



**City of Charles City
Request for Information (RFI)
For Potential Partners to Provide
Cost-Competitive, Reliable, High-Capacity,
Gigabit Speed Broadband Services**

July 10, 2018

The City of Charles City (referred to throughout as Charles City, or the City) is seeking to gauge the interest of capable entities to contract or otherwise partner with the City to provide cost-competitive, reliable, high-capacity, gigabit speed broadband (Required Services) to all Charles City residents, businesses, and anchor institutions through an area-wide fiber-to-the-premises (FTTP) network or similarly performing technology.

This RFI provides prospective respondents with sufficient information to prepare and submit responses for the Required Services. At its sole discretion, Charles City may conduct pre-submittal meetings with potential respondents. Meetings may be held individually or in a group format. Based on inquiries and meeting results, the Charles City may choose to issue addendums to this RFI. It is solely the responsibility of potential respondents to request updates and addendums to this RFI.

Request For Information Deadline: _____

Responses to this RFI must be before 5:00pm on August 9, 2018.

Request for Information - Broadband Services Project

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SECTION 1: INTRODUCTION

Charles City is initiating a Request for Information ("RFI") process to gauge the interest of capable entities to contract or partner with the City to make price-competitive, reliable, high-capacity, gigabit (or higher) speed broadband ("Required Services") available to all Charles City residents, businesses, and anchor institutions through an area-wide fiber-to-the-premises ("FTTP") network or similarly performing technology. Charles City seeks these expressions of interest ("Responses") from all interested entities including incumbent service providers, competitive providers, municipal entities, cooperatives, nontraditional providers, transport network operators, operational support providers, and any other interested and capable entities.

Charles City is undertaking this RFI process to expand its knowledge of the potential industry marketplace. Charles City intends to identify one or more entities to potentially engage in exploratory discussions to enable or directly provide the Required Services to Charles City residences, businesses, and anchor institutions. Successful Responses to this RFI will demonstrate how the respondent's approach will further the City's plan to effectively deploy and provide the Required Services throughout the city limits of Charles City in a manner consistent with Iowa telecommunications and municipal City laws.

Each potential service market and business model that accomplishes this goal contains a unique combination of opportunities and challenges. Charles City has identified several business model options to pursue for additional information. These include:

- 1) Public/private partnership to jointly construct and own all or separate portions of a municipal telecommunications system, with services provided solely by the potential Respondent;
- 2) Public/private partnership to jointly own and operate a municipal telecommunications utility under a 28E or similar agreement; and
- 3). Outsourced services to suppliers by a municipal-owned and operated telecommunications utility (i.e. headend, maintenance, technical support, marketing, etc.).

Charles City will consider a wide range of these construction, operation, ownership, and financing options associated with public-private agreements, non-exclusive licenses, and other appropriate alternatives in its evaluation of business models to pursue. The City will prioritize responses that most-effectively align with its goals and priorities, share technological capabilities, enhance operations, and balance financial risks between the City and Respondent(s).

Respondents are encouraged to share their expertise so that it may be used to shape the direction and formation of the network. Multiple providers may collaborate to respond to this RFI. Responses to this RFI may be used by the City to prequalify, based on capability, organizations who may be interested in responding to any subsequent future initiatives for this project. Responses should provide information to the City that helps it prioritize partnering alternatives it might pursue. This includes identifying strategic-level conceptual terms and conditions under which selected providers would likely participate in such a project.

SECTION 2: RFI OBJECTIVES AND SCOPE

2.1 OBJECTIVES AND SCOPE

The City's objectives and scope of the RFI process are as follows:

1. Identify City leaders' priorities and draft planning documents aligned with those priorities.
2. Seek out and identify entities interested in engaging with the City to make the Required Services available throughout Charles City.
3. Identify and evaluate innovative, cost-effective, sustainable, resilient business models to deploy the Required Services.
4. At the City's option, meet with select respondents for in-depth discussions regarding the entities' approach, capability, business model, and proposed key terms and conditions. Discussions may be expanded to jointly develop details of potential agreements, non-exclusive license, or other business arrangements. Non-binding preliminary plans may be developed.
5. Validate that preliminary plans are aligned with leaders' priorities.

