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COUNCIL OF THE CITY OF PHILADELPHIA
JOINT COMMITTEES ON TECHNOLOGY & INFORMATION
SERVICES AND PUBLIC PROPERTY & PUBLIC WORKS

- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Monday, April 3, 2006, 11:45 a.m.
- - -

PRESENT:
COUNCILMAN BRIAN O'NEILL
COUNCILMAN DARRELL CLARKE
COUNCILWOMAN BLONDELL REYNOLDS-BROWN
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN TASCO

Bill No. 060160

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2

COUNCILMAN O'NEILL: Okay.

3

We're going to get this hearing started.

4

This is a hearing recessed from March 10

5

and this previous Thursday where we only

6

had public testimony, so it's really a

7

followup to our March 10 hearing. And

8

just to let everybody know who may not be

9

able to stay for the entire time, it's

10

our intention to have this hearing

11

recessed until 1 o'clock on April 20.

12

I'd like to recognize the

13

committee members who are here:

14

Councilman Frank Rizzo, Councilwoman

15

Marian Tasco, Councilwoman Blondell

16

Reynolds Brown, Councilman Clarke, Chair

17

of the Public Property, myself,

18

Councilman O'Neill, Chair of Information

19

Technology.

20

We'll start off with

21

Councilwoman Blondell Reynolds Brown.

22

COUNCILWOMAN REYNOLDS BROWN:

23

Good afternoon, everyone. A few

24

questions, a number of which were raised

25

on Thursday at the public testimony

1 Bill No. 060160- 4/3/06
2 segment. Let me first go back to the
3 number one of the two issues I've raised
4 at the very first hearing, and that is
5 MBE-WBE participation. Please tell me
6 what you believe to be the requirements
7 and expectations of the MBE-WBE
8 participation as we move towards our next
9 hearing scheduled for April 20.

10 MR. ROSCOE: Hi. Clifton
11 Roscoe from EarthLink. I want to make
12 sure I understand what your question was.

13 COUNCILWOMAN REYNOLDS BROWN: I
14 need to hear from you what you believe
15 will be the expectations and requirements
16 you've outlined for EarthLink and how you
17 will communicate that to the members of
18 this committee going forward. Restate
19 for the record what your -- what you plan
20 to do in the way of MBE-WBE participation
21 and how you plan to communicate that with
22 us in a real tangible way.

23 MR. ROSCOE: Do you want me to
24 recap what we sent you in the written
25 response?

1 Bill No. 060160- 4/3/06

2 COUNCILWOMAN REYNOLDS BROWN:

3 Yes, for the record.

4 MR. ROSCOE: Okay. So
5 basically the first year we will do
6 approximately \$3 million of services in
7 Philadelphia. Approximately 1 million of
8 that will go to MBEC companies. In years
9 2 through 10, we'll do approximately a
10 half million dollars in services and
11 approximately half of that will go to
12 MBEC companies. So we're saying we'll do
13 \$5.5 million over the next ten years with
14 MBEC companies.

15 COUNCILWOMAN REYNOLDS BROWN:

16 And what procedures or plans do you have
17 in place or expect to put in place to
18 move toward achievement of those goals?

19 MR. ROSCOE: So our purchasing
20 group is putting together a monitoring
21 system. So every time a vendor works
22 with EarthLink, they'll go in our system.
23 For the Philadelphia project, we will
24 track this literally every night so we'll
25 know the spend levels at a very detailed

1 Bill No. 060160- 4/3/06
2 level and ongoing basis and report that
3 to Wireless Philadelphia annually or more
4 frequently if we need to.

5 COUNCILWOMAN REYNOLDS BROWN:
6 Who are the members of the purchasing
7 group and how were they identified or
8 recruited?

9 MR. ROSCOE: You mean
10 EarthLink's corporate? It reports up
11 through our CFO, so we've had detailed
12 discussions with them. Everybody's on
13 board.

14 COUNCILWOMAN REYNOLDS BROWN:
15 And the linkages connecting the dots of
16 local persons who can assist you in
17 identifying local businessmen and women
18 to help you meet those goals?

19 MR. ROSCOE: We've had
20 conversations with Philadelphia's MBEC
21 group so we are in the process of talking
22 to people every day. I've met with
23 Hanford Jones and I'm also going to meet
24 with Mike Williams at some point in the
25 next couple days. We're taking calls all

1 Bill No. 060160- 4/3/06

2 the time. So as calls come through, we
3 make sure they get properly circulated
4 through our system and people get proper
5 consideration.

6 COUNCILWOMAN REYNOLDS BROWN:

7 And what aspects of EarthLink's track
8 record suggests that you will achieve a
9 level of success with the goals you've
10 just articulated?

11 MR. ROSCOE: Historic track
12 record?

13 COUNCILWOMAN REYNOLDS BROWN:

14 Yes.

15 MR. ROSCOE: We don't really
16 have much of a historic track record. As
17 you probably know, EarthLink is a
18 collection of acquired and merged
19 companies between Earthlink and
20 Mindspring, so we really only centralized
21 our purchasing process about two years
22 ago. So the process currently is set up
23 where every time a vendor comes on-line
24 or works with us, we ask them to fill out
25 a questionnaire. The questionnaire will

1 Bill No. 060160- 4/3/06
2 include information around MBEC type
3 characteristics and we can capture that
4 and actually track it on an ongoing
5 basis.

6 COUNCILWOMAN REYNOLDS BROWN:
7 And then, finally, again trying to rely
8 on my memory from the last meeting, there
9 was the request that there be a written
10 plan.

11 MR. ROSCOE: Yes. And that was
12 part of the documents we sent last week.

13 COUNCILWOMAN REYNOLDS BROWN:
14 Very well. Okay. Thank you very much.
15 Last week Media Tank raised a number of
16 what I thought thoughtful but valid
17 questions I would like to have anyone
18 whom you all deem appropriate to respond
19 to because I too am interested in the
20 answers. We all expect indeed a level of
21 success given the enormous amount of work
22 that's been done already by all the
23 stakeholders, but the question raised
24 was, what if EarthLink underperforms?
25 What would be your answer to that

1 Bill No. 060160- 4/3/06

2 question?

3 MR. ROSCOE: Let me introduce
4 my colleague, Cole Reinwand, who can
5 probably answer that a little better than
6 I would.

7 MR. REINWAND: Thank you. I'm
8 Cole Reinwand, vice president of product
9 strategy and marketing for EarthLink.
10 I've been responsible for writing the
11 proposal here in Philadelphia and
12 negotiating the agreements with the City
13 and Wireless Philadelphia for the past
14 year. We are very confident that the
15 system will work. Wireless Philadelphia
16 has been supporting a number of wi-fi
17 trials in the city over the past year as
18 you know to great success both from a
19 technology standpoint and from a market
20 standpoint, a great customer experience
21 and significant impact to person's lives.

22 Tropos wi-fi technology which
23 we plan to use in the proposed network
24 has been proven in over 350 municipal
25 applications around the world to varying

1 Bill No. 060160- 4/3/06
2 degrees from deployments of a few hot
3 spots to citywide networks. And, in
4 fact, Tropos is recognized as the leader
5 in the marketplace for mesh wi-fi with
6 over 90 percent of the citywide
7 deployments.

8 Finally, EarthLink and Wireless
9 Philadelphia have put into place the
10 concept of a 15-square-mile proof of
11 concept. In this proof of concept, we'll
12 build out 15 square miles north and east
13 of downtown center city, and we will use
14 that as an opportunity to prove network
15 performance criteria to both EarthLink
16 and Wireless Philadelphia and the City so
17 we can all be comfortable moving forward
18 before we engage in the citywide
19 deployment.

20 COUNCILWOMAN REYNOLDS BROWN:
21 Okay. Another question raised by Media
22 Alert and I would like to hear your
23 response. And I quote: What if
24 EarthLink finds it makes more money off
25 of the wealthy downtown customer with a

1 Bill No. 060160- 4/3/06
2 laptop than off of a household in
3 Kensington with a refurbished desktop?
4 Your reaction, comment in answer to that
5 question.

