



June 22, 2015

Mayor Jeremy Farmer
City of Lawrence
6 E 6th St.
Lawrence, KS 66046

CC: Leslie Soden, Matthew Herbert, Stewart Boley, Mike Amyx

Dear Mr. Mayor,

Kansas Fiber Network (KFN) is a great company with a reputation for providing excellent service. They generally provide long haul fiber services for ISPs like ours. These links cost thousands of dollars per month and are both high quality and reliable.

What they don't provide is services to residences or small businesses nor do they operate fiber-to-the-home systems. They are a wholesaler plain and simple.

On April 23 I wrote a letter to the City of Lawrence laying out what would happen when the City adopted its fiber policy. This week my predictions come true.

1. The agreement has no build out requirement. KFN can hook up six customers (using 1 pair at each site) and claim to have satisfied its build out requirement. The company can then sit on 25% of the City's available capacity for a ridiculously cheap \$16K annual payment.

2 The memorandum of understanding gives away free use of the public rights of way. This is something that the City has never done in the past - for good reason. This sets a precedent for the eventual sunset of all franchise fee revenue. That is millions of dollars each year that will have to come from property and sales tax.

TV and phone service are moving to untaxed "over the top" technologies. Over the next 20 years this lease and others like it will cost the city tens of millions of dollars in franchise fee revenue. Once you start giving away access to the rights of way, everyone will want it for free.

3. The agreement encourages companies to hook up only the lowest hanging fruit. It will provide service for companies who can pay thousands of dollars per month for Internet access. This will leave most of the rest of the community with a single broadband provider - cable. Remember: DSL is no longer considered broadband under FCC rules.

The removal of these lucrative customers from the market will act as a further disincentive for companies to build out comprehensive coverage. Who wants to build out service for low revenue residential areas when all of the best customers are already taken by an incumbent provider?

4. In many places the City is giving up 25% of the available capacity to a company that doesn't provide retail services to small businesses or single family customers. This capacity will simply sit fallow.



5. The City set the price of the fiber so low that KFN has every motive to simply lease the fiber "just in case" of future need. With no build out requirement or payment requirement for use of the rights of way, the City is basically giving away this asset and getting nothing in return.

This is bad policy. It is a poor decision and the long term opportunity costs to Lawrence taxpayers are in the tens of millions of dollars. After years of advocacy on this issue it is very sad to see the City making such a poor decision. Follow through with this lease and others like it and the City Commission will set Lawrence up to be an Internet backwater for decades to come. Some of the richest companies will get gigabit speeds and the rest of the community will be left without a choice.

If you want to do what is right for Lawrence you should re-negotiate this lease to include a payment of 5% of gross Lawrence revenues and require the company to build out entire neighborhoods, not just the richest addresses.

Sincerely,

Joshua Montgomery
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