

November 3, 2004

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
November 9, 2004

**PROPOSAL FOR THE FULL CITY WIDE DEPLOYMENT OF THE
WIFI SYSTEM, INCLUDING INSTALLATION OF ADDITIONAL
ANTENNAS; CONTRACTS FOR ADVERTISING TO DEVELOP
REVENUES TO COVER THE SYSTEMS ONGOING COSTS; AND
APPROPRIATION OF \$126,496 TO COVER THE COST OF THE
SYSTEM.**

Recommendation:

That the City Council approve the city wide deployment of the wifi system; direct the City Manager to sign a sole source contract with LA Unplugged based on the attached proposal dated 9/28/04; appropriate \$126,496 from the Equipment Replacement Fund to cover the cost of the system; authorize the City Manager to contract with Google for online ads in exchange for ad revenue; authorize the City Manager to contract with Ad Connect; direct the City Manager to enter into a service agreement with SCE for the installation of fiber to the City Hall to carry the bandwidth for both the wifi system and the City operations.

Background:

The City has been working on the wifi system for over one year. The City Council approved the design and installation of the system in May 2004 and the system was operational in August of 2004. Since the system has been operational, we have had 300 to 500 users on a regular basis. Users have been able to have download speeds exceeding that of DSL or Cable service of most of the time. The system has worked well and, while there have been a few down times, the problems have been identified and solutions implemented. The system has been well received by those that have been able to take advantage of it and probably the most asked question of staff is when will the system be deployed city wide. Overall, the Phase I deployment has been a success and the things that we have learned in the last several months about the system are being integrated into the citywide deployment. This is proposed as a sole source purchase to move forward from the Phase I contract and make sure that the system is fully integrated. There have been three wifi classes and each of them have packed the council chambers with residents and business operators that were interested in learning how they could take advantage of the system. The classes will resume once the city wide deployment is approved and completed. The contractor can complete the installation by the March 1, 2005 assuming that the proposal is approved at this meeting.

The City Council, in approving the Phase I deployment, also directed staff to try to develop revenue sources from sponsorships and advertisements. There are presently 5 sponsorships at \$250.00 per month for a total of \$1,250 per month. It is expected that

with citywide deployment it will be easier to sign up others as the exposure will be much greater. There are a number of other options that will, in total, generate somewhere between \$3,000 and \$5,000 per month. These options include Google, AdSense and AdSearch; Homepage ads, Classifieds, Sponsor Ads and Portal Affiliated buying page. These ads would be placed and handled by a third party rather than City staff. The revenue clearly would cover the on-going monthly costs for the system. The ongoing monthly costs for the system are estimated to total \$4,500. These monthly costs are mainly for bandwidth, which will run between \$2,000 for 10MB to \$3,500 for 45MB. We will start with 10MB and move toward 45MB once the user count is up. The installation in the city wide deployment includes the cost of bringing fiber to City Hall which will allow the use of the fiber for city operation and therefore eventually drop the separate costs that we have for the two T1 lines that we have now. These two lines run a total of \$1,483 per month. If we allocated the same cost of the T1 lines to the monthly operating costs of the wifi system the net cost would be \$3,017. Revenue from ads will further reduce the monthly costs. Other costs include system maintenance through LA Unplugged at \$500 per month and \$500 for hardware maintenance not covered in the warranty or other ongoing services. If we do better than estimated in the revenue side, it could be directed to system replacement. The system should be usable for at least 10 years.

The proposal for citywide deployment includes 12 additional nodes to cover the rest of the city. It is possible that there will be some geographic areas that will be more difficult to serve and staff has included a contingency in the overall appropriation to cover this issue. The capital cost of the citywide deployment is \$114,996 plus \$11,500 as a contingency for a total of \$126,496. This would provide for the citywide deployment to be completed and operational by March 1, 2005. I have attached a breakdown of the costs for your information. It is suggested that the funding for this be appropriated from the Equipment Replacement Fund. There is enough funding to cover this expenditure. It is estimated that once fully deployed citywide, there will be between 2000 to 4000 residential users and 50 to 250 visitors. This compares with the present usage of 300 to 500 residential users and 20 to 50 visitors each day.

The citywide system will incorporate some of the items that we found will improve the performance. This includes a fail over system that will allow the users of the system to continue using it when the main bandwidth system is down or is in a maintenance mode. Fail over is being provided at each of the super nodes and this will allow remote monitoring and restart.

Respectfully submitted,

Stephen R. Burrell
City Manager