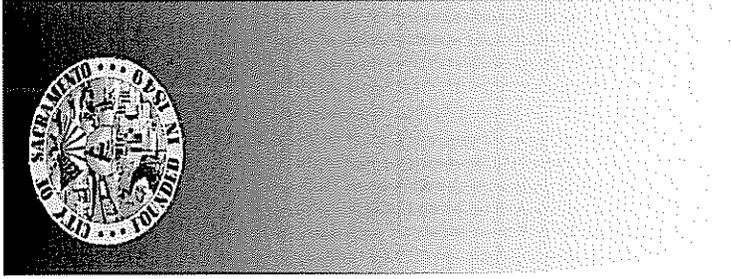
Certain of the statements contained herein may be, within the meaning of the federal securities laws, "forward-looking statements," which are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See the company's Form 10-KSB for the fiscal year ended March 31, 2005 and its Forms 10-QSB for the quarters ended June 30, 2005, September 30, 2005 and December 31, 2005 for a discussion of such risks, uncertainties and other factors. These forward-looking statements are based on management's expectations as of the date hereof, and the company does not undertake any responsibility to update any of these statements in the future



CITY OF SACRAMENTO CITYWIDE WI-FI PROJECT

INFORMATION TECHNOLOGY DEPARTMENT
ECONOMIC DEVELOPMENT DEPARTMENT

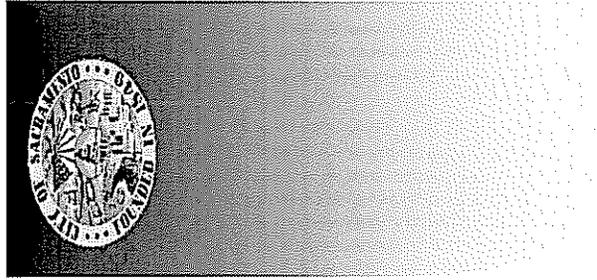
JULY 18, 2006



WHY WI-FI NOW

- Key economic development tool for 21st century cities
- Less expensive to deploy than traditional wired broadband
- Help bridge the digital divide and provide higher speed internet access to everyone
- Many city uses for mobile workforce and data transfer

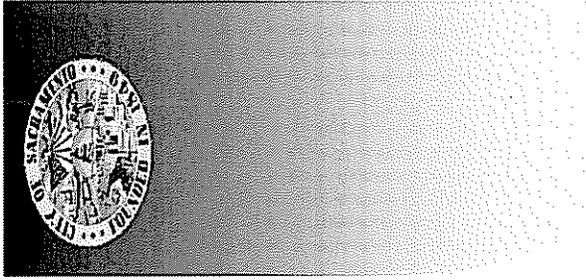
1.



WI-FI BACKGROUND

- October 2004, City received an unsolicited written proposal for a Wi-Fi network covering downtown area
- Not in the City's best interest to enter into an exclusive agreement for Wi-Fi without first conducting an open and competitive process
- March 2005, Council directed staff to issue an RFP to solicit proposals for the design, installation and operation of a Wi-Fi network
- The City received three (3) proposals (SBC, Motorola and MobilePro), selection committee recommended MobilePro
- Sept. 2005, City Council authorized staff to negotiate agreement with MobilePro to establish a City-wide Wi-Fi network

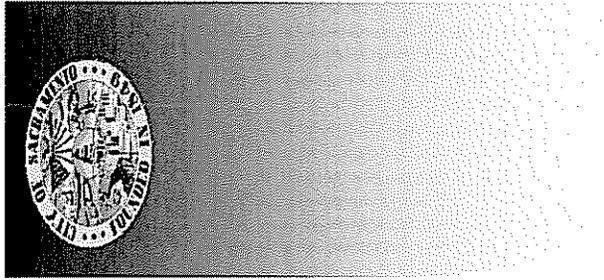
2.



BACKGROUND – CONT'D

- April 2006, Council formed Wi-Fi Ad Hoc Committee to negotiate final contract with MobilePro
- City and MobilePro exchanged several offers, counteroffers
- June 8, 2006, MobilePro sent city staff a letter informing us that they were withdrawing from further negotiations
- June 15, 2006, the Wi-Fi Ad Hoc Committee agreed that the City should reissue another RFP with more clearly defined business terms
- July 18, 2006, full City Council review of project status and direction on new RFP and desired business terms

3.