Based on the outcome of the RFI and subsequent discussions with select entities, the City will determine next steps based on the City's best interest. Next steps may include, but are not limited to:

- a. Initiate a Request for Proposal (RFP) for various services; or
- b. Negotiate business arrangements with one (1) or more entities to deploy the Required Services in Charles City; or
- c. Initiate a new municipal utility to launch the Required Services without any partnering from Respondents to this RFI.

Results from any RFP issued, or business arrangements made, would next be included in an engineering study and business plan, which is required prior to any Respondent commencing operations or providing service.

2.2 ADDENDA TO THE REQUEST FOR INFORMATION

If it becomes necessary to revise any part of the RFI, all addendums will be posted on the City's website no later than one week before the close of the RFI. Respondents are responsible to check online prior to submission of their response.

2.3 RESPONDENT RESPONSIBLE FOR PROPOSAL COSTS

The City is not liable for any costs incurred by any Respondent associated with the preparation and submission of a response to this RFI.

2.4 CONFIDENTIALITY

Respondents acknowledge that the City may be required to disclose any or all of the documents submitted with a response, pursuant to the Iowa Code. The City may deny inspection of any confidential commercial or financial information furnished to the City by an outside party. To be considered for confidential treatment, Respondents **must clearly designate** any documents or content submitted **proprietary or confidential** to avoid being disclosed in the event of a request for documents under Iowa Code. Responses submitted and terms and conditions specified in each Respondent's response shall remain the property of the City.

SECTION 3: PROJECT BACKGROUND AND MARKET DEMAND

A public referendum was held in November 2005 in which 62% of voters approved the creation of a municipal telecommunications utility. A 2010 telecommunications survey found that 59% of citizens were supportive of building a network capable of video, voice, and data services with another 32% somewhat supportive of the proposition. A Community Broadband Engagement and Education project was completed in early 2017. A community survey found a high level of dissatisfaction with incumbent service providers, and nearly 83% of respondent said they were very or somewhat likely to switch to a city network if built. These results led community leaders to conduct a feasibility study that was completed in 2017. That report found several sustainable models for a municipal fiber-to-the-premise network in Charles City.

Among alternatives under consideration are:

- a) The creation of a new municipal broadband City solely reliant on broadband City revenues to secure financing to build a network, with or without outsourced services;
- b) Various private-public agreement options to either finance or operate a network;
- c) Doing nothing.

The RFI will identify entities with the capability and interest in contracting with, or participating in, a broadband system in a manner that improves its long-term viability.

In parallel with investigating potential partnerships and outsourced services that enhance the feasibility of constructing a network, the City is conducting additional market analysis information to help ensure a successful launch.

Depending on the nature of questions and clarifications, with appropriate non-disclosure agreements, the City may make available certain GIS infrastructure and market research information useful in responding to this RFI.

SECTION 4: PARTNERSHIP OPTIONS AND PRIORITIES

To assist with its investigative process, the City is using this RFI process to identify conceptual partnerships and leaderships' priorities. Results will not be made public to Respondents due to the potential for future negotiations. The following topics, however, demonstrate the range of options and desired impacts being considered:

The City has engaged in a visioning process to identify its priorities in seeking partnership opportunities. The following table demonstrates the range of options that have been discussed.

