

## **BILL SUMMARY & FISCAL NOTE**

| <b>Department:</b> | <b>Contact Person/Phone:</b> | <b>Executive Contact/Phone:</b> |
|--------------------|------------------------------|---------------------------------|
| DoIT               | Alice Lawson/684-5957        | Michael Mattmiller/233-7937     |

### **1. BILL SUMMARY**

#### **Legislation Title:**

AN ORDINANCE relating to the City’s Cable Communications Ordinance; amending Chapter 21.60 of the Seattle Municipal Code to reflect advances in technology and changes in federal law, to create a logical organization of the Chapter for ease of reference, to promote competition in cable services, to enhance consumer protection, and to reserve the City’s authority in a fluid regulatory environment; updating the membership requirements and duties of the Citizens’ Telecommunications and Technology Advisory Board, renaming it the Community Technology Advisory Board, and moving the requirements and duties of the Board from Chapter 21.60 to Chapter 3.22; renaming Subtitle V of Title 21 and Chapter 21.60; amending Sections 3.02.125, 21.60.010, 21.60.020, 21.60.030, 21.60.040, 21.60.050, 21.60.060, 21.60.080, 21.60.090, 21.60.100, 21.60.110, 21.60.120, 21.60.130, 21.60.140, 21.60.150, 21.60.160, 21.60.170, 21.60.180, 21.60.190, 21.60.200, 21.60.210, 21.60.220, 21.60.240, 21.60.250, 21.60.260, 21.60.270, 21.60.280, 21.60.800, 21.60.820, and 21.60.830; repealing Sections 21.60.230, 21.60.290, 21.60.295, 21.60.300, 21.60.310, 21.60.320, 21.60.330, 21.60.340, 21.60.350, 21.60.360, 21.60.370, 21.60.380, 21.60.390, 21.60.400, 21.60.440, 21.60.450, 21.60.460, 21.60.470, 21.60.480, 21.60.490, 21.60.500, 21.60.510, 21.60.520, 21.60.530, 21.60.540, 21.60.550, 21.60.560, 21.60.570, 21.60.580, 21.60.590, 21.60.600, 21.60.620, 21.60.630, 21.60.640, 21.60.650, 21.60.660, 21.60.670, 21.60.680, 21.60.690, 21.60.700, 21.60.710, and 21.60.810; and adding Sections 3.22.050, 21.60.070, 21.60.125, 21.60.825, 21.60.840, and 21.60.850 of the Seattle Municipal Code; and repealing Ordinance 123461.

#### **Summary and background of the Legislation:**

This legislation amends Seattle Municipal Code Chapter 21.60, the Cable Communications Ordinance (Cable Code). The current Cable Code contains many provisions adopted over the years that are outdated, and also includes complicated and unnecessary processes that are streamlined in the proposed amendments. The amendments re-organize the Code sections to make the Code easier to read and understand and substantive changes are also made. For example, because federal law has changed over the years to limit local authority over rate regulation, the new Code repeals previous Code sections that had included rate regulation requirements by the City (previous SMC 21.60.295 – SMC 21.60.320). In addition, to encourage a more competitive cable market, the concept of dividing the City into cable districts is repealed

in favor of opening up the City to competition for each franchise agreement. Flexible build-out requirements are crafted to address this changing market and other provisions are added to promote and encourage competition in less affluent areas.

The City's Cable Code was originally adopted in 1976. Over the past four decades it has mostly been amended to address emergent circumstances, with the most recent substantive amendments in 2002 to include customer privacy protections. This resulted in the 38 year old Code needing updates in many areas and a general content restructuring. DoIT organized a team comprised of the Office of Cable Communications and the Law Department, who met and carefully reviewed the Code to develop the proposed changes to conduct a thorough review of the entire Code for modernization.

The majority of the changes proposed with this legislation are made to accomplish this general 'clean-up' goal. The changes remove outdated language and provisions, modify provisions to synchronize with federal, state, and City law, reflect current City processes, and reorder Code sections to place corresponding information together. In addition to these modifications, there were a few substantive changes required to reflect current law, practices, and City policy. They are in the areas of cable districts, cable system build-out requirements, customer service and consumer protection, and rate regulation.

