

**Overview and Initial Issues Identification
Department of Information Technology**

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Expenditures/Revenues

	2009 Actuals	2010 Adopted Budget	2011 Proposed Budget	% Change 2010 to 2011	2012 Proposed Budget	% Change 2011 to 2012
Expenditures by BCL						
Finance and Administration	\$2,094,000	\$2,532,000	\$6,020,000	137.8%	\$6,185,000	2.7%
Office of Electronic Communications	\$7,780,000	\$7,323,000	\$6,405,000	-12.5%	\$6,446,000	0.6%
Technology Infrastructure	\$46,075,000	\$44,253,000	\$34,306,000	-22.5%	\$34,277,000	-0.1%
Technology Leadership and Governance	\$2,443,000	\$2,296,000	\$2,144,000	-6.6%	\$2,187,000	2.0%
Total Expenditures	\$58,393,000	\$56,404,000	\$48,876,000	-13.3%	\$49,095,000	0.4%
Total FTEs	216	205	195	-4.9%	195	0.0%
Revenues						
General Subfund	\$3,232,000	\$2,664,000	\$4,412,000	65.6%	\$4,542,000	2.9%
Cable Subfund	\$7,515,358	\$7,795,316	\$7,181,353	-7.9%	\$7,299,442	1.6%
Other Revenue Sources	\$47,645,642	\$45,944,684	\$37,282,647	-18.9%	\$37,253,558	-0.1%
Total Revenues	\$58,393,000	\$56,404,000	\$48,876,000	-13.3%	\$49,095,000	0.4%

Introduction:

The Department of Information Technology (DoIT) is primarily an internal services department, providing communications, computer, telephone, radio, e-mail, website, and other services to City departments. It also operates seattle.gov and the Seattle Channel, oversees cable franchises, and manages technology outreach programs. DoIT is supported by funding from the General Subfund and other City funds, as City departments are charged rates or allocated costs for the DoIT services they use. DoIT is also supported in part by the Cable Television Franchise Subfund.

Issues:

1. Cable Television Franchise Subfund

At DoIT's department presentation on October 5, 2010, Councilmembers asked about cable franchise fees and how they are spent. This section provides information in response.

The City, by ordinance, imposes a franchise fee of 4.2% on cable television services. (The maximum allowable fee is 5.0%.) The cable companies operating in Seattle pay the fee to the City, and in turn collect it from each subscriber as an explicit line item on the cable bill. The revenue is deposited in the Cable Television Franchise Subfund (Cable Subfund), administered by DoIT. (The Subfund also includes some other monies specifically earmarked for particular cable-related purposes.)

Revenue: Cable franchise fee revenue to the City over the past ten years is shown below.

Year	Franchise Fee Revenue	Fee
2001 Actuals	\$2,080,692	2.5%
2002 Actuals	\$2,792,556	2.5%
2003 Actuals	\$2,513,879	2.5%
2004 Actuals	\$2,484,775	2.5%
2005 Actuals	\$3,962,408	3.5%
2006 Actuals	\$4,464,712	3.5% / 4.2%
2007 Actuals	\$6,401,223	3.5% / 4.2%
2008 Actuals	\$6,387,087	4.2%
2009 Actuals	\$6,600,891	4.2%
2010 Adopted	\$7,097,979	4.2%
2010 Revised	\$6,600,891	4.2%
2011 Proposed	\$6,666,901	4.2%
2012 Proposed	\$6,733,570	4.2%

Note that DoIT had anticipated receiving \$7.1 million in cable fee revenue in 2010 (“2010 Adopted”). However, due to the general state of the economy, actual revenue is lower than budgeted, and DoIT has revised its 2010 estimate downward to \$6.6 million (“2010 Revised”), which is the amount received in 2009. DoIT forecasts modest growth for 2011 and 2012.

Expenditures: There are no externally-imposed legal restrictions on what cable franchise fee revenue may be spent for. However, the City Council and Mayor adopted Resolution 30379 in 2001, establishing financial policies for allowable expenditures from the Cable Subfund, as follows (the complete language of these policies is in Attachment 1 to this paper):

- Operations of DoIT’s Office of Cable Communications;
- Seattle Channel operations and capital;
- Programs and projects that promote citizen technology literacy and access;
- Use of innovative and interactive technology to provide the means for citizens to access City services and interact with elected officials and decision makers; and
- Public access television.

For budgeting purposes, the share of DoIT’s expenditures that is paid by the Cable Subfund varies by function within DoIT. For example, the Cable Subfund pays 100% of the costs of the Office of Cable Communications and the Community Technology program, and nearly all the costs of the Seattle Channel. For the Citywide Web Team, costs are distributed to six funds and then the Cable Subfund substitutes for all of the General Subfund share. For two other BCLs, costs are distributed among seven funds (standard six plus Cable Subfund), based on the percent of DoIT’s Operating Fund revenues that come from each. And so on.

The Cable Subfund also contributes about \$174,000 per year toward computer labs, digital media, and tech support in community centers, and \$190,000 per year toward computers for public use in the Seattle Public Library.

The only new expenditure from the Cable Subfund proposed for 2011 and 2012 is a contribution toward the City’s e-mail system. DoIT analyzed City e-mail and found that 78% of e-mail is external to the City, including citizens accessing City services and interacting with City officials and staff. Based on this usage, DoIT and the City Budget Office (CBO) concluded that it was reasonable to use Cable Subfund revenue to pay 78% of the total budgeted cost for City e-mail. This amount would have been \$538,000 per year. But DoIT and CBO concluded that the Cable Subfund could not reasonably sustain this level of expenditure, so \$400,000 per year of City e-mail costs will be paid by the Cable Subfund under the proposed budget.