<i>Partnership/Service</i>	<i>Description</i>	<i>Desired Impacts</i>
<i>Jointly own or build transport lines into Charles City with a 3rd party City-owned FTTP network; operated by partner</i>	City owns transport lines and leases extra to, or trades with, a 3 rd party	<ul style="list-style-type: none"> • Long term control over access to broadband • Redundancy
<i>City-owned FTTP network; operated by partner</i>	City owns all infrastructure and equipment; City does all billing and customer service	<ul style="list-style-type: none"> • Share risks/financial rewards
<i>City owns most of FTTP network; partner owns part and/or operates it</i>	Contract with partner for billing and customer service	<ul style="list-style-type: none"> • Operational efficiency
<i>Contract for wholesale video, phone, and/or Internet service</i>	City owns most of the network; partner shares in financing via collateralization, lease revenue, or upfront equity	<ul style="list-style-type: none"> • Reduce City upfront borrowing amounts
<i>Contract for network management and/or maintenance</i>	City owns the network and provides retail services. City purchases all or some wholesale services.	<ul style="list-style-type: none"> • Reduce upfront capital needs • Redundancy in equipment and labor
<i>Contract for professional services (marketing, TV channel negotiations, etc.)</i>	Contract with other service providers for technical labor services	<ul style="list-style-type: none"> • Right-size labor force while gaining both customers and in-house technical expertise
	City contracts for higher-level telecom-specific professional services	<ul style="list-style-type: none"> • Reduce in-house staffing costs and utilize specialists

Through the visioning process, the City has identified the following priorities for desired impacts of partnering opportunities. Impact ratings are on a scale from 1-5 and reflect average ratings from participants in the visioning process.

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	<i>Desired Impact</i>	<i>Ave. Rating</i>
1	Local control over rates for services.	5.0
2	Local control over service aspects, such as internet speeds, cable TV channel lineups, etc.	4.7
3	Local control over distribution system (inside Charles City)	4.6
4	Local control over network extensions and improvements once the network is built	4.6
5	Need for cable TV service at all	4.2
6	Add network reliability through 3 rd parties	4.1
7	Local marketing to retail customers	4.1
8	Local (vs. area) telecom crews & staff	4.1
9	Need for telephone service at all	4.0
10	Add operational redundancy through 3 rd parties	4.0
11	Utilize a partner's telecom business experience to lower implementation risks	4.0
12	Reduce Year 6+ operational cash flow risks to the City	4.0
13	Having a local telecom brand (ex. Cedar Valley Fiber)	4.0
14	Utilize a partner's network construction experience	3.9
15	Smart City impacts that a partner might bring	3.9
16	Reduce City up-front borrowing through external partnerships	3.7
17	Utilize a partner's network design experience to estimate costs	3.7
Average rating of all impacts		3.7
18	Negotiate longer-term agreement with partners to increase stability and extend playback cycles	3.5
19	Local economic impacts that a partner might bring	3.5
20	Having a City telecom brand (Charles City Fiber)	3.5
21	Local control over transport routes (from Charles City to partners)	3.5
22	Reduce Year 1-5 breakeven rate requirements for the City	3.5
23	Collaborating with existing area or regional service providers for continuity reasons	3.5
24	Willingness to charge other City services (water, sewer, etc.) for use of the network (partnering within)	3.4
25	Negotiate shorter-term agreements with partners to maintain flexibility	3.2
26	Retail service exclusivity (only 1 provider on the network)	3.2
27	Interest rate sensitivity (rates may be modestly higher with a partner)	3.1
28	Decrease staff's level of required telecom expertise through 3 rd parties	3.0
29	Use existing City reserves for design costs and down payment on the network (partnering within)	2.8
30	Reduce City staffing through 3 rd parties	2.7
31	Provide for retail choice for customers (multiple competitive providers on the Charles City network)	2.6

SECTION 5: PARTNERSHIP CONSIDERATIONS

Qualified entities that eventually engage with the City to contract, deploy, and/or operate the Required Services are encouraged to respond to this RFI.

In response to this RFI, the City encourages Respondents to provide the following relevant information:

