MEMORANDUM

TO: MAYOR & COMMISSIONERS
FROM: IT DEPARTMENT
SUBJECT: IN-TOWN WIRELESS INTERNET PROPOSAL
DATE: OCTOBER 23, 2012

The Wireless Internet Utility has been in existence since 2003. As with technology in general, this utility has grown and changed quickly over the last few years. Originally this utility was investigated and implemented by the Electric Utility and was expected to serve approximately 50 rural customers with an option for local internet service in areas not being served by bigger companies such as Cox and AT&T. Today, Coffeyville Connection's rural sector of the utility serves 409 customers within a three mile radius of Coffeyville.

In 2009, the IT department began researching grant opportunities to assist in the cost of expanding this wireless internet service to the entire community of Coffeyville. On July 28, 2009, the commission approved submission of a Broadband Grant application in the amount of $207,400. This cost included not only the equipment necessary to bring a sector of this utility in-town, but also included the purchase of laptops and vehicle mounts for city emergency service vehicles. The grant application stated the main purpose of this project was to allow our local government and public safety agencies access to their data anywhere in town. The police department could file reports electronically from their vehicles rather than traveling back to the police department. They would have access to databases for background information and driver's license records on site rather than reporting back thru dispatch. The fire department would also benefit by allowing access to their reporting software, city maps, and business floor plans obtained during their annual inspections. Other city departments would also have access to GIS and other data pertinent to their utility in their vehicle.

Additional benefits of the grant included the ability to offer affordable high speed internet to our citizens, businesses and industry. Coffeyville Connection could offer various packages depending on customer's desired speeds and provide an option to those using dial-up or those who currently do not have service due of the costs associated with service from other providers. This service could serve as an added amenity for residents and businesses looking for a progressive community to relocate.

Unfortunately, Coffeyville Connection was not awarded grant funding to assist in covering the cost of this implementation. As a result, staff started working on plans to move forward in making these options a reality. Staff from the IT department, Wireless Internet Utility and Electric Utility have been working together to deploy over 200 access points across town. Currently, only 100 of those are active units. The remaining 100 units need line of sight to a backhaul location. The Midwest Fertilizer grain elevator would provide the height necessary

to allow the backhaul units to see all of the access points. The attached lease has been proposed and agreed to by Midwest Fertilizer. The cost to the utility is $6,000 per year with an annual increase of one percent (1%).

As requested by the commission, a pro forma has been included showing three separate scenarios. Each scenario reflects a different level of customer participation in the in-town wireless utility. Calculations are based on expected monthly customers and do not take into account the participation of daily or hourly customers.

Approval of this lease agreement will allow staff to move forward with placement of the backhaul units on the grain elevator. Once installed approximately 90% of the in-town system access points will be operational. At that point, staff will begin marketing Coffeyville Connection to citizens, businesses and industry as a local, reliable and affordable high speed internet service for our community.

Staff would be glad to address any questions you have regarding this matter.

RESOLUTION NO. R-12-98

A RESOLUTION TO AUTHORIZE THE EXECUTION OF A TOWER/LAND LEASE AGREEMENT WITH MIDWEST FERTILIZER FOR SPACE ON THEIR GRAIN ELEVATOR FOR INSTALLATION, OPERATION AND MAINTENANCE OF WIRELESS EQUIPMENT.

BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that the Mayor and City Clerk be and are hereby authorized and directed to execute a Tower/Land Lease Agreement with Midwest Fertilizer for space on their grain elevator for installation, operation and maintenance of wireless equipment for the Coffeyville Internet Utility.

ADOPTED THIS 23rd DAY OF OCTOBER 2012.

_____
David George, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Price Structure			
Speed	Cost		Avg Take Rate
1.5 Mbps	$ 10.00	per month	40%
3 Mpbs	$ 25.00	per month	15%
5 Mpbs	$ 40.00	per month	3%
1.5 Mpbs	$ 5.00	per day	25%
1.5 Mpbs	$ 2.50	per hour	17%

SCENARIO:

BASE CASE

Total Number of Access Points	200
Average Customer Per Access point	$ 3
Total Customers	600

Base Case -	**2013**	**2014**	**2015**	**2016**	**2017**
Cumulative Customer Growth	100%	150%	200%	250%	300%
Customer Package					
Cumulative Number of Customers	600	900	1,200	1,500	1,800
$40 Package Customer	18	27	36	45	54
$25 Package Customer	90	135	180	225	270
$10 Package Customer	240	360	480	600	720
Total Revenue	**64,440**	**96,660**	**128,880**	**161,100**	**193,320**
Tower Lease	(6,000)	(6,060)	(6,120)	(6,180)	(6,240)
Amortization of Equipment Costs	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Credit Card Processing Fees	(1,544)	(2,316)	(3,088)	(3,860)	(4,632)
Net Income	**$ 46,896**	**$ 78,284**	**$ 109,672**	**$ 141,060**	**$ 172,448**