The proposed use of the Cable Subfund in 2011 is as follows (with similar amounts in 2012):

Amount	Use
\$4,827,934	Support to DoIT's Office of Electronic Communications BCL, including cable office, Seattle Channel, web support, and other activities
\$1,288,433	Support to DoIT's Technology Infrastructure BCL, including IVR (interactive voice response) system, web-portal, Internet security costs, and e-mail
\$566,252	Support to two other DoIT BCLs – Finance and Administration BCL, and Technology Leadership and Governance BCL
\$225,000	Technology Matching Fund grants (reduced from \$300,000 in 2010)
\$100,000	Public access television
\$173,734	Community centers (computer lab hours, digital media, tech support) (same amount as in 2010)
\$190,000	Public-access computers at Seattle Public Library (same amount as in 2010)
\$7,371,353	Total

DoIT maintains a reserve in the Cable Subfund for cash float and for unanticipated dips in cable franchise fee revenue (such as occurred in 2010). The amount reserved for 2011 and 2012 is about \$1.1 million.

After subtracting this reserve and money that is earmarked for particular purposes (funding from Comcast for arts programming by the Seattle Channel, and equipment upgrade for the Seattle Channel), DoIT forecasts that the Cable Subfund's unreserved fund balance at the end of 2012 will be about \$86,000.

2. Public Access Channel and SCAN

Pre-2006 background

In December 2000, the City of Seattle, by ordinance, designated SCAN (Seattle Community Access Network) as the City's Designated Access Manager for public access television. SCAN manages and operates public access television airing in Seattle and neighboring jurisdictions in King and south Snohomish Counties on cable channels 77/23, and provides public access services, training, and outreach.

Before 2000, the cable company (AT&T, which was Comcast's predecessor), under the terms of its franchise agreement with the City, owned and operated the public access channel. The City and AT&T agreed that a better model was to have an independent entity operate public access. So in 2000, AT&T paid \$2.8 million to the City to "buy out" its remaining obligation to operate the public access channel under its then-existing franchise agreement (which was set to expire in January 2006).

The City helped create SCAN as an independent non-profit entity, in part by hiring a consultant to recruit board members and draft by-laws. The City then used the \$2.8 million lump-sum payment from AT&T to provide annual operating funding to SCAN for the remaining years in the AT&T/Comcast franchise, under a written contract between DoIT and SCAN. In 2005, this operating support was \$662,000. As of early 2006, about \$250,000 remained from the AT&T lump-sum payment.

The City's \$662,000 operating support to SCAN in 2005 from the AT&T lump-sum payment represented over 98% of SCAN's operating budget. The balance of SCAN's operating budget (about \$11,000) came from grants, fees, and other contributions. Although as of early 2006, SCAN was shown on cable TV not only in Seattle but also in other cities in King and Snohomish Counties, and although about 20 percent of SCAN program producers came from other cities in these counties, no other jurisdiction provided ongoing operating support for SCAN.

Thus from about 2001 through 2005, SCAN's operating support came almost exclusively from the \$2.8 million lump-sum payment from AT&T, which was almost exhausted by early 2006. Comcast had made it clear that in the future, as a nationwide policy, it would not provide *operating* support for public access TV, and under federal law, the City cannot require such *operating* support as a condition of the franchise.

Changes in early 2006

In the first half of 2006, the City Council reviewed proposed legislation for the Comcast cable franchise renewal. At that time, to continue to provide some operating support for SCAN, the Mayor proposed to increase the cable franchise fee from 3.5% to 4.0%, and to use the increased revenue to provide \$500,000 per year to SCAN for operations. The Mayor also proposed to use the approximately \$250,000 then remaining from the AT&T lump-sum payment as a matching fund to match non-City funding that SCAN raised to support its operations.

The Council amended the Mayor's proposed legislation. In Ordinance 122087, the City increased the franchise fee an additional 0.2% (to 4.2%) to provide an additional \$200,000 per year (on average) operating funding for SCAN. The Council also adopted Resolution 30867, stating its intent that annual payments to SCAN would start at \$750,000 (in 2006), and ramp down over the five-year DoIT-SCAN contract to \$650,000 (in 2010), as an incentive to SCAN to incrementally increase its non-City funding for operations in each of the five years. The \$250,000 matching fund was to be available to match non-City funds raised by SCAN. Resolution 30867 also stated other expectations about SCAN's operations and fund-raising. Resolution 30867 is in Attachment 2 to this paper.

Most of this discussion focuses on *operating* funding for SCAN. Funding for *capital* is a somewhat different issue. The City can require cable operators to provide *capital* funding for PEG (Public – Education – Government) channels, and has done so. Under the existing Comcast franchise, for example, SCAN has been allocated \$500,000 toward its capital needs.

Current status

In 2010, SCAN is receiving an annual allocation of \$650,000 from the City, as was anticipated by the Council in Resolution 30867. This comes from cable franchise fee revenue.

In addition, over the past five years, SCAN has received most of the remainder of the AT&T lump-sum payment as a match for non-City funding that SCAN has secured. DoIT anticipates fully exhausting that lump-sum payment (about \$43,000 remains as of today) in payments to SCAN by the end of 2010 as a match for non-City funding.

The five-year DoIT-SCAN contract will expire at the end of 2010.

Financial figures reported by SCAN to DoIT show that in 2008 (the most recent year for which SCAN has submitted an annual report), SCAN received 92 % of its funding from the City (\$771,000 of a total of \$842,000).

