

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussion of Comcast Cable and Verizon Cable Education and Government (EG) Access Grant Fee of \$0.15 per subscriber per month
DEPARTMENT: City Manager's Office
PRESENTED BY: John Norris, Management Analyst

PROBLEM/ISSUE STATEMENT:

When the City of Shoreline moves into its new City Hall facility in the fall of 2009, audio and video production equipment for the new Council chambers must be acquired. In addition to being used as audio/visual equipment for the Council chambers, much of this equipment will be used to record, edit and produce the City Council proceedings (and potentially other City meetings, proceedings, hearings, etc.) for transmission on the City's Government Access Channel over the Comcast and Verizon Cable networks. Both the Comcast and Verizon Cable franchises allow for the use of an Education and Government Access (EG) grant to help pay for capital equipment costs related to the production of local EG programming. In order to utilize EG grant fees for the equipment needed for the new City Hall facility, Council authorization is required.

RECOMMENDATION:

No action is required. However, when this item is brought back to Council for authorization, staff recommends that the City Council authorize the institution of a Comcast Cable and Verizon Cable Education and Government Access Grant Fee of \$0.15 per month per cable subscriber to recapture the cost to purchase audio, video and production equipment for the new Shoreline City Hall.

Approved By: City Manager  City Attorney ____

BACKGROUND:

When the City of Shoreline moves into its new City Hall facility in the fall of 2009, audio, video and production equipment for the new Council chambers must be acquired. This equipment includes sound equipment, video equipment, video production equipment, and a video control system. A detailed equipment list is attached to this report as Attachment A.

In addition to being used for audio/visual equipment for the Council chambers, much of this equipment will be used to record, edit and produce the City Council proceedings (and potentially other City meetings, proceeding, hearings, etc.) for transmission on the City's Government Access Channel over the Comcast and Verizon Cable networks. The City will purchase this necessary audio, video and production equipment through the Development Agreement with OPUS NW, who will be provided this equipment from their vendor, Commercial Sound and Video. The total cost of this equipment, including tax, is \$141,027.

EG GRANT IN CABLE FRANCHISES:

Both the Comcast and Verizon Cable franchises allow for the use of an Education and Government Access (EG) grant to help pay for the capital equipment costs related to the production of local EG programming. This grant is paid for by a small fee placed on cable subscriber bills and collected by the Cable companies on a monthly basis. As the Comcast EG grant fee is currently set at \$0.15 per month and the Verizon EG grant fee must match all other cable operators in the Franchise Area, the EG grant fee for Verizon subscribers must also be \$0.15 per month.

In the Verizon Cable Franchise, section 6.2.2, titled 'EG Grant', states that "the Franchisee (Verizon) shall provide a grant to the Local Franchising Authority (City of Shoreline), or its designee, to be used in support of the production of local EG programming. The grant shall be used by Shoreline for EG access equipment, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, or for renovation or construction of EG access facilities." Currently, the City is not collecting an EG grant fee from Verizon subscribers. This can be modified by the City Council (no more than once each year) so that the EG grant fee collected by Verizon may be up to \$1.00 per subscriber, per month. As noted above however, as the Verizon EG grant fee amount must be the same amount required of all other Cable Operators in the Franchise Area (Comcast), the City Council may only modify the Verizon EG grant fee up to \$0.15 per subscriber, per month.

In the City's Comcast Cable Franchise, section F21, titled 'Access Cablecasting Equipment', states that "upon request, the Operator shall provide the City with a cost estimate for the furnishing of such equipment and facilities necessary to implement said cablecasts. If it is determined by the City Council that the costs are necessary and reasonable, then the City shall authorize the Operator to proceed with the purchase, and obtain reimbursement through the imposition of a fee of up to \$0.15 per subscriber, per month."

Although Comcast's franchise language reads that the City will not receive any EG grant fee payments directly from Comcast, but will instead receive the requested

equipment necessary to produce our cablecasts, staff has negotiated with Comcast to receive quarterly EG grant payments in a similar manner as is allowed in the Verizon Franchise if the EG grant fee is authorized. This would allow the City and OPUS to proceed with the purchase of the audio, visual and production equipment from OPUS NW's preferred vendor, Commercial Sound and Video, as opposed to having Comcast obtain estimates from various vendors for the purchase of equipment and select which vendor to use. It would also allow for Commercial Sound and Video to integrate wiring and other facilities in the exposed conduit during the construction process, as opposed to having these facilities installed at a later time.

CITY HALL BUDGET:

As was shared by Finance Director Debbie Tarry during the City Hall Project Update to the Council on February 23, 2009, the allowance for the furniture, fixtures, and equipment line-item for City Hall needs to increase by \$288,500. This includes a funding level needed to provide the audio and visual needs within the Council chambers, conference rooms, and the furniture needs throughout City Hall. The following table summarizes the anticipated purchases that fall under this line-item:

City Hall Furniture, Fixtures & Equipment	
Audio/Visual Equipment (<i>Includes \$141,000 for Council Chamber Audio/Visual Equipment</i>)	\$285,000
Systems Furniture	\$375,500
Cafeteria/Kitchenette Equipment	\$20,000
Signage	\$8,000
Total	\$688,500
Less: Original Estimate in City Hall Budget	(\$400,000)
Additional Allowance Needed	\$288,500

Although it is not yet known if there will be savings within the existing City Hall Project budget to offset the increase in this line item, staff feels that it is unlikely adequate project savings will be realized. Thus, staff will include the additional furniture, fixtures and equipment allowance in a future budget amendment, which will be paid for by additional debt financing beyond the projected debt financing already planned to help finance City Hall construction.