BEST CASE

Total Number of Access Points	200
Average Customer Per Access point	$ 6
Total Customers	1,200

Best Case -	**2013**	**2014**	**2015**	**2016**	**2017**
Cumulative Customer Growth	100%	150%	200%	250%	300%
Customer Package					
Cumulative Number of Customers	1,200	1,800	2,400	3,000	3,600
$40 Package Customer	36	54	72	90	108
$25 Package Customer	180	270	360	450	540
$10 Package Customer	480	720	960	1,200	1,440
Total Revenue	**128,880**	**193,320**	**257,760**	**322,200**	**386,640**
Tower Lease	(6,000)	(6,060)	(6,120)	(6,180)	(6,240)
Amortization of Equipment Costs	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Credit Card Processing Fees	(3,088)	(4,632)	(6,175)	(7,719)	(9,263)
Net Income	**$ 109,792**	**$ 172,628**	**$ 235,465**	**$ 298,301**	**$ 361,137**

WORST CASE

Total Number of Access Points	200
Average Customer Per Access point	$ 1
Total Customers	200

Worst Case -	**2013**	**2014**	**2015**	**2016**	**2017**
Cumulative Customer Growth	100%	150%	200%	250%	300%
Customer Package					
Cumulative Number of Customers	200	300	400	500	600
$40 Package Customer	6	9	12	15	18
$25 Package Customer	30	45	60	75	90
$10 Package Customer	80	120	160	200	240
Total Revenue	**21,480**	**32,220**	**42,960**	**53,700**	**64,440**
Tower Lease	(6,000)	(6,060)	(6,120)	(6,180)	(6,240)
Amortization of Equipment Costs	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Credit Card Processing Fees	(515)	(772)	(1,029)	(1,287)	(1,544)
Net Income	**$ 4,965**	**$ 15,388**	**$ 25,811**	**$ 36,233**	**$ 46,656**

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") is entered into this ____ day of _____, 2012, between Midwest Fertilizer ("MIDWEST"), and the City of Coffeyville, Kansas ("CITY").

In consideration of the terms and covenants contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

1. Leased Property. Subject to the terms and conditions of this Lease, MIDWEST leases to CITY and CITY leases from MIDWEST sufficient space on MIDWEST's grain elevator located at 128 E. 8th Street, Coffeyville Kansas (the "Elevator" or the "Leased Premises") for the installation, operation and maintenance of City's equipment, as provided herein

2. Term. The initial term of this Lease shall be two (2) years, commencing upon the date this document is executed by MIDWEST and CITY. This Lease may be renewed by CITY, at its option, for successive one (1) year terms, upon giving MIDWEST written notice of its intention to renew at least thirty (30) days prior to the expiration of the original or any renewal term.

3. Rent. The rent shall be $6,000 per year and shall be paid in monthly, quarterly or annual installments. After the initial term expires, rent shall be increased annually in an amount equal to one percent (1%) of the current rent amount.

4. Use. CITY may use the Leased Premises for the installation, operation, and maintenance of facilities for the transmission and reception of internet signals in such frequencies as the CITY may determine and for the operation of related equipment in accordance with the provisions of this Lease. CITY shall use the Leased Premises in compliance with all federal, state, local laws and regulations. If for any reason CITY's use of the Leased Premises fails to comply with any federal, state or local law and CITY fails to bring its use within compliance within thirty (30) days of written notice of such noncompliance, this Lease shall be terminated as provided herein, unless sooner authorized by such law. MIDWEST agrees to reasonably cooperate with CITY in obtaining, at CITY's expense, all licenses and permits required for CITY's use of the Leased Premises. CITY is required to provide and maintain workers compensation insurance to employees that enter upon the Leased Premises and to indemnify Co-op from any and all liability with respect to CITY's employees, contractors and subcontractors.