Executive proposal for 2011 and future years

DoIT proposes a new approach for providing public access cable TV. DoIT anticipates issuing a Request for Proposals (RFP), inviting a variety of community and non-profit organizations to make proposals to provide community digital media production services including:

- operate public access channels on Comcast and Broadstripe;
- stream video online;
- provide training for youth, outreach to communities of color and disadvantaged communities; and
- make a commitment to local programming.

Existing organizations such as 911, Reclaim the Media, and the Alliance for Community Media might be interested, and SCAN could also submit a proposal.

Because digital video production and editing is significantly less expensive than the older analog model, DoIT believes an existing non-profit organization could take on these services, spread the overhead costs of facilities, management, etc., across both its existing operations and these new public access channel services, and fulfill Seattle's needs for much less than is currently being spent on the contract with SCAN. DoIT also expects that the selected provider would have other sources of revenue, such as from grants and public fund-raising. In this way, DoIT anticipates that all of its requested public access channel services could be provided for \$100,000 per year of City funding for *operations*. In addition, when the City negotiates new franchise agreements with the cable providers, it can negotiate for additional *capital* funding, both for the government channel (Seattle Channel) and for the public access channel.

Attachment 3 to this paper contains DoIT's response to the questions about public access television and SCAN that Councilmembers asked during the department presentation session on October 5.

Experience in other cities

DoIT patterns its proposed approach in part on recent experience in other cities, including Denver and San Francisco. Here is some of what I have gleaned from a bit of research on the web.

In Denver, the organization operating the public access channels had been getting about \$500,000 per year from Comcast under a contract that expired in 2004. With no more funding from Comcast, the City Council provided partial funding in 2005, but the organization that operated the channels closed its doors mid-year 2005.

The City issued an RFP and selected an existing non-profit organization that specialized in media production and educational services. Public access programming started up again in 2006, and as of 2008, three channels were operating. The organization gets no public money for *operations*, but gets some *capital* funding from cable franchise fees for PEG stations. Other income has variously come from grants, web development and video production services for government and non-profit clients, and a contract to operate the state's government channel.

In San Francisco, public access channels had similarly been operated with funding provided by cable operators, and the existing public access operator's contract was due to expire in mid-2009. In 2008, the City of San Francisco solicited comment from public access channel viewers, producers, and operators; representatives of the film and video industry; non-profit organizations; community groups; and interested members of the public on how best to continue operations of the public access channels.

San Francisco issued an RFP in 2009, and selected an existing media non-profit organization to operate the public access channels. The City provides \$170,000 per year toward *operating* expenses, and may also provide some *capital* funding. The new operator has looked to the Denver model for guidance.

3. Migration to Windows 7 in Coming Years

In the next several years, the City will need to migrate its approximately 12,000 desktop and laptop PCs from the existing XP operating system to the new Windows 7 operating system. By April 2014, XP and all other software from independent vendors that interfaces with XP will no longer be supported.

DoIT recommended to CBO that the City begin the transition during the 2011-2012 biennium. However, due to the budget crunch, the Mayor's proposed budget provides just \$100,000 in 2012 to hire a project manager to plan for and begin the transition to Windows 7. The bulk of the cost will come in 2013 and later. Assuming the City enters into an "Enterprise Agreement" with Microsoft allowing the City to spread the costs over several years, DoIT anticipates the following expenditures for the migration to Windows 7 (about half of which would be paid by the General Subfund).

2013	\$1.6 to \$1.9 million
2014	\$1.4 to \$1.7 million
2015	\$1.4 to \$1.7 million
2016 and later years	\$0.4 million per year

Anticipated costs are shown as a range because each new computer that the City buys after March 2010 will already include a Windows 7 license, and this will reduce the number of Windows 7 licenses that will need to be bought in 2013 for existing City computers.

No changes are recommended to the 2011-2012 Proposed Budget. This is just a heads-up about a significant cost on the horizon for the next biennium.

4. Possible Areas for Additional Cuts to DoIT's Budget

During the budget development process, DoIT submitted Budget Issue Papers (BIPs) to CBO that described possible budget cuts. CBO accepted most of these BIPs, and they are reflected in the proposed budget.

Listed below are additional possible budget cuts that were offered for consideration by DoIT.

- a. Eliminate City-owned Blackberries and cell phones. Employees would use their personal devices, and each employee who currently has a City-owned device would receive a monthly stipend from the City for using the personal device to conduct City business. Estimated savings are about \$730,000 for a full year (about \$331,000 of this is estimated to be General Subfund). Note that such a change would raise legal issues related to privacy and public disclosure, and ethics issues related to City money partially or wholly paying for a phone that might be used for campaign purposes, for example. In addition, this change would need to be negotiated with unions.
- b. Reduce funding for DoIT's community technology outreach services by \$18,000 per year (from the Cable Subfund), which would represent about a 3% reduction in overall programmatic funding for community outreach.
- c. Extend to 2012 a partial "vacation" for payment into the public safety Radio Reserve Fund. This reserve fund collects money to replace radios for Police and Fire. In the 2010 budget, no payments are being made into the reserve fund, termed a payment "vacation." The Mayor's proposed budget would implement a partial "vacation" in 2011, collecting a less-than-full amount (about 27%) for this reserve. DoIT also offered a BIP to extend this partial "vacation" to 2012, which would save \$550,000 General Subfund in 2012. Note that the radios are targeted for replacement in 2020, so to the extent there is a "vacation" on contributions to the reserve fund now, higher amounts will need to be secured in future years.
- d. Further reduce funding for Technology Matching Fund (TMF) grants. Past funding was \$175,000 in 2008, \$250,000 in 2009, and \$300,000 in 2010. The Mayor proposes reducing the TMF to \$225,000 per year in 2011 and 2012. DoIT offered a BIP that would reduce the TMF further to \$200,000 per year in 2011 and 2012.

Attachment 1: Financial policies for the Cable Television Franchise Subfund

Attachment 2: Resolution 30867 (SCAN)

Attachment 3: Response from DoIT and CBO to Councilmembers' questions about public access channel and SCAN

Attachment 1

Resolution 30379 (adopted August 20, 2001) – Financial Policies
Exhibit D – Cable Television Franchise Subfund

CITY OF SEATTLE CABLE TELEVISION FRANCHISE SUBFUND OF THE GENERAL FUND

Introduction

On January 20, 1996 the City entered into cable television franchise agreements with Seattle area cable providers. These agreements called for new franchise fees as compensation for the right to locate cable in the public right of way. On July 1, 1996 the Council created the Cable Television Franchise Subfund in the General Fund to receive these franchise fee revenues and account for their expenditure.

Fund Structure

Policy 1. Creation of Subfund: A new Subfund in the General Fund, entitled Cable Television Franchise Subfund, is hereby created. [Ord. 118196]

Policy 2. Creation of Account: A new account, known as the Community Television Account, shall be established within the Cable Franchise Subfund of the General Fund. [Ord. 120214]

Expenditures

Policy 3. Expenditures from Subfund: Cable franchise revenues shall be used for the following purposes:

1. Funding for the Office of Cable Communications, including administration of the Cable Customer Bill of Rights and the Public, Education, and Government Access costs that the City is obligated to fund under the terms of its cable franchise agreements.
2. Support for the City's government access TV channel(s), including both operations and capital equipment.
3. Programs and projects that promote citizen technology literacy and access, including related research, analysis and evaluation.
4. Use of innovative and interactive technology, including the Internet and TV, to provide the means for citizens to access City services and easily and meaningfully interact with their elected officials and decision makers. [New Policy]

Additionally,

5. Funds from the Community Television Account shall be used solely for the purposes of supporting the operations and capital needs of public access television, including payments to the Designated Access Manager for services provided under its agreement with the City. [Ord. 120214]

Revenues

Policy 4. Revenues to Subfund: Revenues from the Cable Franchise Fee shall be deposited into the Cable Television Franchise Subfund. [Ord. 118196]

Fund Balance/Fund Management

Policy 5. Retention of Interest Earnings: In accordance with applicable state law and City investment policy, the Finance Director shall invest all funds received and held in the Community Television Account, and any interest earnings from such investments shall be deposited in this account and used for the purposes set forth in this section. [Ord. 120214]

Attachment 2

RESOLUTION 30867

1
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3 A RESOLUTION stating the Seattle City Council's support for SCAN (Seattle Community
4 Access Network) public access television, stating the Council's intent in increasing the
5 cable television franchise fee for the purpose of providing additional funding for SCAN,
6 and outlining the Council's expectations for future SCAN organizational and fundraising
7 activities.

8 WHEREAS, in Ordinance 120214, passed in December 2000, the City of Seattle designated
9 SCAN (Seattle Community Access Network) as the City's Designated Access Manager
10 for public access television; and

11 WHEREAS, SCAN manages and operates public access television airing in Seattle and
12 neighboring jurisdictions on cable channels 77/29, and provides public access services,
13 training, and outreach; and

14 WHEREAS, the City Council anticipates enacting legislation in the first half of 2006 that would
15 grant a renewed cable franchise to Comcast; and

16 WHEREAS, the City's Chief Technology Officer (CTO) in the Department of Information
17 Technology (DoIT) and SCAN have entered into an agreement under which the City
18 provides funding to SCAN, and these parties anticipate amending the agreement for an
19 additional five-year term after the Council grants the renewed franchise; and

20 WHEREAS, SCAN is shown on cable television not only in Seattle but also in other cities in
21 King and Snohomish Counties, and SCAN program producers come from other cities in
22 these counties, yet no other jurisdiction provides ongoing operating support for SCAN;
23 and

24 WHEREAS, under the renewed franchise, Comcast would transfer ownership of the existing
25 SCAN building to SCAN; and

26 WHEREAS, under related legislation, the Council would make appropriations that would enable
27 DoIT to provide capital and operating financial support to SCAN; and

28 WHEREAS, the City Council wants to increase operating support for SCAN above the level
proposed by the Mayor, and concurrently wants to state its expectations for future SCAN
organizational and fundraising activities; NOW, THEREFORE,



BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:

Section 1. The City Council intends to increase the cable television franchise fee by ordinance from 4.0% as proposed by the Mayor to 4.2%. The Council intends that the additional revenue generated by the additional franchise fee increase will be used to increase the average annual operating funding for SCAN over the next five years from \$500,000 as proposed by the Mayor to \$700,000. With this increase in City funding, the Council expects that SCAN will incrementally increase its non-City funding for operations in each of the next five years. To that end, the Council requests that the following provisions be included in the amended funding agreement between the City's Chief Technology Officer (CTO) in the Department of Information Technology (DoIT) and SCAN:

a. SCAN must develop a business plan by May 1, 2007, that includes the following, and update the business plan on a periodic schedule agreed to by DoIT:

- (1) An annual operating budget showing sources and uses of funding, and cash flow;
- (2) A plan for board development to expand the fundraising skills and activities of the SCAN board;
- (3) A fundraising plan that includes seeking funding from other jurisdictions where SCAN is aired on cable and/or where SCAN producers live;
- (4) A plan for maintaining the SCAN building and land, including creating a building maintenance reserve fund, or, if SCAN chooses to sell the building and move, a plan for leasing, or buying and maintaining, a replacement facility; and



1 (5) As an optional element of the business plan, a plan for operating a second cable
2 channel, including a plan for how the second channel would be programmed and
3 how the additional costs would be covered.

4 b. SCAN must use a portion of the City funding, up to about \$70,000 per year, to pay
5 salary, benefits, and office expenses for a full-time staff person who will devote all or nearly all
6 of his or her time to seeking non-City funding for SCAN operations;
7

8 c. The amount of City funding for SCAN operations in each of the next five years will be
9 set to yield higher payments in earlier years (starting at \$750,000) and lower payments in later
10 years, averaging \$700,000 per year, to encourage SCAN to increase its non-City funding for
11 operations each year during the five-year term of the amended agreement; and
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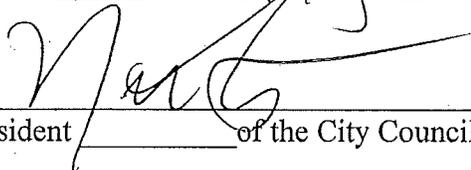
13 d. As proposed by the Mayor, the approximately \$250,000 remaining from the AT&T
14 lump sum payment to support public access television will be used by the City to match non-City
15 funds raised by SCAN, in a ratio to be set in the amended agreement between DoIT and SCAN.
16 As an incentive to SCAN to develop its business plan promptly, the City will not pay any portion
17 of this matching fund to SCAN until SCAN has developed a business plan that DoIT agrees is
18 reasonable.
19

20 Section 2. The Council supports the allocation to SCAN of a second public access
21 channel in addition to SCAN's existing channel, conditioned on SCAN demonstrating
22 satisfactorily to DoIT that it has developed and implemented a reasonable business plan, and has
23 sufficient funding for operations to cover the costs associated with operating a second channel.
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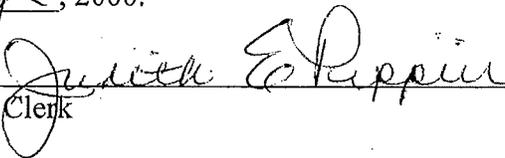


1 Section 3. The Council requests that DoIT and SCAN submit an annual written report to
2 the Council's Energy and Technology Committee, or its successor, in the first quarter of each
3 year during the term of the DoIT-SCAN amended agreement describing activities and progress
4 related to the items listed in this resolution.
5

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7 Adopted by the City Council the 1st day of May, 2006, and signed by me
8 in open session in authentication of its adoption this 1st day of May, 2006.

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11 _____
12 President _____ of the City Council

12 Filed by me this 2nd day of May, 2006.

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16 City Clerk

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(Seal)



Attachment 3

Response from DoIT and CBO to Councilmembers' questions about public access channel and SCAN
(October 13, 2010)

2011-12 Proposed Budget: Proposal regarding Seattle's Public Access Channel

Mayor's Budget Proposal: To implement a new model for the public access channel. Key elements of this proposal include:

1. The City will continue to provide funding for a public access TV Station [cable channel 77 on Comcast or channel 23 on Broadstripe].
2. Viewers who watch Channel 77 and Channel 23 will continue to be able to do so.
3. Training and community outreach for youth, communities of color, immigrants and refugees will still be continued.
4. Anyone who currently produces a show for Public Access TV should still be able to do so in the future.
5. The contract to be the City's service provider has been held by SCAN under a sole source, no bid contract for 10 years. We propose to open the opportunity to be the City's public access provider to all entities through a competitive bid process. There is an extraordinarily innovative ecosystem of new media companies and organizations in Seattle, and we hope to encourage innovation and opportunity by allowing many kinds of organizations - including SCAN - to bid on this work.
6. The paradigm in public access is shifting to a less capital intensive model that incorporates digital technology, streaming media, social networking, etc. To meet today's needs, Seattle's public access provider must move beyond old technologies and take advantage of new options.
7. The city would provide funding of \$100,000 per year. The chosen provider would be expected to supplement that with funding from other sources (grants, public fund-raising, etc.).

What will this new model look like?

The final model will not be determined until the open bid process has been completed and a new provider selected (see next section). However, we would anticipate the following:

- Seattle public access would become a web based system. Content would be processed online. Programming would be submitted digitally to an FTP (file transfer protocol) site via the internet and downloaded and scheduled by a small staff.
- Public access programming would still continue on cable 77 and 23.
- Current public access producers would still have the opportunity to submit programming in a new model.
- Every show submitted could get posted online. Such online streaming could include the opportunity for viewers to vote online for their favorite shows. In addition, online streaming provides content providers the opportunity to reach a far wider audience than is possible on the two local cable channels.
- Classes would be offered focusing on video productions skills and storytelling.
- Scholarships could be offered to assist low income residents in producing shows.
- The selected provider would supplement City funding with other sources of revenue (grants, public fund-raising, and other). They may also have additional lines of business than just being the City's public access provider, thereby sharing their overhead costs.

One potential model would be to develop public access as a collaborative community facility with an emphasis on teaching and telling local stories that educate and engage communities. Such a place could provide training and community engagement opportunities, and offer city residents and community groups new ways to express themselves and connect with their community and each other.

How will the transition be made?

The City would run an open bid process for a public access provider and the process would include such steps as:

- 1) A review of Seattle public access history and a setting of performance metrics for public access including training, outreach and production services offered;
- 2) A request for comment from local non-profits, community groups, commercial video and film industry leaders, and educational interests;
- 3) An online survey of interested parties;
- 4) Public meetings to solicit comments;
- 5) The results of these efforts will be reviewed to determine what operational goals and efficiencies, diversified funding opportunities and new services could be incorporated to transform public access in Seattle into a vital, sustainable and more useable service for local residents.