6 MR. REINWAND: This was a
7 concern that was addressed during our
8 negotiations with the City and with
9 Wireless Philadelphia. In fact, we have
10 put clauses into the contract that
11 address this issue. Wireless
12 Philadelphia identified areas that were
13 defined as digital inclusion areas, those
14 areas that are traditionally underserved
15 or have low penetration of broadband. In
16 the event that EarthLink does not produce
17 the same level of performance in terms of
18 meeting the service level agreements in
19 those areas, EarthLink is subject to
20 financial penalties, so that if we do not
21 provide at least 80 percent of the
22 service level in those areas versus the
23 city as a whole, EarthLink will be
24 penalized 25 percent of the revenue
25 sharing fees due to Wireless

1 Bill No. 060160- 4/3/06

2 Philadelphia.

3 COUNCILWOMAN REYNOLDS BROWN:

4 Penalties imposed by?

5 MR. REINWAND: By Wireless

6 Philadelphia through our contract.

7 COUNCILWOMAN REYNOLDS BROWN:

8 Any discussion, mention, plan to have a

9 citizen oversight board?

10 MR. PEW: I think that's really

11 a question for me, Councilwoman. We do.

12 We're planning actually probably three

13 boards right now. The first board is a

14 community advisory board primarily made

15 up of stakeholders in the community.

16 Those will be community groups already

17 serving the population with programs that

18 are similar to what Wireless Philadelphia

19 would like to pursue for the elderly, for

20 school children, for get back to work,

21 and we have also proposed a City advisory

22 board for City Council members and other

23 elected and appointed officials to

24 participate so to the extent there are

25 community questions that flow through

1 Bill No. 060160- 4/3/06
2 this building, they can be addressed in a
3 forum with Wireless Philadelphia
4 directly. We have a series of other
5 boards we are proposing, technological
6 advisory board is one of them and
7 probably a philanthropic board. So there
8 will be a number of different places for
9 community members to participate.

10 COUNCILWOMAN REYNOLDS BROWN:
11 That too was an important question raised
12 by Media Tank. Finally, it's my
13 understanding that X number of computers
14 will be given to our citizens who are
15 categorized as low or moderate income.
16 So what type of safeguards might be in
17 place to ensure that those computers are
18 used precisely for the purpose intended
19 versus anything else?

20 MR. PEW: The computers that
21 Wireless Philadelphia is going to
22 purchase are going to be primarily
23 refurbished computers that come with
24 parental controls and other Internet
25 controls built into them. So Wireless

1 Bill No. 060160- 4/3/06
2 Philadelphia will not dictate to a family
3 how the parental controls should be used,
4 but they certainly will be there for the
5 parents. As part of our education
6 program, we also plan on educating people
7 as to the risks of having their children
8 use the Internet without supervision. So
9 the machines will come with software that
10 enables parents to protect their children
11 from, you know, Internet threats.

12 COUNCILWOMAN REYNOLDS BROWN:
13 And that goes to one of the concerns
14 implicit in my question. The other
15 concern is the types of -- neat way to
16 say this -- the types of potential
17 opportunities folks may see in having
18 computers and using them for what they're
19 not intended for.

20 MR. PEW: I think as a
21 practical matter the computers that we
22 distribute will probably be distributed
23 in interactive programs with community
24 groups because the idea is you don't want
25 to give a computer to somebody who

1 Bill No. 060160- 4/3/06
2 doesn't know how to use it and hasn't
3 been educated and motivated how to use it
4 correctly. So we will only have a
5 limited amount of funds in any given year
6 to buy computers with. I think initially
7 a significant focus is going to be to
8 participate with the Philadelphia School
9 District and work with families of school
10 age children, but at the same time we may
11 be working with --

12 COUNCILWOMAN REYNOLDS BROWN:
13 Community based organizations, faith
14 based organizations?

15 MR. PEW: Exactly.

16 COUNCILWOMAN REYNOLDS BROWN:
17 Where there's a real connect to an
18 external entity.

19 MR. PEW: I've had any number
20 of meetings with hospital not-for-profit
21 organizations for ways to link with
22 patients with diabetes, like Germantown
23 Settlement is very interested in using it
24 for elder care.

25 COUNCILWOMAN REYNOLDS BROWN:

1 Bill No. 060160- 4/3/06

2 Yes, AIDS patients.

3 MR. PEW: Sure. I think Action
4 AIDS I've spoken on the phone to. So the
5 reality is this will probably flow
6 through preexisting programs first and
7 we'll be working with those partners to
8 make sure the people are educated and
9 motivated to use the computers in the
10 right way.

11 COUNCILWOMAN REYNOLDS BROWN:

12 Thank you for your testimony.

13 I'm finished, Mr. Chairman.

14 COUNCILMAN O'NEILL: Thank you.

15 Councilwoman Tasco.

16 COUNCILWOMAN TASCO: Thank you.

17 Good morning. Let me just ask a question
18 about the process. What is the process
19 for identifying those who received the
20 10,000 free computers considering the
21 need is greater than this number of
22 computers?

23 MR. PEW: Yeah, the need is
24 much greater. That's why we're here.
25 Part of the answer to your question is

1 Bill No. 060160- 4/3/06
2 how effective will Wireless Philadelphia
3 be at raising foundation money. The
4 money from EarthLink is a base foundation
5 for us to buy computers, but the amount
6 we can raise from private foundations and
7 other sources is going to be significant
8 obviously. And the more money we have,
9 the more computers we can distribute.

10 There's two halves I think to
11 the digital inclusion program. The first
12 half is getting the rate, so just
13 applying and getting the digital
14 inclusion rate. And if you'd like to I
15 can read it into the record, but I
16 submitted in our response from Wireless
17 Philadelphia the specifics of what that
18 looks like. That's the two-part test,
19 either 130 percent of the federal poverty
20 level or participating in one of I think
21 it's six different federal programs. And
22 you can demonstrate either of those, you
23 qualify for 9.95 rate. We'll be
24 processing those probably much faster
25 than processing applications to get

1 Bill No. 060160- 4/3/06
2 computers. But I think, as I said,
3 before, as a practical matter the
4 computers are probably going to get
5 distributed to our partner organizations
6 first because they already have programs
7 in place to work with people to teach
8 them how to use the computers. My
9 instinct is the first batch of computers
10 will go out to families of school age
11 children along with the Philadelphia
12 School System program, but they'll also
13 go to those preexisting programs that
14 already use computers like ones I just
15 mentioned before to Councilwoman Reynolds
16 Brown.

17 COUNCILWOMAN TASCO: Who will
18 determine an applicant's economic
19 viability? Will that be your staff or
20 the agency that is distributing --

21 MR. PEW: It will be our staff.
22 It will be an internal Wireless
23 Philadelphia function. The
24 qualifications for satisfying the digital
25 inclusion rate are objective, so they're

1 Bill No. 060160- 4/3/06
2 relatively easy to process so long as
3 someone supplies the appropriate
4 information. And the guidelines for that
5 will all be in documentation that they
6 can either receive from community groups
7 that we'll distribute to community groups
8 or we're going to maintain an 800 number
9 so people can call in to the extent they
10 have a phone and ask questions about the
11 process. But it will all be handled
12 internally at Wireless Philadelphia.

13 COUNCILWOMAN TASC0: I'd like
14 to go back to the minority participation
15 issue. Will you have a local MBE
16 compliance person working with you for
17 the length of this contract in
18 Philadelphia?

19 MR. ROSCOE: We probably will
20 not have a local person. We'll be
21 monitoring it out of Atlanta with our
22 corporate purchasing group. To some
23 extent, at the present time I'm actually
24 the local compliance person.

25 COUNCILWOMAN TASC0: But you're

1 Bill No. 060160- 4/3/06

2 in Atlanta. How will you --

3 MR. ROSCOE: I will be spending
4 an awful lot of time in Philadelphia and
5 at some point may actually move here.

6 COUNCILWOMAN TASC0: How did
7 you determine that the \$1 million would
8 be not set aside but would be the amount
9 given out for minority vendors?

10 MR. ROSCOE: We took a look at
11 what we thought our needs were for the
12 first year and the companies we were
13 working with and tried to come up with a
14 target we thought was achievable but also
15 a good target. We thought that coming up
16 with about a 33 percent target was a good
17 first year start and we'll try and do
18 better in the outer years.

