



**Lake Oswego Broadband Partnership Request for Proposals  
June 1, 2015**

The City of Lake Oswego believes that high speed, affordable broadband service has become as important to the city's residents and businesses as the other city-provided utilities (water, wastewater, surface water, and streets). There are many advantages to residents and businesses if this service is provided as a municipal utility. At the same time, the City of Lake Oswego is interested in providing this service in partnership with one or more private sector firms. While the City operates its own broadband network connecting seventeen City buildings and facilities, it has relatively little experience building and managing a community-wide network. Therefore, the City of Lake Oswego is seeking a private partner to provide that expertise, and specifically to build and finance a network that can be used, under contract, by the City.

The overall goals of this partnership include:

- Availability of gigabit fiber broadband service to all Lake Oswego homes and businesses within a relatively short timeline (two to three years)
- Provision of this service at the lowest possible cost
- An open network in which any provider of digital content or services is encouraged to use the network to offer IP-based services to residents and businesses, with no bandwidth limitations imposed on any content provider
- A high level of customer service and responsiveness that characterizes the other City of Lake Oswego utility services

The Request for Proposals

The RFP is intended to provide information that will allow the City to select a private partner that will best enable the City to achieve the goals stated above. The success of any partnership depends on maximizing the strengths of each partner. In recognition of the fact that each company or team of companies has a different approach and different kinds of experience in the FTTP arena, we have tried to structure this RFP with a high degree of flexibility to allow each proposer to play to their own strengths. At the same time, we seek information that will allow an objective decision as to which proposal offers the best overall package for Lake Oswego's residents and businesses.

Decision Process

On receipt of proposals, city staff with the help of a select group of Lake Oswego residents and businesses will evaluate the proposals. The evaluation may include meetings or follow up phone conference calls with proposers to clarify information. The outcome of this process will be a recommendation to the Lake Oswego City Council. The Council will have ultimate decision authority, and will be free to accept the recommendation or select another proposal as best meeting the City's needs.

The Council will then direct staff to work with the selected firm or team of firms to negotiate a formal agreement.

If the negotiations reach an impasse, the City reserves the right to begin negotiations with the next highest-rated proposer as determined by the City Council. We do ask firms to put their best foot forward in the proposal; we wish to avoid an auction process or bidding war between proposers.

The Council, in one or more public meetings with the opportunity for public comment, will review the agreement, possibly suggest changes subject to mutual agreement of the parties, and ultimately authorize the city manager to sign a final agreement. Our goal is to have this process completed by the end of 2015.

#### To submit a proposal

Proposals will be accepted through **5:00 p.m. on Friday, July 31, 2015**. Please submit the proposal as attachments to an e-mail sent to:

Scott Lazenby, City Manager, [slazenby@lakeoswego.city](mailto:slazenby@lakeoswego.city)

The proposal can provide information via links to your company's web site or other on-line resources. The proposals will be considered public documents and will not be kept confidential. We have designed the RFP to **not** require divulgence of corporate secrets or proprietary information. (This may be sought later as part of the City's own due diligence process in coming to a formal agreement.) The City of Lake Oswego places a high value on citizen involvement, and we intend to freely share information on the proposals and the factors that are used to select among the proposals.

Checklist of items to be submitted as part of your proposal:

1. Transmittal letter. It can be as brief as you want, but this is the place to provide any information that is not covered by the "Answers to Questions" section.
2. Your completed "Answers to Questions" document. This is in the form of a Word document to make responding simple. You can cut-and-paste it into another format, as long as you answer the questions. You can submit the answers either as a Word document or a pdf image.
3. The completed Financial Data Proposal spreadsheet. This can be submitted as an Excel file or a pdf image.

You may submit supporting documents and other material if it is directly relevant to the proposal, but keep in mind that the people reviewing the proposals will have a limited attention span.

#### **Possible City of Lake Oswego Broadband partnership options**

As discussed at the May 13 Pre-Proposal Conference, the City is open to a variety of partnership models. We have identified three basic options. You can propose a variation of any of them, but we ask that you pick the one that most closely matches your proposal, provide the requested information where possible, and very clearly explain any differences between your proposal and the base option outlined in the RFP.

Some firms or teams may be willing to enter into a partnership under multiple options. If so, we encourage you to submit separate proposals for each option. We ask that you provide separate information for each proposal. If, however, the answer to a question or the information requested is

exactly the same, simply indicate this (e.g., “same as base proposal”). There is no need to cut-and-paste redundant information.

The three options are:

A. In-and-out. Private partner builds and finances broadband network, and connects homes and businesses during the initial construction period (for example, three years). City then pays the private partner for the system over an agreed-upon period of years under a lease-purchase agreement. After the initial construction period, City is responsible for new connections to residences and businesses, and system operating and maintenance costs.

B. Long term commitment. Initial construction and continued system expansion and customer connections, plus system operation and maintenance, over an agreed-upon long term period (for example, twenty or thirty years). At the end of the term of the agreement, City has option to purchase the system for the unamortized cost of infrastructure.

C. White label option. Private partner handles all aspects of utility operations under the City of Lake Oswego brand. Retail prices over a long term (for example, twenty or thirty years) established by agreement.

