



City of Seattle
Edward B. Murray
Mayor

June 2, 2015

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

Under the authority given to the city by Title VI of the Federal Telecommunications Act, as amended by the Cable Act of 1984, and Chapter 21.60 of the Seattle Municipal Code (Cable Code), I am transmitting the attached proposed franchise agreement for CenturyLink. The franchise outlines the terms and conditions of use of our right-of-ways and other obligations such as those related to Public Educational and Government (PEG) programming and provides other benefits to the City and residents.

Since the last City negotiated cable franchise in 2006, significant changes have occurred in the regulatory and competitive environments, specifically FCC Order 06-180, issued in 2007, which interprets Section 621 of the Cable Act of 1984, as amended by the Cable Consumer Protection and Competition Act of 1992. This order states franchising authorities like the City of Seattle may not *delay, condition, or otherwise "unreasonably refuse to award" competitive franchises*. A subsequent interpretation in January 2015 further reduced the scope of benefits that can be pursued without counting against the franchise fee cap.

While regulatory changes like the 2007 FCC Order limit the City's ability to condition CenturyLink's franchise on the provision of specific benefits or to delay CenturyLink in further negotiations, we were able to arrive at an agreement that brings cable television competition to the market and public benefits to the residents of Seattle. The proposed franchise meets several of our mutual objectives, including:

- *Brings cable television competition to the market.* As envisioned by the changes to the City's Cable Code, CenturyLink's entrance in the market will provide competitive service to many Seattle households.
- *Maintains franchise fee revenue.* CenturyLink will pay a 4.4% franchise fee on cable television revenue and a \$0.12 per subscriber per month, consistent with the city's incumbent providers. It will match any future increases on PEG fees.
- *Public benefit.* CenturyLink has agreed to provide a package of public benefits as part of their franchise agreement that support the City's PEG channels, including the Seattle Channel, provides complimentary service to City buildings and schools, guarantees discounted pricing for low-income households, and other benefits.
- *Maintains a reasonable level of benefits for provider equity.* The franchise provides that franchise fees and benefits provided by Cable Operators must be equitable. While not as generous as the

Office of the Mayor
Seattle City Hall, 7th Floor
600 Fourth Avenue
PO Box 94749
Seattle, Washington 98124-4749

Tel (206) 684-4000
Fax: (206) 684-5360
Hearing Impaired use the Washington Relay Service (7-1-1)
www.seattle.gov/mayor

last franchises negotiated by the City in 2006-2007, the franchise negotiated with CenturyLink establishes a level of benefit reasonable for upcoming negotiations with Comcast and Wave.

- *Support of projects that increase digital equity.* CenturyLink will provide a computer lab and public wifi at the Jefferson Community Center to increase access to the internet.

The Department of Information Technology was not able to arrive at the desired benefit level for the following three objectives:

- *Low-income discounts.* CenturyLink plans to offer low-income discounts at their nationwide standard, using the State and Federal Lifeline/Link program criteria for determining eligibility. This criteria is lower than the level our current providers use but would make eligible households receiving Section 8 income, which are not eligible under the Utility Discount Program.
- *Bundled Services.* CenturyLink agreed to offer a basic tier of service to customers who only wish to purchase cable television service. Other tiers, including those with popular cable television channels, will require customers to purchase an internet service, as well.
- *Future provider equity.* The City calculated the value of public benefits provided based on an estimated number of future CenturyLink subscribers. Some benefits, such as franchise and PEG fees, automatically increment per subscriber. Other benefits, however, such as providing network connectivity for Seattle Channel, are fixed and will not increase if the number of providers increases. We will meet with CenturyLink each year to re-examine this, however CenturyLink is not required to increase its benefits based on future subscriber count.

In spite of these last points, I am pleased to bring additional competition into Seattle's cable television market. Thank you for your consideration of this legislative package. Don't hesitate to contact Ryan Biava, in my Office of Policy and Innovation, at 684-4069.

Sincerely,



Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council