19 COUNCILWOMAN TASC0: 33 percent
20 of?

21 MR. ROSCOE: The 3 million in
22 services the first year. Then we'll do
23 approximately half for the next nine
24 years. So half million dollars in
25 services for the next nine years,

1 Bill No. 060160- 4/3/06
2 approximately half of that to MBEC
3 companies.

4 COUNCILWOMAN TASCO: What is
5 the total value of the contract?

6 MR. ROSCOE: The total value,
7 we expect to spend about \$22 million over
8 the next ten years.

9 MR. DIAZ: Councilwoman, I
10 wonder if I just might add to that.
11 Romulo Diaz, City solicitor. In
12 connection with the contracts that have
13 been negotiated, the first contracts, two
14 of which are before City Council for
15 approval, the goals that are established
16 for minority, women-owned, and
17 disabled-owned businesses are exceeded by
18 the numbers that have been testified to
19 by EarthLink this morning. The goals
20 that have been established in conjunction
21 and in coordination with MBEC for
22 minority-owned businesses are 20 to
23 25 percent, for women-owned businesses 5
24 to 10 percent, and for disabled-owned
25 businesses zero to 1.5 percent. Now, the

1 Bill No. 060160- 4/3/06
2 contracts require that EarthLink is to
3 meet or exceed those targets. So by the
4 numbers and the target ranges that have
5 been testified to this morning, they are
6 in compliance with the contractual
7 obligations by exceeding those
8 obligations.

9 COUNCILWOMAN TASC0: As you
10 move along, have you done preliminary
11 work in identifying the kind of vendors
12 who might be available to participate in
13 this contract?

14 MR. ROSCOE: Yes, we have.
15 We've talked to a number of people and
16 also met with Philadelphia's MBEC group
17 and will continue to do that as we get
18 further along in the contract.

19 COUNCILWOMAN TASC0: Who is
20 part of your team to promote this idea to
21 Philadelphia? Does it include minority
22 participation?

23 MR. ROSCOE: In terms of our
24 promotional group or -- absolutely. We
25 have a group out of Dallas called the

1 Bill No. 060160- 4/3/06
2 Macintosh Group. It's a woman-owned
3 company helping us do contract
4 preparation. RA Consulting here in
5 Philadelphia is working with us. We're
6 working with a local real estate company,
7 Key Real Estate Commercial Advisers, to
8 help us find office space. We're working
9 with a number of people to try and get
10 things off the ground.

11 COUNCILWOMAN TASC0: It is my
12 understanding that you will be purchasing
13 \$11 million in hardware from vendors.
14 Are any of these vendors minority
15 suppliers? And if not, are any of these
16 vendors using minority subcontractors?

17 MR. ROSCOE: To the best of my
18 knowledge, we're working primarily with
19 Motorola and Tropos. They are not
20 technically minority suppliers. Tropos
21 is a privately held company out of
22 California. Motorola actually does use a
23 fair number of MBEC type companies and I
24 think their numbers are about half a
25 billion dollars in MBEC type purchases

1 Bill No. 060160- 4/3/06

2 over the course of a year.

3 COUNCILWOMAN TASC0: Could you
4 please get a list of the minority
5 contractors that are contracting with
6 Motorola for this project?

7 MR. ROSCOE: Sure. For this
8 contract?

9 COUNCILWOMAN TASC0: For this
10 contract.

11 MR. ROSCOE: Actually, it was
12 in the information we submitted a couple
13 days ago. We're working with a company
14 RBDSS to do field implementation, we're
15 working with a company called ACC to do
16 what we call site acquisition, and Urban
17 Harvest to do installations on poles.

18 COUNCILWOMAN TASC0: These are
19 all minority contractors --

20 MR. ROSCOE: Yes.

21 COUNCILWOMAN TASC0: -- who are
22 subcontracted with Motorola?

23 MR. ROSCOE: Correct.

24 COUNCILWOMAN TASC0: How many
25 are women-owned and how many are

1 Bill No. 060160- 4/3/06

2 African-Americans?

3 MR. ROSCOE: At this point
4 Urban Harvest is African-American, ACC is
5 a minority but he's not an
6 African-American, RBDSS is a disabled
7 person. I don't think we have a woman
8 contractor at this point.

9 COUNCILWOMAN TASC0: Are any of
10 these companies in Philadelphia?

11 MR. ROSCOE: Urban Harvest is.
12 ACC is in Princeton. And RBDSS I believe
13 is just across the river in New Jersey.
14 He's very close.

15 COUNCILWOMAN TASC0: I think
16 that's it. Thank you. Thank you very
17 much.

18 MR. ROSCOE: Can I add one
19 thing? I think I slightly misspoke about
20 the half a million. It's \$1 million in
21 services per year and about half of that
22 to MBEC companies over years 2 through
23 10. Sorry for the confusion. That's my
24 fault.

25 COUNCILWOMAN TASC0: Thank you.

1 Bill No. 060160- 4/3/06

2 COUNCILMAN O'NEILL: Could you
3 share with us the status of the
4 negotiations with PECO Energy for the
5 cost of electricity for the boxes?

6 MR. DIAZ: As I've indicated to
7 you previously, Councilman O'Neill, the
8 cost of the PECO Energy would be pursuant
9 to the municipal tariff. And it is
10 estimated that that municipal tariff
11 would cost Wireless Philadelphia about
12 \$465,000 a year. The arrangements under
13 the agreements that have been negotiated
14 provide for that electricity cost to be
15 reimbursed for the first two years
16 entirely by EarthLink. In the subsequent
17 yeast, to the extent that the electricity
18 cost of \$465,000 approximately exceeds
19 one-half of the revenue share to Wireless
20 Philadelphia, EarthLink would then incur
21 that additional cost. The negotiations
22 that I have alluded to previously have
23 been not with regard to the amount of the
24 electricity charge but with regard to the
25 possibility of charitable deductions by

1 Bill No. 060160- 4/3/06

2 PECO or its parent Exelon in connection
3 with another matter under litigation.

4 COUNCILMAN O'NEILL: On the
5 first part, keeping ourselves out of the
6 discussions involving other matters that
7 may impact on this, but just directly
8 assuming there's none of that and we're
9 just dealing with a straight billing, am
10 I correct when I assume that municipal
11 tariff means the rate the City would get
12 versus the rate say EarthLink or Verizon
13 or Comcast would get from PECO and that
14 it would be a lower rate than those
15 others? I mean, I want to sort of
16 clarify municipal tariff because I
17 know -- it seems to me that that would be
18 a lower number.

19 MR. DIAZ: It's not clear to me
20 that there would be a difference. And
21 the reason I say that is because in
22 discussions with PECO as part of our
23 preparation for these agreements, we were
24 in discussions as to what would be an
25 appropriate tariff to apply. All of

1 Bill No. 060160- 4/3/06
2 these are tariffs that are under approval
3 by the Pennsylvania Public Utility
4 Commission so we're talking about a
5 preapproved tariff. These are City-owned
6 facilities. It seemed appropriate in
7 that context for municipal tariff to
8 apply. Whether that same municipal
9 tariff would be applicable to third
10 parties not engaged in this transaction I
11 wouldn't be able to conjecture at this
12 point.

13 COUNCILMAN O'NEILL: I'm sorry.
14 I don't think I made myself clear. Other
15 companies who may not have been
16 successful, may not even have bid but in
17 generally the same business of broadband
18 and Internet services are billed by PECO,
19 if EarthLink were just out there with
20 them, they would have the same rate as I
21 think it's a fair assumption under these
22 tariffs, they'd say that's the tariff,
23 you pay what Verizon pays, what Comcast
24 pays. It would seem to me if a municipal
25 tariff were to apply, one already on the

1 Bill No. 060160- 4/3/06
2 books and approved by PUC, it would be
3 because of the interrelationship here
4 between EarthLink, Wireless Philadelphia,
5 and the City of Philadelphia. And so
6 when you use the term "municipal tariff,"
7 I would assume that's a lower number if
8 you were successful in getting it than
9 the one that would be out there for any
10 private company just dealing on their own
11 with PECO. Am I getting --

12 MR. DIAZ: I understand the
13 question. I think that's probably true.
14 But not having seen the tariffs, I
15 wouldn't want to try to testify on behalf
16 of PECO as to how they would apply
17 tariffs and what the exact tariff rates
18 would be. What I can say -- and I think
19 this is in the spirit of your question.
20 What I can say is that the nonprofit
21 purpose of Wireless Philadelphia is to
22 assist in support of a governmental
23 function. And because of the
24 socioeconomic function, the mission that
25 we're trying to achieve through Wireless

1 Bill No. 060160- 4/3/06
2 Philadelphia, the nonprofit organization,
3 is to bridge the digital divide for those
4 that otherwise may not have access to
5 both equipment and Internet access.
6 There clearly is a municipal relationship
7 I think to the tariff. Whether another
8 third-party competitor might be able to
9 establish a similar nexus and thereby
10 qualify for a municipal tariff, I
11 wouldn't want to try to speculate about
12 that but eliminate that possibility
13 either.

14 MR. PEW: Could I just jump in
15 for a second? I just wanted to clear up
16 something because I think your question
17 was going in one particular direction and
18 I just want to make it clear. The
19 economics of the PECO cost is something
20 that was negotiated as part of the
21 entirety of the agreement. And so in
22 absorbing that cost at Wireless
23 Philadelphia, we got for the City of
24 Philadelphia other things. Do you know
25 what I'm saying? There are economic

1 Bill No. 060160- 4/3/06
2 benefits that are in the agreement that
3 we're getting from EarthLink that we
4 would not have gotten but for our
5 assumption of the cost. So the issue of
6 how low we can get the electricity cost
7 doesn't create any subsidy at all for
8 EarthLink.

9 COUNCILMAN O'NEILL: I'm not
10 suggesting it does.

11 MR. PEW: I'm just saying the
12 better rate we get, the more money we
13 have to spend on Philadelphians. So
14 actually I hope we get as good a rate as
15 possible because that means we'll have
16 more money at Wireless Philadelphia to
17 spend because it's our risk.

18 COUNCILMAN O'NEILL: I think
19 the PECO issue, though, the cost of
20 energy is significant, a significant
21 issue. And I think we're going to have
22 to have it resolved before Council
23 finishes with this. Hopefully, we can
24 keep working on it. And to the extent
25 that that message can go to PECO as well

1 Bill No. 060160- 4/3/06
2 as the parties here, I think it would be
3 helpful. And we do have another hearing
4 that may be a status or may be a final
5 hearing on April 20.

6 MR. DIAZ: Councilman, if I
7 might just add one addition, as I
8 mentioned I think earlier to Councilman
9 Rizzo, I did receive a call this morning
10 from PECO Energy. I don't know if it's
11 about this particular issue, but it's my
12 intention immediately upon returning to
13 the office to try to return that call.
14 This is an issue that I certainly have
15 been pursuing and would be pleased to
16 update the committees as soon as I have
17 additional information.

18 COUNCILMAN O'NEILL: Okay. You
19 can feel free to tell them what's already
20 on the record now about the committee's
21 feeling.

22 MR. DIAZ: I very much
23 appreciate that. Thank you.

24 COUNCILMAN O'NEILL: Thank you.
25 Once Wireless Philadelphia is

1 Bill No. 060160- 4/3/06
2 fully operational, what is your projected
3 operating budget for personnel and how
4 many employees will you have?

5 MR. PEW: I'm going to ask the
6 board who dealt with the budget.

7 Mr. Chair, I'd rather submit to
8 you something I can read than reading
9 something that's marked up. The answer
10 to your question that I have is there
11 will be a CEO of Wireless Philadelphia,
12 there will probably be one or two project
13 managers at least in the first year, and
14 an executive assistant to the CEO. The
15 idea is to keep the staff as small as we
16 possibly can and supplement it with as
17 many volunteers as we can. We're in the
18 process of interviewing CEOs now who will
19 become full-time CEOs and replace me
20 probably by June 1 is my guess given the
21 timing. The smaller the staff we can
22 manage, the better. So it will basically
23 be their salaries, health care for them,
24 and then we're going to try and save rent
25 actually by subleasing from whatever

1 Bill No. 060160- 4/3/06
2 facilities EarthLink finds so we can get
3 the economics of buying bigger space
4 together and share the cost of that
5 space. So I can submit afterwards the
6 exact budget from the board. I just
7 don't want to misquote in testimony.

8 COUNCILMAN O'NEILL: But you
9 have a pretty good idea what you expect
10 your personnel and other overhead will
11 be?

12 MR. PEW: We have estimates for
13 the rental every year. We already have
14 our executive secretary who's been doing
15 a great job. She's actually here. And
16 so we have a very good handle on the
17 numbers. I just don't have a budget with
18 me.

19 COUNCILMAN O'NEILL: That's
20 fine. We can get that later. Could you
21 go over -- you may have said this at the
22 last hearing -- what other sources of
23 revenue Wireless Philadelphia expects to
24 generate?

25 MR. PEW: Well, I think that

1 Bill No. 060160- 4/3/06
2 the primary source of revenue for
3 Wireless Philadelphia hopefully will be
4 private foundations. I think Wireless
5 Philadelphia is open to any source of
6 revenue it can find. So if we can find
7 federal grant programs, if we can find
8 state grant programs, even local grant
9 programs, we're certainly going to be
10 hitting all the major private
11 foundations. Our hope is a philanthropic
12 board made up of corporate leaders in
13 Philadelphia and hopefully we can get
14 corporate sponsorship as well, the same
15 as any other charity. The more places we
16 look, hopefully the more money we can
17 raise.

18 COUNCILMAN O'NEILL: And
19 individuals can contribute to you as
20 well?

21 MR. PEW: That's the intention
22 of the 501(c)(3). I think the most
23 important thing is the stream of income
24 that flows from EarthLink because at its
25 foundation that will go -- should more

1 Bill No. 060160- 4/3/06
2 than cover the budget for Wireless
3 Philadelphia, the actual people budget,
4 and that gets us a long way to raising
5 the money from the foundations.
6 Typically, they like to see your actual
7 overhead expense covered in some other
8 way before they fund programs.

9 COUNCILMAN O'NEILL: When you
10 submit the budget numbers, the projected
11 budget numbers for all your expenses,
12 personnel, overhead, could you add in
13 your best guess on electricity and just
14 sort of what you expect to have left for
15 computers and services that you've
16 discussed and which have a lot of people
17 very excited?

18 MR. PEW: Sure. I think -- the
19 question is for the budget so we can
20 submit exactly what you want. You want
21 the budget assuming passage in City
22 Council as soon as the project starts
23 going forward?

24 COUNCILMAN O'NEILL: Yes.

25 MR. PEW: And just so we're

1 Bill No. 060160- 4/3/06
2 clear, Wireless Philadelphia is not
3 paying electrical costs for the first two
4 years. So you won't see anything in the
5 first two years and then you'll see it
6 kick in years 3 through 10.

7 COUNCILMAN O'NEILL: And you
8 will show us that.

9 MR. PEW: Yes.

10 COUNCILMAN O'NEILL: Can you
11 explain again -- I know it came up
12 before, but the City has essentially
13 loaned money to Wireless Philadelphia to
14 get it going at this point. That's why
15 we have an executive secretary that we
16 can actually give a paycheck to. But I'm
17 not familiar with any other situation
18 where the City has loaned money to a
19 nonprofit. Is it a common thing? Is it
20 an extraordinary thing for this to
21 happen? How did it come about and is it
22 all right? Because other people may be
23 lining up saying we do good things too,
24 how about us. Could you go through that,
25 Mr. Diaz?

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2 MR. DIAZ: I would certainly
3 not consider it to be an extraordinary
4 thing. I know of a few other instances,
5 but rather than to try to speak
6 extemporaneously to the point, I'd be
7 happy to supply for the record examples
8 of other nonprofits to which the City has
9 made loans. And I know that there has
10 been some publicity associated with some
11 of them in the past, but we'll provide
12 something for the record.

13 COUNCILMAN O'NEILL: Is
14 PIDC/PAID the lender because the City
15 can't do it directly? Is that a method
16 of doing that or a vehicle for doing
17 that?

18 MR. DIAZ: I was not a party to
19 that original discussion, but my
20 understanding is that it is a common
21 vehicle for the use of economic stimulus
22 monies that could be either granted or
23 loaned, but I will also provide that for
24 the record as to how that came about.

25 COUNCILMAN O'NEILL: And

1 Bill No. 060160- 4/3/06
2 sometimes this is a loan that turns into
3 a grant depending on circumstances that
4 evolve after the issuance. That's
5 happened in the past I understand. Some
6 of our loans have turned into grants
7 oftentimes for bad reasons that people
8 can't pay it back so you might as well
9 just call it a grant rather than an
10 unpaid loan. Is that something that has
11 sort of a moving target and can change?
12 A loan is not always a loan.

