

From: [John Norris](#)
To: [Shari Winstead](#)
Cc: [Debbie Tarry](#); [Carolyn Wurdeman](#); [Alex Herzog](#); [Heidi Costello](#)
Subject: RE: Ordinance No. 710 Granting a Non-Exclusive Franchise to Astound Broadband
Date: Friday, March 27, 2015 5:23:01 PM
Importance: High

Shari,

Please find below the responses to your questions about the Astound Broadband Franchise that will be discussed at Monday's Council meeting. We will upload your questions and this response to the Green Folder as well. Please let me know if you have any follow up questions. Thanks!

-John

Mobile Backhaul Services:

As cellular carriers work to increase the bandwidth and reliability of services for their customers, many need fiber optic network routes to connect from their core network to the various towers they have in the region. Connecting cell towers to the carriers' core networks is called "backhaul," and Astound has proposed to build a new fiber optic network to provide those backhaul services to existing cell towers in the region (no new cell towers are proposed or included).

As Astound builds this new fiber network through the region and connects it with their existing network, Astound will add additional fiber capacity and make that fiber available to a wide range of other customers. The result will be a new, more robust telecommunications resource that will extend new levels of bandwidth (including Gigabit-per-second Internet, Ethernet transport, dark fiber, voice services, and more) into areas that are typically only served by a few incumbent telecom and cable companies. While Astound will start with services to connect cell towers (cellular backhaul), they will have capacity to increase the choice, competitiveness and depth of services for a growing number of businesses and organizations in the region.

Dark Fiber:

A service Astound offers is "dark fiber," where the entire fiber connection is leased to the customer for their exclusive use. "Dark" fiber means that the connection has been tested to meet telecom industry specifications, and then it is turned over to the customer for connection directly to the customer's own equipment. With a dark fiber connection, there is no limit on the bandwidth allowed, nor on the types of services that can be run on the dark fiber connection (voice, video, data, Internet, WAN/LAN services). With no 3rd party switches involved, customers using dark fiber have enhanced levels of reliability and security. Customers with multiple remote locations can use dark fiber to create a multi-site Local Area Network (LAN) on their private network (private IPs) and save costs on server operations, Internet provisioning, PBX/telephone systems, etc, and still have future-proof capacity for offsite backups, video and more.

Collection of Gross Revenue:

In short, the franchisee has yet to market its telecommunication services to retail customers in Shoreline. As such, the City cannot collect any taxes from the franchisee until the franchisee begins generating revenue from its service. Astound is subject to the 6% utility tax imposed by SMC 3.32.010

(<http://www.codepublishing.com/WA/Shoreline/#!/shoreline03/Shoreline0332.html#3.32.010>) for telecommunication services provided to customers within Shoreline. The City will begin collecting this tax once the franchisee is providing and billing for service.

The staff report included a misstatement in the Financial Impact section with the assertion that "...the City is not able to collect franchise fees based on gross revenue generated in Shoreline by Astound until they collect gross revenues from retail customers." This statement inappropriately indicated that the City would collect franchise fees at some point in the future. More correctly, the City will collect a 6% utility tax when appropriate. To be clear, under state law, the City is precluded from imposing franchise fees, other than costs of administration, upon telecommunication companies and service providers, as defined in RCW 35.99.010, for use of the right-of-way. The City can (and will) collect a utility tax.

Unfortunately, there is not sufficient information to forecast potential utility taxes. Astound is a relatively small company, somewhat new to the Puget Sound region and are building out their network, all of which make forecasting such numbers difficult.

Alex Herzog
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> -----Original Message-----

> From: John Norris

> Sent: Wednesday, March 25, 2015 8:56 AM

> To: Alex Herzog

> Cc: Debbie Tarry; Carolyn Wurdeman

> Subject: RE: Ordinance No. 710 Granting a Non-Exclusive Franchise to Astound
Broadband

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> Alex,

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> Can you put together a response to the Mayor's questions and then email to
Debbie and I? Thanks.

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> -John

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> -----Original Message-----

> From: Shari Winstead

> Sent: Wednesday, March 25, 2015 8:34 AM

> To: Debbie Tarry; John Norris; Carolyn Wurdeman

- > Subject: Fwd: Ordinance No. 710 Granting a Non-Exclusive Franchise to Astound Broadband
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- > A couple of questions on this item.
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- > Can you please tell us the meaning of: ' mobile backhaul services to existing cell phone towers; and "dark fiber"
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- > Also does the phrase below mean that once Astound has retail customers the City can start collecting franchise fees? And how much would those fees be?
- > "The City is not able to collect franchise fees based on gross revenue generated in Shoreline by Astound until they collect gross revenues from retail customers.
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