SUMMARY and FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
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1. BILL SUMMARY

Legislation Title: AN ORDINANCE related to cable television; authorizing the Mayor or the Mayor's designee to enter into a renewed Cable Television Franchise Agreement with Comcast Cable Communications Management, LLC; and authorizing the Chief Technology Officer to enter into other agreements for the purpose of implementing or administering the renewed franchise.

Summary and background of the Legislation:
This legislation seeks approval of a renewed cable franchise agreement, between the City of Seattle and Comcast. Comcast's existing franchise expires on January 20, 2016.

The City, through its Department of Information Technology (DoIT), Office of Cable Communications, conducted a community assessment to determine the needs and interests of the City and Seattle residents related to Comcast's cable system. The assessment identified certain needs and interests including: community support for access to public, educational and governmental (PEG) channels on the cable system; cable discounts for low-income and disabled residents; free or low-cost cable modem services for schools, community centers, and other non-profits organizations; and improved customer service for cable customers. The assessment also confirmed the need for capital funding and programming guide listings for PEG providers, and support for complimentary cable service to City buildings and schools.

The results of this assessment helped guide the City's negotiations with Comcast that were completed under the informal renewal procedures of the federal Cable Act (47 U.S.C. § 546(h)). With this proposed franchise, DoIT secured many benefits to the City and its residents, including:

- **Continuation of cable TV discounts to qualified low-income subscribers.** Comcast has agreed to continue providing a discount of its Basic Service rate and to allow Seattle residents eligible for the City's Utility Discount program to receive the cable discount. Comcast's current discount rate is 30% of its Basic Service rate.
- **Continuation of complimentary cable TV service to City buildings and schools**. Comcast has agreed to continue providing complimentary cable TV service to City buildings and

schools, and has agreed not to treat the costs of these service as franchise fee payments to the City. The City has agreed to fairly allocate this obligation among all cable operators.

- **A new PEG fee of 0.4% of gross revenues that can be used to support the Seattle Channel and Seattle's public access program**. Comcast has agreed to provide the City a PEG fee of 0.4% of its gross revenues derived from cable services. Based on current cable revenue projections, the fee would generate approximately $753,000 per year for the City to use for PEG-related purpose. The increase would result in approximately $0.24 per month increase in the average subscriber bill.
- **Sufficient PEG channel capacity.** Comcast has agreed to continue providing sufficient system capacity for public, educational, or governmental (PEG) use, allowing the City to retain all of its existing PEG channels and programming in both standard definition (SD) and high definition (HD). Should Comcast convert its Basic Service TV channels to all HD format during the franchise term, Comcast agrees to then also carry all PEG channels in HD format. Comcast also agrees to ensure that PEG Channels have adequate bandwidth capacity to transmit any commercially available future technologies utilized by Comcast within the Franchise Area.
- **PEG access channel promotional opportunities**. Comcast has agreed to provide advertising airtime on the cable system, valued up to $50,000 annually, to promote the Seattle Channel. Comcast also agrees to allow the City to insert PEG channel information into Comcast subscriber billing annually, and into new subscriber packets.

In addition to the benefits provided through the proposed franchise agreement, Comcast will continue to provide free cable modem (internet) service to qualified non-profit and community organizations.

All funds to be received in accordance with this renewed franchise will be accepted and appropriation of these funds will occur through the normal budgetary and legislative processes.

2. CAPITAL IMPROVEMENT PROGRAM

____ **This legislation creates, funds, or amends a CIP Project.**

3. SUMMARY OF FINANCIAL IMPLICATIONS

__X__ **This legislation has direct financial implications.**

Budget program(s) affected:	Cable Television Franchise Subfund (00160)			
Estimated $ Appropriation change:	**General Fund $**		**Other $**	
	2015	**2016**	**2015**	**2016**
	0	**0**	**0**	**0**

Estimated $ Revenue change:	**Revenue to General Fund**		**Revenue to Other Funds**	
	2015	**2016**	**2015**	**2016**
	0	**0**	**0**	**753,000**
Positions affected:	**No. of Positions**		**Total FTE Change**	
	2015	**2016**	**2015**	**2016**
	0	**0**	**00**	**0**
Other departments affected:	n/a			

3.a. Appropriations

__ This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/#*	2015 Appropriation Change	2016 Estimated Appropriation Change
				0
TOTAL				**0**

Appropriations Notes: Appropriation of funds received from cable franchise fee and PEG fee payments will occur through the normal budgetary and legislative processes.

