

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	Executive Contact/Phone:
Seattle IT	Patti DeFazio/684-8033	Anna Hurst/733-9317

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

a. Legislation Title: AN ORDINANCE relating to cable television; authorizing the Mayor or the Mayor’s designee to enter into a renewed Cable Television Franchise Agreement and an agreement regarding additional public benefits with WaveDivision I, LLC; and authorizing the Chief Technology Officer to enter into other agreements for the purpose of implementing or administering the renewed franchise.

b. Summary and background of the Legislation:

This legislation seeks approval of a renewed cable franchise agreement between the City of Seattle and WaveDivision I, LLC (“Wave”). Wave’s existing franchise expires on November 11, 2017.

The City, through its Seattle Information Technology Department (ITD), Office of Cable Communications, conducted a community assessment to determine the needs and interests of the City and Seattle residents related to Wave’s cable system. The assessment identified certain needs and interests including: community support for access to public, educational and governmental (PEG) channels on the cable system; cable discounts for low-income and disabled residents; free or low-cost cable modem services for schools, community centers, and other non-profits organizations; and a low-income internet discount program. The assessment also confirmed the need for complimentary cable service to City buildings and schools in the Wave service areas.

The results of this assessment helped guide the City’s negotiations with Wave that were completed under the informal renewal procedures of the federal Cable Act (47 U.S.C. § 546(h)). With this proposed franchise, ITD secured many benefits to the City and its residents, including:

- **Continuation of cable TV discounts to qualified low-income subscribers.** Wave has agreed to match Comcast’s discount and to allow Seattle residents eligible for the City’s Utility Discount program to receive the cable discount. Comcast’s current discount rate is 30% of its Basic Service rate.
- **Continuation of complimentary cable TV service to City buildings and schools.** Wave has agreed to continue providing complimentary cable TV service to City buildings and schools, and has agreed not to treat the costs of these service as

franchise fee payments to the City. The City has agreed to fairly allocate this obligation among all cable operators.

- **A PEG fee of 0.4% of gross revenues that can be used to support the Seattle Channel and Seattle’s public access program.** Wave has agreed to provide the City a PEG fee of 0.4% of its gross revenues derived from cable services. Based on current cable revenue projections, the fee would generate approximately \$32,000 per year for the City to use for PEG-related purposes.

In addition to the benefits provided through the proposed franchise agreement, Wave will continue to provide free cable modem (internet) service to qualified non-profit and community organizations and for the first time, Wave will provide discounted internet service to residents who qualify for the City’s Utility Discount Program

All funds to be received in accordance with this renewed franchise will be accepted and appropriation of these funds will occur through the normal budgetary and legislative processes.

2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget? ___ Yes X No

Budget program(s) affected:	Cable Television Franchise Subfund (00160)			
	General Fund \$		Other \$	
Appropriation change (\$):	2017	2018	2017	2018
Estimated Revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2017	2018	2017	2018
				\$20,000
Positions affected:	No. of Positions		Total FTE Change	
	2017	2018	2017	2018
	0	0	0	0

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
 No.
- c. Is there financial cost or other impacts of *not* implementing the legislation?
 The City would not receive a net PEG fee increase of \$20,000 per year.

3.d. Appropriations

 This legislation adds, changes, or deletes appropriations.

Appropriations Notes: Appropriation of funds received from the PEG fee payments will occur through the normal budgetary and legislative processes.

3.e. Revenues/Reimbursements

 X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2017 Revenue	2018 Estimated Revenue
Cable Television Franchise Subfund (00160)	Seattle IT	Franchise Fees		\$396,000
Cable Television Franchise Subfund (00160)	Seattle IT	PEG Fees		\$32,000
TOTAL				

Revenue/Reimbursement Notes:

PEG Fees: The proposed franchise under this legislation includes a new PEG fee of 0.4% to be applied to the gross revenues Wave derives from cable services. The PEG fee will be calculated and paid to the City monthly for the entire 10-year franchise term. Under Wave’s expiring franchise, the PEG fee was \$0.12 per subscriber per month resulting in approximately \$12,000 annual PEG fee revenue for the City. The 2018 PEG fee revenue amount is an estimate based on gross revenues projections for Wave in 2018. Over the proposed 10-year franchise term, PEG fee revenues are estimated to total \$300,000.

Franchise Fees: The franchise fee rate applied to cable operators is established via ordinance and is not negotiated in individual franchise agreements. Under this proposed franchise, Wave will continue to pay the existing 4.4% cable franchise fee rate to the City monthly. The 2018 franchise fee revenue amount is an estimate based on gross revenue projections for Wave in 2018. Over the proposed 10-year franchise term, franchise fee revenues are estimated to total \$3,960,000.00

3.f. Positions

 This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**

No.

- b. **Is a public hearing required for this legislation?**

Yes. A public hearing is required before a franchise can be granted. Council staff will conduct the hearing and has tentatively scheduled it for August 2, 2017.

- c. **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

- d. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

Yes. Per City Charter Article IV, the City Clerk must publish a franchise ordinance for ten consecutive press days in the City's official paper (Daily Journal of Commerce). This expense is borne by the franchise applicant.

Per Seattle Municipal Code 21.60.090.D, notice of the public hearing on this franchise legislation must be published in a newspaper of general circulation (The Seattle Times) at least 14 days before the hearing.

- e. **Does this legislation affect a piece of property?**

No.

- f. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

The proposed franchise to be approved by this legislation would continue to have Wave offer a needs-based cable TV discount for low-income households, as well as complimentary cable service to all schools which supports all Seattle school children. Wave has agreed to provide a low-income internet discount to Wave customers who qualify for the City's Utility Discount Program. Wave will also expand its program of complimentary internet service to nonprofit organizations that provide digital literacy services to underserved or low income vulnerable populations.

- g. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

- h. **Other Issues:**

List attachments/exhibits below: