

Agenda Report

September 27, 2010

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Information Technology

SUBJECT: AUTHORIZATION TO AMEND THE PROFESSIONAL SERVICES CONTRACT WITH PASADENA COMMUNITY ACCESS CORPORATION (PCAC) FOR MANAGEMENT OF CHANNEL 3 KPAS AND PROVISION OF RELATED SERVICES

RECOMMENDATION:

It is recommended that the City Council:

1. Find the contract renewal is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3); and
2. Authorize the City Manager to amend Contract Number 17,606 with PCAC to extend the contract for an additional two year term with a one-year renewal option at an annual contract amount not to exceed \$324,627 per year and to amend the 40 percent that PCAC currently receives in franchise fees paid to the City by Charter Communications to now include franchise fees from AT&T.

BACKGROUND:

Since October of 2000, the City has contracted with PCAC for management of the City's government Channel 3 KPAS and programming services. The current three year term of the latest agreement between the City and PCAC will expire on September 30, 2010.

The City still requires the services provided by PCAC. The proposed renewal would extend the current relationship for management and operation of Channel 3 KPAS and management of the City's video broadcast and audio system production services for two additional years from October 2010 through September 2012, with an additional one-year extension at the option of the City Manager.

In recognition of the City's ongoing budget constraints, PCAC has agreed to a five percent reduction that will reduce the current annual contract amount from \$341,713 to \$324,627. In addition, the automatic annual CPI adjustment provision will be removed from the contract.

Additionally, staff proposes an amendment to the contract to broaden the scope of services by providing PCAC access to the Granicus video posting and editing functionality for posting of City-related online content. The City currently uses Granicus primarily to facilitate public and staff access to City Council meeting video. PCAC is directly involved in producing a variety of video content for KPAS, as well as to meet specific City department requirements (such as training videos and PSAs). This contract change would allow PCAC to make that additional video content available to the public via Granicus. PCAC will also take on responsibility for uploading and synching the City Council meeting video stream for presentation via Granicus the morning following each meeting.

The proposed contract amendment also includes clarification regarding funding of PCAC's non-KPAS functions. PCAC currently receives 40 percent of the franchise fees paid to the City by Charter Communications to provide community access services via the cable TV system. This funding was established in the Memorandum of Understanding (MOU) between the City, Pasadena Unified School District, and Pasadena Area Community College District in January, 1983 and in the PCAC By-laws, which were adopted in May, 1984. At the time those documents were approved, there was a single cable TV provider operating in Pasadena. They therefore reference payments to PCAC of "...40% of the annual franchise fee which is paid to City by Company..." (MOU) and "40 percent of the franchise fee that shall be paid by the franchisee to the City..." (By-laws) to support community access activities.

Since adoption of the MOU and PCAC By-laws, video franchising has shifted from the local to the state level, and Pasadena has two local video providers – Charter Communications and AT&T. Both companies remit franchise fees to the City in the amount of five percent of their gross revenues from video services offered in Pasadena. As AT&T has rolled out its U-verse video service locally, its franchise fee payments have been increasing and Charter Communications' payments have been declining. This trend may continue with some customers deciding to shift from Charter to AT&T video services as AT&T increases the availability of U-verse across Pasadena.

The following table shows the total franchise fees paid to the City by Charter and AT&T for Fiscal Years 2009 and 2010, and through the first quarter of Fiscal Year 2011 (column d). Additionally, the table identifies the 40 percent of Charter franchise fees paid to PCAC (column e), as well as the additional payments PCAC would have received had AT&T's share of franchise fees been included during the period (column f).

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Fiscal Year (a)	Charter (b)	AT&T (c)	Totals (d)	Payments made to PCAC (e)	Additional Amt. PCAC Would Have Rec'd (f)
FY 2009	\$1,052,160	\$5,490	\$1,057,650	\$420,864	\$2,196
FY 2010	\$1,019,648	\$26,246	\$1,045,894	\$407,860	\$10,498
FY 2011- Q1	\$254,827	\$16,365	\$271,192	\$101,931	\$6,548

The proposed contract amendment clarifies that PCAC is to receive 40 percent of franchise fee payments from both Charter and AT&T going forward. Given current franchise fee trends, this will keep funding for PCAC's non-KPAS functions relatively flat. From Fiscal Year 2009 to Fiscal Year 2010 there was a decline of approximately one percent in combined AT&T and Charter franchise fee remittances.

COUNCIL POLICY CONSIDERATION:

The proposed two-year contract provides an annual five percent decrease over the current three-year contract and removes the annual automatic CPI adjustment provision, and therefore is consistent with the City of Pasadena strategic planning goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

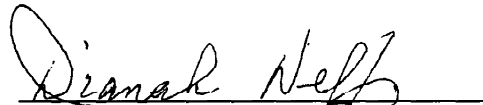
The proposed two-year contract does not have the potential for causing a significant effect on the environment and therefore is not subject to the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3).

FISCAL IMPACT:

Funds for this contract are included in the City Manager's Office budget for Fiscal Year 2011.

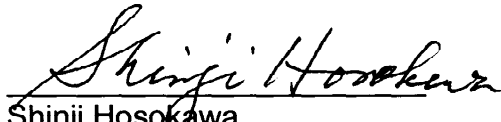
Beginning in October 2010, 40 percent of AT&T's franchise fee payments to the City will be paid to PCAC rather than being deposited in the General Fund. As noted above, AT&T's franchise fee payments have been increasing over time, so it is not possible to estimate the precise impact on the General Fund. If AT&T's quarterly franchise fee payments were to remain constant going forward, the 40 percent payment to PCAC would represent an annual reduction in revenue to the General Fund of \$26,184. The General Fund impact is partially offset by the \$17,086 in contract savings.

Respectfully submitted,



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