We believe that the City, working in conjunction with the community in this process, can find a new form for public access that is more appropriate for the current technology environment. We would seek an operator with other revenue sources of support, media expertise, existing infrastructure for offering classes, finance and accounting operations, and skills in conducting revenue generating activities including grant writing and development of underwriting.

Through this process, City support of public access can provide new opportunities for non-profit organizations to provide training and digital media services to local communities, individuals and organizations. Organizations such as 911, Reclaim the Media, the Northwest Film Forum and the Alliance for Community Media might participate in such an opportunity. In May 2009, San Francisco ran a similar process and the resulting "SF Commons" operated by the Bay Area Video Coalition is the successful result. They were helped in their process by Denver Open Media the operators of public access in Denver who might also be willing to help with a process here.

What is the timeline/schedule for such a transition?

A high level work-plan has been attached in Appendix A.

Why is this being proposed now?

- The existing contract for operation of the public access network ends on December 31, 2010. Before automatically extending it, it is appropriate to assess how well the current partnership and model is working.
- SCAN has had an effective monopoly for 10 years. It is appropriate to rebid this service.

- Advances in digital technology allow for a much less capital-intensive model, which means the service can be provided more cheaply and more effectively than in the past. Especially in light of the current budget situation, it makes sense to see if this service can be provided in a more economical manner.
- When the Seattle City Council funded SCAN with cable franchise fees in 2005, in Council resolution 30867, it outlined some clear expectations about future funding: “The Council expects that SCAN will incrementally increase its non-City funding for operations in each of the next five years.” And “SCAN must use a portion of the City funding, up to about \$70,000 per year, to pay salary, benefits, and office expenses for a full-time staff person who will devote all or nearly all of his or her time to seeking non-City funding for SCAN operations...” SCAN only hired the full time position in 2009; four years after the council request. And, as shown in the below table, to date, SCAN has raised under \$207,000 in four years. Consequently, the City continues to provide over 90% of SCAN’s total funding.

	2007	2008	2009	YTD 2010	TOTAL
SCAN Fund-Raising	\$35,499	\$71,111	\$52,552	\$47,448	\$206,611
City Match	\$35,499	\$71,111	\$52,552	\$47,448	\$206,611

Note: The above chart assumes that SCAN submits to the City all match-appropriate revenues.

What is SCAN’s Viewership Like?

The following bullets summarize the key finds on what is occurring with SCAN’s viewership. The complete results related to SCAN from the 2009 survey are attached in Appendix B.

- Viewership of SCAN has decreased over the past five years. In a 2004 survey, 49% of respondents indicating they had seen the Community Access Network; in the 2009 survey, this had decreased to 38%.
- The percentage of people who have seen SCAN increases with income.
- People who speak English at home are twice as likely to have watched SCAN.

ATTACHMENTS:

APPENDIX A: Proposed High Level Timeline

APPENDIX B: Viewership Information from the 2009 Technology Indicator Study

APPENDIX C: Additional Historical Background Data

**City of Seattle
Information Technology Residential Survey
Final Report**

Presented to:
David Keyes
Department of Information Technology
City of Seattle

Presented by:
Elizabeth Moore, Applied Inference
Andrew Gordon, University of Washington

2009

Appendix B

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accountability, and access to information about politics, budgets, and City process; and keeping an eye on City business. Respondents who are not current computer users, and who therefore may not see information on Seattle.gov, were more interested in news, especially local news; crime reports and safety information; health and safety; sports; community services and events; jobs, businesses, and economic development; religion; special groups, including Latinos, Native Americans, children, parents, seniors; and City services and needs.

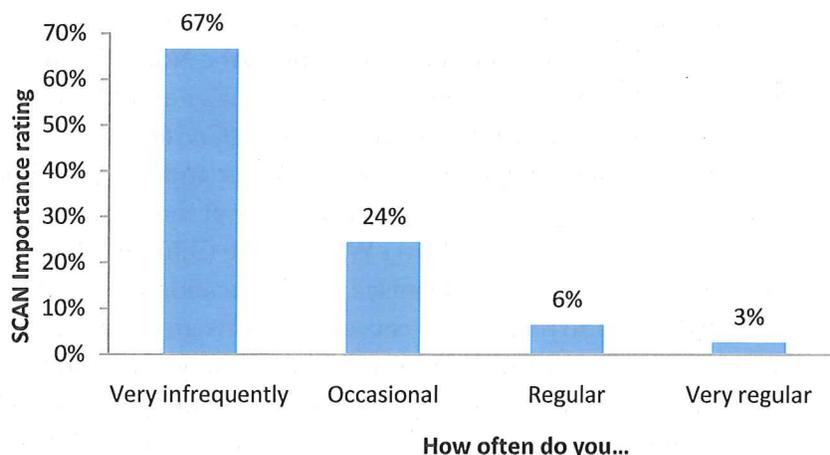
Seattle Community Access Network (SCAN)

Summary: Thirty-eight percent of respondents indicated that they have seen the Seattle Community Access Network (SCAN), a decrease from 49% in 2004. Figure 62 shows that most of the people who have seen SCAN tend to watch it infrequently. Despite this decrease in viewership, as many respondents as in 2004 (more than 80%) continue to think it is somewhat or very important for residents and community organizations to have the opportunity to create and show their own local programs.