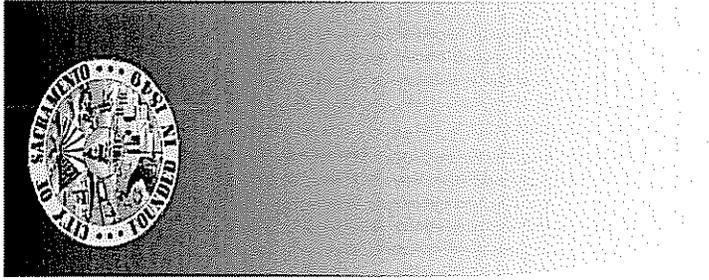


NEW RFP BUSINESS TERMS

- **Coverage**
 - Initial deployment downtown
 - Citywide within 2 years of approval
 - Taller and denser buildings requires property owners to purchase compatible equipment
 - Deployment schedule that is economically and ethnically balanced

- **Service Requirements**
 - Citywide free basic service at 300KBPS or greater
 - No time or login limits for free service
 - Subscriptions for higher speed service

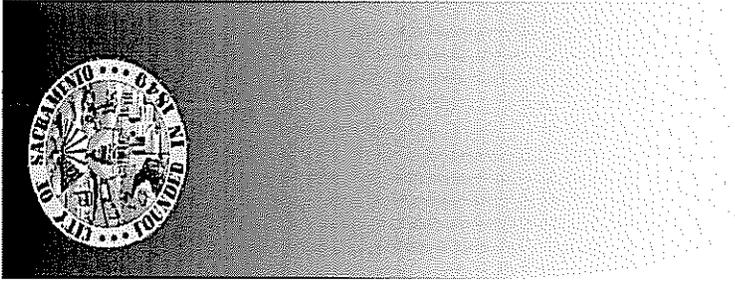
4.



NEW RFP BUSINESS TERMS

- **Advertising**
 - Proposer sells advertising at the “free service” level
 - 7% or greater of gross advertising revenue to fund or support qualifying 501(c)(3) nonprofit organization(s)
 - Developer creates or partners with qualifying 501(c)(3) to provide the following:
 - Subsidize accounts for low income residents
 - Purchase computers
 - Create additional free access points in schools, libraries, community centers, etc.
 - Provide technical services to qualified households.

5.



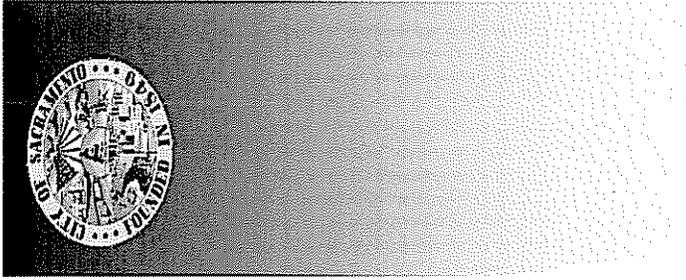
NEW RFP BUSINESS TERMS

- **Contract Terms**
 - 5 year contract with two, 5-year renewal options

- **System Technology Requirements**
 - Industry standard equipment that meets all appropriate FCC regulations.
 - Upgrade network as technology changes,
 - City provides city owned dark fiber where available

- **Permitting**
 - Single zoning permit for citywide deployment
 - City waives local permit and encroachment fees
 - Aesthetically pleasing design

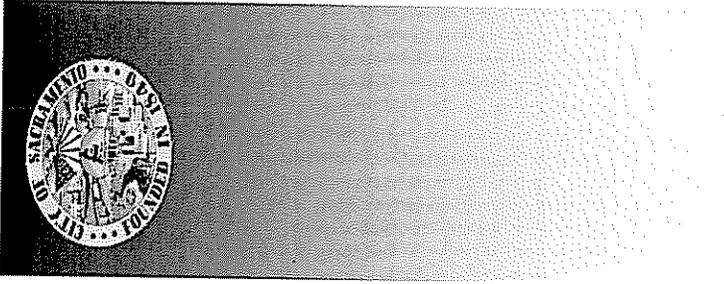
6.



NEW RFP BUSINESS TERMS

- **Electricity**
 - Developer pays all cost of electricity at the City's rate
- **Deployment**
 - City buildings, other facilities and light poles will be available to the Developer for deployment. The following qualifications apply:
 - 95% of City streetlights are gang-switched lights (no power present in the light arm when light is off).
 - The developer will be responsible for identifying a deployment strategy in areas with ornamental lights or no lights.
- **City Use of the System**
 - City will be entitled to use the system for its own business needs free of charge

7.



RFP SCHEDULE

- Issue/Post RFP: July 19, 2006
- Mandatory Pre-Proposal Conf: August 1, 2006
- Written Proposals Due: September 29, 2006
- Interviews/Oral Presentations: October 2006
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