

**Vinton Communications Utility
Request for Information (RFI)
For Potential Partners to Provide
Cost-Competitive, Reliable, High-Capacity,
Gigabit Speed Broadband Services**

Date: January 19, 2018

Vinton Communications Utility (VCU) is seeking to gauge the interest of capable entities to contract or otherwise partner with the utility to provide cost-competitive, reliable, high-capacity, gigabit speed broadband (Required Services) to all Vinton 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, the Utility may conduct pre-submittal meetings with potential respondents. Meetings may be held individually or in a group format. Based on inquiries and meeting results, VCU 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 Response Deadline: February 28, 2018

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SECTION 1: INTRODUCTION

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

VCU is undertaking this RFI process to expand its knowledge of the potential industry marketplace. VCU intends to identify one or more entities to potentially engage in exploratory discussions with to enable or directly provide the Required Services to Vinton utility system end-users. City, local education institutional, business, residential, and community-wide leaders place priority on providing the Required Services to everyone in the community. Successful Responses to this RFI will demonstrate how the respondent’s approach will further the VCU’s goals to effectively deploy and provide the Required Services throughout VCU’s service area or city boundaries in a manner consistent with Iowa telecommunications and municipal utility laws.

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

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

VCU will consider a wide range of 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. VCU will prioritize responses that most-effectively align with VCU’s goals, share technological capabilities, enhance operations, and balance financial risks between VCU and Respondent(s). These include smart grid, smart city, and economic development benefits to be derived from the proposed network or partnership.

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 VCU 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 VCU 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

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

1. Identify VCU's leaders' priorities and draft planning documents aligned with those priorities.
2. Seek out and identify entities interested in engaging with VCU to make the Required Services available throughout Vinton.
3. Identify and evaluate innovative, cost-effective, sustainable, resilient business models to deploy the Required Services.
4. At VCU'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, VCU will determine next steps based on the VCU's best interests. 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 Vinton; 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 at the following website: <http://www.ourbroadbandfuture.com/vinton.html>.

Respondents are responsible to check online prior to submission of their response.

2.3 RESPONDENT RESPONSIBLE FOR PROPOSAL COSTS

VCU is not liable for any costs incurred by any Respondent associated with the preparation and submission of a response to this RFI, including costs related to potential travel to Vinton or supplying requested studies, plans, specifications, or other information.

2.4 CONFIDENTIALITY

Respondents acknowledge that VCU may be required to disclose any or all of the documents submitted with a response, pursuant to the Iowa Code. VCU may deny inspection of any confidential commercial or financial information furnished to VCU 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 VCU.

SECTION 3: PROJECT BACKGROUND AND MARKET DEMAND

In late December of 2016, VCU engaged FARR Technologies to develop a feasibility study to investigate how to bring a FTTP network to the City of Vinton. FARR Technologies issued their report in September of 2017. A copy of that report will be made available upon the request of a Respondent.

As a component of its feasibility study report review process, VCU contracted with SmartSource Consulting to assist in identifying and developing municipal broadband implementation strategies. SmartSource's review of the feasibility study notes the ability to enter into partnership and service arrangements to reduce upfront and ongoing costs. These strategies are designed to lower the break-even take rates identified in the feasibility study.

Among alternatives under consideration are:

- a) The creation of a new municipal broadband utility solely reliant on broadband utility revenues to secure financing to build a network, likely with outsourced services;
- b) Various private-public agreement options to either finance or operate a network;
- c) Doing nothing.

The final outcome of this RFI should identify businesses with the capability and interest in contracting with, or participating in, the development of a viable broadband system.

In parallel with investigating potential partnerships and outsourced services that enhance the feasibility of constructing a network, VCU 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, VCU 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, VCU 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:

Partnership/Service	Description	Desired Impact	Priority? (Y/N)
Jointly own or build transport lines into Vinton with a 3 rd party	Utility owns transport lines and leases extra to, or trades with, a 3 rd party	Long-term control over access to broadband Redundancy	
Utility-owned FTTP network; operated by partner	Utility owns all infrastructure and equipment; Utility does all billing and customer service	Share risks/financial rewards	
	Contract with partner for billing and customer service	Operational efficiency	
Utility owns most of FTTP network; partner owns part and/or operates it	Utility owns most of the network; partner shares in financing via collateralization, lease revenue, or upfront equity	Reduce utility upfront borrowing amounts	
Contract for wholesale video, phone, and/or Internet service	Public owns the network and provides retail services. Utility purchases all or some wholesale services.	Reduce upfront capital needs. Redundancy in equipment and labor	
Contract for network management and/or maintenance	Contract with other service providers for technical labor services	Right-size labor force while gaining both customers and in-house technical expertise	
Contract for professional services (marketing, TV channel negotiations, etc.)	Utility contracts for higher-level telecom-specific professional services	Reduce in-house staffing costs and utilize specialists	