Respondents who speak a language other than English at home are half as likely to have seen SCAN. Latino respondents who have seen the channel, along with African American respondents, tend to be more frequent SCAN viewers and rate it as more important. Men are more likely to have seen SCAN, and the percentage of people who have seen SCAN increases with income, though the importance rating of a public access channel decreases somewhat.

- **Gender:** Men are more likely to have seen SCAN (43% vs. 33%)
- **Employed:** People who work at a paying job are more likely to watch SCAN (40% vs. 32%)
- **Ethnicity:**
 - Latino respondents are less likely to have seen SCAN. Those who *have* seen it tend to watch it more regularly than Asian Pacific Islander or Caucasian respondents
 - African American and Latino respondents, and those with ethnicity coded as “other” tend to be more frequent SCAN viewers

Figure 62. Most SCAN viewers watch infrequently

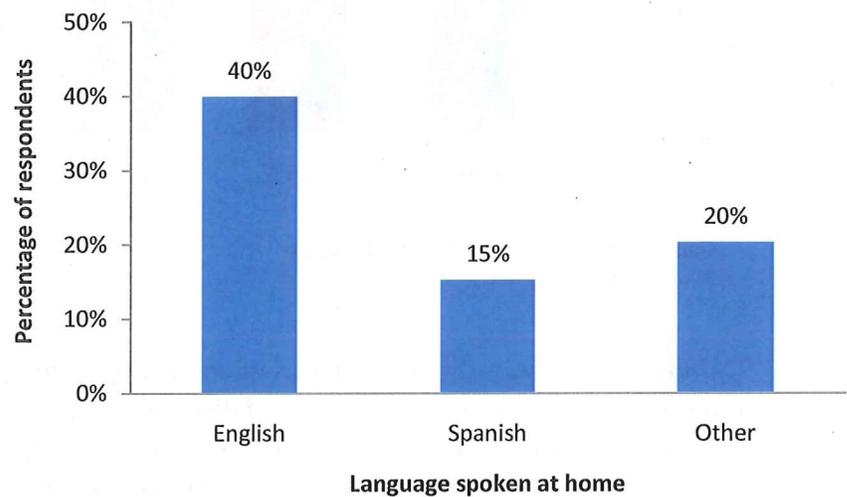


Source: 2009 City of Seattle IT Surveys
Based on respondents who said they have ever watched SCN

- Those with “other” ethnicity are much more likely to have watched SCAN (61% vs. 40% or less)
- **Age:**
 - The pattern formed by the age groups in response to the question about watching SCAN followed the inverted U shape similar to that described earlier, except that the youngest group was *much* less likely to have watched it and the seniors were only slightly less likely.
- **Income:** The percentage of respondents who have watched SCAN increases with income.
- **Language spoken at home:** Figure 63 shows that people who speak English at home are twice as likely to have watched SCAN.

2004 survey respondents were also asked about their SCAN viewing in 2004. The percentage of SCAN viewers decreased from 49% in 2004 to 38% in 2009. However, residents still believe that it is important for residents and community organizations to have the opportunity to create and show their own local programs. Nearly half of the respondents in both years (47% in 2004 and 45% in 2009) said it is “very important,” and more than one third in both years rated it as “(somewhat) important” (35% in 2004 and 37% in 2009).

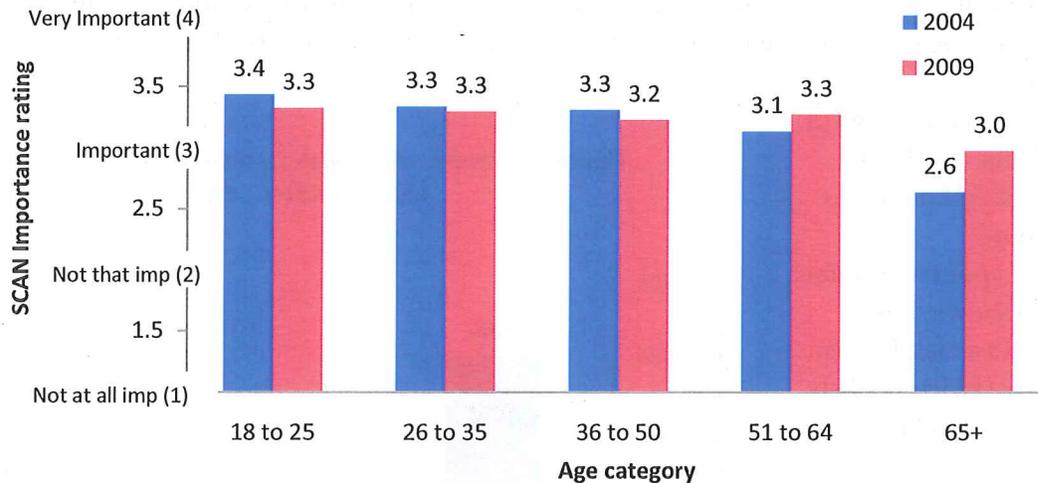
Figure 63. People who speak English at home are more likely to watch SCAN



Source: 2009 City of Seattle IT Surveys
Based on all respondent

The decrease in the percentage of people who have ever seen SCAN was similar across demographic groups. However, seniors gained relative to the other age groups in their rating of the importance of SCAN for the community. Figure 64 shows the pattern of change in this rating for the different age groups since 2004. Note that as age increases, the rating of importance decreases. In 2004, the decrease in the importance rating was sharpest with the seniors and in 2009, the decrease is significantly less steep.

Figure 64. Overall, residents believe that SCAN is important, decreasingly with age. Seniors in 2009 increased the importance rating.