13 MR. DIAZ: Well, I believe I
14 had that type of a question or series of
15 questions during the first hearing. And
16 I think what I said then was I did not
17 have any personal knowledge of such a
18 case occurring, but I think if you look
19 at the particular circumstances here
20 we're talking about \$1.45 million, which
21 was loaned to Wireless Philadelphia, the
22 nonprofit, through PIDC, and the use of
23 economic stimulus dollars for that
24 purpose. The repayment schedule has been
25 developed that I believe requires the

1 Bill No. 060160- 4/3/06
2 first payment to begin in mid 2007 at a
3 point when one could reasonably
4 anticipate receipts of funds from other
5 sources that have already been laid out.
6 We've got the \$2 million that would be
7 coming to Wireless Philadelphia if City
8 Council approves of these transactions in
9 three slices. We're talking about
10 \$250,000 it's my recollection, which is
11 payable upon City Council approval of the
12 transaction, \$750,000 which is payable
13 upon the proof of concept acceptance by
14 the City of Philadelphia, which would
15 presumably be within about three months
16 thereafter, that is, after City Council
17 approval, so you'd have \$1 million, which
18 would be payable within one year -- well,
19 within several months of City Council
20 approval, and an additional million
21 dollars which would be payable on the
22 anniversary of the proof of concept
23 acceptance. So we're talking about \$2
24 million which just looking at the
25 calendar would be payable to Wireless

1 Bill No. 060160- 4/3/06
2 Philadelphia under these transactions
3 within the first year. And so,
4 therefore, I see no reason why the \$1.45
5 million which is going to be paid in
6 installments beginning in mid 2007 would
7 not be fully covered and would not be
8 fully payable back to the City in
9 accordance with the loan terms.

10 COUNCILMAN O'NEILL: You will
11 add to the information you're getting us
12 on the subject generally what loans may
13 have turned into grants because of most
14 probably anyway lack of payment? I
15 understand there are a few of those out
16 there. And I say it because I'm sure
17 they all had good payout plans when they
18 were negotiated as a loan. And I'll just
19 throw a wild for instance out there.
20 Wireless Philadelphia finds out this is a
21 much bigger undertaking than anybody
22 thought. We need five more staff
23 members, more office space, and we just
24 can't pay this thing back at the rate
25 that looked pretty optimistic and

1 Bill No. 060160- 4/3/06
2 everybody was very fine with on April 3
3 at the hearing. So there are things that
4 can happen in between and I'm sure that
5 they're unforeseen and all that. I just
6 want to get a feel for the history of
7 this kind of loan because people will ask
8 questions later, many who may want
9 something similar. But any time you can
10 get that to me before the next hearing
11 would be helpful. That's all.

12 MR. DIAZ: Councilman, I will
13 certainly be in contact with the commerce
14 department and we will pull together the
15 information you've requested with the
16 caveat that I don't necessarily agree
17 that these other examples if they exist
18 are similar to these circumstances. We
19 think we have a solid business plan for
20 Wireless Philadelphia and it's with that
21 spirit that we've made the loans. But I
22 will provide the information for the
23 record as you requested.

24 COUNCILMAN O'NEILL: Okay. The
25 proof of concept, the trial, basically

1 Bill No. 060160- 4/3/06

2 that's what that is is the trial period
3 to see if we go forward to the whole
4 city; right? Is that a fair assessment
5 of proof of concept?

6 MR. PEW: Fair assessment.

7 COUNCILMAN O'NEILL: Describe
8 the scenario if we close up shop if the
9 proof of concept is disproved I guess, we
10 don't go forward with this because
11 everybody thought it would work but it
12 just doesn't seem to be working in this
13 trial program. I mean, I think it
14 probably impacts a little bit on the
15 business plan if nothing else, but could
16 you give us that scenario? Because we're
17 not just starting out with a program
18 that's going to run citywide. We
19 actually have a trial area that either
20 one party or both parties or all three
21 parties thought was a good idea to do
22 first rather than just build out the
23 whole city. What happens?

24 MR. PEW: Well, the question
25 unfortunately just has so many answers to

1 Bill No. 060160- 4/3/06

2 it because it's a hypothetical. There
3 are any number of ways that we might get
4 to the end of the day and either decide
5 that no --

6 COUNCILMAN O'NEILL: Excuse me.
7 This has been negotiated into the
8 agreements; right?

9 MR. PEW: Correct.

10 COUNCILMAN O'NEILL: While it's
11 hypothetical, all the parties have some
12 pretty good idea if you're going to do
13 it, it either works or it doesn't work.
14 We know what happens if it works. You
15 keep going and all these provisions
16 apply. But if you don't, what provisions
17 apply? I have to think there was more
18 than that's a hypothetical. What happens
19 if the hypothetical becomes true?

20 MR. PEW: Let me address what I
21 was trying to say. If it is clear that
22 this network does not work at the end of
23 the 15-mile test, which is I guess the
24 most clear-cut hypothetical, then we both
25 have the right to walk and that is the

1 Bill No. 060160- 4/3/06
2 end of the agreement. EarthLink will
3 have paid us \$250,000 after City Council
4 approval. We will not receive the money
5 following and the parties can both walk.
6 That's how it works in the agreement.

7 Now, what does that mean
8 Wireless Philadelphia does after that?
9 That's the part that's hypothetical. If
10 we get to that stage and the City
11 believes Wireless Philadelphia is still
12 important and they want to do something,
13 I guess Wireless Philadelphia will try to
14 go out and find an alternative. If the
15 City decides Wireless Philadelphia is not
16 important and does not want to pursue
17 that, Wireless Philadelphia does not
18 exist.

19 COUNCILMAN O'NEILL: How does
20 it affect the payback of the loan?

21 MR. PEW: Obviously, it has a
22 significant impact on the payback of the
23 loan.

24 COUNCILMAN O'NEILL: I
25 understand that. I wouldn't have asked

1 Bill No. 060160- 4/3/06
2 the question if I didn't think it was
3 significant.

4 MR. PEW: If there's only
5 \$250,000 collected by Wireless
6 Philadelphia, whatever amounts are still
7 outstanding on the loan Wireless
8 Philadelphia hasn't used and the City
9 decides to shut down Wireless
10 Philadelphia, Wireless Philadelphia
11 obviously will pay back what it can with
12 whatever money it has to the loan and
13 close shop.

14 COUNCILMAN O'NEILL: But what
15 would you expect to have spent on the
16 loan by then?

17 MR. PEW: I don't know because
18 I don't know what our burn rate is at the
19 current portion of the loan that just got
20 taken out.

21 COUNCILMAN O'NEILL: Can you
22 let us know at the next hearing or by the
23 next hearing? I would like to know that.

24 MR. PEW: Well, let me ask you
25 what you'd like to see. Would you like

1 Bill No. 060160- 4/3/06
2 different month periods picked as the
3 termination date? Because we have a burn
4 rate flowing through some amount of cash
5 sitting on the coffers of Wireless
6 Philadelphia. And depending on at what
7 point in time we decided the 15-mile test
8 isn't working, there will be more cash or
9 less cash out of Wireless Philadelphia.
10 Do you know what I mean?

11 COUNCILMAN O'NEILL: What is
12 your plan for when you decide
13 collectively if the 15-mile plan is
14 working and you're going to go forward?
15 Is that a moving target that it could be
16 month two, month five, month eight and
17 you don't know right now?

18 MR. PEW: No. The answer is
19 we'll be getting information during the
20 entire three months of the 15-square-mile
21 test. I guess it's possible in the very
22 early portion of that test we could get
23 such horrible results and that EarthLink
24 could not address we could learn early.
25 I think that the probability of that is

1 Bill No. 060160- 4/3/06
2 incredibly tiny considering that
3 EarthLink is using network equipment
4 that's already been deployed in a number
5 of other cities and has worked fine. So
6 the chances of what we're talking about
7 right now are very small, but the timing
8 of when it happens obviously would be
9 important to know what amount of cash
10 Wireless Philadelphia had on hand. So we
11 could know any time during the first
12 three months of the 15-square-mile test I
13 guess hypothetically if things weren't
14 working. By the end of the three-month
15 period, the 15-mile test, we'll have all
16 the information we can look at and I
17 think it's more likely that we will have
18 something very close to what our
19 specifications are. In fact, I think
20 it's highly likely at that point in time.

21 COUNCILMAN O'NEILL: So the
22 best time period would be three months
23 you would show us, what would happen if
24 there's a shutdown after three months?

25 MR. PEW: It's a good question

1 Bill No. 060160- 4/3/06
2 for Cole. I'm assuming about three
3 months is the right time. They're going
4 to be doing the testing and feeding us
5 the information.

6 COUNCILMAN O'NEILL: Could you
7 address that?

8 MR. REINWAND: Yes. I believe
9 contractually the proof of concept will
10 last at a minimum three months and no
11 more than six months.

12 COUNCILMAN O'NEILL: So maybe
13 months three through six would be the
14 best time period to give, three months,
15 four months, five months, six months
16 numbers.

