

July 27, 2017

MEMORANDUM

To: Members of the Education, Equity, and Governance Committee
From: Asha Venkataraman, Central Staff
Subject: CB 119030: Proposed Renewal of Wave Cable Franchise

Council Bill (CB) 119030 would authorize the City to enter a proposed cable franchise agreement with Wave Division I, LLC (Wave). The franchise agreement would renew the current Wave franchise which is expiring on November 17, 2017. On July 19, 2017, the Seattle Information Technology Department (SEAIT) briefed the Education, Equity, and Governance Committee (EEG), summarizing the proposed agreement and benefits negotiated. The EEG Committee will hold a public hearing on August 2 to discuss the proposed franchise agreement. Full Council plans to vote on CB 119030 on September 11. If Council wants to change the proposed agreement before Full Council passage, SEAIT will likely need to enter negotiations with Wave again.

This memorandum provides context regarding the City's role in cable franchising; and Attachment A describes the contents of the franchise agreement and compares the benefits negotiated with those in the 2007 Wave franchise, 2015 CenturyLink franchise, and 2016 Comcast franchise.

As described in Attachment A, the benefits negotiated appear consistent with federal law, City law, and the City's past practice. At this time, Central Staff has not identified any potential changes or additions to the negotiated franchise agreement.

The City's Role in Cable TV Franchising

The Wave franchise agreement currently in effect will expire November 17, 2017. OCC negotiated new terms for a ten-year franchise with Wave, expiring in 2027.

Federal law allows cable operators to renew their franchises with local franchising authorities like the City in two ways: through informal negotiations or through a formal statutory renewal process. Wave's proposed franchise agreement is the result of negotiations under this "informal" process between Wave and the City. To inform negotiations and the renewal process, SEAIT's Office of Cable Communications (OCC) assessed the future needs and interests of the Seattle community as related to Wave's cable operation, such as support for public, educational, and governmental access (PEG) channels and cable discounts to low-income residents. However, federal law controls much of the field of cable operation, leaving local franchising authorities like the City with limited discretion when deciding to grant or deny a franchise. For example, rates charged for cable services are regulated almost completely by federal law.

In addition, the franchising process is limited solely to provision of cable services; the City cannot mandate specific benefits related to ancillary services the cable operator also provides (such as

phone service) in the franchise agreement. Even though cable operators often offer cable services as a bundle with internet and phone services, each service is regulated differently, and the City's jurisdiction in this process is only over cable services. Though it cannot require specific public benefits, the City can negotiate for them as part of the renewal process. The negotiated public benefits from the proposed Wave franchise agreement are summarized in Attachment A. The City controls customer service requirements, which are codified in SMC 21.60.800, and are commonly known as the Cable Customer's Bill of Rights. The City has adopted the customer service standards prescribed by federal law. Wave provides quarterly reports with data showing its compliance with the Cable Customer's Bill of Rights.

Lastly, though federal law sets the maximum franchise fee a local franchising authority can charge a cable operator at 5 percent of gross revenues from cable, local franchising authorities have the discretion to set the fee at any level up to that maximum level. The City has codified the franchise fee for all cable franchisees at 4.4 percent of gross revenues from cable. In recognition of the fee being less than the allowable federal maximum, Wave has committed to provide additional public benefits such as complimentary cable service to schools, libraries, and City buildings.

Attachments

- A. Comparison of Provisions and Public Benefits Between Previous Wave and Current CenturyLink and Comcast Cable TV Franchises

cc: Kirstan Arestad, Central Staff Director
Dan Eder, Central Staff Deputy Director

Comparison of Provisions and Public Benefits Between Previous Wave and Current CenturyLink and Comcast Cable TV Franchises

