



September 10, 2015

Purpose

To provide an update on the recently completed Comcast franchise negotiations.

Major elements of the franchise agreement

The overall agreement is comparable to 2006 in terms of value. This was a good outcome in light of the lost leverage due to the FCC orders limiting the City's ability to negotiate benefits in a cable franchise¹ and a more competitive environment.

- **Continuation of free service to schools and City buildings.** As part of the agreement with the PEG (Public, Educational and Government) fee, Comcast has agreed to continue providing complimentary cable TV service to City buildings and schools and not to treat the costs of these service as franchise fee, which the company is legally authorized to do under the FCC's recent orders. This is an approximate value of \$800,000 - \$1 million annually.
- **Funding for Seattle Channel, Art Zone and PEG.** Comcast has agreed to provide the City a PEG fee of 0.4 percent of its gross revenues derived from the sale of cable services. Based on current cable revenue projections, the fee would generate approximately \$753,000 per year for the City to use for PEG-related purpose. The fee would result in approximately a \$0.24 per month increase in the average subscriber bill. CenturyLink will match this fee, but the overall amount will likely remain the same, as we expect the number of subscribers among all cable operators to remain static. This may help offset future decreases from an expected decrease in cable television subscribership, a phenomenon known as "cord-cutting".
- **PEG channels and other PEG matters.** Staff agreed to return seven unused PEG channels to Comcast. These are channels that Comcast had reserved for the City for new services, such as a second Seattle Channel, however we have not developed plans to use the channels in the 10 years they have been reserved for us. The City will retain all its existing PEG Standard Definition (SD) and High Definition (HD) PEG channels and programming that are currently in use. The City will receive an additional HD PEG channel if all SD channels are eventually removed from the Comcast network.
- **Competitive equity.** Comcast wanted assurances that the franchise obligations among the three providers would be equitable taking subscriber size and market penetration into account. We have reached agreement whereby the competitive equity provisions in the franchise agreement apply only in the case where the City grants a franchise to a new cable company after the effective date of Comcast's new franchise.

¹ FCC 06-180, First Report and Order, *Implementation of Section 621(a)(1) of the Cable Communications Policy Act of 1984 as amended by the Cable Television Consumer Protection and Competition Act of 1992* available here <https://www.federalregister.gov/articles/2007/03/21/E7-5119/implementation-of-section-621a1-of-the-cable-communications-policy-act-of-1984>

Benefit	2006 Comcast Franchise	Proposed 2016
Sponsorship of Seattle Channel Programming Fixed pre-payment in lieu of PEG fees.	\$4,125,000	\$0
Capital funds for PEG channels Fixed pre-payment in lieu of PEG fees.	\$2,000,000	\$0
Direct payment of PEG fees Amount estimated, actual amount will depend on Comcast subscribership over 10 years.	\$0	\$7,956,000
Civic Engagement Grant	\$500,000	\$0
Technology Grant	\$15,000	\$0
Total cash payments	\$6,640,000	\$7,956,000
Donation of public access facility (Sold by DoIT to SCL as part of SCM restructuring)	Included	Not applicable
Free cable connections and service to City buildings and schools	Included	Maintained
Promotional assistance credits for Seattle Channel Allocated at \$50,000 annually	\$500,000	\$500,000
PEG signal quality comparable to commercial channels	Included	Maintained
Seattle Channel content on Video on Demand	Included	Maintained
Low-income subscriber discount (30% discount on basic service, \$5 off all tiers)	Included	Maintained
Voluntary disclosure of all service tiers on website	Included	Maintained
PEG info in new subscriber packet and annual reminder, advertising Seattle Channel and SCM	Included	Maintained

Legislation timeline

October 6	Legislation transmitted
October 26	Legislation introduced to Council (referral calendar)
Oct. 26 – Nov. 4	City Clerk publishes notice of the hearing
Oct. 26 – Nov. 17	CM Harrell's office / DoIT help disseminate notice of public hearing
Oct. 26 – Nov. 26	Clerk publishes franchise ordinance for 10 consecutive press days on City's official paper (DJC).
Nov. 18	PSCRT special Committee meeting for public hearing
Dec. 2	PSCRT Committee review of legislation, briefing, possible. Committee vote
Dec. 7	Full Council vote
Dec. 11	Mayor or his designee (CTO) signs legislation
Jan. 11, 2016	Franchise effective date (30 days from approval) [Current Franchise expires Jan 20, 2016]