17 MR. PEW: We can easily do
18 that. And we'll pick if it's
19 appropriate -- I just wanted to get
20 exactly what you want back. I'm just
21 telling our board this because they're
22 sitting right behind me. May 1, we'll
23 assume by that by May 1 the trial will
24 have started. We'll use our burn rate
25 and starting August 1 we'll give you

1 Bill No. 060160- 4/3/06
2 numbers for August 1, September 1, and
3 October 1.

4 COUNCILMAN O'NEILL: And show
5 me another chart that shows June 1 and
6 out because I like to be optimistic, but
7 we're really being optimistic with May 1.
8 Not to say it's not going to happen, but
9 I think there's a better possibility this
10 project is going to be successful than
11 we're going to get finished by May 1.

12 MR. PEW: I guess I'll also
13 show the increasing risk of the delay.

14 COUNCILMAN O'NEILL: That's
15 fine. PECO is the same way. I'd like to
16 get this out sooner than later. Since
17 this project was first identified as
18 something that was going to involve loans
19 and a nonprofit board to insulate the
20 City on those bonds, and it's changed
21 quite a bit in the interim with the
22 EarthLink project and the financing not
23 being necessary that was originally
24 anticipated, other cities have been
25 announcing things. And I've kind of been

1 Bill No. 060160- 4/3/06
2 paying attention to them but they're all
3 a little different, different companies,
4 Google wants to promote themselves over
5 here, but now EarthLink is appearing as
6 partners. I don't know if I've seen
7 anywhere they are the only named company,
8 but can somebody address at least two of
9 those, I believe one is San Francisco,
10 and just how they differ from
11 Philadelphia? Only because some people
12 have mentioned why is EarthLink involved
13 in city A or city B and it's free? I
14 don't know the answer. I'm sure there
15 are good answers dealing with speed or
16 dialup versus higher speed and
17 everything, but could you put that on the
18 record? Because we're at a point where
19 there's really happening out there in the
20 world and in the United States and I'd
21 like for not only the record but me
22 individually to be able to deal with that
23 with people explaining this is a little
24 different. How is it different?

25 MR. REINWAND: Sir, EarthLink

1 Bill No. 060160- 4/3/06
2 is actively pursuing municipal broadband
3 deployment opportunities in a number of
4 cities around the US. We've been
5 fortunate enough to be selected as the
6 finalist in Philadelphia and Anaheim,
7 California, as well as Milpitas,
8 California. We are a finalist in
9 Minneapolis, San Francisco, Pasadena,
10 Brookline, Massachusetts, and Arlington
11 County, Virginia. In addition, we've
12 submitted proposals to a number of other
13 cities that are in earlier stages. Every
14 city has different requirements,
15 different characteristics. In San
16 Francisco, what was contemplated by their
17 selection committee was a concept of a
18 universally available free tier of
19 service at a low speed which EarthLink
20 addressed with its partner Google.
21 Google would provide the free service at
22 300 kilobits a second which provides a
23 very low baseline service but free
24 everywhere. Google will not necessarily
25 support that product by providing

1 Bill No. 060160- 4/3/06
2 customer premises equipment, which is the
3 equipment used to make the connection to
4 the network, or with live customer
5 support, but will provide basic levels of
6 those services to the City. This is
7 something that the City requested. And
8 after, you know, a lot of deliberation
9 and work with the business models, we
10 were able to figure out how we were going
11 to make that work with Google. The
12 network does contemplate some use of
13 advertising based on location of the user
14 so you can deliver more targeted
15 advertising. It's a new business model
16 that hasn't been proven in the
17 marketplace yet, but with Google and
18 their strength in advertising, EarthLink
19 felt that that was an appropriate place
20 to try that model.

21 EarthLink will also be
22 providing the same level of service that
23 they're providing in Philadelphia in San
24 Francisco, which is the 1 megabit per
25 second symmetrical connection with CP

1 Bill No. 060160- 4/3/06
2 support and with full customer support
3 and an open access business model which
4 will allow any ISP in the city to also
5 offer services over that network. So in
6 many ways the San Francisco arrangement
7 is very similar to Philadelphia. In
8 Philadelphia -- in San Francisco, we've
9 also proposed a digital inclusion program
10 as we have here. The City of San
11 Francisco had not articulated quite as
12 fully the program that they wanted to run
13 for digital inclusion as they had in
14 Philadelphia and with the establishment
15 of the Wireless Philadelphia nonprofit.
16 Nonetheless, we have proposed to support
17 San Francisco after meeting with their
18 selection committee recently with
19 subsidized or discounted accounts similar
20 to the \$9.95 program we have here in
21 Philadelphia as well as trying to support
22 them with funding either internally from
23 EarthLink's business plan or supporting
24 them in pursuing external sources similar
25 to the plan outlined by Wireless

1 Bill No. 060160- 4/3/06
2 Philadelphia earlier. So they're equally
3 as interested in addressing digital
4 inclusion, but they placed more focus on
5 the free level of service. We feel
6 access is one part of fulfilling that
7 vision, but without the training content
8 and hardware to support the digital
9 inclusion program it really remains
10 incomplete. I believe as we discuss this
11 further with San Francisco we may end up
12 leveraging many of the things we're
13 learning here in Philadelphia.

14 COUNCILMAN O'NEILL: They don't
15 have a nonprofit as we have set up?

16 MR. REINWAND: No, they don't.

17 COUNCILMAN O'NEILL: Who would
18 do in San Francisco what Wireless
19 Philadelphia is doing in Philadelphia?

20 MR. REINWAND: I should say
21 they do have an organization called Tech
22 Connect, which is really responsible for
23 this initiative in San Francisco.
24 There's a number of ways we can do this
25 in other cities, smaller cities that may

1 Bill No. 060160- 4/3/06

2 not have the resources available --

3 COUNCILMAN O'NEILL: Stay with
4 Tech Connect. Describe Tech Connect.
5 Are they board members appointed by the
6 Mayor? Is it --

7 MR. REINWAND: I don't have
8 that much insight.

9 COUNCILMAN O'NEILL: Can you
10 get us some information on it?

11 MR. REINWAND: Sure.

12 COUNCILMAN O'NEILL: And are
13 there -- if you can get us a list of the
14 other cities you mentioned, I was trying
15 to write them down but I'm not that fast,
16 particularly the larger cities that we
17 recognize that are more on apples and
18 apples with Philadelphia. And in those
19 cities, when you say you're the finalist,
20 are you the finalist as you are here,
21 it's you, EarthLink, it's not partnered
22 with Google or where there's two other
23 companies that are still finalists with
24 you? Are there any others where you're
25 in the same position as you are right now

1 Bill No. 060160- 4/3/06
2 in Philadelphia where it's just you and
3 you're just trying to get legislation
4 passed that would confirm your
5 agreements?

6 MR. REINWAND: In Anaheim the
7 City Council voted unanimously to support
8 our network and we're actively building a
9 network in Anaheim, California.

10 COUNCILMAN O'NEILL: Anaheim is
11 about how large?

12 MR. REINWAND: 300,000.

13 COUNCILMAN O'NEILL: And in
14 Anaheim is it the same kind of structured
15 agreement that you have in Philadelphia?
16 Is there a digital divide component,
17 digital inclusion component, lower costs
18 for certain income levels and higher
19 costs for others? Describe Anaheim a
20 little bit in comparison to Philadelphia.

21 MR. REINWAND: Well, it's very
22 interesting. As I said, every city is
23 different. Anaheim is a more affluent
24 community, the home of the Disneyland
25 resort but still the home of major sports

1 Bill No. 060160- 4/3/06
2 franchises in the Los Angeles area. In
3 terms of a digital inclusion program, the
4 city did not view the need for one
5 directly but instead worked with us to
6 develop more targeted programs toward
7 their needs. For instance, we worked
8 with the Mayor to develop a Mayor's
9 scholarship program where EarthLink will
10 be awarding free accounts with free
11 laptops to two high school juniors in
12 every one of their high schools each year
13 and then they can use the laptop and the
14 free account for the two remaining years
15 they have in high school before they go
16 on. The selection process for that will
17 be jointly determined with the Mayor's
18 committee focused on this. But basically
19 we targeted it more toward a specific
20 program versus a universal access
21 program. Other things that make Anaheim
22 a little bit different, it has a
23 significant number of what we call
24 occasional use customers. Those are city
25 visitors. Anaheim attracts a large

1 Bill No. 060160- 4/3/06
2 number of conventions and visitors to the
3 tourist attractions and we think that
4 occasional use will actually represent a
5 larger portion of our business in that
6 city versus monthly accounts like it will
7 here in Philadelphia.