5. Installation of Improvements. Access. Utilities.

a. CITY shall have the right, at its sole cost and expense, to install, operate and maintain the facilities on the Elevator, which facilities may include but not be limited to antennas and cabling (the "Internet Facilities"). CITY's installation of all such equipment, personal property, and facilities shall be done according to plans approved by MIDWEST, and no equipment or property shall be subsequently relocated without MIDWEST's approval, which approvals shall not be unreasonably withheld or delayed. The Internet Facilities shall remain the exclusive property of CITY, subject to the provisions of Paragraph 6 of this Lease.

b. CITY may update, upgrade, or replace the Internet Facilities from time to time with the prior notice to MIDWEST.

c. CITY, at all times during this Lease, shall have access to the Property in order to install, operate and maintain its Internet Facilities. CITY shall notify Midwest when it intends to enter upon the Elevator in order to allow MIDWEST to have an employee present. CITY shall request access to the Elevator at least twenty-four (24) hours in advance and MIDWEST's approval thereof shall not be unreasonably withheld or delayed.

d. CITY shall have sole responsibility for the maintenance, repair, and security of its equipment, personal property, Internet Facilities, and any other leasehold improvements, and shall keep the same in good repair and condition during the Lease term.

e. MIDWEST shall have sole responsibility for the maintenance, repair, and security of the Elevator and related equipment and shall keep the same in good repair and condition during the Lease term, including the ladder(s) used by CITY personnel to gain access to the Internet Facilities.

6. Interference. CITY's installation, operation, and use of its Internet Facilities under this Lease shall not damage or interfere in any way with MIDWEST's grain elevator operations or related repair and maintenance activities. MIDWEST, at all times during this Lease, reserves the right to take any action it deems necessary, in its sole discretion, to repair, maintain, alter, or improve the Leased Premises and to temporarily interfere with CITY's leasehold improvements as may be necessary in order to carry out any of such activities. MIDWEST agrees to give reasonable advance notice (not less than thirty (30) days unless there are exigent circumstances) of such activities to CITY and to reasonably cooperate with CITY to carry out such activities with a minimum amount of interference with CITY's transmission operations.

7. Termination.

a. Except as otherwise provided herein, this Lease may be terminated:

i) At any time, by mutual agreement of the parties;

ii). Upon a default of any covenant or term hereof by either party, which default is not cured within thirty (30) days of receipt of written notice of default from the other party;

iii) By CITY, if it is unable to obtain or maintain any license, permit, or other governmental approval necessary for the construction and/or operation of the Internet Facilities, in which case rent shall be prorated to the date the Internet Facilities are removed from the Elevator;

iv) By MIDWEST or CITY, if the Elevator is determined to be structurally unsound by a qualified engineer, in which case rent shall be prorated to the date the Internet Facilities are removed from the Elevator;

v) By MIDWEST, after expiration of the initial term, by giving CITY at least six (6) months written notice of termination.

b. Upon termination of this Lease for any reason, CITY shall remove all of its equipment, personal property, Internet Facilities, structure and leasehold improvements from the Elevator within sixty (60) days after the date of termination, and shall restore the Elevator to the condition it was in on the commencement date of the term of this Lease, ordinary wear and tear excepted, all at CITY's sole cost and expense. Any such property which is not removed by end of said sixty (60) day period shall become the property of MIDWEST.

8. Insurance. CITY shall provide Comprehensive General Liability Insurance coverage, including premises/operations coverage, in a combined single limit of not less than One Million Dollars ($1,000,000.00) per occurrence, and Two Million Dollars ($2,000,000.00) aggregate, and name MIDWEST as an additional insured on such policy or policies. CITY may satisfy this requirement by an endorsement to its underlying insurance or umbrella liability policy.

9. Damage or Destruction of Property. If the Elevator or Internet Facilities are destroyed or damaged so as, in CITY's judgment, to render the site unusable as an Internet Facility site, CITY may elect to terminate this Lease upon thirty (30) days written notice to MIDWEST, and rent shall be prorated to the date of termination.

10. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed given if personally delivered or mailed, certified mail, return receipt requested to the following addresses:

CITY:	MIDWEST:
City Clerk	_____
P.O. Box 1629	_____
Coffeyville, KS 67337	_____

11. Successors and Assigns. This Lease shall run with the Property. This Lease shall be binding upon and inure to the benefit of the parties, their respective successors, personal representatives, and assigns.

18. Miscellaneous.

a. This Lease constitutes the entire agreement and understanding of the parties, and supersedes all offers, negotiations, and other agreements of any kind. There are no representations or understandings of any kind not set forth herein. Any modification of or amendment to this Lease must be in writing and executed by both parties.

b. This Lease shall be construed in accordance with the laws of the State of Kansas.

c. If any term of this Lease is found to be void or invalid, such invalidity shall not affect the remaining terms of this Lease, which shall continue in full force and effect.

d. This Lease is subject to all zoning approvals and building permits.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LESSOR:	LESSEE:
MIDWEST FERTILIZER	CITY OF COFFEYVILLE, KANSAS
By:_____	By:_____
Title:_____	David George, Mayor
Attest:	
_____	_____
Secretary	Cindy Price, City Clerk