



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** SEPTEMBER 21, 2016

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of a Proposal to Secure an Additional Cable Television Franchise or Broadband Internet Franchise.

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**ISSUE:** The residential and business communities believe the lack of choice of cable television and broadband internet service providers negatively impacts their quality of life and ability to operate efficiently in Alexandria.

**RECOMMENDATION:** That City Council:

1. Direct the City Manager to proactively identify companies that would be interested in negotiating a cable television franchise or telecommunications franchise (for broadband internet) in the City of Alexandria that could leverage a City-owned fiber optic network; and
2. Direct the City Manager to bring forward to City Council an ordinance advertising for a new franchise agreement once an interested company or companies have been identified.

**BACKGROUND:** The City has received consistent feedback from the residential and business communities regarding the lack of competition in the cable television and broadband Internet sectors in Alexandria. There is currently a single cable television franchisee operating in Alexandria (Comcast), and a single land-line telecommunications franchisee (Verizon). As of April, the Finance Department (where the cable television administration function is housed) had received more than two times as many “Cable Franchise Complaint” tickets via Call.Click.Connect. than any other ticket type. While most of these are service-related complaints, many residents feel that the lack of competition gives the current cable television provider little incentive to deliver consistent, high-quality service. A second cable television provider would also likely be able to deliver broadband speeds significantly greater than Comcast currently provides. Faster broadband is increasingly becoming a business location factor in companies choosing a jurisdiction for their offices. Additionally, the City currently leases its I-Net fiber (which connects 25 City and Alexandria City Public

Schools (ACPS) sites) from Comcast. Examples of municipally-owned fiber networks, both for purely governmental use as well as for private use, are becoming more prevalent across the country. The City desires to own its own I-Net fiber because its analysis shows there are long-term operational and financial advantages of ownership, such as better cost predictability and scalability of network service delivery in the future. The City already owns some of the I-Net fiber, has City-owned fiber connecting some of its traffic signs to a central control center, and has conduit use rights where the private sector has installed fiber optic lines in City right-of-way (to largely serve federal agencies).

The City issued a Request for Information (RFI) last year to look at opportunities in both these areas and to see whether advancing these goals could be mutually supportive. The City received several interesting ideas, and staff has been sorting through the information and developing an action plan that is now ready to be implemented. The City's IT Commission has been assisting in this effort.

**DISCUSSION:** The City has begun moving forward with construction of a City-owned I-Net through leveraging a joint-dig opportunity with the Intelligent Transportation System Phase II project. The scope of this project includes the installation of conduit and fiber in the right of way throughout portions of the west end, Old Town, and Potomac Yard in order to connect more of our traffic signals and future traffic cameras to the central traffic control computer. The location of this conduit and fiber is in exact alignment with the planned location of the City's I-Net backbone. This joint dig represents the first phase in the build out of the larger City network over the next several years.

Based on responses to the municipal fiber RFI, staff believes it is possible to leverage the City I-Net construction project in two primary ways to help support new competition in the cable television and broadband Internet sectors. First, as the City proceeds with construction of its I-Net there are numerous opportunities for joint digs throughout the City, which can serve to reduce the cost of installation for all parties. Second, the City intends to build its I-Net with sufficient capacity to serve its needs for decades to come. This provides an opportunity in the near term to lease out any excess conduit and fiber capacity to private providers.

It is the belief of staff that these types of leverage are appropriate for a local government and can be pursued while still maintaining competitive equity with incumbent service providers. As the City plans its project, opportunities for joint digs will be available to all utilities authorized to be in the right-of-way, including other cable and telecommunications providers. Additionally, the City intends to charge market rates for leases of excess conduit or fiber to private providers.

In the past, identifying interested companies has been difficult. In 2007 the City did award a wireless WiFi franchise to Earthlink, but due to financing and project economics, Earthlink never proceeded to install a WiFi network in the City. However, the industry and technology has changed, and by strategically leveraging the City's capital outlay for the I-Net construction and reaching out to new players in the telecommunications field, there appears to be new and promising opportunities which are financially feasible.

**FISCAL IMPACT:** There are no direct costs associated with the issuance of a new cable television or telecommunications franchise agreement. If the City successfully negotiates a new cable television franchise, it is anticipated that it would include a requirement to assess a PEG (public, educational, and governmental) fee equivalent to what Comcast currently assesses. However, the total net PEG revenue to the City would likely remain about the same as the companies would be sharing the same customer base.

**STAFF:**

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