8 COUNCILMAN O'NEILL: Just the
9 two cities you've mentioned and discussed
10 a little bit, San Francisco and Anaheim,
11 are their speed requirements comparable
12 to ours? slower? faster? Forgetting the
13 Google part of San Francisco where you've
14 said it's very slow, but in terms of the
15 regular wireless speed that will be the
16 9.95 or the \$20 one, how do they compare?

17 MR. REINWAND: Nearly every
18 city that we've looked at -- in fact, I
19 can probably say every city that we've
20 looked at is asking for a
21 1-megabit-per-second connection. And I
22 think a lot of that is really driven by
23 Philadelphia's leadership.

24 COUNCILMAN O'NEILL: How about
25 Minneapolis? You start to get larger at

1 Bill No. 060160- 4/3/06
2 that point and probably more poverty than
3 Anaheim. Tell me how that compares with
4 ours.

5 MR. REINWAND: Minneapolis the
6 process runs a little different than it
7 did here. There actually were two
8 finalists selected. EarthLink and a
9 company called US Internet were both
10 finalists and we've both been asked to
11 build out a 1-square-mile pilot area
12 where we can demonstrate our technology,
13 architecture, and performance. We are in
14 the process -- we just signed the deal
15 with the utility in that area to gain
16 access to electricity and mounting rights
17 and we're in the process of building out
18 that 1 square mile currently and expect
19 to deliver the results of that near the
20 beginning of July.

21 In terms of addressing the
22 digital divide, that is one issue.
23 There's significant interest in providing
24 access to elderly and handicapped persons
25 in Minneapolis as well as serving the

1 Bill No. 060160- 4/3/06
2 diversity among the neighborhoods in
3 Minneapolis. They have a significant
4 number of population that are foreign
5 speaking. They're asking us to support
6 ten different languages on the portal so
7 that we can address those residents in
8 Minneapolis that may not speak English.

9 COUNCILMAN O'NEILL: Has there
10 been any such requirement in Philadelphia
11 on the language?

12 MR. REINWAND: In Philadelphia,
13 we plan to support English and Spanish
14 and that was a requirement in the RFP.

15 COUNCILMAN O'NEILL: I'm going
16 to take a break from my questions and
17 recognize Councilman Rizzo who has to
18 leave and he has some questions.

19 COUNCILMAN RIZZO: Thank you.
20 I just have one question. And I don't
21 want to use the word "bureaucracy," but
22 you're in the business of providing this
23 in lots of places that didn't have like
24 you mentioned earlier a wireless this or
25 wireless that. Before we build a big

1 Bill No. 060160- 4/3/06
2 wireless organization with the words
3 earlier were a small, lean organization,
4 and Councilman O'Neill indicated it could
5 turn out to be twice as big, three times
6 as big down the road, what could your
7 company do since you already do this in
8 other places to try to keep the staff
9 that runs this to a minimum and assume
10 for a fee some of the responsibilities
11 that you already do in other places? Why
12 should we reinvent the wheel here when
13 you already do this?

14 MR. PEW: I can answer.
15 Councilman Rizzo, I can answer. One
16 aspect of the answer is that EarthLink's
17 not a 501(c)(3) so they can't go out and
18 raise private foundation money and money
19 from other 501(c)(3)s. So that's the
20 primary existence of Wireless
21 Philadelphia is the ability to raise
22 other money for this project. That's
23 something they can't do.

24 COUNCILMAN RIZZO: I didn't ask
25 that question. I'm talking about running

1 Bill No. 060160- 4/3/06
2 the business, people calling, things that
3 this staff that you're building could do.
4 They don't have a dependency in other
5 places on a staff. Why can't we
6 eventually get to the point or let the
7 people that know it and do it best do it?

8 MR. DIAZ: I wonder if I might
9 try to clarify one point and then ask
10 Cole to elaborate. We're talking about
11 multiple staffs because the business
12 that's being done includes the digital
13 inclusion mission that is Wireless
14 Philadelphia's. The business of running
15 the network is EarthLink's. They're
16 going to design, construct, and maintain
17 the network, and that requires a staff.
18 The business of being an ISP is being run
19 by EarthLink as an ISP, Internet service
20 provider. And it has business
21 requirements in terms of its staff for
22 customer service, billing, et cetera.
23 And the contractual documents that are
24 before City Council contemplate a minimum
25 of three additional ISPs. There could be

1 Bill No. 060160- 4/3/06
2 more. Each of those will have their own
3 business responsibilities and their own
4 staffs to meet those business
5 responsibilities. With that background,
6 let me turn it over to Cole.

7 COUNCILMAN RIZZO: So I hope
8 I'm communicating what I'm trying to
9 communicate here is I understand the
10 concept of Wireless Philadelphia, but I
11 would like to make sure that everything
12 that needs to be done isn't being done by
13 a government that can be done by the
14 provider of this product. Have you
15 looked at what you're going to do, what
16 they're going to do? Are there things in
17 this process that you have the expertise
18 to do?

19 MR. REINWAND: I think
20 especially on the operational front
21 EarthLink has expertise in being able to
22 supply Wireless Philadelphia with
23 mechanisms to place orders, to determine
24 whether customers require the equipment
25 to connect or not, definitely a systems

1 Bill No. 060160- 4/3/06
2 expertise. And this is something we run
3 with our channel partners today the same
4 way we would run a program with a large
5 retailer, how do they place orders with
6 EarthLink and so forth. We will
7 establish those systems for Wireless
8 Philadelphia. EarthLink is also somewhat
9 new to this business. We have -- in
10 addressing digital inclusion on this
11 sale, we've been involved in charitable
12 activities for the last many years and --

13 COUNCILMAN RIZZO: You don't
14 consider this a charitable activity, do
15 you?

16 MR. REINWAND: It's a business
17 venture with --

18 COUNCILMAN RIZZO: But not a
19 charitable --

20 MR. REINWAND: We view it more
21 as an investment.

22 MR. PEW: You're asking a
23 question about our negotiation skills
24 right now.

25 MR. REINWAND: Basically, we

1 Bill No. 060160- 4/3/06
2 expect the money that is the revenue
3 share going to Wireless Philadelphia to
4 come back us to in terms of building a
5 larger subscriber base for us to provide
6 service to Philadelphia. So ultimately
7 it's an investment.

8 MR. DIAZ: Councilman, could I
9 come back to your question and just
10 clarify for the record that the City of
11 Philadelphia agrees with you. Government
12 should not be doing this, and that's the
13 reason why the government is not doing
14 Wireless Philadelphia. The nonprofit
15 organization that has been established is
16 an independent nonprofit organization
17 established under Pennsylvania nonprofit
18 law and is seeking 501(c)(3) federal
19 status as well. And it is for the
20 purpose of relieving the City of
21 Philadelphia government of a governmental
22 burden associated with the things we
23 talked about before as part of the
24 digital inclusion program that caused us
25 to believe that it was appropriate to

1 Bill No. 060160- 4/3/06
2 have a nonprofit organization do that.
3 So government is not involved in this
4 transaction in terms of delivering the
5 services you were talking about earlier.

6 COUNCILMAN RIZZO: Well, I
7 appreciate that and I would hope that we
8 would keep the nonprofit's involvement to
9 a minimum because I've seen it before
10 where the nonprofit all of a sudden wants
11 to get involved in some of the
12 operational parts where someone else
13 already does it. And the gentlemen at
14 this table represent a corporation that
15 knows how to do this and, again, I would
16 hope that the number of people that the
17 nonprofit requires is a minimum number
18 and it doesn't grow into another
19 broadband company.

20 MR. PEW: Councilman, if it
21 gives you any sense of calm, that's
22 exactly our perspective at Wireless
23 Philadelphia today. Aside from our
24 obligations under the agreement to be
25 receiving information by the network to

1 Bill No. 060160- 4/3/06
2 protect the city, which we are the source
3 for that, all the people I mentioned are
4 going to be running charitable programs.
5 They're not going to be doing things with
6 the network. So we really have no
7 staffing in our budget other than someone
8 if we can't find a volunteer to do it to
9 give advice on the information we're
10 getting back from the network, but
11 outside of that the program managers are
12 running programs with the charities.
13 They're not doing anything with the
14 network. And the CEO has so much work to
15 do in terms of interfacing with all the
16 charities in Philadelphia, interfacing
17 with municipal government, with the
18 tourism bureau, the School District, and
19 trying to make sure programs are being
20 appropriately supported, they're not even
21 going to have time to be thinking about
22 becoming an ISP. Thank you.