Source: 2004, 2009 City of Seattle IT Surveys
Based on all respondents

Demographic groups differed somewhat on the importance ratings for SCAN, but overall, importance ratings were high. Observed differences include:

- On a four point scale, African American and Latino respondents rated the importance of SCAN more highly than did Asian Pacific Islander or Caucasian respondents (3.5 vs. 3.1)
- Respondents with the least education rated the importance of SCAN more highly (3.6 vs. 3.2)
- Importance rating declines slightly with income, from 3.4 in the lowest income group, to 3.1 in the highest income group.

2011-12 Proposed Budget: Proposal regarding Seattle's Public Access Channel

Appendix C: Historical/Background re Public Access in Seattle

The two key concepts underlying the founding of public access television were to provide access to production facilities and an avenue for wide distribution of local, non-commercial video content. Today however, with the ubiquity of the Internet, the low cost of video production equipment and the realities of city budget deficits, many jurisdictions are now changing the paradigm. Some have stopped funding public access. For example regionally, Tacoma, Corvallis and Eugene do not have public access; King County and Kirkland carry SCAN, but do not provide any financial support for it.

Many cities that do have public access are acting under the belief that it is time now for the emphasis to move to a "Community Media Center" model teaching people to produce better and more effective media, instead of subsidizing the operation of an expensive, outdated TV studio. Internet access, training to use online video, audio and editing equipment, and providing a place for collaborating about these things is the focus. In May 2009 San Francisco ran a similar RFP process and the resulting "SF Commons" operated by the Bay Area Video Coalition is the successful result. Since 2006 Denver Open Media has successfully operated public access in Denver without receiving any operations funding from the city.

In the 70's and 80's cable TV was the best way to give people a chance to speak. Today, it's only one option of many. Over the past two decades the Internet has evolved from a computer network to a public media environment with very low barriers to access and distribution of video content. Anyone with access to a computer and video camera can produce media and then make that media public. Also as more residents acquire digital television sets, and with innovations that allow video on the Internet to still be watched on a TV, the distinction between the two is blurring. In short, in this new landscape television is just one of many modes of distribution. A future with low-cost digital video production and editing equipment streamed online as well as cable TV will likely be a more financially viable long term public access model going forward.

We have an extraordinarily innovative ecosystem of new media companies and organizations in Seattle, funded in many varied ways. Very few of them are currently involved with SCAN. We hope to encourage further innovation by allowing many kinds of organizations - including SCAN - to help design the public access path forward and then bid on providing the framework. With continued support from the City government and its citizens, we can encourage a wide variety of groups and organizations to innovate in producing relevant content and getting their messages out not just to the City, but to the Puget Sound region and the entire world.

Funding History

The following table outlines the City's historical spending with SCAN.

		2006	2007	2008	2009	To Date 2010	Total
Operating	Budgeted	\$750,000	\$725,000	\$700,000	\$675,000	\$650,000	\$3,500,000
	- Paid to SCAN	\$568,930	\$725,000	\$699,999	\$673,719	\$404,744	\$3,072,392
Capital (1)	Budgeted (2)	\$188,000	\$0	\$312,000	\$0	\$0	\$500,000
	- Paid to SCAN	\$152,126	\$35,874	\$0	\$139,593	\$18,063	\$345,656
Matching	Budgeted (2)	\$0	\$250,000	\$0	\$0	\$0	\$250,000
	- Paid to SCAN	\$0	\$35,499	\$71,111	\$52,552	\$47,448	\$206,611
Lump Sum from Millenium(3)	Budgeted	\$0	\$20,000	\$0	\$0	\$0	\$20,000
	- Paid to SCAN	\$0	\$20,000	\$0	\$0	\$0	\$20,000
Total	Budgeted	\$938,000	\$995,000	\$1,012,000	\$675,000	\$650,000	\$4,270,000
	- Paid to SCAN	\$721,055	\$816,373	\$771,111	\$865,864	\$470,255	\$3,644,658

(1) The City received an upfront, lump sum in capital funds from Comcast in the new franchise. It allocated \$500,000 to SCAN for the current 5-year contract that expires at the end of 2010; \$154,344 in capital funds remain to be spent this year.

(2) Unspent Capital and Matching Funds budgeted in one year were carried over into the next year. Thus, the formal budget may show "\$0", but "leftover" unspent funds from prior years were available to expend.

(3) SCAN was awarded a grant fund of \$20,000 after the renewal of the Broadstripe franchise. This money was to be used to establish a fund to assist individuals or community organizations to produce programs- to be aired on SCAN- featuring segments of the Seattle community that were underrepresented on the public access channel.

Prior to 2001, TCI (now Comcast) managed and underwrote the public access channel. Starting in 2001 TCI relinquished management of the public access channel and provided funds to the City sufficient to manage the public access channel through the remainder of the franchise term which expired in 2006. Beginning In 2001 the City entered into a series of one-year contracts with SCAN, using funds from a lump sum payment provided by TCI (Comcast predecessor). In 2006, the City negotiated a five-year contract with SCAN.

In addition to the operating funds, SCAN was awarded a onetime \$500,000 capital grant from the City, part of a \$2 million upfront PEG (Public, Educational and Government) capital contribution from Comcast to the City. SCAN was given a one-to-one match for any non-City funds it raised up to a total of \$250k. This amount was left over from the original grant from TCI. And, in 2007, SCAN received \$20,000 from the Broadstripe franchise negotiations to be used for grants to communities underrepresented on SCAN programming.

In 2006 the Seattle City Council awarded SCAN a five year contract worth \$3.5M for operating funds. The award specified that the amount of funds decrease by \$25,000 each year with the goal being for SCAN to increase its non-City funding for operations each year during the term of the agreement.