Desired Impacts of Vinton Municipal Broadband Network

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High Priority
Reduce utility operational staffing needs through 3 rd parties
Add reliability to the network through 3 rd parties
Use existing VMEU reserves for design costs and down payment on the network
Having a VCU municipal telecom brand (VCU interacts the customer as much as possible)
Reduce Utility up-front borrowing by external partnering while VCU owning what it can afford to own
Local control over ISP net neutrality policies
Medium Priority
Willingness to charge metering and other utility fees for using the network
Local control over rates for service; priority for local control over internet access rates
Local (vs. area) telecom crews & staff
Local marketing to retail customers
Local advertising on TV channels and having a local TV channel option
Television and telephone service for triple-play offering
Lower Priority / Concerns
Future economic development and Smart City impacts a partner may bring to Vinton
Add redundancy and continuity to operations though 3 rd parties
Interest rate sensitivity (may be modestly higher rates with a partner)
Reduce Year 1-5 breakeven rate requirements for the Utility
Reduce Year 6+ operational cash flow risks to the Utility
Provide for retail service choice for customers over time
Retail service exclusivity (only 1 provider on the network) over time
Length of contracts or commitments (short) to increase new technologies deployed over time
Length of contracts or commitments (long) to increase partner stability and extend payback cycles
Utilize a partner's network design experience to estimate costs
Utilize a partner's network construction experience
Utilize a partner's telecom business experience to lower implementation risks

Local control over transport routes
Local control over distribution system maintenance
Local control over network extensions and improvements once built
Local control over minimum speeds and TV channel lineups

SECTION 5: PARTNERSHIP CONSIDERATIONS

Qualified entities that eventually engage with VCU to contract, deploy, and/or operate the Required Services are encouraged to respond to this RFI. To be formally considered as a viable service provider or partner, Respondents will **eventually** be required to submit, and will be evaluated on, written information validating the investigative research and discussions with VCU (relevant to the proposed outsourced services and partnership).

Examples of information useful in interactions with VCU related to this RFI are listed below. It will be advantageous to Respondents to provide the following information in Responses as they become relevant to proposed outsourced services or partnerships:

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; note particular successes in collaborating with a public municipality or utility;
3. Evidence your firm, management, and team is financially capable to implement proposed activities including:
 - 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. Anecdotal evidence of the ability to access funding in the manner and scale appropriate to provide the Required Services;
 - c. 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.
4. A brief, high-level description of the entity's proposed solutions, products, and services including, but not limited to:

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- 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 VCU recognizes respondents may not have project costs specific to the Vinton 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
 - 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;
 - ii. Debt restrictions (i.e. debt covenants, collateral, and guarantees);
 - iii. 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 Vinton 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 VCU prior to the Respondent committing to proposed activities.

SECTION 6: RFI CONTACT INFO AND INSTRUCTIONS

1. **Written responses must be received no later than February 28, 2018.**
2. RFI response submittals shall be submitted in a single Microsoft Word or PDF file under 25MB and e-mailed to: curtis@smartsourceconsulting.com.
3. If electing to submit a hard copy of the RFI response instead, please mail/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 February 28, 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 RFI	January 19, 2018
Respondent question & answer period	January 19-February 27, 2018
RFI Responses Due	February 28, 2018
Negotiation Period	Ongoing
Public Engagement	Ongoing

SECTION 7: QUESTIONS

Potential respondents seeking pre-submittal information should contact:

Curtis Dean
SmartSource Consulting
517 SE 17th Street
Grimes, IA 50111
curtis@smartsourceconsulting.com
515-650-025

Questions and clarifications pertaining to matters contained in this RFI should be made in writing using the contact information provided above. At its sole discretion, the Utility may conduct a pre-submittal meeting with potential respondents to respond to questions

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and clarify matters contained in this RFI. Meetings may be held individually or in a group format.