

**CITY OF NORTH ST. PAUL
CITY COUNCIL
WORKSHOP AGENDA
JANUARY 15, 2019
5:00 PM**

North St. Paul City Hall – Sandberg Room
2400 Margaret Street

I. CALL TO ORDER

II. ROLL CALL

Council Member Thorsen
Council Member Petersen
Council Member Walczak
Council Member Sonnek
Mayor Furlong

III. ADOPT AGENDA

IV. TOPIC(S)

- A. Comcast 5:00 p.m.
- B. Presentation by Minnesota Assistance Council for Veterans/Builder's 5:30 p.m.
- C. Workshop topics and processes 6:00
- D. Set Council retreat date

V. OTHER BUSINESS

VI. ADJOURNMENT

Overview

The current franchise agreement between Comcast and the Ramsey Washington Suburban Cable Commission (RWSCC), that is almost 19 years old and was meant to expire four years ago, requires subscribers in the RWSCC member communities to pay one of the highest fees for PEG programming in the entire country – in many cases over four times the fee charged by other Minnesota communities. The RWSCC charges each subscriber \$4.62 a month to sustain the operations of the RWSCC. Comcast has been engaged in renewal negotiations with the RWSCC for over 2 years, encouraging the RWSCC to modernize its operations to better match how RWSCC residents are viewing local information on-line and cutting the cord from cable altogether, and to create a true partnership between Comcast and its cities in the interest of preserving the franchise fee revenue that Comcast pays to the cities for its right-of-way access. Despite evidence of the hyper-competitive marketplace for video and the federal regulatory relief proceedings currently underway at the FCC for cable operators, thus far, the RWSCC has not demonstrated a willingness to modernize its approach to a franchise renewal.

Background Going Into Negotiations

Fund Balance

RWSCC has nearly \$2 Million in unrestricted cash available and an additional \$2 Million in restricted capital reserves. General accounting principles for nonprofits typically require an unassigned fund balance equal to at least 30% of the next fiscal year's operating revenue budget. For RWSCC that would be approximately \$724,000.

- The Commission's unassigned fund balance at 1/31/16 was \$1.9M, more than \$1M over the minimum threshold
- The balance is 162% greater than the minimum threshold, significantly higher than average reserves typically maintained by non-profit entities

Franchise Fees: RWSCC

Under the current franchise, Comcast pays 5% of gross revenues generated within each member city to RWSCC to operate within the respective cities' rights of way.

Fees	2016	2015
Total Franchise Fees Collected by RWSCC	\$1,356,901	\$1,783,363
Franchise Fees Redistributed to Member Cities	\$872,139	\$1,316,108
Total Franchise Fees Used to Support Commission and PEG Access	\$484,762	\$467,255

Franchise Fees: North St. Paul

Because franchise fees are paid directly to RWSCC, from 2014-2017, North St. Paul lost an average of almost \$43,000 per year. Over those four years, North St. Paul could have received an additional \$171,753.00. (Note: Franchise fees are dispersed quarterly. The City could have received an additional approximately \$11,000/quarter in fees.)

Franchise Fee Comparison-Specific to North St. Paul		
Year	City Budget	North St. Paul generated FF
2014	\$44,716	\$113,945
2015	\$78,929	\$118,089
2016	\$115,000	\$123,543
2017	\$72,424	\$127,245
TOTAL	\$311,069	\$482,822.00

PEG Fee

Comcast customers in RWSCC pay a monthly PEG fee of \$4.62/month. According to federal law, the purpose of this funding is limited to capital expenditures (building, equipment, etc.) necessary for PEG operations. This funding was never intended for operational expenses (salaries, legal expenses.) The amount of PEG funding collected in RWSCC is significantly higher than all surrounding areas of the Twin Cities (and is one of the highest amounts in the country.) For example:

South Washington (eg, Cottage Grove)	\$1.00
NW Suburbs (Maple Grove)	\$1.59
SW Suburbs (Edina)	\$0.66
Stillwater	\$1.49
Minneapolis	\$1.50
Shoreview	\$1.70
NSCC (Roseville)	3% (ex. \$2.25 on a cable bill of \$75.00)

PEG Fees: North St. Paul

Comcast continues to see a decrease in its subscriber base due in part to “cord cutting” and the lack of bottom of the bill parity with Comcast’s competitors. Satellite and over the top providers are not required to carry local access channels and as such do not charge related PEG fees.

PEG Awareness

Comcast Subscribers in North St. Paul

Year	2014	2015	2016	2017
North St. Paul Subs	2141	2101	2079	2021
PEG Fee @ \$4.62/subs/month	\$118,697.04	\$116,479.44	\$115,259.76	\$112,044.24

Despite the excessive amount generated in PEG fees, viewership data for the RWSCC local access channels is dismal. With over 30,000 homes in the RWSCC footprint:

- less than 6% of viewers tuned into a PEG channel for at least 6 minutes per month,
- slightly more than 3% watched for 30 minutes per month, and
- a barely recognizable 0.5% watched 4 hours or more per month.
- 79% of customers who are aware of PEG channels could NOT name any of the seven channel numbers

- All seven communities' access channels have viewership levels below that of C-SPAN.
 - Two of the seven (channels 16 and 19) have combined "regular" and "occasional" (described as watching "at least once a week" or "at least two to three times a month") viewership level of 13%.
 - Weekly viewership of five of the seven channels is virtually nonexistent (2% or less.)

PEG Use

- A huge majority of customers look to local broadcast channels, local or regional newspapers or on-line sources to learn about happenings in their communities.
- Only 3% of all customers use local community access channels to learn about what is happening in their communities.
- Only 4% of customers want additional community access channels added to their cable line-up.

PEG Cost

- Only 4% of customers feel the money to fund community access programming should come from increasing the amount customers already pay.
- More than half (55%) of cable customers do not feel they should have to pay any more for their current access programming.

RWSCC

- Commission members are appointed by each member city. In RWSCC, unlike other cable commissions in the Twin Cities, the commission pays for commission members' Comcast services. In 2017, RWSCC spent \$21,814.09 on Cable Services for Commission members.
- RWSCC employs a staff of 14, constituting one of the largest PEG operations in the Twin Cities.
- In 2017, RWSCC paid a total of \$49,402.92 in legal expenses including general, franchise renewal and litigation costs.
- Through November 2018, RWSCC spent \$29,014.42 in general and franchise renewal related legal expenses.