Cable Television

Renewal Franchise Agreement

October 23, 2018

Brian T. Grogan, Esq.
(612) 877-5340
Brian.Grogan@lawmoss.com
Existing Franchise

• Effective Date – February 10, 2005
  – Term = 12 years
  – Expiration Date = February 9, 2017
    ➢ Current expiration December 31, 2018

• Franchise Fee
  – 5% of Gross Revenues on “Cable Service”
  – Does not include telephone or broadband
  – Now preempted by Virginia Communications Sales and Use Tax

• Educational and Governmental (EG)
  – 3 EG Channels = Channels 46, 47, and 48
  – $1,000,000 Capital Grant in 2005
  – $500,000 Capital Grant on 5th anniversary
  – Recovered by Cox with line item fee on subscriber bills
City Can’t Regulate

- **Telecommunications Services**
  - Regulated by PUC

- **Broadband**
  - Regulated by FCC

- **Cable Rates**
  - In 2015 FCC determined entire United States is subject to Effective Competition

- **Cox can increase cable rates as desired**
  - All tiers of service, equipment, extra fees (broadcast fee)

- **Programming content**
  - City can’t control content on commercial channels
  - First Amendment
City Can Regulate

• Customer Service Standards
  - Office hours and telephone available
  - Installations, outages, and service calls
  - Comm. between the operators and subscribers
  - Billing, refunds, and credits
  - Local office

• Reporting/Enforcement

• ROW Use

• Local EG Channels
Renewal Negotiation Process

- **City Renewal Team**
  - Martha McGann
  - Steven DeBerry, Michael Brown, Jasmine Duncan, Pamela Marino, Chip Finch, Brian Grogan

- **Cox Team**
  - Barrett Stork and numerous other Cox representatives

- **Broadband Study Report**
  - CBG Communications
  - Addressed City broadband coverage needs

- **Renewal Negotiations**
  - 2005 franchise agreement used as “base document”
  - Numerous face-to-face meetings, conference calls, drafts
Key Terms of Renewal Franchise

1. **10 year term**

2. **Franchise Fee**
   a. Cox will continue to comply with state Communications Sales and Use Tax
   b. If tax repealed franchise includes 5% franchise fee on “gross revenues”

3. **Performance Bond**
   - $100,000
   - Security Fund - $20,000

4. **EG Fee – paid quarterly**
   a. 70¢ per subscriber/per month paid to City = approx. $420,000 annually
   b. A portion of the EG fee (52¢) will be paid directly to entity of City’s choice
   c. City may increase EG fee – amount not to exceed 30¢
Key Terms of Renewal Franchise

5. Three EG channels – #46, 47 and 48
   a. All channels provided in SD
   b. City option to trigger HD carriage
   c. All 3 channels to be carried in SD/HD

6. EG signals provided to Cox from City Hall, NPS and WHRO
   a. Detailed plan to move to digital platform with new origination points

7. Subscriber navigation to EG channels
   a. Cox is unable to provide EG channels in Electronic Programming Guide (EPG)
      i. Agreed to provide EPG to City when it is provided to other cities in Hampton Roads region
Key Terms of Renewal Franchise

8. Service to Public Buildings and Schools
   a. Continue all complimentary services in place today
      - Includes terminal equipment currently deployed
   b. For each new location requested by the City
      i. free drop
      ii. free cable service
      iii. free equipment

9. Commercial Services Agreement (CSA)
   a. Fiber connectivity and services specified in amended CSA
   b. Replaces Institutional Network from 2005 agreement

10. Strong customer service standards
    a. Escalated complaint process added to address unresolved complaints
    b. Liquidated damages if noncompliance occurs - measured on a quarterly basis
Recommendation

• City staff and legal counsel recommendation
  – Approval of Cox renewal franchise
Questions

Brian T. Grogan, Esq.
Moss & Barnett, A Professional Association
150 South Fifth Street, Suite 1200
Minneapolis, MN  55402
(612) 877-5340 phone / (612) 877-5031 facsimile
E-mail: Brian.Grogan@lawmoss.com
Web site: www.lawmoss.com