Cable districts: Existing cable districts divide the City into five large geographically defined areas. These districts are derived from the early days of cable system build-out, when smaller cable providers operated in certain regions of the City. The geographic divisions no longer make sense in a City where every home now has access to cable services. Instead of promoting cable access to residents, the districts now serve as barriers to competition because existing Code provisions require a franchise grantee to build a cable system for an entire cable district. In the proposed amendments, the cable franchise districts are eliminated in favor of a more flexible provision that opens the entire City to competition, with franchise areas defined by individual franchise agreements.

Cable system build-out requirements: System build-out requirements are also revised to decrease barriers to competition in the City. The modified requirements are designed to provide incumbent and new cable operators with more flexibility to expand their systems throughout the entire jurisdictional boundaries of the City, with the specific build-out timelines or requirements to be set forth in the individual franchises. The proposed requirements include provisions to ensure the benefits of any new cable competition benefit many Seattle residents, including those in less affluent areas.

Cable customer service and consumer protections: Revisions are made in the Code to increase consumer protection and encourage better customer service. Call answering standards are updated to reflect the modern use of automated Interactive Voice Response (IVR) systems and to put increased focus on hold times for customers who want to speak with a live customer service representative. Reporting requirements on call answering standards are modified to provide the City with more relevant data to support compliance oversight. Financial sanctions and mandatory minimum credits to customers for failure to meet customer service standards are also increased to provide better incentive for compliance and more meaningful compensation to customers

when they receive substandard service.

Cable rate regulation: Federal law has changed over the years, and the 1992 Cable Act limited local authority over cable rate regulation. The new Code amendments repeal previous sections that had mandated rate regulation. The City can still ensure that the rate the cable operators charge for the “limited basic” tier does not exceed the maximum rate allowed under the rules and regulations of the Federal Communications Commission.

Changes to CTTAB: The proposed legislation updates the name, membership requirements, and duties of the Citizens’ Telecommunications and Technology Advisory Board (CTTAB). Per the current Board’s recommendation, CTTAB is proposed to be renamed as the *Community Technology Advisory Board* (CTAB). Membership requirements are updated to clarify when filling an unexpired term counts against the two-term limit, allowing for staggered terms to ensure continuity and sufficient members to conduct Board business. Membership requirements are also updated to clarify Board eligibility is specific to those who live or work in the City. The proposed legislation makes clear that the Board can bring items to the attention of the City, rather than just addressing issues referred to the Board. This reflects what has been in practice and historically supported by both the Council and Mayor. ‘Research’ is also added as a Board activity to better reflect the actual work performed by CTAB. Lastly, the proposed changes move the CTAB provisions from the Cable Code (SMC Chapter 21.60) to the Administration Chapter for the Department of Information Technology (SMC Chapter 3.22), to reflect the broader technology advisory role the Board has from its origins as the ‘cable advisory board’.

Cable providers and CenturyLink were provided an opportunity to review an earlier draft of the proposed Code amendments and to provide input on areas they believed were problematic. Their input was considered in finalizing these proposed amendments.

**2. CAPITAL IMPROVEMENT PROGRAM**

This legislation creates, funds, or amends a CIP Project.

| Project Name: | Project I.D.: | Project Location: | Start Date: | End Date: | Total Cost: |
|---------------|---------------|-------------------|-------------|-----------|-------------|
|               |               |                   |             |           |             |

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

This legislation does not have direct financial implications.

#### 4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

No.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

Without implementation it would be unlikely to increase cable competition in the City. Implementing this legislation may lead to increased franchise fee revenue for the City because FCC studies indicate that when a cable competitor enters a market it results in a net increase in cable subscribers in that market.

Non-implementation would also result in lower compensation amounts to Seattle residents who experience cable customer service violations under Subchapter II (Cable Customer Bill of Rights).

- c) **Does this legislation affect any departments besides the originating department?**

Yes. There would be operational impacts on the Legislative department. This legislation streamlines cable franchise processes which have not been updated since 1978. This is expected to save time for the Office of the City Clerk and Council staff.

- d) **Is a public hearing required for this legislation?**

No.

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

No.

- f) **Does this legislation affect a piece of property?**

No.

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

Yes. This legislation impacts cable service providers and competition in the City, allowing the residents to select their service providers. Implementation of this legislation

may lead to increased franchise fee revenue for the City which is often given back to the community, through services and grant funding.

- h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

N/A.

- i) Other Issues:**

**List attachments below:**

N/A