

Fiber-optic network will cost Palo Alto; city discusses possible tax to fund project

By Diana Samuels, Daily News Staff Writer, Posted: 02/26/2009 08:11:10 AM PST

Voters might be asked to pass a tax to fund Palo Alto's long-discussed fiber-optic communications network, as the city's negotiations with technology companies have failed to hook up the ultra high-speed network in Palo Alto for free.

Palo Alto City Council members had originally hoped for an agreement that would require minimal investment — the city would let the companies use the fiber-optic ring that already surrounds Palo Alto but not contribute much more than that.

At a special city council meeting Wednesday, staff reported that Palo Alto might have to find a way to front about \$3.4 million per year if it wants the project to happen.

"(The money) needs to come from somewhere," said Joe Saccio, Palo Alto's deputy director for administrative services. "It needs to come from the general fund. It needs to come from residents, businesses or utility users."

The fiber-optic project, often known as "fiber to the home," could bring 100-megabit-per-second connections to local residents and businesses, about 10 times the speed of cable or DSL connections. The city has been working with a Canada-based consortium of technology companies, including Axia NetMedia, 180 Connect and PacketFront, who would build and operate the network.

Those companies say that in order to make their business plan work, they need a "usage commitment" from the city — a guarantee that the city would buy a certain amount of service from them.

"It's the assurance that allows us to get other investors, fill the \$65 million (total cost), and get going on the project," said Drew McNaughton, chief technology officer at Axia NetMedia.

A usage commitment could cost the city between \$3 million and \$4.7 million, Saccio told the council. To pay for that, the council could consider putting a measure similar to a parcel tax on an election ballot. Saccio estimated such a tax could cost residents between \$7 and \$12 monthly, and businesses \$17 to \$22 per month, whether or not they use the service.

The city could reduce costs to residents, though, if it found other ways to provide the money. For example, if enough large local corporations signed up for the service, it could fulfill the city's usage commitment.

Another source of funding could come from federal stimulus money, Axia's McNaughton said, While city staff members said federal funds set aside for broadband networks were meant mostly for rural, underserved

areas, McNaughton said Palo Alto might have a chance of obtaining the funds.

About \$3.75 billion is available for non-rural broadband networks through the National Telecommunications and Information Administration, McNaughton said, and Palo Alto could be a "showcase" for fiber-optic networks.

"We've got the experience, and we know how to do this," McNaughton said. "The NTIA is looking for projects that are ready to go."

Saccio said that although the city had submitted proposals and is working with lobbying groups in Washington, he doubts Palo Alto would see much funding.

About 20 residents attended Wednesday's meeting, and many told the council they had been waiting a long time for the network and hoped to see it succeed. Former council member Emily Renzel said she worries about asking residents to pay more on top of "already considerable utility fees."

Many council members said they still want to see a fiber-optic network in Palo Alto, and while they questioned why negotiations had spun so far off the original track, they asked city staff to look into a tax and other alternatives.

"I'm still hopeful that we can come up with a way," Council Member Patrick Burt said. "But I don't think we should kid ourselves that we're in the same ball game."

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