ALTERNATIVES:

The City Council has authorized a combination of General Fund contributions, amounts previously paid for the lease of City Hall and the City Annex, and Real Estate Excise Tax (REET) to pay the debt service payment for City Hall. To pay the portion of debt service attributed to the audio/visual equipment, two alternatives exist for Council consideration:

1. Imposition of the EG grant fee for Comcast and Verizon subscribers as outlined above, or
2. Use of General Fund and Real Estate Excise Tax (REET) funding.

As noted above, in either alternative, a supplemental budget request for City Hall furniture, fixtures and equipment will most likely need to be authorized by the Council and additional debt will need to be issued to pay for this budget increase. The two alternatives relate to how the debt that is issued to cover the cost of the audio/visual equipment is to be paid for over time. In the first alternative the added cost of the EG equipment is paid back over 5 years from the additional subscriber fee. Under the

second alternative additional funds from REET or the General Fund would need to be allocated in the future for repayment.

FINANCIAL IMPACT:

EG Grant Fee Alternative

If the EG grant fee alternative is utilized, there will be no cost impact to the City, as the debt service payments for the required audio, video and production equipment for the new Council chambers would be funded by Verizon and Comcast Cable subscribers on a quarterly basis. Furthermore, staff feels that the imposition of the EG grant fee will not result in fewer cable subscribers and lost Franchise Fee revenue, which provides funding for the City's General Fund. A \$0.15 per month (\$1.80 per year) EG grant fee on subscriber bills would be small enough that subscribers would most likely not choose to substitute away from Comcast and Verizon to broadcast television or other cable providers that do not generate Franchise Fee or EG grant fee revenue for the City.

At the end of 2007, Comcast had 15,756 Cable subscribers. As Verizon is a new entrant into the Shoreline Cable market as of October of last year, their current market share is very small. In fact, Verizon's fiber optic network that will transmit their cable television system will not be fully built out until the summer of 2010. Although staff believes that Verizon will generate cable television market share over time, the vast majority of their market share will probably be obtained through co-opting Comcast's cable subscribers, as opposed to providing cable to subscribers who have never had cable television before or receive their cable signal from one of the satellite providers. In other words, the total number of cable subscribers currently served by Comcast will probably not grow significantly, but will be served between the two cable providers operating in the City.

Thus, using the number of Comcast subscribers in 2007, the City would generate \$28,360 in EG grant revenue each year. Given this annual EG grant revenue level, it would take almost five years to recoup the \$141,027 cost of the audio, video and production equipment for the new Council chambers (not taking financing costs into account). If Council does decide to recoup this capital outlay through the collection of the EG grant fee, Council would have the ability to continue to collect the EG fee from cable subscribers for future capital needs or discontinue collection once the \$141,027 has been recouped.

General Fund Alternative

If the General Fund alternative is utilized, the cost impact to the City will be \$141,027; the total cost of the audio, video and production equipment for the new Council chambers, not including financing costs (as these will have to be paid for by the City in either alternative). The City's cost will be paid for using General Fund and REET funding, and will repay the debt issued to pay for this equipment on an agreed upon financing schedule. As the \$141,027 will be paid for using funding sources that could be used for other operational and capital needs, there is a significant opportunity cost of having to use these funding sources to repay the debt service for the Council chambers audio/visual equipment.

RECOMMENDATION:

No action is required. However, when this item is brought back to Council for authorization, staff recommends that the City Council authorize the institution of a

Comcast Cable and Verizon Cable Education and Government Access Grant Fee of \$0.15 per month per cable subscriber to recapture the cost to purchase audio, video and production equipment for the new Shoreline City Hall.

ATTACHMENT A:

Council Chambers Audio/Visual/Production Equipment List

Audio System:

- System equipment rack for all systems
- DSP: Digital signal processor for audio systems. This unit is modular and has built in future growth. Provides all processing for system to include equalization, automixing, compression, ect...
- Power amplification
- Distributed speaker system for main room and foyer
- Gooseneck microphones at every location
- Wireless handheld microphone
- Wireless lapel microphone
- Custom press panel
- Custom I/O panels

Sub Total – Audio System - \$29,718

Video System:

- Ceiling mounted projector (4500 Lumen)
- Electric screen sized for the room
- 15" LCD panel at council dais locations
- AV Switcher for selecting input source
- Scaler for converting to high res output signal to projector and monitors
- Video distribution amplifiers
- Burst Generator for system tests and picture monitoring
- AV Input panels

Sub Total – Video System - \$35,876

Control System:

- Touch screen for system operation (optional wireless)
- Netlinx system controller
- IR and RS232 control cables
- System programming

Sub Total – Control System - \$17,876

Video Production Suite:

- Equipment desk style rack for this system
- AV Seamless Switcher with remote control panel
- Four wall mounted Sony HD cameras
- Remote control system with joystick and selector
- Quad LCD rack mounted monitors
- Two 15" assignable monitors

Sub Total – Video Production Suite (with Sony HD Cameras) - \$45,794

9.1% Washington State Sales Tax - \$11,763

Total Cost - \$141,027*

*Does not include rough-in, AC power as required, or permit fees