

# City Council Communication 97-577

December 8, 1997 Agenda

**Subject:**

Cable Television Franchise Renewal –

Draft Community Needs Assessment

**Submitted by:**

Eric A. Anderson

City Manager

**Synopsis —**

The City's franchise with Heritage Cablevision, Inc., d.b.a. TCI of Central Iowa (TCI), expires on February 3, 1998. The Council previously decided to follow an informal process in negotiating a new franchise agreement. As part of the informal process, on January 27, 1997, Council voted to retain the law firm of Moss & Barnett to prepare an informal "Needs Assessment" as a basis to begin discussions with TCI for the renewal of their franchise. A partial draft of this document has now been completed.

Based on the Draft Needs Assessment, Council is asked to authorize the City Manager to initiate discussion with TCI, and to approve the following general goals to serve as a foundation to the renewal negotiations:

- Provide quality cable service, with sufficient channel capacity and band width for all subscribers on an equal basis.
- Provide enhanced local government and school internal communications through assistance provided by cable operator.
- Ensure sufficient number of cable channels and transmission, and production capabilities to meet the needs of local government, public users, and educational entities.
- Seek to improve customer service performance by TCI.
- Maintain the franchise fee revenue as compensation to the City for the use of the public rights-of-way.
- Ensure the term of the franchise agreement is consistent with the quality and amount of investment provided by TCI.

#### **Fiscal Impact —**

The City received \$1,018,305 in franchise fees for the fiscal year ending June 30, 1997. It is anticipated that this revenue will vary based on TCI's gross system revenues received in the City of Des Moines. In addition, cable franchise agreements can provide additional fiscal assistance by providing funding or reducing costs for various information technology improvements.

## **Recommendation —**

**Receive and file the Draft Needs Assessment Report prepared by Moss & Barnett, and refer to the City Manager for review and revision, if necessary. Additionally, approve the general cable franchise goals outlined above, and direct the City Manager to begin negotiations with TCI for franchise renewal based on the goals.**

## **Background —**

TCI wrote the City in 1995 and invoked its right to have its franchise renewal considered according to the procedure outlined in federal law, but asked the City if it would discuss the renewal on an informal basis. By Roll Call No. 95-2885, on July 24, 1995, Council voted to proceed on this basis, and directed staff to create a Request for Proposals (RFP) to contract with a consultant to assist in the process.

The law firm of Moss & Barnett, Minneapolis, Minnesota, was determined to be the most qualified respondent; on January 27, 1997, by Roll Call No. 97-033, Council voted to retain Moss & Barnett.

Since that time, Moss & Barnett has been engaged in creating a comprehensive needs assessment for the City in order to assure a full consideration of cable related issues.

This process consisted of six segments:

1. *TCI Corporate Information:* A comprehensive questionnaire was sent to TCI in February, 1997, which asked them to provide information with respect to several aspects of TCI's operational practices and financial capability.

¶ Although it was requested that TCI provide a response on or before March 7, 1997, certain of the requested financial information needed to conduct the franchise fee audit has not been supplied by TCI. As a consequence, the initial needs assessment remains incomplete.

2.¶ *Community Input:* This segment consisted of obtaining and compiling feedback from the community about TCI. The process included a Customer Satisfaction telephone survey prepared by Moss & Barnett and performed by Drake University, a cable needs survey mailed to over 200 community leaders and organizations, and three public hearings held on April 29, April 30, and May 1, 1997, to allow interested citizens the opportunity to provide input on cable related needs and interests. Additionally, community concerns expressed to the City have been summarized.

3.¶ *Technical Analysis:* A technical audit was performed of TCI's cable system by Mr. William Pohts, an electrical engineer subcontracted by Moss & Barnett, to evaluate the condition of the current wiring and related electronic equipment.

¶ In addition to this analysis, Mr. Pohts has determined that the "digital compression", which TCI has proposed to increase channel capacity, will be inadequate for the City's future needs, and that TCI's entire system should be upgraded to the capacity levels now found only on the City's east side.

4.¶ *Financial Analysis:* This segment was to have consisted of a franchise fee audit to determine TCI's compliance with the City's franchise requirements. As mentioned earlier, this is not possible due to TCI's failure to fully supply the requested data. This is considered an important part of the community needs assessment as it is an area in which TCI was out of compliance in the past.

5.¶ *Internal Needs Assessment:* This segment represents an internal analysis of the City's own future cable related needs and interests.

6.9; *Compliance Analysis*: This segment consists of a review of TCI's compliance with the City's current ordinance requirements.

Each of these segments (with the exception of the financial audit) is detailed in Moss & Barnett's report, a copy of which I have forwarded for Council's information and review.