	Wave 2006 Franchise*	2015 Century Link Franchise	2016 Comcast Franchise	Proposed Wave Franchise
Public, Educational, and Governmental access channel (PEG) financial support	\$0.12 per subscriber per month, \$120,000 over ten-year franchise	\$0.12 fee per subscriber per month – estimated \$144,000 over ten-year franchise upon approval. Switched to 0.4% of gross cable revenue upon Comcast franchise approval.	0.4% of gross cable revenue – estimated at \$7,956,000 over ten-year franchise	0.4% of gross cable revenue – estimated at \$320,000 over ten-year franchise
PEG channels	16 (8 analog, 8 digital) PEG channels, to be allocated at the City’s discretion	12 PEG channels available, to be allocated at the City’s discretion	12 PEG channels available (unused channel capacity returned to Comcast) <ul style="list-style-type: none"> • UWTV (SD and HD) • King County TV (SD and HD) • TVW (SD) • Seattle Channel (SD and HD) • Seattle Community Colleges (SD and HD) • Seattle Public Schools (SD) • Public Access (SD) • KCTS+ (SD) 	12 PEG channels available, uses Comcast PEG signals to distribute to Wave subscribers
Promotional assistance for Seattle Channel	When the City uses Comcast’s credit (\$50,000) to advertise programs on a government access channel, Wave will air ads simultaneously on the cable system or in a comparable time slot at no charge	Up to \$7,500 annually in advertising availability spots to support and promote Seattle Channel programming	\$50,000 annual credit towards advertising programs on government access channel	Will meet with Seattle Channel periodically to determine how to provide free promotion

	Wave 2006 Franchise*	2015 Century Link Franchise	2016 Comcast Franchise	Proposed Wave Franchise
Connection to City buildings and schools	Free basic cable TV service	Complimentary gigabit service to The Seattle Channel	Free cable connections and TV service	Free cable connections and TV service
Low-income subscribers	Discount on cable TV for low-income seniors and disabled subscribers - \$3.80 off any tier of cable service. Lower priced cable service tier (\$19.99/month) Second public access facility	Discounted cable TV rates for residents eligible for State/Federal Lifeline, Link-Up programs and in Section 8 housing Internet Basics program at \$9.95/month with free modem rental for 1 st year contract. Increases to \$14.95 + modem rental afterwards. Seattle residents eligible for most public assistance programs. No need to have CenturyLink internet service to enroll.	30% discount on basic tier, monetary equivalent off other tiers Internet essentials program, including expansion of pilot program for low-income seniors. Cost is \$9.95/month including modem/wireless router. Seattle residents eligible for school lunch program, public housing residents, and low-income seniors are eligible for the program.	30% discount on Comcast Limited Basic service (\$5.04/month off) for Seattle residents eligible for the Utility Discount Program Internet discount: greater than \$10 or what Comcast charges for its Internet Essentials program for Seattle residents eligible for the Utility Discount Program or in low-income subsidized housing.
Cable modem service to non-profits	Up to 50 sites as of 2007 transfer.	N/A	Up to 600 active modem sites. May install 20 additional per year. Includes complimentary TV.	Currently 55 active modem sites, 5 additional per year up to 100 sites

Attachment A

	Wave 2006 Franchise*	2015 Century Link Franchise	2016 Comcast Franchise	Proposed Wave Franchise
Additional benefits	Relocation assistance if PEG channels moved	Relocation assistance if PEG channels moved	Relocation assistance if PEG channels moved	Relocation assistance if PEG channels moved
	\$10,000 annual grant to KIRO TV for advertising spots to be used at the City's discretion	Video on Demand content for PEG channels	Video on Demand content for PEG channels	Video on Demand content for PEG channels
	\$20,000 community technology grant for communities underrepresented on public access channel	Encouraging digital equity – computer lab with 1 gig service and equipment (up to ten computers, printer, large screen TV if requested) and complimentary Prism if a qualified living unit at a not yet determined location	\$500,000 for digital equity initiative (\$100,000 a year for five years)	Free Wi-Fi for intersections of 23 rd Ave. and Cherry St. and 23 rd Ave. and Union St.
	Customer service upgrades, system upgrades	Electronic TV guide listings for PEG channels at no extra cost	Audit settlement agreement of \$450,000	
	Fiber connection to Town Hall	Remote links for Seattle Channel live programming at Rainier Beach Community Center. Seattle Channel and CTL working on North end location.		
		Free Wi-Fi at Jefferson Community Center (or alternate agreed upon location)		

* In 2007 Council renewed the franchise agreement for Millennium Digital Media Systems, LLC (Ordinance 122514). Council subsequently granted the transfer of Millennium (d/b/a Broadstripe) under a new ownership group (Ordinance 122515). This legislation included a Settlement Agreement which required a Town Hall Fiber Construction Agreement, an advertising credit for the Seattle Channel, a \$20,000 community technology grant and other considerations in exchange for settlement of outstanding compliance issues. In 2011, the City approved the transfer of Broadstripe LLC to Wave Division LLC (Ordinance 123741).