

# Agenda Report

DATE: August 7, 2000

TO: CITY COUNCIL

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER

SUBJECT: AMENDMENT TO THE SCHEDULE OF TAXES, FEES AND CHARGES  
TO ADOPT FEES FOR TELECOMMUNICATIONS COMPANIES  
DOING BUSINESS IN PASADENA

## RECOMMENDATION:

It is recommended that the City Council approve an amendment to the Schedule of Taxes, Fees and Charges for FY 2001 to include fees for telecommunications firms doing business in Pasadena as described in the Cable, Video, and Telecommunications Service Providers Ordinance (Title 18 of the Municipal Code).

## BACKGROUND:

The City Council adopted the Cable, Video, and Telecommunications Service Providers Ordinance on May 8, 2000. The Ordinance sets forth the City's regulation of cable television operators, open video system operators, and other video and telecommunications service providers. The Ordinance makes reference to several fees related to telecommunication companies doing business in Pasadena. A brief description of each of the fees and recommended fee amounts follows. The fee amounts are also summarized in the attached table.

Application fee for an initial franchise for a cable television system  
(Section 18.04.030.A of the Ordinance)

This non-refundable fee must be submitted with a cable company's application for a franchise to operate a cable TV system in Pasadena. It is

designed only to cover the City's actual costs in reviewing and processing the application, including: costs of administrative review; financial, legal and technical evaluation of the applicant; consultants; notice and publication requirements; and document preparation expenses. If costs exceed the application fee, the cable company is required to reimburse the City for the difference.

Staff recommends the application fee be set at \$15,000 for FY 2001. This amount is reasonable because:

- Staff review indicates that the City is likely to incur even greater costs in processing a franchise application.
- The fee is not so large as to present a barrier to entry to a new company interested in serving Pasadena residents and bringing competition to the local market.
- Application fees in other Southern California cities range from \$0 to \$25,000.

Filing fee for operation of an open video system (Section 18.06.020.A.12 of the Ordinance)

An open video system provides video programming services and is similar to a cable TV system. The open video system concept was created by the federal Telecommunications Act of 1996, in anticipation of telephone companies entering the cable TV market. While the laws and regulations governing operation of open video systems differ from those affecting cable TV companies, the City's role in sanctioning and regulating their operations is very similar. As described in the Ordinance, open video system operators are required to seek a license from the City that includes many of the elements of a traditional cable TV franchise (e.g., controls on use of City rights-of-way, a payment of five percent of gross revenues to the City, customer service obligations, and public, educational and governmental access requirements). The City will incur the same types of costs in negotiating an open video system license as in reaching agreement on a cable TV franchise.

As the workload, and therefore the cost impact, is similar, staff recommends the filing fee for operation of an open video system be set at the same amount as the cable TV system application fee, \$15,000.

Fee for appeal of a decision of the City Manager regarding violation of the Ordinance's customer protection and service standards (Section 18.04.050.O.2.b of the Ordinance)

Under the Cable, Video, and Telecommunications Service Providers Ordinance, the City Manager or City Manager's designee is the decision-maker regarding violations of the customer protection and service standards. Decisions of the City Manager are final unless appealed to the City Council. This fee must accompany a cable TV, open video system, or other video programming company's appeal of the City Manager's decision.

Staff recommends the fee be set at \$600 for FY 2001. Staff review indicates that the cost impact is comparable to existing fees for other types of appeals (e.g., the filing fee for an appeal of a decision of the Zoning Administrator or Planning Director set at \$649).

Registration fee for other video service providers (Section 18.08.020.B.4 of the Ordinance)

The Ordinance requires all other video programming providers (other than cable TV and open video system providers that are required to enter into a franchise, license or lease with the City) to register with the City. The registration provides the City with information on the services offered locally, the company's customer service commitments, and complaint handling procedures. This fee is designed to cover the reasonable costs incurred by the City in reviewing and processing a company's registration form. Direct broadcast satellite providers, like DirecTV and DishNetwork, are exempt from the registration fee under federal regulations.

Staff review of the cost impact indicates the registration fee should be set at \$100.

FISCAL IMPACT:

The net fiscal impact of these fees, which simply recoup City costs of managing telecommunications company franchising, licensing, appeal and registration activities, is zero.

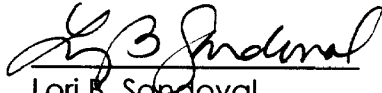
Respectfully submitted,



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