1. Company name, address, website;
 - a. Organization type (corporation, subsidiary, partnership, individual, joint venture, other);
 - b. The name and contact information (email, phone) of the company representative responsible for providing further information;
 - c. A brief overview of the company's capabilities, management, and key project team members pertaining to providing the Required Services;
2. A brief narrative describing the firm's and team's experience and roles in planning, engineering, financing, constructing, implementing, or operating networks able to provide the Required Services. Please note particular successes in collaborating with a public municipality or City;
3. Anecdotal evidence your company, management, and team is financially capable to implement proposed activities.
4. A brief, high-level description of the entity's proposed solutions, products, and services including, but not limited to:
 - a. Key components of a proposed business model, including describing its:
 - i. Business or network ownership structure;
 - ii. Roles and levels of ongoing governance, management, operations, customer billing, and customer service functions by each proposed party;
 - iii. Geographical coverage of services currently and to be provided;
 - iv. Core technologies used to provide Required Services and levels of redundancies;
 - v. Key product and service suppliers central to implementing the Required Services;
 - vi. Elements of network construction being undertaken by proposed parties, including network design, engineering, vendor selection, and construction;
 - vii. Implementation schedules including geographical coverage phasing;
 - viii. Implementation strategies and roles including branding or co-branding, community engagement, customer education, marketing, and others impacting the project's success.
 - b. Customer rate impacts; the City recognizes respondents may not have project costs specific to the Charles City market or may not have adequate budgetary information to provide detailed responses to this section, however Respondents are encouraged to provide summarized estimated ranges of financial metrics most applicable to the proposed business model including:
 - i. Project cost

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- ii. Cost of monthly service (to residential, business, dark fiber, etc.)
 - iii. Factors impacting monthly costs (as specific as possible)
 - iv. Outcome variance tolerance levels expected
- c. Financing and funding elements:
- i. Anticipated levels of up-front and ongoing financial participation and commitments by the City;
 - ii. Proposed parties' up-front and ongoing financial participation;
 - iii. Debt restrictions (i.e. debt covenants, collateral, and guarantees);
 - iv. Risk-sharing strategies (i.e. levels of sharing of revenue, gross margin, profits, or operational costs);
- d. Key legal and risk management provisions required by all proposed parties to enter into agreements or non-exclusive arrangements, including key terms and conditions;
- e. Innovative features of the solution/product(s), including a general description of unique benefits provided by the entity or proposed partnership. Include any enhanced abilities to provide economic development and quality of life benefits to the Charles City community, schools, medical facilities, municipal operations, residents, and businesses;
- f. Other information as deemed pertinent by Respondents.
5. Identify additional data needing to be researched, or professional services contracted for, by the City prior to the Respondent committing to proposed activities.

If the City chooses to continue partnership discussions with Respondent beyond this RFI, due diligence by the City or its representatives will include validating financial viability including the following:

- a. Disclosing recent (last two fiscal years) financial statements consisting of a balance sheet, statement of cash flows, and income statements (providing independently reviewed financial statements is preferred);
- b. Disclosure of financial, legal, or other business matters that would present challenges to access funding and any other information pertinent to developing a public/private partnership, entering into agreements with a public entity, or contracting for services.

SECTION 6: RFI CONTACT INFO AND INSTRUCTIONS

1. **Written responses must be received no later than 5:00pm on August 9, 2018.**
2. Electronic RFI responses are highly encouraged. Submittals shall be submitted in a single Microsoft Word or PDF file and e-mailed to:
curtis@smartsourceconsulting.com
3. If electing to submit a hard copy of the RFI response instead, please mail to:
SmartSource Consulting
517 SE 17th Street
Grimes, IA 50111

Or hand deliver/ overnight/courier to:
SmartSource Consulting
517 SE 17th Street
Grimes, IA 50111
4. Any responses being sent via US mail, hand-delivery or overnight courier must be received no later than August 9, 2018. Responses received after the deadline will be discarded or returned to the respondent unopened. Please allow extra time for delivery before the deadline.

The preliminary RFI schedule is tentatively set as follows:

Issuance of Request for Information	July 10, 2018
RFI Responses Due	August 9, 2018
Discussion Period Starts	August 10, 2018
Preferred Partners Identified	August 24, 2018

SECTION 7: QUESTIONS

Potential respondents seeking pre-submittal information should contact:

Questions and clarifications pertaining to matters contained in this RFI should be made in writing via email to Curtis Dean, SmartSource Consulting, curtis@smartsourceconsulting.com. At its sole discretion, the City may conduct a pre-submittal meeting with potential respondents to respond to questions and clarify matters contained in this RFI. Meetings may be held individually or in a group format.