23 COUNCILMAN RIZZO: I thank you.
24 I'm sure that position will have to be
25 confirmed by City Council.

1 Bill No. 060160- 4/3/06

2 COUNCILMAN O'NEILL: Well,
3 we'll see about that. The discussion we
4 were just having with other cities,
5 Minneapolis the more I think about it is
6 not nearly as large as we tend to think
7 of it because it has full sports teams.
8 I've been out there and surprised at the
9 size of both St. Paul and Minneapolis.
10 It's probably a lot closer to Anaheim's
11 size than Philadelphia. Are there any
12 cities you're dealing with of some size
13 like Anaheim or Minneapolis or larger
14 that have comparable requirements on the
15 inclusion, digital inclusion, as
16 Philadelphia has and goals, similar
17 goals? Is there anything we could look
18 at and say they copied us or it looks
19 like we copied them? I have always felt
20 while there's a lot going on in the
21 country that nobody matches the vision of
22 Wireless Philadelphia in the United
23 States and I was curious as to what you
24 see out there that approaches our vision.

25 MR. REINWAND: The City of

1 Bill No. 060160- 4/3/06
2 Portland, Oregon, where we're also a
3 finalist with two other companies has
4 outlined a fairly comprehensive digital
5 inclusion program and requirements around
6 that. We've proposed a significantly
7 similar proposal to them as what we have
8 provided here in terms of providing
9 subsidized and discounted accounts, some
10 funding to help support the program and
11 support for putting them in touch with
12 our hardware manufacturers and OEM PC
13 manufacturers. We have a lot of
14 relationships as you might imagine being
15 a service provider with those types of
16 entities and we believe we can bring
17 those relationships to bear on the
18 program.

19 COUNCILMAN O'NEILL: That's
20 still in the RFP stage?

21 MR. REINWAND: We're a finalist
22 there. So basically once you get to the
23 finalist stage, you basically start
24 negotiating with the selection committee.

25 COUNCILMAN O'NEILL: And is

1 Bill No. 060160- 4/3/06
2 there a nonprofit Wireless Portland or
3 something equivalent that will be
4 accepting your contributions for their
5 social goals?

6 MR. REINWAND: No. In the
7 other cities, they haven't really gone
8 quite that far. What we've been
9 proposing --

10 COUNCILMAN O'NEILL: Well, say
11 Portland, for instance. What are they?

12 MR. REINWAND: In Portland,
13 what we suggest is we've actually
14 partnered with a company, a nonprofit
15 nationally called One Economy. They're
16 based out of Washington, DC, and they're
17 focused specifically on this space. They
18 have a strong relationship with the City
19 of Portland already. And for us having a
20 third-party administrator running the
21 program in partnership with us similar to
22 the way with Wireless Philadelphia here
23 is an easy model and one we're attempting
24 to replicate. And we hope to have One
25 Economy fill the role of Wireless

1 Bill No. 060160- 4/3/06
2 Philadelphia in other cities we're
3 operating where we don't get into the
4 day-to-day activity of training and
5 content and those types of things but we
6 rely on their expertise and experience to
7 provide those things.

8 COUNCILMAN O'NEILL: I
9 appreciate what you've said because you
10 can really see the loop if your
11 contribution is also seen as an
12 investment because if successful, the
13 base grows, meaning your customer base.
14 And I think that's instructive for a lot
15 of people who may not see it to that
16 level.

17 We're going to close out here
18 unless the Councilwoman has anything and
19 continue this hearing, but I want to ask
20 you if you could give us a chart listing
21 these other cities -- I don't want to sit
22 here going through each one -- and with
23 some substantial blocks where you could
24 show how certain areas compare with
25 Philadelphia, how they're different, and

1 Bill No. 060160- 4/3/06
2 also where they are. For instance, I
3 didn't even ask you in San Francisco,
4 which is the one that gets all the
5 publicity because of Google and San
6 Francisco, is that already being built or
7 what stage is that in? Maybe we'll leave
8 the discussion today with that city,
9 which has been sort of overpublicized in
10 its approach. What is the status of that
11 in terms of are you building there
12 already in San Francisco? Is it still
13 under negotiation or discussion? Where
14 is it?

15 MR. REINWAND: EarthLink is a
16 finalist among several companies. It was
17 never made clear to us how many companies
18 the city is still talking to. And we've
19 had some discussions and followup
20 discussions with their selection
21 committee, provided them additional
22 information as they've requested it. And
23 we hope to hear from them soon.

24 COUNCILMAN O'NEILL: So if we
25 could do this on even the optimistic

1 Bill No. 060160- 4/3/06
2 May 1 or less optimistic June 1, we'd be
3 really the first major city out of the
4 box with something like this based on all
5 these cities that are doing something and
6 the larger -- statistically, it's a
7 little more cumbersome in a larger city
8 to get through all this, that we'd still
9 be at or near the head of the pack.

10 MR. REINWAND: Absolutely.
11 Philadelphia is the flagship in the
12 industry right now. I mean, the
13 significant amount of work this team has
14 put in over the past six months has
15 really pushed us well ahead of where
16 other cities are in terms of starting to
17 line up things like electricity, meeting
18 with streets departments, those types
19 of -- the actual logistics of
20 implementation. We're far ahead of the
21 game here, I believe.

22 COUNCILMAN O'NEILL: One of the
23 things I would like you to include in
24 that comparison chart is you really
25 changed the whole game here with your

1 Bill No. 060160- 4/3/06
2 response to the RFPs. No one expected to
3 be talking about anything except whether
4 Diana Neff had a good business model to
5 pay back all these bonds. Everybody said
6 she is a great visionary. I think I said
7 that at the hearing, but is it going to
8 work from a business standpoint. And
9 EarthLink coming in here and saying we'll
10 build it, forget about paying for this
11 system, so all the negotiating points
12 that were laid out for the RFPs, some
13 you've incorporated here, but they were
14 really with a different model in mind.
15 Are you doing that anywhere else where
16 the government assumed they were going to
17 have to put forward the cost of the
18 infrastructure and maintenance and where
19 you've come in and said we've got a model
20 here in Philadelphia we're pretty far
21 along with, we'd like to repeat this
22 here, maybe you want to look at this a
23 little differently, city or county or
24 township or whatever? Is that a reality
25 out there that what you're doing here is

1 Bill No. 060160- 4/3/06
2 being looked at in other cities as a way
3 of financing it as well the traditional
4 way looked at of financing, go out and
5 float bonds, try to insulate the city
6 from liability but you still have to
7 raise the money? Is that carrying out in
8 other areas, the response that you had
9 here, which really changed all the
10 metrics?

11 MR. REINWAND: Absolutely. The
12 model that was proposed in Philadelphia
13 has become the standard for every other
14 major city I would say that's
15 contemplating doing something like this
16 in the United States.

17 COUNCILMAN O'NEILL: You're
18 allowed to toot your own horn when you're
19 here. There's nothing wrong with that.

20 MR. REINWAND: Absolutely.
21 We're very proud of what we were able to
22 do here in Philadelphia and really
23 turning the market toward public-private
24 partnerships. There are some cities,
25 generally they're smaller, that still

1 Bill No. 060160- 4/3/06
2 pursue the municipal-owned network, but
3 in those cities even they still need a
4 partner that can help sell customers and
5 provide support and billing, the types of
6 functions that cities typically aren't
7 equipped to handle, and EarthLink is
8 working with those cities as well to
9 provide a solution there.

10 COUNCILMAN O'NEILL:
11 Councilwoman Blondell Reynolds Brown has
12 a comment.

13 COUNCILWOMAN REYNOLDS BROWN: I
14 should alert you that testimony tomorrow
15 and Wednesday the Philadelphia School
16 District will be in to speak with us
17 about their annual -- as a part of the
18 annual budget process wherein I will also
19 be posing questions to them around
20 digital divide and so many of our schools
21 not being technologically equipped to
22 take on computers. So I know given their
23 testimony over the next two days I'll
24 have subsequent questions at the hearing
25 on the 20th and I simply wanted to alert

1 Bill No. 060160- 4/3/06
2 you to that. Thank you very much.
3 COUNCILMAN O'NEILL: The
4 committees stand in recess until
5 1 o'clock on April 20.

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence, and objections are
contained fully and accurately in the
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Kimberly A. Otherwise
Certified Realtime Reporter
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