

TO: Mayor, City Council, and City Administrator

FROM: Telecommunications Advisory Committee

DATE: March 6, 2017

SUBJECT: 2016 ACCOMPLISHMENTS

The Telecommunications Advisory Committee held three meetings in 2016. The members of the Committee in 2016 were: Rollin Bible, Jerry Brown, John Magnusson, Dale Rodell, Scott Hugstad-Vaa, and David Westbrook. David Westbrook served as Chair and Jerry Brown served as Secretary. During the summer, Mr. Hugstad-Vaa passed and members Westbrook and Magnusson resigned. The City Council restructured the Committee to include five members for the future.

Major accomplishments and/or undertakings by the Telecommunications Advisory Committee during 2016 include:

- **Year Four of Cable Franchise Renewal Process:** The City continued work with the renewal of the franchise agreement with Charter Communications. The existing agreement took effect in 1999 and has a term of 15 years. Typically, the franchise renewal process takes three years. However, this process has been extended and the franchise was extended through the end of 2015. The City used the legal services of Mr. Bob Vose of the firm Kennedy and Graven. The City is working jointly in the renewal process with the Cities of Farmington and Rosemount. While each city will have its own franchise ordinance, the language will be virtually identical in each, allowing for more efficient joint administration of the three franchises and cohesive partnership in the cable commission.

The renewal process was marked by periods of progress and stagnation. In early 2016, significant progress was made and an agreement appeared imminent. However, when Frontier Communications applied for a competitive franchise, Charter placed negotiations on hold, where they remained through the end of the year.

- **Frontier Communications Competitive Franchise:** Frontier Communications applied for a competitive cable franchise in 2016. While traditional cable service would require a competitor to “overbuild” the city with a new network, Frontier proposed to use new technology that allows them to provide cable service over their existing telephone system. The City approved a competitive franchise ordinance for a five year term. The City will need monitor Frontier’s progress to ensure that the necessary technology upgrades are installed to offer the service to residents within the City.

- **Participation in State-wide Cable Administration Association:** The Committee continued its participation in the Minnesota Association of Community Telecommunications Administrators (MACTA). The Committee also monitored events pertaining to municipal wireless and broadband service provision.
- **Participation in Joint Powers Cable Commission:** The City of Apple Valley also participated in a joint powers agreement with the Cities of Farmington and Rosemount to provide for certain cable television services. The group approved an operating budget for 2017.
- **Review of Cable-related Complaints.** The Committee reviewed cable complaints received by Commission staff. The number of complaints in recent years has been historically low and most pertain to unbundled service drops or billing issues.
- **Franchise Fee and PEG Fee Review:** Pursuant to both franchise agreements, the cable company is obligated to pay the City an annual franchise fee equivalent to 5% of their annual gross revenues. Under both agreements, the Cable Company is required to make quarterly franchise fee payments, rather than annual payments. The total quarterly payments were as follows:

Quarter	Franchise Fees	PEG Fees
First Quarter 2016	\$161,974.73	\$15,126.00
Second Quarter 2016	\$164,121.99	\$15,114.50
Third Quarter 2016	\$163,962.49	\$15,270.50
Fourth Quarter 2016	\$182,532.65	\$15,470.50
Total	\$672,591.86	\$60,981.50

The franchise fee for 2016 totaled \$672,591.86, up significantly from \$642,256.07 in 2015. This rebound from the previous year seems to indicate that the cable company is generating more revenue from the cable system.

Quarter	Franchise Fees	PEG Fees
First Quarter 2015	\$160,276.16	\$15,432.00
Second Quarter 2015	\$159,091.50	\$15,255.50
Third Quarter 2015	\$156,965.14	\$15,105.50
Fourth Quarter 2015	\$165,924.07	\$15,174.00
Total	\$642,256.07	\$60,967.00

Pursuant to the franchise agreements, the Cable Company is obligated to collect a PEG fee for the City. Per the franchise agreement, the City's PEG fee is \$.50 per subscriber. The City received PEG fees in the amount of \$60,981.50 for 2016. The PEG fee revenue for 2015 was \$60,967.00, as shown above. This very slight increase in PEG fee revenues implies that cable subscribers are holding steady. The PEG fee revenues are used to finance the City's portion of the joint cable commission.

With franchise fees increasing significantly, PEG fees holding steady, and development (and potential subscribers) increasing steadily, it appears that the cable company is likely continuing to lose some of its previous subscriber base, but has been able to generate more revenue from cable-related services to existing customers.

- **Capital Equipment Planning and Acquisition:** The cable commission planned to upgrade its “field cameras”, portable production studio, and editing equipment used for production of television shows in 2016. However, due to staffing issues, these purchases were postponed until 2017.
- **Cable-cast of Public Meetings:** Cable-casting of City Council and Planning Commission meetings continued in 2016. In addition, City of Farmington and Rosemount City Council and Planning Commission meetings and Dakota County Board meetings were also televised.
- **Government Access Programming:** With the addition of a new franchise holder, the PEG channels will not all have the same channel number in both systems, but will be kept in a common area of numbers. Government Access Channel 180 (formerly 16) continued to provide government access for the joint powers commission established by the Cities of Apple Valley, Farmington, and Rosemount. Programming and bulletin board materials were added for the other cities. In 2016, the City continued joint police program production with the Cities of Farmington and Rosemount. The City also used City and Commission staff to produce a video of the State of the City address. The City continued to cable-cast live Planning Commission and City Council meetings. These meetings were recable-cast periodically.
- **Public Access Television:** Under the new franchise agreement, Charter Communications is no longer required to provide the same public access television opportunities provided in the past. In 2010, Charter transferred this responsibility to the Cities in the joint powers commission. The cities provided video bulletin board messages on the channel, but not program playback.
- **Joint Powers Commission Summary:** Since its inception, the Commission has provided staffing and support services to the Cities of Apple Valley, Farmington, and Rosemount. During 2016, the three cities continued a joint program production model, in which the shows produced by the Commission staff would be targeted to the larger audience of all three cities, as opposed to Apple Valley-oriented shows. Expanding the scope to all three cities not only creates more program topic options, but also allows the staffing burden and program topics to be spread across the three city, reducing in-kind costs to Apple Valley.

The Telecommunications Advisory Committee welcomes direction from the City Council as well as any recommendations, questions, or concerns.