



Request for City Council Committee Action from the Department of BIS

Date August 18, 2008

To: **The Honorable Paul Ostrow, Chair, Ways and Means Committee**

Subject: **Wireless Minneapolis**

Recommendation Authorize proper city officials to: (a) increase the appropriation in the BIS operating budget by \$2,530,000 for costs related to the Wireless Minneapolis initiative; (b) amend the USI Wireless, Inc. (C-23781) contract value by \$500,000 for fiber infrastructure; (c) receive \$450,000 in revenue from USI Wireless, Inc.

Prepared by Robert Arko, Contract Administrator, 673-3984

Submitted by Lynn Willenbring _____, 673-2289
Chief Information Officer

Approved by Steven Bosacker _____
City Coordinator

Presenter in Committee Lynn Willenbring

Policy Review Group Not Applicable

Permanent Review Committee (PRC) Approval – Not Applicable

Prior Related Directives:

September 2, 2006 Council adopted and the Mayor approved the authorization to execute a ten-year contract for broadband wireless services.

Financial Impact: Increase the appropriation in the BIS operating budget 06400-8800550 by \$2,530,000. Expenditures for the completion of the fiber ring will be used as matching funds for the Port Authority grant. \$1,500,000 of the expenditures incurred in 2008 will be repaid by a transfer from the general fund in 2009. The USIW Base Services will be funded through a rate structure for WiFi services. The \$450,000 in revenue from USI Wireless, Inc. will help off-set the other two commitments.

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
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

The City of Minneapolis entered into a ten year \$12.5 million broadband services contract with USI Wireless, Inc. on November 2, 2006. The contract value and technical provisions were based on the City's assets and operations known at that time. During the implementation, it was discovered that many City light poles are not structurally able to support a WiFi radio. Therefore, to complete the Wireless Minneapolis network the City must replace these poles or install new poles and supply them with power.

Previously, the USI Wireless, Inc. total contract value provided to Council was based upon the annual commitment amount throughout the life of the contract and failed to include the amount for the fiber build-out that was outlined in the contract. The original amount specified in the contract for the fiber build-out was \$400,000; BIS is seeking approval to spend up to a total of \$500,000 for fiber due to scope and cost increases.

It was not made clear in previous discussions surrounding the Wireless Minneapolis initiative the impact that this initiative has on the BIS operational budget. The existing BIS operational budget does not take into account some of the unforeseen expenses associated with Wireless Minneapolis or the appropriation that is required to pay for these expenses. Previous discussions alluded to Wireless Minneapolis being self-funded through the cost savings that WiFi would bring about as departments transition existing services over to WiFi. While some savings can be obtained by the WiFi solution, the additional implementation expenses create an unacceptable burden on the cash flow model. This will negatively impact the BIS operational budget unless additional appropriation is granted.

BIS seeks approval to increase its operational budget by \$2,530,000 for costs related to the Wireless Minneapolis initiative.

The request to increase the BIS operational budget is due to the following:

- | | |
|--|--------------------|
| • Public Works Poles | \$ 300,000 |
| • Public Works Power | \$ 700,000 |
| • Fiber Build-Out | \$ 500,000 |
| • USIW Base Services [\$1,250,000 – \$220,000 pre-payment credit]
(Council previously approved the \$1.25M per year for each of the ten years of the contract, but the funds were not appropriated at that time.) | \$1,030,000 |
| • 2008 Total | \$2,530,000 |

BIS will provide the City Council with a departmental rate structure for WiFi services in June 2009.