

Agenda Report

TO: CITY COUNCIL

FROM: ACTING CITY MANAGER

SUBJECT: EXTENSION OF CHARTER COMMUNICATIONS' NON-EXCLUSIVE
CABLE TELEVISION FRANCHISE

RECOMMENDATION

It is recommended that the City Council adopt a resolution extending the current non-exclusive cable television franchise with Charter Communications through June 30, 2000 under the existing terms and conditions.

BACKGROUND

The current franchise agreement with Charter Communications expires on January 12, 1999 concluding its fifteen-year term. Charter is requesting a renewal of the franchise agreement for as long a term as possible.

The Business Enterprise Committee held two public hearings in the past two years to receive input from the public on Charter's performance. The full City Council recently held its own public hearing on June 22, 1998. Some of the more significant issues identified as a result of those public hearings were: lack of senior discounts; customer service standards; technology issues; escalating subscriber rates; Charter's lack of compliance on institutional network provisions of the existing franchise agreement; and lack of compliance with undergrounding requirements in the public right-of-way.

In order to address all of these issues and position the City with the best possible renewal terms, staff recommends that the City Council not rush to renew the franchise agreement. Instead, staff recommends that the current franchise agreement be extended through June 30, 2000 to allow further negotiations with Charter. The additional time will also allow staff to perform additional performance and financial audits.

Charter Communications has agreed to this extension proposal and is willing to negotiate on all of the points discussed above.

The June 30, 2000 extension date also corresponds with the City's agreement with the Pasadena Community Access Corporation (PCAC) regarding their receipt of franchise fees from the City. PCAC has indicated it intends to become an entrepreneurial entity at the end of the existing franchise. The extension provides a transition period for the organization. At the end of the extended franchise term, it may be possible to retain the full amount of the franchise fee in the General Fund and give City Council the flexibility of funding public access on an annual basis. The current franchise agreement dictates that 40% of the franchise fee collected are given to PCAC for public access purposes. The 40% is equivalent to approximately \$200,000 per year.

Following City Council approval, the franchise extension will become effective upon Charter Communications' execution of the acceptance form at the end of the resolution.

FISCAL IMPACT

The City will continue to receive franchise fees at the current rate during the 18-month extension. The City currently receives 60% of the franchise fee totaling approximately \$300,000 per year and dedicates the balance to public access operations of PCAC. Given current legislation, it is unlikely that the amount of franchise fees could be increased. However, staff's goal in the new franchise would be to maintain that level of fee, securing additional free or low cost services to the City and the school district, providing for senior citizen preferred rates for basic programming, expansion of public access resources and control over ever increasing cable rates.

Respectfully submitted,




CYNTHIA J. KURTZ
Acting City Manager

Prepared by:



LORI SANDOVAL
Technical Planning Manager

Approved by:



ROBERT K. PERSON
Assistant to the City Manager
Information Technology Director