	Option A	Option B	Option C
Services provided by private partner	Construction and financing of network backbone, and all connections to premises during initial construction period.	Same as Option A, plus financing and construction of new hookups over a longer period (e.g., 20 years beyond initial construction period), and operation and maintenance of the system.	All utility-related services: system construction and operation, Internet access, digital services (e.g., video and phone) billing, marketing, customer service.
Services provided by City of Lake Oswego	Financing and construction of new hookups after initial construction period; operation and maintenance of the network after the initial period; marketing, billing, customer service. City provides connections to Internet backbone and pays Internet Access costs.	Save as Option B, except for new hookups and related equipment, and operation and maintenance of the system components	None, besides monitoring and managing the partnership agreement, and assistance in marketing service as a City utility
Price Proposal to City	Wholesale cost to City; retail cost will be set by City and will cover	Same as A	Retail cost to LO residents

	costs for City services, above.		
Open Access	Network will be made available to any provider of digital content (e.g., video, home security, data backup, etc.). Rack space, data transport etc. will be provided at cost. No restrictions on bandwidth beyond standard service tiers.	Same as A	Same as A
What happens after initial agreement period	City owns the network	City can extend agreement or purchase the network at unamortized book value	Agreement is renegotiated. If parties fail to reach agreement, company removes facilities from city right-of-way and property

### **Rate Proposals**

The City hopes to avoid non-recurring charges to customers, such as hookup or installation charges. Therefore all costs will need to be recovered through a monthly utility fee paid by actual subscribers. The cost proposal should take the form of a proposed monthly cost per customer connected (wholesale for Options A and B; retail cost for Option C). For Options A and B, City payments to the private partner will begin at the conclusion of the initial construction period.

To help the private partner manage risks, the proposed cost per connection **can depend on the actual take rate**. The higher the take rate, the lower the per-connection cost (in theory) since some of the system costs (network operations center, backbone, etc.) are relatively fixed. For Option A, the take rate used will be the overall take rate at the end of the proposed construction period. For Options B and C, the take rate will be the actual percentage as measured on annual intervals for the duration of the agreement period.

The take rate here is defined as the aggregate number of single family homes and duplex units that subscribe to the service divided by the total number of single family and duplex units within the Lake Oswego city limits (a total of 11,500 by our count).

### **Please enter rate proposal information in the attached spreadsheet.**

The RFP seeks cost information for residential (detached single family and duplexes, and MDU) connections only. Wholesale cost to the City (or retail cost under Option C) for service to businesses will be negotiated separately. It may include a non-recurring charge, especially for hard to reach businesses. However, in no case will the monthly business recurring cost exceed twice the residential cost.

### **System Construction Assumptions**

1. The City's Engineering Department will set standards for street cuts and restoration, and will provide expedited inspections. No separate permits necessary; all right-of-way management issues will be covered in a final agreement. As-Constructed drawings on city-owned utility infrastructure will be available upon request, and locates will be provided as needed. The project will be treated the same as with the recent major sewer and water pipe projects (done under contract to the city).
1. City can provide land at no charge for network building (similar to Google "fiber hut" agreement). Possible locations include: 537 N State Street Adjacent to Trolley Barn; 605 10<sup>th</sup> Street 10<sup>th</sup> Street Reservoir; 4555 Jean Road Jean Road Fire Station; 4800 Carman Drive Water Tower property; 4900 Melrose Street Westlake Fire Station/Park; 11 Foothills Road Public Parking/Ticket Station; 1880 South Shore Fire Station. We urge proposers to do their own reconnaissance. City design review standards and processes will apply. City-owned land options are limited; private partner might choose instead to purchase or lease a more suitable location.
2. Agreement will cover appearance (size, color, approximate numbers and location) of cabinets and pedestals. City will ask contractor to be proactive in working with property owners on placement of pedestals to the extent practical. Property owners should have option (at their expense and if practical) for underground pedestals.
3. Network must be designed to serve 100% of city homes and businesses, including those within the Lake Oswego Urban Service area but currently unincorporated. Network backbone should be constructed within one-quarter mile of all homes and businesses. Build-out of a neighborhood can, however, be conditioned on a set threshold (e.g., 25%) of homes committing to connect. Only homes and businesses within the city limits will be connected.
4. Aerial service is allowed, but not required, in areas where wired utilities are aerial.
5. Micro-trenching and plowing are not outright prohibited, but are subject to approval by the City Engineer on a case-by-case basis. An example of factors to be considered is that many local streets are slated for full reconstruction and would therefore be poor candidates for microtrenching.
6. Under Options A and B, City will make arrangements for data transport to the Internet backbone from agreed-upon points at the city boundary; private partner will make provision for these connections (i.e., sufficient fiber strands from the network hub to the city limits).
7. The Optical Network Terminal should be installed in the home at a point of the customer's choosing. An externally-mounted ONT may be proposed, as long as the installation includes an Ethernet connection and router inside the house.
8. The Open Network envisioned here assumes that other digital services will be IP-based, and not based on use of dark fiber to the premises to provide proprietary service such as broadcast TV.

### **FTTP Site for More Information**

GIS shape file data on city properties and facilities can be downloaded from our FTP site at:  
<http://www.ci.oswego.or.us/tools/download/?708>

**Clarification or Requests for Further Information on the Request for Proposals**

If critical information is needed but not provided in this RFP, or if sections of the RFP are unclear or ambiguous, please either send an e-mail (for relatively straightforward questions) or call (for more complex questions) Scott Lazenby at [slazenby@lakeoswego.city](mailto:slazenby@lakeoswego.city), 503.635.0214. Responses to good questions will be shared with all potential proposers at [www.LakeOswego.city/broadband](http://www.LakeOswego.city/broadband). Q&A will be cut off on July 24.