3.b. Revenues/Reimbursements

_X_ This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
Cable Television Franchise Subfund (00160)	DoIT	PEG Fees	0	753,000
Cable Television Franchise Subfund (00160)	DoIT	Franchise Fees	0	8,282,000
TOTAL				9,035,000

Revenue/Reimbursement Notes:
PEG Fees: The proposed franchise under this legislation includes a new PEG fee of 0.4% to be applied to the gross revenues Comcast derives from cable services. The PEG fee will be calculated and paid to the City on a monthly basis for the entire 10-year franchise term. Under Comcast's expiring franchise, there was no monthly PEG fee revenue to the City. Instead, an up-front lump sum PEG support payment was made to the City in 2006. The 2016 PEG fee revenue

amount is an estimate based on gross revenues projections for Comcast in 2016. Over the proposed 10-year franchise term, PEG fee revenues are estimated to total $7,956,000.

Franchise Fees: The franchise fee rate applied to cable operators is established via ordinance and is not negotiated in individual franchise agreements. Under this proposed franchise, Comcast will continue to pay the existing 4.4% cable franchise fee rate to the City on a monthly basis. The 2016 franchise fee revenue amount is an estimate based on gross revenue projections for Comcast in 2016. Over the proposed 10-year franchise term, franchise fee revenues are estimated to total $87,518,000.

3.c. Positions

____ **This legislation adds, changes, or deletes positions.**

4. OTHER IMPLICATIONS

- **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
  Yes. In July 2015 Council approved a cable franchise agreement with Qwest Broadband Services, Inc. d/b/a CenturyLink (Ordinance 124810). That franchise includes provisions for CenturyLink to match whatever PEG fee the City agrees to with Comcast. Until a renewed franchise is approved with Comcast, CenturyLink is required to pay a monthly $0.12 per subscriber PEG fee. With the approval of this renewed Comcast agreement, CenturyLink would also be required to pay 0.4% of gross revenues as the PEG fee. The revenue estimates provided with this legislation do not include financial projections related to this associated change in CenturyLink's PEG fee structure. At this time CenturyLink is in its first weeks of entry into the Seattle cable TV market and the City does not have data on the company's initial cable service market share, gross revenues or subscriber levels. Any revenue changes that result from CenturyLink's new cable services would be *in addition to* the revenue change noted in this summary.

  The City's third cable operator, Wave Broadband, is required to pay a $0.12 per subscriber PEG fee under its existing franchise agreement, which expires in November 2017. A new PEG fee will be negotiated with the renewal of that franchise agreement.

  Comcast is also subject to a 10% Utility Tax on its cable services and the funds are paid directly to the City's General Fund. The cable Utility Tax rate applied to cable operators is established via ordinance and is not negotiated in individual franchise agreements. The Utility Tax rate is set under Seattle Municipal Code 5.48.050(i).

- **Is there financial cost or other impacts of not implementing the legislation?**
  Yes. The City would forgo new PEG fee revenues from Comcast, as well as any increase in PEG fee revenue that would result from converting CenturyLink's $0.12 per subscriber PEG fee to the 0.4% of gross revenues PEG fee structure. The City would also not receive any additional public benefits offered by Comcast over the term of the proposed franchise, and could lose the complimentary cable service to schools and City buildings.

- **Does this legislation affect any departments besides the originating department?**
  No

- **Is a public hearing required for this legislation?**
  Yes. A public hearing is required before a franchise can be granted. Council staff will conduct the hearing and has tentatively scheduled it for November 18, 2015.

- **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
  Yes. Per City Charter Article IV, the City Clerk must publish a franchise ordinance for ten consecutive press days in the City's official paper (Daily Journal of Commerce). This expense is borne by the franchise applicant.

  Per Seattle Municipal Code 21.60.090.D, notice of the public hearing on this franchise legislation must be published in a newspaper of general circulation (The Seattle Times) at least 14 days before the hearing.

- **Does this legislation affect a piece of property?**
  No.

- **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**
  The proposed franchise to be approved by this legislation would continue to have Comcast offer a needs-based cable TV discount for low-income households, as well as complimentary cable service to all schools which supports all Seattle school children. Additionally, cable franchise fees are used to fund the City's Technology Matching Fund which annually grants over $300,000 to community groups with projects that will help improve digital equity by connecting populations that have limited access to technology, empowering residents with digital literacy skills, and building capacity for diverse communities to use technology for civic participation.

- **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**
  n/a

- **Other Issues:**
  n/a

List attachments below: