

TO: Mayor, City Council, and City Administrator

FROM: Telecommunications Advisory Committee

DATE: March 7, 2016

SUBJECT: 2015 ACCOMPLISHMENTS

The Telecommunications Advisory Committee held four meetings in 2015. The members of the Committee throughout 2015 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.

Major accomplishments and/or undertakings by the Telecommunications Advisory Committee during 2015 include:

- **Year Three of Cable Franchise Renewal Process:** The City continued work with the renewal of the franchise agreement. 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.

There are three significant steps involved in the renewal process. The first step of conducting a needs assessment was completed in 2013. The three cities completed the second step of the renewal process by contracting with the firm of Moss & Barnett to conduct a franchise fee and PEG fee audit review in 2014. The final step is actual negotiations between the cities and the cable company. Due to the cable company's internal restructuring in 2014, the company essentially placed negotiations on hold. As a result, the company requested extensions, first to the end of the year and then to the end of 2015 to finish negotiations. Significant progress was made toward finalizing a renewal in 2015, but the process has continued into 2016.

- **Participation in State-wide Cable Administration Association:** The Committee continued its participation in the Minnesota Association of Community Telecommunications Administrators (MACTA). MACTA held several conferences during the year and has proven invaluable in keeping Committee members current with both cable television and telecommunications related trends. 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 2014 and operated for its thirteenth year with a joint cable coordinator serving the three cities.
- **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 the franchise agreement, the cable company is obligated to pay the City an annual franchise fee equivalent to 5% of their annual gross revenues. Under the renewed franchise, the Cable Company is required to make quarterly franchise fee payments, rather than annual payments. The quarterly payments were as follows:

<b>Quarter</b>	<b>Franchise Fees</b>	<b>PEG Fees</b>
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
<b>Total</b>	<b>\$642,256.07</b>	<b>\$60,967.00</b>

The franchise fee for 2015 totaled \$642,256.07, down about two percent from \$656,269.09 in 2014. This is the first time that the City has faced declining franchise fee revenues and indicates that the video portion of the cable system is no longer generating as much revenue as it used to.

<b>Quarter</b>	<b>Franchise Fees</b>	<b>PEG Fees</b>
First Quarter 2014	\$162,053.13	\$16,337.00
Second Quarter 2014	\$163,392.99	\$16,116.00
Third Quarter 2014	\$164,019.47	\$15,929.50
Fourth Quarter 2014	\$166,803.50	\$15,647.50
<b>Total</b>	<b>\$656,269.09</b>	<b>\$64,030.00</b>

Pursuant to the franchise agreement, the Cable Company is obligated to collect a PEG fee for the City. Per the franchise agreement, the City's PEG original fee was at \$.25 per subscriber but can be increased at the City's discretion within limitations stated in the franchise. In addition, the Cable Company imposed an additional \$.25 per subscriber fee to recover the costs of the "capital grant" given to the City in the original franchise. At the completion of the cost "recovery", the Cable Company's \$.25 fee was automatically transferred to the City, raising the City's collection to \$.50 per subscriber. The City received PEG fees in the amount of \$60,967.00 for 2015. The PEG fee revenue for 2014 was \$64,030.00, as shown above. This decrease in PEG fee revenues implies a decrease in cable subscribers during the year. The PEG fee revenues are used to finance the City's portion of the joint cable commission.

- **Capital Equipment Planning and Acquisition:** The City continues web streaming its programs. This also allows the City to create short public service announcements and other video enhancements to the website. In 2015, the City implemented a new agenda management system. Related to this project was a switch in web streaming services to a new video integrator. Both projects were accomplished in 2015. The new streaming system allows viewers to link to and view agenda documents while viewing the related Council discussion on the video.

In 2014, the City undertook its largest equipment upgrade and replacement project since the construction of the Municipal Center in 2000-2001. Many pieces were no longer supported or couldn't be repaired as parts are no longer available. As a result, the cameras, microphones, mixing, and other live program production equipment has been replaced and upgraded. The City is unable to send out HDTV signals until the cable company makes some adjustments and improvements to its head-end. Once those improvements are in place, the City will migrate its channels to the HD signal.

The equipment attached to the Council Chambers operation has been fully upgraded. However, the "field cameras", portable production studio, and editing equipment used for production of television shows require updating. This project will likely take place in later 2016 or 2017.

Apple Valley also adopted a policy of diverting some franchise fee funds to a capital equipment fund to support the equipment replacement. This is a necessary step, in part, because the PEG fee rate has not changed since 1999 and PEG revenues have been falling steadily for more than a decade.

- **Cable-cast of Public Meetings:** Cable-casting of City Council and Planning Commission meetings continued in 2015. 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 transition to an all-digital cable system, the government channels were relocated and assigned new channel 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. Digitally recorded programming cable-cast on Apple Valley Government Access Channel 180 continued in 2015. In 2015, the City began 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. However, until 2015, program production had been done on an individual city basis. Apple Valley had been producing two public safety shows for more than two decades. Rosemount and Farmington both expressed an interest in entering program production, but have found the cost of program production to be a barrier to entry.

During 2015, the three cities began 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 allows Farmington and Rosemount to enter program production at a lower price point due to shared costs, but also allows the staffing burden and program topics to be spread across the three city, potentially 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.