

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

98-371

SYNOPSIS –

AGENDA:
AUGUST 24, 1998

Information is provided regarding the City’ s ability to regulate cable television rates. Attached is the Council Communication on the proposed TCI Cable Franchise which appeared on the Council Agenda of August 17, 1998.

SUBJECT:

TCI FRANCHISE
RENEWAL

FISCAL IMPACT –

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

N/A

RECOMMENDATION –

SUBMITTED BY:
RICHARD CLARK
DEPUTY CITY
MANAGER

Receive, file, and approve first reading of the Cable Franchise Agreement with TCI.

BACKGROUND –

At the August 17, 1998 meeting, members of the City Council expressed concerns over the potential impact some provisions of the proposed TCI Franchise Agreement renewal might have on subscribers’ rates.

The City is certified to regulate *basic* service and equipment rates and has done so since 1984; however, this authority is strictly limited by regulations passed by the Federal Communications Commission (FCC). These regulations dictate what costs TCI is allowed to include and what factors it can use in setting its rate structure. The City has the authority to review these calculations to confirm compliance with FCC regulations.

While we have been somewhat successful in constraining the increase in TCI’ s rates, the City is severely limited in its ability to keep rates down.

In view of this, we should avoid making any representations to the public that the City can predict or guarantee a future rate structure.

With the advent of an increasing number of direct broadcast satellite subscribers, the potential for a competing cable television provider (McLeod), and a consumer budget “psychological” price cap, it appears that the marketplace will offer the best check on rate increases.

Attachment